



# AL-GHAZI TRACTORS LTD



Annual Report 2020

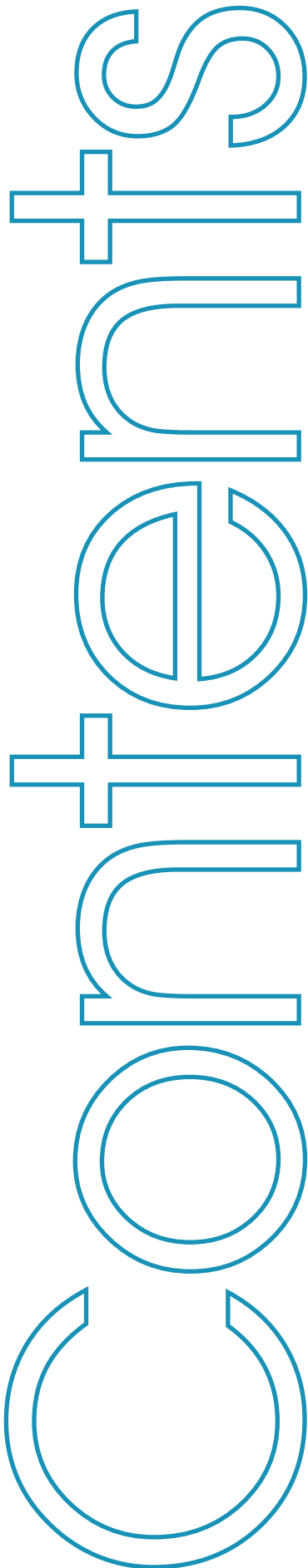
**TRANSFORMING FOR GROWTH**



## TRANSFORMING FOR GROWTH

To position the company for sustained success and growth for the foreseeable future and to better align the company with its business strategy and vision, AGTL management is focused on transforming its business personnel, processes, and technology, to help the company, compete more effectively, become more efficient, maximize company's potential and to create additional value of our shareholders





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# Company Information

## **BOARD OF DIRECTORS**

Mr. Bernd Erich Schwendtke  
Chairman, Non-Executive Director

Mr. Raheel Asghar  
CEO & Executive Director

Mr. Malik Ehtisham Ikram  
CFO & Executive Director

Mr. Sakib Eltaff  
Non-Executive Director

Ms. Farah Qureshi  
Independent Director

Mr. Shehzad Naqvi  
Independent Director

Mr. Shahid Shahbaz Toor  
Independent Director

Mr. Andrea Trabacchin  
Non-Executive Director

Mr. Vincent Delassagne  
Non-Executive Director

Mr. Matthieu Sejourné  
Non-Executive Director

## **AUDIT COMMITTEE**

Ms. Farah Qureshi  
Chairman, Independent Director

Mr. Shehzad Naqvi  
Member, Independent Director

Mr. Bernd Erich Schwendtke  
Member, Non-Executive Director

Mr. Sakib Eltaff  
Member, Non-Executive Director

Mr. Andrea Trabacchin  
Member, Non-Executive Director

## **HUMAN RESOURCE AND REMUNERATION COMMITTEE**

Mr. Bernd Erich Schwendtke  
Chairman, Non-Executive Director

Mr. Malik Ehtisham Ikram  
Member, Executive Director & CFO

Mr. Raheel Asghar  
Member, Executive Director & CEO

Mr. Andrea Trabacchin  
Member, Non-Executive Director

Ms. Farah Qureshi  
Member, Independent Director

## **TECHNICAL COMMITTEE**

Mr. Shahid Shahbaz Toor  
Chairman, Independent Director

Mr. Matthieu Sejourné  
Member, Non-Executive Director

Mr. Vincent Delassagne  
Member, Non-Executive Director

Mr. Malik Ehtisham Ikram  
Member, Executive Director & CFO

Mr. Raheel Asghar  
Member, Executive Director & CEO

## **COMPANY SECRETARY (Acting)**

Mr. Rashid Mohiuddin

## **CHIEF INTERNAL AUDITOR**

Ismail Zahid Selod

**AUDITORS**

A.F. Ferguson & Co.  
Chartered Accountants Karachi

**TAX ADVISORS**

EY Ford Rhodes  
Chartered Accountants Karachi

Tola Associates  
Chartered Accountants Karachi

**LEGAL ADVISORS**

Orr, Dignam & Co. Karachi

**BANKERS**

Askari Bank Limited  
Bank AL-Habib Limited  
Faysal Bank Limited  
Habib Bank Limited  
Meezan Bank Limited

**SHARE REGISTRAR**

FAMCO Associates (Private) Limited  
8-F, Adjacent to Hotel Faran, Nursery,  
Block 6, P.E.C.H.S, Shahrah-e-Faisal,  
Karachi  
Tel: 92 21 34380101-5  
Fax: 92 21 34380106

**REGISTERED AND HEAD OFFICE**

Tractor House, 102 -B,  
16th East Street, DHA Phase I,  
Off. Korangi Road, Karachi.  
Tel: 92 21 35318901-5  
Fax: 92 21 35660882  
Email: [agtl@alghazitractors.com](mailto:agtl@alghazitractors.com)  
Website: [www.alghazitractors.com](http://www.alghazitractors.com)

**PLANT**

Sakhi Sarwar Road,  
P.O. Box 38 Dera Ghazi Khan  
Tel: 92 64 2463750, 2463812,  
2020750-51

**MARKETING CENTRES**

Dera Ghazi Khan  
Lahore  
Multan  
Islamabad  
Sukkur

# Company Profile

Incorporated in June 1983, privatized in December 1991, Al-Ghazi Tractors Limited, the subsidiary company of Al-Futtaim group of Dubai, is a story of rollicking success.

With consistent corporate achievements, the company is recognized for corporate excellence and "Best Corporate Performance".

With its head office in Karachi, the AGTL plant at Dera Ghazi Khan, some 700 kms away from Karachi, manufactures New Holland (Fiat) tractors in technical collaboration with CNHI - Case New Holland, the Number One manufacturer of agricultural tractors in the world. The AGTL plant, an icon of engineering dynamics operates on high efficiency. With Quality Control and Quality Assurance, quality improvement systems exist at every level.

One of our mission statement reads: "Our most enduring competitive edge is the quality of tractors". Robust and sturdy, the company's products of 55, 65, 75 and 85 HP, carry a local content of 92% - the highest in the country.

Monitoring the efficiency and effectiveness of each production process is the key to our success. Effort is made to make each process efficient to drive down the cost per

tractor. Competent material and plant utilization has resulted in the company's core strategy of being the lowest cost producer of quality products. AGTL's produced tractors in all hp ranges are therefore the cheapest quality tractors in the whole world.

Documentation of the entire manufacturing process and improved quality measurement being our priority, Al-Ghazi was the first automobile company in Pakistan to earn the ISO-9000 certification. With yearly audits the company is now registered for ISO-9001:2015 upto September 15, 2021.

AGTL products being a household name with the farmer community, our product profile reflects consumer needs. Price and convenience being the customer's first priority the company's objectives include: focus on all target markets and focus on customers. As many dealers in every nook and cranny of the country, and over 3000 mechanical workshops dot the country to work as customer care centers.

AGTL name is synonymous with stability, brand strength, customer loyalty and profitability. The Top Stock of the automobile

industry of Pakistan with market capitalization of over hundred times, dividends tell our real story. To the shareholders we give returns which are almost un-matched in Pakistan's corporate world.

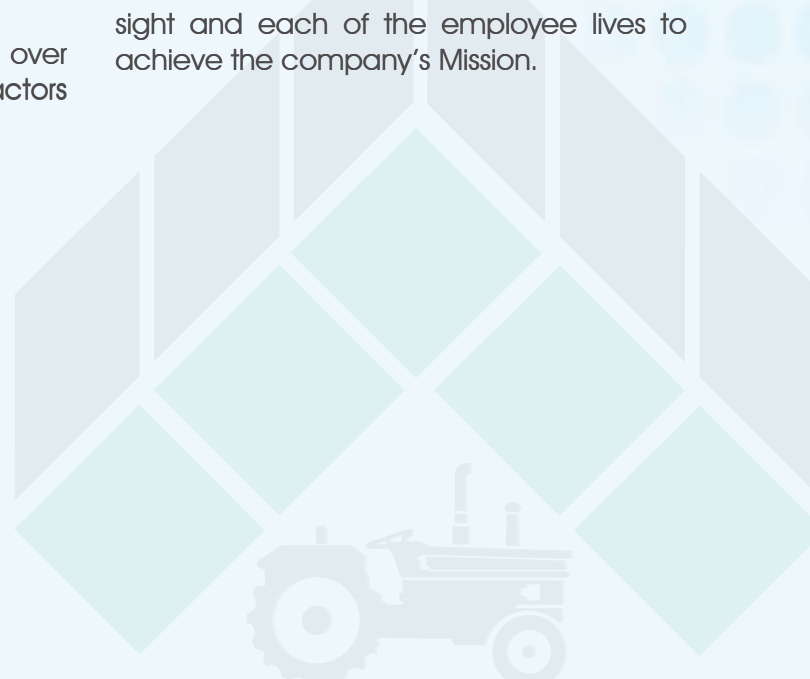
At AGTL we believe that effective individuals make a difference; effective teams make a business. Of all the things that we have built the most admired is our teamwork. AGTL's human talent does not depreciate with time. AGTL workers are happy workers. AGTL values the stake holders, customers, employees and the investors. The management works to ensure that all supply chain associates, dealers, shareholders and employees share in the company's growth and prosperity.

Al-Futtaim's flagship in Pakistan with over 93% foreign shareholding, Al-Ghazi Tractors

Limited is a text book example of good corporate governance, conforming to all of the Corporate Governance Reforms promulgated by the government.

AGTL's long list of accolades received year after year include Top Companies Award of the Karachi Stock Exchange, Corporate Excellence Award of the Management Association of Pakistan, Best Presented Annual Report Awards of ICAP, Best Calendar Awards of NCCA, Excellence Award on Human Resources and Industrial Relations and Excellence Award in Productivity from the Employer's Federation of Pakistan.

AGTL's Vision Statement is categorical: "To make AGTL a symbol of success." This sets the direction as well as the destination in sight and each of the employee lives to achieve the company's Mission.



# Business Model

## Our Capitals:

### Financial Capital:

- Equity: Rs. 2.3 Billion
- Assets: Rs. 5.2 Billion

### Manufactured Capital:

- State-of-the-art Tractor assembling facility
- 30k per annum production capacity

### Human Capital:

- 402 Employees
- People centered culture
- Strong governance

### Natural Capital:

- Water, energy & environment conservation
- Waste water treatment plant

### Intellectual Capital

- Company's knowledge base,
- Product manufacturing capabilities
- Well equipped reporting tools
- Corporate Reputation
- Brand (CNHi)

### Social & Relationship Capital:

- Relations with customers, regulators, communities & other stake holders
- Vast network of dealers, distributors & end-users

## Our Processes

Procurement and acquisition of local & imported raw material



Storage and Binning



Production of Sheet metal Components

Assembling of Tractors



# Value Creation for our Stakeholders

## Pre-delivery Inspection of Tractors



## Transfer of Tractors to Dealers



## Tractors delivered to customers



## After Sale Service



### Customer/Suppliers

- Customer satisfaction
- Trust of vendors
- Growing network of vendors, dealers & customers

### Shareholders:

- Delivered strong and healthy returns for shareholders
- Return on equity: 59%

### Employees:

- Talent nourishment and growth
- Reward high performance and invest in attracting, developing and retaining our people
- Remuneration & Benefits: Rs. 586 Million

### Communities:

- Investment in communities to support communities uplift.
- Refer to page no. 127 of CSR section for our work on communities.

### Governing Bodies & Regulators:

- Compliance with all the regulatory requirements
- Contributed to national ex-chequer Rs. 413 Million

# Our Journey So Far

**1984**

**February:**  
Auxiliary Plant,  
Start of Production  
at D.G. Khan Plant

**1983**

**June 26:**  
Date of Incorporation

**September:**  
Commencement of  
Operation

**1985**

**April:**  
Main  
Manufacturing  
Plant

**1991**

**December:**  
Take Over  
by Al-Futtaim

**1992**

**April:**  
New Engine  
Assembly Line

**2006**

**April:**  
Sheet Metal Plant for  
stamping and  
agricultural  
implements

**2011**

**March:**  
New Engine  
Testing facility

**2013**

**April:**  
Assembly Line  
for Generators

**2015**

**June:**  
New Head Office -  
Tractor House,  
Karachi

**2017**

**December:**  
Quality Assurance  
Lab, Plant

# Geographical Presence



## DEALERSHIP NETWORK

For customized customer satisfaction, AGTL has dotted the whole country with a large dealer network, and tractor workshop, in every nook and cranny of the country.





Established in the 1930s as a trading business, Al-Futtaim is one of the most progressive regional business houses headquartered in Dubai, United Arab Emirates.

Al-Futtaim operates through more than 200 companies across sectors as diverse as commerce, industry and services, and employs in excess of 42,000 people across the UAE, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, Egypt, Pakistan, Sri Lanka, Syria, Singapore and Europe. Entrepreneurship and rigorous customer focus have enabled Al-Futtaim to grow its business by responding to the changing needs of the customers and societies in which it operates. Al-Futtaim is committed to offering customers an unrivalled choice of the world's best brands from the USA, UK, Japan, Sweden, France, Germany and Switzerland (from sectors as diverse with each other as automotive, retail, real estate and finance). Al-Futtaim's exceptional standards of customer service and after sales support is the reason some of the world's most admired and innovative brands trust Al-Futtaim with their own reputation and commercial success.

Structured into seven operational divisions; automotive, electronics, engineering and technologies, retail, financial services, general services, real estate and joint ventures, Al-Futtaim maintains a decentralized approach, giving individual businesses flexibility and versatility to maintain a competitive stance. The decades-long experience allows Al-Futtaim to embrace and foster new, forward-thinking business practices and seamlessly blend those into corporate DNA and people-first philosophy whilst upholding the value of integrity within a spirit of collaboration.

This benefits employees, providing a clearly defined work culture where individuals are empowered with authority and responsibility for their work.

Al-Futtaim is the holding company of Al-Ghazi Tractors Limited with 50.02% shares.



CNH Industrial is a global leader in capital goods that implements design, manufacturing, distribution, commercial and financial activities in international markets.

CNH Industrial is an international front-runner in the capital goods sector that designs, produces and sells agricultural and construction equipment (tractors, combines, excavators), wheel loaders, trucks, commercial vehicles, buses and specialty vehicles (including firefighting and civil protection vehicles), in addition to a broad portfolio of powertrain applications. CNHI's symbolism is that they design, manufacture and sell 'machines for work'.

Across its 12 brands, 67 manufacturing plants, 56 research and development centers and a workforce of more than 63,000 people, CNH Industrial is present in 180 countries giving it a unique competitive position.

The Group has the flexibility to pursue the most advantageous strategic options and capitalize on opportunities for growth and consolidation consistent with our ambitions for it to become a leader in the sector.

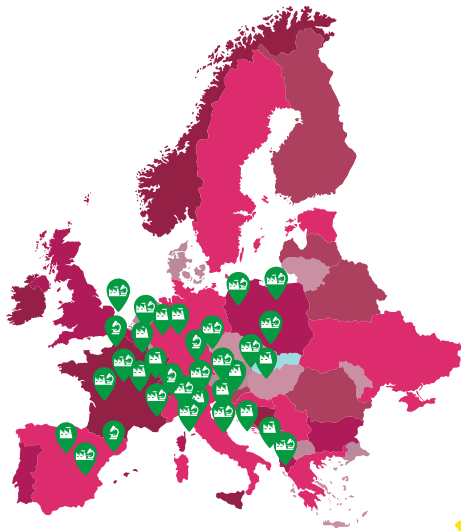
CNHI holds 43.17% shares of Al-Ghazi Tractors Limited.

Manufacturing Plant 

R&D Center 

Manufacturing Plant + R&D Center 

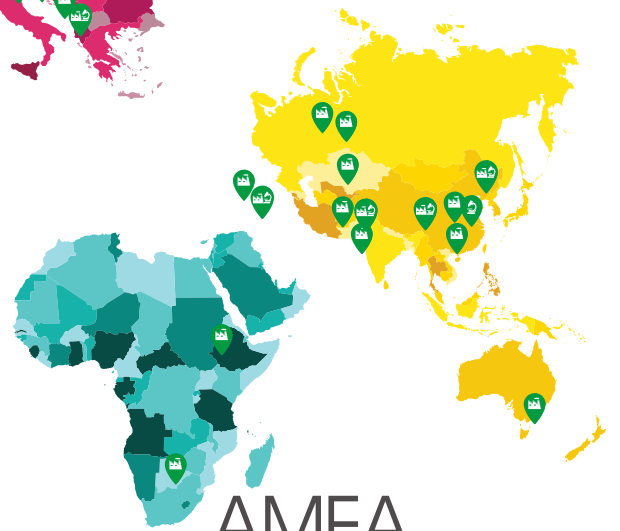
North America



Europe



South America



AMEA

CNHi Global Footprint

A pair of brass binoculars is the central focus, lying on an antique-style map. The map shows the Atlantic Ocean and parts of South America and Africa. In the upper left, a portion of a globe is visible. The lighting is warm and golden, creating a sense of history and exploration.

# Our Vision

To Make AGTL a Symbol of Success

# Our Mission

With AGTL's name being synonymous with stability, profitability, brand strength and customer loyalty, AGTL's mission is to retain market leadership as the lowest cost producer of the highest quality products – the most enduring competitive edge being the quality of our tractors. With corporate virtue, AGTL's mission is to be a text book case example of good Corporate Governance and through Corporate Social Responsibility create mutually beneficial relationships between the Company, Stakeholders and the Community.



# Values & Ethical Principle

Al-Ghazi Tractors Limited is a public limited company with 93.19% foreign shareholding. The Company with its superior performance is recognized by all stakeholders as economically rewarding to all parties, acknowledged as being ethically, socially and environmentally responsible, welcomed by the communities, businesses, customers in which it operates. It facilitates economic, human resources and community development within a stable operating environment.

**The Directors believe that they can make a difference within their sphere of influence. Thus it envisaged that:**

- The Company should take a leadership role through establishment of ethical business principles.
- That while reflecting cultural diversity, the Company should do business consistent with the requirements of laws and regulations in Pakistan.
- The Company should show ethical leadership.
- The Company should facilitate the achievement of sound financial results and a fair sharing of economic benefits.
- The Company must have open, honest and transparent relationships, which are considered critical to the Company's success.
- The Company should create a business environment, which instigates against bribery and corruption and refrain from participation in any corrupt business practices.
- The Company should maintain good relations with stakeholders including contractors, suppliers and other business activities.
- The Company should aspire for stability and continuous improvement within the operating environment.
- The Company should provide protection of environment.
- The Company should promote community efforts as good corporate citizens.
- The Company should ensure consistency with labour laws, standards, ensure health and safety of workers and their rights.
- The Company should promote training and human resource development as an engine for growth with particular reference to the policy on succession planning.

The Company has established a defined code of ethics and business practices which is signed by all directors as well as employees of the Company.

## Corporate Focus

To achieve evolution through continuous change – the deliverables being: to pursue LEAN MANAGEMENT: to eliminate all activities which don't add value; to eliminate waste; to reduce costs; to focus on all target markets; customer focus and to continuously add customer care centres to give fillip to mechanization of farming in the country.

## Strategic Planning

With Company's Vision that sets the destination in sight; the Company's Mission, which is stirring, challenging, believable, and evolved through consensus; Goals, Objectives, Action Plans, Roles and Responsibilities clearly defined, Strategic Planning at Al-Ghazi Tractors Limited aligns the actionable vision of the Company to reach optimal performance.

Sound business plans are outlined, brainstormed and developed to coordinate strategies for overall success of the Company.

With disciplined efforts to produce fundamental decisions and actions that shape and guide the Company with focus on the future, Strategic Planning at AGTL provides the best way to respond to circumstances of the Company's environment, its resources, and thus incorporating them into being consciously responsive to a dynamic changing environment.

Strategic Planning at Al-Ghazi Tractors Limited supports strategic thinking and leads to strategic management – the basis for an effective organization.



Specific

Measurable

Achievable

Realistic

Timely

# Board of Directors



**Mr. Bernd Erich Schwendtke**

**Chairman & Non-Executive Director**

Mr. Schwendtke is currently holding the position of Senior International MD at Al Futtaim Automotive, United Arab Emirates. He began his working career in 1994 in Germany and has acquired a wide range of experience in the automotive sector, financial services, fleet management, logistics, and diversified trading industries in various multinational companies.

Prior to joining Al Futtaim, Mr. Schwendtke was the Senior Managing Director and Group Chief Financial Officer at Abdul Latif Jameel Saudi Arabia and held Chief Financial Officer and Finance Director positions in various Mercedes-Benz entities in South Africa, Australia, Singapore, UK and Germany.

Mr. Schwendtke holds a Master Degree from the University of Würzburg, Germany.

**Mr. Raheel Asghar**

**CEO & Executive Director**

He has over 25 years of experience in the automotive industry in UK and in Pakistan. Mr. Raheel Asghar started his career in 1994 with Honda UK Manufacturing in Swindon, UK where he gained experience in production management, project management and production engineering. Raheel headed various departments at Honda before moving to Pakistan in 2007 where he joined Indus Motor Company, which is the sole manufacturer of Toyota products in Pakistan. Whilst at Toyota, he headed many functions and performed various roles including Director Sales & Marketing and most recently Senior Director Plant Operations.

Mr. Raheel Asghar holds a degree in Engineering from University of Cambridge, UK and has attended various management programmes including the Advanced Management Program at Wharton Business School, USA.

**Mr. Malik Ehtisham Ikram**

**CFO & Executive Director**

Mr. Malik Ehtisham was appointed as Director on the Board in December, 2019. He was subsequently appointed as Chief Financial Officer and as member of Human Resource & Remuneration Committee in 2020. He is a seasoned Senior Finance Executive with a career spanning 17 years in Finance with strong emerging market experience. He joined Al-Futtaim Group in 2012 and has been working at various Senior Finance & Leadership positions independently handling high profile Automotive Projects for the Group. Over his career span he has worked with various consultancy firms including PwC and KPMG.

He is a member of the Institute of Chartered Accountants of Pakistan and holds a post graduate degree in Managerial Economics.



**Mr. Sakib Eltaff**

**Non-Executive Director**

Mr. Sakib Eltaff joined the automotive division of the Al Futtaim Group in 2008 and is currently the Senior General Manager Finance of the international businesses. He has over 25 years of experience across a variety of industries having previously worked in financial services, manufacturing and trading businesses in various multinational companies.

Mr. Sakib Eltaff holds a masters degree from the Oxford Brookes University and is a fellow of the Association of Chartered Certified Accountants of England and a member of the Chartered Professional Accountants of Canada.



**Mr. Shehzad Naqvi**

**Independent Non-Executive Director**

Shehzad has over 30 years of experience in international financial services. For 18 of these years he has held Country or Regional CEO positions, primarily in Citibank and ABN Amro/ RBS. He has held Country Head or Regional Head positions in Pakistan, Singapore, Asia Pacific Region, Middle East Region and the UK. He has served on the Boards of several local and international companies over the years. He is a graduate of the London School of Economics.



**Mr. Shahid Shehbaz Toor**

**Independent Non-Executive Director**

Have more than 35 years of experience in the Tractor manufacturing industry in areas pertaining to Management, Development, Production, Quality Assurance, Project Management, Supply Chain Management, etc. Served as Director Technical at Millat Tractors Limited, CEO at Millat Equipment Limited as well as Mannan Shahid Forgings (Abraaj Capital UAE Group Company).

Graduated with a degree in Mechanical Engineering from Kingston University, UK. Have attended various professional training courses in Pakistan and Abroad in institutions like Ashraigh School of Management UK, Perkins Engines, Massey Ferguson Tractors UK, AOTS Japan, Pakistan Institute of Management, Lahore University of Management Sciences, Pakistan Institute of Quality Control.etc.

# Board of Directors



**Ms. Farah Qureshi**

**Independent Non-Executive Director**

Ms. Farah Qureshi has over 25 years of experience in Corporate Governance, Internal Control, Accounting, Financial Reporting, Mergers and Acquisitions, Project feasibilities, Banking and Financial arrangements, Legal, Company Secretariat and IT. She has served as Company Secretary on the Board of Jahangir Siddiqui & Co. Ltd., a listed company in financial services. Ms. Qureshi has also served on the Board of Network Microfinance Bank Ltd. (subsidiary of Jahangir Siddiqui & Co. Ltd.) and taxation subcommittee of the Overseas Investors Chamber of Commerce and Industry. Presently providing consulting services in the areas of accounting, Finance, IT systems, corporate governance, internal controls, preparing projections and feasibilities, banking and financial arrangements. Also, she is serving on the Board of First UDL Modaraba as Director.

Ms. Farah Qureshi is a fellow member of the Institute of Chartered Accountants of Pakistan.



**Mr. Andrea Trabacchin**

**Non-Executive Director**

Mr. Andrea Trabacchin was appointed on the Board as a Non-Executive Director. He is also a member of the Audit Committee. He joined CNH Industrial Group in 2002. Currently he is working at CNH International SA in Lugano, Switzerland as Chief Financial Officer of High Growth Markets AMEA (Asia, Middle East and Africa) and ANZ.

Mr. Andrea Trabacchin holds a master degree in Business & Economics from the Commercial University Luigi Bocconi in Milan, Italy. He is Recipient of European Union scholarship for the Erasmus Exchange Program from School of Economics, Stockholm, Sweden.



**Mr. Vincent De Lassagne**

**Non-Executive Director**

Mr. Vincent is the Brand Leader for New Holland Agriculture Asia Pacific Region. He initially joined CNH in 1995. Within CNH he acquired a significant experience in the CIS, AME and Asia Pacific markets.

Since 2004 he has been posted as Business Director in Asia Pacific Region. Mr. Vincent de Lassagne has been appointed on the Board of Al-Ghazi Tractors Ltd from October 23, 2015.

Mr. Vincent holds an Agronomist Engineer degree & Masters in Marketing & Sales from the HEC University.



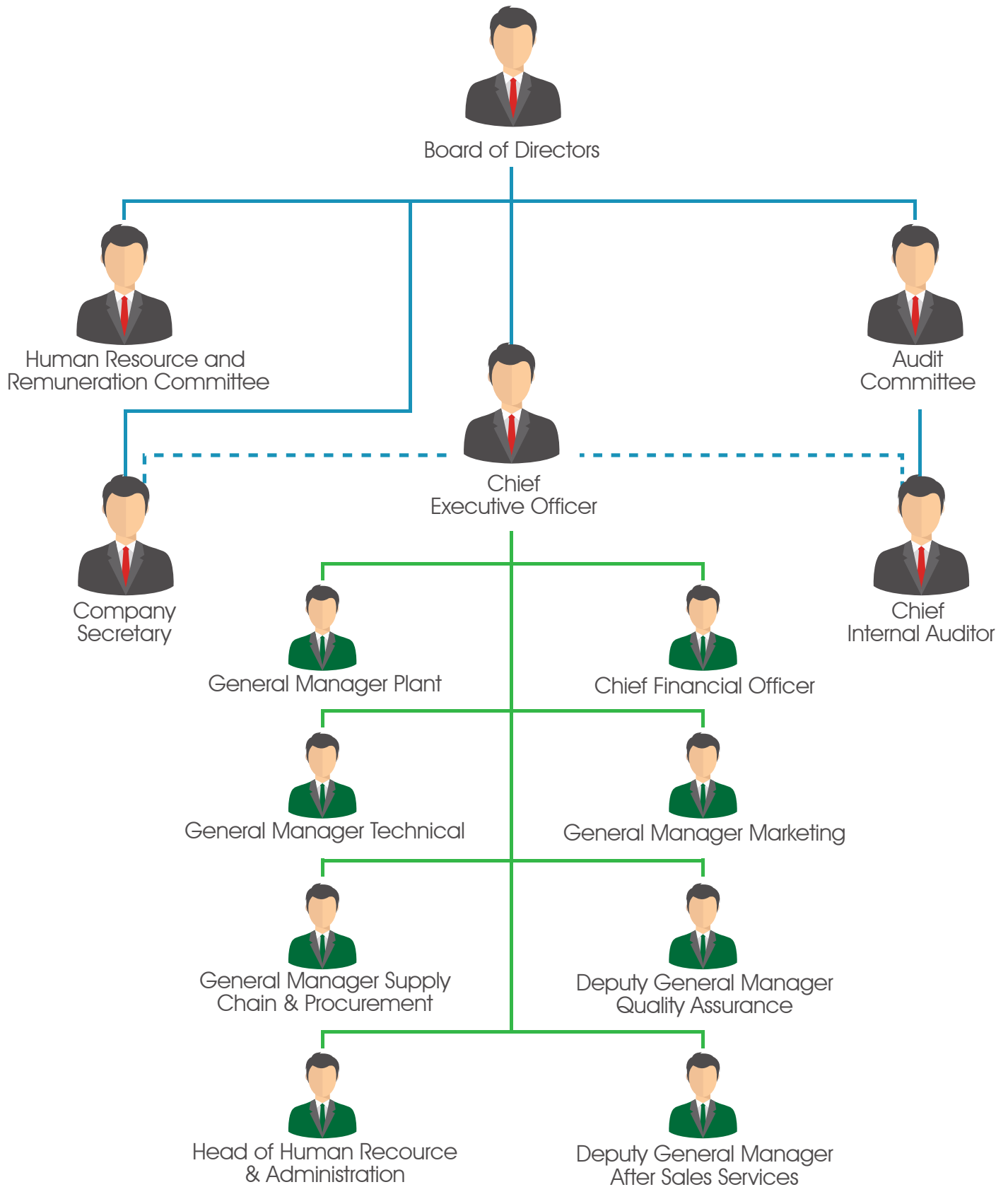
**Mr. Matthieu Jean-Marie, Bernard Séjourné**

**Non-Executive Director**

He joined CNHi in March 2002 covering several sales & marketing positions in the African continent. He also joined TurkTraktor, the JV of CNHi in Turkey, where he was Marketing Director. He then joined the Asia Pacific Region, where he was successively appointed as Product Marketing and later as Brand Leader for Case IH. Since January 2019, he is the Brand Leader New Holland & Case IH for the Asia, Middle East and Africa Region.

Mr. Séjourné holds a master degree in Business Administration from SDA Bocconi Milan, Italy and Master in Engineering from CESTI-Paris (newly named SUPMECA, Superior Centre of Study in Industrial Techniques - Mechanical Engineering School) with a major in Supply Chain Management.

# Organizational Chart



**Legend**  
 — Functional Reporting  
 - - - Administrative Reporting

\*Number of employees as at Dec 31, 2020 and average number of employees for the year including factory employees are disclosed in note 35 to the financial statements

# Significant Events 2020

- Q1 Feb** *The Board of Directors (BOD) meeting was held to review and approved audited financial statements for the year ended December 31st 2019. (Feb)*
- Q2 May** *BOD Meeting was held in the month of May for the approval of 1st quarter financial results*
- Q2 June** *Annual General Meeting of shareholders of the company was held on 15-June-2020 where distribution of cash dividend of Rs. Nil per share was approved.*
- Q3 July** *BOD Meeting was held in the month of July for the approval of half year financial results.*
- Q3 Sept** *BOD Meeting was held in the month of September for other than financial results.*
- Q4 Oct** *AGTL was awarded 4th position in "Best Corporate Report Award" in Engineering & Auto sector by joint committee of ICAP and ICMAP (Oct)*
- Q4 Oct** *BOD Meeting was held in the month of October for the approval of 3rd quarter financial results.*
- Q4 Dec** *Corporate briefing session was held in the month of December.*
- Q4 Dec** *BOD Meeting for the approval of annual budget 2021 was held in the month of December.*

# Position in Value Chain

Our ability to enrich peoples life with quality products depends on the quality of input raw material, efficient production cycle, vigilant pre delivery inspections supported by our dealers coordination and finest after sales services for end users. The process is further augmented through sustainable relationship with suppliers, collaborated environment for employees with strong leadership and using Information Technology platform.



**Raw material Acquisition  
Imported Components**



**Storage and Binning**



**Locally Procured Components**



**After Sales Services**

**Delivery to Customers**





**Assembling of Tractors -production of the sheet metal components and final assembly**



**Pre-delivery Inspection of Tractors**



**Transfer of Tractors to Dealers**



The company procures high quality of raw material from its local and imported vendors and assembles NEW HOLLAND tractors as per international standards to meet customer demand.



# Messages for Stakeholders





# Directors' Report

The Directors of Al-Ghazi Tractors Limited ('the Company' or 'AGTL') are pleased to present the annual report together with the Company's audited financial statements for the year ended 31 December 2020.

## Operating Results

	2020	2019
	(Rupees in '000)	
Sales	11,935,172	13,992,388
Gross Profit	2,770,502	2,544,716
Profit before taxation	1,927,907	1,348,524
Taxation	(578,250)	(370,872)
Profit after tax	1,349,657	977,652
Other comprehensive income	34,748	(52,188)
Total income	1,384,405	925,464

## DIVIDEND & GENERAL RESERVE

For the year ended 31 December 2020, the Board in its meeting held on May 4, 2021, has proposed a final cash dividend of Rs. 21.39 per share amounting to Rs. 1,240 million.

Board has decided to transfer unappropriated profit to general reserves of Rs. 1,049 millions.

## EARNINGS PER SHARE

The Basic earnings per share were Rs. 23.28 in 2020 compared to Rs. 16.87 in 2019.

## PERFORMANCE HIGHLIGHTS

The Company sold 12,142 tractors during the year 2020 as compared to 15,719 tractors sold in the year 2019. There were various factors contributing to lower sales volume of the year as compared to that of previous year. Weakening purchasing power of farmers, persistent economic slowdown and depressed automobile / tractor market remain the most significant issues. Government did not announce any support till the end of 2020 affecting the sales in the year. Sales volume deteriorated against the backdrop of off-season, worsening water crisis which was affecting the farmers' economic health, various fiscal and tax measures by the Government and a general slowdown of the overall economic activity due to the COVID-19 lockdowns. The deterioration of the currency was another factor contributing to increased prices affecting affordability and volumes. Despite all of the above, the Company continued its efforts of engaging with customers and ensuring quality improvements and efficiencies.

