

First Quarterly Report

March 2020

THE CAR FOR THE NEW GENERATION





Vision

To be recognized as a leading organization that values customers' needs and provides motoring solutions with strong customer care.

Mission

- Develop products of superior value by focusing on the customer
- Establish a refreshing and innovative company through teamwork
- Strive for individual excellence through continuous improvement

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Company Information

Board of Directors

Kinji Saito	Chairman
Masafumi Harano	Chief Executive
Tadashi Homma Dy.	Managing Director
Shigeo Takezawa	Director
Kazuyuki Yamashita	Director
Moin M. Fudda	Director
Rukhsana Shah	Director

Chief Financial Officer

Miki Nakahara

Company Secretary

Abdul Nasir

Audit Committee

Moin M. Fudda	Chairman
Kinji Saito	Member
Shigeo Takezawa	Member

Human Resource and Remuneration (HR & R) Committee

Rukhsana Shah	Chairman
Kinji Saito	Member
Masafumi Harano	Member

Auditors

KPMG Taseer Hadi & Co. Chartered Accountants

Registrar

CDC Share Registrar Services Limited
CDC House, 99 - B, Block "B", S.M.C.H.S, Main
Shahrah-e-Faisal Karachi.

Legal Advisors

M/s Shahid Anwar Bajwa & Co.
ORR Dignam & Company

Bankers

Bank Alfalah Ltd.
Bank Al Habib Ltd.
Citibank N.A.
Habib Bank Ltd.
Habib Metropolitan Bank Limited
MCB Bank Ltd.
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Ltd.

Registered Office

DSU-13, Pakistan Steel Industrial
Estate, Bin Qasim, Karachi.
Tel No. (021) 34723551 - 58
Fax No. (021) 34723521 - 22
Website: www.paksuzuki.com.pk

Regional Offices

Lahore Office:

7-A, Aziz Avenue, Canal Bank Road,
Gulberg V, Lahore.
Tel No. (042) 35775456, (042) 35775457
Fax No. (042) 35775467

Rawalpindi Office:

3rd Floor, 112-B Mallahi Plaza,
Murree Road, Rawalpindi Cantt.
Tel No. (051) 5130230 - (051) 5130229
Fax No. (051) 5130232

Multan Office:

402, 4th Floor United Mall, Abdali Road Multan.
Tel No. (061)-4586499
Fax No. (061)-4516765

Directors' Report

On behalf of the Board, I present my review on the performance of the Company during first quarter ended March 31, 2020.

The Economy

World Economy, including Pakistan, is experiencing a slowdown. Countrywide lockdown has now turned into socio-economic meltdown as well. We are going through testing times as pandemic of Coronavirus (COVID-19) is unfolding one of the worst healthcare crisis across the globe and has a widespread impact on the key economic indicators of Pakistan. The impact of COVID-19 on Pakistan's economy can be severe and may lead to a reduction in GDP growth, deterioration in current & fiscal balances, disruption in supply chain and increased unemployment.

Government had initiated National action plan as a policy document for ensuring that all guiding principles for outbreak preparedness, containment and mitigation are followed. Fiscal measures were taken to mitigate the impact on economy. State Bank of Pakistan (SBP) reduced the policy rate from 13.25% to 9% in two months (March and April 2020). We foresee inflation to gradually decline in the year 2020 due to downtrend in global commodity prices and higher base effect.

Coronavirus pandemic has instigated a widespread selloff from the emerging markets including Pakistan. Since March, foreign investors have pulled from equity market and Government papers. Flight of foreign investment from Pakistan built pressure on Pak Rupee and it was depreciated almost 8.5% during the month of March 2020. Devaluation of Pak Rupee will result in increase in imported material cost, consequently, it will increase the pressure on selling prices of vehicles.

Industry Outlook

Tax measures announced in the Federal Budget 2019-20 have severely hit the auto industry. The government has enlarged the scope of Federal Excise Duty (FED) on locally assembled cars. FED has been imposed @ 2.5% on major segment of Company's cars with engine capacity upto 1000cc, consequently increasing the cost to the customers. Additional Customs Duty (ACD) on imported material has been increased by 2% to 5%. These additional taxes coupled with massive depreciation of Pak Rupee adversely affected the cost of vehicles and it forced the OEMs to increase the prices of their vehicles. Consequently, higher prices of vehicles affected sales volume of auto industry resulting in sharp decline in sales volumes.

During the period (January – March 2020), sales volume of auto industry for cars and light commercial vehicles was recorded at 30,764 units compared to 65,315 units in corresponding period of last year, registering decrease of 53%. Sales volume of Company during the quarter January - March 2020 declined by 63% from 37,096 units to 13,718 units. The total sales volume of the Company represented 45% of Pakistan's total market of cars and light commercial vehicles. The Company adjusted the production according to demand and curtailed production volume to 14,756 units. Capacity utilization remained at 39%.

During the period under review, the organized market (PAMA member companies) for motorcycles and three wheelers decreased from 425,762 units to 379,583 units. Decrease of 55,089 units represents 13% decline in sales volume over same period of last year. The demand for Suzuki Motorcycles declined by 20%, primarily because of overall economic condition in country. During the period Jan-Mar 2020, Company sold 4,836 units as compared to sales volume of 6,016 units in corresponding period of last year.

