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Directors' Report

For the quarter ended September 30, 2020

The Directors of Indus Motor Company (IMC) Limited are pleased to present the unaudited accounts of the Company for the quarter ended September 30, 2020.

Pakistan's Automobile Industry

During the quarter ended September 30, 2020, the automobile industry observed an increase in demand for automobiles due to improved economic activity, revival in purchasing power of consumers post COVID-19 lockdown and reduction in interest rates which led to increase in auto financing. However, the imposition of Federal Excise Duty (FED) on sale of vehicles, Additional Custom Duty (ACD) at 7% on import of CKD kits and raw materials and in addition to currency devaluation, led to an increase in the price of vehicles. Consequent to the demand increase, the quarter industry wide sales for PAMA (Pakistan Automotive Manufacturers Association) members for locally manufactured Passenger Cars (PC) and Light Commercial Vehicles (LCV) vehicles increased by 7.93% to 37,383 units, as against 34,635 units sold for the same period last year.

Company Review

The Company's combined sales of Completely Knocked Down (CKD) and Completely Built-up Units (CBU) units for the first quarter ended September 30, 2020, increased by 73% to 11,809 units against 6,839 units sold in the same period last year. The market share of Indus Motor Company in the overall market stood at approximately 27% for the first quarter. The Company produced 11,648 units of vehicles for the three-month period, registering a 45% increase, as compared to 8,036 units produced in the same period last year.

The net sales turnover for the quarter ended September 30, 2020 increased by 65% to Rs. 34.19 billion as compared to Rs 20.72 billion in the same period last year, while profit after tax also increased by 40% to Rs. 1.85 billion, as against Rs. 1.32 billion achieved in the same period last year. The increase in turnover and profitability for the three-month period was mainly due to higher CKD and CBU volumes, and increased other income due to improved cash inflows, however, due to the depreciation of Pak Rupee and absorption of costs, the gross margin of the company reduced to 6.7% against 9.7% in same period last year.

In contrast with previous quarters, demand for the Company's vehicles improved in the current quarter commencing July 2020, thereby improving the profitability for the current quarter. The increased demand is attributable to, one off increase in demand after COVID-19 lockdown and the improved economic indicators of Pakistan. Moreover, the overwhelming response received from our esteemed customers for Toyota Yaris has also led to volume increase.

Directors' Report

For the quarter ended September 30, 2020

During the period on August 04, 2020, considering the customer demand, the Company opened booking for the Toyota Corolla 1.6 Manual Transmission vehicle, in line with IMC's policy of providing customers with more options and features. Due to increased demand, the Company has started to operate on double shift basis from September 2020.

Based on the above results, the Board of Directors are pleased to declare an interim cash dividend of Rs. 12 per share for the quarter compared to Rs 7 per share in same period last year. During the period, transactions with the related parties as disclosed in the financial statements were carried out in the ordinary course of business.

In the Extra Ordinary General Meeting of Indus Motor Company Limited held on October 28, 2020, the existing Directors of the Company were re-elected as Directors and subsequently, in the Board of Directors meeting held on same day, Mr. Mohamedali R. Habib and Mr. Yuji Takarada re-elected as Chairman and Vice Chairman, respectively, and Mr. Ali Asghar Jamali re-appointed as Chief Executive, of the Company, for a term of three years commencing from October 31, 2020.

Near Term Business Outlook

The recent COVID-19 pandemic has created considerable uncertainty and is expected to have a lasting negative effect on the global economy, including in Pakistan. The GDP growth rate shrank for 2019-20 to -0.4 %. However, as per IMF projection, GDP growth rate is expected to slightly improve to 1% for the year 2020-21.

The automotive sector provides direct and indirect employment to over a million people, and serves as a major industrial and economic force in Pakistan. Unfortunately, the industry is already facing hardships owing to inconsistent economic policies, and will be exposed to additional challenges on account of the COVID-19 outbreak. Therefore, in the current crisis situation, we reiterate our request to the Government to take action to support the sector in improving volumes and generating employment. We request the Government to eliminate Federal Excise Duty on vehicles, reduce custom duty on non-localized parts and exempt additional custom duty on imports of materials under SRO 655 and SRO 656. All these revenue collection measures have proved to be detrimental to industry volumes. The Government being the largest beneficiary of automotive vehicle manufacturing, may not be able to meet the desired revenue targets. The above recommendation will make the vehicle retail prices affordable and to shift revenue collection towards volumes.

We support the Government's "Make In Pakistan" initiative, and accordingly it should discourage any consideration being extended to Completely Built Units (CBUs) of Electric Vehicles (EV) and Hybrid Electric Vehicles (HEV). The EVs and HEVs are relatively new technologies which are considered interchangeable

Directors' Report

For the quarter ended September 30, 2020

worldwide, therefore a single policy should be devised for EVs and HEVs. Moreover, the local auto parts industry is a very important source of employment and also supports in sustaining the foreign exchange reserves of Pakistan by reducing foreign cash outflows, therefore we urge the Government to safeguard the interests of local manufacturers under the policy in review.

Your Company remains committed to the 'Customer First' philosophy that demands a high level of contribution, dedication and efficiency from all levels in the Company, to ensure maximum customer satisfaction throughout the supply chain. This is the cornerstone of the 'Toyota Way' and critical for the long-term success of the Company.

