



INDUS MOTOR COMPANY LTD.

Condensed Interim Financial Information
For the Quarter Ended September 30, 2019
(Un-audited)



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Directors' Report

For the quarter ended September 30, 2019

The Directors of Indus Motor Company (IMC) Limited are pleased to present the unaudited accounts of the Company for the quarter ended September 30, 2019.

Pakistan's Automobile Industry

Pakistan's overall economic health has been impacted by the structural reforms and policies introduced by the present government. These changes have brought in a temporary economic decline, with GDP growth of 3.3%, and inflation increase to 12.5%, as of September 2019. Although the Auto Development Policy 2016-21 have brought about a healthy competition in the auto industry, the overall auto sector has seen a decline in consumer base owing to current rupee devaluation and high interest rates. Increase in Additional Customs Duty on all input materials from 2% to 7% and imposition of Federal Excise Duty (FED) from 2.5% to 7.5% on locally manufactured vehicles has adversely impacted the auto industry.

All segments of the auto sector faced demand contraction during the first quarter of the current fiscal year. Total industry sales of locally manufactured Passenger Cars (PC) and Light Commercial Vehicle (LCV) vehicles was 34,635 units during the first quarter of financial year 2019-20; which was down by 40.8% from 58,556 units produced 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, 2019 decreased by 56% to 6,839 units against 15,560 units sold in the same period last year. The market share of Indus Motor Company in the overall market stood at approximately 20% for the first quarter. The Company produced 8,036 units of vehicles for the three month period, registering a 49.7% decrease, as compared to 15,977 units produced in the same period last year.

Slow movement in sales volumes was observed in all segments, mainly on account of price impact due to additional custom duty increase and levy of FED, while rise in interest rates has reduced auto financing. While we fully support the Government's efforts to document the economy and broaden the tax base, the documentation drive has currently resulted in customers holding off on their expenditures, thereby, adversely impacting the auto industry. Keeping in mind the market condition and the economic downtrend, the Company observed approximately thirty (30) Non Production Days (NPDs) during the quarter as a means to minimize costs. Further, from the month of October, the Company is operating on a single shift basis, which is expected to continue until market demand is improved.

The Company's net sales turnover for the 1st quarter ended September 30, 2019, decreased by 41% to 20.72 billion as compared to Rs. 34.99 billion, for the same period last year, while profit after tax decreased by 62% to Rs. 1.32 billion as against Rs. 3.51 billion achieved in the same period last year. The net profit has been impacted this year against the same period last year, mainly due to increase in cost of inputs on account of rupee devaluation against all major currencies and decrease in other income.

The Earnings Per Share of your company for the first quarter ended September 30, 2019, is Rs. 16.78 as compared to Rs. 44.63 reported during the same period last year. The Board of Directors is pleased to declare first interim cash dividend of Rs. 7 per share for the 1st quarter ended September 30, 2019, compared to Rs. 32.50 per share, for the 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.

Mr. Parvez Ghas and Mr. Sadatoshi Kashihara, the esteemed Directors of the Company have recently resigned as members of the Board of Directors, and Mr. Riyaz T. Chinoy and Syeda Tatheer Z. Hamdani

Directors' Report

For the quarter ended September 30, 2019

were appointed as Independent Directors to fill the casual vacancies, respectively, with effect from October 9, 2019. The Board duly acknowledges the valuable contributions made by the outgoing directors and expresses sincerest gratitude on behalf of the Company. The Board also welcomes the new directors on the Board of IMC.

Near Term Business Outlook

The second quarter is always challenging for the auto industry due to the calendar year-end phenomenon as customers seek to defer purchase of cars and opt for a new-year registration. However, the second half of the fiscal year is expected to have improved volumes based on better economic conditions mainly on account of income generated by agriculture sector.

The imposition of FED on locally-manufactured vehicles and Additional Customs Duty and Custom Duty on import of raw materials needs to be revisited by the Government in order to attain sustainable volumes for the sector. This will not only support the auto sector, but will also result in higher overall revenue for the Government.

Despite the broader macro-economic challenges and higher inflationary environment, your company is managing the pressure by improving efficiency, and implementing tighter controls on overheads.

