



## DIRECTORS' REPORT

The directors of your company are pleased to present the 23<sup>rd</sup> Annual Report along with the audited accounts of the Company for the year ended 30<sup>th</sup> June 2014:

### BUSINESS OVERVIEW:

The financial results of the Company for the current financial year are showing a growing trend in the sales volume. The Company's sale has crossed the **TWO BILLION** barrier once again. The sale of Auto Rickshaw has played a major contribution in this achievement. Serious efforts of the Government for maintaining law and order situation in the country and most particularly in Karachi has resulted into increase in business activities. Despite of increase in sales volume, the profitability of the company remained short of corresponding year. The company could not increase the selling prices of its products with same ratio of increase in input cost due to tough market competition. The lower sales volume of tractor wheel rims has further reduced the profitability of the company.

In foreseeable future, your Company is looking for increased sales volume of tractor wheel rims due to freezing of sales tax rate at 10% for tractor industry. The growing trend of Auto Rickshaw is also expected in the coming year INSHAALLAH.

### FINANCIAL RESULTS:

	2014 (Rupees)	2013 (Rupees)
Profit before taxation	87,627,820	96,090,726
Provision for taxation	27,186,547	29,583,688
Profit after taxation	60,441,273	66,507,038
Other comprehensive income /(loss) for the year	123,497	(6,363,381)
Un appropriated Profit brought forward	359,950,231	311,415,561
Profit available for appropriation	420,515,001	377,922,599
<b>Appropriations:</b>		
Interim Cash dividend @ 10% (2013: Nil)	17,972,368	-
Final Cash Dividend @ 10% (2013: 10%)	17,972,368	17,972,368
	35,944,736	17,972,368
Un appropriated profit carried forward	384,570,265	359,950,231



## Sales Revenue:

The overall net sales revenue of the Company has increased by 11.92 % from Rupees 1,881.50 million to Rupees 2,105.85 million during the period under review. Segment wise: The net sales of Auto Rickshaws has increased from Rupees 1,472.02 million to Rupees 1,849.48 million reflecting a growth of 25.64% whereas net sales of automotive parts has decreased by 34.79 % from Rupees 383.95 million to Rupees 250.39 million. The net sales of home appliances has decreased from Rupees 25.53 million to Rupees 5.97 million compared with the corresponding period of last year.

The growth in sale of Auto Rickshaw is due to increase in demand of “Sazgar Auto Rickshaw” because of improvement in law & order situation in country specially Karachi. The Company is carrying major market share of Auto rickshaw in Karachi, therefore, it has enjoyed the benefit of improvement during the period under review.

The dip in sale of automotive parts is due to reduced orders of Tractor Assemblers resulted by substantial decline in booking of tractors. The booking was decreased due to rise in sales tax rate from 10% to 16% during the period under review. The sale of home appliances has decreased due to lower sales volume of air conditioners under brand name “Whirlpool”.

## Gross Profit:

Company’s gross profit has increased from Rupees 202.62 million to Rupees 208.54 million showing an increase of Rupees 5.92 million compared with the corresponding period of last year. The gross profit ratio has declined from 10.77% to 9.90% due to increase in input costs.

## Operating Expenses:

The operating expenses are normal in line with increase in sales volume of the company.

## Earning Per Share:

The Earning per share of Rs. 3.36 for the current year is lower than the last corresponding year of Rs. 3.70.

## Production:

During the year, the Company produced 13,414 units of Auto Rickshaws compared with 10,244 units produced during the corresponding year of last year reflecting a 30.94% enhancement in production.

The production of wheel rim was 51,722 units compared with 71,017 during the same corresponding period of last year showing a decline of 27.17%.

## MOTOR CYCLE MANUFACTURING AND REVISION IN PLANT CAPACITY:

Due to substantial delay in approval from PSQCA and the prevailing unfavourable market condition of motor cycle business for the new comers, your company has decided to suspend its production plan of Motor Cycles in the greater interest of the company till the time market conditions become favourable for the new comers.

The installed manufacturing facilities of Motor Cycles are being used for the production of Auto Rickshaws without any loss to the company.

The production capacity of Auto Rickshaw is re-measured at 20,000 units per annum in the absence of production of Motor Cycles.



## **FINAL CASH DIVIDEND:**

The Board of Directors, at their meeting held on September 02, 2014, has recommended a final Cash Dividend of Rupee 1.00 per share i.e. 10% in addition to Interim Cash Dividend of Rupee 1.00 per share i.e. 10% already paid thus making a total of Rupees 2.00 per share i.e. 20% (2013: 10%) subject to the approval of shareholders in the forth coming 23<sup>rd</sup> Annual General Meeting of the Company.

## **FUTURE OUTLOOK:**

### **4-Stroke Auto Rickshaw:**

It is hoped that the business conditions will further improve due to serious efforts of present Government for maintaining the law and order situation in the country. It is also hoped that the new power plants will be installed without any delay to reduce the load shedding, which will help in increasing the business activities.