Profit before tax for the year ended 31 December 2020 at Rs. 1,9 billion is 43% higher than the previous year. The gross margin remained under pressure owing to afore-said factors for lower sales volume and cost of inflation caused by the steep rise of metal prices and additional government levies applied at import stage on raw materials and CKD components. Further, liquidity challenges being faced last year have been reduced through efficient equity management. However, company is incurring substantial financial cost due to delayed sales tax refunds by the authorities amounting to Rs 921 million approximately. Bank lending and corresponding financial cost has reduced by 63% from Rs. 398 million to 146 million due to efficient payables management.

Out of the pre-tax profit of Rs 1.9 billion, an amount of Rs 578 million was charged on account of corporate tax. The after-tax profit thus stands at Rs 1.3 billion translating into earnings per share (EPS) of Rs 23.28 per share.

“Key Operating and Financial Data” and the “Horizontal and Vertical Analysis of Financial Statement” highlighted in the Annual Report testify to the strength of the Company.

AGTL has been awarded with Best Corporate Reports Awards 2019 yet again by the Joint Committee of ICAP and ICMAP. AGTL annual report rank fourth in the Engineering & Auto sector of Pakistan. AGTL also received the coveted Corporate Excellence Certificate under the industrial category from the Management Association of Pakistan yet again. The announcement of the award recognizes companies’ excellent financial and managerial performance, based on comprehensive criteria including capital efficiency, profitability, free-float of shares, investor relations, and compliance with listing of companies and securities regulations.

## Appropriations

The financial results for the year under review are as follows:

	2020	2019
	(Rupees in '000)	
Unappropriated profit – brought forward	613,896	1,079,576
Total income for the year	1,384,405	925,464
Transfer of unappropriated profit to general reserve	(1,049,000)	-
Amount available for appropriation	949,301	2,005,040
Appropriation:		
Final dividend paid for the year 2019: Rs. 0 per share (2018: Rs. 9 per share)	-	(521,681)
Interim dividend paid for the year 2020: Rs. 0 per share (2019: Rs 15 per share)	-	(869,463)
Unappropriated profit – carried forward	949,301	613,896

## CHAIRMAN'S REVIEW

The Chairman’s review included in the Annual Report deals with the nature of business, performance of the company, explanation of significant deviations from last year, future prospects and uncertainties.

## BOARD STRUCTURE

The term of the previous Board of Directors was expired on December 5th, 2020 but considering the annual closing and other restrictions imposed by the pandemic an extension from SECP was obtained to hold the fresh elections of Directors in March. An EOGM of members was called and held on March 3rd, 2021 at Moven Pick Hotel, Karachi to hold the voting for the Election of Directors. The consent letters were sought from interested members to contest the Election of Directors. EOGM unanimously approved:

- Update in the Articles of Association of the Company to increase the minimum number of Directors to meet statutory guidelines of new Code of Corporate Governance to have at least 1/3rd of the Board consisting of Independent Directors
- Appointment of all contested members as directors

New Board now constitute the following Diversity:

### Gender Diversity on Board:

a) Male	9
b) Female	1

### Functional Diversity on Board:

a) Independent Director	3
b) Non-Executive Directors	5
c) Executive Directors	2

## BOARD OF DIRECTORS & COMMITTEES

The names of directors and members of board committees are as follows:

i. Independent Directors	Ms. Farah Qureshi Mr. Shehzad Naqvi Mr. Shahid Shahbaz Toor
ii. Non-Executive Directors	Mr. Bernd Schwendtke - Chairman Mr. Sakib Eltaff Mr. Vincent De Lassagne Mr. Andrea Trabacchin Mr. Matthieu Sejourné
iii. Executive Directors	Mr. Raheel Asghar - CEO Mr. Malik Ehtisham Ikram - CFO

The Board has formed the following committees:

### a) Audit Committee

i. Independent Director	Ms. Farah Qureshi – Chairman Mr. Shehzad Naqvi
ii. Non-Executive Directors	Mr. Bernd Schwendtke Mr. Sakib Eltaff Mr. Andrea Trabacchin

### b) HR and Remuneration Committee

i. Non-Executive Directors	Mr. Bernd Schwendtke - Chairman Mr. Andrea Trabacchin Ms. Farah Qureshi
ii. Executive Directors	Mr. Raheel Asghar – CEO Malik Ehtisham Ikram – CFO

### c) Technical Committee

i. Non-Executive Directors	Mr. Shahid Shahbaz Toor - Chairman Mr. Matthieu Sejourné Ms. Vincent De Lassagne
ii. Executive Directors	Mr. Raheel Asghar – CEO Malik Ehtisham Ikram – CFO

## DIRECTOR'S REMUNERATION

The remuneration of the Board members is approved by the Board itself. However, in accordance with the Code of Corporate Governance, it is ensured that no Director takes part in deciding his own remuneration. The Company does not pay remuneration to non-executive directors except independent directors for

attending the meetings. In order to retain the best talent, the Company's remuneration policies are structured in line with prevailing industry trends and business practices. For detailed and numerical information on remuneration of Directors and CEO in this annual report, please refer notes to the Financial Statements.

### **REVIEW OF CEO'S PERFORMANCE**

The performance of the CEO is formally appraised through the evaluation system which is based on quantitative and qualitative values. It includes the performance of the business, the accomplishment of objectives with reference to profits, organization building, succession planning and corporate success.

### **PATTERN OF SHAREHOLDING**

The pattern of shareholding of the Company is annexed to this report under the section of "Investor Relations".

### **FOREIGN HOLDING POSITION**

Al Futtaim Industries Co. LLC., incorporated in UAE, is the holding company of Al-Ghazi Tractors Limited, being the holder of 50.02% shares of the Company. CNHI, incorporated in November 12, 1999, holding 43.17% shares of AGTL.

### **BUSINESS CONTINUITY PLAN**

There are no significant doubts upon the Company's ability to continue as a going concern.

### **CORPORATE SOCIAL RESPONSIBILITY**

The Company considers social, environmental, and ethical matters in the context of the overall business environment. The Company is committed to work in the best interest of all the stakeholders, in particular the community in which we live and forms our customer base and employee base specially at the plant located at Dera Ghazi Khan.

The report on Corporate Social Responsibilities, including its approach to health and safety, human resources, social, environmental and other related issues are presented in the 'Sustainability Report', which forms a part of this Annual Report.

The Company continued to conduct certain CSR activities. The Company is focused on relevant social endeavors such as developing local talent, employment of special persons and playing an active role in the social welfare of the community especially in Dera Ghazi Khan where the plant is located. Considerable efforts have also been made relating to industrial relations, consumer protection measures and business ethics. On the environmental impact and measures, the Company has been committed and it has taken certain measures relating to energy saving, re-use, re-cycling, environmental protection, plantation, fuel efficiency, etc.

### **CHANGE IN NATURE OF BUSINESS**

No change has occurred during the financial year concerning the nature of the business of the Company.

### **DEFAULT OF PAYMENTS, DEBT/LOAN, TAXES AND LEVIES**

Adhering to the best business practices, the Company recognizes its responsibility of timely repayments of due amount. No default on payment of loan/debts was recorded during the year under review. Furthermore, no payment on account of taxes, duties and levies is overdue or outstanding at financial year end.

### **MACRO-ECONOMIC ENVIRONMENT & TRACTOR INDUSTRY**

The provisional GDP growth rate of Pakistan for FY2020 is estimated at -0.38%. The performance of the agriculture sector, regarded as the lifeline of Pakistan's economy as it employs a large portion of the total work force remained subdued. It grew by 2.67% which is considerably higher compared to previous year of 0.6%.

Overall the tractor industry witnessed a significant decrease of 4.6% in the calendar year 2020 as compared to the comparable period. According to published numbers, approx. 39,258 tractors were sold during the current period as against to 41,156 last year.

### **BUSINESS PERFORMANCE HIGHLIGHTS**

The Company remained principally engaged in the manufacturing and/or sale of agricultural tractors and spare parts. The Company made various improvements to its Dabung model during the year to strengthen Company's presence in gh HP segment.

The Company is committed to improve its product quality at both incoming and assembly stages. A sophisticated lab is currently being set up at the plant to ensure quality of inbound components. The quality lab has become operational with further improvements & enhancements and also installation of Dynamometers (Engine shop) have been completed and expected to be fully functioning by mid of year 2021.

### **SUBSEQUENT EVENTS**

No material changes or commitments affecting the financial position of the Company have occurred between the end of the financial year of the Company and the date of this report except as disclosed in this report.

### **ADEQUACY OF INTERNAL CONTROL**

The Board of Directors is aware of its responsibility with respect to internal controls environment and accordingly has established an efficient system of internal financial controls for ensuring effective and efficient conduct of operations, safeguarding of Company assets, compliance with applicable laws and regulations and reliable financial reporting. The independent Internal Audit function of the Company regularly appraises and monitors the implementation of financial controls, whereas the Audit Committee reviews the effectiveness of the internal control framework and financial statements on quarterly basis.

### **FUTURE DEVELOPMENT & OUTLOOK**

AGTL remains focused on the delivery of quality products, in line with its mission statement and keeping in view the economic environment affecting the Company as highlighted above. Business plans are developed and continuously monitored for any updates to reflect strategies for overall success. AGTL being cost effective, driven by optimism and belief in its ever-agile workforce, has a hands-on management style and high standards of workmanship, thus we believe that AGTL is a perfect example of a progressive company.

### **CREDIT RATING**

Credit rating is an assessment of the credit standing of entities in Pakistan. VIS Credit Rating Company Ltd. (VIS) has reaffirmed entity ratings of 'A/A-1' (Single A/A-One) to Al-Ghazi Tractors Limited. Long Term Rating of 'A' reflects good credit quality and adequate protection factors. Risk factors may vary with possible changes in the economy. Short Term Rating of 'A1' signifies high certainty of timely payment, excellent liquidity factors supported by good fundamental protection factors. Risk factors are minor. Outlook on the assigned ratings is 'Stable'.

### **PRINCIPAL RISKS, CHALLENGES AND UNCERTAINTIES**

In response to main risks and uncertainties facing the Company, effective management through mitigating strategies has been done. For example: In addressing business risks, the Company's strategies and medium-term business plans consider relevant internal and external factors.; Various strategies have been introduced in 2020 to effectively manage the increasing metal costs; The drive for localization, currently standing at 92%, combined with short term supplier management were key success factors in balancing the increased cost of metal and other raw materials.

The company's mission is to regain market leadership for being one of the most cost-effective producers of the highest quality tractors, its most enduring competitive edge being the quality of its tractors.

### **FINANCIAL & CORPORATE GOVERNANCE FRAMEWORK**

The Company has complied with all material requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019.

Following are the statements on financial and corporate governance / control framework:

- The financial statements, prepared by the management of the Company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
- Appropriate accounting policies appropriately disclosed in the financial statements have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of these financial statements.

- The Company has fully complied with the Listing Regulations of the Pakistan Stock Exchange.
- The Directors, Chief Financial Officer, Head of Internal Audit, Company Secretary and their spouses and minor children have not traded in Company's shares during the year, except 1,000 shares purchased by Ms. Farah Qureshi, Independent director during the year.
- The key audited operating and financial results for the last six years have been included in this Annual Report.
- Six meetings of the Board of Directors were held during the year. Number of meetings of the Board's audit committee and Human Resource & Remuneration Committee was five and one respectively. Details of attendance by each director / member are shown in this Annual Report under the section of "Code of Corporate Governance".
- Independent director is entitled only for the fee for attending the meetings as approved by the Board. The level of fee is appropriate and commensurate with the level of responsibility and expertise. Other non-executive directors are not entitled to any remuneration. Audited financial statements of the Company contain details of aggregate amount of remuneration separately of executive and non-executive directors.
- Board Audit Committee reviewed the related party transactions and the Board approved them. These transactions were in line with the requirements of International Financial Reporting Standards (IFRS) and the Companies Act, 2017. The Company maintains a thorough and complete record of all such transactions. The details of related party transactions are disclosed in a note of the financial statements of the Company.
- Information about taxes and levies is given in the financial statements.

#### EXTERNAL AUDITORS

The present auditors, Messrs. A.F. Ferguson & Co. Chartered Accountants retire and, being eligible, offer themselves for re-appointment. The directors endorse recommendations of the Audit Committee for the re-appointment of Messrs. A.F. Ferguson & Co. as the auditors for the financial year 2021.

#### FINANCIALS ON WEBSITE

The financial results of the year 2020 would be placed on the Company's website and can be viewed on [www.alghazitractors.com](http://www.alghazitractors.com).

#### ACKNOWLEDGMENTS

The Board is grateful to our employees, our dealers and our principals – CNH Industrial for their continued support and commitment. We look forward to not only continuing but improving to deliver great results in the coming years.

On behalf of the Board of Directors



**Raheel Asghar**  
Chief Executive Officer



**Malik Ehtisham Ikram**  
CFO & Executive Director

Karachi: May 4, 2021

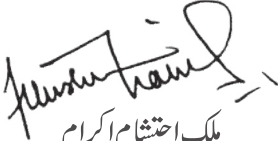
ویب سائٹ پر مالیاتی گوشوارے:


مالیاتی نتائج برائے سال 2020 کمپنی کی ویب سائٹ پر رکھی جائیں گی جو کہ [www.alghazitractors.com](http://www.alghazitractors.com) پر دیکھی جاسکیں گی۔

تسلیمات:

بورڈ اپنے ملازمین، اپنے ڈیلرز اور پرنسپلز CNH انڈسٹریز کی جانب سے ان کی مسلسل معاونت اور وابستگی کا شکر گزار ہے۔ ہم صرف کاروباری سرگرمیاں جاری رہنے کے ہی نہیں بلکہ آئندہ سالوں میں بہتر نتائج کے منتظر ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

  
ملک احشام اکرام  
CFO اور ایگزیکٹو ڈائریکٹر

  
راہیل اصغر  
چیف ایگزیکٹو آفیسر

کراچی، 4 مئی 2021

- ☆ مالیاتی بیانیے کی تیاری میں مناسب اکاؤنٹنگ پالیسی مسلسل لاگو کی گئی ہیں ماسوائے ان تبدیلیوں، ترمیمات اور تشریح کے جو موجودہ معیار میں فوری پہلے وقوع پذیر ہوئی ہوں۔ اکاؤنٹنگ گوشوارے معقول اور دانشمندانہ فیصلوں پر مبنی ہیں۔
- ☆ بین الاقوامی مالیاتی رپورٹنگ معیارات جن کا اطلاق پاکستان پر ہوتا ہے حالیہ مالیاتی گوشوارے میں مقدم رکھا گیا ہے۔
- ☆ کمپنی نے پاکستان اسٹاک ایکسچینج کی جانب سے وضع کیے گئے ضابطوں کی مکمل پاسداری کی ہے۔
- ☆ ڈائریکٹرز، چیف فنانشل آفیسر، اندرونی آڈٹ ہیڈ، کمپنی سیکریٹری اور ان کی ازواج اور ان کے چھوٹے بچوں نے سال رواں کے دوران کمپنی کے حصص میں کاروبار نہیں کیا ہے البتہ زیر جائزہ سال کے دوران آزاد ڈائریکٹرز فرح قریشی نے 1000 شیئرز خریدیں۔
- ☆ آڈیٹڈ اپریٹنگ کے اہم نکات اور پچھلے چھ سالوں کے مالیاتی نتائج اس سالانہ رپورٹ میں شامل کیے گئے ہیں۔
- ☆ اندرونی نظم و نسق کا نظام موثر طرز سے ترتیب دیا گیا ہے اور اس پر موثر انداز میں عملدرآمد و نگرانی جاری ہے۔
- ☆ رواں سال بورڈ آف ڈائریکٹرز کی 6 میٹنگ منعقد کی گئی ہیں۔ بورڈ کی آڈٹ کمیٹی اور ہیومن ریسورسز اور تنخواجات کی کمیٹی کی میٹنگ کی تعداد بالترتیب 5 اور 1 رہی۔ کارپوریٹ گورننس کے ضابطہ اختیار کی دفعہ کے تحت اس سالانہ رپورٹ میں ہر ڈائریکٹر کی حاضری کی تفصیلات ظاہر کی گئی ہے۔
- ☆ صرف آزاد ڈائریکٹر ہی میٹنگ میں شرکت کرنے کیلئے فیس حاصل کرنے کا حقدار ہے جیسا کہ بورڈ نے منظور کیا ہے۔ فیس کی شرح مناسب ہے اور اس کی ذمہ داریوں اور مہارت کے حساب سے موڈوں ہے۔ دیگر نان ایگزیکٹو ڈائریکٹرز کسی قسم کی تنخواہ کے حقدار نہیں ہیں۔ کمپنی کے آڈٹ شدہ مالیاتی گوشوارے ایگزیکٹو ڈائریکٹر اور نان ایگزیکٹو ڈائریکٹرز کی علیحدہ علیحدہ منجملہ تنخواہوں کی تفصیلات فراہم کرتے ہیں۔
- ☆ بورڈ کی آڈٹ کمیٹی نے متعلقہ فریق سے لین دین پر نظر ثانی کی اور انہیں منظور کیا۔ یہ لین دین انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز (IFRS) اور کمپنیز ایکٹ 2017 کے تقاضوں کے مطابق کی گئی ہیں۔ کمپنی نے اس طرح کی تمام لین دین کا مکمل اور جامع حساب کتاب محفوظ رکھا ہے۔ متعلقہ فریق سے لین دین کی تفصیلات کمپنی کے مالیاتی گوشوارے کے نوٹس میں وضع کی گئی ہیں۔
- ☆ مالیاتی بیانیے میں قرضہ جات اور ٹیکس سے متعلق معلومات موجود ہیں۔

## بیرونی آڈیٹرز:

موجودہ آڈیٹرز، میسرز A.F فرگوسز اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس سبڈکوش ہوئے اور بااہل ہونے کے ناطے، دوبارہ تقرری کیلئے خود کو پیش کیا۔ ڈائریکٹرز نے آڈٹ کمیٹی کی سفارشات کی توثیق کرتے ہوئے میسرز فرگوسز اینڈ کمپنی کی مالی سال 2021 کیلئے بطور آڈیٹرز دوبارہ تقرری کو منظور کیا ہے۔

## مستقبل کی ترقی اور امکانات:

اپنے اغراض و مقاصد اور اقتصادی ماحول کے تناظر میں کمپنی نے اپنی توجہ معیاری مصنوعات کی فراہمی پر مرکوز کی ہوئی ہے۔ کمپنی کی مجموعی کامیابی ممکن بنانے کیلئے کاروباری منصوبہ بندی مرتب کی گئی ہے اور اسے تازہ ترین رکھنے کیلئے اس کی مسلسل نگرانی کی جا رہی ہے۔

AGTL لاگت کے اعتبار سے موزوں تر ہے اور اپنی تند و تیز افرادی قوت پر اعتماد کے ساتھ کارفرما ہے، ایک ایسی کمپنی جس کے پاس بہترین عملی طرز انتظام اور عمدہ ہنرمند افرادی قوت ہے لہذا ہمارا ماننا ہے کہ کسی ترقی پسند کمپنی کیلئے AGTL ایک بہترین مثال ہے۔

## کریڈٹ ریٹنگ:

کریڈٹ ریٹنگ دراصل پاکستان میں قائم اداروں کی ساکھ کی تشخیص کرتی ہے۔ زیر غور سال کے دوران، کریڈٹ ریٹنگ دینے والی کمپنی VIS کریڈٹ کمپنی لمیٹڈ نے الغازی ٹریکٹرز لمیٹڈ کو ایک بار پھر درجہ "A/A-1" سے نوازا ہے۔ طویل عرصے سے درجہ "A" ریٹنگ کا حصول، مستحکم ساکھ اور لاحق خطرات سے بہتر طور پر نمٹنے کا عکاس ہے۔ معیشت میں ممکنہ تبدیلی کے سبب خطرات کے عوامل میں تبدیلی رونما ہوسکتی ہے۔ مختصر دورانیہ میں درجہ "A1" حاصل کرنا، بروقت ادائیگی، اچھے محافظتی نظم و نسق کے سبب نقدی میں تبدیل ہونے والے اثاثوں کے بہترین عوامل کے یقینی ہونے کی جانب اشارہ ہے۔ خطرات کے عوامل نہایت کم ہیں جبکہ دی گئی ریٹنگ کی بنیاد پر کمپنی مستحکم ہے۔

## بنیادی خطرات، چیلنجز اور احتمالات:

کمپنی کو درپیش بنیادی خطرات اور غیر متوقع حالات کے تناظر میں ماہرانہ حکمت عملی کے ذریعے اس کا موثر انتظام کیا گیا ہے۔ مثال کے طور پر: کاروباری خطرات سے نمٹنے کیلئے، کمپنی کی حکمت عملیوں اور درمیانی عرصے کے کاروباری منصوبوں میں اندرونی اور بیرونی عوامل زیر غور رکھے گئے ہیں؛ دھاتوں کی بڑھتی ہوئی قیمتوں پر موثر انداز میں قابو پانے کیلئے سال 2020 میں مختلف حکمت عملیاں متعارف کرائی گئی ہیں؛ 92 فیصد تک مقامی مارکیٹ میں ان کی دستیابی اور قلیل عرصے کے دوران ترسیل کا انتظام جیسے کلیدی عوامل کے ذریعے کامیابی کے ساتھ دھاتوں اور دیگر خام مال کی بڑھتی قیمتوں میں توازن پیدا کیا گیا ہے۔

کمپنی کا مشن ہے کہ وہ سب سے کم قیمت اور سب سے معیاری ٹریکٹرز فراہم کرنے والی کمپنی ہونے کی حیثیت مارکیٹ میں برقرار رکھے جو کہ انتہائی مشکل ہوتا جا رہا ہے۔

## فنانشل اور کارپوریٹ گورننس کا فریم ورک:

کمپنی نے لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشن 2019 کے تمام بنیادی تقاضوں کی پیروی کی ہے۔

مالیاتی اور کارپوریٹ گورننس فریم ورک پر بیانے درج ذیل ہیں:

☆ کمپنی کی انتظامیہ کی جانب سے تیار کیے گئے مالیاتی بیانے، شفافیت کے ساتھ، کمپنی کی موجودہ حالت، باکارنتائج، نقد کا بہاؤ اور حصصی تبدیلیاں پیش کرتے ہیں۔

## میکرو اقتصادی ماحول اور ٹریڈ کی صنعت:

مالی سال 2020 کیلئے پاکستان کے عبوری GDP میں اضافہ کی شرح کا تخمینہ منفی 0.38 فیصد لگایا گیا ہے۔ پاکستانی معیشت کی حیات شعبہ زراعت کی کارکردگی پر منحصر ہے جیسا کہ کل افرادی قوت کا ایک بڑا حصہ اس سے وابستہ ہے۔ اس میں امسال 2.67 فیصد تک اضافہ ہوا ہے جو کہ گذشتہ سال 0.6 فیصد کے مقابلے میں کافی زیادہ ہے۔

مجموعی اعتبار سے ٹریڈ کی صنعت میں گذشتہ سال مماثل دورانیہ کے مقابلے میں سال 2020 میں 4.6 فیصد تک قابل ذکر کمی واقع ہوئی ہے۔ شائع کی گئیں تفصیلات کے مطابق زیرِ غور مدت کے دوران تقریباً 39,258 عدد ٹریڈ فرمیں فروخت ہوئے جبکہ اس کے مقابلے میں گذشتہ سال 41,156 ٹریڈ فرمیں فروخت ہوئے تھے۔

## کاروباری کارکردگی کے اہم نکات

کمپنی بنیادی طور پر زرعی ٹریڈرز اور اس کے ساز و سامان و آلات کی تیاری اور/یا ان کی فروخت میں مصروف عمل ہے۔ کمپنی نے امسال اس کے دہنگ ماڈل میں متعدد اصلاحات کی ہیں تاکہ تیز ہارس پاور کے حوالے سے کمپنی کی صلاحیت کو تقویت پہنچائی جائے۔

کمپنی نے درآمدی اور اسمبلنگ دونوں مراحل پر اپنی مصنوعات کے معیار کو بہتر سے بہتر بنانے کا اعادہ کر رکھا ہے۔ کمپنی نے پلانٹ پر ایک جدید آلات سے لیس لیبارٹری قائم کی ہے تاکہ آنے والے اجزاء کے معیار کو یقینی بنایا جاسکے۔ معیار کی جانچ کیلئے مخصوص لیبارٹری اور اس کے ساتھ ساتھ ڈائنامومیٹرز (انجن شاپ) کی تنصیب بھی زیرِ عمل ہے اور توقع ہے کہ یہ سال 2021 کے وسط تک بھرپور انداز میں اپنا کام شروع کر دے گی۔

## مابعد قابل ذکر تبدیلیاں:

اس رپورٹ کی تاریخ اور کمپنی کے مالی سال کے اختتام تک کوئی ایسی قابل ذکر مالی تبدیلی رونما نہیں ہوئی ہے جس سے کمپنی کی مالی صورتحال متاثر ہوتی ہو سوائے اس کے جس کا ذکر اس رپورٹ میں کیا گیا ہے۔

## اندرونی انضباط (انٹرنل کنٹرول) کی موذونیت:

بورڈ آف ڈائریکٹرز اندرونی انضباط کے سلسلے میں اپنی ذمہ داریوں سے بخوبی آگاہ ہیں اور اسی لیے انہوں نے ایک موثر اندرونی معاشی انضباط کا ایک نظام ترتیب دیا ہے تاکہ آپریشنز کرنے، کمپنی کے اثاثوں کی حفاظت، لاگو قوانین و ضوابط پر عملدرآمد اور قابل بھروسہ مالیاتی رپورٹنگ کو یقینی بنایا جاسکے۔ کمپنی کا آزاد اندرونی آڈٹ فنکشن باقاعدگی سے مالیاتی انضباط کا جائزہ لیتا ہے اور نگرانی کرتا ہے جبکہ آڈٹ کمیٹی اندرونی انضباط کے فریم ورک اور مالیاتی گوشواروں کا سہ ماہی بنیادوں پر جائزہ لیتی ہے۔

## غیر ملکی حصہ داری کی صورتحال:

الفطیم انڈسٹریز کمپنی ایل ایل سی، تشکیل یافتہ متحدہ عرب امارات، الغازی ٹریکٹرز لمیٹڈ کی ہولڈنگ کمپنی ہے جس کے کمپنی میں 50.02 فیصد شیئرز ہیں۔ CNHI جو کہ 12 نومبر 1999 میں شامل ہوئی AGTL کے 43.17 فیصد شیئرز رکھتی ہے۔

## کاروباری جاری رکھنے کا منصوبہ

اس میں کوئی شک نہیں کمپنی کی سود مندگی کے ساتھ جاری رہنے کی صلاحیت کی حامل ہے۔

## کارپوریٹ سماجی ذمہ داری

کمپنی سماجی، ماحولیاتی اور اخلاقی معاملات کو کل ملا کر کاروباری ماحول کے تناظر میں دیکھتی ہے۔ کمپنی نے تمام شراکت داروں کے بہترین مفاد میں کام کرنے کا اعادہ کر رکھا ہے خصوصاً اس کمیونٹی میں جہاں ہم رہتے ہیں اور اپنے صارفین اور ملازمین بناتے ہیں یعنی بالخصوص ڈیرہ غازی خان میں واقع پلانٹ کے اطراف میں رہائشی کمیونٹیوں کیلئے۔

کارپوریٹ سماجی ذمہ داریوں کے حوالے سے رپورٹ جس میں صحت و سلامتی، افرادی قوت، سماجی، ماحولیاتی اور دیگر متعلقہ مسائل کو زیرِ غور لایا گیا ہے ”استحکامی رپورٹ“ کے طور پر پیش کی گئی ہے جو کہ اس سالانہ رپورٹ کا جزو لازم ہے۔

کمپنی اجتماعی سماجی ذمہ داریوں کے حوالے سے بیشتر سرگرمیوں میں حصہ لیتی رہی ہے۔ کمپنی مقامی ٹیلنٹ کی افزائش، خصوصی افراد کو ملازمت فراہم کرنے کیلئے اپنی توجہ مرکوز کیے ہوئے ہے اس کے علاوہ کمپنی معاشرتی فلاح و بہبود خصوصاً ڈیرہ غازی خان جہاں پلانٹ واقع ہے کیلئے متحرک کردار ادا کر رہی ہے۔ مزید، صنعتی تعلق داری، صارفین کیلئے محافطی اقدامات اور کاروباری اخلاقیات کے حوالے سے قابلِ غور کوششیں بروئے کار لائی گئی ہیں۔ کمپنی نے ماحولیاتی ذمہ داریوں کی انجام دہی کا عزم کر رکھا ہے اور اس حوالے سے کمپنی نے بیشتر اقدامات اٹھائے ہیں جس میں توانائی کی بچت، دوبارہ استعمال کرنے اور استعمال کے قابل بنانے کا عمل، ماحولیاتی تحفظ، شجر کاری، ایندھن کی صلاحیت میں اضافہ کرنے جیسے عوامل شامل ہیں۔

## کاروباری نوعیت میں تبدیلی

زیرِ غور مالی سال کے دوران کمپنی کی کاروباری نوعیت میں کوئی تبدیلی رونما نہیں ہوئی ہے۔

## ادائیگیوں، قرضوں، ٹیکسوں اور واجبات کی ادائیگی میں ناکامی

بہترین کاروباری طریقہ کار پر عملدرآمد کرتے ہوئے کمپنی واجب رقوم کی بروقت ادائیگی کی ذمہ داری کو سمجھتی ہے۔ زیرِ غور سال کے دوران کسی قرض وغیرہ کی ادائیگی میں کوئی ناکامی ریکارڈ نہیں کی گئی ہے۔

مزید یہ کہ مالی سال اختتام پذیر تک ٹیکسز، ڈیوٹیز اور واجبات کی مد میں کوئی ادائیگی واجب الادا یا زائد المیعاد نہیں ہے۔

## (ب) ایچ آر اور معاوضہ جاتی کمیٹی

i	نان ایگزیکٹو ڈائریکٹر جناب برنڈ شیونڈ ٹکے - چیئرمین جناب انڈریا ٹرا باچن مس فرح قریشی
ii	ایگزیکٹو ڈائریکٹر جناب راحیل اصغر - سی ای او جناب ملک احتشام اکرام - سی ایف او

## (ج) ٹیکنیکل کمیٹی

i	نان ایگزیکٹو ڈائریکٹر جناب شاہد شہباز طور - چیئرمین جناب میتھیو سپورنے جناب ونسیٹ ڈی لاسانگے
ii	ایگزیکٹو ڈائریکٹر جناب راحیل اصغر - سی ای او جناب ملک احتشام اکرام - سی ایف او

## ڈائریکٹرز کے معاوضہ جات:

بورڈ کے ممبران کا معاوضہ بورڈ نے از خود منظور کیا ہے۔ تاہم، کارپوریٹ گورننس کے ضابطہ اخلاق کے مطابق یہ یقینی بنایا گیا ہے کہ کسی ڈائریکٹر نے اپنے معاوضہ کا تعین کرنے میں حصہ نہیں لیا ہے۔ کمپنی نان ایگزیکٹو ڈائریکٹرز کو کوئی معاوضہ نہیں دیتی ہے تاہم آزاد ڈائریکٹرز کو مینٹنگ میں شرکت کرنے کا معاوضہ دیا جاتا ہے۔ بہترین ٹیلنٹ ہاتھ سے نکلنے سے بچانے کیلئے کمپنی نے معاوضہ جات کی پالیسی رائج صنعتی نقطہ نظر اور کاروباری اصولوں کے مطابق ترتیب دی ہوئی ہے۔ ڈائریکٹرز اور سی ای او کے معاوضہ جات کے حوالے سے معلومات کیلئے براہ کرم اس سالانہ رپورٹ کے فنانشل اسٹیٹمنٹ ملاحظہ کریں۔

## چیف ایگزیکٹو آفیسر کی کارکردگی کا جائزہ

چیف ایگزیکٹو آفیسر کی کارکردگی کا جائزہ ایک معیار نظام کے ذریعے لیا جاتا ہے جس میں معیاری اور اعدادی پہلوؤں کو مد نظر رکھا جاتا ہے۔ اس میں کاروباری کارکردگی، منافع کے ساتھ ساتھ اغراض و مقاصد کا حصول، تنظیمی نظام، کامیاب منصوبہ بندی اور کارپوریٹ کے حوالے سے کامیابیاں شامل ہیں۔

## حصص داری (شیئر ہولڈنگ) کا خاکہ:

کمپنی کی حصص داری کا خاکہ دفعہ ”انویسٹر ریلیشن“ کے تحت اس رپورٹ کے ساتھ منسلک ہے۔

کمپنی کے بورڈ آف ڈائریکٹرز کا مرکب اب کچھ اس طرح ہے:  
بورڈ میں صنفی تفاوت:

9	مرد	(الف)
1	عورت	(ب)

بورڈ میں تقابلی تفاوت:

3	آزاد ڈائریکٹر	(الف)
5	نان ایگزیکٹو ڈائریکٹر	(ب)
2	ایگزیکٹو ڈائریکٹر	(ج)

بورڈ آف ڈائریکٹرز اور کمیٹیاں:

ڈائریکٹرز کے نام اور بورڈ کمیٹیوں کے ممبران درج ذیل ہیں:

مس فرح قریشی جناب شہزاد نقوی جناب شاہد شہباز طور	i آزاد ڈائریکٹر
جناب برنڈ شیونڈ ٹکے - چیئرمین جناب ثاقب الطاف جناب ونسینٹ ڈی لاسانگے جناب انڈریا ٹریا باچین جناب میتھیو سپورنے	ii نان ایگزیکٹو ڈائریکٹرز
جناب راجیل اصغر - سی ای او جناب ملک احتشام اکرام - سی ایف او	iii ایگزیکٹو ڈائریکٹرز

بورڈ نے درج ذیل کمیٹیاں تشکیل دی ہیں

(الف) آڈٹ کمیٹی

مس فرح قریشی - چیئرمین جناب شہزاد نقوی	i آزاد ڈائریکٹر
جناب برنڈ شیونڈ ٹکے جناب ثاقب الطاف جناب انڈریا ٹریا باچین	ii نان ایگزیکٹو ڈائریکٹرز