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 Indus 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.

On behalf of the Board of Directors.

October 29, 2019
Karachi.


Ali Asghar Jamali
Chief Executive & Director


Yuji Takarada
Vice Chairman & Director

30 ستمبر 2019 کو ختم شدہ ماہی کیلئے ڈائریکٹری رپورٹ

انڈس موٹر کمپنی لمیٹڈ کے ڈائریکٹر 30 ستمبر 2019 کو ختم شدہ ماہی کیلئے بغیر آڈٹ شدہ کھاتے پیش کرنے میں مسرت کا اظہار کرتے ہیں۔

پاکستان آٹوموبائل مارکیٹ کو گزشتہ تین ماہ سے چیلنجز کا سامنا رہا۔ جی ڈی پی کی شرح کم ہو کر 3.3 فیصد ہو گئی۔ ستمبر 2019 میں افراط زر میں ہونے والے خاطر خواہ اضافے نے صارفین کی قوت خرید پر بھی منفی اثر ڈالا۔ موجودہ معاشی بحران سے بچنے کیلئے جدوجہد کرنے والی دیگر کمپنیوں کی طرح آٹو سیکٹر بھی روپے کی قدر میں کمی اور شرح سود کی بلند شرح کی بدولت صارفین کی بڑی تعداد سے محروم ہوا۔ تمام ان پٹ میٹریل پر 2 فیصد سے 7 فیصد تک اضافی کسٹم ڈیوٹی اور مقامی سطح پر تیار شدہ گاڑیوں پر 2.5 فیصد سے 7.5 فیصد تک فیڈرل ایکسائز ڈیوٹی لاگو کرنے سے بھی آٹو انڈسٹری متاثر ہوئی ہے۔

رواں مالی سال کی پہلی سہ ماہی کے دوران آٹو انڈسٹری سے وابستہ تمام کمپنیوں کو طلب میں کمی کا سامنا کرنا پڑا۔ رواں مالی سال 2019-20 کی پہلی سہ ماہی کے دوران مقامی سطح پر تیار شدہ پی سی سی اور ایل سی وی گاڑیوں کی مجموعی فروخت گزشتہ سال کی اسی مدت کی 58,351 یونٹس کی فروخت کے مقابلے میں 34,635 ری

کمپنی کا جائزہ

کمپنی کی 30 ستمبر 2019 کو ختم شدہ پہلی سہ ماہی کے دوران سی کے ڈی اوری بی یو کی مشترکہ فروخت 56 فیصد کی ساتھ گزشتہ مالی سال کی اسی مدت کے 15560 کے مقابلے میں 6839 یونٹس فروخت رہی۔ پہلی سہ ماہی کیلئے مجموعی مارکیٹ میں انڈس موٹر کمپنی کے مارکیٹ شیئر تقریباً 20 فیصد رہا۔ کمپنی نے تین ماہ کی مدت کیلئے 8036 یونٹ گاڑیاں تیار کیں جس میں 49.7 فیصد کی آئی کیونکہ گزشتہ مالی سال کی اسی مدت کے دوران 15977 یونٹ گاڑیاں تیار کی گئی تھیں۔

بنیادی طور پر کسٹم ڈیوٹی میں اضافہ اور فیڈرل ایکسائز ڈیوٹی کی وجہ سے قیمتوں پر پڑنے والے اثرات سے کمپنی کی فروخت میں کمی کی آئی جبکہ شرح سود میں اضافہ سے آٹو انڈسٹری میں بینک لیڈنگ بھی کم ہوئی۔ اس کے علاوہ حکومت کی طرف سے معیشت کو دستاویزی شکل میں دینے کے پیچیدہ عمل سے صارفین خریداری کرنے سے گریزاں ہیں۔

مارکیٹ کی صورتحال اور معاشی ابتری کو مد نظر رکھتے ہوئے کمپنی کے اخراجات میں کمی لانے کیلئے بہترین متبادل لائحہ عمل کے طور پر 30 غیر پیداواری ایام کا مشاہدہ کیا جائے گا۔ مزید برآں اکتوبر کے مہینے سے کمپنی نے سسٹل شفٹ کی بنیاد پر کام کا آغاز کر دیا ہے جو مارکیٹ میں بہتری تک جاری رہے گا۔

