



**INNOVATION IN MOBILITY**

1st Quarterly Report 2012

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# COMPANY INFORMATION

## Board of Directors

Kunwar Idris

**Chairman**

Keiichiro Utsumi

**Managing Director & Chief Executive Officer**

Tsutomu Mori

**Deputy Managing Director**

Hiroshi Kokaji

Takuji Umemura

Haruo Komatsu

Koji Tsubouchi

## Company Secretary

Fahim Aijaz Sabzwari

## Bankers

Allied Bank Limited

Bank Alfalah Limited

Citibank, N.A.

Habib Metropolitan Bank Ltd.

Habib Bank Ltd.

National Bank of Pakistan

Bank Al-Habib Ltd.

Standard Chartered Bank (Pakistan) Ltd

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

United Bank Ltd.

## Auditors

A.F. Ferguson & Co. Chartered Accountants

## Legal Advisor

Sayeed & Sayeed

## Registered Office

D-2, S.I.T.E., Manghopir Road

P.O. Box No. 10714, Karachi - 75700, Pakistan

Tel: 111-25-25-25 Fax: 021-32563028,

Website: [www.hinopak.com](http://www.hinopak.com)

Email: [info@hinopak.com](mailto:info@hinopak.com)

## Share Registrar

Technology Trade (Pvt.) Limited

Dagja House 241-C, Block-2

P.E.C.H.S., Off Shahrah-e-Quaideen, Karachi

Tel: 021-34391316-7 & 9, 021-34387960-1

Fax: 021-34391318

**HINOPAK MOTORS LIMITED  
DIRECTORS' REVIEW  
FOR THE QUARTER ENDED JUNE 30, 2012**

**Greetings to the Shareholders!**

The total sale of commercial vehicles (truck and bus) of all makes in the country in the quarter (Apr – June) was 862 units – 176 units less than in the same quarter of last year. Compared with the previous quarter (Jan – Mar) it shows a decrease of 191 units.

**SALES**

The sale of Hinopak's trucks and buses in the quarter decreased to 325 units from 333 units in the same quarter of last year.

**SALES REVENUE**

The sales revenue in the quarter increased to Rs. 2.18 billion from Rs. 1.32 billion and the gross profit to Rs. 212 million (9.7%) from Rs. 70 million (5.3%) in the corresponding quarter of last year.

**FINANCE COST**

The finance cost rose to Rs. 161 million (including net exchange loss of Rs. 125 million) from Rs. 43 million (including net exchange loss of Rs. 28 million) in the corresponding quarter of last year.

Liquidity improved significantly, reducing the deficit to Rs. 11 million from Rs. 1.1 billion at March 31, 2012.

**PROFIT & LOSS**

The loss after tax stood at Rs. 53 million as compared to loss of Rs. 84 million of last year's corresponding quarter leading to a loss per share of Rs. 4.3 against a loss of Rs. 6.77.

**OUTLOOK FOR THE SECOND QUARTER**

The sales in the next quarter (Jul – Sep) are unlikely to improve as market remains sluggish.

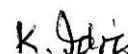
In the fiscal budget 2012-13, no relief was given to the automobile industry though some reduction in custom duty was widely predicted.

The management and workforce are doing their best to keep the loss to the minimum by cutting cost and increasing productivity and expect to perform better in the remaining three quarters of the year.



**Managing Director &  
CEO**

Dated: July 23, 2012



**Chairman**

**CONDENSED INTERIM BALANCE SHEET  
AS AT JUNE 30, 2012**

	Note	Unaudited June 30, 2012	(Audited) March 31, 2012
<b>(Rupees '000)</b>			
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	4	1,765,604	1,779,457
Intangible assets		896	1,089
Long-term Investments		2,391	2,391
Long-term loans and advances		9,583	10,400
Long-term deposits		7,473	6,015
		<u>1,785,947</u>	<u>1,799,352</u>
<b>Current Assets</b>			
Stores, spares and loose tools		20,625	19,194
Stock-in-trade		2,463,922	2,410,682
Trade debts		839,282	1,823,092
Loans and advances		52,988	37,739
Trade deposits and prepayments		38,952	34,680
Refunds due from the government		164,305	87,893
Other receivables		36,157	31,839
Taxation - payments less provisions		396,462	324,901
Cash and bank balances	5	305,972	124,526
		<u>4,318,665</u>	<u>4,894,546</u>
<b>Total Assets</b>		<u><b>6,104,612</b></u>	<u><b>6,693,898</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
Issued, subscribed and paid-up share capital		124,006	124,006
Reserves		1,339,328	1,405,508
Total capital and reserves		<u>1,463,334</u>	<u>1,529,514</u>
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>		1,019,888	1,026,250
<b>LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
Deferred taxation		69,390	69,390
Retirement benefits obligations		62,468	67,235
		<u>131,858</u>	<u>136,625</u>
<b>Current Liabilities</b>			
Trade and other payables	6	3,143,995	2,721,889
Short-term borrowings		317,006	1,238,331
Accrued mark-up		28,531	41,289
		<u>3,489,532</u>	<u>4,001,509</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	7		
<b>Total Liabilities</b>		<u>3,621,390</u>	<u>4,138,134</u>
<b>Total Equity and Liabilities</b>		<u><b>6,104,612</b></u>	<u><b>6,693,898</b></u>