Acknowledgement

We are grateful to our customers for their continued patronage of our products and wish to acknowledge the efforts of the entire IMC team, including our staff, vendors, dealers and all business partners, for their untiring efforts in these challenging times and look forward to their continued support. We bow to the Almighty, and pray for His blessings and guidance.

On behalf of the Board of Directors.

October 28, 2020,
Karachi.



Ali Asghar Jamali
Chief Executive & Director



Yuji Takarada
Vice Chairman & Director

ڈائریکٹرز رپورٹ برائے سہ ماہی مہینہ 30 ستمبر، 2020

انڈس موٹر کمپنی کے ڈائریکٹرز 30 ستمبر 2020 کو ختم ہونے والی سہ ماہی کیلئے کمپنی کے غیر آڈٹ شدہ حسابات (accounts) پیش کرنے میں مسرت محسوس کرتے ہیں۔

پاکستان کی آٹو موبائل انڈسٹری

30 ستمبر، 2020 کو ختم ہونے والی سہ ماہی کے دوران آٹو موبائل انڈسٹری میں گاڑیوں کی طلب میں اضافہ دیکھا گیا جس کی وجہ اقتصادی صورتحال میں بہتری، کورونا وائرس کی وبا کے بعد صارفین کی قوت خرید کی بحالی اور شرح سود میں کمی کے نتیجہ میں آٹو فنانسنگ میں اضافہ ہے۔ تاہم گاڑیوں کی فروخت پر فیڈرل ایکسائز ڈیوٹی، سی کے ڈی اور خام مواد کی درآمد پر 7 فیصد اضافی کسٹم ڈیوٹی (اے سی ڈی) اور روپے کی قدر میں کمی سے گاڑیوں کی قیمتوں میں اضافہ ہوا۔

طلب میں اضافہ کی وجہ سے پاکستان آٹو مو بیٹو مینوفیکچررز ایسوسی ایشن (PAMA) اراکین کیلئے مقامی سطح پر تیار کردہ مسافر گاڑیوں (پی سی) اور لائٹ کمرشل گاڑیوں (ایل سی وی) کی سہ ماہی کیلئے انڈسٹری کی سطح پر فروخت 7.93 فیصد اضافہ کے ساتھ 37383 یونٹس رہی جبکہ گزشتہ سال کی اسی مدت کے دوران 34635 گاڑیاں ہوئی تھیں۔

کمپنی کا جائزہ

30 ستمبر، 2020 کو ختم ہونے والی پہلی سہ ماہی کیلئے کمپنی کی CKD اور CBU کی مشترکہ فروخت 73 فیصد اضافہ کے ساتھ گزشتہ سال کی اسی مدت میں 6839 یونٹس کے مقابلے میں 11809 یونٹس رہی۔ پہلی سہ ماہی کیلئے آئی ایم سی کا مجموعی مارکیٹ میں شیئر تقریباً 27 فیصد رہا۔ کمپنی نے تین ماہ کی مدت کیلئے 11648 یونٹ گاڑیاں تیار کیں جس میں 45 فیصد اضافہ ہوا جبکہ گزشتہ مالی سال کی اسی مدت کے دوران 8036 یونٹ گاڑیاں تیار کی گئی تھیں۔

30 ستمبر، 2020 کو ختم ہونے والی سہ ماہی کیلئے کمپنی کا خالص منافع 65 فیصد کمی کے ساتھ 34.19 بلین روپے رہا جبکہ گزشتہ سال کی اسی مدت کیلئے یہ منافع 20.72 بلین روپے تھا۔ اسی مدت کے دوران بعد از ٹیکس منافع 40 فیصد اضافہ کے ساتھ گزشتہ سال کی اسی مدت کے 1.32 بلین روپے کے مقابلے میں 1.85 بلین روپے رہا۔ تین ماہ کیلئے منافع اور آمدن میں اضافہ کی بڑی

وجوہات میں CKD اور CBU کے بلند حجم اور اخراجات میں بہتری کی بنا پر دیگر آمدنی میں اضافہ شامل ہے تاہم پاکستانی روپے کی قدر میں کمی اور لاگت میں اضافہ کے باعث کمپنی کا مجموعی مارجن گزشتہ سال کی اسی مدت کے 9.7 فیصد کے مقابلے میں 6.7 فیصد رہا۔

گزشتہ سہ ماہیوں کے مقابلے میں جولائی 2020 کو شروع ہونے والی موجودہ سہ ماہی میں کمپنی کی گاڑیوں کی طلب میں بہتری ہوئی جس سے موجودہ سہ ماہی میں منافع بہتر ہوا۔ طلب میں اضافہ کا کریڈٹ کورونا وائرس کی وجہ سے لگائے جانے والے لاک ڈاؤن کے بعد طلب میں اضافہ اور پاکستان میں معاشی اشاریوں میں بہتری کو جاتا ہے۔ صارفین کی طرف سے ٹویٹا یارس میں بہت زیادہ دلچسپی بھی حجم میں اضافہ کا باعث بنی۔