Operating Results of the Company

Company incurred net loss of Rs 941 million compared to net loss of Rs 981 million in same period of last year. Net sales revenues decreased by 48.5% (Rs 16,706 million) from Rs 34,447 million (Jan-Mar 2019) to Rs 17,741 million (Jan-Mar 2020) due to drastic decline in sales volume in current period. Gross profit decreased in absolute terms by Rs 546 million from Rs 1,119 million (Jan-Mar 2019) to Rs 573 million (Jan-Mar 2020). Gross profit margins as a percentage of net sales in current period remained consistent at 3.2%. Beside decline in gross profits, another factor for adverse profitability was increase in financial charges by Rs. 729 million in current period from Rs. 326 million to Rs. 1,055 million in 2019.

Future Outlook & Conclusion

Uncertain conditions prevailed due to pandemic of Corona virus (COVID-19), seriously impacting the overall economic condition of country including auto industry. It is expected that Government will take the policy measures to revive the economy. Recent reduction of 4.25% in policy rate by SBP is right decision in this regard. Further, Government should also rationalize the duties and taxes to address the problems faced by auto industry.

Macroeconomic indicators of the country are challenging for auto industry, yet the Company is endeavoring to improve sales, profitability and diversity in its operations by upgrading the existing products and offers quality products to customers at competitive prices through an efficient network of authorized dealers.



KINJI SAITO
Chairman

Karachi: 23rd April, 2020

Condensed Interim Statement of Financial Position

As at 31 March 2020

	Note	31 March 2020 (Unaudited) (Rupees in '000)	31 December 2019 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	15,008,763	15,685,850
Intangible assets		293,901	345,419
Right-of-use assets		132,378	144,959
Long-term investments	6	324,725	325,925
Long-term loans		4,339	3,500
Long-term deposits, prepayments and other receivables	7	417,869	378,019
Long-term installment sales receivables	8	564,345	271,873
Deferred taxation-net		2,743,460	2,359,062
		<u>19,489,780</u>	<u>19,514,607</u>
Current assets			
Stores, spares and loose tools		285,059	260,424
Stock-in-trade	9	38,879,668	37,516,571
Trade debts		353,686	690,658
Loans and advances		112,045	55,390
Trade deposits and short-term prepayments	10	447,619	279,304
Current portion of long-term installment sales receivables	8	714,363	799,036
Other receivables		392,967	348,919
Taxation - net		6,309,111	7,226,470
Sales tax and excise duty adjustable		8,923,089	7,700,937
Cash and bank balances	11	240,832	3,267,510
		<u>56,658,439</u>	<u>58,145,219</u>
TOTAL ASSETS		<u>76,148,219</u>	<u>77,659,826</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital of 500,000,000 (31 December 2019: 500,000,000) ordinary shares of Rs.10/- each		<u>5,000,000</u>	<u>5,000,000</u>
Issued, subscribed and paid-up capital		822,999	822,999
Capital reserves		844,596	844,596
Revenue reserves		<u>23,334,749</u>	<u>24,283,291</u>
		<u>25,002,344</u>	<u>25,950,886</u>
Non-current liabilities			
Payable against purchase of assets		39,619	163,357
Security Deposits		226,830	236,130
Lease liabilities		<u>113,534</u>	<u>116,192</u>
		<u>379,983</u>	<u>515,679</u>
Current liabilities			
Trade and other payables		12,845,441	12,723,689
Lease liabilities		31,757	31,757
Short term finance	12	31,222,042	32,411,037
Advance from customers		2,658,074	1,497,117
Security deposits		3,042,910	3,927,506
Provision for custom duties and sales tax		947,028	582,826
Unclaimed dividend		18,640	19,329
		<u>50,765,892</u>	<u>51,193,261</u>
TOTAL LIABILITIES		<u>51,145,875</u>	<u>51,708,940</u>
Contingencies and commitments	13		
TOTAL EQUITY AND LIABILITIES		<u>76,148,219</u>	<u>77,659,826</u>

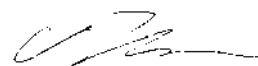
The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.



Chairman



Chief Financial Officer



Chief Executive Officer

Condensed Interim Statement of Profit or Loss (Unaudited)

For the quarter ended 31 March 2020

	Note	Quarter ended	
		31 March 2020	31 March 2019
----- (Rupees in '000) -----			
Sales		17,741,496	34,447,138
Cost of sales		(17,168,590)	(33,328,702)
Gross profit		572,906	1,118,436
Distribution and marketing expenses		(320,673)	(742,967)
Administrative expenses		(577,695)	(622,727)
Reversal / (provision) of impairment losses		3,250	(3,819)
Other income	14	53,392	49,981
Finance costs	15	(1,055,492)	(326,805)
		(1,897,218)	(1,646,337)
Share of loss of equity accounted investee		(1,200)	(739)
Loss before taxation		(1,325,512)	(528,640)
Taxation	16	384,398	(452,104)
Loss after taxation		(941,114)	(980,744)
----- (Rupees) -----			
Loss per share - basic and diluted		(11.44)	(11.92)

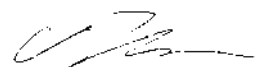
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Chairman



Chief Financial Officer



Chief Executive Officer

Condensed Interim Statement of Comprehensive Income (Unaudited)

For the quarter ended 31 March 2020

	Quarter ended	
	31 March 2020	31 March 2019
	----- (Rupees in '000) -----	
Loss after taxation	(941,114)	(980,744)
Other comprehensive loss		
<i>Items that will never be reclassified to statement of profit or loss</i>		
Re-measurement loss on defined benefit plan - net of tax	(7,428)	(5,059)
Reversal / (provision) of impairment losses		

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.