شہادت دیتا جو کہ مربوط معیارِ اصول بشمول موثر سرمایہ کاری، فائدہ مندی، شیئرز کی بلا کاؤٹ منتقلی، سرمایہ کاروں کے ساتھ تعلقات اور کمپنیز اینڈ سیکورٹیز ریگولیشن پر عملدرآمد، کی بنیاد پر ہے۔

### تصرفات:

موجودہ سال کیلئے مالیاتی نتائج کا جائزہ درج ذیل ہے:

2019	2020	
		روپے ہزار میں
1,079,576	613,896	بلا تصرف منافع - آگے لایا گیا
925,464	1,384,405	کل آمدنی برائے سال ہذا
	(1,049,000)	بلا تصرف منافع کی عام محفوظہ میں منتقلی
2,005,040	949,301	تصرف کیلئے دستیاب رقم
		تصرف:
		حتمی ادائیگی برائے سال 2019
(521,681)	-	0 روپے فی حصص (2018: 9 روپے فی حصص)
		عبوری منقسمہ (ڈویڈنڈ) برائے سال 2020
(869,463)	-	0 روپے فی حصص (2019: 15 روپے فی حصص)
613,896	949,301	حاصل سابق بلا تصرف منافع

### چیئرمین کا جائزہ

چیئرمین کی جائزہ رپورٹ سالانہ رپورٹ میں شامل ہے جس میں کاروباری نوعیت، کمپنی کی کارکردگی، گذشتہ سال کے مقابلے قابل ذکر تبدیلیاں، مستقبل کے امکانات اور احتمالات کا احاطہ کیا گیا ہے۔

### بورڈ کا مرکب

پچھلے بورڈ آف ڈائریکٹرز کی مدت مورخہ 5 دسمبر 2020 کو ختم ہو گئی تھی تاہم سالانہ اختتام اور وبائی صورتحال اور عائد دیگر پابندیوں کے پیش نظر مارچ میں ڈائریکٹرز کے نئے الیکشن کرانے کیلئے SECP سے اضافی مہلت حاصل کی گئی۔ ممبران کا غیر معمولی سالانہ اجلاس مورخہ 3 مارچ 2021 کو موون پک ہوٹل میں منعقد کیا گیا جس کا مقصد ڈائریکٹرز کے الیکشن کیلئے ووٹنگ کرنا تھا۔ ڈائریکٹرز کے الیکشن میں حصہ لینے میں دلچسپی رکھنے والے ممبران سے راضی نامے طلب کیے گئے؛ جس میں غیر مشروط طور پر یہ طے پایا کہ:

- ☆ کمپنی کے آرٹیکل آف ایسوسی ایشن میں ڈائریکٹر کی کم از کم تعداد میں اضافہ کیلئے ترمیم کی جائے تاکہ نئے کارپوریٹ گورننس کے ضابطہ کے قانونی تقاضوں پر پورا اتراسکے اور بورڈ کا کم از کم ایک تہائی آزاد ڈائریکٹرز پر مشتمل ہو۔
- ☆ تمام حصہ لینے والے ممبران کی بطور ڈائریکٹرز تقرری۔

## فی حص کمائی:

سال 2020 میں بنیادی فی حص کمائی مبلغ 23.28 روپے رہی جبکہ اس کے قابل میں سال 2019 میں فی حص کمائی مبلغ 16.87 روپے فی حص تھی۔

## کمپنی کی کارکردگی:

کمپنی نے سال 2020 کے دوران 12,142 ٹریکزر فروخت کیے، اس کے مقابلے میں پچھلے سال 2019 میں 15,719 ٹریکزر فروخت ہوئے تھے۔ گذشتہ سال کے مقابلے میں امسال فروختگی حجم میں کمی کے حوالے سے بہت سے پہلو کارفرما ہیں، جس میں کسانوں کی کمزور قوت خرید، مستقل گرتی معیشت اور آٹوموبائل/ٹریکٹر مارکیٹ میں سست روی بہت نمایاں ہیں۔ حکومت نے سال 2020 کے اختتام تک کسان طبقہ کیلئے کوئی قابل دیدامدی حکمت عملی کا اعلان نہیں کیا ہے جس سے فروختگی حجم میں کمی واقع ہوئی اس کی وجہ سیزن کا نکل جانا، پانی کے شدید مسائل کی وجہ سے کسانوں کی معاشی حالت زار، حکومت کی جانب سے مالی اور ٹیکس کے حوالے سے متفرق اقدامات اٹھانا اور کووڈ 19 کی وبائی صورتحال میں لاک ڈاؤنز کے سبب منجملہ کاروباری سرگرمیوں میں عمومی سست روی شامل ہے۔ اس سلسلے میں کرنسی کی بے قدری کی وجہ سے نرخ میں اضافہ بھی ایک نمایاں پہلو ہے جس کے سبب فروختگی حجم اور قوت خرید جیسے عوامل متاثر ہوئے۔ مذکورہ بالا کے باوجود، کمپنی صارفین کی توجہ حاصل کرنے، معیار میں بہتری لانے اور صلاحیت میں اضافہ کرنے کیلئے اپنے تمام تر کوششیں بروئے کار لاتی رہی۔

سال اختتام پذیر مورخہ 31 دسمبر 2020 کا منافع قبل از ٹیکس مبلغ 1,9 بلین روپے رہا یعنی پچھلے سال کے مقابلے میں 43 فیصد تک اضافہ ہوا۔ کمپنی کے منجملہ منافع کی شرح زیر دباؤ رہی جس کی وجہ فروختگی حجم کے حوالے سے مذکورہ بالا پہلو، روپے کی قابل ذکر بے قدری، دھاتوں کی بڑھتی قیمتوں کے سبب اضافی لاگت اور CKD اجزاء کی درآمدات پر حکومت کی جانب سے اضافی ٹیکسز کا عائد کیا جانا ہے۔ مزید، کمپنی کو جو نقدی میں تبدیل ہونے والے اثاثوں کی کمی کا گذشتہ سال سامنا تھا وہ موثر انتظامی حکمت عملی کے ذریعے کم ہو گئے ہیں۔ تاہم کمپنی حکام بالاکا کی جانب سے سیل ٹیکس کی واپسی میں تاخیر کی وجہ سے بھی کمپنی بھاری مالی لاگت برداشت کر رہی ہے جس کی مالیت تقریباً 921 ملین روپے تک ہے۔ ادائیگیوں کے حوالے سے موثر انتظامی حکمت عملی کے سبب بینکوں سے قرض اور دیگر بیکارہی معاملات کے اخراجات میں 63 فیصد تک کمی واقع ہوئی ہے یعنی 398 ملین سے 146 ملین ہو گئے ہیں۔

قبل از ٹیکس منافع مبلغ 1.9 بلین روپے میں سے 578 ملین روپے کارپوریٹ ٹیکس کی مدد میں ادا کیے گئے۔ لہذا اس طرح بعد از ٹیکس منافع مبلغ 1.3 بلین روپے بڑھ کر یعنی فی حص آمدن (EPS) مبلغ 23.28 روپے رہی۔

”کی آپریٹنگ اور مالیاتی ڈیٹا“، سالانہ رپورٹ میں نمایاں کی گئی ”مالیاتی بیانیے کی افقی اور عمودی تشریح“، کمپنی کے استحکام کی شاہد ہے۔

کمپنی کو ایک بار پھر، ICAP کی جوائنٹ کمیٹی اور ICMAP کی جانب سے بیسٹ کارپوریٹ رپورٹس ایوارڈ 2019 سے نوازا گیا ہے۔ پاکستان کے انجینئرنگ اینڈ آٹو سیلکٹر میں AGTL کی سالانہ رپورٹ چوتھے نمبر پر ہے۔ اس کے علاوہ AGTL کو دوبارہ منجمنٹ ایسوسی ایشن آف پاکستان کی جانب سے کارپوریٹ ایکسیلنس ایوارڈ سے نوازا گیا۔ ایوارڈ کا اعلان کمپنی کی بہترین مالی اور انتظامی کارکردگی کی



## ڈائریکٹرز کی رپورٹ

الغازی ٹریڈرز لمیٹڈ (کمپنی یا AGTL) کے ڈائریکٹرز سالانہ رپورٹ بمع کمپنی کے آڈٹ شدہ مالیاتی بیانیے برائے سال اختتام پذیر 31 دسمبر 2020 پیش کرتے ہوئے مسرت محسوس کرتے ہیں۔

آپریٹنگ نتائج:

2019	2020	
		روپے ہزار میں
13,992,388	11,935,172	فروخت
2,544,716	2,770,502	مجموعی منافع
1,348,524	1,927,907	قبل از ٹیکس منافع
(370,872)	(578,250)	ٹیکس
977,652	1,349,657	بعد از ٹیکس منافع
(52,188)	34,748	دیگر جامع آمدنی
<b>925,464</b>	<b>1,384,405</b>	<b>کل جامع آمدنی</b>

### منقسمہ اور عام محفوظہ (ڈیونڈنڈ اور جنرل ریزرو):

مالی سال اختتام پذیر 31 دسمبر 2020 کیلئے بورڈ نے اپنی میٹنگ منعقدہ 4 مئی 2021 میں حتمی نقد منقسمہ مبلغ 21.39 روپے فی حص دینے کی تجویز دی ہے جس کی مالیت مبلغ 1,240 ملین روپے بنتی ہے۔

بورڈ نے بلا تصرف منافع مبلغ 1049 ملین روپے کے عام محفوظہ میں منتقل کرنے کا فیصلہ کیا ہے۔



## Chairman's Review Report

As we closed yet another year, it gives me immense pleasure to present the review report for the year ended 31 December 2020.

### Company's performance overview

The year 2020 has been very encouraging for the Agricultural Sector wherein agrarian economy witnessed a growth of 2.67% in the outgoing fiscal year 2019-20 as compared to a poor 0.85% growth in FY2018-19. But despite of this growth in agrarian sector, overall tractor market shrank during the same time by 4% owing to pandemic driven lockdowns and market distortions especially during first half of 2020.

Al-Ghazi Tractors Ltd. ('the Company') achieved sales volume of 12,142 tractors and posted a profit before tax of Rs. 1.93 billion more fully explained in the directors' report. To stay resilient to evolving market dynamics, the Company took various measures including structural re-organization, working capital optimization and operational turnaround which in combination have reflected positively on margins and efficiency ratios of the Company.

One of the key focus areas of the past year was the health and safety of our employees, customers and suppliers. Effective hygiene and social distancing protocols have been established throughout the company and the health of our staff and stakeholders remains our foremost concern as the pandemic unfolds. This will require a customized and flexible response to Covid-19 and I would like to specifically thank our employees and management for their unwavering support beyond the call of duty.

As we look forward, delivery of quality products will remain key focus of our management along with good business plans for the overall success of the Company especially for under-penetrated areas. I am confident that the Company will be successful in navigating through future challenges, in line with the Company's vision and mission statements, while giving regard to pandemic and economic environment affecting the Company.

### Board's performance and role effectiveness

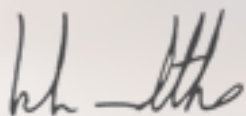
The overall performance of the Company's Board of Directors ('the Board') and effectiveness of the role played by the Board in achieving the objectives of the Company, have remained a vital advantage throughout the year.

The Board has worked tremendously hard and exercised its powers and has performed its duties as stated in the Companies Act, 2017 and the applicable Code of Corporate Governance. The Company has complied with related principles of the said code as more fully stated in the Company's 2020 statement of compliance with code of corporate governance. Appropriate directors' reviews have been published with all the condensed interim financial information and 2020 annual financial statements. The Board has performed its duties diligently and has managed the affairs of the Company in an effective and efficient manner. The best interest of shareholders of the Company has been upheld.

The Board recognizes that well-defined corporate governance processes are indispensable in enhancing corporate accountability. The Board has also established its appropriate committees for its support, in order to have meticulous oversight. The Board met frequently enough during the year 2020 and held six meetings in addition to the meetings held by its committees. The effective role played by the Board was the key in managing the affairs of the Company whose performance was great in a difficult economic environment.

During the year, the Company's Board of Directors has played an effective role in ensuring that the Company objectives are achieved. I am grateful to the Board for the instrumental efforts which were pivotal in achieving good results of the Company.

I would like to extend my gratitude to all stakeholders for the good performance of the Company and commend the Company's Board of Directors, management, and employees for achieving the said performance through dedication and hard work.



**Bernd Schwendtke**  
Chairman  
May 04, 2021

## بورڈ کی کارکردگی اور موثر کردار:

زیر جائزہ سال کے دوران، کمپنی کے مقاصد کے حصول میں بورڈ کی منجملہ کارکردگی اور اس کی جانب سے ادا کیا گیا موثر کردار، ایک قیمتی اثاثہ ثابت ہوا۔

بورڈ نے انتہائی سخت محنت کی اور اپنی صلاحیتوں کو استعمال کیا، اور کمپنیز ایکٹ 2017 اور دیگر تمام قابل اطلاق کارپوریٹ گورننس کے ضابطوں کی پیروی کرتے ہوئے اپنے فرائض سرانجام دیئے۔ کمپنی نے مذکورہ ضابطوں کے متعلقہ اصولوں کی پیروی کی ہے جیسا کہ کمپنی نے سال 2020 کے متعلقہ گوشوارے میں اس کی بھرپور وضاحت کی ہے۔ تمام عبوی مالیاتی معلومات اور سالانہ مالیاتی گوشوارے برائے سال 2020 کے ساتھ ڈائریکٹرز کے مناسب جائزے شائع کیے گئے ہیں۔ بورڈ نے اپنے فرائض جانفشانی سے سرانجام دیئے ہیں اور کمپنی کے معاملات کا بہتر موثر انتظام و انصرام کیا ہے۔ کمپنی کے شیئرز ہولڈرز کے مفاد کو مقدم رکھا گیا ہے۔

بورڈ تسلیم کرتا ہے کہ بہتر کارپوریٹ گورننس کا عمل کارپوریٹ کے احتساب کو بہتر بنانے کیلئے ناگزیر ہے۔ اس کے علاوہ بورڈ نے اپنی معاونت کیلئے مناسب کمیٹیاں بھی تشکیل دی ہیں تاکہ باریک بینی سے پیچیدگیوں کا سدباب کیا جاسکے۔ سال 2020 کے دوران بورڈ نے متواتر چھ (6) اجلاس منعقد کیے۔ انتہائی مشکل اقتصادی ماحول میں کمپنی کے اہم انتظامی معاملات کا نظم و نسق کرنے کیلئے بورڈ کی جانب سے انتہائی موثر اور شاندار کردار ادا کیا گیا ہے۔

سال کے دوران، کمپنی کے بورڈ آف ڈائریکٹرز نے کمپنی کے اغراض و مقاصد کے حصول کو یقینی بنانے کیلئے متحرک کردار ادا کیا ہے۔ میں بورڈ کی جانب سے کی جانے والی سعی و جہد کا شکر گزار ہوں، جو کہ بہترین نتائج کے حصول کیلئے ناگزیر تھی۔

میں کمپنی کی اچھی کارکردگی پر تمام شراکت داروں کو مبارکباد پیش کرنا چاہوں گا اور کمپنی کے بورڈ آف ڈائریکٹرز، مینجمنٹ اور ملازمین کو مذکورہ کارکردگی کے حصول کیلئے ان کی تہدیت اور سعی و جہد پر انہیں سراہتا ہوں۔

برنڈ شیونڈ ٹک  
چیرمین

4 مئی 2021

# چیرمین کی جائزہ رپورٹ

اب جیسا کہ مزید ایک سال کا اختتام پذیر ہو گیا ہے، لہذا یہ میرے لئے انتہائی مسرت کی بات ہے کہ میں سال اختتام پذیر 31 دسمبر 2020 کیلئے جائزہ رپورٹ پیش کر رہا ہوں۔

## کمپنی کی کارکردگی کا جائزہ:

سال 2020 زرعی شعبہ کیلئے ایک حوصلہ افزاء سال ثابت ہوا جس میں زرعی ترقی کی شرح 2.67 فیصد رہی ہے جبکہ اس کے مقابلے میں سال 2019 میں یہ شرح 0.85 فیصد تھی۔

زرعی شعبہ میں ترقی کے باوجود کل ملا کر ٹریکٹر کی مارکیٹ میں 4 فیصد تک کمی کا رجحان دیکھنے میں آیا جس کی وجہ وبائی صورتحال کے پیش نظر لاک ڈاؤن اور سال 2020 کی پہلی ششماہی کے دوران کاروبار اضطراب کا شکار ہونا ہے۔

الغازی ٹریکٹرز لمیٹڈ (یعنی کمپنی) نے 12,142 ٹریکٹرز کی فروختگی کا حجم حاصل کیا ہے اور قبل از ٹیکس منافع 1.93 بلین روپے رہا ہے جس کی مزید وضاحت ڈائریکٹر رپورٹ میں موجود ہے۔ مارکیٹ کی صورتحال کے پیش نظر آگے بڑھتے رہنے کیلئے، کمپنی نے مختلف اقدامات اٹھائے جس میں تنظیم سازی، ورکنگ کیپٹل اور پیداواری اصلاحات جس نے کل ملا کر کمپنی کے منافع پر مثبت اثرات مرتب کیے اور اس کے ساتھ ساتھ کمپنی کی صلاحیت میں بھی اضافہ کیا۔

گذشتہ سال سب سے اہم امر جس پر توجہ مرکوز کی گئی وہ ہمارے ملازمین، صارفین اور سپلائرز کی صحت و سلامتی ہے۔ کمپنی بھر میں موثر حفظان صحت کے اصولوں پر عمل درآمد اور سماجی فاصلہ برقرار رکھنے کو یقینی بنایا گیا اور ہمارے اسٹاف اور شراکت داروں کی صحت کو وبائی صورتحال میں سب سے زیادہ اہمیت دی گئی گوکہ یہ کووڈ 19 کا موثر اور منظم طریقہ سے مقابلہ کرنے کیلئے ضروری امر تھا اور میں خصوصی طور پر ہمارے ملازمین اور انتظامیہ کا شکریہ ادا کرنا چاہوں گا جنہوں نے فرائض منصبی سے بالاتر ہو کر ثابت قدمی کا مظاہرہ کیا۔

ہم آئندہ کمپنی کی مجموعی کامیابی کی توقع کرتے ہیں جیسا کہ ہماری انتظامیہ معیاری مصنوعات فراہم کرنے پر اپنی توجہ مرکوز کیے ہوئے ہے اور اس کے ساتھ بہتر کاروباری منصوبہ بندی بھی عمل میں لائی گئی ہے۔ مجھے بھروسہ ہے کہ کمپنی اپنے اغراض و مقاصد کے تحت، مستقبل کے چیلنجز کا مقابلہ کرنے میں کامیاب ہوگی اور اس کے ساتھ اقتصادی ماحول جس نے کمپنی کو متاثر کیا ہے کا بھی سدباب کر سکے گی۔

# Forward Looking Statement

## **Analysis of prior period's forward-looking disclosures/Status of Projects**

Company sales and production levels remained lower in line with the targets. There were various factors contributing to lower sales volume i.e. Weakening purchasing power of farmers, persistent economic slowdown and depressed automobile / tractor market remain the most significant issues. Government did not announce any support till the end of 2020 affecting the sales in the year. Sales volume deteriorated against the backdrop of off-season, worsening water crisis which was affecting the farmers' economic health, various fiscal and tax measures by the Government and a general slowdown of the overall economic activity due to the COVID-19 lockdowns.

The deterioration of the currency was another factor contributing to increased prices affecting affordability and volumes. Despite all of the above, the Company continued its efforts of engaging with customers and ensuring quality improvements and efficiencies.

The Company has successfully completed the construction of its state-of-the-art QA Lab building in 2019. A number of new projects have been initiated considering the strategic goals of the Company. The project includes construction and renovation projects such as procurement & installation of dynamometers, construction of offline sheds, installation of fuel tanks etc.

## **Forward looking statement**

The year 2020 has been proven very encouraging for Agricultural Sector where the growth of agrarian economy witnessed a 2.67% in the outgoing fiscal year 2019-20 compared to a poor 0.58% growth in FY19.

But despite of all odds Al-Ghazi Tractors Ltd. ('the Company') still achieved sales volume of 12,142 tractors and had a profit before tax of Rs. 1.93 billion more fully explained in the directors' report. Constant pressure on gross margins was owing to cost inflation, rupee devaluation and economic condition of farmers community. Rapidly changing Environmental conditions including crop yields and availability of water for irrigation in general, are also the key factors that translates into various opportunities and challenges for tractor Industry.

As we look forward, delivery of quality products will remain key focus of our management along with good business plans for the overall success of the Company especially for under-penetrated areas. Management is confident that the Company will be successful in navigating through the future challenges, in line with the Company's vision and mission and while giving regard to economic environment affecting the Company.

AGTL is driven by optimism and belief on its ever agile workforce. Being cost effective, having hands on management style along with the high standards of workmanship makes AGTL a perfect example for growth and development.

Keeping in view the foregoing, the Company is positive about future prospects and expects to perform well in the ensuing years. Timing of settlement of long outstanding refund due from Govt. are also critical for cashflows and profitability.

## **Sources of Information and Assumptions Used for Forecasts**

The company prepares annual budgets and forecasts to manage business more effectively. The forecasting is done keeping in view the industrial trends and historical data. Projections are developed based on macro and micro economic indicators, market trends & research, local material price forecast, data from regulatory & taxation authorities, seasonal variations & competitors' actions etc.

Information is also generated internally from critical functions of the company including Marketing, Manufacturing and production, Human resource, Finance etc.

Data acquired from the sources mention earlier is compiled and corroborated for the preparation of annual budget and forecast. These budgets serve as formal plan and target for the Company after the Board's approval.

### **Response to Future Challenges and Uncertainties**

Effective management through mitigating strategies has been done in response to major risks and uncertainties facing the Company. In addressing business risk the Company's strategies, plans and oversight takes into account relevant factors; Risk of increase in price of raw materials is kept in check by price revision committee of the Company; Exchange rate risk has been reduced as the Company's product has around 92% local components; Risk of inability to source raw material is managed by constantly monitoring the supply base and explore opportunities for alternate sources of raw material for ensuring sustained operation.

The ongoing pandemic continues to pose threat to overall economy as well as agriculture sector of the country. Continued Government support and subsidies are therefore critical for sustenance of agriculture sector in the country.





# Awards for the Year 2020



## Best Corporate Report Award

AI Ghazi Tractors Ltd. was awarded 4th position for "Best Corporate Report Award 2019" in the Engineering & Auto Sector. This award was presented to AGTL by The Joint Committee of The Institute of Chartered Accountants of Pakistan (ICAP) and the Institute of Cost and Management Accountants of Pakistan (ICMAP).



## Corporate Excellence Award

AI Ghazi Tractors Ltd. received the coveted Corporate Excellence award from the Management Association of Pakistan for demonstrating excellence in corporate management.

# Stakeholders' Engagement

AGTL is committed to conduct and enhance its relationship with all classes of stakeholders acting in good faith, with loyalty, fairness, transparency and with due respect for the Company's core ethical values. Further, the objective of the Company's investor relations policy is to govern the disclosure of material information to analysts, shareholders and potential investors in a manner designated to provide broad non-exclusionary distribution of information.

Building and retaining the trust of the Company's internal and external stakeholders is essential to Al-Ghazi's continued business success. Engagement and dialogue are consequently an important component to understand their expectations, needs and concerns.

Stakeholders' expectation and tools and interaction channel as detailed in adjacent table represent our engagement and relationship management.

Stakeholder	Stakeholder's expectation
<b>Government and regulatory bodies</b>	<ul style="list-style-type: none"> <li>• Compliance with laws and regulations</li> <li>• Collaboration and access to information</li> <li>• Technical support on specific industry related issues</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Clarity of organization and protection in periods of uncertainty</li> <li>• Clear and transparent reward system</li> <li>• Training and professional development</li> <li>• Stimulating and safe work environment</li> <li>• Information on Company's strategy and results</li> </ul>
<b>Employees' families / Community Development</b>	<ul style="list-style-type: none"> <li>• Indirect participation in corporate life</li> </ul>
<b>Dealers and service network</b>	<ul style="list-style-type: none"> <li>• Complete and rapidly accessible product information</li> <li>• Business profitability</li> <li>• Quality and reliability of products / parts</li> <li>• Competitive prices</li> <li>• Extension of financial and non-financial assistance</li> </ul>
<b>Existing and prospective customers</b>	<ul style="list-style-type: none"> <li>• Quality, reliability and safety of products</li> <li>• Competitive prices</li> <li>• Speed and efficiency of after sales services</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Continuity of supply</li> <li>• Fulfillment of contractual obligation</li> </ul>
<b>Shareholders</b>	<ul style="list-style-type: none"> <li>• Access to information</li> <li>• Transparent and responsible management</li> <li>• Value creation (return on investment, sustainability of business)</li> </ul>
<b>Analysts / Institutional investors</b>	<ul style="list-style-type: none"> <li>• Availability of relevant information</li> </ul>
<b>Banks / financial institutions</b>	<ul style="list-style-type: none"> <li>• Continuity of business and operations</li> <li>• Good financial management</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>• Fulfilment of obligations of arrangement</li> </ul>

Tools and interaction Channel	Effect on AGTL's performance and value
<ul style="list-style-type: none"> <li>• Periodic and adhoc reporting</li> </ul>	<p>The Company remains focused to have sufficient level of compliance with laws and regulations.</p>
<ul style="list-style-type: none"> <li>• Daily dialogue</li> <li>• Employee lunches / dinners</li> <li>• Discussions regarding appraisals and development path</li> <li>• Inhouse communication</li> <li>• Easy access to top management</li> <li>• Adherence to labour laws</li> </ul>	<p>Human resources play a key role for organisation's success.</p>
<ul style="list-style-type: none"> <li>• Staff town with family and bachelor accommodation</li> <li>• Transport facility</li> <li>• Vaccination / health awareness campaigns</li> <li>• Participation in sports day events</li> <li>• Health care plans, Community hall</li> </ul>	<p>Adequate activities of the Company assist in maintaining positive image of the Company at the levels of local community and employees.</p>
<ul style="list-style-type: none"> <li>• Daily contacts and periodic meetings with the network</li> <li>• Individuals responsible for monitoring the network and ensuring fulfillment of contractual standards</li> <li>• Programs to support dealers including training, conferences and other incentives.</li> <li>• Tractor festivals</li> <li>• After Sale Service programme</li> </ul>	<p>Dealers act as business partners. Satisfactory after sales services helps in sustainable customer satisfaction.</p>
<ul style="list-style-type: none"> <li>• Market research</li> <li>• Three-way communication through dealership, service centres and mechanical workshops</li> </ul>	<p>Loyalty of customers to our products is key in achieving success and good financial performance.</p>
<ul style="list-style-type: none"> <li>• Daily relationship through Supply Chain Department</li> </ul>	<p>Our effective management of suppliers facilitates in achieving production objectives.</p>
<ul style="list-style-type: none"> <li>• Shareholders meetings</li> <li>• Annual / Quarterly reports</li> <li>• Price sensitive communications and information</li> <li>• Daily dialog (email, telephones)</li> <li>• Investor relations section of the Company's website: <a href="http://www.alghazitractors.com">www.alghazitractors.com</a></li> </ul>	<p>Support of shareholders serve as a foundation to achieve the Company's objectives and vision.</p>
<ul style="list-style-type: none"> <li>• Communications to PSX</li> <li>• Investor relation section of AGTL's website, containing relevant information about the Company"</li> </ul>	<p>Availability of adequate information about the Company helps in maintaining positive image of the Company with analysts and institutional investors.</p>
<ul style="list-style-type: none"> <li>• Providing of information as per requirements of banks</li> <li>• Frequent meetings and interaction"</li> </ul>	<p>Attractive rates and terms of overdrafts and other arrangements.</p>
<ul style="list-style-type: none"> <li>• Promotional activities are carried as per Marketing requirements</li> </ul>	<p>Necessary awareness about the Company and its products is imparted.</p>

# Notice of 38th Annual General Meeting

Notice is hereby given that the 38th Annual General Meeting of Al-Ghazi Tractors Limited (the Company) will be held on Tuesday, 15 June 2021 at 04:00 PM. Due to prevailing conditions owing to COVID-19 Pandemic, the meeting will be held through video-conference facility. The Shareholders will transact the following business at the meeting:

## ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements, the Chairman's Review Report, the Directors' Report and the Auditors' Report for the year ended 31 December 2020.
2. To declare the final cash dividend, the directors have recommended a dividend of 428% i.e. Rs. 21.39 per share.
3. To appoint Auditors for the term ending at the conclusion of next annual general meeting and to fix their remuneration. The retiring Auditors M/s. A. F. Ferguson & Co. being eligible, have offered themselves for reappointment. The members are hereby notified that the audit committee and board of directors have recommended the name of retiring auditors M/s. A. F. Ferguson & Co. for re-appointment as auditors of the Company.

By Order of the Board



Rashid Mohiuddin  
Acting Company Secretary  
Karachi, 25 May, 2021

## NOTES:

1. The share transfer books of the Company will remain closed from 9 June 2021 to 15 June 2021 (both days inclusive). Transfers received in order at our Share Registrar's office, M/s FAMCO Associates (Pvt.) Ltd. situated at 8-F Next to Hotel Faran, Nursery, Block 6, P.E.C.H.S, Shahrah-e-Faisal, Karachi, by the close of business on 8 June 2021 will be treated in time for the purpose of entitlement of the transferees to attend and vote at the meeting.
2. For attending the annual general meeting, members are required to email their name, folio number, valid email address and number of shares held in their name to [agm@alghazitractors.com](mailto:agm@alghazitractors.com) with subject of email stated as 'Registration for AGM of AGTL'.
3. Link for videoconference and related credentials will be shared only with those members/proxies whose emails containing all the required particulars are received at the given email address by or before 05:00 P.M. on 13 June 2021. The shareholders can also provide their comments and questions for the agenda items of the AGM on [agm@alghazitractors.com](mailto:agm@alghazitractors.com).
4. A member entitled to attend and vote may appoint a proxy to attend and vote on his/her behalf. No person shall act as a proxy (except for a corporation) unless he/she is entitled to be present and vote in his/her own right. Proxies, in order to be effective, must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the time of the meeting. Proxies may also be appointed by emailing a scanned copy of signed form by the shareholder authorizing proxy along with email address of proxy and relevant details (as stated above) to [agm@alghazitractors.com](mailto:agm@alghazitractors.com).

5. CDC share holders or their proxies are requested to bring with them their Computerized National Identity Card or Passport along with the participants ID number and their Account Number at the time of attending the Annual General Meeting through video-conference in order to facilitate their identification. For CDC shareholders, the representatives of corporate bodies should bring in video-conference attested copies of board of directors' resolution/powers of attorney and/or all such documents as are required under Circular No.1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan ("SECP") for the purpose.
6. Members (non-CDC) are requested to promptly communicate to the Share Registrar of the Company any change in their addresses. CDC shareholders should submit any change in their addresses to the CDC. The Individual Members who have not yet submitted photocopy of their valid CNIC and Corporate Entities who have not yet submitted their NTN are once again reminded to have these details updated with their respective CDS participants, in case of CDC account holders and to send the same at the earliest directly to the Company's Share registrar at the address given herein above, in case of physical shareholders. Please provide folio numbers with the copy of CNIC / NTN.
7. Shareholders who could not collect their previous dividend/shares are advised to contact our Share Registrar to claim their unclaimed dividend or shares, if any. The Unclaimed shares, Dividend which remain so unclaimed or unpaid for a period of three years from the date it is due and payable shall be dealt with in accordance with the requirements of the Companies Act.
8. The Form of Proxy in English and Urdu is attached in the Annual Report and should be witnessed by two persons whose names, addresses and CNIC Numbers should be mentioned on the forms. For CDC shareholders, attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form; and in case of corporate entity, the Board of Directors' resolution / power of attorney and attested copy of valid CNIC of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted (unless provided earlier) along with proxy form to the Company. The Form of Proxy is also available on the Company's website.
9. The financial statements of the Company for the year ended 31 December 2020 along with reports have been placed on the website of the Company. The Annual Report for 2020 of the Company shall be electronically available on the PUCARS system of the Pakistan Stock Exchange Limited and the Company's website under section of Shareholders Information. Additionally, in the interest of shareholders, for those shareholders who had previously provided their valid email addresses, arrangement has been made to send our 2020 annual report to such shareholders through email; and for those shareholders who had not provided email addresses it has been arranged to courier a letter to them guiding them to access our 2020 annual report electronically.

# Investor Relations

At AGTL we are committed to ensuring that shareholders and investors have easy access to clear, reliable and meaningful information on the company in order to make informed investment decisions. In the context of constantly evolving requirements of disclosure, transparency and corporate governance, we aim to provide investors with an accurate, coherent and balanced account of company's performance. To do this, multiple communication platforms are utilized including annual general meetings with shareholders and the investor relations section on our website. Apart from financial results, the website, [www.alghazitractors.com](http://www.alghazitractors.com), has other investor related information including Company profile, annual and quarterly reports, major announcements and information on free float shares.

Further, video to be confirmed by reporting presentation of CEO is also placed on company's website detailing financial position and performance of the company, projects accomplished during the year and planned for next year including as overview of future prospects of the company.

## SHAREHOLDING INFORMATION

The Company is listed on Pakistan stock Exchange. The share symbol is AGTL. The share capital of the Company is Rs. 289.8 million. With a base price of Rs. 5 per share, the total number of the shares is 57,964,201.

There are 2,631 shareholders which are listed as follows:

Al-Futtaim Industries Company	28,992,705 shares	=	50.02%
CNH Industrial N.V.	25,022,379 shares	=	43.17%
Companies and corporations	604,336 shares	=	1.04%
Individual and others	3,344,781 shares	=	5.77%
Total	57,964,201 shares	=	100%

## DIVIDEND POLICY

AGTL has a long history of paying rich dividends. The dividend policy is in the best interest of the Company, the shareholders and the stakeholders.