4 اگست، 2020 کو اس مدت کے دوران کمپنی نے صارف کی طلب کو مد نظر رکھتے ہوئے ٹویٹا کرو لاء 1.6 مینٹل ٹرانسمیشن گاڑی کی بنگلہ کا آغاز کیا جو آئی ایم سی کی صارفین کو مزید انتخاب اور فیچرز کی فراہمی کی پالیسی کے مطابق ہے۔ طلب میں اضافہ کی وجہ سے کمپنی نے اگست 2020 کے اختتام سے ڈبل شفٹ کی بنیاد پر آپریشن شروع کر دیا ہے۔

مذکورہ بالا نتائج کی بنیاد پر بورڈ آف ڈائریکٹرز پہلی سہ ماہی کیلئے 12 روپے فی حصص کے پہلے عبوری منافع کی تقسیم کا اعلان کرتے ہوئے مسرت محسوس کرتے ہیں جبکہ گزشتہ سال کی اسی مدت کیلئے یہ منافع 7 روپے فی حصص تھا۔ اسی مدت کے دوران متعلقہ فریقین کے ساتھ کاروباری لین دین معمول کے طریقہ کار میں کیا گیا ہے جس کا مالیاتی گوشواروں ذکر میں کیا گیا ہے۔

انڈس موٹر کمپنی لمیٹڈ کے 28 اکتوبر، 2020 کو منعقدہ غیر معمولی اجلاس عام میں کمپنی کے موجودہ ڈائریکٹرز کو دوبارہ ڈائریکٹرز منتخب کیا گیا۔ اسی طرح اسی روز منعقد ہونے والے بورڈ آف ڈائریکٹرز کے اجلاس میں محمد علی آرحیب، یوجی تاکارادا اور علی اصغر جمالی کو تین سال کیلئے بالترتیب چیئرمین، وائس چیئرمین اور چیف ایگزیکٹو آفیسر منتخب کیا گیا جو 31 اکتوبر، 2020 سے نافذ العمل ہوگا۔

مستقبل کا کاروباری جائزہ

کورونا وائرس کی حالیہ وبا نے قابل غور غیر یقینی صورتحال پیدا کی ہے اور پاکستان سمیت عالمی معیشت پر اس کے مستقبل منفی اثرات

مرتب ہو سکتے ہیں۔ مالی سال 2019-20 کیلئے جی ڈی پی کی شرح نمو سیکٹر ضمنی 0.4 فیصد ہو گئی ہے۔ تاہم آئی ایم ایف کی پیشنگوئی کے مطابق پاکستان کی معیشت مالی سال 2020-21 کے دوران 1 فیصد بہتری آئے گی۔

آٹوموبائل سیکٹر بلواسلطہ اور بلاواسطہ لاکھوں لوگوں کو روزگار فراہم کرتا ہے اور پاکستان میں ایک بڑی صنعتی اور معاشی قوت کے طور پر خدمات سرانجام دے رہا ہے۔ بد قسمتی سے انڈسٹری پہلے معاشی مشکلات کا سامنا کر رہی ہے اور کورونا وائرس کی وبا کی وجہ سے یہ مزید مشکلات کا شکار ہو جائے گی۔ اس لئے موجودہ صورتحال کو مد نظر رکھتے ہوئے ہم حکومت سے ایک بار پھر درخواست کرتے ہیں وہ حجم اور روزگار کو بہتر بنانے کیلئے سیکٹر کی معاونت کیلئے اقدامات اٹھائے۔ ہم حکومت سے درخواست کرتے ہیں کہ وہ گاڑیوں پر فیڈرل ایکسائز ڈیوٹی کو ختم کرے، غیر مقامی پارٹس پر کسٹم ڈیوٹی میں کمی اور ایس آر او 655 اور ایس آر او 656 کے تحت میٹرلےز کی امپورٹ پر کسٹم ڈیوٹی سے استثنیٰ دیا جائے۔ محصولات کے حصول کیلئے یہ اقدامات صنعت کی ترقی کیلئے تباہ کن ثابت ہوئے ہیں اور نہ صرف انڈسٹری کے حجم میں سکڑاؤ کا باعث بنے ہیں بلکہ اس سے حکومت کی محصولات کے مطلوبہ اہداف پورا کرنے کی اہلیت پر بھی اثرات مرتب ہوئے۔ مذکورہ بالا سفارشات گاڑی کی ریٹیل قیمتوں کم کرنے اور محصولات کے حصول کو حجم کی طرف منتقل کرنے میں مددگار ثابت ہوں گے۔

ہم حکومت کے ”میک ان پاکستان“ اقدام کی بھرپور حمایت کرتے ہیں۔ دوسری طرف حکومت کو بھی برقی گاڑیوں (EV) اور ہائبرڈ برقی گاڑیوں (HEV) کے مکمل تیار یونٹس (CBUs) کیلئے دی جانے والی مراعات کی حوصلہ شکنی کرنی چاہیے۔ EVs اور HEVs نئی ٹیکنالوجی کی حامل ہیں اور ان کی ٹیکنالوجی دنیا بھر میں قابل مبادلہ سمجھی جاتی ہیں، اس لئے EVs اور HEVs کیلئے ایک ہی پالیسی تشکیل دی جانی چاہیے۔ مزید برآں مقامی پرزہ جات کی صنعت ملازمتیں پیدا کرنے ایک اہم ذریعہ ہے اور بیرون ملک ادائیگیوں میں کمی لاکر پاکستان کے غیر ملکی زرمبادلہ کو برقرار رکھنے میں مدد و معاون ہوتی ہے، اس لئے ہم حکومت پر زور دیتے ہیں کہ وہ زیر پالیسی کے تحت مقامی مینوفیکچررز کے مفادات کا تحفظ یقینی بنائے۔