30 ستمبر 2019 کو ختم شدہ پہلی سہ ماہی کیلئے کمپنی کی فروخت میں 41 فیصد کی آئی جو گزشتہ سال کی اسی مدت کے 34.99 بلین روپے کے مقابلے میں رواں سال 20.72 بلین رہا۔ اسی عرصے کے دوران ٹیکس کٹوتی کے بعد منافع بھی 62 فیصد کی ساتھ گزشتہ سال کی اسی مدت کے 3.51 بلین کے مقابلے میں 1.32 بلین روپے رہا۔ خالص منافع میں کمی کی بڑی وجہ روپے کی قدر میں گراوٹ اور دیگر آمدن میں کمی ہے۔

30 ستمبر 2019 کو ختم شدہ پہلی سہ ماہی کیلئے آپ کی کمپنی کی فی حصص کمائی گزشتہ سال کی اسی مدت کے 44.63 روپے کے مقابلے میں 16.78 روپے رہی۔

بورڈ آف ڈائریکٹرز 30 ستمبر 2019 کو ختم شدہ پہلی سہ ماہی کیلئے 7 روپے فی حصص کے پہلے عبوری منافع کی تقسیم کا اعلان کرتے ہوئے مسرت محسوس کرتا ہے جبکہ گزشتہ مالی سال کی اسی مدت کے دوران یہ منافع 32.50 روپے فی حصص تھا۔

کمپنی کے ڈائریکٹر مسٹر پرویز غیاث اور مسٹر سداوشی کاشی ہار نے بورڈ آف ڈائریکٹرز کے رکن کی حیثیت سے استعفیٰ دے دیا جبکہ مسٹر ریاض چنائے اور سعید زید حمدانی کی آزاد ڈائریکٹر کے طور پر تقریری کی گئی۔ ان کی تقریری 9 اکتوبر 2019 سے کی گئی۔ بورڈ نے مستعفی ہونے والے ڈائریکٹر صاحبان کی کمپنی کیلئے گراں قدر خدمت کا اعتراف کرتے ہوئے کمپنی کی طرف سے اظہار تشکر کیا۔ بورڈ نے نئے ڈائریکٹر کو خوش آمدید کیا۔

اگلی سہ ماہی کا کاروباری جائزہ

مالی سال کی دوسری سہ ماہی آٹو انڈسٹری کیلئے ہمیشہ سے ہی ایک چیلنج ہوتی ہے کیونکہ سال کے اختتام کی وجہ سے صارفین گاڑیوں کی خرید کو موخر کر کے نئے سال کی رجسٹریشن کا انتظار کرتے ہیں

آٹو انڈسٹری کی پائیدار ترقی کیلئے ضروری ہے کہ حکومت مقامی سطح پر تیار شدہ گاڑیوں پر عائد فیڈرل ایکسائز ڈیوٹی اور اضافی کسٹم ڈیوٹی اور خام مال کی امپورٹ پر کسٹم ڈیوٹی پر نظر ثانی کرے۔ اس اقدام سے نہ صرف آٹو انڈسٹری کو سپورٹ حاصل ہوگی بلکہ حکومت کو بھی خاطر خواہ حاصل ہوگا۔

وسیع تر معاشی چیلنجوں اور افراط زر کی بلند شرح کے باوجود آپ کی کمپنی اپنی پیداواری صلاحیت اور اور ہیڈ پخت کنٹرول کر کے معاشی دباؤ سے نبرد آزما ہو رہی ہے۔

آپ کی کمپنی ”پہلے کسٹمر“ کے فلسفہ پر کاربند ہے اور اپنے قابل قدر صارفین کی خوشی کیلئے تمام ملازمین سے شراکت، لگن اور کارکردگی کی متقاضی ہے۔ یہ ”ٹو پوناوے“ کیلئے سنگ بنیاد کی حیثیت رکھتی ہے اور کمپنی کی طویل مدتی کامیابی کیلئے اہم ہے۔

