



SAZGAR ENGINEERING WORKS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 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 nine months ended March 31, 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, 2019.

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, 2019.

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, 2019.

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 other 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, 2019.

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.



SAZGAR ENGINEERING WORKS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2020

4 SHARE CAPITAL

4.1 AUTHORIZED SHARE CAPITAL

Un-audited March 31, 2020 Number	Audited June 30, 2019 Number	NOTE	Un-audited March 31, 2020 Rupees	Audited June 30, 2019 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

7,163,000	7,163,000	ordinary shares of Rupees 10/- each fully paid up in cash.	71,630,000	71,630,000
14,403,842	14,403,842	ordinary shares of Rupees 10/- each allotted as bonus shares.	144,038,420	144,038,420
21,566,842	21,566,842		215,668,420	215,668,420

4.3 This amount represents share deposit money received during the period against the right issue of the Company. The Board of Directors of the Company in their meeting held on February 07, 2020 has decided to issue 65.8418140217 Right Shares for every 100 ordinary shares held i.e. 65.8418140217% at par value of Rs. 10/- per share and Rs. 40/- as premium (i.e. Rs. 50/- per share) to raise funds of Rs. 710.00 million.

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, 2019. Except the following;

- 5.1.1 DCIR initiated proceedings under section 161/205 of Income Tax Ordinance 2001 for tax year 2017 and created a tax demand of Rs. 33,952,716/- as on March 30, 2019, The Company filed an appeal against this order with CIR (A) and CIR (A) deleted the order of DCIR as on June 25, 2019. However DCIR filed an appeal with ATIR against the order of CIR (A) as on August 27, 2019, 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.
- 5.1.2 DCIR initiated proceedings under section 161/205 of Income Tax Ordinance 2001 for tax year 2014 and created a tax demand of Rs. 8,468,165/- as on December 06, 2019, The Company filed an appeal before the Commissioner Inland Revenue Appeal CIR(A) against this order of DCIR and has been granted a stay order, 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.
- 5.1.3 Additional Commissioner Inland Revenue (ACIR) initiated proceedings under section 122(SA) of Income Tax Ordinance 2001 for tax year 2018 and created a tax demand of Rs. 8,848,110/- as on February 06, 2020, The Company filed an appeal before the Commissioner Inland Revenue Appeal CIR(A) against this order of ACIR and has been granted a stay order, 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 other than capital expenditure amount to Rs. 100.21 Million (June 30, 2019: Rs. 134.26 Million).
- 5.2.2 Commitments in respect of capital expenditures including letters of credit amount to Rs. 147.75 Million (June 30, 2019: Rs. 146.52 Million).

6 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	6.1	338,169,379	348,588,354
Capital work in progress	6.2	801,528,035	649,491,034
		1,139,697,414	998,079,388
6.1 OPERATING FIXED ASSETS - Tangible			
Opening book value		348,588,354	346,844,374
Add:			
Additions during the period (at cost)			
- Plant and machinery		2,106,000	2,675,527
- Furniture and Fittings		-	684,830
- Office equipments		618,722	1,005,580
- Electric installations		-	1,931,500
- Vehicles		3,183,000	16,336,000
		5,907,722	22,633,437



SAZGAR ENGINEERING WORKS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2020