آپ کی کمپنی ”پہلے صارف“ کے فلسفے پر ہمیشہ کی طرح کاربند ہے جو مکمل سپلائی چین میں اپنے قابل قدر صارفین کی خوشی اور اطمینان کیلئے کمپنی کے ہر شعبے سے اعلیٰ کارکردگی، لگن اور استعداد کا متقاضی ہے۔ یہ ”ٹویوتا طریقہ کار“ (Toyota Way) کی بنیاد اور کمپنی کی طویل المدت کامیابی کیلئے نہایت اہم ہے۔

اظہار تشکر

ہم اپنے صارفین کے شکر گزار ہیں کہ انہوں نے ہماری مصنوعات پر مسلسل اعتماد کیا۔ ہم انڈس کی پوری ٹیم بشمول اسٹاف، وینڈرز، ڈیلرز، بزنس پارٹنر کی مشکل وقتوں میں انتھک محنت اور عزم کو سراہتے ہیں اور امید کرتے ہیں کہ ان کا مسلسل ساتھ حاصل رہے گا۔ ہم رب کریم کے شکر گزار ہیں اور اس کی برکتوں سمیت رہنمائی کیلئے دعا گو ہیں۔

بورڈ آف ڈائریکٹرز کی طرف سے

28 اکتوبر، 2020

کراچی



یو جی تاحا رادا

وائس چیئرمین اینڈ ڈائریکٹر



علی اصغر جمالی

چیف ایگزیکٹو

Condensed Interim Statement of Financial Position

AS AT SEPTEMBER 30, 2020

	Note	September 30 2020 (Unaudited)	June 30 2020 (Audited)
------(Rupees in '000)-----			
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	16,148,625	16,501,642
Intangible assets		62,224	72,550
Long-term loans and advances		14,008	12,639
Long-term deposits		10,020	10,020
Deferred taxation - net		148,374	64,491
		16,383,251	16,661,342
Current Assets			
Stores and spares		388,670	478,455
Stock-in-trade		13,372,573	15,932,791
Trade debts		523,128	1,141,711
Loans and advances		3,686,472	2,990,543
Short-term prepayments		41,949	27,272
Accrued return		75,638	111,128
Other receivables		568,741	438,655
Taxation - net		-	130,725
Short-term investments	6	66,194,657	41,194,878
Cash and bank balances		68,674	1,171,064
		84,920,502	63,617,222
TOTAL ASSETS		101,303,753	80,278,564
EQUITY			
Share capital			
Authorised capital			
500,000,000 (June 30 2020: 500,000,000) ordinary shares of Rs 10 each		5,000,000	5,000,000
Issued, subscribed and paid-up capital			
78,600,000 (June 30, 2020: 78,600,000) ordinary shares of Rs 10 each		786,000	786,000
Reserves		41,678,561	40,383,391
		42,464,561	41,169,391
LIABILITIES			
Non-Current Liabilities			
Long term loan		746,441	459,361
Deferred government grant		40,702	19,965
Deferred revenue		3,799	3,799
		790,942	483,125
Current Liabilities			
Trade payables, other payables and provisions		20,890,958	13,593,480
Current portion of deferred revenue		18,414	28,420
Unclaimed dividends		849,533	357,066
Current portion of long term loan		168,628	85,735
Current portion of deferred government grant		42,246	27,690
Advances from customers and dealers		35,757,636	24,533,657
Taxation - net		320,835	-
		58,048,250	38,626,048
TOTAL EQUITY AND LIABILITIES		101,303,753	80,278,564

CONTINGENCIES AND COMMITMENTS

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.



Mohammad Ibadullah
Chief Financial Officer



Ali Asghar Jamali
Chief Executive




Yuji Takarada
Vice Chairman & Director

Condensed Interim Profit and Loss Account

For the quarter ended September 30, 2020 (unaudited)

	Note	Quarter ended	
		September 30	
		2020	2019
		------(Rupees in '000)-----	
Revenue from contracts with customers	8	34,194,928	20,716,040
Cost of sales	9	(31,906,778)	(18,707,669)
Gross profit		2,288,150	2,008,371
Distribution expenses		(226,027)	(400,324)
Administrative expenses		(316,072)	(324,219)
Other operating expenses		(8,655)	(48,028)
		(550,754)	(772,571)
		1,737,396	1,235,800
Workers' Profit Participation Fund and Workers' Welfare Fund		(146,112)	(131,867)
		1,591,284	1,103,933
Other income	11	1,088,536	694,782
		2,679,820	1,798,715
Finance cost		(34,092)	(19,466)
Profit before taxation		2,645,728	1,779,249
Taxation		(800,358)	(460,514)
Profit after taxation		1,845,370	1,318,735
Earnings per share - basic and diluted (Rupees)		23.48	16.78

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.