اعتراف

ہم اپنے صارفین کا ہماری منصوعات کی سرپرستی کرنے پر تہہ دل سے مشکور ہیں۔ ہم مشکل وقت میں ہمارے عملے، ڈیلروں اور تمام کاروباری شراکت داروں سمیت پوری انڈس ٹیم کی کوششوں کا اعتراف کرتے ہیں اور ان کی مسلسل حمایت کے منتظر ہیں

منجانب بورڈ آف ڈائریکٹرز

29 اکتوبر 2019

کراچی

یو جی تاکارادا
وائس چیئرمین اینڈ ڈائریکٹر

علی اصغر جمالی
چیف ایگزیکٹو

Condensed Interim Statement of Financial Position

As at September 30, 2019

		September 30 2019 (Unaudited)	June 30 2019 (Audited)
	Note	----- (Rupees in '000) -----	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	15,081,449	13,804,509
Intangible assets		87,174	93,524
Long-term loans and advances		20,063	15,906
Long-term deposits		11,379	11,129
		<u>15,200,065</u>	<u>13,925,068</u>
Current Assets			
Stores and spares		647,011	544,005
Stock-in-trade		18,609,260	13,560,393
Trade debts		2,766,394	2,547,915
Loans and advances		1,285,504	3,728,026
Short-term prepayments		25,476	31,946
Accrued return		15,703	34,846
Other receivables		4,822,634	3,109,549
Taxation - net		1,155,460	617,068
Short-term investments	6	13,964,024	23,402,464
Cash and bank balances		2,236,612	3,281,782
		<u>45,528,078</u>	<u>50,857,994</u>
TOTAL ASSETS		<u>60,728,143</u>	<u>64,783,062</u>
EQUITY			
Share capital			
Authorised capital			
500,000,000 (June 30 2019: 500,000,000) ordinary shares of Rs 10 each		<u>5,000,000</u>	<u>5,000,000</u>
Issued, subscribed and paid-up capital			
78,600,000 (June 30, 2019: 78,600,000) ordinary shares of Rs 10 each		786,000	786,000
Reserves		<u>40,578,044</u>	<u>39,259,309</u>
		<u>41,364,044</u>	<u>40,045,309</u>
LIABILITIES			
Non-Current Liabilities			
Long term loan		80,540	80,540
Deferred revenue		33,685	53,690
Deferred taxation - net		393,141	424,690
		<u>507,366</u>	<u>558,920</u>
Current Liabilities			
Trade, other payables and provisions		14,169,874	15,950,203
Current portion of deferred revenue		21,152	3,300
Unclaimed Dividend		172,216	174,538
Unpaid Dividend		119,609	121,059
Advances from customers and dealers		4,373,882	7,929,733
		<u>18,856,733</u>	<u>24,178,833</u>
TOTAL EQUITY AND LIABILITIES		<u>60,728,143</u>	<u>64,783,062</u>

CONTINGENCIES AND COMMITMENTS

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


Aqeel Loon
Chief Financial Officer


Ali Asghar Jamali
Chief Executive & Director


Yuji Takarada
Vice Chairman & Director

Condensed Interim Profit and Loss Account

For the quarter ended September 30, 2019 (Unaudited)

		Quarter ended	
		September 30	
	Note	2019	2018
		----- (Rupees in '000) -----	
Net sales	8	20,716,040	34,899,572
Cost of sales	9	(18,707,669)	(29,931,500)
Gross profit		2,008,371	4,968,072
Distribution expenses		(400,324)	(319,327)
Administrative expenses		(324,219)	(289,586)
Other operating expenses		(48,028)	(6,289)
		(772,571)	(615,202)
		1,235,800	4,352,870
Workers' Profit Participation Fund and Workers' Welfare Fund		(131,867)	(376,154)
		1,103,933	3,976,716
Other income	11	694,782	1,053,270
		1,798,715	5,029,986
Finance cost		(19,466)	(9,905)
Profit before taxation		1,779,249	5,020,081
Taxation		(460,514)	(1,511,837)
Profit after taxation		1,318,735	3,508,244
Earnings per share - basic and diluted (Rupees)		16.78	44.63

