



# Third Quarter Report

## September 2018



**Pak Suzuki Motor Company Limited**



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# 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

# Company Information

FINANCIAL

Accounts

## Board of Directors

Kinji Saito	Chairman
Masafumi Harano	Chief Executive
Tetsuya Fujioka	Deputy 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

Central Depository Company of Pakistan Ltd.  
CDC House, 99-B, S.M.C.H.S,  
Main Shahra-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.  
Faysal Bank Ltd.  
Habib Bank Ltd.  
Habib Metropolitan Bank Limited  
MCB Bank Ltd.  
National Bank of Pakistan  
Standard Chartered Bank (Pakistan) Ltd.  
Summit Bank Ltd.  
The Bank of Punjab  
The Bank of Tokyo-Mitsubishi UFJ, 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](http://www.paksuzuki.com.pk)

## Area 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 nine months ended September 30, 2018.

## Industry Outlook

During the period (January – September 2018) sales volume of industry for Cars and Light Commercial Vehicles increased by 9.5% as compared to corresponding period of last year. During the period 192,845 units were sold against 176,055 units sold in the same period of last year. Sales volume of Pak Suzuki increased by 11% from 95,704 units (Jan- Sep 2017) to 106,364 units (Jan- Sep 2018). Major increase in sales was witnessed in sales volume of 1000cc car segment. Sales volume in 1000cc car segment increased by 25% from 30,979 units in 2017 to 38,765 units in 2018. The Company maintained 54% market share of Pakistan's total market of cars and light commercial vehicles. During the period January – September 2018, Company operated at almost full capacity and achieved production volume of 108,620 units which represented 97% capacity utilization.

The organized market (PAMA member companies) for motorcycles and three wheelers increased by 11% from 1,301,902 units to 1,442,982 units. 70cc engine capacity motorcycles dominated the sales volume in motorcycle industry. Company does not produced motorcycle of 70cc engine and compete in 100cc and above segment motorcycles. However, sales volume of Company increased by 17% and sold 16,955 units against 14,472 units in corresponding period of last year.

## Operating Results of the Company

Company earned net profit Rs 1,392 million compared to Rs 3,097 million in same period of last year. Net sales revenues increased by 22% (Rs 16,216 million) from Rs 72,802 million (Jan-Sep 2017) to Rs 89,018 million (Jan- Sep 2018) due to improved sales volume in current period. Gross profit decreased in absolute terms by Rs 1,334 million from Rs 7,390 million (Jan-Sep 2017) to Rs 6,056 million (Jan-Sep 2018). Gross profit margins as a percentage of net sales declined from 10.2% to 6.8% of net sales. Devaluation of Pak Rupee contributed in increase in imported material cost, consequently adversely affecting the gross profit margins.

## The Economy

During the calendar year 2018, State Bank of Pakistan (SBP) raised the policy rate by 275 basis points to 8.5%. It is the sharpest increase in interest rates in recent past. In monetary policy announced in September 2018, SBP expects GDP to grow by 5% in Financial Year 2019. Average inflation for Financial Year 2019 is expected to remain in the range of 6.5% to 7.5% due to higher fiscal deficit, food inflation, higher oil prices and Pak Rupee depreciation.

## Government Policies

In the Federal Budget 2018-19, Government provided restriction on purchase of vehicles by non-filers is reflecting on the sales volume of automobile manufacturer but also it is bringing down the whole automotive suppliers business. It may result in decrease of federal tax revenues.

### Future Outlook & Conclusion

The Company is endeavoring to improve sales, profitability and diversity in its operations by upgrading the existing products and launching new products. Strengths of Pak Suzuki are quality products, diversified product range and efficient dealers' network, ensuring availability of spare parts at economical prices and reliable after sales service to customers.

Macroeconomic indicators of the country are challenging for auto industry. Pak Rupee devaluation, rising raw material prices, expected hike in interest rate and current account deficit are major challenges for auto industry in future. Variation in forex rates influenced the pricing of products due to high element of imported components in total cost of products. Your Company has geared up to meet the challenges in future with wide range of quality products at competitive prices through efficient network of authorized dealers.