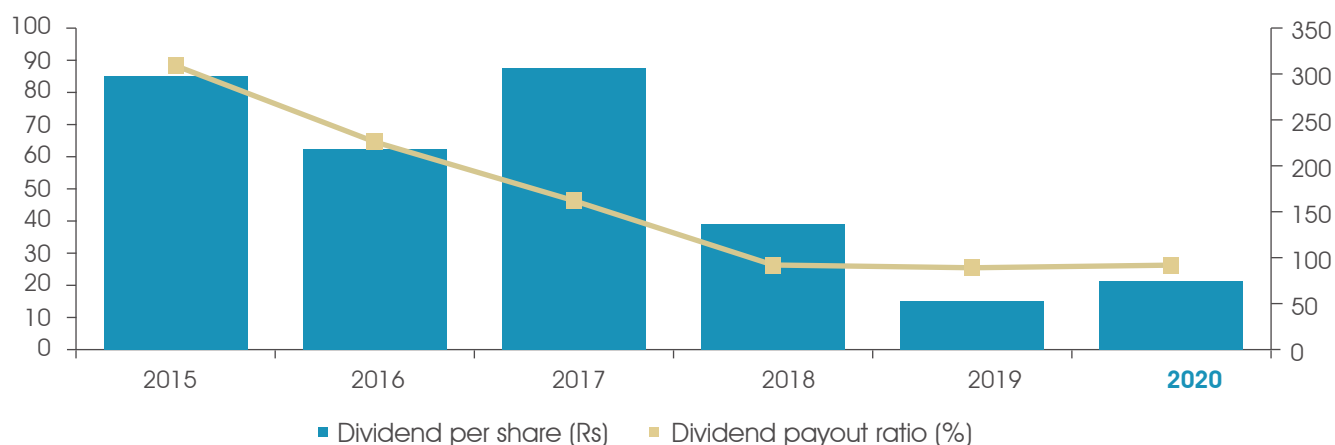
AGTL's equity now stands at Rs. 2,288.1 million. The Company's five-rupee share is without any doubt the top stock of the Auto and Industrial Engineering sector of Pakistan.

## ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Tuesday 15 June, 2021 at 04:00 p.m.

## DIVIDEND PAYMENTS DURING THE YEAR

The Board of Directors have recommended final dividend of Rs. 21.39 per share for the year 2020.



## SHARE REGISTRAR

Share transfers and all other investor related matters are attended to and processed by our registrar FAMCO Associates (Pvt) Limited.

FAMCO Associates (Pvt) Limited  
 8-F, Next to Hotel Faran, Nursery  
 Block 6, P.E.C.H.S  
 Shahrah-e-Faisal, Karachi  
 Tel: 92 21 32420755, 32427012, 32426597  
 Fax: 92 21 2475604  
 Timings: 8:30 am to 1:00 pm & 2:00 pm to 3:30 pm

## INVESTOR RELATION'S CALENDAR

2020 Annual Financial Results	May 5, 2021
2020 Annual General Meeting	June 15, 2021
Book Closure dates for 2020	9 June 2021 to 15 June 2021
2021 1st Quarterly Results	June 30, 2021
2021 2nd Quarterly Results	August 27, 2021
2021 3rd Quarterly Results	October 30, 2021
2021 Annual Financial Results	April 30, 2022

Dates are subject to change.

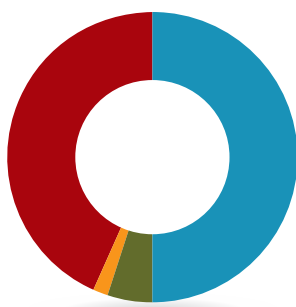
# Shareholding Information

As at December 31, 2020

S.NO.	Shareholders Category	No. of Shareholder	No.of Shareholders	Percentage
1	Directors, Chief Executive Officer, and their spouse and minor children (to be filled by Company)	1	1,000	0.000
2	Associated Companies, Undertakings and related Parties (to be confirm by Company)	2	54,015,084	93.187
3	NIT and ICP			
4	Banks, Development Financial Institutions, Non-Banking Financial Institutions	5	334,999	0.578
5	Insurance Companies	3	220,412	0.380
6	Modarabas and Mutual Funds	1	675	0.001
7	General Public : a. local b .Foreign	2,574	3,115,044	5.377
8	Others	45	276,987	0.478
Total		2,631	57,964,201	100

## Shareholders holding 10% or more voting interest:

Al-Futtaim Industries Company LLC	1	28,992,705	50.02%
CNH Industrial N.V.	1	25,022,379	43.17%



● Al-Futtaim industries Company LLC	50.02%
● CNH Global N.V.	43.17%
● Individuals	5.32%
● Banks, Insurance Companies, Modaraba Companies, Mutual Fund & Other	1.49%

Details of purchase/sale of shares by Directors and their spouses / minor children during 2020

S. No.	Name of Holder	DateSale/Purchase	No of Shares	Rate Per Share
1	Ms. Farah Qureshi	Purchased	1,000	@ 290.00

# Pattern of Shareholding

As at December 31, 2020

No. of Shareholders	Shareholding		Shares Held
	From	To	
968	1	100	42,083
764	101	500	216,002
367	501	1000	291,816
408	1001	5000	868,130
65	5001	10000	476,540
19	10001	15000	247,473
11	15001	20000	188,635
6	20001	25000	132,718
5	25001	30000	134,782
1	30001	35000	34,999
1	35001	40000	35,450
3	40001	45000	127,002
3	45001	50000	145,250
2	55001	60000	115,000
1	65001	70000	68,290
1	85001	90000	90,000
1	100001	105000	100,785
1	135001	140000	137,300
1	165001	170000	166,362
1	330001	335000	330,500
1	25020001	25025000	25,022,379
1	28990001	28995000	28,992,705
<u>2,631</u>			<u>57,964,201</u>

## Categories of Shareholders

Sr. No.	Categories of Share holders	Number of Shareholders	Shares Held	Percentage
1-	Individuals	553	325,111	0.58%
2-	Associated Companies	2	54,015,084	93.19%
3-	Others	7	21,012	0.04%
4-	Central Depository Company (b)	2,069	3,602,994	6.19%
		<u>2,631</u>	<u>57,964,201</u>	<u>100.00%</u>

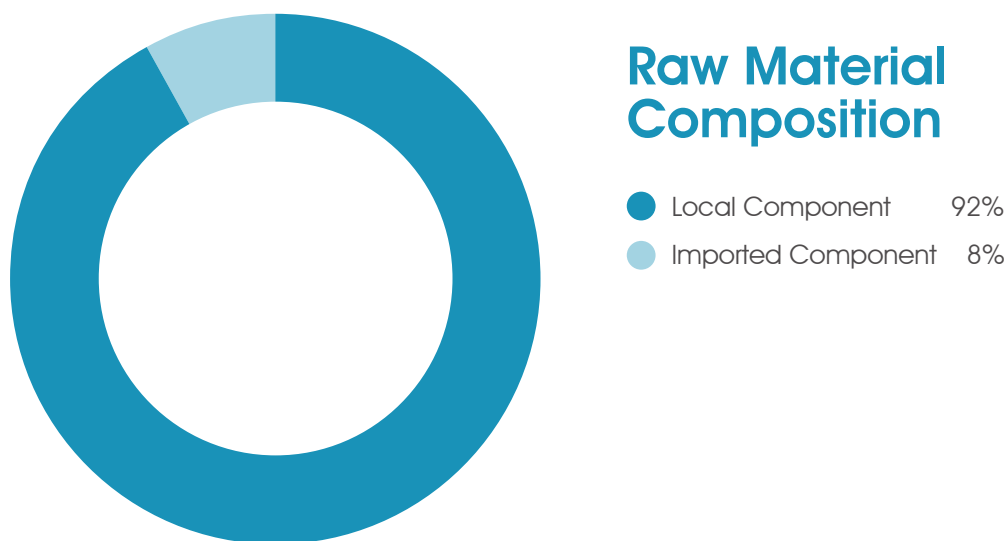
(b) Categories of Account holders and Sub-Account holders as per Central Depository Company of Pakistan as at December 31, 2020

Sr. No.	Categories of Share holders	Number of Shareholders	Shares Held	Percentage
1-	Individuals	2,016	2,792,584	4.73%
2-	Investment Companies	1	1,350	0.00%
3-	Insurance Companies	3	220,412	0.45%
4-	Joint Stock Companies	29	43,000	0.07%
5-	Financial Institutions	5	334,999	0.57%
6-	Modaraba Companies	1	675	0.00%
7-	Mutual Fund	2	5,550	0.01%
8-	Others	12	204,424	0.35%
		<u>2,069</u>	<u>3,602,994</u>	<u>6.19%</u>

# Composition of Local and Imported Material and Sensitivity Analysis Due to Exchange Fluctuation

The Company is exposed to foreign currency fluctuation not only for its direct imported raw materials but also for those materials which are although procured locally but comprises substantially of imported content.

Due to considerable increase in local and imported metal prices owing to drastic rupee devaluation, the gross margins remained under extra ordinary pressure during past few years.



## Sensitivity Analysis:

Management of the Company closely monitors exchange rate fluctuations and takes necessary action to mitigate the risks associated with such fluctuations. During the year the exchange rate increased by around 4%, which resultantly increased the raw material cost by estimated 4%.

# Major Capital Projects

AGTL has a systematic procedure for evaluating the requirements of capital expenditure. The capital expenditure is primarily focused on capacity expansion, safety and sustainability for continued production of premium products while focusing on energy conservation and environment protection. Exhaustive financial evaluation is also carried out which includes payback period, NPV/IRR, cash flow requirements and other financial analysis techniques.

Taking a long-term view, the Company has undertaken various projects like:

- Quality Assurance Lab
- Component Storage sheds
- Offline shed
- Installation of fuel tanks
- Construction of washrooms for staff & workers and other facilitation projects to name a few with major focus on product development, quality enhancement and staff wellbeing.

All major capital expenditure/projects undertaken during the year were in line with the Company's strategic objective of facility enhancement adding value to the Company's processes and operations while contributing towards effectiveness and efficiency of tractor's production leading to expansion and growth in business. Major capital expenditures and projects planned for next years are to meet the objectives of growth led by focusing on core business as well through market penetration.





A close-up photograph of a wooden gavel resting on a light-colored wooden surface. In the background, a stack of several thick books is visible, their pages slightly aged and yellowed. The lighting is soft, creating a professional and serious atmosphere.

# Governance

# Corporate Governance

Corporate Governance is the system of rules, practices and processes by which a company is directed and controlled.

The Board of Directors of Al-Ghazi Tractors Limited is committed to providing satisfactory returns to its shareholders and fulfilling its corporate governance obligations and responsibilities in the best interest of the Company and its stakeholders

In pursuit of the highest standards of governance, AGTL has embraced all of the Corporate Governance Reforms promulgated by its regulators. AGTL's corporate governance framework adheres to the guidelines of the Revised Code of Corporate Governance 2019.

## BOARD OF DIRECTORS

The Board is the apex body responsible and accountable for the long-term success of the Company.

In addition to its statutory duties, the Board provides entrepreneurial leadership, sets strategic objectives, establishes and maintains a framework of prudent risk management and control, sets the Company's values and ethical standards and considers sustainability issues.

The Board has delegated some of its functions to its Committees. These Committees report to the Board and matters deliberated by the Committee are approved by the Board.

The Company's CEO has responsibility for the day-to-day management and is supported in this function by the AGTL Management Team.

In fulfilling its roles and responsibilities, some key focus areas for the Board during the year 2020 are set out below:

Key focus areas of the Board during the year 2020 included:

- Overseeing management's performance in strategy implementation and monitoring the financial position of the Company including approval of the financial statements
- Reviewing business operations and development plans including budgets
- Approving revisions to the Company's policies.

## MATTERS DELEGATED TO THE MANAGEMENT

Key responsibility of the management is to ensure that routine business operations and day-to-day management of affairs are conducted in accordance with the policies and decisions of the Board and in an effective and ethical manner. The management is also concerned with identification of key risks and opportunities that could have a relevance to the Company, addressing the same and to update the Board with any salient related changes. The Management is responsible for the preparation and presentation of financial statements as per applicable accounting and reporting standards and for related internal controls, while the Board oversees the financial reporting process.

## BOARD COMPOSITION

AGTL is committed to ensuring that the composition of the Board continues to include directors who bring an appropriate mix of skills, experience, expertise and diversity to the Board 's decision making.

The Directors believe in having members who can exercise judgment independently, in good faith and in the best interest of the Company. Hence, during the year ended 31 December, 2021, out of the eight Directors, only the CEO, Mr. Raheel Asghar and the CFO, Mr. Malik Ehtisham Ikram were executive directors. To reinforce this belief, the Board is chaired by a non-Executive Chairman, Mr. Bernd Erich Schwendtke.

The Company, had inducted a female director on its board. The appointed independent Female Director,

Ms. Farah Qureshi, had provided her declaration of independence as per the criteria defined in the Companies Act 2017 to the Chairman of the Board, as per CCG Regulations.

## BOARD COMMITTEES

The Board has established an Audit Committee and a Human Resource and Remuneration Committee to assist with the discharge of its responsibilities.

The above Board Committees are chaired by non-executive director only. Other directors may attend the meeting by invitation. Each committee operates under a written specific charter approved by the Board.

The Chairman of each committee provides a detailed report to the Board along with recommendations of the Committee.

The Composition of the above mentioned committees as on December 31, 2020 were as follows:

Name of Directors	Board Appointment	Board Committees	
		Audit Committee	Human Resource and Remunerations Committee Meetings
Mr. Bernd Erich Schwendtker	Non-Executive	Member	Member
Mr. Richard Kassaby	Non-Executive	Member	
Mr. Raheel Asghar	Executive		
Mr. Malik Ehtisham Ikram	Executive		Member
Ms. Farah Qureshi	Non-Executive	Member	
Mr. Andrea Trabacchin	Non-Executive	Member	
Mr. Vincent Delassagne	Non-Executive		Member
Mr. Matthieu Sejourne	Non-Executive		

In determining the composition of the Board, consideration is given to the optimal mix of background, skills and experience that will position the Board to guide the Company. The board members comprise of business leaders, professionals with financial audit, accounting, human resource backgrounds and engineers.

## BOARD EFFECTIVENESS

The Board has access to complete, adequate and timely information and resources. A formal agenda is prepared for all Board meetings. The agenda and supporting documents are circulated to all directors at least seven days before the meeting.

The board meets on a quarterly basis to review and approve the release of quarterly results. Ad-hoc meetings may be convened as necessary to consider other specific matters. In addition to having meeting, decisions of the Board and its Committees may also be obtained via circular resolution. Schedule of all board meetings and Annual General Meeting (AGM) for the next calendar year is planned in advance.

The Board has access to the CEO, members of the management and the Company Secretary at all times. The Company Secretary provides support to the Board and ensures that Board procedures and applicable rules and regulations are followed. The Company Secretary also assists the Chairman in ensuring proper information flow within the Board and its Committees as well as advising the Board on all governance matters.

The Company Secretary attends all meetings and ensures that minutes are circulated within the stipulated time.

The attendance of directors at the meetings of the board of the committees held during the year ended December 31, 2020 was as follows:

Directors	Board Meetings		Audit Committee Meetings		Human Resource and Remunerations Committee Meetings	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Mr. Bernd Erich Schwendtke	6	6	5	5	1	1
Mr. Raheel Asghar appointed w.e.f. October 05, 2020	2	2				
Mr. Malik Ehtisham Ikram	6	6			1	1
Ms. Farah Qureshi appointed w.e.f. May 28, 2020	5	5	4	4		
Mr. M. Ali Qaiyum resigned w.e.f. February 13, 2020	1	1	1	1		
Mr. Richard Kassaby appointed w.e.f. February 13, 2020	6	5	5	4		
Mr. Vincent Delassagne	6	6			1	1
Mr. Andrea Trabacchin	6	6	5	5		
Mr. Matthieu Sejourné appointed w.e.f. February 13, 2020	5	5				
Mr. Mohammad Shahid Hussain resigned w.e.f. July 28, 2020	3	3				

### DIRECTORS TRAINING PROGRAM AND ORIENTATION

As part of the Company's continuing education for all Directors, articles, reports and press releases relevant to the Company's business are circulated to keep all directors updated on industry issues and trends. Changes in regulations are also informed to the Board. The external auditors routinely update the Audit Committee on new and revised financial reporting standards relevant to the Company.

Further, at the time of induction of a new director, orientation is carried out for the director to acquaint him of roles and responsibilities to effectively govern the affairs of the Company.

### ROLE AND RESPONSIBILITIES OF CHAIRMAN

The Chairman of the Board Mr. Bernd Erich Schwendtke, is a non-executive director. The Chairman is responsible for leadership and effective performance of the Board and for maintenance of relationships between directors that are open, cordial, and conducive to productive corporation.

Duties of the Chairman are:

- To lead and oversee the Board of Directors.
- To facilitate an open flow of information between management and the Board, thus to involve the Board in the process of effective decision making for the Company.
- To lead a critical evaluation of Company's management, practices and adherence to the Company's strategic plan and objectives.
- In accordance with Company law and as and when required chair the meetings of the Board and meetings of the shareholders in accordance with their terms of reference.
- To establish, in consultation with the Company Secretary and the CEO, an agenda for each meeting of the Board.
- To seek compliance of the management to implement the decisions of the Board.
- To work closely with the CEO and provide support and guidance for the management on major issues.
- To promote the highest standards of corporate governance.
- To ensure that the Company has an effective and clear communication with its shareholders.
- To ensure that new directors receive appropriate induction into the Company.

### ROLE AND RESPONSIBILITIES OF CHIEF EXECUTIVE OFFICER

The CEO has executive responsibility over the business directions set by the Board. The CEO is accountable to the Board for the conduct and performance of the Company.

### **Responsibilities of the CEO are:**

- To align the entire Company to the Vision, Mission and Strategy evolved by the Board, such that everyone will focus his efforts to the success of the Company.
- To build a corporate culture and be a role model for the entire organization.
- To set performance standards for the Company and promote those standards with confidence.
- To manage the day-to-day operations of the Company's business, strategic planning, budgeting, financial reporting and risk management.
- To build good relationship between and among the employees of the Company, the government, the supply chain associates, the dealers and other stakeholders of the Company.
- To provide strategic leadership to the organisation to ensure its future growth through unexpected as well as foreseen threats, opportunities and to keep the Company in focus with competition, markets, products and growth technology.
- To set standards required to maintain a competitive advantage in the industry and implement these standards into the output of the Company.
- To build a talented team (hire talent and fire non-performers) and to lead the team to working together in a common direction thus to steer the Company to its strategy and vision through direction and effective communication.
- To set budgets, to fund projects which support the strategy and ramp down projects which lose money.
- To manage the Company's capital judiciously and carefully control the Company's expenditures.
- To provide leadership and develop policies and procedures of the Company to ensure compliance of these procedures and policies.
- To develop human resource of the Company, the Company's staffing needs of the future, training, compensation packages and to create a corporate culture of high standards and good value.
- To build effective PR for the Company.

### **EVALUATION OF BOARD PERFORMANCE, MEMBERS OF BOARD AND OF ITS COMMITTEES**

There is a formal process for appraisal of Board performance, members of Board and its committees. Annual appraisals are carried out through a structured questionnaire addressing the following:

- Board organization;
- Board meeting and materials;
- Board responsibility and performance;
- Interaction with management and key stakeholders;
- The audit committees and internal audit and corporate reporting;
- Performance of the Board Committees.

The questionnaire also includes the assessment of the Chairman of the Board including his ability to lead the Board meetings.

The evaluation and feedback are consolidated and presented to the Board, through the Human Resource and Remuneration Committee, for discussion on areas of strengths and weaknesses.

### **PERFORMANCE REVIEW OF CEO**

Board has an obligation to shareholders to ensure that the Company is led well. Evaluation of the CEO is therefore a continuous process and is formally taken up by the Board with reference to the "Responsibilities of the CEO" as formally approved by the board.

The performance of the CEO is appraised by the Human Resource and Remuneration Committee of the Board and discussed by the Board. CEO's performance is evaluated on the performance of business, accomplishments of objectives with particular reference to profit, goals and corporate success.

#### **CONFLICT OF INTEREST AMONG BOARD MEMBERS**

The Company in compliance with the Code of Corporate Governance annually circulates and obtains a signed copy of Code of Conduct applicable to all its employees and Directors. Directors are required to disclose, at the time of appointment and during their term, the directorships they hold in other corporate bodies. As per the provisions of the Companies Ordinance, 1984, every director is required to provide to the Board complete details regarding any material transaction which may bring conflict of interest with the Company.

Closed periods are determined and announced by the Company, precluding the Directors from dealing in the shares of the company, prior to each Board meeting involving announcement of interim / final results, distribution to shareholders or any other business decision which could materially affect the share price. Also, all directors are required to disclose any transaction in the shares of the Company immediately to the Company Secretary. All trading in shares of the Company by the Directors or executives and all related party transactions are fully disclosed in the financial statements of the Company.

No conflict of interest was reported during 2020.

#### **POLICY FOR CONFLICTS OF INTEREST AMONG BOARD MEMBERS, AND MANAGEMENT OF CONFLICT OF INTEREST**

All business decisions and choices taken on behalf of the Company are made in the best interests of the Company. The Directors are obligated to avoid every possible conflict of interest, with particular regard to personal or family considerations, which might affect the independence of judgment when deciding what is in the Company's interests and what is the most appropriate way to pursue it.

#### **POLICY ON NON-EXECUTIVE AND INDEPENDENT DIRECTORS' REMUNERATION**

The board of directors has a formal policy and transparent procedures for remuneration of directors in accordance with corporate law and regulations. Only independent director is entitled for the fee for attending the Board meetings as approved by the Board.

#### **POLICY OF RETENTION OF BOARD FEE BY THE EXECUTIVE DIRECTOR EARNED BY HIM AS NON-EXECUTIVE DIRECTOR IN OTHER COMPANIES**

AGTL has two executive directors on the Board who are not serving as Board member of any other listed company.

#### **GOVERNANCE PRACTICES EXCEEDING LEGAL REQUIREMENTS**

AGTL is committed to compliance with all applicable laws and regulations. In addition, the Company also endeavors to go the extra-mile voluntarily in terms of adopting best governance practices exceeding legal requirements and following are examples in this respect:

- Disclosure of various important information in the annual report, as per best practices, like ratios and trends, graphs, commentary, analysis, etc.
- Health, Safety and Environment strategies for the safety of employees and equipment.
- High standards of management and reporting practices, as evident from the receiving of numerous awards consistently from ICAP/ICMAP, MAP, etc.

#### **DIVERSITY POLICY**

AGTL strives for being an equal opportunity employer, free from any discrimination whatsoever due to gender, cast, creed, religion, ethnicity, colour, or the like. The Company is committed to merit-based environment where there is fair and equal treatment of employees. In all aspects of human resources management,

short-listing of candidates for hiring through to their selection, compensation and benefits - monetary and otherwise, promotions and increments, transfers, social and recreational activities, professional grooming, terminations, etc., our endeavor is to remain non-discriminate and free of any bias. Accordingly, in every aspect employee are treated according to their abilities to meet job requirements and all decisions are free from any form of discrimination.

#### **RELATED PARTIES**

Disclosures relating to related parties have been provided in financial statements' section of this annual report, in accordance with applicable approved accounting and reporting standards. The said disclosures include name, basis of relationship and percentage of shareholding of related parties including associated companies with whom the Company had entered into transactions or have arrangements / agreements in place. Related party transactions have also been disclosed in the financial statements appropriately alongwith other related parties related disclosures.

The Company has a policy of compliance with corporate law and regulations regarding related party transactions. All related party transactions along with relevant information were placed before audit committees for review quarterly. After review by the Committee, the transactions were considered and approved by the Board keeping in view the recommendations made by the Committee. Directors are also required to disclose their interest, if any, in accordance with requirements of corporate law and regulations.

#### **STATEMENT OF MANAGEMENT'S RESPONSIBILITY TOWARDS THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS:**

The Board of Directors, Audit Committee and the management have been committed to keep the Company in compliance with accounting and reporting framework as applicable under corporate law. The management is responsible for the preparation and presentation of financial statements as per applicable accounting and reporting standards and for related internal controls.

#### **WHISTLE BLOWING POLICY**

The Company has adopted a whistle blowing culture to detect and deter wrongdoing in preparing and implementing accurate and complete financial reports and records as well as the internal controls essential to support its financial and accounting system and operations. Violation of matters referred to in the Code of Conduct signed by all the employees may also be reported. The establishment of whistle blowing structure also augments the Company's ability to detect potential fraud, providing another level of comfort and assurance to the stakeholders.

The policy provides a mechanism for employees to report possible wrongdoings to the Company Secretary without fear of reprisal or discrimination. Every report case is considered and investigated. The whole process is looked after by the Audit Committee.

No reportable cases of whistle blowing were raised during 2020.

The Company also has a policy on "Suggestion System", encouraging all employees to make suggestions. These are discussed and employees are often rewarded for their input.

#### **SHAREHOLDER RIGHTS AND RESPONSIBILITIES**

The Company ensures that all shareholders are treated fairly and equitably. The Company is committed to ensuring that all shareholders have access to clear, reliable and meaningful information. The Company regularly communicates major developments in business operations to the stock exchange, SECP, press releases, circular to shareholders and placement of information on Company' website. The Company also encourages shareholder participation at the general meetings of the shareholders.

All shareholders are invited to participate in the Company's general meeting in person or through proxy. The Chairman delivers a short presentation at each AGM to shareholders to update them on performance of the Company. Every matter requiring approval is proposed as a separate resolution. Shareholders present are given an opportunity to clarify or direct questions on issues pertaining to the proposed resolution. The Board is

in attendance to address these queries and obtain feedback from shareholders. External auditors are also present as required by law.

#### **Issue raised at last AGM:**

The Company's AGM was held on June 15, 2020. The following were approved by the shareholders:

- Financial statements for the year ended December 31, 2019; and
- Appointment of M/s A.F. Ferguson & Co. as external auditors.

For above-stated shareholders' approvals, related implementation was timely completed by the Company.

During the AGM held on June 15, 2020 the shareholders asked general queries which were appropriately responded by directors present in the meeting. However, no significant matter was raised.

#### **Presence of the chairman of the audit committee at AGM:**

Chairman of the audit committee was also present at the AGM of the Company held on June 15, 2020 to answer any questions asked on the audit committee's activities and matters within the scope of the audit committee's responsibilities.

Encouraging minority shareholders to attend general meetings:

The Company's management aims to encourage minority shareholders to attend general meetings. Accordingly, the Company send notice of its general meetings to all shareholders in addition to these notices being published in Urdu and English newspapers.

#### **UNDERSTANDING OF THE VIEWS OF MAJOR SHAREHOLDERS BY THE DIRECTORS INCLUDING NON-EXECUTIVE DIRECTORS:**

AGTL is owned to the extent of 93% by two foreign shareholders namely Al-Futtaim Industries company LLC and CNH Global N.V. At the time of induction of each of the new director, the Company carries out orientation in respect of expectation and views of major shareholders.

#### **INVESTOR RELATIONS POLICY AND GRIEVANCE PROGRAMME**

The Company is committed to maintain highest standards of corporate transparency and disclosure and believes that it should provide regular, effective and fair communication with its shareholders. An investor relation program has been put in place to provide clear, timely and fair disclosure of information about the Company's business development and performance.

Shareholders are also welcome to seek any information that they may require by contacting the Company Secretary at the Head Office – Telephone Number 021-35318901-5. Information / complaints may also be sent in writing or through email. All efforts are made to provide the required information / resolve their complaints on priority basis.

#### **POLICY OF SAFETY OF RECORDS**

The Company places emphasis on safety and storage of its financial and other records. The Company ensures that all data and records are retained to meet legal, administrative and operational requirements.

No loss or breach of confidential data was reported during 2020.

#### **BUSINESS CONTINUITY /DISASTER RECOVERY PLAN AND REVIEW BY THE BOARD**

The Company places paramount importance on business continuity / disaster recovery. The following measures are in place to ensure smooth restoration of key operations:

- Application and data back-ups are maintained at different sites to ensure maximum security. In case of

failure of primary server, the back-up server with the same configuration is also available.

- Comprehensive fire prevention system has been put in place through mechanical installations as well as frequent fire drills.
- Adequate insurance arrangements have been made to mitigate business risks.
- Preventive maintenance programme coupled with training is carried out intermittently to minimize business disruptions.
- 24 hours security at the plant, head office and staff town has been provided.

The Board is apprised relating to disaster recovery strategies and mitigating plans.

### **INFORMATION TECHNOLOGY GOVERNANCE**

Information Management and Information Technology is built into AGTL's strategy. IT system plays an important role in supporting AGTL's current operations and its new initiatives. Our ERP system continues to integrate all function across the Company, facilitating greater efficiency and effectiveness of all processes and controls.

### **ANALYST BRIEFING:**

As required under PSX regulations, the Company will be arranging in this year a corporate briefing session for the analyst community.



**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF  
AL-GHAZI TRACTORS LIMITED**

**Review Report on the Statement of Compliance contained in Listed Companies  
(Code of Corporate Governance) Regulations, 2020**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Al-Ghazi Tractors Limited (the Company) for the year ended December 31, 2020 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2020.

  
**Chartered Accountants  
Karachi**

**Dated: May 7th, 2021**

*A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan  
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■ KARACHI ■ LAHORE ■ ISLAMABAD

# Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019 For the year ended December 31, 2020

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 8 as per the following:
  - a. Male: 7
  - b. Female: 1

2. The composition of board is as follows:

Category	Names
a) Independent Director	Ms. Farah Qureshi
b) Non-Executive Directors	Mr. Bernd Schwendtker Mr. Richard Kassaby Mr. Vincent De Lassagne Mr. Matthieu Jean-Marie, Bernard Séjourné Mr. Andrea Trabacchin
c) Executive Directors	Mr. Raheel Asghar Mr. Malik Ehtisham Ikram

The election of directors was due before December 5, 2020. However, the Company has reported the impediment in holding extra ordinary general meeting for the election of directors to the Security and Exchange Commission of Pakistan. The election of directors was held on March 3, 2021.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained;
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations;
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board;
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
9. All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies.;
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. CFO and CEO duly endorsed the financial statements before approval of the board;

12. The board has formed committees comprising of members given below:

**a) Audit Committee**

- Ms. Farah Qureshi (Chairman)
- Mr. Bernd Erich Schwendtke
- Mr. Richard Kassaby
- Mr. Andrea Trabacchin

**b) HR and Remuneration Committee**

- Mr. Bernd Erich Schwendtke (Chairman)
- Mr. Malik Ehtisham Ikram
- Mr. Vincent de Lassagne

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

Audit Committee	Four quarterly meetings and an additional meeting held during in the 3rd Quarter in the financial year ended 31 December 2020
HR and Remuneration Committee	One meeting during the financial year ended 31 December, 2020

15. The board has set up an effective internal audit function;

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard; and

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27,32, 33 and 36 of the Regulations have been complied with; and

19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

S. No.	Requirement	Explanation	Reg. No.
1	The Chairman of the Board shall, at the beginning of term of each Director, issue letter to Directors setting out their role, obligations, powers and responsibilities in accordance with the Act.	The Chairman discussed the Board's role under the Regulations, during the meetings in which casual vacancies were filled.	10 (5)
2	All companies shall make appropriate arrangements to carry out orientation for their directors to acquaint them with these Regulations, applicable laws, their duties and responsibilities to enable them to effectively govern the affairs of the listed company for and on behalf of shareholders.	All the directors are highly qualified and experienced.	18

S. No.	Requirement	Explanation	Reg. No.
3	There shall be a human resource and remuneration committee of at least three members comprising a majority of non-executive directors of whom at least one member shall be an independent director and the Chairman of the committee shall be an independent director and the chief executive officer may be included as a member of the committee.	The Company has fully complied on the reconstitution of the Board on March 3, 2021.	28 (1) & (2)
4	The Board may constitute a separate committee, designed as the nomination committee, of such number and class of Directors, as it may deem appropriate in its circumstances.	The responsibilities as prescribed for the Nomination Committee are being taken care at Board level.	29
5	The Board may constitute the Risk Management Committee, of such number and class of Directors, as it may deem appropriate in its circumstances, to carry out a review of effectiveness of risk management procedures and present a report to the Board.	The Board has tasked the Audit Committee to oversee Risk Management related matters of the Company.	30
6	The Company may post on its website key elements of its significant policies including but not limited to the following: I. Communication and disclosure policy; II. Code of conduct for members of Board of Directors, senior management and other employees; III. Risk management policy; IV. Internal control policy; V. Whistle blowing policy; VI. Corporate social responsibility / sustainability / environmental, social and governance related policy	As the Regulation provides concession with respect to disclosure of significant policies on the website, only key elements of relevant policies are available on the Company's website.	35

  
**BERND SCHWENDTKE**  
 Chairman

May 4, 2021

## Statement of Adherence with the International Integrated Reporting Framework

This annual report (report) of Al-Ghazi Tractors Limited has been prepared in accordance with the guidelines of the International Integrated Reporting (IR) framework. The Company's primary objective under the subject is to enhance shareholder' and stakeholders' awareness for better understanding and valued decision making. We always strive to achieve our objective through excellence in corporate governance and human resource practices.

AGTL has been continuously working towards transparency of the information presented to its stakeholders. It has considered various transformations to adapt to a changing corporate environment and the need for additional information beyond the basic financial statements. This information includes management commentary, governance disclosures, performance analysis, forward outlook and footnotes to the financial statement, to better reflect the corporate reporting for information needs of different stakeholders.

The Company has included following content elements for the users of this report:

- Organizational Overview and External Environment
- Messages for Stakeholders
- Governance
- Strategy, Risks and Opportunities
- Performance Analysis
- Sustainability and Corporate Social Responsibility
- Financial Statements
- Other Information

The adoption of integrated reporting requires involvement and support of the Board of Directors and the leadership team. Henceforth, Management of the company provides guidance to achieve company objectives by advising, assessing, and monitoring business strategies; ensuring the execution and modification of strategies; and evaluating their own effectiveness and contribution in these activities.

Reporting is being monitored and it is ensured that the relevant information is shared in the most suited way for the stakeholders of the company.

We will continue to improve the information produced to make it even easier to understand, while taking into account the opinion of stakeholders reading this report.



**Raheel Asghar**  
Chief Executive Officer

Karachi: May 4th, 2021

# Statement of Unreserved Compliance of International Financial Reporting Standards (IFRSs) issued by International Accounting Standards Board (IASB)

## Composition

Al-Ghazi Tractors Limited is preparing statutory financial statements in accordance with the IFRS issued by IASB as notified under the Companies Act 2017 including the disclosure requirements of fourth schedule.