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



Aqeel Loon
Chief Financial Officer



Ali Asghar Jamali
Chief Executive & Director



Yuji Takarada
Vice Chairman & Director

Condensed Interim Statement of Comprehensive Income

For the quarter ended September 30, 2019 (Unaudited)

	Quarter ended	
	September 30	
	2019	2018
	----- (Rupees in '000) -----	
Profit after taxation	1,318,735	3,508,244
Other comprehensive income for the period - net of tax	-	-
Total comprehensive income for the period	1,318,735	3,508,244

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



Aqeel Loon
Chief Financial Officer



Ali Asghar Jamali
Chief Executive & Director



Yuji Takarada
Vice Chairman & Director

Condensed Interim Cash Flow Statement

For the quarter ended September 30, 2019 (Unaudited)

Note	Quarter ended September 30	
	2019	2018
------(Rupees in '000)-----		
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash (used in) / generated from operations	12 (7,689,616)	(4,522,419)
Net decrease / increase in long-term loans and advances	(4,157)	183
Net increase in long-term deposits	(250)	(1,686)
Mark-up paid on advances received from customers	(336)	(199,490)
(Decrease) / Increase in deferred revenue	(20,005)	5,360
Income tax paid	(1,030,475)	(2,256,068)
Net cash outflow from operating activities	(8,744,839)	(6,974,120)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible assets	(1,981,786)	(1,168,746)
Proceeds from disposal of property, plant and equipment	2,930	4,874
Interest received on bank deposits and Term Deposit Receipts	234,038	436,493
Investment in listed mutual fund units	-	(130,592)
Proceeds from redemption of listed mutual fund units	-	985,791
Investment in Pakistan Investment Bonds	(2,397,881)	-
Proceeds from sale of Pakistan Investment Bonds	2,154,783	-
Proceeds from redemption of Market Treasury Bills	-	457,379
Net cash (outflow on) / inflow from investing activities	(1,987,916)	585,199
CASH FLOWS FROM FINANCING ACTIVITY		
Dividends paid	(3,772)	(14,413)
Net decrease in cash and cash equivalents during the period	(10,736,527)	(6,403,334)
Cash and cash equivalents at the beginning of the period	26,684,246	48,043,180
Cash and cash equivalents at the end of the period	15,947,719	41,639,846

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



Aqeel Loon

Chief Financial Officer



Ali Asghar Jamali

Chief Executive & Director



Yuji Takarada

Vice Chairman & Director

Condensed Interim Statement of Changes in Equity

For the quarter ended September 30, 2019 (Unaudited)

	Share Capital	Reserves				Total
	Issued, subscribed and paid-up	Capital	Revenue		Sub-Total	
		Premium on issue of ordinary shares	General reserve	Unappropriated profit		
		----- (Rupees in '000) -----				
Balance as at July 1, 2018	786,000	196,500	27,451,050	8,310,792	35,958,342	36,744,342
Total comprehensive income for the quarter ended September 30, 2018	-	-	-	3,508,244	3,508,244	3,508,244
Balance as at September 30, 2018	<u>786,000</u>	<u>196,500</u>	<u>27,451,050</u>	<u>11,819,036</u>	<u>39,466,586</u>	<u>40,252,586</u>
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	<u>786,000</u>	<u>196,500</u>	<u>31,951,050</u>	<u>8,430,494</u>	<u>40,578,044</u>	<u>41,364,044</u>

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



Aqeel Loon
Chief Financial Officer



Ali Asghar Jamali
Chief Executive & Director



Yuji Takarada
Vice Chairman & Director

Notes to and forming part of the Condensed Interim Financial Statements

For the quarter ended September 30, 2019 (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, 2019.

2.2 The comparative statement of financial position presented in this condensed interim financial information as at June 30, 2019 has been extracted from the annual audited financial statements of the Company for the year ended June 30, 2019 whereas the comparative condensed interim profit and loss account, condensed interim statement of changes in equity and condensed interim cash flow statement for the quarter ended September 31, 2018 have been extracted from the condensed interim financial information of the Company for the quarter then ended, which were not 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, 2019.

