



SAZGAR ENGINEERING WORKS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2021

1 LEGAL STATUS AND OPERATIONS

Sazgar Engineering Works Limited was incorporated in Pakistan on September 21, 1991 as a Private Limited Company and converted into a Public Limited Company on November 21, 1994. The Company is listed on the Pakistan Stock Exchange Limited. The Company is engaged in the manufacture and sale of automobiles, automotive parts and household electric appliances. The registered office of the company is situated at 88- Ali Town, Thokar Niaz Baig, Raiwind Road, Lahore. The three wheeler, wheel rim and household electric appliances manufacturing facility is located at 18 K.m Raiwind Road, Lahore and four wheeler manufacturing facility, which is under construction, is situated at Western Tank Link Road, Near Ijtimah Chowk, Sundar Road, Raiwind, Lahore.

2 BASIS OF PREPARATION

2.1 These condensed interim financial statements (un-audited) of the Company for the nine months ended March 31, 2021 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 Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and provisions of and directives issued under the Companies Act, 2017 (the "Act"). Where the provisions of and directives issued under the Companies Act, 2017 (the "Act") differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 (the "Act") have been followed.

2.2 These condensed interim financial statements (un-audited) are being submitted to the shareholders as required by section 237 of The Companies Act, 2017 (the "Act").

2.3 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 June 30, 2020.

2.4 FINANCIAL RISK MANAGEMENT, FINANCIAL INSTRUMENTS AND ACCOUNTING ESTIMATES AND JUDGMENTS

2.4.1 Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended June 30, 2020.

2.4.2 Fair Value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in these condensed interim financial statements approximate their fair value.

2.4.3 Accounting Estimates and judgments

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amount of assets and liabilities, incomes and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation are the same as those that applied to the financial statements for the year ended June 30, 2020.

2.5 CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim statement of financial position has been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

3 STATEMENT OF CONSISTENCY IN ACCOUNTING POLICIES

3.1 The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the annual audited financial statements for the year ended June 30, 2020.

3.2 Certain standards, amendments and interpretations of approved accounting standards will be effective for accounting periods but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these condensed interim financial statements.



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4 SHARE CAPITAL

4.1 AUTHORIZED SHARE CAPITAL

Un-audited March 31, 2021 Number	Audited June 30, 2020 Number	NOTE	Un-audited March 31, 2021 Rupees	Audited June 30, 2020 Rupees
100,000,000	50,000,000	Ordinary shares of Rupees 10 each	1,000,000,000	500,000,000

4.2 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

21,363,000	21,363,000	ordinary shares of Rupees 10/- each fully paid up in cash.	213,630,000	213,630,000
25,133,895	14,403,842	ordinary shares of Rupees 10/- each allotted as bonus shares.	251,338,950	144,038,420
46,496,895	35,766,842		464,968,950	357,668,420

5 CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

There is no significant change in contingencies from the preceding annual published financial statement of the Company for the year ended June 30, 2020. Except the following;

- 5.1.1 DCIR initiated proceedings under section 6,7 and 8 of The Sales Tax Act 1990 for the tax period from January 2014 to February 2017 and created a tax demand Rs. 6,770,083/- on May 18, 2020. The Company filed an appeal before CIR(A) on June 16, 2020 and got a relief of Rs. 4,881,666/- with the directions of re-assessment of the remaining amount. However DCIR filed an appeal before ATIR against the order of CIR(A) as on August 27, 2020, on the other hand Company also filed an appeal before The ATIR as on September 07, 2020 and obtained a stay order against the order of CIR(A). Proceedings are still pending. In the opinion of tax consultant, favorable outcome of the appeal is expected, hence no provision is made in these financial statements.

5.2 Commitments

- 5.2.1 Commitments in respect of outstanding letters of credit for raw material amount to Rs. 258.55 Million (June 30, 2020: Rs. 102.73 Million).
- 5.2.2 Commitments in respect of capital expenditures amount to Rs. 87.54 Million (June 30, 2020: Rs. 117.17 Million).

5.2.3 Commitments for future minimum payments in respect of Ijarah lease arrangements are as follows:

Not later than one year	9,979,515	69,030,272
Later than one year but not later than five years	787,572	8,229,064
Later than five years	-	-

6 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets - Tangible	6.1	344,404,990	335,796,920
Capital work in progress	6.2	1,304,223,733	982,535,886
		1,648,628,723	1,318,332,806

6.1 OPERATING FIXED ASSETS - Tangible

Opening book value	335,796,920	348,588,354
Add:		
Additions during the period (at cost)		
- Plant and machinery	1,365,000	4,183,340
- Furniture and Fittings	-	620,804
- Office equipments	580,000	618,722
- Electric installations	167,487	916,300
- Vehicles	23,985,900	3,183,000
	26,098,387	9,522,166



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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2021