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

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Managing Director &  
CEO

K. Jais

Chairman

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT  
FOR THE QUARTER ENDED JUNE 30, 2012 - UNAUDITED**

	Note	June 30, 2012	June 30, 2011
(Rupees '000)			
Sales		2,183,474	1,325,608
Cost of sales		<u>(1,971,715)</u>	<u>(1,255,272)</u>
Gross profit		211,759	70,336
Distribution expenses		(51,769)	(57,890)
Administration expenses		(50,006)	(44,050)
Other operating income		10,484	7,018
Other operating expenses		<u>-</u>	<u>(1,023)</u>
Profit / (Loss) from operations		120,468	(25,609)
Finance cost	8	<u>(160,755)</u>	<u>(43,469)</u>
Loss before taxation		(40,287)	(69,078)
Taxation		<u>(13,034)</u>	<u>(14,868)</u>
Loss after taxation		(53,321)	(83,946)
Other comprehensive income		-	-
Total comprehensive loss		<u>(53,321)</u>	<u>(83,946)</u>
Loss per share - basic and diluted		<u>Rs. (4.30)</u>	<u>Rs. (6.77)</u>

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

  
**Managing Director &  
CEO**

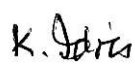
  
**Chairman**

**CONDENSED INTERIM CASH FLOW STATEMENT  
FOR THE QUARTER ENDED JUNE 30, 2012 - UNAUDITED**

	<b>Note</b>	<b>June 30, 2012</b>	<b>June 30, 2011</b>
<b>(Rupees '000)</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from / (used in) operations	9	<b>1,261,372</b>	(29,102)
Mark-up paid on short-term borrowings		<b>(45,973)</b>	(11,388)
Return on savings accounts		<b>73</b>	464
Taxes paid		<b>(84,595)</b>	(61,287)
Retirement benefits obligations paid		<b>(12,753)</b>	(8,968)
Decrease / (Increase) in long-term loans and advances		<b>817</b>	(1,712)
Increase in long-term deposits		<b>(1,458)</b>	(15)
Net cash generated from / (used in) operating activities		<b>1,117,483</b>	(112,008)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure incurred		<b>(19,247)</b>	(64,411)
Proceeds from sale of property, plant and equipment		<b>4,535</b>	2,122
Net cash used in investing activities		<b>(14,712)</b>	(62,289)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net cash used in financing activities		<b>-</b>	-
Net increase / (decrease) in cash and cash equivalents		<b>1,102,771</b>	(174,297)
Cash and cash equivalents at the beginning of the period		<b>(1,113,805)</b>	(232,894)
Cash and cash equivalents at the end of the period		<b>(11,034)</b>	(407,191)

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

  
**Managing Director &  
CEO**

  
**Chairman**

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE QUARTER ENDED JUNE 30, 2012 - UNAUDITED**

	Share Capital	Reserves - Revenue		Total
		General	Unappropriated Profit and reserves	
← (Rupees '000) →				
Balance at April 1, 2011	124,006	291,000	1,064,480	1,479,486
Total comprehensive loss after taxation for the quarter ended June 30, 2011	-	-	(83,946)	(83,946)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred tax	-	-	6,121	6,121
<b>Balance at June 30, 2011</b>	<b><u>124,006</u></b>	<b><u>291,000</u></b>	<b><u>986,655</u></b>	<b><u>1,401,661</u></b>
Balance at April 1, 2012	124,006	291,000	1,114,508	1,529,514
Total comprehensive loss after taxation for the quarter ended June 30, 2012	-	-	(53,321)	(53,321)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred tax	-	-	6,362	6,362
Dividend for the year ended March 31, 2012 @ 1.55 per share	-	-	(19,221)	(19,221)
<b>Balance at June 30, 2012</b>	<b><u>124,006</u></b>	<b><u>291,000</u></b>	<b><u>1,048,328</u></b>	<b><u>1,463,334</u></b>

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

内海  
Managing Director &  
CEO

K. Jais  
Chairman



**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE QUARTER ENDED JUNE 30, 2012 - UNAUDITED**

**1. COMPANY AND ITS OPERATIONS**

Hinopak Motors Limited is incorporated in Pakistan as a public limited company and listed on Karachi and Lahore Stock Exchanges.

The Company's principal activity is the assembly, progressive manufacturing and sale of Hino buses and trucks in Pakistan. The Company also sells buses and trucks in international market. The financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency.

**2. BASIS OF PREPARATION**

This condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard No. 34, "Interim Financial Reporting" and is being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and the Listing Regulations of Karachi and Lahore Stock Exchanges.