In addition to this, note 2.1.3 to the financial statement specify few standards, interpretations and disclosures which are yet to be effective in Pakistan. The Company believes that the impact of such standards, interpretations and disclosures do not have any material impact to the financial statements.



Raheel Asghar  
Chief Executive Officer

Karachi: May 4th, 2021

# Internal Audit

The Company has its own in-house Internal Audit Department which is headed by a qualified Chartered Accountant. Internal Audit reports directly to the Chairman of the Audit Committee on audit matters and administratively to the CEO. Using risk based audit methodology Internal Audit plans its assignments every quarter, which is reviewed and approved by the Audit Committee.

The key role of the Internal Audit is to assist the Audit Committee to provide reasonable assurance that the Company is maintaining an adequate system of internal controls by periodic reviews of material controls and procedures. A comprehensive Internal Audit report is presented to the Audit Committee at each meeting for discussion.

The Board has been kept informed of the Audit Committee's review of internal audit reports and the management controls in place and is satisfied with the adequacy of the Company's internal controls.

The Audit Committee ensures that the internal audit function has adequate resources and appropriate standing within the Company. On an ongoing basis, it assesses the effectiveness of the internal auditors, such as its scope of work and quality of audit reports.



# Report of the Audit Committee

## Composition

The Committee is appointed by the Board and at the year-end comprised of four Non-Executive Directors as under:

- Ms. Farah Qureshi – Chairperson
- Mr. Bernd Schwendtke
- Mr. Andrea Trabacchin
- Mr. Richard Kassaby

The Board Secretary functions as the Secretary to the Committee.

## Charter of the Committee

The terms of reference of the Committee are clearly defined in the Charter of the Committee, salient features of which are stated below:

- To recommend to the Board the appointment and removal of external auditors;
- To review quarterly, half-yearly and annual financial statements;
- To review the internal control systems and internal audit function;
- To monitor compliance of statutory requirements.

## Meeting during 2020

The Audit Committee met four times during the year. The attendance of the members at these meetings is stated in the table on page 69 of the annual report. The Chief Financial Officer and the Chief Internal Auditor attended all meetings.

## Role of the Committee

The Audit Committee assists the Board to effectively carry out its supervisory oversight responsibilities on financial reporting and compliance, internal controls and risks, internal and external audit functions of the Company.

The Committee ensured compliance with its terms of reference. The Committee has concluded its annual review of the operations of the Company for the year ended December 31, 2020 and reports that:

- The Committee reviewed and approved the quarterly and annual financial statements of the Company and recommended them for approval of the Board;
- Appropriate accounting policies have been consistently applied and all applicable accounting standards were followed in preparation of the financial statements for the year ended December 31, 2020, which present fairly the state of affairs, results of operations, profits, cash flows, and changes in equity of the Company;
- The Chief Executive Officer and the Chief Financial Officer have reviewed the financial statements of the Company. They acknowledge their responsibility for true and fair presentation of the financial statements, accuracy of reporting and compliance with regulations and applicable accounting standards;
- Review process of financial statements by the audit committee also include detailed consideration of related matters and issues which were dealt in accordance with applicable accounting and reporting standards. Contents of the 2020 External Audit Report are in accordance with the applicable Regulations in Pakistan; the auditors have issued unmodified audit reports in respect of the said 2020 financial statements.

- Accounting estimates are based on reasonable and prudent judgment;
- Proper, accurate and adequate accounting records have been maintained by the Company;
- The Company's system of internal control is sound in design and has been continually evaluated for effectiveness and adequacy.
- The Company has a proper approach in place for risk management whereby identification and mitigation of relevant risks take place. Details regarding risk identified by the Company and mitigating strategies are included in respective section of this annual report and summary is mentioned in the directors' report. The audit committee has reviewed this information;
- The Audit Committee has reviewed and approved all related party transactions;
- The Committee has reviewed arrangements for staff and management for reporting to the Committee concerns, if any, about improprieties in financial and other matters, and remedial and mitigating measures. No cases of complaints regarding accounting, internal accounting controls or audit matters, or whistle blowing were received by the Committee;
- Closed periods were duly determined and announced by the Company, precluding the directors and executives (as defined by the Board to be an employee drawing a basic salary of Rs. 1,200,000 and above in a financial year) from dealing in the shares of the Company, prior to each Board meeting involving announcement of interim / final results, distribution to shareholders or any other business decision which could materially affect the share price.
- The Company's 2020 Annual Report is properly structured to provide all necessary information in detail yet in a lucid way. Not only it gives financial information like state of affairs and financial performance as per applicable accounting framework, it also enlightens through financial analysis in easy to comprehend style. Besides the core financial information, it also covers all other necessary domains like background details about company and its directors, comprehensive management reviews and future prospects, stakeholder's information and corporate governance.

#### **Internal Audit**

- The Board has effectively implemented the internal control framework through the Chief Internal Auditor who is a qualified Certified Chartered Accountant.
- The Internal Auditor reviews the risks and control processes. It carries out reviews in accordance with the internal audit plan approved by the Committee.
- The internal audit function has direct access to the Committee. The Committee reviews the findings and observation of the internal audit and provides appropriate guidance.
- The Committee met with the internal audit in absence of the management.

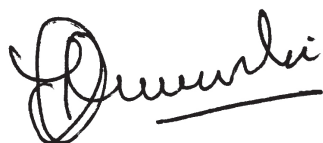
#### **External Audit**

- The statutory auditors of the Company, A. F. Ferguson & Co., Chartered Accountants, have completed their audit assignment of the Company's financial statements and the statement of compliance with the Code of Corporate Governance for the year ended December 31, 2020 and shall retire on the conclusion of the 38th Annual General Meeting;

- The Audit Committee has reviewed and discussed audit observations with the external auditors. A meeting was also held with the external auditors in absence of the management;
- The external auditors have direct access to the Audit Committee and internal audit department, hereby ensuring the effectiveness, independence and objectivity of the audit process;
- The performance, cost and independence of the external auditors is reviewed annually by the Audit Committee. Being eligible for reappointment under the listing regulations, the Committee has recommended to the Board the reappointment of A.F. Ferguson and Co., Chartered Accountants for the year 2021. A resolution to this effect has been proposed at the forthcoming Annual General Meeting.

### **The Audit Committee**

The Committee views that it discharged its responsibilities as per its terms of reference. A separate mechanism is in place for annual evaluation of members of the Board of Directors and its Committees.



**Ms. Farah Qureshi**  
Chairperson, Audit Committee  
May 4, 2021

# Human Resource Management (HRM)

AGTL recognizes that motivated and professional employees are an essential factor for maintaining competitiveness and for creation of shareholder value and customer satisfaction.

The Company is committed to providing equal opportunities to all its employees, both on the job and in their career advancement. All aspect of employment, such as recruitment, training, compensation, promotion and transfer are free from any form of discrimination.

Performance appraisal is one of the important components of HRM. The performance management system at AGTL continues to be an essential tool to provide regular feedback to align employee performance with business strategy.

## **SUCCESSION PLANNING**

Succession Planning is a proactive approach to managing talent as it involves identification of high potential employees for anticipated future needs and the tailored development of these people so that there is a talent pool or leadership pipeline available to meet AGTL's demands as they arise. AGTL has formulated a comprehensive succession plan for all key positions. Succession Planning is formally addressed by the Board of Directors.

## **HARASSMENT**

AGTL has a harassment policy in place and is compliant with the Protection Against Harassment of Women at Workplace, Act 2010. No instances of harassment were reported during the year 2020.



# Report of the Human Resource and Remuneration Committee

## Composition

The HR&R Committee appointed by and responsible to the Board comprised of two Non-Executive Directors and one Executive Director at the year end as under:

Mr. Bernd Erich Schwendtke  
Mr. Malik Ehtisham Ikram  
Mr. Vincent De Lassagne

The Board Secretary functions as the Secretary to the Committee.

Salient terms of reference

1. Recommend human resource management policies to the Board;
2. Recommend to the Board the selection, evaluation, compensation (including retirement benefits) of CFO, Company Secretary and Head of Internal Audit;
3. Recommend to the Board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO;
4. Consideration and approval on the recommendations of CEO on such matters for key management positions who report directly to CEO; and
5. Assess periodically the Board's performance and the performance of the Committees of the Board.

## Meeting during 2020

The Committee met 1 time during the year 2020. The attendance of the members at these meetings is stated in the table on page 69 of the annual report.



**Mr. Bernd Erich Schwendtke**  
Chairman, Human Resource and Remuneration Committee  
May 4, 2021

# Information Technology

Every aspect of management relies heavily on information to thrive. Companies use information to set strategies and accomplish business objectives. AGTL is no exception and gives high importance to MIS. It is the lifeblood of the business and ensures that there are systems and infrastructures built to meet the demands of business and individuals.

The hardware in use at AGTL includes: IBM RISC Servers, CISCO Routers, 3COM and CISCO Switches and IBM/HP Printers. Al-Ghazi Tractors also has its website [www.alghazitractors.com](http://www.alghazitractors.com) to facilitate business and business partners by providing detailed information about organization's Vision, Mission, Management, Products, Financial Reports, Operations and Human Resources.

## Enterprise Resource Planing

AGTL places heavy reliance on its Enterprise Resource Planning System (BaaN), which is fully integrated incorporating Sales and Distribution, Material Requirement Planning (MRP), Material anagement, Manufacturing, Inventory and Finance. In house developed applications for payroll, warranty stock / claims, and noncomponent purchases have been added to the system. This application is implemented across AGTL and a high speed communication infrastructure is in place.

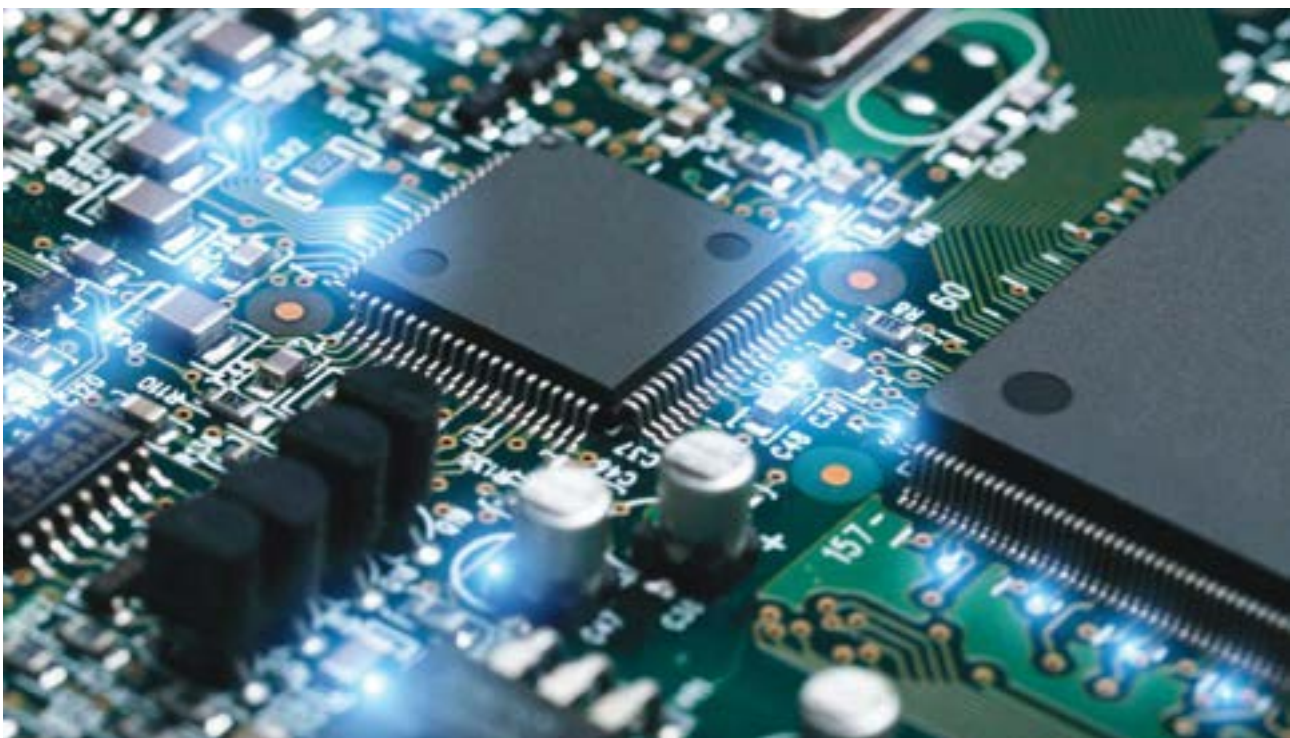
AGTL offices in Lahore, Multan & Dera Ghazi Khan are connected to Head Office Karachi, through a video Conferencing facility resulting in efficient and fast communication among all departments to achieve the Company's objectives.

## Disaster Recovery Planing

The Company gives high importance to Disaster recovery and a Disaster Recovery Plan is in place, which ensures minimum down- time, in case of a major disaster. Most importantly, MIS also holds the function of backing up vital data guaranteeing that a business isn't at risk of losing vital information. Application and data back-ups are maintained at different sites to ensure maximum security. Back-up hardware is also available in case of failure of the main server.

## Safety and Security of IT Record

In order to safeguard data integrity, a detailed policy on IT Security is in place. The objective is to ensure that highest level of security is provided to the system. Access controls are rigidly monitored based on job descriptions. Regular training on I.T. security is given to the employees to create awareness and enhance the importance of I.T. Security. Software/ hardware firewalls have also been installed to block unwanted traffic and hacking.



# Strategies, Risks and Opportunities



# Risks and Opportunities

## Risks

To achieve an informed understanding of our tolerance for risks when delivering our overall business plan, we must be mindful that the objective of risk management is not necessarily to eliminate risk, but to ensure that the risks we do accept remain within a predetermined level of acceptability and control while pursuing value-enhancing opportunities. The ultimate goal of risk management within AGTL is to continually assess the control environment to prevent and build resilience against any internal or external shocks, both anticipated and unforeseen.

Within the automotive industry, uncertainties stem from various sources including changes in the economy, technology, government regulations, relative prices and market dynamics.

Following are the major risks which may affect our business operations and mitigating strategies for controlling these risks.

Financial Capital (External Source)				
Risk	Risk level / Impact	Likelihood	Risk Description	Mitigation Strategy
Exchange Rate Fluctuation	High/ High	High	It becomes challenging for the Company to compete in the market due to frequent fluctuation of PKR parity against USD.	The Company's product has around 93% local components, thus reducing the dependency on imported material and hence reducing negative consequences resulting from exchange rate fluctuations.
Working Capital Management	Moderate/ Moderate	Moderate	Any increase in raw material cost or increase in volume of raw material stock or debts may limit the avenues for availability of sufficient working capital.	Management has addressed the risk of shortage of working capital by availing the sufficient credit lines from different Banks in order to meet the short-term requirements of the Company.
Human Capital (Internal Source)				
Risk	Risk level / Impact	Likelihood	Risk Description	Mitigation Strategy
High Employee turnover	Moderate/ Moderate	Moderate	Key employees and workers may leave the Company causing lack of competent workforce.	The Company believes in the importance of having the right people with the requisite qualification, skills and expertise to achieve its strategic business plans. The Company has in place comprehensive human resource policies and procedures for recruitment, compensation, staff development and management succession.

Manufactured Capital (External Source)				
Risk	Risk level / Impact	Likelihood	Risk Description	Mitigation Strategy
Information system failure risk	Low/ Low	Low	Loss of Company data and theft of sensitive information	A comprehensive disaster recovery policy is in place and addresses the underlying risk. The Company maintains back-up servers to recover data in case of any disaster. Further, the Company has well-established disaster recovery plan and data backup to cope with any unwarranted event.
Natural Catastrophe	Low/ Low	Low	Destruction of production facility due to natural disaster.	The Company has comprehensive insurance cover in case of any catastrophic event. The Company has taken into consideration every possible aspect of safety measures to preserve the factory building and plant.
Business Continuity Risk	Low/ Low	Low	The Company may be unable or constrained to continue business.	The Company recognizes that quick recovery and resumption of business operations after a disruption are critical to minimizing financial, operational and reputational impact. To mitigate these risks, the Company has in place a Business Continuity Plan, which complements its ERP framework.

## Opportunities

The Company has adequate processes and procedures in place for identifying potential gaps in the external environment which, if the Company has adequate resource, may be exploited as opportunities to improve performance.

Based on detailed analysis, we have identified various opportunities in the current economic landscape along with the strategy to maximize benefits from it:

Opportunities				
Opportunity	Impact Area	Source	Opportunity Description	Strategy to Capitalize Opportunity
High power tractor market	Manufactured Capital	Internal	The market contains a significant potential for high power tractors.	Under guidance of CNHi experts a state of the art plant equipped with advanced technology for premium high power tractors production is in the planning stage.
Modernization of AGTL plant	Manufactured Capital	External	Most modern and state-of-the-art machinery for production of high quality tractors.	The Company is in continuous process to upgrade the plant with efficient machinery which will enable the company to minimize the production cost.  Quality Assurance lab and Store sheds are some major projects under this strategy.
Diversification	Manufactured Capital	Internal	A potential market for generators, lube oil and spare parts exist.	The Company is inclined to diversify in the related fields and is committed to search all possible avenues to maximize the pace of growth of the Company and Shareholders wealth.
Efficiency at work place by employees	Human Capital	External	Provide congenial work environment where employee feels motivated and works for the betterment of the Company	Provide effective environment without excessive work pressure. Continuous training and development of employees. Benefit aligned with efficient and effective work and team management.

## BOD's Commitment to Risk Mitigation

As a business reality, the Company is susceptible to various risks. However, through comprehensive planning and business understanding, the Board of Directors continues to identify and mitigate actual, potential and perceived risks.

The Board of Directors have carefully carried out a robust assessment of the principle risks facing the Company, including those that would threaten the business model, future performance and solvency of the Company while establishing and maintaining a control framework comprising clear structures, authority limits and accountabilities, well implemented policies and procedures and budgeting for review processes.

Further, it is confirmed that no defaults in payments of any debts were made and that the Company has adequate capital structure. Any deficiencies identified in the capital structure are aggressively addressed and mitigated accordingly.

Powers of the Board of Directors and the Management of the Company are in compliance with the Companies Act, 2017, the Code of Corporate Governance, the Articles of Association of the Company and guidelines and frameworks issued by professional bodies and best practices.

The Board powers include approvals for capital expenditure, disposal of fixed assets, annual business plans, policy formulation, risk management, human resource management, donations, matters relating to health, safety and the environment, and other matters required by law, or internal policies.

Authorizations for transactions and delegation of powers have also been defined clearly and carried out through formalized processes keeping in view defined materiality levels.




## Materiality Approach

Determination of materiality levels other than those provided under the regulations, is judgmental and varies between organizations. In general, matters are considered to be material if, individually or in aggregate, they are expected to significantly affect the performance of the business and profitability of the Company. Materiality levels are reviewed periodically and are appropriately updated.



# Significant Factors Affecting the External Environment & the Organization's Response

Invariably changing external environment affects political, economic, technological, environmental and social fronts of an organization. The volatility may impact our capability to create value. Some of these factors and their effect on the company are discussed below:

FACTORS			
DESCRIPTION	<p align="center"><b>Political</b></p> <ul style="list-style-type: none"> <li>Political turbulence and law and order situation of the country generally impacts organizations negatively</li> </ul>	<p align="center"><b>Economic</b></p> <ul style="list-style-type: none"> <li>Economic conditions of a country such as changes in rupee devaluation, interest cost, economic growth rate, balance of payment and natural calamities affects the overall organization's business.</li> </ul>	<p align="center"><b>Social</b></p> <ul style="list-style-type: none"> <li>Companies have to plan strategies to adapt to the social trends. Such as improvement of living standards, price sensitive customers, seeking value for money behavior of customers.</li> </ul>
SIGNIFICANT CHANGES FROM LAST YEAR	<ul style="list-style-type: none"> <li>Unstable political environment with the running government facing challenges on various fronts.</li> <li>Inconsistent policies</li> </ul>	<ul style="list-style-type: none"> <li>Limited farmers' subsidies by Govt.</li> <li>Halt of economic activities due to COVID- 19</li> <li>Rupee devaluation</li> <li>Increased inflation rate</li> <li>Recovery in Trade deficit</li> </ul>	<ul style="list-style-type: none"> <li>Rising customer emphasis on aesthetics, luxury and comfort.</li> <li>Rapid urbanization of rural regions due to increased access of technology</li> </ul>
ORGANIZATIONAL RESPONSE	<p>Political environment of the country is being appropriately monitored to address changes in political and business policies which may have a considerable impact on the company's business. Further, the company duly approach the regulators in order to highlight the business challenges and its resolutions.</p>	<p>AGTL set out appropriate actions to address the changes in its business economic environment through efficient working capital management. However, decline in overall economic conditions in general and farmers economic wealth in particular may pose an adverse effect on the company's performance.</p>	<p>Launching of Limited Editions of tractor models with different aesthetic features. Further, free services and training programs are also arranged to facilitate customers and create awareness.</p>



### Technological

- Technological factors include technological aspects such as Research & Development activity, quality of the product, technology incentives have a major role in company's success.

Increased demand of quality products due to increased awareness owing to enhanced usage of information medium such as internet and smart phones.

The company keep focusing on technological and quality advancements. AGTL has recently beefed up its tractors with excellent quality features. Further, a state of the art fully equipped Quality Assurance Lab is constructed for technologically and quality upgraded products.



### Legal

- Companies are required to abide by the laws and regulations as laid by the Govt. of the country in which it operates

Applicably of changes in:

- Companies Act 2017
- Finance Act, 2018
- IAS and IFRSs

The company gives due importance to compliance with all the laws and regulation applicable in its legal environment. AGTL hires professional associates to ensure strict compliance to all the applicable statues.



### Environmental

- Environmental factors such as weather, climate and climatic changes affects the manufacturing concerns in general and tractor industry in particular.

- Water shortage affecting crop yield and eventually farmers' economy
- Increased emphasis of the authorities over the environment protection
- Major concern of climate change due to pollution

AGTL is committed to towards reducing the environmental impact and protection of environment. A modern Effluent Treatment Plant is functional which treats waste water from the factory for utilization in Plantation activities. All other effluents of smoke, noise, health and safety fully meet National Environmental Quality Standards (NEQS).

# Strategic Objectives

Overall corporate and strategic objectives of AGTL is becoming the leading Company in the tractor industry by continuously improving quality of our tractors and hence enhancing profitability and return to shareholders.

## Short Term Objective

Our short-term objective is to demonstrate a comprehensive product range which interest all the needs of farmers.

## Medium Term Objective

Our medium term objective is to continuously scale up our market share through improved customer engagement.

## Long Term Objective

Long term objective is to sustain growth in tractor business through continuous product quality improvement and achievement of highest level of customer satisfaction.

## Strategies in Place

To achieve our objectives, the management strategically strives to enhance stakeholders' value and customer satisfaction. The shareholders' value is maximized through return on investment, which management believes can be achieved through revenue maximization and cost control measures.



### Sales and Marketing

Sales and Marketing targets and budgets are aggressively set-forth by management to achieve highest possible returns. The targets are backed by seriously thought-out strategies coupled with ownership of all stakeholders and management's commitment to ensure achievement of the same. Major strategies devised to ensure achievement of targets are:

- Dealers' revamping, performance review and their profitability
- Development of market Intelligence tools for informed decision making
- Enhanced engagement with dealers for quality feedback



### Quality Initiative

AGTL is an ISO certified company since 1994. The company has paramount focus on quality of its tractors and a road map to achieving this objective, the company has placed several quality control strategies.

The company invests regularly in Product Quality Development and improvements are regularly incorporated in the tractor's parts and production processes.

For achievement of quality objective, a number of initiatives were introduced including construction of Quality Assurance lab, construction of store shed and a comprehensive coordinated activity was launched in collaboration with principal CNH to add value to the production processes.

Collaboration with CNHi also included action plans and trainings and exposure of AGTL staff at CNHi facilities to improve quality.



### After Sales Services

Exceptional after sales service forms part of the Company's long enduring strategy. The Company puts strong focus on After Sales Service which is the basis of customer's satisfaction. Following strategies were introduced to achieve the After Sales Services objectives:

- Free Service Camps
- Organizing Engineer's Club Convention
- Set up of Centralized Call Center
- Customer Desk Facility
- Expansion of Workshops in all regions



### Cost Management

With effective cost control and efficient energy management the company focuses to keep the variable cost down adding to overall profitability.

To reduce Company's exposure and vulnerability, linked with raw material cost, the Company is constantly focusing on consolidation, elevation, and enhanced engagement with the component vendors to bring economies of scale while improving Company's profitability.

# Resource Allocation Plan

Significant resources of the Company comprise of, but not limited to, human, financial and technological resources. We hire professional associates and technical experts who continuously strive to ensure that our production and control processes and systems are working efficiently and effectively and are constantly being modernized.

Further, financial resources are managed effectively through optimized credit control and efficient treasury management, focusing on cash flow forecasting.

## Our Strategy

AGTL is committed to increase revenue and it streams to optimize shareholders' wealth and offer our best efforts to provide optimal value to all our stakeholders for their engagement with the Company.



### Human Capital

The Company's most important asset is its human capital. The Company has in place comprehensive human resource policies and procedures for recruitment, compensation, staff development and management succession.



### Manufactured Capital

AGTL plant manufactures New Holland (Fiat) tractors in technical collaboration with CNHI - Case New Holland, the number one manufacturer of agricultural tractors in the world.

AGTL plant is an icon of engineering dynamics operating on high efficiency. With impregnable Quality Control and Quality Assurance practices, quality improvement systems exist at every level. The Company is committed to improve product quality at both incoming and assembly stages.



### Financial Capital

The Company currently has a strong financial base with capital structure comprised of Rs.289.8 million share capital representing 57.9 million ordinary shares of Rs.5/- each with market capitalization of over 21 billion.

Current short-term finance of the Company stands at Rs.3.6 billion. However, the Company believes that with the release on sale tax refund from government authorities will help reduce short-term finance.

The Company has also allocated sizeable amount for marketing purposes. The budget is being provided to all department heads to further set their targets of resource allocation in line with the Company's objectives for effective usage of funds so allocated.



### Intellectual Capital

Information Management and Information Technology is built into AGTL's strategy. IT system plays an important role in supporting AGTL's current operations and its new initiatives.

Our ERP system continues to integrate all function across the Company, facilitating greater efficiency and effectiveness of all processes and controls.



### Social and relationship capital

AGTL values the stake holders, customers, employees and the investors. The management works to ensure that all supply chain associates, dealers, shareholders and employees share in the company's growth and prosperity. We invest in a series of initiatives that enhance collaboration and ongoing dialogue with our customers and vendors. We also contribute to the sustainable growth of our communities by offering job for local skilled and unskilled manpower.

## Significant Changes in Objectives and Strategies from Previous Period

There are no major changes in the organizational overview. The Company remains well poised to capture market opportunities and meet expectations customers. During the year, economic halt due to COVID-19 pandemic adversely affected the operations and sales. However, with reduction in number of COVID-19 cases, supportive monetary and fiscal policy and re-opening of businesses has demonstrated growth in sales.

## Critical Performance Indicators

Following are some of the critical performance indicators against stated objectives of the Company;

- Quality product at the lowest price;
- Efficiency and effectiveness of each production process;
- Creating value for the shareholders;
- Employee retention and satisfaction;
- Compliance with laws and regulations;
- Consistent corporate achievements and excellence;
- Development of local community

The Company believes that these indicators will continue to be relevant in the future as well.

## Liquidity Analysis and Strategies to Overcome Liquidity Problems

The management of the Company has years of experience in liquidity management. Management always strives to maintain a strong liquidity position to ensure availability of sufficient working capital besides identification and mitigation of cash flow risks.

Revenue receipts from sales are managed through optimized control of customer credit, in addition to securing advance customer orders and cash sales. Regular forecasting of cash flows and aging analysis are also carried out to maintain an optimum working capital cycle.

## Significant Plans and Decisions

The Company believes in continuous corporate restructuring according to the market norms to achieve its objectives. However, major business expansions and discontinuance need of operations will be addressed when necessitated by circumstances.

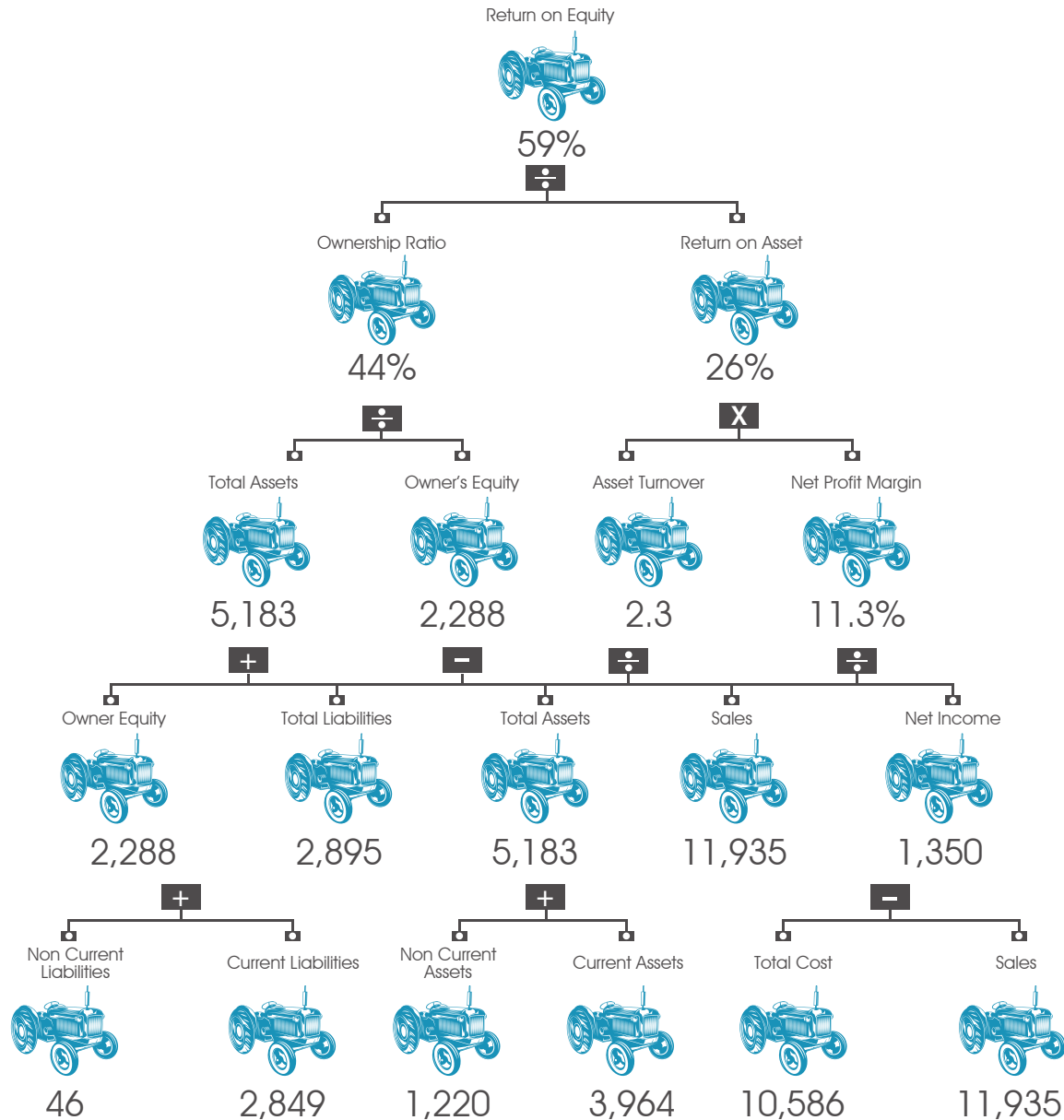
# Performance Analysis



# Key Operating and Financial Data

	2020	2019	2018	2017	2016	2015
<b>Quantative Data</b>						
Sales	12,142	15,719	23,933	24,423	16,206	13,385
Production	12,654	15,400	24,823	24,091	16,005	13,584
<b>(Rupees in '000)</b>						
<b>Profitability</b>						
Revenue	11,935,172	13,992,388	19,372,522	18,871,448	12,098,828	9,636,109
Gross profit	2,770,502	2,544,716	4,665,484	5,259,738	3,348,741	2,499,478
Depreciation	81,512	80,836	70,061	59,042	58,112	46,147
Operating Profit (before investment income)	1,887,289	1,330,943	3,705,802	4,476,958	2,752,486	1,967,602
Investment income	40,618	17,581	29,033	108,055	125,039	424,444
Profit before taxation	1,927,907	1,348,524	3,734,835	4,585,013	2,877,525	2,392,046
Income tax expense	578,250	370,872	1,282,321	1,461,893	950,641	799,763
Profit for the year	1,349,657	977,652	2,452,514	3,123,120	1,926,884	1,592,283
Earnings before investment income, tax and depreciation (EBITDA)	1,968,801	1,411,779	3,775,863	4,536,000	2,810,598	2,013,749
Manpower Cost - Direct	302,194	345,368	375,240	336,868	266,484	224,434
Manpower Cost - Indirect	283,646	287,773	303,572	236,217	217,209	263,981
Total Manpower Cost	585,840	633,141	678,812	573,085	483,693	488,415
<b>Financial position</b>						
Fixed assets	1,066,974	1,068,382	828,804	714,732	649,897	612,208
Other non-current assets	4,941	4,757	4,696	4,660	5,818	2,913
Employee benefit prepayments	36,197	-	-	-	-	-
Deferred tax asset	111,756	87,090	-	-	-	-
	1,219,868	1,160,229	833,500	719,392	655,715	615,121
Current assets	3,963,576	4,315,154	5,951,957	5,161,939	3,988,601	5,789,546
Current liabilities	2,849,239	4,442,078	5,299,961	3,670,255	1,202,327	549,079
Net working capital	1,114,337	(126,924)	651,996	1,491,684	2,786,274	5,240,467
Less: Non-current liabilities	46,083	129,588	116,099	85,260	82,520	67,008
Capital employed	2,288,122	903,717	1,369,397	2,125,816	3,359,469	5,788,580
<b>Represented by:</b>						
Share capital	289,821	289,821	289,821	289,821	289,821	289,821
Reserves	1,049,000	-	-	1,000,000	1,000,000	1,000,000
Unappropriated profit	949,301	613,896	1,079,576	835,995	2,069,648	4,498,759
	2,288,122	903,717	1,369,397	2,125,816	3,359,469	5,788,580
<b>Cash Flows</b>						
Operating activities	2,123,646	1,936,798	(1,155,682)	3,827,376	3,239,509	619,833
Investing activities	(37,253)	(303,716)	(151,004)	10,187	986,817	3,702,394
Financing activities	(4,708)	(1,393,589)	(3,713,121)	(3,803,822)	(4,339,794)	(4,321,698)

# Dupont Analysis



## Comments on Dupont Analysis:

Return on Equity decreased by 45% during the year i.e. from 108% in 2019 to 59% in 2020. This decrease is mainly attributable to increase in owner's equity by Rs.1,384 million and decrease in total assets by Rs.292 million coupled with increase in Return on assets by 44% as compared to last year.