KINJI SAITO  
Chairman

Karachi: October 23, 2018

# Condensed Interim Balance Sheet

As at 30 September 2018

	Note	30 September 2018 (Unaudited)	31 December 2017 (Audited)
----- (Rupees in '000') -----			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	15,236,466	8,800,002
Intangible assets		126,948	185,333
Long term investments	6	330,647	208,086
Long-term loans		4,800	2,361
Long-term deposits, prepayments and other receivables	7	441,225	327,319
Long-term installment sales receivables	8	133,468	144,779
Deferred taxation		448,932	236,500
		<b>16,722,486</b>	<b>9,904,380</b>
<b>Current assets</b>			
Stores, spares and loose tools		150,792	114,789
Stock-in-trade	9	26,529,835	23,946,058
Trade debts		129,814	211,358
Current portion of long-term installment sales receivables	8	469,440	320,996
Loans and advances		54,693	37,481
Trade deposits and short-term prepayments	10	873,466	965,722
Accrued profit on bank deposits		346	28,699
Other receivables		219,618	147,775
Sales tax and excise duty adjustable		3,461,339	1,143,685
Income tax - net		4,422,065	4,899,972
Cash and bank balances	11	891,618	9,189,552
		<b>37,203,026</b>	<b>41,006,087</b>
<b>Total assets</b>		<b>53,925,512</b>	<b>50,910,467</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised share capital of 150,000,000 (2017: 150,000,000) ordinary shares of Rs.10/- each		1,500,000	1,500,000
Issued, subscribed and paid-up capital		822,999	822,999
Reserves		28,594,312	28,726,717
		<b>29,417,311</b>	<b>29,549,716</b>
<b>Current liabilities</b>			
Trade and other payables		13,117,078	11,391,952
Advances from customers		2,882,920	5,331,948
Security deposits		4,474,371	4,600,552
Short term borrowing	12	3,997,533	-
Provision for custom duties and sales tax		36,299	36,299
		<b>24,508,201</b>	<b>21,360,751</b>
<b>Total equity and liabilities</b>		<b>53,925,512</b>	<b>50,910,467</b>
<b>Contingencies and commitments</b>			
	13		

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



Chairman



Chief Financial Officer



Chief Executive Officer

# Condensed Interim Profit and Loss Account (Unaudited)

For the nine months and quarter ended 30 September 2018

FINANCIAL

Accounts

	Note	Nine months ended		Quarter ended	
		30 September 2018	30 September 2017	30 September 2018	30 September 2017
----- (Rupees in '000') -----					
Sales		89,018,472	72,802,282	26,626,929	25,973,387
Cost of sales		(82,962,438)	(65,411,921)	(24,936,324)	(23,408,249)
Gross profit		6,056,034	7,390,361	1,690,605	2,565,138
Distribution costs		(2,073,639)	(1,970,315)	(627,714)	(588,412)
Administrative expenses		(1,660,122)	(1,122,011)	(644,389)	(385,529)
Other expenses		(184,548)	(332,357)	(32,788)	(117,713)
Other income	14	479,310	664,029	89,911	218,845
Finance costs	15	(125,147)	(140,504)	(32,283)	(99,268)
		(3,564,146)	(2,901,158)	(1,247,263)	(972,077)
Share of loss of equity accounted investee		(1,839)	(14,651)	(954)	(14,651)
<b>Profit before taxation</b>		<b>2,490,049</b>	<b>4,474,552</b>	<b>442,388</b>	<b>1,578,410</b>
Taxation	16	(1,097,610)	(1,377,616)	(347,600)	(473,523)
<b>Profit after taxation</b>		<b>1,392,439</b>	<b>3,096,936</b>	<b>94,788</b>	<b>1,104,887</b>
----- (Rupees) -----					
Earnings per share - basic and diluted		<b>16.92</b>	37.63	<b>1.15</b>	13.43

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



Chairman



Chief Financial Officer



Chief Executive Officer

# Condensed Interim Statement of Comprehensive Income (Unaudited)

For the nine months & Quarter ended 30 September 2018

	Nine months ended		Quarter ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	----- (Rupees in '000') -----			
<b>Profit for the period</b>	<b>1,392,439</b>	3,096,936	<b>94,788</b>	1,104,887
<b>Other comprehensive income</b>				
Items that will never be reclassified to profit or loss				
Re-measurement gain on defined benefit plan - net	<b>5,933</b>	(1,062)	<b>858</b>	(2,082)
<b>Total comprehensive income for the period</b>	<b><u>1,398,372</u></b>	<u>3,095,874</u>	<b><u>95,646</u></b>	<u>1,102,805</u>