Chairman



Chief Financial Officer



Chief Executive Officer

Condensed Interim Statement of Changes in Equity (Unaudited)

For the quarter ended 31 March 2020

	Share Capital Issued, subscribed and paid-up capital	Reserves			Total reserves	Total
		Capital reserves	Revenue reserves	Total reserves		
	Share premium	Reserve on merger				
Note ----- (Rupees in '000) -----						
Balances as at 1 January 2019	822,999	584,002	260,594	27,565,270	28,409,866	29,232,865
Total comprehensive income for the period ended 31 March 2019						
Reversal / (provision) of impairment losses						
Other comprehensive loss	-	-	-	(5,059)	(5,059)	(5,059)
	-	-	-	1,302,726	(985,803)	(985,803)
Transactions with owners recorded directly in equity - distributions						
Final dividend on ordinary shares @ 31.6% for the year ended 31 December 2018	-	-	-	(260,068)	(260,068)	(260,068)
Balance as at 31 March 2019	822,999	584,002	260,594	28,607,928	27,163,995	27,986,994
Balances as at 1 January 2020	822,999	584,002	260,594	24,283,291	25,127,887	25,950,886
Total comprehensive loss for the period ended 31 March 2020						
Loss for the period	-	-	-	(941,114)	(941,114)	(941,114)
Other comprehensive loss	-	-	-	(7,428)	(7,428)	(7,428)
	-	-	-	(948,542)	(948,542)	(948,542)
Balance as at 31 March 2020	822,999	584,002	260,594	23,334,749	24,179,345	25,002,344

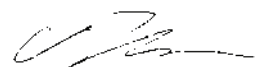
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Chairman



Chief Financial Officer



Chief Executive Officer

Condensed Interim Cash Flow Statement (Unaudited)

For the quarter ended 31 March 2020

	Note	31 March 2020	31 March 2019
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	17	(1,499,868)	4,256,660
Markup paid on short term finance		(649,071)	(265,000)
Income tax refund		917,359	816,281
Long-term loans		(839)	124
Long-term deposits, prepayments and other receivables		(39,850)	(8,800)
Long-term installment sales receivables		(292,472)	(21,712)
Net cash generated from operating activities		(1,564,741)	4,777,553
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment including capital work in progress		(314,256)	(578,738)
Purchase of intangible assets		-	(12,709)
Proceeds from disposal of property, plant and equipment		28,978	2,177
Profit received on bank deposits		15,443	15,984
Net cash used in investing activities		(269,835)	(573,286)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liability		(2,418)	-
Dividend paid		(689)	(1,249)
		(3,107)	(1,249)
Net decrease in cash and cash equivalents		(1,837,683)	4,203,018
Cash and cash equivalents at beginning of the period		(29,143,527)	(9,794,334)
Cash and cash equivalents at end of the period		(30,981,210)	(5,591,316)
Cash and cash equivalent comprise of			
Cash and bank balances		240,832	3,968,965
Short term finance		(31,222,042)	(9,560,281)
		(30,981,210)	(5,591,316)


The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.



Chairman



Chief Financial Officer



Chief Executive Officer

Notes to the Condensed Interim Financial Statements (Unaudited)

For the quarter ended 31 March 2020

1. STATUS AND NATURE OF BUSINESS

Pak Suzuki Motor Company Limited ("the Company") was incorporated in Pakistan as a public limited company in August 1983 and started commercial production in January 1984. The Company was formed in accordance with the terms of a joint venture agreement concluded between Pakistan Automobile Corporation Limited ("PACO") and Suzuki Motor Corporation (SMC), Japan (the Holding Company) having registered address of 300 Takatsuka-Cho, Minami-Ku, Hamamatsu City. In 1996, the joint venture agreement was ended & PACO divested its entire shareholding to SMC. The Company is engaged in the assembling, progressive manufacturing and marketing of Suzuki cars, pickups, vans, 4x4s and motorcycles and related spare parts. The Company is listed on Pakistan Stock Exchange Limited. The registered office of the Company is situated at DSU – 13, Pakistan Steel Industrial Estate, Bin Qasim, Karachi.

The Company's interest in equity accounted investee - Techo Auto Glass Limited comprise 40% equity interest.

2. BASIS OF PREPARATION

2.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standards (IAS) 34 "Interim Financial Reporting " issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and
- Provision of and directives issued under the Companies Act, 2017.

Where the provision of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provision of and directives issued under the Companies Act, 2017 have been followed.

2.2 These condensed interim financial statements do not include all the information and disclosures as required in the annual financial statements and should be read in conjunction with the Company's annual audited financial statements for the year ended 31 December 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of annual audited financial statements of the Company as at and for the year ended 31 December 2019.

For the quarter ended 31 March 2020

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reporting amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience. Actual results may differ from these estimates.

The significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual financial statements as at and for the year ended 31 December 2019.

The Company's financial risk management objectives and policies are consistent with those disclosed in the Company's annual audited financial statements as at and for the year ended 31 December 2019.