Total assets decrease was mainly attributable to decrease in inventory and fixed assets resulting from disposal of major vehicles during the year, while accumulation of general reserves & no payment of dividends during the year resulted in increase of equity.

Asset turnover decreased by 0.3 times while net profit margin increased by 4.3% as compared to last year mainly due to disproportionate decrease in sales as compared to decrease in total assets while net income increased by Rs. 372m as compared to last year.

# Analysis of Financial and Non-Financial Performance

AGTL believes in achievement of business objectives through both financial and non-financial factors. From the financial indicators like Sales revenue, net profit, gearing and liquidity etc. to non-financial indicators like brand image, customer centricity, shareholders satisfaction and human resource development, the Company focuses on all the aspects to maintain sustainable growth and to timely identify key focus areas for remedial actions and growth.

Budgets are set for both financial and non-financial factors and performance is assessed accordingly. Overall, majority of the targets set by the Company were achieved except for few indicators in which deviations were observed mainly due to drastic rupee devaluation, increase in raw material prices, locally as well as imported, uncertain political scenario and overall economic slowdown in automotive industry observed especially in the second half of the year.

## Financial Indicators

### Actual Results

Year 2020 had been a challenging year due to Covid-19 scenario. The Company sold 12,142 tractors during the year 2020 as compared to 15,719 tractors sold in the year 2019. There were various factors contributing to lower sales volume of the year as compared to that of previous year. Covid-19 scenario which ultimately resulted in lockdowns and restricted movement resulted in weakening purchasing power of farmers, persistent economic slowdown contributes to the most significant issues.

Despite severe difficulties, the Company continued its efforts of engaging with customers and ensuring quality improvements and efficiencies. The Company was able to achieve after tax profit of Rs 1,349 million translating into earnings per share (EPS) of Rs 23.28/-

Summarized operating performance of the Company for the current year as compared to last year is as follows:

	2020	2019
	(Rupees in '000)	
Revenue	11,935,172	13,992,388
Gross profit	2,770,502	2,544,716
Profit before taxation	1,927,907	1,348,524
Income tax expense	578,250	370,872
Profit for the year	1,349,657	977,652

Production and sales volumes for the year 2020 and 2019 are as follows:

	2020	2019
	Units	
Sales	12,142	15,719
Production	12,654	15,400

### Budget vs Actuals:

The Company has developed a system of budgeting which enables the preparation of a challenging yet achievable budget. The Company also performs forecasting at each quarter end to reflect the current market situation and changes in assumptions, if any while projecting the rest of the period.

Achievement of the Company against budgeted revenue is as under:

Revenue	(Rupees in '000)
Budget (9+3F)	14,144
Actual	11,935

### Methods and Assumptions in Compiling Indicators

The Company has identified indicators that effectively reflect the Company's performance and profitability. The Company analyses its market positioning, competitors and general market conditions while compiling key indicators.

Sales are monitored on daily basis through various management reports and future lines of actions are decided accordingly. Gross profit, expenses, profit after tax and EPS are monitored on monthly basis to gauge performance. For management reporting purposes, the Company has developed a mix of system based on ERP and dashboard reports to compute various KPI's.

An effective financial reporting system coupled with various management reports and a three layer review system enables AGTL to report accurate, complete and reviewed information to all its stakeholders.

### Non-Financial Indicators

Objective	Monitoring
<b>Manufactured Capital</b>	
Product Development	Research and Development projects undertaken in collaboration with CNHi to enable production of high quality tractors bearing low cost
Market Share	Challenging vendor situation and supply constraint during the second half of the year, resulted in decline in market share
Operational Efficiency and Effectiveness	Continuous commitment to operational effectiveness through monitoring of production efficiency ratios and minimal production losses
Economize on Cost – Eliminating Redundancies	Optimum utilization of resources resulting in elimination of redundant costs
<b>Human Capital</b>	
Health, Safety and Environment	Effective system of horticulture and annual plantation project results in better environment for the employees.
Training and Education	Continuous training of employees and workers. Monitoring training need analysis with special focus on safety at work
<b>Relationship Capital</b>	
Supplier relationship	Timely payment to vendors to enhance vendor confidence and reliance
Customer relationship	Providing exquisite after sales services and support services to enhance customer loyalty and trust worthiness

# Analysis of Financial Ratios

	2020	2019	2018	2017	2016	2015
<b>Profitability Ratios</b>						
Gross profit ratio	23.21%	18.19%	24.08%	27.87%	27.68%	25.94%
Pre-tax profit ratio	16.15%	9.64%	19.28%	24.30%	23.78%	24.82%
Net profit to Sales	11.31%	6.99%	12.66%	16.55%	15.93%	16.52%
EBITDA margin to sales	16.50%	10.09%	19.49%	24.04%	23.23%	20.90%
Operating Leverage ratio	-2.68	2.25	-6.31	1.10	1.55	0.85
Return on asset	26.04%	17.86%	36.14%	53.10%	41.49%	24.86%
Return on Equity / Capital employed	58.99%	108.18%	179.09%	146.91%	57.36%	27.51%
<b>Liquidity Ratios</b>						
Current Ratio	1.39	0.97	1.12	1.41	3.32	10.54
Quick Ratio	0.69	0.34	0.46	0.78	2.13	6.61
Cash to current liabilities	0.08	0.04	0.06	0.37	1.10	4.24
<b>Activity / Turnover Ratios</b>						
Inventory turnover ratio	3.83	3.64	5.05	7.37	4.89	3.30
Receivables turnover ratio	2,480	423	565	129	79	464
Creditors turnover ratio	28	26	22	22	18	11
Fixed assets turnover ratio	11.19	13.10	23.37	26.40	18.62	15.74
Total assets turnover ratio	2.30	2.56	2.86	3.21	2.61	1.
<b>Operating Cycle</b>						
No. of days in inventory	95	100	72	50	75	112
No. of days in receivables	0	1	1	3	5	1
No. of days in payables	13	14	17	17	20	34
Operating Cycle	83	87	56	36	59	78
<b>Capital Structure Ratios</b>						
Financial leverage ratio	0.75	0.88	0.44	-	-	-
Weighted average cost of debt	0.00%	10.87%	3.10%	-	-	-
Debt to equity ratio (As per book value)	0.08	4.02	2.90	-	-	-
Debt to equity ratio (As per market value)	0.07	0.17	0.12	-	-	-
Interest cover ratio	14.22	4.38	30.74	-	-	-
<b>Investment / Market ratios</b>						
Pre-Tax Earning per share ( Basic and diluted) - Rs	33.26	23.26	64.43	79.10	49.64	41.27
Post -Tax Earning per share ( Basic and diluted) - Rs	23.28	16.87	42.31	53.88	33.24	27.47
Price earnings ratio	15.95	21.79	12.90	11.41	17.15	15.03
Dividend yield ratio	5.76%	4.08%	7.14%	14.24%	13.16%	20.58%
Dividend ratio	17.37	24.50	14.00	7.02	7.60	4.86
Dividend payout ratio	91.86%	88.93%	92.17%	162.40%	225.61%	309.43%
Dividend cover	1.09	1.12	1.08	0.62	0.44	0.32
Dividend per share	21.39	15.00	39.00	87.50	62.50	85.00
Dividend payout - Rs ' 000	1,239,854	869,463	2,260,604	5,071,868	4,347,315	4,926,957
Cash dividend - %	428%	300%	780%	1750%	1500%	1700%
Market value per share - Rs						
- Closing	371.5	367.5	546.00	614.55	570.00	413.00
- High	418.8	564.0	775.31	784.04	718.89	564.00
- Low	210.2	232.0	490.04	525.00	378.78	295.00
Market capitalisation - Rs Million	21,531	21,302	31,648	35,622	33,039	23,940
Breakup value per share - Rs	39.47	15.59	23.62	36.67	57.96	99.86
Market price to break up value	9.41	23.57	23.11	16.76	9.83	4.14
Earning Yield ( %)	6.27%	4.59%	7.75%	8.77%	5.83%	6.65%

# Comments on Ratios

## **Profitability Ratios**

The Company's sound business performance is depicted through favorable profitability ratios over the years. FY 2017 and 2018 witnessed giant leap forward with respect to profitability of the Company as the Company made historic achievements in profitability and posted ever highest profits. During the year 2020, the Company was faced with various challenges like COVID-19 and consequent lock down scenario, deaccelerated economic activity, dwindling PKR parity against USD. Even in the midst of such a challenging environment, the Company posted healthy profitability ratios resulting from immaculate management growth strategies.

## **Liquidity and Turnover Ratios**

The liquidity position has improved substantially mainly due to optimization of inventory resulting in reduced financial cost. However, the Company ensures that it has sufficient credit lines at its disposal to keep itself liquid and maintain its ability to pay its creditors and banks. Furthermore, the Company is working on various measures to reduce its working capital.

## **Market Ratios**

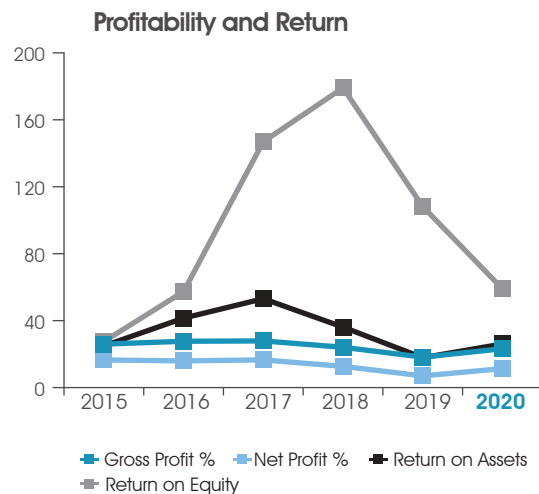
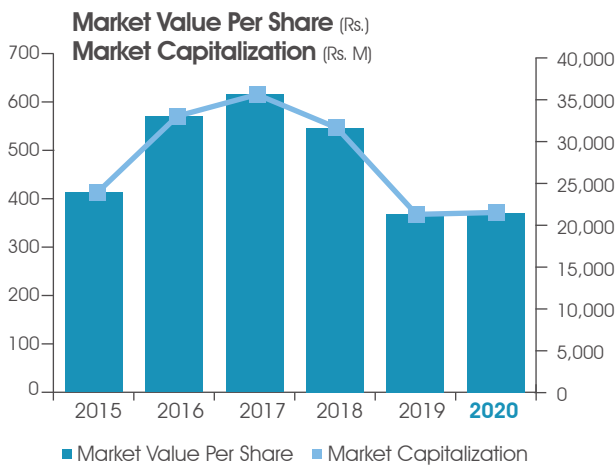
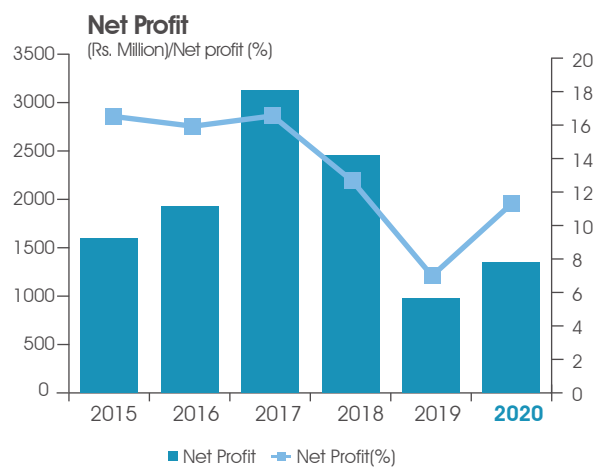
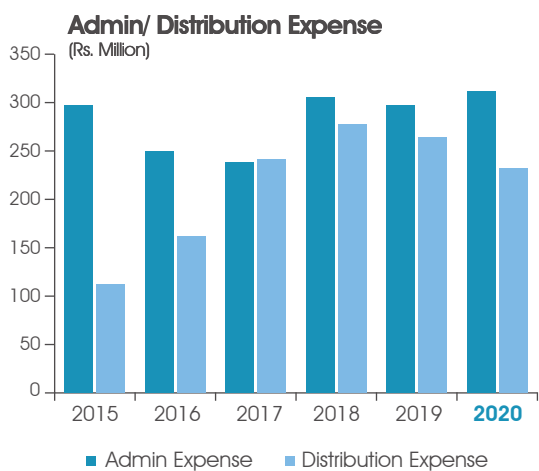
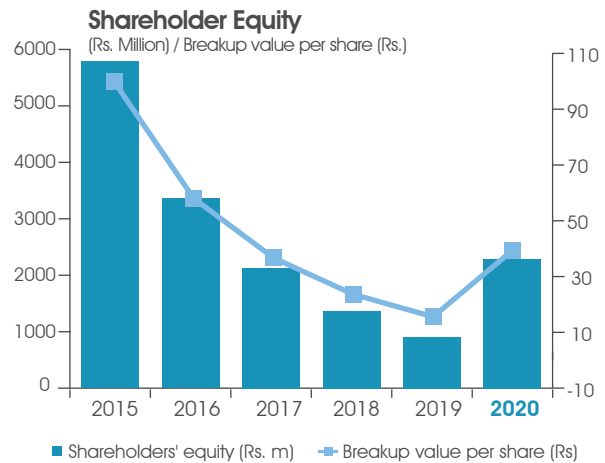
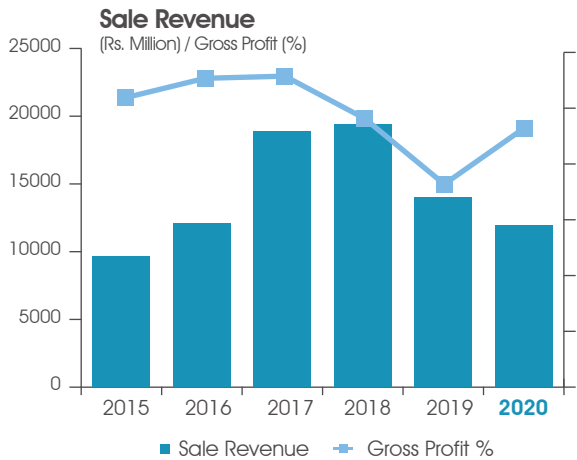
Market Ratios are the direct reflection of the performance of the Company. In the year 2020 market price per share and EPS increased from last year resulting from increased profitability owing to rigorous cost discipline, restricted price increase to vendors and other various turnaround strategies by management. AGTL has continuously maintained a dividend yield beyond the market norms in order to compensate its shareholders handsomely.

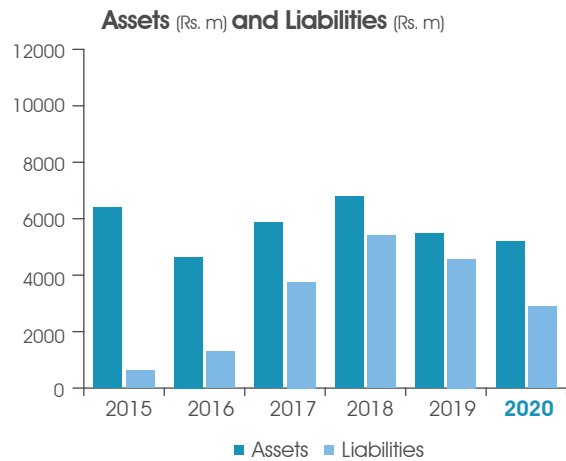
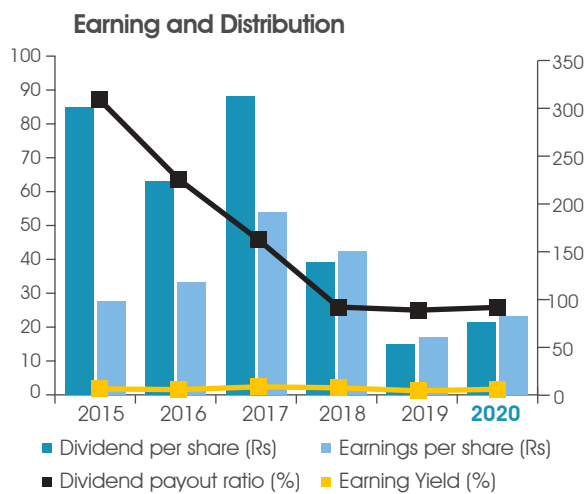
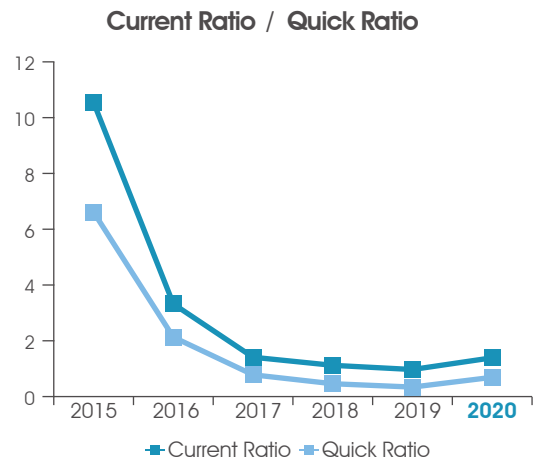
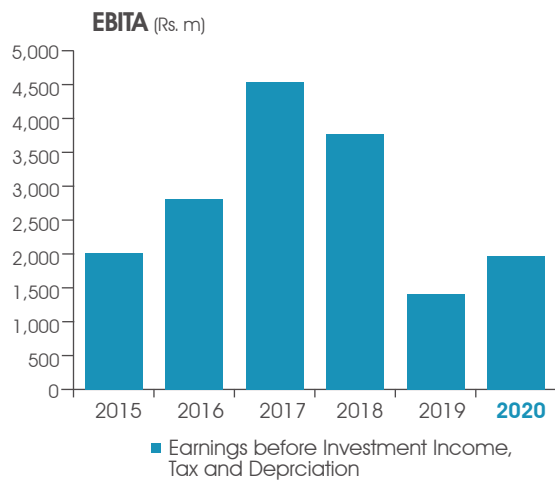
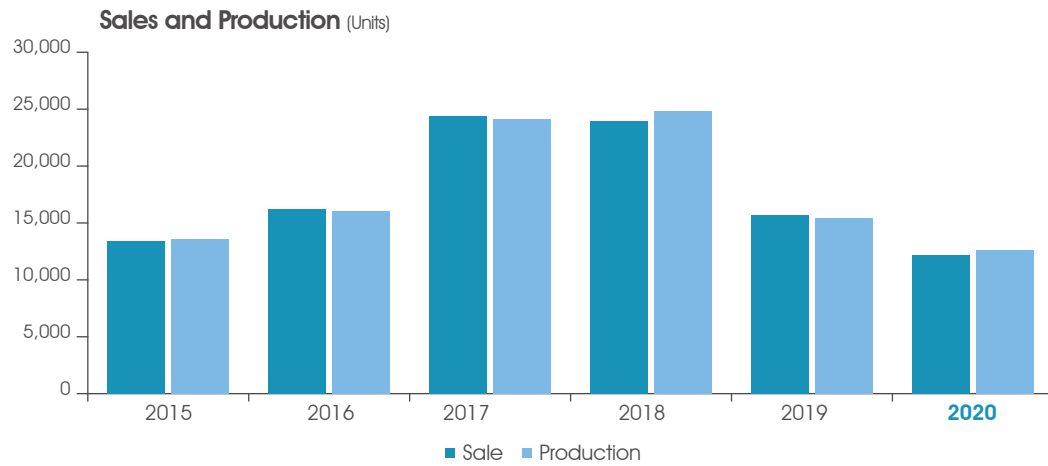
## **Capital Structure Ratios**

The Company continuously monitors its capital structure and aims to keep it at its optimum level. The Company remained debt free throughout its operation since the beginning, however, accelerated dividend payments during years 2015-2017 and long outstanding sales tax due from government resulted in utilization of Overdraft facility from banks in 2018.

Capital structure ratios went significantly downwards in 2020 as compared to last year mainly due increase in equity owing to accumulation of general reserve amounting to Rs. 1 billion and no dividend payments during the year.

# Graphical Analysis





# Six Years Horizontal Analysis

	2020	2019	2018	2017	2016	2015
	(Rupees in '000)					
<b>BALANCE SHEET</b>						
Fixed assets	1,066,974	1,068,382	828,804	714,732	649,897	612,208
Long-term investments					-	-
Long-term loans and deposits	4,941	4,757	4,696	4,660	5,818	2,913
Employee benefit prepayments	36,197	-	-	-	-	-
Deferred tax asset	111,756	87,090	-	-	-	-
Inventories	2,004,517	2,786,893	3,507,588	2,321,164	1,427,617	2,149,374
Trade receivables	-	9,624	56,606	12,023	279,759	27,759
Loan and advances	86,561	93,216	132,337	201,688	94,042	62,048
Trade deposits and short-term prepayments	24,925	7,398	43,305	11,871	6,119	6,821
Interest accrued	197	-	1	947	4,307	61,114
Other receivables	8,225	108,134	12,964	11,972	40,849	38,411
Taxation - payments less provision	157,786	347,462	108,040	40,075	-	70,828
Refunds due from the Government	1,450,847	773,334	1,797,206	1,221,688	819,138	1,017,953
Other financial assets	-	-	-	-	-	25,000
Cash and bank balances	230,518	189,093	293,910	1,340,511	1,316,770	2,330,238
<b>Total assets</b>	<b>5,183,444</b>	<b>5,475,383</b>	<b>6,785,457</b>	<b>5,881,331</b>	<b>4,644,316</b>	<b>6,404,667</b>
Current liabilities	2,849,239	4,442,078	5,299,961	3,670,255	1,202,327	549,079
Non-current liabilities	46,083	129,588	116,099	85,260	82,520	67,008
<b>Total liabilities</b>	<b>2,895,322</b>	<b>4,571,666</b>	<b>5,416,060</b>	<b>3,755,515</b>	<b>1,284,847</b>	<b>616,087</b>
<b>Capital employed</b>	<b>2,288,122</b>	<b>903,717</b>	<b>1,369,397</b>	<b>2,125,816</b>	<b>3,359,469</b>	<b>5,788,580</b>
Share capital	289,821	289,821	289,821	289,821	289,821	289,821
Reserves	1,998,301	613,896	1,079,576	1,835,995	3,069,648	5,498,759
<b>Capital employed</b>	<b>2,288,122</b>	<b>903,717</b>	<b>1,369,397</b>	<b>2,125,816</b>	<b>3,359,469</b>	<b>5,788,580</b>
<b>PROFIT AND LOSS ACCOUNT</b>						
Revenue	11,935,172	13,992,388	19,372,522	18,871,448	12,098,828	9,636,109
Cost of sales	9,164,670	11,447,672	14,707,038	13,611,710	8,750,087	7,136,631
<b>Gross profit</b>	<b>2,770,502</b>	<b>2,544,716</b>	<b>4,665,484</b>	<b>5,259,738</b>	<b>3,348,741</b>	<b>2,499,478</b>
Distribution expenses	221,904	263,946	276,950	240,830	162,088	111,907
Administrative expenses	322,675	296,763	305,425	237,798	250,336	297,194
	2,225,923	1,984,007	4,083,109	4,781,110	2,936,317	2,090,377
Other income	58,798	61,423	61,902	144,076	153,929	480,052
Other operating expenses	211,025	298,443	284,608	339,244	211,703	177,283
	2,073,696	1,746,987	3,860,403	4,585,942	2,878,543	2,393,146
Finance cost	145,789	398,463	125,568	929	1,018	1,100
<b>Profit before taxation</b>	<b>1,927,902</b>	<b>1,348,524</b>	<b>3,734,835</b>	<b>4,585,013</b>	<b>2,877,525</b>	<b>2,392,046</b>
Income tax expense	578,250	370,872	1,282,321	1,461,893	950,641	799,763
<b>Profit for the year</b>	<b>1,349,657</b>	<b>977,652</b>	<b>2,452,514</b>	<b>3,123,120</b>	<b>1,926,884</b>	<b>1,592,283</b>

# Six Years Horizontal Analysis

	2020	2019	2018	2017	2016	2015
	(Increase / (decrease) from preceeding year in Rupees in '000)					
<b>BALANCE SHEET</b>						
Fixed assets	(1,408)	239,578	114,072	64,835	37,689	145,457
Long-term investments	-	-	-	-	-	(42,800)
Long-term loans and deposits	184	61	36	(1,158)	2,905	782
Employee benefit prepayments	36,197	-	-	-	-	-
Deferred tax asset	24,666	87,090	-	-	-	-
Inventories	(782,376)	(720,695)	1,186,424	893,547	(721,757)	(46,937)
Trade receivables	(9,624)	(46,982)	44,583	(267,736)	252,000	13,963
Loan and advances	(6,655)	(39,121)	(69,351)	107,646	31,994	(16,748)
Trade deposits and short-term prepayments	17,527	(35,907)	31,434	5,752	(702)	(25,398)
Interest accrued	197	(1)	(946)	(3,360)	(56,807)	27,128
Other receivables	(99,909)	95,170	992	(28,877)	2,438	32,262
Taxation - payments less provision	(189,676)	239,422	67,965	40,075	(70,828)	70,828
Refunds due from the Government	677,513	(1,023,872)	575,518	402,550	(198,815)	(263,121)
Other financial assets	-	-	-	-	(25,000)	(1,884,970)
Cash and bank balances	41,425	(104,817)	(1,046,601)	23,741	(1,013,468)	(1,594,471)
<b>Total assets</b>	<b>(291,939)</b>	<b>(1,310,074)</b>	<b>904,126</b>	<b>1,237,015</b>	<b>(1,760,351)</b>	<b>(3,584,025)</b>
Current liabilities	(1,592,839)	(857,883)	1,629,706	2,467,928	653,248	(800,213)
Non-current liabilities	(83,505)	13,489	30,839	2,740	15,512	(20,897)
<b>Total liabilities</b>	<b>(1,676,344)</b>	<b>(844,394)</b>	<b>1,660,545</b>	<b>2,470,668</b>	<b>668,760</b>	<b>(821,110)</b>
<b>Capital employed</b>	<b>1,384,405</b>	<b>(465,680)</b>	<b>(756,419)</b>	<b>(1,233,653)</b>	<b>(2,429,111)</b>	<b>(2,762,915)</b>
Share capital	-	-	-	-	-	-
Reserves	1,384,405	(465,680)	(756,419)	(1,233,653)	(2,429,111)	(2,762,915)
<b>Capital employed</b>	<b>1,384,405</b>	<b>(465,680)</b>	<b>(756,419)</b>	<b>(1,233,653)</b>	<b>(2,429,111)</b>	<b>(2,762,915)</b>
<b>PROFIT AND LOSS ACCOUNT</b>						
Revenue	(2,057,216)	(5,380,134)	501,074	6,772,620	2,462,719	855,424
Cost of sales	(2,283,002)	(3,259,366)	1,095,328	4,861,623	1,613,456	624,089
<b>Gross profit</b>	<b>225,786</b>	<b>(2,120,768)</b>	<b>(594,254)</b>	<b>1,910,997</b>	<b>849,263</b>	<b>231,335</b>
Distribution expenses	(42,042)	(13,004)	36,120	78,742	50,181	10,444
Administrative expenses	25,912	(8,662)	67,627	(12,538)	(46,858)	93,526
	241,916	(2,099,102)	(698,001)	1,844,793	845,940	127,365
Other income	(2,625)	(479)	(82,174)	(9,853)	(326,123)	22,858
Other operating expenses	(87,418)	13,835	(54,636)	127,541	34,420	10,383
	326,709	(2,113,416)	(725,539)	1,707,399	485,397	139,840
Finance cost	(252,674)	272,895	124,639	(89)	(82)	(269)
<b>Profit before taxation</b>	<b>579,383</b>	<b>(2,386,311)</b>	<b>(850,178)</b>	<b>1,707,488</b>	<b>485,479</b>	<b>140,109</b>
Income tax expense	207,378	(911,449)	(179,572)	511,252	150,878	122,570
<b>Profit for the year</b>	<b>372,005</b>	<b>(1,474,862)</b>	<b>(670,606)</b>	<b>1,196,236</b>	<b>334,601</b>	<b>17,539</b>

# Six Years Vertical Analysis

	2020	2020	2019	2019	2018	2018
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
<b>BALANCE SHEET</b>						
Fixed assets	1,066,974	46.63%	1,068,382	118.22%	828,804	60.52%
Long-term investments	-	0.00%	-	-	-	-
Long-term loans and deposits	4,941	0.22%	4,757	0.53%	4,696	0.34%
Employee benefit prepayments	36,197	1.58%	-	-	-	-
Deferred tax asset	111,756	4.88%	87,090	9.64%	-	-
Inventories	2,004,517	87.61%	2,786,893	308.38%	3,507,588	256.14%
Trade receivables	-	0.00%	9,624	1.06%	56,606	4.13%
Loan and advances	86,561	3.78%	93,216	10.31%	132,337	9.66%
Trade deposits and short-term prepayments	24,925	1.09%	7,398	0.82%	43,305	3.16%
Interest accrued	197	0.01%	-	0.00%	1	0.00%
Other receivables	8,225	0.36%	108,134	11.97%	12,964	0.95%
Taxation - payments less provision	157,786	6.90%	347,462	38.45%	108,040	7.89%
Refunds due from the Government	1,450,847	63.41%	773,334	85.57%	1,797,206	131.24%
Other financial assets	-	0.00%	-	0.00%	-	0.00%
Cash and bank balances	230,518	10.07%	189,093	20.92%	293,910	21.46%
<b>Total assets</b>	<b>5,183,444</b>	<b>226.54%</b>	<b>5,475,383</b>	<b>605.87%</b>	<b>6,785,457</b>	<b>495.51%</b>
Current liabilities	2,849,239	124.52%	4,442,078	491.53%	5,299,961	387.03%
Non-current liabilities	46,083	2.01%	129,588	14.34%	116,099	8.48%
<b>Total liabilities</b>	<b>2,895,322</b>	<b>126.54%</b>	<b>4,571,666</b>	<b>505.87%</b>	<b>5,416,060</b>	<b>395.51%</b>
<b>Capital employed</b>	<b>2,288,122</b>	<b>100.00%</b>	<b>903,717</b>	<b>100.00%</b>	<b>1,369,397</b>	<b>100.00%</b>
Share capital	289,821	12.67%	289,821	32.07%	289,821	21.16%
Reserves	1,998,301	87.33%	613,896	67.93%	1,079,576	78.84%
<b>Capital employed</b>	<b>2,288,122</b>	<b>100.00%</b>	<b>903,717</b>	<b>100.00%</b>	<b>1,369,397</b>	<b>100.00%</b>
<b>PROFIT AND LOSS ACCOUNT</b>						
Revenue	11,935,172	100.00%	13,992,388	100.00%	19,372,522	100.00%
Cost of sales	9,164,670	76.79%	11,447,672	81.81%	14,707,038	75.92%
Gross profit	2,770,502	23.21%	2,544,716	18.19%	4,665,484	24.08%
Distribution expenses	221,904	1.86%	263,946	1.89%	276,950	1.43%
Administrative expenses	322,675	2.70%	296,763	2.12%	305,425	1.58%
	2,225,923	18.65%	1,984,007	14.18%	4,083,109	21.08%
Other income	58,798	0.49%	61,423	0.44%	61,902	0.32%
Other operating expenses	211,025	1.77%	298,443	2.13%	284,608	1.47%
	2,073,696	17.37%	1,746,987	12.49%	3,860,403	19.93%
Finance cost	145,789	1.22%	398,463	2.85%	125,568	0.65%
Profit before taxation	1,927,902	16.15%	1,348,524	9.64%	3,734,835	19.28%
Income tax expense	578,250	4.84%	370,872	2.65%	1,282,321	6.62%
Profit for the year	1,349,657	11.31%	977,652	6.99%	2,452,514	12.66%

# Six Years Vertical Analysis

	2017	2017	2016	2016	2015	2015
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
<b>BALANCE SHEET</b>						
Fixed assets	714,732	33.62%	649,897	19.35%	612,208	10.58%
Long-term investments	-	-	-	-	-	-
Long-term loans and deposits	4,660	0.03%	5,818	0.03%	2,913	0.03%
Employee benefit prepayments	-	-	-	-	-	-
Deferred tax asset	-	-	-	-	-	-
Inventories	2,321,164	109.19%	1,427,617	42.50%	2,149,374	37.13%
Trade receivables	12,023	0.57%	279,759	8.33%	27,759	0.48%
Loan and advances	201,688	9.49%	94,042	2.80%	62,048	1.07%
Trade deposits and short-term prepayments	11,871	0.56%	6,119	0.18%	6,821	0.12%
Interest accrued	947	0.04%	4,307	0.13%	61,114	1.06%
Other receivables	11,972	0.56%	40,849	1.22%	38,411	0.66%
Taxation - payments less provision	40,075	1.89%	-	0.00%	70,828	1.22%
Refunds due from the Government	1,221,688	57.47%	819,138	24.38%	1,017,953	17.59%
Other financial assets	-	0.00%	-	0.00%	25,000	0.43%
Cash and bank balances	1,340,511	63.06%	1,316,770	39.20%	2,330,238	40.26%
<b>Total assets</b>	<b>5,881,331</b>	<b>276.66%</b>	<b>4,644,316</b>	<b>138.25%</b>	<b>6,404,667</b>	<b>110.64%</b>
Current liabilities	3,670,255	172.65%	1,202,327	35.79%	549,079	9.49%
Non-current liabilities	85,260	4.01%	82,520	2.46%	67,008	1.16%
<b>Total liabilities</b>	<b>3,755,515</b>	<b>176.66%</b>	<b>1,284,847</b>	<b>38.25%</b>	<b>616,087</b>	<b>10.64%</b>
<b>Capital employed</b>	<b>2,125,816</b>	<b>100.00%</b>	<b>3,359,469</b>	<b>100.00%</b>	<b>5,788,580</b>	<b>100.00%</b>
Share capital	289,821	13.63%	289,821	8.63%	289,821	5.01%
Reserves	1,835,995	86.37%	3,069,648	91.37%	5,498,759	94.99%
<b>Capital employed</b>	<b>2,125,816</b>	<b>100.00%</b>	<b>3,359,469</b>	<b>100.00%</b>	<b>5,788,580</b>	<b>100.00%</b>
<b>PROFIT AND LOSS ACCOUNT</b>						
Revenue	18,871,448	100.00%	12,098,828	100.00%	9,636,109	100.00%
Cost of sales	13,611,710	72.13%	8,750,087	72.32%	7,136,631	74.06%
Gross profit	5,259,738	27.87%	3,348,741	27.68%	2,499,478	25.94%
Distribution expenses	240,830	1.28%	162,088	1.34%	111,907	1.16%
Administrative expenses	237,798	1.26%	250,336	2.07%	297,194	3.08%
	4,781,110	25.34%	2,936,317	24.27%	2,090,377	21.69%
Other income	144,076	0.76%	153,929	1.27%	480,052	4.98%
Other operating expenses	339,244	1.80%	211,703	1.75%	177,283	1.84%
	4,585,942	24.30%	2,878,543	23.79%	2,393,146	24.84%
Finance cost	929	0.00%	1,018	0.01%	1,100	0.01%
Profit before taxation	4,585,013	24.30%	2,877,525	23.78%	2,392,046	24.82%
Income tax expense	1,461,893	7.75%	950,641	7.86%	799,763	7.72%
Profit for the year	3,123,120	16.55%	1,926,884	15.93%	1,592,283	16.52%

# Comments on Horizontal & Vertical Analysis

## Statement of Profit or Loss

### Sales Revenue

The Company has demonstrated steady growth in revenue every year. However, revenue in 2020 has decreased by 15% mainly due to decreased in sales volume owing to overall decrease in tractor market affected by COVID-19. AGTL management to sell 12,142 tractors during the current year as compare to 15,719 sold in 2019.