Mohammad Ibadullah
Chief Financial Officer



Ali Asghar Jamali
Chief Executive



Yuji Takarada
Vice Chairman & Director

Condensed Interim Statement of Comprehensive Income

For the quarter ended September 30, 2020 (unaudited)

	Quarter ended	
	September 30	
	2020	2019
	----- (Rupees in '000) -----	
Profit after taxation for the period	1,845,370	1,318,735
Items that may be reclassified subsequently to profit or loss	-	-
Items that will not be subsequently reclassified to profit or loss	-	-
Total comprehensive income for the period	1,845,370	1,318,735

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.



Mohammad Ibadullah
Chief Financial Officer



Ali Asghar Jamali
Chief Executive



Yuji Takarada
Vice Chairman & Director

Condensed Interim Statement of Cash Flows

For the quarter ended September 30, 2020 (unaudited)

		Quarter ended	
		September 30	
	Note	2020	2019
		----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	12	23,374,197	(7,689,616)
Net increase in long-term loans and advances		(1,368)	(4,157)
Net increase in long-term deposits		-	(250)
Compensation paid on advances received from customers		(2,236)	(336)
Decrease in deferred revenue		-	(20,005)
Income tax paid		(432,681)	(1,030,475)
Net cash inflow / (outflow) from operating activities		22,937,912	(8,744,839)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and intangible assets		(428,463)	(1,981,786)
Proceeds from disposal of property, plant and equipment		55,427	2,930
Interest received on bank deposits and Term Deposit Receipts		212,520	234,038
Investment in listed mutual fund units		(10,300,000)	-
Proceeds from redemption of listed mutual fund units		2,303,941	-
Investment in Pakistan Investment Bonds		-	(2,397,881)
Proceeds from sale of Pakistan Investment Bonds		500,054	2,154,783
Dividend Income from listed mutual fund units		117,368	-
Gain on sale of investments in Pakistan Investment Bonds (PIBs)		71,123	-
Gain on sale of investment in Market Treasury Bills		561,704	-
Net cash outflow on investing activities		(6,906,326)	(1,987,916)
CASH FLOWS FROM FINANCING ACTIVITY			
Dividends paid		(57,728)	(3,772)
Long-term loan received		405,266	-
Net cash inflow from / (outflow on) financing activities		347,538	(3,772)
Net increase / (decrease) in cash and cash equivalents during the period		16,379,124	(10,736,527)
Cash and cash equivalents at the beginning of the period		41,865,896	26,684,246
Cash and cash equivalents at the end of the period	13	58,245,020	15,947,719

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.



Mohammad Ibadullah
Chief Financial Officer



Ali Asghar Jamali
Chief Executive




Yuji Takarada
Vice Chairman & Director

Condensed Interim Statement of Changes in Equity

For the quarter ended September 30, 2020 (unaudited)

	Share Capital	Reserves				Total
	Issued, subscribed and paid-up	Capital Premium on issue of ordinary shares	Revenue		Sub-Total	
			General reserve	Unappropriated profit		
	(Rupees in '000)					
Balance as at July 1, 2019	786,000	196,500	31,951,050	7,111,759	39,259,309	40,045,309
Total comprehensive income for the quarter ended September 30, 2019	-	-	-	1,318,735	1,318,735	1,318,735
Balance as at September 30, 2019	786,000	196,500	31,951,050	8,430,494	40,578,044	41,364,044
Balance as at July 1, 2020	786,000	196,500	36,451,050	3,735,841	40,383,391	41,169,391
Total comprehensive income for the quarter ended September 30, 2020	-	-	-	1,845,370	1,845,370	1,845,370
Transfer to general reserve for the year ended June 30, 2020 appropriated subsequent to year end	-	-	3,000,000	(3,000,000)	-	-
Transactions with owners						
Final dividend @ 7% for the year ended June 30, 2020 declared subsequent to year end				(550,200)	(550,200)	(550,200)
Balance as at September 30, 2020	786,000	196,500	39,451,050	2,031,011	41,678,561	42,464,561

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.


Mohammad Ibadullah
 Chief Financial Officer


Ali Asghar Jamali
 Chief Executive


Yuji Takarada
 Vice Chairman & Director

Notes to and Forming Part of the Condensed Interim Financial Statements

For the quarter ended September 30, 2020 (unaudited)

1 THE COMPANY AND ITS OPERATIONS

Indus Motor Company Limited (the Company) was incorporated in Pakistan as a public limited company in December 1989 and started commercial production in May 1993. The shares of the Company are quoted on the Pakistan Stock Exchange.

The Company was formed in accordance with the terms of a Joint Venture agreement concluded amongst certain House of Habib companies, Toyota Motor Corporation and Toyota Tsusho Corporation for the purposes of assembling, progressive manufacturing and marketing of Toyota vehicles. The Company also acts as the sole distributor of Toyota and Daihatsu vehicles in Pakistan and has a license for assembling, progressive manufacturing and marketing of these vehicles in Pakistan.

The registered office and factory of the Company is situated at Plot No. NWZ/1/P-1, Port Qasim Industrial Estate, Bin Qasim, Karachi.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 These condensed interim financial statements 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.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published financial statements of the Company for the year ended June 30, 2020.