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



Chairman



Chief Financial Officer



Chief Executive Officer

# Condensed Interim Cash Flow Statement (Unaudited)

For the nine months ended 30 September 2018

	Note	30 September 2018	30 September 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
		----- (Rupees in '000') -----	
Cash generated from operations	17	<b>(2,405,876)</b>	7,817,381
Finance costs paid		<b>(125,145)</b>	(140,504)
Taxes paid		<b>(832,135)</b>	(2,043,085)
Long term loans - net		<b>(2,439)</b>	(429)
Long-term deposits, prepayments and other receivables		<b>(113,906)</b>	(68,782)
Long-term installment sales receivables		<b>11,311</b>	(56,830)
Net cash (used in) / generated from operating activities		<b>(3,468,190)</b>	5,507,751
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment including capital work in progress		<b>(7,589,017)</b>	(2,587,876)
Purchase of intangible assets		<b>(7,624)</b>	(194,807)
Investment in associate		<b>(124,400)</b>	(170,000)
Proceeds from disposal of property, plant and equipment		<b>12,103</b>	12,197
Profit received on bank deposits		<b>394,109</b>	609,821
Net cash used in investing activities		<b>(7,314,829)</b>	(2,330,665)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Short term borrowing		<b>3,997,533</b>	-
Dividend paid		<b>(1,512,448)</b>	(451,871)
Net cash generated from / (used in) Financing activities		<b>2,485,085</b>	(451,871)
Net (decrease) / increase in cash and cash equivalents		<b>(8,297,934)</b>	2,725,215
Cash and cash equivalents at beginning of the period		<b>9,189,552</b>	8,548,293
Cash and cash equivalents at end of the period		<b>891,618</b>	11,273,508

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



Chairman



Chief Financial Officer



Chief Executive Officer

# Condensed Interim Statement of Changes in Equity (Unaudited)

For the nine months ended 30 September 2018

	Share Capital Issued, subscribed and paid-up capital	Reserves					Total
		Capital reserves		Revenue reserves			
	Share premium	Reserve on merger	General	Unappropriated profit	Total reserves		
----- (Rupees in '000) -----							
Balances as at 1 January 2017	822,999	584,002	260,594	21,824,818	2,724,494	25,393,908	26,216,907
<b>Total comprehensive income for the period ended 30 September 2017</b>							
Profit for the period	-	-	-	-	3,096,936	3,096,936	3,096,936
Other comprehensive income	-	-	-	-	(1,062)	(1,062)	(1,062)
	-	-	-	-	3,095,874	3,095,874	3,095,874
<b>Transactions with owners recorded directly in equity - distributions</b>							
Final dividend on ordinary shares @ 55% for the year ended 31 December 2016	-	-	-	-	(452,649)	(452,649)	(452,649)
Transfer to general reserve	-	-	-	2,320,000	(2,320,000)	-	-
Balance as at 30 September 2017	822,999	584,002	260,594	24,144,818	3,047,719	28,037,133	28,860,132
<b>Balances as at 1 January 2018</b>	<b>822,999</b>	<b>584,002</b>	<b>260,594</b>	<b>24,144,818</b>	<b>3,737,303</b>	<b>28,726,717</b>	<b>29,549,716</b>
<b>Total comprehensive income for the period ended 30 September 2018</b>							
Profit for the period	-	-	-	-	1,392,439	1,392,439	1,392,439
Other comprehensive income	-	-	-	-	5,933	5,933	5,933
	-	-	-	-	1,398,372	1,398,372	1,398,372
<b>Transactions with owners recorded directly in equity - distributions</b>							
Final dividend on ordinary shares @ 186% for the year ended 31 December 2017	-	-	-	-	(1,530,777)	(1,530,777)	(1,530,777)
Transfer to general reserve	-	-	-	2,295,000	(2,295,000)	-	-
Balance as at 30 September 2018	<b>822,999</b>	<b>584,002</b>	<b>260,594</b>	<b>26,439,818</b>	<b>1,309,898</b>	<b>28,594,312</b>	<b>29,417,311</b>

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



Chairman



Chief Financial Officer



Chief Executive Officer

# Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months ended 30 September 2018

## 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, Japan (the Holding Company). 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 comprise 40% equity interest in a newly established company namely; Tecno Auto Glass Limited as more fully detailed in note 6.1 to the condensed interim financial statements.