### Gross Profit

The gross margin of the Company has remained under pressure during last few years owing to significant rupee devaluation, but Lean management, rigorous cost discipline and other various turnaround strategies implemented by management assisted in achieving an implausible Gross Profit during the current year. GP% of the company stands at 23% as compared to 18% last year.

### Overheads

The Company strongly believes in cost saving initiatives and effective controls over expenditures to curtail its expenses. Annual growth of overheads, from 2015 to 2020, exhibited an increase of 6%, which is mainly attributable to increased inflation observed from year on year basis.

### Finance Cost

Finance cost decreased significantly during the year as compared to previous years as a result of deaccelerated utilization of short-term borrowing resulting from immaculate working capital management policies introduced by management. Decrease in borrowing rates by State Bank of Pakistan also resulted in decreased finance cost.

### Other Income

Other income mainly represents income from investments. A declining trend in other income is mainly due to payment of extra ordinary dividends from the year 2015 onwards. This ultimately resulted in reduced investments in the financial market and hence reduced investment income.

### Profitability

2020 has proved to be a very challenging for automobile / tractor market mainly due to Covid-19 scenario. Despite several challenges amid Covid-19 and lockdown scenario, the Company was able to achieve a profit after tax of Rs. 1,349 million as compared to Rs. 977 million in 2019 i.e. an increase of 38%. The increase is mainly due to increase in GP% owing to cost management strategies implemented by management to control the raw material cost including deferring cost price increase to vendors.

## Statement of Financial Position

### Equity and Reserves

Equity and reserves have increased as compared to last year mainly due to increased profits made during the current year as well as no payment of dividends to the stakeholders.

### Fixed Assets

Fixed assets of the Company grew over past six years from Rs.612 million in 2015 to Rs. 1,066 million in 2020. The increase is mainly attributable to capitalization of various machinery related to Quality Lab, Store sheds and other additions to fixed assets related to employee benefits.

### Stock in trade

The Company makes all efforts to maintain raw material and components inventory at safety stock levels to minimize production disruptions due to supply chain issues of auto sector. Notable decline in inventory as at Dec 31, 2020 was mainly due parking of fewer tractors as at year end owing to better planning and recording of aging based provision as per AI Futtaim policy from 2019 onwards.

### Refunds due from the Government

This represents sales tax refunds arising due to difference in the rate of input tax @ 17% and the output tax @ 5%. Significant amount of sales tax refund remained outstanding from the Government at year end 2020.

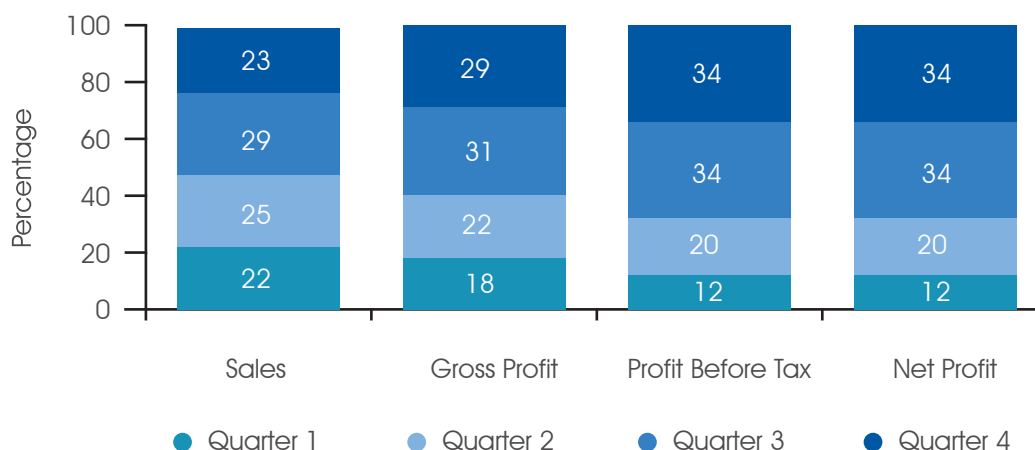
Refund claims totaled Rs.1,450 million which represents a significant increase of 88% as compared to last year. This increase is due to no recovery / release of refund from Government during the current year as compare to Rs. 2 Billion received in 2019.

### Cash and bank balances

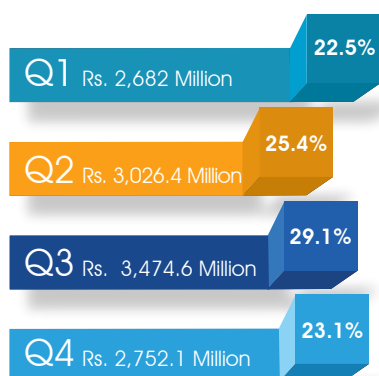
High dividend payouts from year 2015 onwards have resulted in utilization of short-term finances from bank to cater the working capital requirement. Cash in bank amounted to Rs.230 million while short term borrowing from bank amounted to Rs.1.58 billion.

# Quarterly Analysis

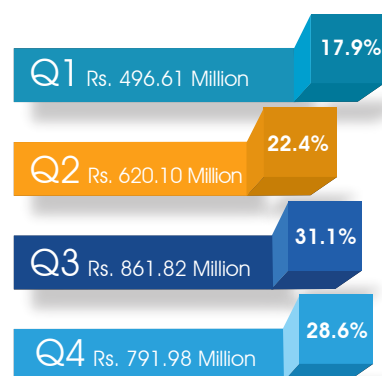
	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter	Annual
Revenue	2,682,074	3,026,395	3,474,575	2,752,128	11,935,172
Cost of sales	(2,185,467)	(2,406,294)	(2,612,760)	(1,960,149)	(9,164,670)
Gross profit	496,607	620,101	861,815	791,979	2,770,502
Gross profit %	18.5%	20.5%	24.8%	28.8%	23.2%
Distribution expenses	(58,367)	(63,031)	(54,863)	(45,643)	(221,904)
Administrative expenses	(74,289)	(117,738)	(76,676)	(53,972)	(322,675)
	(132,656)	(180,769)	(131,539)	(99,615)	(544,579)
Other income	6,573	5,544	32,887	13,794	58,798
Other operating expenses	(50,538)	(39,502)	(89,868)	(31,117)	(211,025)
Operating Profit	319,986	405,374	673,295	675,041	2,073,696
Finance cost	(87,052)	(29,339)	(13,841)	(15,557)	(145,789)
Profit before taxation	232,934	376,035	659,454	659,484	1,927,907
Income tax expense	(66,931)	(106,487)	(205,988)	(198,844)	(578,250)
Profit for the year	166,003	269,548	453,466	460,640	1,349,657
	6.2%	8.9%	13.1%	16.7%	11.3%



## Sales Rs. 11,935.2 Million



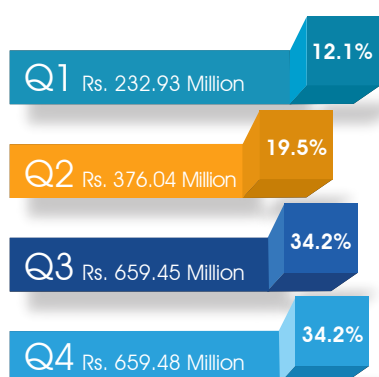
## Gross Profit Rs. 2,770.5 Million



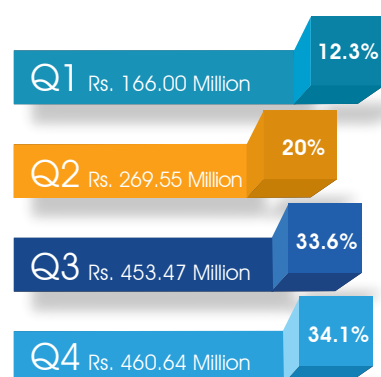
Various challenges including overall economic slow-down, currency devaluation, locust attacks, COVID-19 driven supplies disruptions etc. impacted tractor market in first and second quarter and led to its sharp shrinkage of 32% versus SPLY. With the start of third quarter, things started to improve as a result of Company's persistent marketing efforts and positive agriculture related cash flows. It helped in building sales momentum as AGTL achieved the highest sales revenue in the third quarter in line with sales volume.

The gross profit was highest in the third quarter in line with sales revenue and overall economic stability. The increase in raw material prices, exchange devaluation and other inflationary factors affected the gross profit for first half. The effect of increase in selling price coupled with restricted price increase passed onto vendors started to reflect positively from third quarter onwards thus increasing the gross profit for the whole year.

## Profit Before Tax Rs. 1,927.9 Million



## Profit After Tax Rs. 1,349.66 Million



PBT remained consistent with the gross profit as despite testing economic times the Company kept effective controls over operating expenses and performed exceptionally well on balance sheet health improvements and effective working capital management which resulted in sustainable free cash flows' generation, optimal inventory levels' and an improved debt to equity ratios, thus also reducing the finance cost. All the above measures supported the Company to arrive at the margin of 11.3%

PAT followed the similar trend as that of PBT. This translates into Earning per share of Rs. 23.28 for the year.

# Direct Cash Flow Statement

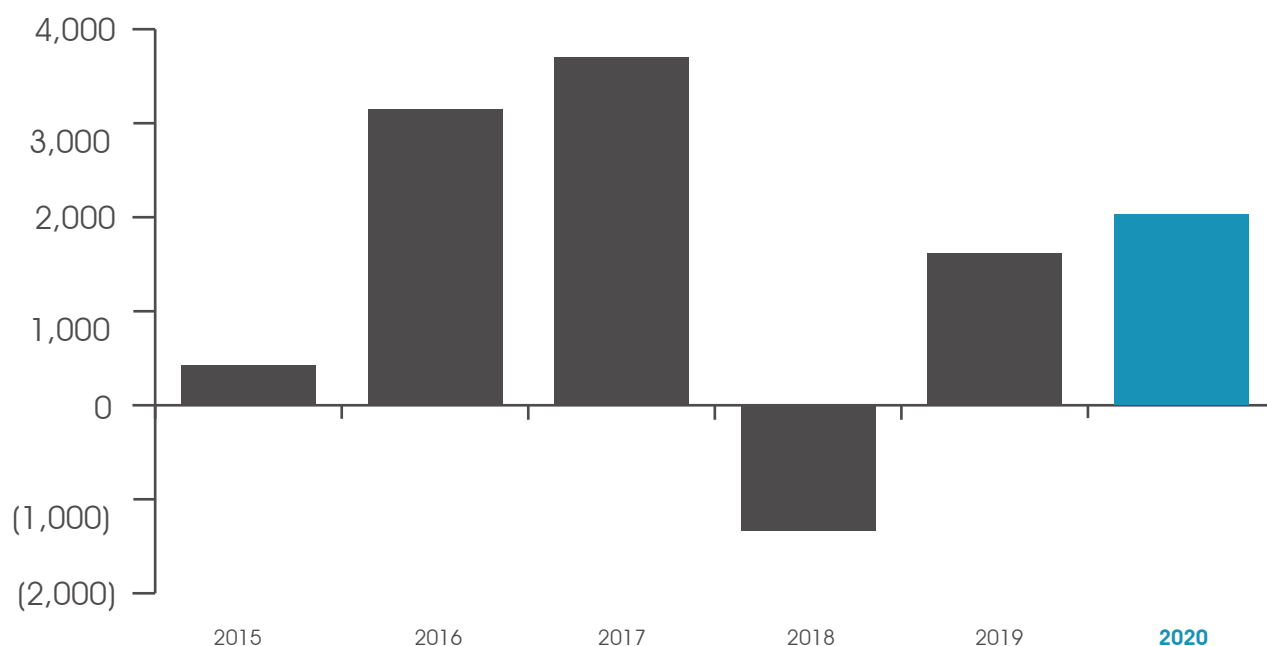
	2020	2019
	(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	12,024,417	14,051,549
Cash paid to suppliers / service providers and employees	(8,348,991)	(11,985,613)
Workers Funds	(125,380)	(158,954)
Income tax paid	(413,240)	(727,824)
Sales tax refund / (payment)	(677,513)	1,023,872
Finance Cost paid	(234,928)	(359,256)
Retirement benefits	(105,411)	(26,671)
Loans, deposits and other operating income - net	4,691	119,694
Net cash (used) / generated from operating activities	2,123,646	1,936,797
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(94,945)	(320,631)
Proceeds from disposal of fixed assets	15,616	879
Return on bank deposits	40,421	17,582
(Increase) / decrease in long-term loans	1,656	(1,546)
Net cash (used) / generated from investing activities	(37,252)	(303,716)
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid	(4,708)	(1,393,589)
<b>Net (decrease) / increase in cash and cash equivalents</b>	2,081,685	239,492
<b>Cash and cash equivalents at the beginning of the year</b>	(3,439,803)	(3,679,296)
<b>Cash and cash equivalents at the end of the year</b>	(1,358,119)	(3,439,803)

# Free Cash Flows

	2020	2019	2018	2017	2016	2015
	(Rupees in '000)					
Profit before taxation	1,927,907	1,348,524	3,734,835	4,585,013	2,877,525	2,392,046
Adjustment of non cash items	204,542	475,355	175,568	(47,148)	(33,327)	(339,357)
working capital changes	(8,803)	112,919	(5,066,085)	(710,489)	395,311	(1,432,856)
Net cash generated from operating activities	2,123,646	1,936,798	(1,155,682)	3,827,376	3,239,509	619,833
Capital expenditure	(94,945)	(320,631)	(184,195)	(129,451)	(95,875)	(191,609)
Free Cash flows	2,028,701	1,616,167	(1,339,877)	3,697,925	3,143,634	428,224

## Comments :

Increase in free cash flows is mainly due to increase profitability and reduce capital expenditure during the year.



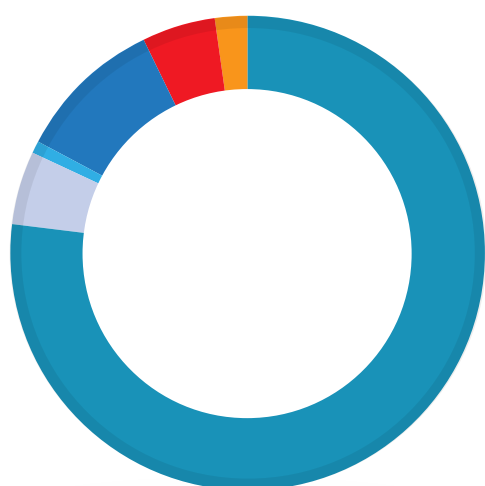
# Statement of Value Addition

## Wealth Generated

	2020		2019	
	(Rupees in '000)	%	(Rupees in '000)	%
Sales	11,935,172	99.5%	13,992,388	99.6%
Other income	58,798	0.5%	61,423	0.4%
	<u>11,993,970</u>	<u>100%</u>	<u>14,053,811</u>	<u>100%</u>

## Distribution of Wealth

Cost of sales & overheads (excluding remuneration)	9,187,686	77%	11,692,867	83%
To employees as remuneration	585,840	5%	633,141	5%
To government as tax	578,250	5%	370,872	3%
WPPF and WWF	147,680	1%	109,268	1%
To shareholders as dividend	1,239,854	10%	869,463	6%
Cash Retained within the business	254,659	2%	378,200	3%
	<u>11,993,970</u>	<u>100%</u>	<u>14,053,811</u>	<u>100%</u>



● Cost of sales & overheads	77%
● To government as tax	5%
● WPPF and WWF	1%
● To shareholders as dividend	10%
● To employees as remuneration	5%
● Retained within the business	2%

# Economic Value Added

	2020	2019
	(Rupees in '000)	
Net Operating Profit after Tax	1,495,446	1,376,115
Cost of Capital	(134,109)	(51,025)
Economic Value Added	1,361,337	1,325,090
Total Assets	5,183,444	5,475,383
Current Liabilities	(2,849,239)	(4,442,078)
Invested Capital	2,334,205	1,033,305
WACC	5.75%	4.94%
Cost of Capital	134,109	51,025

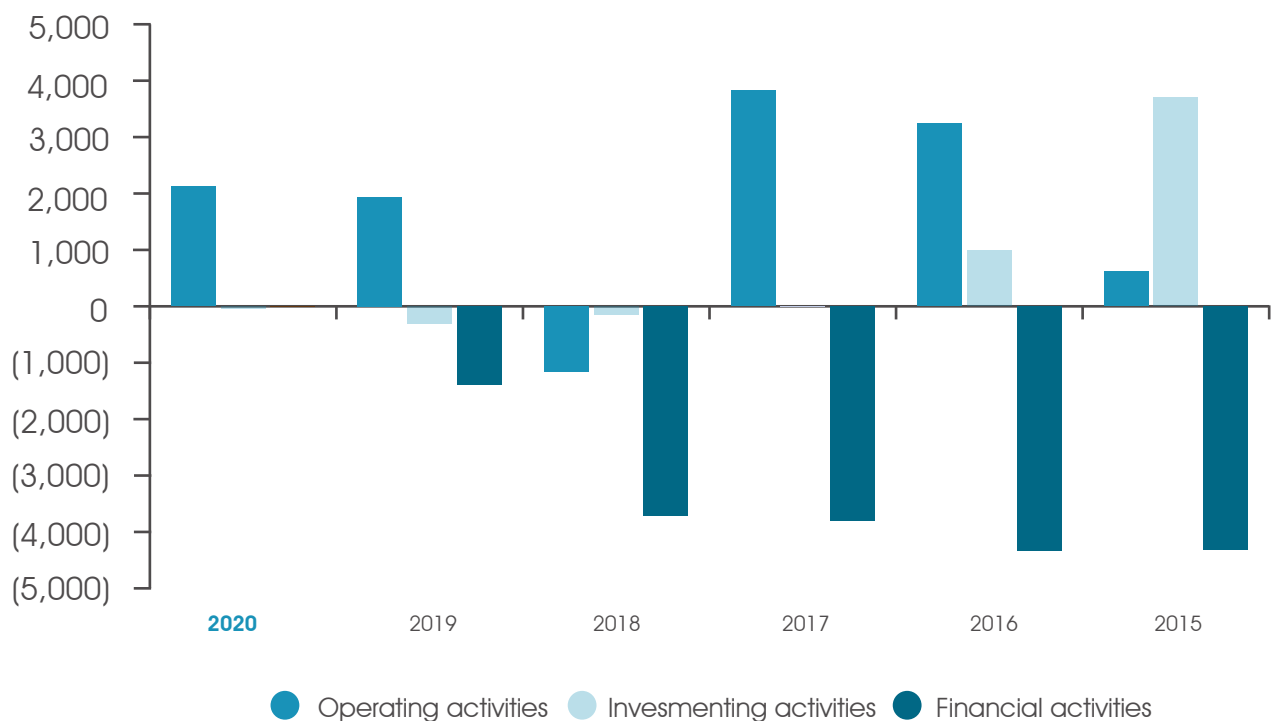


## Comments on Economic Value Added

Economic value addition has increase over last year mainly on account on increase operating profit as compared to last year. The Company has significantly reduced WACC in current year as compared to 2019 mainly on account of reduce cost of equity owing to no dividend per share in the current period.

# Summary of Statement of Cash Flows-Last Six Years

	2020	2019	2018	2017	2016	2015
	(Rupees in '000)					
Net cash generated from / (used in) operating activities	2,123,647	1,936,798	(1,155,682)	3,827,376	3,239,509	619,833
Net cash generated from / (used in) investing activities	(37,254)	(303,716)	(151,004)	10,187	986,817	3,702,394
Net cash generated from / (used in) financing activities	(4,708)	(1,393,589)	(3,713,121)	(3,803,822)	(4,339,794)	(4,321,698)
Net (decrease) / increase in cash and cash equivalents	2,081,685	239,493	(5,019,807)	33,741	(113,468)	529
Cash and cash equivalents as at the beginning of the year	(3,439,803)	(3,679,296)	1,340,511	1,306,770	1,420,238	1,419,709
Cash and cash equivalents as at the end of the year	(1,358,118)	(3,439,803)	(3,679,296)	1,340,511	1,306,770	1,420,238



### **Comments on Cash Flow**

The Company monitors its cash inflows and outflows on a daily basis. Cash management and investment strategies are then planned to maximize returns. Operating cash flows witnessed high growth in 2020 mainly on account of optimization of inventory and increase profitability during the current year.

Net cash used in investing activities depicts cash utilization on account of fixed capital expenditure. Moreover, in current year fixed capital expenditures mainly represented additions related to product development, quality enhancement and staff wellbeing. Further the trend also depicts increase in return on investment over the period mainly on account of increased investment.

Cash outflow from financing activities represents dividend payments which has decreased over the last year as no dividend payment was made during the year 2020 as compared to Rs.1.4 billion in 2019.

For the past few years the Company has obtained a notable value of running finance facility to ensure smooth business operations. Funded finance facility from difference banks as at 31st Dec, 2020 stood at Rs.4.5 billion.

# Share Price Sensitivity Analysis

Company's Share price is interlinked with the Company's financial performance and has positive correlation with the factors influencing the Company's performance.

In the prevailing business scenario, management considers the following factors to which share price of the Company may be sensitive.

## AGRICULTURE

Pakistan's economy is predominantly agricultural in character. Almost 62% of the country's population abodes in rural areas, and is linked with agriculture for their livelihood. This sector plays a pivotal role in the performance of the Company. Agricultural growth is contingent on crop acreage, weather conditions, availability of irrigation water & farm inputs, and support prices. Favorable agricultural factors mean a boost can be seen in company's sale and thus ultimately increasing company's profitability and share price.

## GOVERNMENT DECISIONS AND POLICIES

Government decisions on crop prices, taxes, subsidized tractor schemes etc. are important drivers of the Company's share prices. Decisions favourable to the overall agricultural industry also creates positive vibes in the tractor industry which ultimately leads to increase in share price, whilst decisions to the contrary have a negative impact on share price.

## PLANT OPERATIONS

Stability of plant operations is of paramount importance. Stable plant operations allow for higher production and add to the profitability of the Company which can positively affect the share price.

## VARIATION IN MATERIAL COSTS

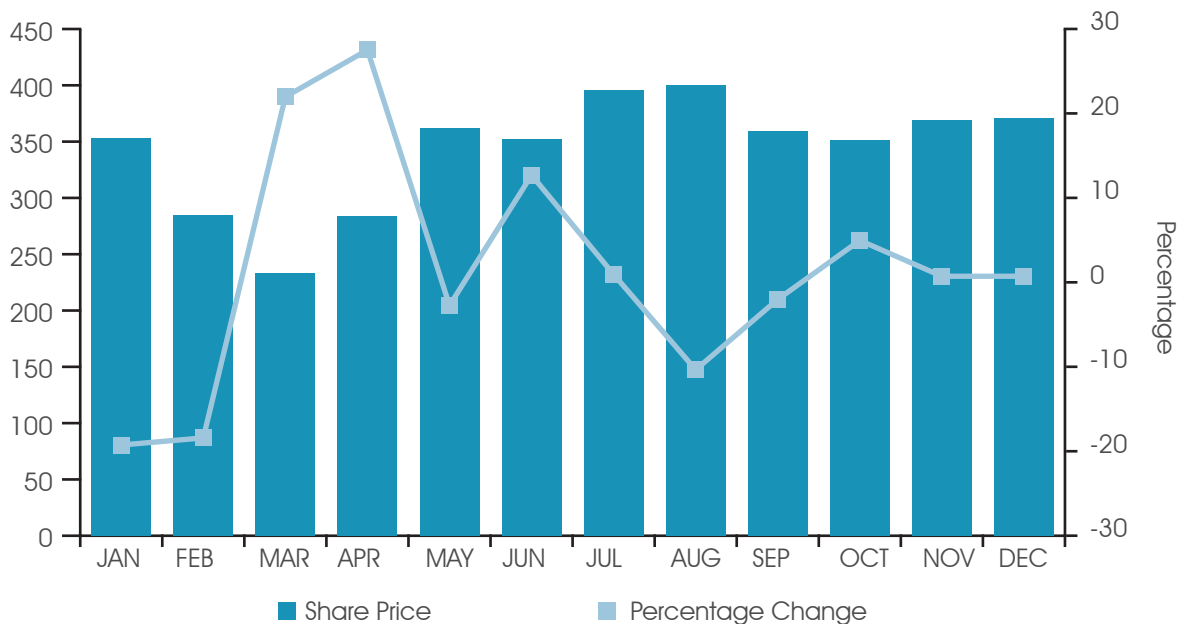
Being a manufacturing concern, material cost comprises of a significant portion of variable cost. Any increase in material costs impacts the gross profit and results in reduced profits. This may adversely affect the share price.

## LAW AND ORDER

Political uncertainty makes business skittish and jeopardizes economic and business activity. Production suffers because of supply chain issues arising out of law and order problems.

## EXCHANGE FLUCTUATION

The Company is exposed to exchange rate fluctuations since some of the raw materials are imported by the Company. Continuous depreciation of Pak Rupee can adversely affect the financial performance of the Company.



# Segmental Review of Business

## MARKET SEGMENT/SHARE

Agriculture sector is regarded as lifeline of Pakistan's economy as it accounts for an important part of the country's GDP and employs bulk of the total work force.

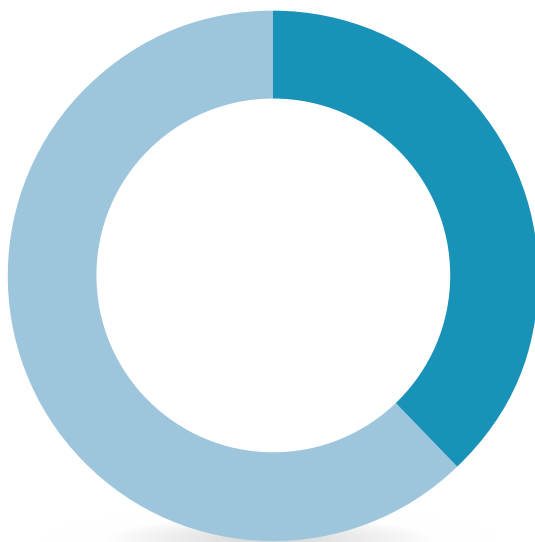
This sector has in general recorded a growth as against the previous year. During 2020 when overall economy was largely affected by COVID-19 the tractor industry witnessed a minor decrease of 4% only in the calendar year 2020 as compared to the previous year.

According to published numbers, 39,258 tractors were sold during the current period as against 41,156 last year. AGTL is the second largest player in the tractor industry in Pakistan. Due to extremely challenging vendor situation and supply constraint during the second half of the year, AGTL managed to achieve market share of 31%.

## OPERATING SEGMENTS

The Company remained principally engaged in the manufacture and/or sale of agricultural tractors, implements and spare parts. The Company also imported first of its kind New Holland Brand Combine Harvesters, Balers, and 95 HP tractors into Pakistan on exploratory basis.

The financial statements of the Company have been prepared on the basis of a single reportable segment.



## Tractor Industry

● AGTL	31%
● Tractor Industry	69%



# Sustainability and Corporate Social Responsibility

# Highlights of Various Sustainability Aspects of AGTL

AGTL, with its plant located in Dera Ghazi Khan is a perfect example of Sustainability & Corporate Social Responsibility. The plant, the staff town, and the allied hub of activities that gravitate around AGTL have transformed the social fabric of the entire region. What began by pitching our tents in the parch desert has contributed to sustained economic development of the entire community and the society at large. Offering ample employment opportunities, a staff town has been built adjacent to the manufacturing plant full of amenities such as hospital, fair price shop, sports club etc. The plant with a capacity to produce 30,000 tractors per annum in a single shift is a vibrant business center which has created thousands of jobs by way of transportation activities, workshops, vendor shops and a host of other developments. The Company has directly contributed to human values and the quality of life of the whole region.

## REVERSE OSMOSIS PLANT

Reverse Osmosis plant has been installed in DGK in year 2017 which has improved the machinery life of different tractor manufacturing processes as well as working efficiency of tractor components. Drinking water points from RO plant have also been provided around the plant premises where filtered drinking water is available for residents of the surroundings.



## ENERGY SAVING MEASURES

Considering the energy crisis being faced by the country and in an effort to reducing environmental impact, the Company has installed energy efficient roof tops in the plant, thus reducing the consumption of electricity with savings in energy cost. Further, burners in paint shops and tractor body line have been automated to ensure temperature control. The Company has also converted burners from HSD fuel to LDO fuel. This has resulted in fuel savings, thus reducing environmental impact and improving financial efficiency.

Other energy saving methods used includes replacement of tube lights with energy efficient LED lights and installation of flow meters on burners to regulate fuel consumption.

Conventional air conditioning units have been replaced with energy saving units which use environment friendly gas.

## RE-USE AND RE-CYCLING

In addition to the above, different methods are used to reduce waste. The principle is: Reduce, Re-use and Re-cycle.

- Under an agreement with suppliers, components rejected on line are returned. These include defective castings, forgings, sheet metals, wires, metal scraps, paper board cartons, wood, plastic parts, PVC parts, etc. These are all materials which are recycled and reprocessed into new materials. These materials are collected separately from general waste using dedicated places in the factory.
- The assembly process at AGTL is such that no waste is produced through industrial metabolism.
- Well-designed septic tanks have been built in the factory to take care of the water that is used for washing the components and in the paint shops. These pre-treat the waste water before it enters the disposal areas where natural processes are expected to take care of the final treatment. Solids settle to the bottom of the tanks and form a layer of sludge which is removed once it gets filled – in several years. The sludge is auctioned.
- Oils refuse from testing of engines are also sold and recycled for use as furnace oil.

## ENVIRONMENTAL PROTECTION MEASURES

AGTL is committed to transforming our operations towards reducing the environmental impact and protection of environment. A modern state of the art Effluent Treatment Plant is functional which treats waste water from the factory for useful utilization in Plantation. All other effluents of smoke, noise, health and safety fully meet National Environmental Quality Standards (NEQS).

## PAPERLESS ENVIRONMENT

Recognizing the importance of a paperless environment, efforts are made to maximize the use of digital storage and communication methods. Employees are also encouraged to reduce print jobs and to reuse paper.



## PLANTATION

Each year we add to the plantation at the AGTL Plant and staff town in DGK. In 2020, over 1000 plants were planted adding to the 4000+ trees which have been planted over the last many years. AGTL is also participating in the government led Clean and Green Pakistan drive. All employees and dignitaries visiting plant are also encouraged to plant a tree.



## FUEL EFFICIENCY

To align our environmental strategy with our products, the Company has improved the design of cylinder head and Fuel Injection Pumps used in its tractors to ensure fuel efficiency and minimize smoke.

## HEALTH AND SAFETY

From production of products which can be used 'safely' by the customers, Health and Safety Policy covers an action plan for occupational safety, occupational illness, conforming to labour laws for physical and psychological health of all employees, friendly working hours, provision of comprehensive insurance to all, ambulance service, dispensary service, provision of clean water through filtration plants, recreation facilities at the staff town, firefighting, demarcation of emergency exits and twenty four hours security for the plant and residents of the staff town.



## PANDEMIC POLICY

Given the developing situation of the coronavirus in Pakistan from March 2020, AGTL established various strict policies to control potential spread of coronavirus. The company took the several measures, including:



- Installation of sanitization tunnels at the all entry gates.
- Provision of sanitizers through out.



- Development and Installation of COVID-19 awareness boards and posters for employees and visitors.
- Monitoring of body temperature of all entrants with non-contact infrared thermometers at entrance gates.
- Installed hand washing facilities at entrance and work stations.
- Compulsory use of face masks to employees and visitors to ensure their health safety at work place.
- Enforcement of hand wash at gate by every entrant.
- Enforcement of maintenance of social distance of 6 feet as advised by World Health Organization

- Conducting COVID-19 tests along with quarantine period for suspected cases.
- Deep cleaning and disinfection of work stations.
- Initiation of work from home facility for all business support staff with necessary IT arrangements to ensure smooth operations.
- Conducting of online meetings for business activities and key decisions.
- Strict compliance with Government SOPs at factory to prevent spread of the virus.

With the help of above mentioned timely and practical actions, Company was able to reduce short-term risks to the health and safety of employees and long-term costs to the businesses.