2.2 The comparative statement of financial position presented in this condensed interim financial information as at June 30, 2020 has been extracted from the annual audited financial statements of the Company for the year ended June 30, 2020 whereas the comparative condensed interim profit and loss account, condensed interim statement of changes in equity and condensed interim statement of cash flows together with notes thereto for the quarter ended September 30, 2019 have been extracted from the condensed interim financial information of the Company for the quarter then ended, which were neither reviewed nor audited.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies and methods of computation of balances adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual published financial statements of the Company for the year ended June 30, 2020.

Notes to and Forming Part of the Condensed Interim Financial Statements

For the quarter ended September 30, 2020 (unaudited)

3.2 New standards, amendments to approved accounting standards and new interpretations which became effective during the quarter ended September 30, 2020

There are certain amendments to approved accounting standards that are mandatory for accounting periods beginning on July 1, 2020. However, these do not have any significant effect on the Company's financial reporting and operations and therefore, have not been disclosed in this condensed interim financial information.

3.3 New standards, amendments to approved accounting standards and new interpretations that are not yet effective and have not been early adopted by the Company

There are certain new standards and amendments to the approved accounting standards that are mandatory for the Company's accounting periods beginning after July 1, 2020, but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in this condensed interim financial information.

4 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of this condensed interim financial information in conformity with the approved accounting standards as applicable in Pakistan for interim reporting requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revision to accounting estimates are recognised prospectively commencing from the period of revision.

Judgments and estimates made by the management in the preparation of this condensed interim financial information are the same as those applied to the financial statements as at and for the year ended June 30, 2020.

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

Notes to and Forming Part of the Condensed Interim Financial Statements

For the quarter ended September 30, 2020 (unaudited)

	September 30 2020 (Un-audited)	June 30 2020 (Audited)
5 PROPERTY, PLANT AND EQUIPMENT	----- (Rupees in '000) -----	
Operating assets	14,997,353	15,334,649
Capital work-in-progress	1,151,272	1,166,993
	16,148,625	16,501,642

5.1 Details of additions and disposals during the period are as follows:

	Additions (at cost)		Disposals (at cost)	
	Quarter ended September 30		Quarter ended September 30	
	2020	2019	2020	2019
	----- (Rupees in '000) -----			
Tangible assets				
Buildings on leasehold land:				
Factory	53,092	4,738	-	-
Others	-	-	-	-
Plant and machinery	254,424	85,585	-	7,920
Motor vehicles	28,425	40,367	61,437	5,647
Furniture and fixtures	2,844	1,685	37	-
Office equipment	2,457	2,828	323	2,586
Computers and related accessories	2,769	2,088	1,374	130
Tools and equipment	61,146	7,720	-	2,510
Jigs, moulds and related equipment	39,028	1,622,717	-	-
	444,185	1,767,728	63,171	18,793
Intangible assets				
Computer software	-	-	-	-

- 5.1.1** Additions to owned assets include transfers from capital work-in-progress amounting to Rs 411.667 million (September 30, 2019: Rs 1,705.663 million).

Notes to and Forming Part of the Condensed Interim Financial Statements

For the quarter ended September 30, 2020 (unaudited)

September 30 2020 (Unaudited)	June 30 2020 (Audited)
----- (Rupees in '000) -----	

6 SHORT-TERM INVESTMENTS

Amortized Cost

- Term Deposit Receipts (TDRs)	18,000,000	34,000,000
--------------------------------	------------	------------

At fair value through profit or loss

- Government securities - Market Treasury Bills	40,176,346	6,694,832
- Government securities - Pakistan Investment Bonds (PIBs)	-	500,046
- Listed Mutual Fund units	8,018,311	-
	<u>66,194,657</u>	<u>41,194,878</u>

7 CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

7.1.1 The status of contingencies as disclosed in annual financial statements of the Company for the year ended June 30, 2020 has remained unchanged.

7.1.2 As at September 30, 2020, the claims not acknowledged as debt by the company amounts to Rs 2,049.572 million (June 30, 2020: Rs 2,049.572 million).

7.1.3 Contingencies in respect of outstanding bank guarantees at September 30, 2020 amounted to Rs 21,136.689 million (June 30, 2020: Rs 22,119.010 million). This includes an amount of Rs 6,790.960 million (June 30, 2020: Rs 6,657.832 million) in respect of bank guarantees from related parties.

7.2 Commitments

7.2.1 Commitments in respect of capital expenditure as at September 30, 2020 aggregate to Rs 1,473.892 million (June 30, 2020: Rs 1,513.673 million).

7.2.2 Commitments in respect of letters of credit, other than for capital expenditure, amounted to Rs 4,260.955 million (June 30, 2020: Rs 3,711.941 million). The above letters of credit include an amount of Rs 526.755 million (June 30, 2020: Rs 1,489.520 million) availed from a related party.