## 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 the interim financial reporting. The accounting and reporting standards as applicable in Pakistan for the 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 does 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 2017.

## 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 2017.
- 3.2** Change in accounting standards, interpretations and amendments to published approved accounting standards.

**a) Amendments to published approved accounting standards which are effective during the period:**

There are certain amendments to approved accounting standards which are mandatory for the Company's annual accounting period which began on 1 January 2018. However these do not have any significant impact on the Company's financial reporting and therefore have not detailed in these condensed interim financial statements.

**b) Standards and amendments to published approved accounting standards that are not yet effective:**

There are certain new standards and amendments to the approved accounting standards that will be mandatory for the Company's annual accounting period on or after 1 January 2019. However, these amendments will not have any significant impact on the financial reporting of the Company and therefore have not been disclosed in these condensed interim financial statements.

# Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months ended 30 September 2018

Further the Securities and Exchange Commission of Pakistan vide S.R.O. 1007 (I) / 2017 dated 4 October 2017 and S.R.O. 434 (I) / 2018 dated 9 April 2018 has notified IFRS 9 'Financial Instruments' replacing IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 15 Revenue from Contracts with Customers' replacing IAS 18 'Revenue' and IAS 11 'Construction Contracts' and IFR 16 'Leases' replacing IAS 17 'Leases' respectively which are effective from annual reporting period beginning on or after 1 January 2019. Currently management is assessing the impact of these standards.

In addition to the foregoing, the Companies Act, 2017 which has added certain additional disclosures which will be included in the Company's annual financial statements for the year ending 31 December 2018.

## 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 2017.

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 2017.

## 5. PROPERTY, PLANT AND EQUIPMENT

		<b>30 September 2018 Unaudited</b>	31 December 2017 Audited
	Note	----- (Rupees in '000) -----	
Operating fixed assets		<b>6,758,271</b>	7,068,071
Capital work in process	5.2	<b>8,478,195</b>	1,731,931
		<b><u>15,236,466</u></b>	<u>8,800,002</u>

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

	For the nine months ended	
	<b>30 September 2018</b>	30 September 2017
	----- (Rupees in '000') -----	
<b>Additions / transfer from CWIP</b>		
Buildings on leasehold land - factory building	<b>127,359</b>	484,590
Plant and machinery	<b>246,207</b>	577,584
Welding guns	-	47,248
Permanent and special tools	<b>45,722</b>	128,561
Dies	<b>19,715</b>	522,334
Jigs and fixtures	<b>66,304</b>	516,061
Electrical installations	<b>12,526</b>	50,322
Furniture and fittings	<b>47,003</b>	3,401
Vehicles	<b>126,373</b>	138,921
Air conditioners and refrigerators	<b>5,232</b>	11,692
Office equipments	<b>11,313</b>	8,489
Computers	<b>16,835</b>	23,380
Tooling at vendor premises	<b>118,164</b>	1,359,962
	<b>842,753</b>	<b>3,872,545</b>
<b>Disposal - at book value</b>		
Plant and machinery	<b>952</b>	-
Dies	<b>110</b>	-
Vehicles	<b>6,073</b>	4,132
Air conditioners and refrigerators	<b>96</b>	-
Office equipments	<b>473</b>	117
	<b>7,704</b>	<b>4,249</b>

**5.2 Capital Work in Progress**

	<b>30 September 2018</b>	31 December 2017
	<b>Unaudited</b>	Audited
	----- (Rupees in '000') -----	
Plant and machinery	<b>7,843,545</b>	1,171,576
Civil works	<b>634,650</b>	516,583
Advance for capital expenditure	-	43,772
	<b>8,478,195</b>	<b>1,731,931</b>

During the current period, additions to capital work-in-progress were Rs. 7,496 million (September 30, 2017: 2,386 million) and transfer to fixed assets were Rs. 750 million (September 30, 2017: 3,671 million).



- 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**

	<b>30 September 2018 Unaudited</b>	31 December 2017 Audited
	----- (Rupees in '000') -----	
Installment sales receivables	<b>632,294</b>	509,639
Less: Unearned finance income	<b>(16,626)</b>	(28,961)
	<b>615,668</b>	480,678
Less: Provision for doubtful advances	<b>(12,760)</b>	(14,903)
	<b>602,908</b>	465,775
Less: Current maturity	<b>(469,440)</b>	(320,996)
	<b>133,468</b>	144,779

- 8.1** This represents balances receivable under various installment sale agreements in equal monthly installments. These include installment sales to customers (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 / vendors after the entire dues are cleared. Mark-up on installment sales receivables range from 12% to 28% (2017: 12% to 28%) per annum, excluding up to 18 months installment sales which are subject to 0% markup. However, overdue rentals are subject to additional surcharge.