5. PROPERTY, PLANT AND EQUIPMENT

	31 March 2020 (Unaudited)	31 December 2019 (Audited)
	(Rupees in '000)	
Operating fixed assets	14,384,479	15,033,621
Capital work in progress	5.2 <u>624,284</u>	<u>652,229</u>
	<u>15,008,763</u>	<u>15,685,850</u>

5.1 The following are the additions and disposals of property, plant and equipment during the period:

	For the quarter ended	
	31 March 2020	31 March 2019
	(Rupees in '000)	
Additions / transfer from CWIP		
Buildings on leasehold land - factory building	1,776	5,282
Plant and machinery	34,228	27,589
Permanent and special tools	1,549	3,216
Waste water treatment plant	91,168	-
Jigs and fixtures	1,464	15,498
Furniture and fittings	4,807	50
Vehicles	17,201	63,673
Air conditioners and refrigerators	2,391	642
Office equipments	2,423	2,721
Computers	5,564	431
Dies - Vendor premises	50,166	-
	<u>212,737</u>	<u>119,102</u>

Notes to the Condensed Interim Financial Statements (Unaudited)

For the quarter ended 31 March 2020

Disposal - at book value

Plant and machinery	731	-
Jigs and fixtures	170	-
Furniture and fittings	3	-
Vehicles	-	536
Air conditioners and refrigerators	-	28
Office equipments	38	35
Computers	6	21
	<u>948</u>	<u>620</u>

5.2 Capital Work in Progress

	31 March 2020 (Unaudited)	31 December 2019 (Audited)
	(Rupees in '000)	
Plant and machinery	590,152	632,254
Civil works	34,132	19,975
	<u>624,284</u>	<u>652,229</u>

During current period, additions to capital work-in-progress amounted to Rs. 161.91 million (31 March 2019: Rs. 5,251 million) and transfer to fixed assets amounted to Rs. 189.85 million (31 March 2019: Rs. 430 million).

6. LONG TERM INVESTMENTS

	31 March 2020 (Unaudited)	31 December 2019 (Audited)
	(Rupees in '000)	
Investment in related party (equity accounted)		
<i>Investment in associate - unquoted</i>		
- Tecno Auto Glass Limited 34,400,000 (2019: 34,400,000) fully paid ordinary shares of Rs. 10/- each (Shareholding 40%)	324,725	325,925
Other investments		
<i>Fair value through OCI</i>		
- Arabian Sea Country Club Limited 500,000 (2019: 500,000) fully paid ordinary shares of Rs. 10/- each (Shareholding 6.45%) Provision for impairment in the value of investment	5,000 (5,000)	5,000 (5,000)
- Automotive Testing & Training Centre (Private) Limited 125,000 (2019: 125,000) fully paid ordinary shares of Rs. 10/- each (Shareholding 6.94%) Provision for impairment in the value of investment	1,250 (1,250)	1,250 (1,250)
	<u>324,725</u>	<u>325,925</u>

Notes to the Condensed Interim Financial Statements (Unaudited)

For the quarter ended 31 March 2020

7. LONG-TERM DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	31 March 2020 (Unaudited) (Rupees in '000)	31 December 2019 (Audited)
Deposits	44,680	43,380
Prepayments	22	33
Other receivable from employees at cost	683,190	646,489
Less: Impact of discounting	(211,964)	(211,964)
	7.1 471,226	434,525
Less: Receivable within one year	(98,059)	(99,919)
	373,167	334,606
	417,869	378,019

7.1 This represents receivable against vehicles given to employees under the Vehicle Ownership Employee Scheme. These receivables are interest free and secured against the personnel guarantees and provident fund balances of the respective employees. These are receivable in maximum eighty-four equal monthly installments.

8. LONG TERM INSTALLMENT SALES RECEIVABLES - secured, considered good	31 March 2020 (Unaudited) (Rupees in '000)	31 December 2019 (Audited)
Gross amount of Installment sales receivables	1,458,969	1,198,632
Less: Impact of discounting	(148,632)	(103,408)
Installment sales receivables	1,310,337	1,095,224
Less: Unearned finance income	(5,480)	(6,210)
	1,304,857	1,089,014
Less: Provision of impairment allowance on receivables	(26,149)	(18,105)
	1,278,708	1,070,909
Less: Current maturity	(714,363)	(799,036)
	564,345	271,873

8.1 This represents balances receivable under various installment sale agreements in equal monthly installments. It includes installment sales to customer (motorcycles) and registered vendors of the Company. In case of installment sales to customers, the Company retains the title and registers the documents of the motorcycles in its name as a security. For installment sales to vendors, vehicles are lien marked and registered in joint names of vendor and the Company. Such documents are retained in Company's custody and transferred in the name of customers / vendor after the entire dues are cleared. Mark-up on installment sales receivables range from 9% to 28% (2019: 9% to 28%) per annum, excluding up to 24 months installment sales which are subject to 0% markup. However, overdue rentals are subject to additional surcharge.