3.2 New standards, amendments to approved accounting standards and new interpretations which became effective during the quarter ended September 30, 2019

Notes to and forming part of the Condensed Interim Financial Statements

For the quarter ended September 30, 2019 (Unaudited)

There are certain amendments to approved accounting standards that are mandatory for accounting periods beginning on July 1, 2019. 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, 2019, 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, 2019.

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, 2019.

Notes to and forming part of the Condensed Interim Financial Statements

For the quarter ended September 30, 2019 (Unaudited)

September 30 2019 (Unaudited)	June 30, 2019 (Audited)
------(Rupees in '000)-----	

5 PROPERTY, PLANT AND EQUIPMENT

Operating assets	14,423,670	13,360,788
Capital work-in-progress	657,779	443,721
	<u>15,081,449</u>	<u>13,804,509</u>

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	
	2019	2018	2019	2018
------(Rupees in '000)-----				
Tangible - Owned				
Buildings on leasehold land:				
Factory	4,738	16,113	-	1,963
Others	-	2,866	-	-
Plant and machinery	85,585	93,503	7,920	2,956
Motor vehicles	40,367	20,837	5,647	9,925
Furniture and fixtures	1,685	-	-	-
Office equipment	2,828	2,213	2,586	3,571
Computers and related accessories	2,088	3,937	130	101
Tools and equipment	7,720	5,669	2,510	37
Jigs, moulds and related equipments	1,622,717	1,400	-	-
	<u>1,767,728</u>	<u>146,538</u>	<u>18,793</u>	<u>18,553</u>
Intangible assets				
Computer Software	-	1,573	-	-

5.1.1 Additions to owned assets include transfers from capital work-in-progress amounting to Rs 1,705.663 million (September 30, 2018: Rs 80.885 million).

Notes to and forming part of the Condensed Interim Financial Statements

For the quarter ended September 30, 2019 (Unaudited)

September 30 2019 (Unaudited)	June 30 2019 (Audited)
------(Rupees in '000)-----	

6 SHORT-TERM INVESTMENTS

Amortized Cost

- Term Deposit Receipts (TDRs)	9,250,000	19,000,000
--------------------------------	-----------	------------

At fair value through profit or loss'

- Government securities - Market Treasury Bills	4,461,107	4,402,464
- Government securities - Pakistan Investment Bonds (PIBs)	252,917	-

13,964,024	23,402,464
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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, 2019 has remained unchanged.

7.1.2 As at September 30, 2019, the claims not acknowledged as debt by the company amounts to Rs 1,437.109 million (June 30, 2019: Rs 1,437.109 million).

7.1.3 Contingencies in respect of outstanding bank guarantees at September 30, 2019 amounted to Rs 16,942.924 million (June 30, 2019: Rs 18,141.215 million). This includes an amount of Rs 5,875.732 million (June 30, 2019: Rs 6,080.385 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, 2019 aggregate to Rs 4,399.515 million (June 30, 2019: Rs 5,517.255 million).

7.2.2 Commitments in respect of letters of credit, other than for capital expenditure, amounted to Rs 1,929.86 million (June 30, 2019: Rs 4,559.860 million). The above letters of credit include an amount of Rs 268.96 million (June 30, 2019: Rs Nil million) availed from a related party.

Notes to and forming part of the Condensed Interim Financial Statements

For the quarter ended September 30, 2019 (Unaudited)

		Quarter ended September 30	
		2019	2018
		----- (Rupees in '000) -----	
8 SALES			
Manufacturing			
Gross sales	23,435,804	40,103,462	
Sales tax	(3,405,367)	(5,825,843)	
FED	(792,785)	-	
	<u>19,237,652</u>	<u>34,277,619</u>	
Commission	(431,998)	(923,761)	
Discounts	(1,762)	(2,226)	
Compensation on advances from customers	(2,326)	(91,580)	
Manufacturing net sales	<u>18,801,566</u>	<u>33,260,052</u>	
Trading			
Gross sales	2,488,191	1,959,800	
Sales tax	(388,454)	(194,935)	
	<u>2,099,737</u>	<u>1,764,865</u>	
Commission	(71,440)	(17,126)	
Discounts	(113,823)	(108,219)	
Trading net sales	<u>1,914,474</u>	<u>1,639,520</u>	
Net sales	<u>20,716,040</u>	<u>34,899,572</u>	
9 COST OF SALES			
Manufacturing	17,418,940	28,692,257	
Trading	<u>1,288,729</u>	<u>1,239,243</u>	
	<u>18,707,669</u>	<u>29,931,500</u>	