Under the circumstances, your company will continue its policy of research and development for the innovation of new products and new models of Auto Rickshaws to fulfil the needs of customers. The company has also prepared a comprehensive advertising plan for those areas where the company's market share is not up to the mark. This will help to increase the awareness of the company's products and hunting of the target customers to enhance its market share in the said areas.

In addition to this, the company also intends to increase its dealers and after sales network in the existing as well as new cities to create more opportunities for the customers to provide them easy access to the company's quality products.

By the Grace of Almighty Allah, your company foresees better results in this segment of business in the coming period provided there is not happening of any political uncertainty in the country.

### **Automotive Parts:**

The Government has reduced the sales tax rate on tractors from 16% to 10% effective from July 01, 2014 which has impacted positively on the booking of tractors. Due to increase in booking of tractors, the Tractor Assemblers have increased the demand of tractor wheel rims subsequent to the period under review. Therefore, it is expected that the sale of tractor wheel rims will rise in the coming financial year and will help to improve the profitability of the company. However, the electricity load shedding may be a hurdle for the company to achieve its production targets.

## **CORPORATE SOCIAL RESPONSIBILITY:**

Your company is aware of its responsibility regarding the social activities for the benefit of the society particularly in the area where it operates. The company supports all the activities which improve the living standards of the society. Preference is given to the nearby villagers and residents for employment in the company. Training is provided to the man force at all production levels to upgrade their knowledge and for development of their skill. In compliance with government directives, disabled persons are also employed to make them earning hands for their families.

The Company made donations to the institutions which provide free of cost education and health facilities to the poor people of the society.

The Company also sends two employees every year for performance of Hajj on company expense. The selection of employees is made through balloting.

Sports activities play an important role in physical and mental health of the society. To keep company's workers fit and healthy, the company is continuously holding cricket tournaments among the employees which have been very helpful in increasing the efficiency of the employees in addition to the physical fitness.



## CONTRIBUTION TO NATIONAL EXCHEQUER:

Being a responsible citizen, your company has made a contribution of Rs. 479.89 Million to National Exchequer in form of income tax, sales tax, custom duties and excise.

## COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE:

The directors of your company are pleased to state that your Company is in compliance with the provisions of Code of Corporate Governance as are applicable for the current year. The various statements, as required by the Code, are given below:

- **Presentation of Financial Statements** The financial statements, prepared by the management of the company, present its state of affairs fairly, the results of its operations, cash flows and changes in equity;
- **Books of Account** Proper books of account of the company have been maintained;
- **Accounting Policies** Except as stated in Note 5 to the financial statements, appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement;
- **Compliance with International Financial Reporting Standards (IFRS)** International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure there from (if any) has been adequately disclosed and explained;
- **Internal Control System** The system of internal control is sound in design and has been effectively implemented and is being monitored continuously. The review will continue in future for the improvement in controls;
- **Going Concern** There are no significant doubts upon the Company's ability to continue as a going concern;
- **Best Practices of Corporate Governance** There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations wherever applicable to the Company for the year ended June 30, 2014.
- **Financial Data of Last Years** Key operating and financial data of last six years is annexed as per annexure "A"

**Dividend** The Board has recommended a final Cash Dividend @10% in addition to the Interim Cash Dividend of 10% already paid thus making total of 20% for the year under review.

**Outstanding Statutory Dues** The outstanding statutory dues are given in notes to the financial statements.

**Significant Plans and Decisions** The Company is looking for continuous diversification in automobile sector in order to add more products into production line.

**Code of Business Conduct:** The Company has prepared a "Code of Business Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures. It has also been placed on the company's web site.

**Attendance in Board and Committees' Meetings:** The number of Board and Committees' meetings held during the year and attendance by each director is given below:



	Board	Audit Committee	HR&R Committee
<b>Total Meetings Held</b>	<b>7</b>	<b>5</b>	<b>4</b>
<b>Meetings Attended by the Directors:</b>			
Mr. Mian Asad Hameed	6	N/A	N/A
Mr. Mian Zafar Hameed	7	5	2
Mr. Saeed Iqbal Khan	5	N/A	3
Mr. Main Muhammad Ali Hameed	6	5	N/A
Mrs. Saira Asad Hameed	5	N/A	N/A
Mrs. Sana Suleyman <b>(Retired)</b>	4	3	2
Mrs. Amina Humza Wazir	6	N/A	2
Mr. Muhammad Suleyman Khan	3	2	2

- Leave of absence was granted to the Directors who could not attend the Board Meetings.