Notes to the Condensed Interim Financial Statements (Unaudited)

For the quarter ended 31 March 2020

9. STOCK IN TRADE	31 March 2020 (Unaudited) (Rupees in '000)	31 December 2019 (Audited)
Raw material and components [including items in transit Rs. 2,011.40 million (2019: Rs. 4,578.33 million)]	21,830,120	21,363,836
Less: Provision for slow moving and obsolete items		
- at beginning of the period	226,462	86,360
- provision during the period	12,044	140,102
	238,506	226,462
	21,591,614	21,137,374
Work-in-process	174,876	160,626
Finished goods	16,033,570	14,903,629
Trading stocks [including items in transit Rs. 64.4 million (2019: Rs. 198.204 million)]	1,175,105	1,389,339
Less: Provision for slow moving and obsolete items		
- at beginning of the period	74,397	59,215
- provision / (reversal) during the period	21,100	15,182
	95,497	74,397
	1,079,608	1,314,942
	38,879,668	37,516,571

9.1 Of the aggregate amount, stocks worth Rs. 8,802 million (2019: Rs. 7,784 million) were in the custody of dealers and vendors dispersed all over Pakistan.

9.2 Raw material and components, work-in-process, finished goods and trading stocks have been written down by Rs. 21.46 million, Rs. 0.72 million, Rs. 21.06 million and Rs. 27.97 million (2019: Rs. 39.65 million, Rs. Nil million, Rs. 1.05 million and Rs. 50.06 million) respectively to arrive at net realizable value.

10. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS	31 March 2020 (Unaudited) (Rupees in '000)	31 December 2019 (Audited)
Trade deposits	460	1,090
Margin against letter of credits and imports	343,181	168,006
	343,641	169,096
Prepayments		
- Collector of custom	30,830	49,054
- Rent	21,681	31,150
- Insurance	34,938	4,142
- Other	16,529	25,862
	103,978	110,208
	447,619	279,304

Notes to the Condensed Interim Financial Statements (Unaudited)

For the quarter ended 31 March 2020

11. CASH AND BANK BALANCES

		31 March 2020 (Unaudited) (Rupees in '000)	31 December 2019 (Audited)
Cash in hand		53,720	10,692
Cash at banks:			
- in deposit accounts - conventional	11.1	131,954	1,048,100
- in a special deposit account - conventional	11.2	53,918	130,955
- in current accounts		1,240	2,077,763
		187,112	3,256,818
		240,832	3,267,510

11.1 These carry profits rates ranging from 5.50% to 12.85% (2019: 5.5% to 12.85%) per annum.

11.2 A special account is maintained in respect of security deposits in accordance with the requirements of Section 217 of the Companies Act, 2017.

12. SHORT TERM FINANCE

The effective rate of mark-up on short-term running finance facility ranges from 13.06% to 13.64% (2019: 13.03% to 13.66%) per annum. These facilities are renewable subject to payment of repurchase price on specified dates. The facilities for running finance available from various commercial banks are for the purpose of meeting working capital requirements. The total limit of short term running financing facilities available from banks aggregate to Rs. 45,500 million (2019: Rs. 38,000 million) out of which Rs. 14,279 million (2019: 5,588 million) remained unutilised as of reporting date. Out of the total available facilities one of the arrangement amounting Rs. 25,000 million (2019: 25,000) is secured against support from holding company, Suzuki Motor Corporation, Japan. Remaining Facilities are secured by way of pari passu hypothecation charge over Company's stock & trade debts.

During the year new loan has been obtained from Standard Chartered Bank UK - Dubai International Finance Center branch through Standard Chartered Bank (Pakistan) Limited amounting to USD. 64.4 Million equivalent to fixed amount of Rs. 9,975 Million for meeting working capital requirements. The tenure of the loan is three months i.e. from Jan 2020 to Apr 2020. As per term of the agreement, Standard Chartered Bank(Pakistan) Limited has obtained forward cover on behalf of the company to hedge foreign currency risk involved due to nature of the loan and the fixed effective price of the loan to the company (including interest, brokerage and hedging expense) is three month KIBOR - 0.50%.

Notes to the Condensed Interim Financial Statements (Unaudited)

For the quarter ended 31 March 2020

13. CONTINGENCIES AND COMMITMENTS

- 13.1** Capital expenditure contracted for but not incurred amounted to Rs. 17.53 million (2019: Rs. 392.47 million).
- 13.2** The facilities for opening letters of credit as at reporting date, amounted to Rs. 10,300 million (2019: Rs. 10,300 million) of which the amount remaining unutilised at the period end was Rs. 10,113 million (2019: Rs. 9,897 million).
- 13.3** The facilities for opening letters of guarantee as at reporting date, amounted to Rs. 2,626 million (2019: Rs. 2,126 million) of which the amount remaining unutilised at the period end was Rs. 892 million (2019: Rs. 456.371 million).
- 13.4** The Company has issued a corporate guarantee on behalf of Tecno Auto Glass Limited, an associated company, amounting to Rs. 600 million (2019: Rs. 600 million) from Meezan Bank Limited in relation to borrowing facilities granted to the associated company.

14. OTHER INCOME

	For the quarter ended	
	31 March 2020	31 March 2019
	(Rupees in '000)	
Mark-up on bank balances	15,443	16,540
Commission income	750	750
Finance income on installment sales	1,437	4,143
	<u>17,630</u>	<u>21,433</u>
(Loss) / gain on disposal of fixed assets	(665)	1,556
Scrap sales	12,025	7,050
Miscellaneous income	24,402	19,942
	<u>35,762</u>	<u>28,548</u>
	<u>53,392</u>	<u>49,981</u>

- 14.1** This represents commission income on corporate guarantee provided to Meezan Bank Limited on behalf of Tecno Auto Glass Limited, associated company, amounting to Rs. 600 million in relation to borrowing facilities granted to the associated company.