Notes to and Forming Part of the Condensed Interim Financial Statements

For the quarter ended September 30, 2020 (unaudited)

		Quarter ended	
		September 30	
		2020	2019
		----- (Rupees in '000) -----	
8	REVENUE FROM CONTRACTS WITH CUSTOMERS		
	Manufacturing		
	Gross sales	40,738,582	23,435,804
	Sales tax	(5,922,050)	(3,405,367)
	FED	(1,385,723)	(792,785)
		<u>33,430,809</u>	<u>19,237,652</u>
	Commission	(683,854)	(431,998)
	Discounts	(1,799)	(1,762)
	Compensation on advances from customers	(96,679)	(2,326)
	Manufacturing net sales	<u>32,648,477</u>	<u>18,801,566</u>
	Trading		
	Gross sales	1,994,590	2,488,191
	Sales tax	(308,479)	(388,454)
		<u>1,686,111</u>	<u>2,099,737</u>
	Commission	(41,995)	(71,440)
	Discounts	(97,665)	(113,823)
	Trading net sales	<u>1,546,451</u>	<u>1,914,474</u>
	Net sales	<u>34,194,928</u>	<u>20,716,040</u>
9	COST OF SALES		
	Manufacturing	30,774,059	17,418,940
	Trading	1,132,719	1,288,729
		<u>31,906,778</u>	<u>18,707,669</u>

Notes to and Forming Part of the Condensed Interim Financial Statements

For the quarter ended September 30, 2020 (unaudited)

10 SEGMENT REPORTING

	Quarter ended September 30, 2020			Quarter ended September 30, 2019		
	Manufacturing	Trading	Total	Manufacturing	Trading	Total
	(Rupees in '000)					
Net sales	32,648,477	1,546,451	34,194,928	18,801,566	1,914,474	20,716,040
Gross Profit	1,874,418	413,732	2,288,150	1,382,626	625,745	2,008,371
Profit from operations	1,219,054	372,230	1,591,284	559,717	544,216	1,103,933

11 OTHER INCOME

Income from Financial Assets

Return on bank deposits	177,031	214,895
Net gain on investment in listed mutual funds units	22,253	-
Dividend income from listed mutual fund units	117,368	-
Gain on sale of investments in Pakistan Investment Bonds (PIBs)	71,123	9,819
Gain on sale of investments in Market Treasury Bills (T Bills)	257,325	355,209
Unrealized gain on investments in Market Treasury Bills (T Bills)	304,379	71,259

Income from Non Financial Assets

Agency Commission income - net of expenses	2,474	11,764
Others	136,583	31,836
	1,088,536	694,782

Notes to and Forming Part of the Condensed Interim Financial Statements

For the quarter ended September 30, 2020 (unaudited)

	Quarter ended	
	September 30	
Note	2020	2019
	----- (Rupees in '000) -----	

12 CASH GENERATED FROM / (USED IN) OPERATIONS

Profit before taxation	2,645,728	1,779,249
Adjustment for non-cash charges and other items:		
Depreciation	753,116	701,849
Amortization	10,318	7,183
Provision for doubtful debts	6,218	22
Gain on disposal of operating fixed assets	(27,069)	(746)
Net gain on investments in listed mutual fund units	(22,253)	-
Dividend income from listed mutual fund units	(117,368)	-
Net unrealised gain on foreign exchange contracts - fair value hedge	3,842	(4,350)
Return on bank deposits	(177,031)	(214,895)
Gain on sale of investments in Pakistan Investment Bonds	(71,123)	(9,819)
Gain on sale of investments in Market Treasury Bills	(257,325)	-
Unrealized gain on investments in Market Treasury Bills	(304,379)	-
Charge in respect of Workers' Profit Participation Fund	92,118	95,556
Charge in respect of Workers' Welfare Fund	53,994	36,311
Interest expense on long term loan	3,884	659
Compensation on advances received from customers	96,678	2,326
Working capital changes	12.1 20,684,849	(10,082,961)
	<u>23,374,197</u>	<u>(7,689,616)</u>

12.1 Working capital changes

(Increase) / decrease in current assets

Stores and spares	89,784	(103,006)
Stock-in-trade	2,560,217	(5,048,867)
Trade debts	612,365	(218,501)
Loans and advances	(695,928)	2,442,522
Short-term prepayments	(14,677)	6,470
Other receivables	(231,079)	(1,716,699)
	<u>2,320,682</u>	<u>(4,638,081)</u>

Increase / (decrease) in current liabilities

Trade payables, other payables and provisions	7,150,183	(1,906,881)
Current portion of deferred revenue	(10,006)	17,852
Advances from customers and dealers	11,223,990	(3,555,851)
	<u>18,364,167</u>	<u>(5,444,880)</u>
	<u>20,684,849</u>	<u>(10,082,961)</u>

13 CASH AND CASH EQUIVALENTS

Term Deposit Receipts	18,000,000	9,250,000
Government Securities - Market Treasury Bills	40,176,346	4,461,107
Cash and bank balances	68,674	2,236,612
	<u>58,245,020</u>	<u>15,947,719</u>

Notes to and Forming Part of the Condensed Interim Financial Statements

For the quarter ended September 30, 2020 (unaudited)

14 TRANSACTIONS AND BALANCES WITH ASSOCIATED UNDERTAKINGS / RELATED PARTIES

- 14.1** The associated undertakings / related parties comprise of associated companies, staff retirement funds and key management personnel. Transactions carried out with associated undertakings / related parties during the year are as follows:

	Quarter Ended	
	September 30	
	2020	2019
	----- (Rupees in '000) -----	
With associated undertakings / related parties:		
Sales	60,193	55,856
Purchases	15,787,210	14,921,852
Insurance premium	24,969	18,513
Agency commission	1,519	31,093
Running royalty	545,657	371,289
Rent expense	-	359
Return on bank deposits	67,101	144,400
Proceeds from disposal of fixed assets / insurance claim	70	104
Donations	-	1,500
Supervisor Fees	-	66,593
Bank and LC charges	16,920	17,165
With other related parties:		
Contribution to retirement benefit funds	29,707	33,000
With key management personnel:		
- Salaries and benefits	25,789	22,993
- Post employment benefits	1,672	1,474
- Sale of fixed assets	-	663

The related party balances outstanding as at period / year end are as follows:

Nature of balances	September 30	June 30
	2020	2020
	(Unaudited)	(Audited)
	----- (Rupees in '000) -----	
Short-term prepayments	20,755	3,123
Accrued Return on deposits and savings accounts	22,564	27,384
Bank balances and Term Deposit Receipts	6,070,626	10,799,351
Margin held by bank against LC's	904,391	430,977
Warranty claims, agency commission and other receivables	322,707	66,447
Trade and other payables	2,701,815	635,897

- 14.2** During the period, Rs 0.875 million (September 30, 2019: Rs 0.375 million) was paid as directors' fee to independent directors.

Notes to and Forming Part of the Condensed Interim Financial Statements

For the quarter ended September 30, 2020 (unaudited)

15 FAIR VALUE OF FINANCIAL INSTRUMENTS

International Financial Reporting Standard 7, 'Financial Instruments: Disclosure' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Investment of the Company carried at fair value are categorised as follows:

	---- As at September 30, 2020 ----			---- As at June 30, 2020 ----		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	----- Rupees in '000-----					
Financial assets 'at fair value through profit or loss'						
- Government Securities						
- Market Treasury Bills	-	40,176,346	-	-	6,694,832	-
- Government Securities						
- Pakistan Investment Bonds	-	-	-	-	500,046	-
- Listed mutual fund units	-	8,018,311	-	-	-	-
- Derivative financial instruments	-	-	3,557	-	-	7,400

16 NON-ADJUSTING EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

The Board of Directors in its meeting held on October 28, 2020 have proposed an interim cash dividend of Rs 12 per share (September 30, 2019: Rs 7 per share) in respect of the year ending June 30, 2021. The condensed interim financial information for the quarter ended September 30, 2020, does not include the effect of this dividend which will be accounted for in the condensed interim financial information for the period ended December 31, 2020.

Notes to and Forming Part of the Condensed Interim Financial Statements

For the quarter ended September 30, 2020 (unaudited)

17 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified wherever necessary, for the purpose of better presentation and comparison.

18 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorised for issue on October 28, 2020 by the Board of Directors of the Company.

19 GENERAL

Figures in this condensed interim financial information has been rounded off to the nearest thousand rupees.



Mohammad Ibadullah
Chief Financial Officer



Ali Asghar Jamali
Chief Executive



Yuji Takarada
Vice Chairman & Director

Company Information

Board of Directors

Mr. Mohamedali R. Habib	Chairman
Mr. Yuji Takarada	Vice Chairman
Mr. Ali Asghar Jamali	Chief Executive
Mr. Muhammad H. Habib	Director
Mr. Noriaki Kurokawa	Director
Mr. Tetsuya Ezumi	Director
Mr. Imran A. Habib	Director
Mr. Azam Faruque	Independent Director
Mr. Riyaz T. Chinoy	Independent Director
Syeda Tatheer Zehra Hamdani	Independent Director

Chief Financial Officer

Mr. Mohammad Ibadullah

Company Secretary

Mr. Muhammad Arif Anzer

Audit Committee Members

Mr. Azam Faruque	Committee Chairman
Mr. Muhammad H. Habib	Member
Mr. Imran A. Habib	Member
Mr. Noriaki Kurokawa	Member
Mr. Riyaz T. Chinoy	Member
Mr. Tetsuya Ezumi	Member
Mr. Azam Khan	Secretary & Head of Internal Audit

Human Resource and Remuneration

Committee Members

Mr. Azam Faruque	Committee Chairman
Mr. Mohamedali R. Habib	Member
Mr. Yuji Takarada	Member
Syeda Tatheer Zehra Hamdani	Member
Mr. Ali Asghar Jamali	Member
Mr. Khurram Mahmood	Secretary

Auditors

A.F. Ferguson & Co.
Chartered Accountants,
State Life Building No. 1-C,
I.I. Chundrigar Road, Karachi.

Legal Advisors

A.K. Brohi & Company
Mansoor Ahmed Khan & Co.
Mahmud & Co.
Sayeed & Sayeed.

Bankers

Bank Alfalah Limited
Bank Al-Habib Limited
Citibank N.A.
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Ltd
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

Registrar

CDC Share Registrar Services Limited
CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shahra-e-Faisal
Karachi - 74400. Pakistan.
UAN: 111-111-500
Tel: 0800 - 23275
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Email: info@cdcsrsl.com

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Bin Qasim, Karachi.

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Fax: (92-21) 34720056
Website: www.toyota-indus.com

Credit Rating

Credit Rating Company:
VIS Credit Rating Company Limited
Long term rating: AA+
Short term rating: A-1+