**9. STOCK IN TRADE**

	<b>30 September 2018 Unaudited</b>	31 December 2017 Audited
	----- (Rupees in '000') -----	
Raw material and components [including items in transit Rs 4,373.72 million (2017 : Rs 5,732.93 million) ]	<b>12,892,008</b>	11,785,859
Less: Provision for slow moving and obsolete items		
- at beginning of the period	<b>31,444</b>	35,639
- provision / (reversal) during the period	<b>24,779</b>	(4,195)
	<b>(56,223)</b>	(31,444)
	<b>12,835,785</b>	11,754,415
Work-in-process	<b>67,848</b>	70,600
Finished goods	<b>11,366,422</b>	8,499,570
Trading stocks [Including items in transit Rs 36.44 million (2017: Rs. 742.71 million)]	<b>2,356,838</b>	3,687,259
Less: Provision for slow moving and obsolete items		
- at beginning of the period	<b>65,786</b>	21,740
- (reversal) / provision during the period	<b>31,272</b>	44,046
	<b>(97,058)</b>	(65,786)
	<b>2,259,780</b>	3,621,473
	<b>26,529,835</b>	23,946,058

# Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months ended 30 September 2018

**9.1** Of the aggregate amount, stocks worth Rs. 9,411.31 million (2017: Rs. 7,867.55 million) were in the custody of dealers and vendors.

**9.2** Raw material and components, work-in-process and finished goods have been written down by Rs. 32.79 million, Rs. 0.04 million and Rs. 156.86 million (2017: Rs. Nil million, Rs. Nil million and Rs. 106.38 million) respectively to arrive at net realizable value.

<b>10. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>	<b>30 September 2018 Unaudited</b>	31 December 2017 Audited
Note	-----	(Rupees in '000') -----
Trade deposits	<b>8,807</b>	12,437
Prepayments		
- Collector of custom	<b>155,613</b>	637,593
- Margin held by bank against import of raw material	<b>629,182</b>	253,261
- Rent	<b>36,481</b>	33,461
- Insurance	<b>20,850</b>	2,371
- Other	<b>22,533</b>	26,599
	<b>864,659</b>	953,285
	<b>873,466</b>	965,722

## **11. CASH AND BANK BALANCES**

Cash in hand	<b>11,877</b>	9,332
Cheques in hand	-	1,254,462

Cash at banks:		
- in deposit accounts	<b>245,433</b>	7,713,688
- in a special deposit account	<b>117,955</b>	102,955
- in current accounts	<b>516,353</b>	109,115
	<b>879,741</b>	7,925,758
	<b>891,618</b>	9,189,552

**11.1** Represent cheques that were received on the last day and were deposited on the next working day.

**11.2** These carry profits rates ranging from 4.00 % to 7.40 % (2017: 5.80% to 6.75%) per annum.

**11.3** 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 BORROWING**

The company has obtained short term borrowing from various commercial banks to meet its working capital requirements. This carry markup at the range from 7.71% to 8.01%. The borrowing is secured against the stock in trade and receivables.

## **13. CONTINGENCIES AND COMMITMENTS**

**13.1** Capital expenditure contracted for but not incurred amounted to Rs. 884.79 million (2017: Rs.4,408.49 million).

**13.2** The facilities for opening letters of credit as at balance sheet date, amounted to Rs. 12,608 million (2017: Rs. 12,608 million) of which the amount remaining unutilised at the period end was Rs. 11,320 million (2017: Rs. 9,836 million).

**13.3** Guarantees issued by various commercial banks on behalf of the Company amounted to Rs. 1,271.22 million (2017: Rs. 965.048 million).

**13.4** The Company has issued a corporate guarantee on behalf of Tecno Auto Glass Limited, associated company, amounting Rs. 600 million to Meezan Bank Limited in relation to borrowing facilities availed by Tecno Auto Glass Limited from Meezan Bank Limited.