		Un-audited March 31, 2021 Rupees	Audited June 30, 2020 Rupees		
Less:					
Disposal during the period (at net book value)					
- Vehicles		1,381,069	3,085,450		
Depreciation charged during the period		16,109,248	19,228,150		
		17,490,317	22,313,600		
Closing book value		344,404,990	335,796,920		
6.2 CAPITAL WORK IN PROGRESS					
Opening Balance		982,535,886	649,491,034		
Additions during the period					
- Plant and machinery		305,539,738	288,506,873		
- Building and Civil Works on freehold land		16,148,109	44,537,979		
		321,687,847	333,044,852		
Closing Balance		1,304,223,733	982,535,886		
7 INTANGIBLE ASSETS					
Opening book value		76,944	108,560		
Less: amortization charged during the period		19,878	31,616		
Closing book value		57,066	76,944		
NOTES					
		Un-audited Jan - Mar 2021 Rupees	Un-audited Jan - Mar 2020 Rupees	Un-audited July - Mar 2021 Rupees	Un-audited July - Mar 2020 Rupees
8 SALES - NET					
Gross sales	8.1	1,607,269,191	1,307,177,150	3,936,693,486	2,746,521,575
Less: Sales tax		212,865,612	179,051,653	519,340,715	381,966,910
Sales returns		128,677,900	71,546,150	333,339,141	108,293,467
Commission		32,680,626	22,783,553	72,701,069	44,464,938
		374,224,138	273,381,356	925,380,925	534,725,315
		1,233,045,053	1,033,795,794	3,011,312,561	2,211,796,260
8.1 This includes Rs. 64.95 million (March 31, 2020: Rs. 28.88 million) on account of export sales for the period.					
9 COST OF SALES					
Raw materials and components consumed		836,125,784	721,761,407	2,335,831,695	1,736,703,957
Salaries, wages and other benefits		96,998,881	89,845,744	276,908,348	249,566,017
Stores, spares and loose tools consumed		11,688,361	10,355,813	35,730,118	30,449,645
Power and fuel charges		23,661,887	21,193,539	62,726,212	54,086,926
Repair and maintenance		14,934,729	13,624,841	60,338,937	41,456,517
Provision for slow moving items		-	-	-	255,150
Other expenses		4,329,035	4,674,014	11,952,044	10,332,561
Depreciation & Amortization		2,938,907	2,760,953	8,793,608	8,213,110
		990,677,584	864,216,311	2,792,280,962	2,131,063,883
Opening work-in-process		35,374,185	24,087,619	30,553,475	28,239,219
Closing work-in-process		(31,839,197)	(19,095,500)	(31,839,197)	(19,095,500)
Cost of goods manufactured		994,212,572	869,208,430	2,790,995,240	2,140,207,602
Opening finished goods		412,965,664	407,517,765	222,905,224	178,368,962
Cost of finished goods purchased		4,149,538	23,558,451	4,149,538	23,558,451
Closing finished goods		(297,979,873)	(385,415,820)	(297,979,873)	(385,415,820)
		1,113,347,901	914,868,826	2,720,070,129	1,956,719,195
10 TAXATION					
Current					
For the period		18,934,264	15,903,822	46,460,755	33,870,106
Prior period		-	-	(513,509)	(199,520)
Deferred					
For the period		(6,085,023)	(6,323,141)	(12,768,650)	(20,816,778)
		12,849,241	9,580,681	33,178,596	12,853,808



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		Un-audited	Un-audited	Un-audited	Un-audited
		Jan - Mar 2021	Jan - Mar 2020	July - Mar 2021	July - Mar 2020
		Rupees	Rupees	Rupees	Rupees
11 EARNINGS PER SHARE - BASIC AND DILUTED					
Basic Earnings Per Share					
Profit after taxation for the period	Rupees	29,440,993	27,249,793	67,007,518	40,568,177
Weighted average number of ordinary shares outstanding during the period - Note 4.2	Number	46,496,895	39,663,393	46,496,895	39,663,393
Basic earnings per share	Rupees	0.63	0.69	1.44	1.02

11.1 Diluted earnings per share

A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at March 31, 2021 and March 31, 2020, which would have any effect on earning per share if the option to convert is exercised.

12 TRANSACTIONS WITH RELATED PARTIES

Non-Executive Director (s)

Meeting fee			660,000	840,000
Others			100,000	-

Key Management Personnel

Remuneration, Allowances and benefits			45,759,008	38,842,442
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Other Related Party

Rent Expenses			-	207,500
Remuneration, Allowances and benefits			3,750,000	1,500,000

PERIOD END BALANCES

Payable to Other Related Party - Rent Payable			-	207,500
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13 SEGMENT RESULTS

Segment Revenue - Net

Home appliances	439,748	572,652	3,992,269	4,259,884
Auto parts	211,415,155	106,654,459	534,756,066	352,169,996
Auto rickshaw	1,021,190,150	926,568,683	2,450,286,449	1,855,366,380
Automobiles - Four Wheeler	-	-	22,277,777	-
Total	1,233,045,053	1,033,795,794	3,011,312,561	2,211,796,260

Segment operating results

Home appliances	94,323	45,580	657,031	469,532
Auto parts	5,678,710	571,995	10,968,873	3,494,043
Auto rickshaw	64,642,757	73,845,690	148,307,150	136,671,035
Automobiles - Four Wheeler	(19,522,161)	(20,318,496)	(46,932,270)	(41,254,023)
Total	50,893,630	54,144,769	113,000,783	99,380,587

14 DATE OF AUTHORIZATION FOR ISSUE

The Board of Directors of the Company has authorized these condensed interim financial statements for issue on April 27, 2021.

15 GENERAL

15.1 The figures have been rounded off to the nearest Rupee.

MIAN ASAD HAMEED
CHIEF EXECUTIVE

SAEED IQBAL KHAN
DIRECTOR

MUHAMMAD ATIF RAO
CHIEF FINANCIAL OFFICER