15. FINANCE COSTS

	31 March 2020	31 December 2019
	(Unaudited)	(Audited)
	(Rupees in '000)	
Markup on lease liability	2,074	-
Mark-up on workers' profit participation fund	-	-
Mark-up on Short term running Finance	1,056,685	264,997
Exchange loss - net	(10,737)	41,140
Bank charges	7,470	20,668
	<u>1,055,492</u>	<u>326,805</u>

Notes to the Condensed Interim Financial Statements (Unaudited)

For the quarter ended 31 March 2020

16. TAXATION

- Current	-	(452,104)
- Deferred	384,398	-
	<u>384,398</u>	<u>(452,104)</u>

17. CASH GENERATED FROM OPERATIONS

	For the quarter ended	
	31 March 2020	31 March 2019
	(Rupees in '000)	
(Loss) / profit before taxation	(1,325,512)	(528,640)
<i>Adjustments for non cash charges and other items:</i>		
Depreciation	860,929	419,158
Amortisation	51,519	23,832
Depreciation - right-of-use assets	10,267	-
Gain on disposal of fixed assets	665	(1,556)
Share of loss of equity accounted investee	1,200	739
Markup on bank deposits	(15,443)	(16,540)
Markup on lease liability	2,074	-
Markup on short term borrowings	1,056,685	264,997
	1,967,896	690,630
Working capital changes	(2,142,252)	4,094,670
	<u>(1,499,868)</u>	<u>4,256,660</u>

17.1 Working capital changes

Decrease / (increase) in current assets:

Stores, spares and loose tools	(24,635)	(42,972)
Stock in trade	(1,363,097)	2,873,664
Trade debts	336,972	(2,083,738)
Current portion of long-term installment sales receivables	84,673	(42,395)
Loans and advances	(56,655)	(69,055)
Trade deposits and short term prepayments	(168,315)	281,258
Other receivables	(44,048)	34,320
Sales tax and excise duty adjustable	(1,222,152)	365,875
	<u>(2,457,257)</u>	<u>1,316,957</u>

(Decrease) / increase in current liabilities

Trade and other payables	(316,258)	(671,593)
Provision for custom duties and sales tax	364,202	-
Security deposits	(893,896)	2,015,243
Advances from customers	1,160,957	1,434,063
	<u>315,005</u>	<u>2,777,713</u>
	<u>(2,142,252)</u>	<u>4,094,670</u>

Notes to the Condensed Interim Financial Statements (Unaudited)

For the quarter ended 31 March 2020

18. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties during the period are as follows:

For the quarter ended 31 March 2020	Holding company	Other related parties	Total
	----- (Rupees in '000') -----		
Transactions			
Purchases of components	3,648,998	2,001,222	5,650,220
Sales including exports sales	2,810	7,230	10,040
Royalty and technical fee	325,057	-	325,057
Sales promotional and development expenses	6,142	-	6,142
Commission income from Corporate Guarantee	-	750	750
Staff retirement benefits	-	41,271	41,271
	Holding company	Other related parties	Total
	----- (Rupees in '000') -----		

For the quarter ended 31 March 2019

Transactions			
Purchases of components	4,322,481	5,491,872	9,814,353
Purchases of fixed assets	58,194	-	58,194
Sales including exports sales	19,297	4,305	23,602
Royalty and technical fee	457,078	-	457,078
Sales promotional and development expenses	2,089	-	2,089
Commission income from Corporate Guarantee	-	750	750
Staff retirement benefits	-	31,124	31,124

19. SEGMENT ANALYSIS

The activities of the Company have been grouped into two operating segments, i.e. automobile and motorcycle as follows:

	31 March 2020 (Unaudited)			31 March 2019 (Unaudited)		
	Automobile	Motorcycle	Total	Automobile	Motorcycle	Total
	----- (Rupees in '000') -----					
Segment results						
Sales	16,949,423	792,073	17,741,496	33,532,725	914,413	34,447,138
Gross profit	521,454	51,452	572,906	1,016,670	101,766	1,118,436
Distribution and marketing expenses	(308,020)	(12,653)	(320,673)	(728,436)	(14,531)	(742,967)
Administrative expenses	(514,463)	(63,232)	(577,695)	(580,720)	(45,826)	(622,727)
Provision / (reversal) of impairment	(250)	3,500	3,250	-	-	(3,819)
Operating profit	(301,279)	(20,933)	(322,212)	(292,486)	41,409	(251,077)
Other income	33,707	19,685	53,392	42,744	7,237	49,981
Finance cost	(1,054,495)	(997)	(1,055,492)	(325,122)	(1,683)	(326,805)
	(1,322,067)	(2,245)	(1,324,312)	(574,864)	46,963	(527,901)

Notes to the Condensed Interim Financial Statements (Unaudited)

For the quarter ended 31 March 2020

Unallocated corporate expenses

Share of loss of equity accounted investee		(1,200)		(739)
Taxation		<u>384,398</u>		<u>(452,104)</u>
(Loss) / Profit after taxation		<u>(941,114)</u>		<u>(980,744)</u>