**14. OTHER INCOME**

		For the nine months ended	
		30 September 2018	30 September 2017
		----- (Rupees in '000') -----	
	Note		
Mark-up on bank balances		365,756	542,275
Commission income	14.1	2,250	-
Finance income on installment sales		20,056	33,157
		<u>388,062</u>	<u>575,432</u>
Gain on disposal of fixed assets		4,222	7,948
Scrap sales		12,531	6,885
Miscellaneous income		74,495	73,764
		<u>91,248</u>	<u>88,597</u>
		<u>479,310</u>	<u>664,029</u>

**14.1** This represent 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 availed by Tecno Auto Glass Limited from Meezan Bank Limited.

		For the nine months ended	
		30 September 2018	30 September 2017
		----- (Rupees in '000') -----	
Mark-up on workers' profit participation fund		508	1,597
Mark-up on short term running finance		17,660	-
Exchange loss - net		56,173	122,814
Bank charges		50,806	16,093
		<u>125,147</u>	<u>140,504</u>

**16. TAXATION**

- Current		(1,305,462)	(1,487,366)
- Prior		(4,580)	-
- Deferred		212,432	109,750
		<u>(1,097,610)</u>	<u>(1,377,616)</u>

**16.1** Under section 5A of the Income Tax Ordinance, 2001 (as amended by the Finance Act, 2018), a tax shall be imposed at the rate of 5% of the accounting profit before tax on every public company, other than schedule bank or modaraba, that drives profit for a tax year but does not distribute at least 20% of its profits within six months of the end of the tax year through cash. The Board of Directors of the Company will consider this matter before the authorization of annual financial statements for the year ending 31 December 2018. Hence, no tax consequences applicable on undistributed profit are recognised in these condensed interim financial statements.

# Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months ended 30 September 2018

## 17. CASH GENERATED FROM OPERATIONS

	For the nine months ended	
	<b>30 September 2018</b>	30 September 2017
Note	----- (Rupees in '000') -----	
Profit before taxation	<b>2,490,049</b>	4,474,552
Adjustments for non cash charges and other items:		
Depreciation	<b>1,144,672</b>	964,882
Amortisation	<b>66,009</b>	61,401
Gain on disposal of fixed assets	<b>(4,222)</b>	(7,948)
Share of loss of equity accounted investee	<b>1,839</b>	14,651
Mark-up on bank balances	<b>(365,756)</b>	(542,275)
Finance cost	<b>125,147</b>	140,504
	<b>967,689</b>	631,215
Working capital changes	17.1 <b>(5,863,614)</b>	2,711,614
	<b>(2,405,876)</b>	7,817,381

### 17.1 Working capital changes

Decrease / (increase) in current assets:		
Stores, spares and loose tools	<b>(36,003)</b>	(16,020)
Stock in trade	<b>(2,583,777)</b>	(6,715,604)
Trade debts	<b>(148,444)</b>	16,201
Loans and advances	<b>81,544</b>	13,885
Trade deposits and short term prepayments	<b>(17,212)</b>	91,435
Current portion of long-term installment sales receivables	<b>92,256</b>	(64,221)
Other receivables	<b>(71,843)</b>	40,865
Sales tax and excise duty adjustable	<b>(2,317,654)</b>	245,147
	<b>(5,001,133)</b>	(6,388,312)
(Decrease) / increase in current liabilities		
Trade and other payables	<b>1,712,728</b>	3,169,119
Advances from customers	<b>(2,449,028)</b>	4,251,380
Security deposits	<b>(126,181)</b>	1,679,427
	<b>(862,481)</b>	9,099,926
	<b>(5,863,614)</b>	2,711,614

## 18. TRANSACTIONS WITH RELATED PARTIES

For the nine months ended 30 September 2018	Holding company	Other related parties	Total
	----- (Rupees in '000') -----		
Transactions			
Purchases of components	<b>19,058,968</b>	<b>16,608,979</b>	<b>35,667,947</b>
Purchases of fixed assets	<b>3,572,009</b>	<b>62</b>	<b>3,572,071</b>
Sales including exports sales	<b>5,175</b>	<b>19,515</b>	<b>24,690</b>
Royalty and technical fee	<b>1,391,718</b>	<b>-</b>	<b>1,391,718</b>
Travelling expenses of supervisors	<b>706</b>	<b>-</b>	<b>706</b>
Sales promotional and development expenses	<b>100,523</b>	<b>1,272</b>	<b>101,795</b>
Commission income from Corporate Guarantee	<b>-</b>	<b>2,250</b>	<b>2,250</b>
Staff retirement benefits	<b>-</b>	<b>72,893</b>	<b>72,893</b>