The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended March 31, 2012

**3. ACCOUNTING POLICIES**

The present accounting policies and methods of computation adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Company for the year ended March 31, 2012.

**4. PROPERTY, PLANT AND EQUIPMENT**

	Note	Unaudited June 30, 2012	(Audited) March 31, 2012
		(Rupees '000)	
Operating assets	4.1	1,739,631	1,755,202
Capital work-in-progress		25,973	24,255
		<u>1,765,604</u>	<u>1,779,457</u>

**4.1 Additions / disposals**

	Additions (at cost)		Disposals (at net book value)	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	Quarter ended			
	(Rupees '000)			
Building on leasehold land	622	214	-	-
Plant and machinery	-	2,925	73	-
Furniture and fittings	-	81	-	-
Vehicles	14,522	18,572	3,587	869
Electrical installations	806	174	-	-
Office and other equipments	1,579	3,512	-	-
	<u>17,529</u>	<u>25,478</u>	<u>3,660</u>	<u>869</u>

	<b>Unaudited June 30, 2012</b>	(Audited) March 31, 2012
	(Rupees '000)	
<b>5. CASH AND BANK BALANCES</b>		
Balances with banks:		
on current accounts	14,794	28,013
on PLS savings accounts	123,291	24,738
Cheques in hand	167,573	71,641
Cash in hand	314	134
	<u>305,972</u>	<u>124,526</u>

#### 6. TRADE AND OTHER PAYABLES

These include bills payable to Toyota Tsusho Corporation, Japan - associated company amounting to Rs 1.68 billion (March 31, 2012: Rs 1.41 billion).

#### 7. CONTINGENCIES AND COMMITMENTS

##### 7.1 Contingencies

As at June 30, 2012 the Company has received provisional refunds of Rs. 519.05 million (March 31, 2012: Rs. 519.05 million) from the sales tax authorities against bank guarantees.

##### 7.2 Commitments

Commitments for capital expenditures as at June 30, 2012 amounted to Rs. 18.04 million (March 31, 2012: Rs. 2.07 million).

	<b>Unaudited June 30, 2012</b>	Unaudited June 30, 2011
	(Rupees '000)	
<b>8. FINANCE COST</b>		
Mark-up on short-term borrowings	33,215	13,643
Exchange loss - net	125,150	28,318
Bank charges	2,390	1,448
Interest on Workers' Profits Participation Fund	-	60
	<u>160,755</u>	<u>43,469</u>

Unaudited  
June 30,  
2012  
(Rupees '000)

Unaudited  
June 30,  
2011

## 9. CASH USED IN OPERATIONS

Loss before taxation	(40,287)	(69,078)
<b>Add / (less): Adjustments for non cash charges and other items</b>		
Depreciation and amortisation	29,633	26,846
Mark-up on short-term borrowings	33,215	15,151
Retirement benefits charge	7,986	10,825
Gain on sale of property, plant and equipment	(875)	(1,253)
Return on savings accounts	(73)	(464)
	<u>69,886</u>	<u>51,105</u>
Profit / (Loss) before working capital changes	29,599	(17,973)

### EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES

#### (Decrease) / increase in current assets

Stores, spares and loose tools	(1,431)	(2,989)
Stock-in-trade	(53,240)	(989,599)
Trade debts	983,810	(40,557)
Loans and advances	(15,249)	34,070
Trade deposits and prepayments	(4,272)	(5,899)
Refunds due from the government	(76,412)	(138,132)
Other receivables	(4,318)	6,907
	<u>828,888</u>	<u>(1,136,199)</u>

#### (Increase) / decrease in current liabilities

Trade and other payables	402,885	1,125,070
	1,231,773	(11,129)
	<u>1,261,372</u>	<u>(29,102)</u>

## 10. TRANSACTIONS WITH RELATED PARTIES

Disclosure of transactions between the Company and the related parties during the period are as follows:

Relationship	Nature of transactions	Unaudited	Unaudited
		June 30, 2012	June 30, 2011
		(Rupees '000)	
i. Holding Company	- Purchase of goods	27,629	62,079
	- Royalty charge	17,009	12,057
	- Technical assistance fee	6,173	779
ii. Associated Companies	- Purchase of goods and services	1,337,865	1,485,621
	- Sale of goods	280,566	85,134
	- Purchase of property, plant and equipment	7,973	12,869
iii. Employees' Provident Fund	- Contribution paid	1,465	3,799
iv. Employees' Gratuity Fund	- Contribution paid	1,634	1,591
v. Employees' Pension Fund	- Contribution paid	2,694	2,186
vi. Key Management Personnel	- Salaries and other employee benefits	7,690	6,492

## 11. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on July 23, 2012 by the Board of Directors of the Company.

内海

Managing Director &  
CEO

K. Jais

Chairman





**HINO**

**HINOPAK MOTORS LIMITED**

D-2, S.I.T.E., Manghopir Road, P.O. Box No. 10714, Karachi.  
Website: [www.hinopak.com](http://www.hinopak.com)