Capital expenditure	<u>205,754</u>	<u>7,731</u>	<u>213,485</u>	555,411	<u>23,327</u>	<u>578,738</u>
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Depreciation	<u>830,523</u>	<u>30,406</u>	<u>860,929</u>	387,506	<u>31,653</u>	<u>419,159</u>
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	31 March 2020 (Unaudited)			31 December 2019 (Audited)		
	Automobile	Motorcycle	Total	Automobile	Motorcycle	Total
	(Rupees in '000')					
Assets						
Segment assets	54,381,178	2,725,572	57,106,750	56,670,776	2,854,697	59,525,473
Unallocated corporate assets	-	-	19,041,469	-	-	18,134,353
	<u>54,381,178</u>	<u>2,725,572</u>	<u>76,148,219</u>	<u>56,670,776</u>	<u>2,854,697</u>	<u>77,659,826</u>
Liabilities						
Segment liabilities	20,266,622	(488,080)	19,778,542	17,614,158	74,987	17,689,145
Unallocated corporate liabilities	-	-	31,367,333	-	-	34,019,795
	<u>20,266,622</u>	<u>(488,080)</u>	<u>51,145,875</u>	<u>17,614,158</u>	<u>74,987</u>	<u>51,708,940</u>

20. GENERAL

- 20.1** Figures in these condensed interim financial statements have been rounded off to the nearest thousand rupees, unless otherwise stated.
- 20.2** Corresponding figures have been arranged or reclassified, wherever necessary, for the purpose of comparison and better presentation.

21. DATE OF AUTHORISATION FOR ISSUE

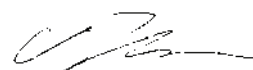
These condensed interim financial statements have been authorised for issue by the Board of Directors of the Company in its meeting held on April 23, 2020.



Chairman



Chief Financial Officer



Chief Executive Officer

ڈائریکٹرز رپورٹ

کل مارکیٹ کا 45 فیصد ہے۔ کمپنی نے طلب کے مطابق پیداوار کو ایڈجسٹ کیا اور پیداواری حجم کو گھٹا کر 14,756 یونٹ کر دیا۔ صلاحیت کا استعمال 39 فیصد رہا۔

زیر جائزہ مدت کے دوران موٹر سائیکلوں اور تھری وہیلر کے لئے منظم مارکیٹ (پاممبر کمپنیاں 425,762 یونٹس سے گھٹ کر 379,583 یونٹ رہ گئی 55,089 یونٹوں کی کمی گزشتہ سال کی اسی مدت کے مقابلے میں فروخت کے حجم میں 13 فیصد کمی کی نمائندگی کرتی ہے۔ بنیادی طور پر ملک میں معاشی حالت کی وجہ سے سوزوکی موٹر سائیکلوں کی طلب میں 20 فیصد کمی واقع ہوئی ہے۔ سال جنوری-مارچ 2020 کے دوران کمپنی نے گزشتہ سال کے اسی عرصے میں 6,016 یونٹوں کی فروخت کے حجم کے مقابلے میں 4,839 یونٹ فروخت کیے۔

کمپنی کے آپریٹنگ نتائج

پچھلے سال کی اسی مدت میں کمپنی کو 981 ملین روپے کا خالص خسارہ ہوا تھا۔ موجودہ مدت میں فروخت کے حجم میں زبردستی کمی کی وجہ سے خالص فروخت کی آمدنی میں 34.544 ملین (جنوری-مارچ 2019) سے 48.5 فیصد (16,706 ملین روپے) کی کمی واقع ہوئی ہے۔ مجموعی منافع مطلق شرائط میں 546 ملین روپے کی کمی سے 1,119 ملین روپے (جنوری-مارچ 2019) سے 573 ملین روپے (جنوری-مارچ 2020) تک رہ گیا۔ موجودہ مدت میں خالص فروخت کی فیصد کے طور پر مجموعی منافع کا حجم 3.2 فیصد پر مستقل رہا۔ مجموعی منافع میں کمی کے علاوہ منفی منافع کا دوسرا عنصر مالیاتی الزامات میں روپے میں بڑھا تھا۔ موجودہ مدت میں 729 ملین روپے سے بڑھا جو کہ 326 ملین روپے (2019) سے 1,055 ملین روپے ہو گیا۔

مستقبل کا نظریہ اور نتیجہ

کورونا وائرس (COVID-19) کی وبائی بیماری کی وجہ سے غیر یقینی صورتحال پیدا ہو گئی جس نے آٹو صنعت سمیت ملک کی مجموعی معاشی حالت پر سنگین اثر ڈالا تو توقع کی جا رہی ہے کہ حکومت معیشت کی بحالی کے لئے پالیسی اقدامات کرے گی۔ اس ضمن میں اسٹیٹ بینک کے ذریعہ پالیسی کی شرح میں حالیہ 4.25 فیصد کمی درست فیصلہ ہے۔ مزید یہ کہ آٹو انڈسٹری کو درپیش پریشانیوں کو دور کرنے کے لئے حکومت کو بھی فرائض اور ٹیکس کو معقول بنانا چاہئے۔ ملک کے میکرو اکنامک اشارے آٹو صنعت کے چیلنج کر رہے ہیں اس کے باوجود کمپنی موجودہ مصنوعات کو اپ گریڈ کر کے اپنے عمل میں فروخت، منافع اور تنوع کو بہتر بنانے کی کوشش کر رہی ہے اور مجاز ڈیلرز کے ایک موثر نیٹ ورک کے ذریعے مسابقتی قیمتوں پر صارفین کو معیاری مصنوعات کی پیش کش کرتی ہے۔



