



# SAZGAR ENGINEERING WORKS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2020

### 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 three months ended September 30, 2020 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 September 30, 2020 Number	Audited June 30, 2020 Number	NOTE	Un-audited September 30, 2020 Rupees	Audited June 30, 2020 Rupees
50,000,000	50,000,000	Ordinary shares of Rupees 10 each	500,000,000	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
14,403,842	14,403,842	ordinary shares of Rupees 10/- each allotted as bonus shares.	144,038,420	144,038,420
35,766,842	35,766,842		357,668,420	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. 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 appeals 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. 343.16 Million (June 30, 2020: Rs. 102.73 Million).

- 5.2.2 Commitments in respect of capital expenditures amount to Rs.79.13 Million (June 30, 2020: Rs. 117.17 Million).

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

Not later than one year	48,421,957	69,030,272
Later than one year but not later than five years	5,678,815	8,229,064
Later than five years	-	-

### 6 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	6.1	353,951,035	335,796,920
Capital work in progress	6.2	1,127,511,589	982,535,886
		1,481,462,624	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		1,045,000	4,183,340
- Furniture and Fittings		-	620,804
- Office equipments		-	618,722
- Electric installations		-	916,300
- Vehicles		23,815,000	3,183,000
		24,860,000	9,522,166



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		Un-audited September 30, 2020 Rupees	Audited June 30, 2020 Rupees
Less:			
Disposal during the period (at net book value)			
- Vehicles		1,362,900	3,085,450
Depreciation charged during the period		5,342,985	19,228,150
		6,705,885	22,313,600
Closing book value		353,951,035	335,796,920
<b>6.2 CAPITAL WORK IN PROGRESS</b>			
Opening Balance		982,535,886	649,491,034
Additions during the period			
- Plant and machinery		134,303,582	288,506,873
- Building and Civil Works on freehold land		10,672,121	44,537,979
		144,975,703	333,044,852
Closing Balance		1,127,511,589	982,535,886
<b>7 INTANGIBLE ASSETS</b>			
Opening book value		76,944	108,560
Add: additions during the period		-	-
		76,944	108,560
Less: amortization charged during the period		7,454	31,616
Closing book value		69,490	76,944
		Un-audited July - Sep 2020 Rupees	Un-audited July - Sep 2019 Rupees
<b>8 SALES - NET</b>	NOTES		
Gross sales	8.1	1,271,038,966	742,023,677
Less: Sales tax		169,458,612	105,931,466
Sales returns		108,238,644	16,853,644
Commission		25,018,558	6,993,714
		302,715,814	129,778,824
		968,323,152	612,244,853
8.1 This includes Rs. 6.41 million (September 30, 2019: Rs. 2.77 million) on account of export sales for the period.			
<b>9 COST OF SALES</b>			
Raw materials and components consumed		688,218,261	434,571,510
Salaries, wages and other benefits		91,270,632	77,873,331
Stores, spares and loose tools consumed		11,457,310	10,074,204
Power and fuel charges		17,675,776	13,823,038
Repair and maintenance		23,066,147	14,129,838
Provision for slow moving items		-	255,150
Other expenses		3,642,311	2,893,858
Depreciation & Amortization		2,918,642	2,711,196
		838,249,079	556,332,125
Opening work-in-process		30,553,475	28,239,219
Closing work-in-process		(19,627,719)	(11,394,730)
Cost of goods manufactured		849,174,835	573,176,614
Opening finished goods		222,905,224	178,368,962
Closing finished goods		(196,297,434)	(209,012,427)
		875,782,625	542,533,149
<b>10 TAXATION</b>			
Current			
For the period		15,075,671	9,386,867
Deferred			
For the period		(6,777,580)	(6,940,358)
		8,298,091	2,446,509



# SAZGAR ENGINEERING WORKS LIMITED

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		Un-audited July - Sep 2020 Rupees	Un-audited July - Sep 2019 Rupees
<b>11 EARNINGS PER SHARE - BASIC AND DILUTED</b>			
Basic Earnings Per Share			
Profit after taxation for the period	Rupees	21,846,970	8,214,829
Weighted average number of ordinary shares outstanding during the period - Note 4.2	Number	35,766,842	28,933,340
Basic earnings per share	Rupees	0.61	0.28
<b>11.1 Diluted earnings per share</b>			
A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at September 30, 2020 and September 30, 2019, which would have any effect on earning per share if the option to convert is			
<b>12 TRANSACTIONS WITH RELATED PARTIES</b>			
<b>Non-Executive Director (s)</b>			
Meeting fee		240,000	270,000
<b>Key Management Personnel</b>			
Remuneration, Allowances and benefits		15,358,750	12,924,900
<b>Other Related Party</b>			
Rent Expenses		-	57,500
Remuneration, Allowances and benefits		1,200,000	-
<b>PERIOD END BALANCES</b>			
Payable to Other Related Party - Rent Payable		-	57,500
<b>13 SEGMENT RESULTS</b>			
<b>Segment Revenue - Net</b>			
Home appliances		153,846	2,958,788
Auto parts		170,374,749	143,802,150
Auto rickshaw		775,516,780	465,483,915
Automobiles - Four Wheeler		22,277,777	-
<b>Total</b>		<b>968,323,152</b>	<b>612,244,853</b>
<b>Segment operating results</b>			
Home appliances		15,018	381,544
Auto parts		4,162,674	2,770,056
Auto rickshaw		42,906,099	31,091,030
Automobiles - Four Wheeler		(12,061,963)	(9,393,628)
<b>Total</b>		<b>35,021,828</b>	<b>24,849,002</b>
<b>14 DATE OF AUTHORIZATION FOR ISSUE</b>			
The Board of Directors of the Company has authorized these condensed interim financial statements for issue on October 27, 2020.			
<b>15 GENERAL</b>			
<b>15.1</b>	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