		Un-audited	Audited		
		March 31, 2020	June 30, 2019		
		Rupees	Rupees		
	Less:				
	Disposal during the period (at net book value)				
	- Vehicles	1,937,828	973,126		
	Depreciation charged during the period	14,388,869	19,916,331		
		16,326,697	20,889,457		
	Closing book value	338,169,379	348,588,354		
6.2	CAPITAL WORK IN PROGRESS				
	Opening Balance	649,491,034	361,959,281		
	Additions during the period				
	- Plant and machinery	137,053,075	240,961,454		
	- Building and Civil Works on freehold land	14,983,926	46,719,382		
		152,037,001	287,680,836		
	Less: Transferred to fixed assets during the period				
	- Intangible	-	149,083		
	Closing Balance	801,528,035	649,491,034		
7	INTANGIBLE ASSETS				
	Opening book value	108,560	10,575		
	Add: additions during the period	-	149,083		
		108,560	159,658		
	Less: amortization charged during the period	24,162	51,098		
	Closing book value	84,398	108,560		
		Un-audited	Un-audited	Un-audited	Un-audited
		Jan - Mar	Jan - Mar	July - Mar	July - Mar
		2020	2019	2020	2019
		Rupees	Rupees	Rupees	Rupees
8	SALES - NET				
	Gross sales	1,307,177,150	1,358,453,148	2,746,521,575	3,199,308,762
	Less: Sales tax	179,051,653	181,081,412	381,966,910	424,261,648
	Sales returns	71,546,150	117,534,542	108,293,467	295,180,394
	Commission	22,783,553	21,047,518	44,464,938	49,545,526
		273,381,356	319,663,472	534,725,315	768,987,568
		1,033,795,794	1,038,789,676	2,211,796,260	2,430,321,194
	8.1 This includes Rs. 28.88 million (March 31, 2019: Rs. 5.67 million) on account of export sales for the period.				
9	COST OF SALES				
	Raw materials and components consumed	721,761,407	724,559,342	1,736,703,957	1,931,248,958
	Salaries, wages and other benefits	89,845,744	66,396,738	249,566,017	200,852,933
	Stores, spares and loose tools consumed	10,355,813	11,553,339	30,449,645	31,957,243
	Power and fuel charges	21,193,539	14,219,512	54,086,926	44,407,847
	Repair and maintenance	13,624,841	15,047,315	41,456,517	41,369,085
	Provision for slow moving items	-	-	255,150	652,350
	Other expenses	4,674,014	1,450,711	10,332,561	6,967,959
	Depreciation & Amortization	2,760,953	2,969,753	8,213,110	8,919,580
		864,216,311	836,196,710	2,131,063,883	2,266,375,955
	Opening work-in-process	24,087,619	23,099,874	28,239,219	11,921,639
	Closing work-in-process	(19,095,500)	(20,365,666)	(19,095,500)	(20,365,666)
	Cost of goods manufactured	869,208,430	838,930,918	2,140,207,602	2,257,931,928
	Opening finished goods	407,517,765	341,930,503	178,368,962	137,357,025
	Cost of finished goods purchased	23,558,451	-	23,558,451	32,984,201
	Closing finished goods	(385,415,820)	(253,663,687)	(385,415,820)	(253,663,687)
		914,868,826	927,197,734	1,956,719,195	2,174,609,467
10	TAXATION				
	Current				
	For the period	15,903,822	16,809,726	33,870,106	31,045,594
	Prior period	-	-	(199,520)	49,579
	Deferred				
	For the period	(6,323,141)	(235,039)	(20,816,778)	(1,586,186)
		9,580,681	16,574,687	12,853,808	29,508,987



SAZGAR ENGINEERING WORKS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2020

		Un-audited Jan - Mar 2020 Rupees	Un-audited Jan - Mar 2019 Rupees	Un-audited July - Mar 2020 Rupees	Un-audited July - Mar 2019 Rupees
11	EARNINGS PER SHARE - BASIC AND DILUTED				
	Basic Earnings Per Share				
	Profit after taxation for the period	Rupees 27,249,793	33,983,394	40,568,177	66,679,688
	Weighted average number of ordinary shares				
	Number	21,566,842	21,566,842	21,566,842	21,566,842
	outstanding during the period - Note 4.2				
	Basic earnings per share	Rupees 1.26	1.58	1.88	3.09
	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, 2020 and March 31, 2019 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			840,000	620,000
	Key Management Personnel				
	Remuneration, Allowances and benefits			38,842,442	39,854,400
	Other Related Party				
	Rent Expenses			207,500	-
	Remuneration, Allowances and benefits			1,500,000	-
	PERIOD END BALANCES				
	Payable to Other Related Party - Rent Payable			207,500	-
13	SEGMENT RESULTS				
	Segment Revenue - Net				
	Home appliances	572,652	2,164,797	4,259,884	6,941,851
	Auto parts	106,654,459	136,164,945	352,169,996	347,875,316
	Auto rickshaw	926,568,683	895,951,387	1,855,366,380	2,063,598,044
	Automobiles - Four Wheeler	-	4,508,547	-	11,905,983
	Total	1,033,795,794	1,038,789,676	2,211,796,260	2,430,321,194
	Segment operating results				
	Home appliances	45,580	(880,468)	469,532	178,892
	Auto parts	571,995	5,884,702	3,494,043	499,637
	Auto rickshaw	73,845,690	63,266,049	136,671,035	131,411,934
	Automobiles - Four Wheeler	(20,318,496)	(8,248,789)	(41,254,023)	(17,487,051)
	Total	54,144,769	60,021,494	99,380,587	114,603,412
14	DATE OF AUTHORIZATION FOR ISSUE				
	The Board of Directors of the Company has authorized these condensed interim financial statements for issue on April 16, 2020.				
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