کنجی سائیو
چیئرمین

کراچی: 23 اپریل 2020

ڈائریکٹرز رپورٹ

بورڈ کی جانب سے، میں 31 مارچ 2020 کو ختم ہونے والی پہلی سہ ماہی کے دوران کمپنی کی کارکردگی پر اپنا جائزہ پیش کرتا ہوں۔

اکانومی

پاکستان سمیت عالمی معیشت سست روی کا شکار ہے۔ ملک گیر لاک ڈاؤن اب معاشرتی اور معاشی خرابی میں بھی بدل گیا ہے۔ ہم آزمائش کے اوقات سے گزر رہے ہیں کیونکہ کرونا وائرس کی وبائی بیماری (COVID-19) پوری دنیا میں صحت کی دیکھ بھال کے بدترین بہران میں سے ایک ہے اور اس کا وسیع پیمانے پر پاکستان کے اہم معاشی اشارے پر اثر پڑ رہا ہے۔ پاکستان کی معیشت پر COVID-19 کا اثر شدید ہو سکتا ہے اور اس سے جی ڈی پی کی نمو میں کمی موجودہ اور مالی توازن میں بیگاڑ، سپلائی چین میں رکاوٹ اور بیروزگاری میں اضافہ ہو سکتا ہے۔

حکومت نے اس عمل کو یقینی بنانے کے لئے قومی ایکشن پلانٹ کو ایک پالیسی دستاویز کے طور پر شروع کیا تھا کہ پھیلنے کی تیاری، قابو پانے اور تخفیف کے تمام رہنما اصولوں پر عمل کیا جائے۔ معیشت پر پڑنے والے اثرات کو کم کرنے کے لئے مالی اقدامات کئے گئے تھے۔ اسٹیٹ بینک آف پاکستان (ایس بی پی) نے دو مہینوں (مارچ اور اپریل 2020) میں پالیسی کی شرح 13.25 فیصد سے گھٹ کر 9 فیصد کر دی۔ ہم پیشگوئی کرتے ہیں کہ عالمی اجناس کی قیمتوں میں مندی اور اس سے زیادہ بنیادی اثر کے باعث سال 2020 میں افراط زر آہستہ آہستہ کم ہو جائے گا۔

کرونا وائرس وبائی مرض نے پاکستان سمیت بھرتی ہوئی مارکیٹوں میں بڑے پیمانے پر فروخت کو ہوا دی ہے۔ مارچ کے بعد سے، غیر ملکی سرمایہ کاروں نے ایکویٹی مارکیٹ اور سرکاری کاغذات سے دستبرداری اختیار کر لی ہے۔ پاکستان سے غیر ملکی سرمایہ کاری کی پرواز پاک روپیہ پر دباؤ ڈالتی ہے اور اس کو مارچ 2020 کے مہینے میں تقریباً 8.5 فیصد کمی کا سامنا کرنا پڑا۔ پاک روپیہ کی قدر میں کمی سے درآمدی مواد کی لاگت میں اضافہ ہوگا، اس کے نتیجے میں اس سے گاڑیوں کی قیمتوں پر دباؤ میں اضافہ ہوگا۔

صنعت آؤٹ لک

وفاقی بجٹ 2019-20 میں اعلان کردہ ٹیکس اقدامات نے آٹو صنعت کو شدید متاثر کیا ہے۔ حکومت نے مقامی طور پر بننے والی کاروں پر فیڈرل ایکسائز ڈیوٹی (ایف ای ڈی) کا دائرہ بڑھایا ہے۔ 1000 سی سی تک کی گاڑیوں پر 2.5 فیصد ایف ای ڈی لگادی گئی ہے اس کے نتیجے میں صارفین کو لاگت میں اضافہ ہوگا۔ درآمدی مواد پر اضافی کسٹم ڈیوٹی (ای سی ڈی) میں دو فیصد اضافہ کر کے 5 فیصد کر دیا گیا ہے۔ ان اضافی ٹیکسوں کے ساتھ ساتھ پاک روپیہ کی بے قدری ہوئی قیمتوں نے گاڑیوں کی لاگت کو بری طرح متاثر کیا اور اس سے او ای ایم اپنی گاڑیوں کی قیمتوں میں اضافہ کرنے پر مجبور ہو گئے۔ اس کے نتیجے میں، گاڑیوں کی اعلیٰ قیمتوں نے آٹو انڈسٹری کی فروخت کے حجم کو متاثر کیا جس کے نتیجے میں فروخت کی مقدار میں تیزی سے کمی واقع ہوئی۔

اس عرصے کے دوران (جنوری تا مارچ 2020) کاروں اور ہلکی تجارتی گاڑیوں کے لئے آٹو انڈسٹری کی فروخت کا حجم 30,704 یونٹ ریکارڈ کیا گیا جبکہ اس سے گزشتہ سال کے اسی عرصے میں 65,315 یونٹ ریکارڈ ہوئے، جس میں 53 فیصد کمی ریکارڈ کی گئی۔ سہ ماہی جنوری تا مارچ 2020 کے دوران کمپنی کے فروخت کا حجم 63 فیصد کمی سے 37,096 یونٹس سے 13,718 یونٹ رہا۔ کمپنی کی کل فروخت کا حجم پاکستان کی کاروں اور ہلکی تجارتی گاڑیوں کی

PAK SUZUKI MOTOR CO. LTD.

DSU-13, Pakistan Steel Industrial Estate, Bin Qasim, Karachi.

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