<b>For the nine months ended 30 September 2017</b>	Holding company	Other related parties	Total
Transactions	----- (Rupees in '000') -----		
Purchases of components	18,388,509	13,438,229	31,826,738
Purchases of fixed assets	126,482	-	126,482
Sales including exports sales	42,141	-	42,141
Royalty and technical fee	1,076,455	-	1,076,455
Travelling expenses of supervisors	4,605	-	4,605
Purchases of intangible assets	191,020	-	191,020
Sales promotional and development expenses	1,106	-	1,106
Staff retirement benefits	-	58,778	58,778

## 19. SEGMENT ANALYSIS

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

	<b>30 September 2018 (Unaudited)</b>			30 September 2017 (Unaudited)		
	<b>Automobile</b>	<b>Motorcycle</b>	<b>Total</b>	Automobile	Motorcycle	Total
Segment results	----- (Rupees in '000') -----					
Sales	<b>86,619,740</b>	<b>2,398,732</b>	<b>89,018,472</b>	70,957,728	1,844,554	72,802,282
Gross profit	<b>5,809,367</b>	<b>246,667</b>	<b>6,056,034</b>	7,236,008	154,353	7,390,361
Distribution costs	<b>(2,029,743)</b>	<b>(43,896)</b>	<b>(2,073,639)</b>	(1,931,356)	(38,959)	(1,970,315)
Administrative expenses	<b>(1,532,604)</b>	<b>(127,518)</b>	<b>(1,660,122)</b>	(1,036,968)	(85,043)	(1,122,011)
Operating profit	<b>2,247,020</b>	<b>75,253</b>	<b>2,322,273</b>	4,267,684	30,351	4,298,035
Other income	<b>447,133</b>	<b>32,177</b>	<b>479,310</b>	625,563	38,466	664,029
Finance cost	<b>(124,069)</b>	<b>(1,078)</b>	<b>(125,147)</b>	(143,244)	2,740	(140,504)
	<b><u>2,570,084</u></b>	<b><u>106,352</u></b>	<b><u>2,676,436</u></b>	<u>4,750,003</u>	<u>71,557</u>	<u>4,821,560</u>
Unallocated corporate expenses						
Other expenses			<b>(184,548)</b>			(332,357)
Share of loss of equity accounted investee			<b>(1,839)</b>			(14,651)
Taxation			<b>(1,097,610)</b>			(1,377,616)
Profit after taxation			<b><u>1,392,439</u></b>			<u>3,096,936</u>
Capital expenditure	<b><u>7,411,896</u></b>	<b><u>177,121</u></b>	<b><u>7,589,017</u></b>	<u>2,493,102</u>	<u>94,774</u>	<u>2,587,876</u>
Depreciation	<b><u>1,049,914</u></b>	<b><u>94,759</u></b>	<b><u>1,144,673</u></b>	<u>877,796</u>	<u>87,086</u>	<u>964,882</u>
	<b>30 September 2018 (Unaudited)</b>			31 December 2017 (Audited)		
	<b>Automobile</b>	<b>Motorcycle</b>	<b>Total</b>	Automobile	Motorcycle	Total
Assets	----- (Rupees in '000') -----					
Segment assets	<b>42,150,170</b>	<b>2,000,777</b>	<b>44,150,947</b>	33,369,277	1,686,921	35,056,198
Unallocated corporate assets	-	-	<b>9,774,565</b>	-	-	15,854,269
	<b><u>42,150,170</u></b>	<b><u>2,000,777</u></b>	<b><u>53,925,512</u></b>	<u>33,369,277</u>	<u>1,686,921</u>	<u>50,910,467</u>
Liabilities						
Segment liabilities	<b>24,438,387</b>	<b>69,814</b>	<b>24,508,201</b>	21,209,327	151,424	21,360,751
Unallocated corporate liabilities	-	-	-	-	-	-
	<b><u>24,438,387</u></b>	<b><u>69,814</u></b>	<b><u>24,508,201</u></b>	<u>21,209,327</u>	<u>151,424</u>	<u>21,360,751</u>

# Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months ended 30 September 2018

## 20. GENERAL

Figures in this condensed interim financial statements have been rounded off to the nearest thousand rupees, unless otherwise stated.

## 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 October 23, 2018.



Chairman



Chief Financial Officer



Chief Executive Officer





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