10 SEGMENT REPORTING

	Quarter ended September 30, 2019			Quarter ended September 30, 2018		
	Manufacturing	Trading	Total	Manufacturing	Trading	Total
----- (Rupees in '000) -----						
Net sales	<u>18,801,566</u>	<u>1,914,474</u>	<u>20,716,040</u>	<u>33,260,052</u>	<u>1,639,520</u>	<u>34,899,572</u>
Gross Profit	<u>1,382,626</u>	<u>625,745</u>	<u>2,008,371</u>	<u>4,567,795</u>	<u>400,277</u>	<u>4,968,072</u>
Profit from operations	<u>559,717</u>	<u>544,216</u>	<u>1,103,933</u>	<u>3,620,048</u>	<u>356,668</u>	<u>3,976,716</u>

Notes to and forming part of the Condensed Interim Financial Statements

For the quarter ended September 30, 2019 (Unaudited)

		Quarter ended	
		September 30	
		2019	2018
		----- (Rupees in '000) -----	
11	OTHER INCOME		
	Return on bank deposits	214,895	396,970
	Gain on investment in listed mutual funds units	-	148,038
	Gain on investment in Pakistan Investment Bonds (PIBs)	9,819	56,696
	Gain on investment in Market Treasury Bills (T Bills)	426,468	-
	Interest Income on Market Treasury Bills (T Bills)	-	340,614
	Agency Commission income - net of expenses	11,764	36,517
	Others	31,836	74,435
		<u>694,782</u>	<u>1,053,270</u>
12	CASH (USED IN) / GENERATED FROM OPERATIONS		
	Profit before taxation	1,779,249	5,020,081
	Adjustment for non-cash charges and other items:		
	Depreciation	701,849	514,444
	Amortization	7,183	7,950
	Provision for doubtful debts	22	22,806
	Gain on disposal of operating fixed assets	(746)	(3,563)
	Net gain on investments in listed mutual fund units	-	(148,038)
	Net unrealised gain on foreign exchange contracts - fair value hedge	(4,350)	(14,452)
	Return on bank deposits	(214,895)	(396,970)
	Realised gain on trading of Pakistan Investment Bonds	(4,937)	(56,696)
	Unrealized gain on investments in Pakistan Investment Bonds	(4,882)	-
	Interest Income on Market Treasury Bills	-	(340,614)
	Charge in respect of Workers' Profit Participation Fund	95,556	269,812
	Charge in respect of Workers' Welfare Fund	36,311	106,342
	Interest expense on Long term loan	659	-
	Compensation on advances received from customers	2,326	91,580
	Working capital changes	12.1 (10,082,961)	(9,595,101)
		<u>(7,689,616)</u>	<u>(4,522,419)</u>
12.1	Working capital changes		
	Decrease / (increase) in current assets		
	Stores and spares	(103,006)	(50,835)
	Stock-in-trade	(5,048,867)	(3,027,334)
	Trade debts	(218,501)	828,462
	Loans and advances	2,442,522	160,605
	Short-term prepayments	6,470	(33,724)
	Other receivables	(1,716,699)	844
		<u>(4,638,081)</u>	<u>(2,121,982)</u>
	(Decrease) / increase in current liabilities		
	Trade payables, other payables and provisions	(1,906,881)	(1,262,338)
	Current portion of deferred revenue	17,852	2,728
	Advances from customers and dealers	(3,555,851)	(6,213,508)
		<u>(5,444,880)</u>	<u>(7,473,118)</u>
		<u>(10,082,961)</u>	<u>(9,595,101)</u>

Notes to and forming part of the Condensed Interim Financial Statements

For the quarter ended September 30, 2019 (Unaudited)