**Directors' Training Programs during the year:** One director of the company, Mrs. Amina Humza Wazir has acquired the certification under Director Training Program from Institute of Chartered Accountants of Pakistan. As per clause ( xi) of Code of Corporate Governance 2012, the directors Mr. Mian Asad Hameed, Mr. Saeed Iqbal Khan and Mr. Mian Zafar Hameed are exempt from Directors' Training Programme having education of 14 years and experience of more than 15 years on Board of listed Company.

**Pattern of Shareholding:** The pattern of shareholding is annexed as per annexure "B" and "B/1".

Trading in Company's Shares by Directors, executives and their spouses and minor children during the year:

Except following, there was no Purchase, sale of Shares and change in beneficial ownership of directors, executives and their spouses and minor children:

	Purchase		Sale
Mr. Mian Zafar Hameed	-		40,000
Mr. Saeed Iqbal Khan	41,254		-
Mrs. Saira Asad Hameed	42,000	(Gift)	-
Mr. Muhammad Suleyman Khan	20,000		-

## ELECTION OF DIRECTORS:

The tenure of directors was expired as on 20.03.2014. The company held the fresh election of directors during the period under review and elected the following seven (7) directors for a period of three years w.e.f. 20.03.2014 in its Extra Ordinary General Meeting of shareholders which was held on 18.03.2014:

- |    |                              |    |                            |
|----|------------------------------|----|----------------------------|
| 1. | Mr. Mian Asad Hameed         | 2. | Mrs. Saira Asad Hameed     |
| 3. | Mr. Saeed Iqbal Khan         | 4. | Mr. Mian Zafar Hameed      |
| 5. | Mr. Mian Muhammad Ali Hameed | 6. | Mr. Muhammad Suleyman Khan |
| 7. | Mrs. Amina Humza Wazir       |    |                            |



## **APPOINTMENT OF CHIEF EXECUTIVE AND FIXATION OF HIS REMUNERATION:**

The Company appointed Mr. Mian Asad Hameed as Chief Executive of the Company for a term of 3 years up to March 20, 2017. His remuneration was fixed at Rs. 9.360 million per annum along with other benefits and allowances. An abstract of terms and conditions of his appointment was circulated to the shareholders of the company within due time and is also attached to this report in accordance with provisions of section 218 of the Companies Ordinance, 1984.

## **APPOINTMENT OF EXECUTIVE DIRECTOR AND FIXATION OF HIS REMUNERATION:**

The Company appointed Mr. Saeed Iqbal Khan as an Executive Director for a term commencing from June 18, 2014 and ending on March 20, 2017 and fixed his monthly remuneration of Rs. 350,000/- along with other benefits and allowances. An abstract of terms and conditions of his appointment was circulated to the shareholders of the company within due time and is also attached to this report in accordance with provisions of section 218 of the Companies Ordinance, 1984.

## **INDEPENDENT DIRECTOR:**

Mr. Muhammad Suleyman Khan was elected as an independent director of the company in compliance with CCG 2012.

## **ESTABLISHMENT OF BOARD COMMITTEES:**

Consequent to the fresh election of directors, following Board Committees were constituted during the period under review for the next term of three years ending on March 20, 2017:

### **a. Audit Committee**

It consists of three members who are non-executive directors. The Terms of Reference of the Committee has been formed and approved by the Board. The names of the Committee members are given below:

i.	Mr. Mian Muhammad Ali Hameed	Chairman
ii.	Mr. Mian Zafar Hameed	Member
iii.	Mr. Muhammad Suleyman Khan	Member
iv.	Mr. Arshad Mahmood	Secretary

### **b. Human Resource & Remuneration Committee**

It consists of three members, of whom majority is non-executive directors. The Terms of Reference of the Committee has been formed and approved by the Board. The names of the Committee members are given below:

i.	Mr. Muhammad Suleyman Khan	Chairman
ii.	Mr. Saeed Iqbal Khan	Member
iii.	Mrs. Amina Humza Wazir	Member
iv.	Mr. Arshad Mahmood	Secretary

## **BOARD EVALUATION:**

In compliance with CCG 2012, the Board has put in place a mechanism for the annual evaluation of Board's own performance. Following are the major areas which will evaluate the Board's performance:



- Board composition and quality
- Board functions
- Financial performance of the company
- Statutory obligations
- Corporate Governance
- Risk management
- Human Resource Management
- Research and Development
- Business expansion

### **AUDITORS:**

The present auditors retire and being eligible offers themselves for re-appointment.

### **EMPLOYEES RELATIONS:**

The management and employees relationship is very cordial and it is hoped that both will work with the same spirit to achieve the desired goals of the Company.

### **ACKNOWLEDGEMENT:**

We would like to place on record our appreciation for the untiring efforts, teamwork and dedication shown by the Company's employees during the year under review.

We would also like to express our gratitude to our valued shareholders, customers, suppliers and financial institutions for their continued support to the Company.

Lahore:  
September 02, 2014

For and on behalf of the Board

Mian Asad Hameed  
(Chief Executive)