		Quarter ended	
		September 30	
		2019	2018
		----- (Rupees in '000) -----	
13	CASH AND CASH EQUIVALENTS		
	Term Deposit Receipts	9,250,000	30,000,000
	Government Securities - Market Treasury Bills	4,461,107	8,730,220
	Cash and bank balances	2,236,612	2,909,626
		15,947,719	41,639,846

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:

during the year are as follows:

	Quarter Ended	
	September 30	
	2019	2018
	----- (Rupees in '000) -----	
With associated undertakings / related parties:		
Sales	55,856	119,116
Purchases	14,921,852	20,053,474
Insurance premium	18,513	20,342
Agency commission	31,093	29,493
Running royalty	371,289	677,640
Rent expense	359	326
Return on bank deposits	144,400	144,646
Proceeds from disposal of fixed assets / insurance claim	104	88
Donations	1,500	-
Supervisor Fee	66,593	-
Bank and LC charges	17,165	10,976
Contribution to retirement benefit funds	33,000	29,467
With key management personnel:		
- Salaries and benefits	22,993	19,922
- Post employment benefits	1,474	1,170
- Sale of fixed assets	663	-

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

	September 30	June 30
	2019	2019
Nature of balances	(Unaudited)	(Audited)
	----- (Rupees in '000) -----	
Short-term prepayments	5,419	1,841
Accrued Return	7,693	12,619
Bank balances and Term Deposit Receipts	6,576,310	9,700,126
Warranty claims, agency commission and other receivables	272,200	446,874
Trade and other payables	3,199,551	4,221,790

- 14.2** During the period, Rs 0.375 million (September 30, 2018: Rs 0.250 million) was paid as director fee.

Notes to and forming part of the Condensed Interim Financial Statements

For the quarter ended September 30, 2019 (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, 2019 ---			----- As at June 30, 2019 -----		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	----- Rupees in '000-----					
Financial assets / (liabilities) 'at fair value through profit or loss'						
- Government Securities						
- Market Treasury Bills		4,461,107	-		4,402,464	
- Pakistan Investment Bonds		252,917	-		-	-
- Derivative financial instruments		-	15,344		-	10,994

16 NON-ADJUSTING EVENT AFTER STATEMENT OF FINANCIAL POSITION DATE

The Shareholders in the Annual General Meeting held on October 08, 2019 have approved Final cash dividend in respect of the financial year ended June 30, 2019 of Rs 27.5 per share (2018: cash dividend of Rs 45 per share). This is in addition to the Interim cash dividends of Rs 87.5 per share (2018: Rs 95 per share), resulting in a total dividend for the year ended June 30, 2019 of Rs 115 per share (2018: Rs 140 per share), appropriation of Rs 4,500 million (2018: Rs 4,500 million) to general reserve. The condensed interim financial information for the quarter ended September 30, 2019 do not include the effect of these appropriations, which will be accounted for in the condensed interim financial information for the period ended December 31, 2019.

The Board of Directors in its meeting held on October 29, 2019 have proposed an interim cash dividend of Rs 7 per share (September 30, 2018: Rs 32.5 per share) in respect of the year ending June 30, 2020. The condensed interim financial information for the quarter ended September 30, 2019, 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, 2019.

Notes to and forming part of the Condensed Interim Financial Statements

For the quarter ended September 30, 2019 (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 29, 2019 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.



Aqeel Loon

Chief Financial Officer



Ali Asghar Jamali

Chief Executive & Director



Yuji Takarada

Vice Chairman & Director

Company Information

Board of Directors

Mr. Ali S. Habib	Chairman
Mr. Yuji Takarada	Vice Chairman
Mr. Ali Asghar Jamali	Chief Executive
Mr. Mohamedali R. Habib	Director
Mr. Susumu Matsuda	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. Aqeel Loon

Company Secretary

Mr. Muhammad Arif Anzer

Audit Committee Members

Mr. Azam Faruque	Committee Chairman
Mr. Mohamedali R. Habib	Member
Mr. Imran A. Habib	Member
Mr. Susumu Matsuda	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. Ali S. Habib	Member
Mr. Yuji Takarada	Member
Syeda Tatheer Zehra Hamdani	Member
Mr. Ali Asghar Jamali	Member
Mr. Mohammad Ibadullah	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.

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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+

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