Polio workers also visited the AGTL staff town to provide polio drops to under age children's.



A Dengue awareness programme has been launched. Employees were informed of the preventive measures against dengue virus and malaria fever. Pamphlets and charts have been displayed throughout the plant and staff town. Dengue spray was also arranged through Health Department DGK



#### CONTRIBUTION TO NATIONAL EXCHEQUER

AGTL has contributed Rs. 413 million towards the national exchequer on account of government levies and taxes.

#### LABOUR / MANAGEMENT RELATIONS

The management and labour of AGTL enjoy cordial relations. Weekly meetings are held with Collective



Bargaining Agent (CBA) to discuss and resolve all issues. AGTL is an equal opportunity employer.

#### EMPLOYMENT OF SPECIAL PERSONS

AGTL utilizes the services of special persons for its production operations at DGK.

#### CONSUMER PROTECTION MEASURES

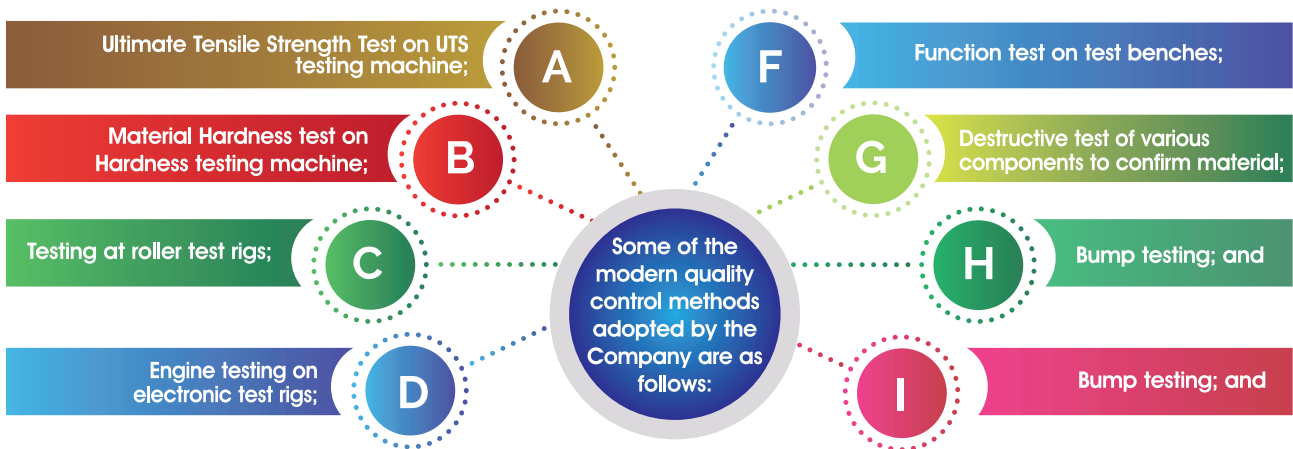
AGTL's uncompromising commitment is to provide world-class tractors at the lowest price, to satisfy customers on consistent basis. The manufacturing plant is state of the art unit which has a capacity to produce 30,000 tractors per annum in a single shift. The plant operates on high efficiency with negligible waste. Our tractors are manufactured from nonhazardous material. We have discarded the use of all lead based paints. All manufacturing materials are procured from reputable suppliers and conform to our quality standards. All tractors are tested before delivery. Customer rights and privacy is important to AGTL. No complaints were received regarding breach of customer privacy. The Company offers two free after sales service for its tractors. Warranty period is 14 months or 1200 hours, whichever comes first.

#### BUSINESS ETHICS AND ANTI-CORRUPTION MEASURES

The Company actively participates in the fight against all forms of corruption, fully complying with principles of fairness, transparency and integrity. To ensure that highest standards are met, anti-corruption statement has been included in the code of ethics signed by all the directors and employees. A whistle blowing policy is also in place to detect and deter wrongdoings. The Company also has a well documented harassment policy.

#### QUALITY ASSURANCE

With disciplined focus on all quality management systems, AGTL is committed to remain at par with best international practices, quality standards, performance requirements, and product specifications of CNHI. Quality is monitored at every level of production.



The Company has invested for improvement of quality of AGTL's products through construction of quality lab while training of mechanics, setting up of call center for efficient customer support and new modern paint shop are also part of the project.

## Highlights of Corporate Social Responsibility

Corporate Social Responsibility (CSR) Framework establishes strategic and consistent approach for our investments. We focus on fostering environmental value as well as improving the living standards and quality of life of the communities we work with. In line with the Mission of creating mutually beneficial relationships between the Company, stakeholders and the community, the Company has structured its CSR framework to achieve this objective, which covers the following aspects:

- Sound corporate activities
- Provision of valuable goods and services for society
- Respect for human beings
- Protection of environment
- Responsibility to society as a corporate citizen
- Transparent operating activities

### INVESTMENT IN EDUCATION

- As part of CSR and with a view to interacting with educational institutions, AGTL has appointed graduates of TEVTA for its assembly operations in the plant. AGTL and TEVTA are working on a programme to not only induct more graduates but also utilize the joint facilities of TEVTA and AGTL plant for customized training on operational activities.



- Merit scholarships are offered to students of the University of Agriculture, Faisalabad and its campus in Dera Ghazi Khan. Scholarships are also offered to the Government Technical Training Institute and Government College of Technology in Dera Ghazi Khan for development of local talent.
- Students of different Universities were given an opportunity to visit the plant and to obtain an insight of tractor manufacturing industry.



#### DEVELOPMENT OF LOCAL TALENT

As a responsible corporate citizen, AGTL is committed to development and supporting the local community and local talent in what is otherwise a less developed area of DGK.

- The Company has a programme for induction of
  - The Company has a programme for induction of young diploma graduates from the DGK Government College of Technology. Special programmes are launched for customized learning and development.
- The Company is proactive in providing internships to students of various institutions of the country as well as from other countries not only at the manufacturing plant in Dera Ghazi Khan but at all other locations.

#### COMMUNITY INVESTMENT

- Tractor festivals, free service programmes are held throughout the year to improve efficiency of resource utilization.



- We educate the farmers and his future generations on techniques of Farm Management with marketing programmes which have been specially designed to minimize overhead cost and to increase returns. Such programmes are held with intermittence throughout the country at the grass root level.

#### RURAL DEVELOPMENT PROGRAMME

Al-Ghazi Tractors has developed a whole scale industry that provides employment and employment generating activities, provides welfare services, marketing infrastructure and the impact of these activities has had a huge impact on transformation of the rural scene in the area. The benefits of the activities and developments at Al-Ghazi have trickled down to the rural masses. Al-Ghazi has directly facilitated the process of siphoning surplus labour from agriculture to the manufacture sector and with its allied activities, Al-Ghazi provides gainful employment opportunities to the locals in fields as diverse as welding to painting to finance and to information technology. Besides lasting rural development pattern, Al-Ghazi has concentrated on Human development with training and scholarships and development of infrastructure. Al-Ghazi has contributed to building a self-reliant society with a scientific bent through a system that trains our manpower for specific requirements in technology, engineering, administration, management and marketing etc.

What was once a bucolic area is now an Industrial hub, that has prevented the march of the desert with its investments in horticulture, and which with its expanding industrial throughput has contributed to employment at the doorstep of the area thus decelerating migration to urban centres.

# Certifications for Best Practices



Every year the company is audited for upkeep of its activities.  
Documentation is a pre-requisite for this certification.  
ISO certification is now valid upto 2021.





AGTL was the founding member of the UN "Global Compact" initiative when it was launched in December 2005.

The Company adheres to all the principles of the Global Compact with reference to Human Rights, Labour, Environment and Ethical practices.



# Financial Statements 2020







INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
**AL-GHAZI TRACTORS LIMITED**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the annexed financial statements of Al-Ghazi Tractors Limited (the Company), which comprise the statement of financial position as at December 31, 2020, and the statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of cash flows, the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2020 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matter**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

*A.F.F.*

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■ Karachi ■ Lahore ■ Islamabad

Following is the Key Audit Matter:

**S. No. Key Audit Matter**

**(i) Inventories**

(Refer note 4 to the annexed financial statements)

The Company has significant levels of inventories comprising of raw material, work-in-process and finished goods. The Company makes provision against inventory items that are either obsolete rejected or slow moving. Significant judgements, assumptions and estimates are involved to determine the inventory at lower of cost and net realizable values.

Given the level of significant management judgements and estimates involved we considered the inventory valuation a key audit matter.

**How the matter was addressed in our audit**

We performed, amongst others, the following audit procedures:

- Obtained understanding in respect of valuation methodology, the basis and process for making the inventory provision.
- Obtained understanding of design, implementation and operating effectiveness of the key controls management has established for inventory provision computations.
- Checked that approval of board of directors has been taken in respect of the policy mechanism of making provision against inventories.
- Recalculated a sample of items included within the inventory provision to ensure accuracy of calculation and that inventories are stated at the lower of cost or net realizable value at the reporting date by reviewing relevant documents and sales prices of inventories subsequent to the reporting date.
- Assessed the adequacy of the disclosures made by the Company in accordance with applicable accounting and reporting standards.

**Information Other than the Financial Statements and Auditor’s Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor’s reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### **Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.





- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

- (a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- (b) the statement of financial position, the statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- (c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- (d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Syed Muhammad Hasnain.

**Chartered Accountants  
Karachi**

**Dated: May 7th, 2021**

# Statement of Financial Position

As at December 31, 2020

ASSETS	Note	2020	2019
		(Rupees in '000)	
<b>NON-CURRENT ASSETS</b>			
Fixed Assets	3	1,066,974	1,068,382
Deferred tax asset	14	111,756	87,090
Long-term loans		781	2,437
Long-term deposits		4,160	2,320
Employee benefit prepayments	29	36,197	-
		<u>1,219,868</u>	<u>1,160,229</u>
<b>CURRENT ASSETS</b>			
Inventories	4	2,004,517	2,786,893
Trade receivables	5	-	9,624
Loans and advances	6	86,561	93,216
Trade deposits and short-term prepayments	7	24,925	7,398
Interest accrued	8	197	-
Other receivables	9	8,225	108,134
Taxation - payments less provision		157,786	347,462
Refunds due from the Government	10	1,450,847	773,334
Other financial assets	11	-	-
Cash and bank balances	12	230,518	189,093
		<u>3,963,576</u>	<u>4,315,154</u>
<b>TOTAL ASSETS</b>		<u><u>5,183,444</u></u>	<u><u>5,475,383</u></u>
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	13	289,821	289,821
General reserve		1,049,000	-
Unappropriated profit		949,301	613,896
		<u>2,288,122</u>	<u>903,717</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred staff benefits - compensated absences		46,083	78,389
Employee benefit obligations	29	-	51,199
		<u>46,083</u>	<u>129,588</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	1,188,227	736,098
Unclaimed dividend		72,376	77,084
Short term financing	16	1,588,636	3,628,896
		<u>2,895,322</u>	<u>4,571,666</u>
<b>TOTAL LIABILITIES</b>		<u><u>2,895,322</u></u>	<u><u>4,571,666</u></u>
<b>COMMITMENTS</b>	17		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>5,183,444</u></u>	<u><u>5,475,383</u></u>


The annexed notes 1 to 37 form an integral part of these financial statements.



Chief Executive



Director



Chief Financial Officer

# Statement of Profit or Loss

For the Year Ended December 31, 2020

	Note	2020	2019
		(Rupees in '000)	
Revenue from contracts with customers	18	11,935,172	13,992,388
Cost of sales	19	(9,164,670)	(11,447,672)
Gross profit		2,770,502	2,544,716
Distribution expenses	20	(221,904)	(263,946)
Administrative expenses	21	(322,675)	(296,763)
		2,225,923	1,984,007
Other income	22	58,798	61,423
Other expenses	23	(211,025)	(298,443)
		2,073,696	1,746,987
Finance costs	24	(145,789)	(398,463)
Profit before taxation		1,927,907	1,348,524
Income tax expense	25	(578,250)	(370,872)
Profit for the year		1,349,657	977,652
Earnings per share (Rupees) - Basic and diluted	26	23.28	16.87

The annexed notes 1 to 37 form an integral part of these financial statements.



Chief Executive



Director



Chief Financial Officer

# Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended December 31, 2020

	Note	2020	2019
		(Rupees in '000)	
Profit for the year		1,349,657	977,652
Other comprehensive Income / (loss:)			
<b>Items that will not be subsequently reclassified in profit or loss</b>			
Remeasurements of post employment benefit obligations		34,748	(52,188)
Total comprehensive income for the year		<u>1,384,405</u>	<u>925,464</u>

The annexed notes 1 to 37 form an integral part of these financial statements.



Chief Executive



Director



Chief Financial Officer

# Statement of Cash Flows

For the Year Ended December 31, 2020

	Note	2020	2019
(Rupees in '000)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	27	2,879,065	3,049,064
Income tax paid		(413,240)	(727,824)
Finance cost paid		(234,928)	(359,256)
(Increase) / decrease in long-term deposits		(1,840)	1,485
Employee benefit obligations paid		(73,105)	(41,003)
(Decrease) / increase in deferred staff benefits - compensated absences		(32,306)	14,332
Net cash inflow from operating activities		2,123,646	1,936,798
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to fixed assets		(94,945)	(320,631)
Proceeds from disposal of fixed assets		15,616	879
Return on bank deposits received		40,420	17,582
Increase / (decrease) in long-term loans		1,656	(1,546)
Net cash outflow from investing activities		(37,253)	(303,716)
<b>CASH FLOW FROM FINANCING ACTIVITY</b>			
Dividend paid		(4,708)	(1,393,589)
<b>Net increase in cash and cash equivalents</b>		2,081,685	239,493
Cash and cash equivalents at beginning of the year		(3,439,803)	(3,679,296)
Cash and cash equivalents at end of the year	28	(1,358,118)	(3,439,803)

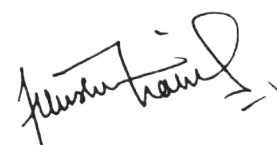
The annexed notes 1 to 37 form an integral part of these financial statements.



Chief Executive



Director



Chief Financial Officer

# Statement of Changes in Equity

For the Year Ended December 31, 2020

	Issued, subscribed and paid-up capital	Revenue Reserves		Total
		General reserve	Unappropriated profit	
(Rupees in '000)				
Balance as at January 1, 2019	289,821	-	1,079,576	1,369,397
Total comprehensive income for the year ended December 31, 2019				
Profit for the year ended December 31, 2019	-	-	977,652	977,652
Other comprehensive loss for the year ended December 31, 2019	-	-	(52,188)	(52,188)
	-	-	925,464	925,464
Transactions with the owners recorded directly in equity				
Final dividend @ Rs. 9 per share for the year ended December 31, 2018	-	-	(521,681)	(521,681)
Interim dividend @ Rs. 15 per share for the year ended December 31, 2019	-	-	(869,463)	(869,463)
			(1,391,144)	(1,391,144)
<b>Balance as at January 1, 2020</b>	289,821	-	613,896	903,717
Total comprehensive income for the year ended December 31, 2020				
Profit for the year ended December 31, 2020	-	-	1,349,657	1,349,657
Other comprehensive income for the year ended December 31, 2020	-	-	34,748	34,748
	-	-	1,384,405	1,384,405
Transfer of unappropriated profit to general reserve	-	1,049,000	(1,049,000)	-
<b>Balance as at December 31, 2020</b>	289,821	1,049,000	949,301	2,288,122

The annexed notes 1 to 37 form an integral part of these financial statements.



Chief Executive



Director



Chief Financial Officer

# Notes to and Forming Part of The Financial Statements

For the Year Ended December 31, 2020

## 1. THE COMPANY AND ITS OPERATIONS

**1.1** The Company was incorporated in Pakistan under the Companies Act, 1913 (now Companies Act, 2017) as a public limited company in June, 1983 and is quoted on the Pakistan Stock Exchange. The registered office of the Company is situated at 'Tractor House, Plot No. 102-B, 16th East Street, Off Korangi Road, Phase I, D.H.A, Karachi'. The Company is principally engaged in the manufacture and sale of agricultural tractors, generators, implements and spare parts and providing irrigation solutions for agriculture.

The Company is a subsidiary of Al-Futtaim Industries Company LLC, U.A.E.

The financial statements are presented in Pak Rupee which is the Company's functional and presentation currency.

**1.2** The geographical locations and addresses of the Company's business units, including plant are as under:

- The registered office of the Company is situated at Tractor House, 102-B, 16th East Street, DHA Phase I, Off. Korangi Road
- The assembling plant of the Company is situated at Sakhi Sarwar Road, P.O. Box 38, Dera Ghazi Khan
- The marketing centres of the Company are situated at:
  - 10km Sheikhpura Road, Lahore
  - Plot No. 20, Industrial Estate, Near Mill No, 4, Multan
  - Plaza No. 4, 2nd Floor, Sector A, Jinnah Boulevard (East), DHA Phase II, Islamabad
  - Abad Lakha, Shikarpur Road, Sukkur

**1.3** Impact of COVID-19 on the Financial Statements

The spread of the COVID-19 pandemic (the virus) in the second quarter of the financial year has resulted in authorities implementing numerous measures to contain the virus, such as travel bans and restrictions, quarantines and shutdowns. Consequently, the economic conditions have been increasingly volatile. The Company activated its response plan accordingly which included prioritizing the health and safety of its employees and dealers while maintaining business continuity and shutting down its plant for a period of 20 days from March 27, 2020 to April 15, 2020 in order to comply with directives issued by the provincial government.

The Company has assessed that there is no material impact of COVID-19 on the carrying amounts of assets and liabilities or items of income and expenses as required under the relevant accounting and reporting standards.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

#### 2.1.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) 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 provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

## **2.1.2 Critical Accounting Estimates and Judgements**

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The matter involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are provision for taxation and provision for staff retirement benefit.

Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. There were no significant judgements involved in the application of Company's accounting policies. The management has made the following estimates which are significant to the financial statements:

### **i. Employee benefit obligations**

The Company has made certain actuarial assumptions as disclosed in note 29 to the financial statement for valuation of present value of defined benefit obligations and fair value of planned assets, based on actuarial valuation.

### **ii. Current and deferred income taxes**

In making the estimates for income taxes payable by the Company, management considers current income tax laws and the decisions of appellate authorities on certain cases issued in the past. Where the final outcome is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such final outcome is determined. Deferred taxes are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

### **iii. Property, plant and equipment and intangible assets**

Estimates with respect to residual values and useful lives and pattern flow of economic benefit are based on the recommendation of technical teams of the Company. Further, the Company reviews the internal and external indicators for possible impairment of assets on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment (note 3) and intangible assets (note 3.3) with a corresponding effect on the depreciation charge, amortisation charge and impairment.

### **iv. Provisions**

Provisions are considered, among others, for legal matters, disputed indirect taxes and warranty obligations where a legal or constructive obligation exists at the statement of financial position's date and reliable estimate can be made of the likely outcome. The nature of these costs is such that judgement is involved in estimating the timing and amount of cashflows.

### **v. Inventories**

Estimates with respect to obsolete and slow moving inventories are based on the management's assessment on aged based analysis regarding their future usability.

### 2.1.3 Changes in accounting standards, interpretations and pronouncements

#### a) Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

There are certain amendments and interpretations to the accounting and reporting standards which are mandatory for accounting periods which began on January 1, 2020. However, these do not have any significant impact on the Company's financial statement.

#### b) Standards and amendments to published approved accounting standard that are not yet effective

The certain amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2020 are considered not to be relevant for the Company's financial statements and hence have not been detailed here.

#### c) Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The new standard, certain amendments and interpretation that are mandatory for accounting periods beginning on or after January 1, 2021 are considered not to be relevant for the Company's financial statements and hence have not been detailed here.

## 2.2 Overall valuation policy

These financial statements have been prepared under the historical cost convention except as otherwise disclosed in the accounting policy notes.

## 2.3 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation / amortisation except freehold land and capital work-in-progress which are stated at cost.

The cost of leasehold land is amortised over the period of lease. Depreciation on all other assets is charged to statement of profit or loss applying straight-line method whereby the cost of an asset less residual value is written off over its estimated useful life. The useful life of the assets as estimated by the management is as follows:

- Leasehold land	99 years
- Building	40 years
- Plant and machinery	10 years
- Furniture and fixtures	4 - 10 years
- Office equipment	10 years
- Computer hardware	3 years
- Vehicles	4 years
- Factory equipments and tools	10 years
- Intangible assets	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each date of statement of financial position.

Maintenance and normal repairs are charged to statement of profit or loss as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

Gains and losses on disposal / retirement of fixed assets are included in statement of profit or loss.

## **2.4 Impairment**

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount and the resulting impairment is charged to statement of profit or loss.

## **2.5 Loans, deposits and other debts**

These are initially measured at cost which is the fair value of the consideration given and are subsequently measured at amortised cost.

## **2.6 Taxation**

### **Current**

Provision for current tax is based on the taxable income at the current rates of taxation after taking into account tax credits available, if any, in accordance with the prevailing income tax laws.

### **Deferred**

Deferred tax is accounted for using the liability method on all temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability is generally recognised for all taxable temporary differences and deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

## **2.7 Inventories**

These are valued at the lower of cost and net realisable value. Cost is determined on moving average method except for stock-in-transit which is valued at invoice value plus other charges incurred thereon.

Cost of finished goods includes prime cost and appropriate portion of manufacturing expenses.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

Stores and spares are valued at average cost. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

## **2.8 Trade receivables**

Trade receivables are valued at invoice value, being the fair value and subsequently measured at amortised cost. Refer note 2.22 for a description of the Company's impairment policies.

## **2.9 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at amortised cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash, cheques, demand drafts in hand and balances with banks on current, PLS savings and deposit accounts and short term borrowings under mark-up arrangements.

## **2.10 Staff retirement benefits**

### **(i) Defined contribution plan**

The Company also operates an approved contributory provident fund for its permanent employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 10% of basic salary.

### **(ii) Defined benefit plan**

The Company operates an approved funded gratuity scheme for all its permanent employees. The scheme defines an amount of gratuity benefit that an employee will receive on retirement subject to a minimum qualifying period of service under the scheme.

Contributions to the gratuity scheme are based on actuarial recommendations. The latest actuarial valuation of the scheme was carried out as at December 31, 2020 using the Projected Unit Credit Method.

The amount arising as a result of remeasurements are recognised in the statement of financial position immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

Past-service costs are recognised immediately in statement of profit or loss.

## **2.11 Deferred staff benefits - compensated absences**

The Company accounts for compensated absences of its employees on unavailed balance of leave in the period in which the leave is earned. The liability recognised in respect of compensated absences is based on employees last drawn salary.

## **2.12 Trade and other payables**

Trade and other payables are initially measured at cost which is the fair value of the consideration received. These are subsequently measured at amortised cost.

## **2.13 Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

## **2.14 Warranty obligations**

The Company recognises the estimated liability, on an accrual basis, to repair or replace products under warranty at the reporting date, and recognises the estimated product warranty costs in the statement of profit or loss when the sale is recognised.

## **2.15 Foreign currencies**

Assets and liabilities in foreign currencies are recorded at the rates of exchange prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupee at the rates of exchange approximating to those prevailing at the date of statement of financial position. Exchange gains and losses are taken to statement of profit or loss.

## **2.16 Revenue from contracts with customers**

Revenue from contracts with customers is recognised when control over the goods transfers to the customer that is when the customer has the ability to control the use of the transferred goods provided and generally derive their remaining benefits and there is no unfulfilled obligation that could affect the customer's acceptance of the product. It is measured at the transaction price which the Company expects to be entitled to and represents the amount of goods supplied, after netting of discounts, returns and value added taxes.

Return on deposits and investments is recognised on accrual basis.

Dividend income on investments is recognised when the Company's right to receive dividend is established.

## **2.17 Borrowings and their costs**

Borrowings are initially recognised at cost being the fair value of the consideration received together with the associated transaction cost. Subsequently, these are recognised at amortised cost using the effective interest method. Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalised as part of the cost of that asset. Borrowings payable within next twelve months are classified as current liabilities.

## **2.18 Dividend distribution**

Dividend distribution to shareholders is recognised as liability in the financial statements in the period in which the dividend is declared / approved.

## **2.19 Financial instruments - Initial recognition and subsequent measurement**

### **Initial Recognition**

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value, amortised cost or cost as the case may be.

### **Classification of financial assets**

The Company classifies its financial instruments in the following categories:

- at fair value through profit or loss (FVTPL),
- at fair value through other comprehensive income (FVTOCI), or
- at amortised cost.

The Company determines the classification of financial assets at initial recognition. The classification of instruments (other than equity instruments) is driven by the Company's business models for managing the financial assets and their contractual cash flow characteristics.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial assets is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cashflows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

## 2.20 Classification of financial liabilities

The Company classifies its financial liabilities in the following categories:

- at fair value through profit and loss (FVTPL), or
- at amortised cost.

Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

## 2.21 Subsequent measurement

### (i) Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognised at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses arising from changes in fair value recognised in other comprehensive income/(loss).

### (ii) Financial assets and liabilities at amortised cost

Financial assets and liabilities at amortised cost are initially recognised at fair value, and subsequently carried at amortised cost, and in the case of financial assets, less any impairment.

### (iii) Financial assets and liabilities at FVTPL

Financial assets and liabilities initially carried at FVTPL are initially recorded at fair value and transaction costs are expressed in the statement of profit or loss and other comprehensive income. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of profit or loss and other comprehensive income in the period in which they arise.

Where management has opted to recognise a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognised in other comprehensive income/(loss). Currently, there are no financial liabilities designated at FVTPL.

## 2.22 Impairment of financial asset

The Company recognises loss allowance for Expected Credit Loss (ECL) on financial assets measured at amortised cost at an amount equal to life time ECLs except for the following, which are measured at 12 months ECLs:

- bank balances for whom credit risk (the risk of default occurring over the expected life of the financial instrument has not increased since the inception.
- employee receivables.
- other short term receivables that have not demonstrated any increase in credit risk since inception.

Loss allowance for trade receivables are always measured at an amount equal to life time ECLs.

The Company considers a financial asset in default when it is more than 30 days past due.

Life time ECLs are the ECLs that results from all possible default events over the expected life of a financial instrument. 12 month ECLs are portion of ECL that result from default events that are possible within 12 months after the reporting date.

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between cash flows due to the entity in accordance with the contract and cash flows that the Company expects receive).

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

## 2.23 Derecognition

### (i) Financial assets

The Company derecognises financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to statement of changes in equity.

### (ii) Financial liabilities

The Company derecognises financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non cash assets transferred or liabilities assumed, is recognised in the statement of profit or loss and other comprehensive income.

## 2.24 Off-setting of financial assets and liabilities

Financial assets and liabilities are off-set and net amount is reported in the statement of financial position if the Company has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

## 3. FIXED ASSETS

	Note	2020	2019
		(Rupees in '000)	
Property, plant and equipment			
Operating assets	3.1	788,937	837,935
Capital work-in-progress	3.2	275,878	226,500
		1,064,815	1,064,435
Intangible assets	3.3	2,159	3,947
		1,066,974	1,068,382

### 3.1 Operating assets

	Land		Building		Plant and machinery	Furniture, fixtures and office equipment	Computer hardware	Vehicles	Factory equipment and tools	Total
	Freehold	Lease hold	on freehold land	on lease hold land						
(Rupees in '000)										
<b>Net carrying value basis</b>										
<b>Year ended December 31, 2020</b>										
Opening net book value	4,334	73,417	340,452	156,016	147,926	35,383	7,287	59,677	13,443	837,935
Additions	-	-	-	3,135	5,510	4,459	7,159	19,415	5,310	44,988
Disposals										
Cost	-	-	-	-	2,956	3,320	501	23,027	948	30,752
Accumulated depreciation	-	-	-	-	(2,062)	(2,269)	(481)	(10,350)	(751)	(15,913)
Depreciation charge	-	(824)	(10,830)	(4,522)	894	1,051	20	12,677	197	14,839
Closing net book value	4,334	72,593	329,622	154,629	128,131	33,164	9,336	40,938	16,190	788,937
<b>Gross carrying value basis</b>										
<b>At December 31, 2020</b>										
Cost	4,334	81,599	433,218	182,719	422,975	58,555	37,647	135,893	34,411	1,391,351
Accumulated depreciation	-	(9,006)	(103,596)	(28,090)	(294,844)	(25,391)	(28,311)	(94,955)	(18,221)	(602,414)
<b>Net book value</b>	<b>4,334</b>	<b>72,593</b>	<b>329,622</b>	<b>154,629</b>	<b>128,131</b>	<b>33,164</b>	<b>9,336</b>	<b>40,938</b>	<b>16,190</b>	<b>788,937</b>
<b>Net carrying value basis</b>										
<b>Year ended December 31, 2019</b>										
Opening net book value	4,334	74,242	216,969	159,810	132,940	30,365	6,278	72,508	9,847	707,293
Additions	-	-	132,254	685	39,528	10,268	5,784	14,888	5,924	209,331
Disposals										
Cost	-	-	-	-	941	822	673	4,371	137	6,944
Accumulated depreciation	-	-	-	-	(937)	(666)	(670)	(4,371)	(82)	(6,726)
Depreciation charge	-	(825)	(8,771)	(4,479)	4	156	3	-	55	218
Closing net book value	4,334	73,417	340,452	156,016	147,926	35,383	7,287	59,677	13,443	837,935
<b>Gross carrying value basis</b>										
<b>At December 31, 2019</b>										
Cost	4,334	81,599	433,218	179,584	420,421	57,416	30,989	139,505	30,049	1,377,115
Accumulated depreciation	-	(8,182)	(92,766)	(23,568)	(272,495)	(22,033)	(23,702)	(79,828)	(16,606)	(539,180)
<b>Net book value</b>	<b>4,334</b>	<b>73,417</b>	<b>340,452</b>	<b>156,016</b>	<b>147,926</b>	<b>35,383</b>	<b>7,287</b>	<b>59,677</b>	<b>13,443</b>	<b>837,935</b>

#### 3.1.1 Particulars of immovable property (i.e. land and building) in the name of the Company are as follows:

Location	Usage	Total Area (acres)
Sakhi Sarwar Road, P.O. Box 38, Dera Ghazi Khan	Assembling plant / staff colony	90
Plot No. 20, Industrial Estate, Near Mill No. 4, Multan	Marketing centre	10
10km Sheikhpura Road, Lahore	Marketing centre	1.86
Tractor House, 102-B, 16th East Street, DHA Phase I, Off. Korangi Road, Karachi	Head office	0.18

#### 3.1.2 The details of operating assets sold, having net book value in excess of Rs 500,000 are as follow:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchaser
(Rupees in '000)							
Plant and Machinery	725	157	568	291	(277)	Full and Final Settlement	Mr.Shahid Hussain - Ex CEO
Vehicles	21,165	8,488	12,677	12,677	-	Full and Final Settlement	Mr.Shahid Hussain - Ex CEO

### 3.2 CAPITAL WORK-IN-PROGRESS

	2020			2019				
	Balance as at January 1, 2020	Additions - Note 3.2.1	Transfers	Balance as at December 31, 2020	Balance as at January 1, 2019	Additions during the year	Transfers	Balance as at December 31, 2019
	(Rupees in '000)							
Civil works	115,754	31,482	-	147,236	67,555	89,348	(41,149)	115,754
Plant and machinery	77,272	793	(6,352)	71,713	5,190	77,272	(5,190)	77,272
Advances to suppliers	33,474	56,929	(33,474)	56,929	45,054	33,474	(45,054)	33,474
<b>Total</b>	<b>226,500</b>	<b>89,204</b>	<b>(39,826)</b>	<b>275,878</b>	<b>117,799</b>	<b>200,094</b>	<b>(91,393)</b>	<b>226,500</b>

**3.2.1** This includes expenditure incurred mainly in respect of construction of Quality Lab in Dera Ghazi Khan Marketing Office.

### 3.3 INTANGIBLE ASSETS

#### Net carrying value basis

Opening net book value	3,947	3,712
Additions	577	2,599
Amortisation	(2,365)	(2,364)
Closing net book value	2,159	3,947

#### Gross carrying value basis

Cost	16,389	15,811
Accumulated amortisation	(14,230)	(11,864)
Net book value	2,159	3,947

Average remaining useful life in years

0.8	1.7
-----	-----

### 4 INVENTORIES

Raw materials and components – including in transit Rs. 243.49 million (2019: Rs. 9.6 million) - Notes 4.1

Less: Provision for obsolescence

1,218,050	2,255,809
(323,952)	(283,699)
894,098	1,972,110

Work-in-process

550,987	125,256
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Stores and spares

Less: Provision for obsolescence

42,128	35,965
(20,553)	(5,231)
21,575	30,734

Finished goods – tractors, generators and implements

Less: Provision for obsolescence

528,303	656,225
(3,053)	(7,268)
525,250	648,957

Trading stock – spare parts and implements

Less: Provision for obsolescence

12,607	10,346
-	(510)
12,607	9,836

2,004,517	2,786,893
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**4.1** The amount includes raw materials of Rs. 0.46 million (2019: Rs. 0.46 million) held by third parties.

<b>5 TRADE RECEIVABLES</b>		<b>2020</b>	<b>2019</b>
(Rupees in '000)			
Unsecured		2,157	20,598
Less: Provision against doubtful receivables		(2,157)	(10,974)
		-	9,624
<b>5.1 The age analysis of trade receivables is as follows:</b>			
Not yet due		-	7,944
6 to 12 months		-	11,665
More than 1 year		2,157	989
		2,157	20,598
<b>6. LOANS AND ADVANCES – considered good</b>			
Loans to employees	6.1	3,425	4,240
Advances to suppliers for goods and services		83,136	88,976
		86,561	93,216
<b>6.1</b> These represent current portion of interest free loans given to employees under employee loan schemes to facilitate purchase of domestic appliances and motor cycles. The said loans are repayable over a period of 24 to 36 months and are secured against provident fund balances.			
<b>7. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>		<b>2020</b>	<b>2019</b>
(Rupees in '000)			
Prepayments		24,773	5,392
Other deposits		152	2,006
		24,925	7,398
<b>8. INTEREST ACCRUED</b>			
Mark-up accrued on bank deposits		197	-
<b>9. OTHER RECEIVABLES</b>			
Due from Workers' Profits Participation Fund	9.1	1,194	16,084
Receivable from CNH Industrial N.V.	9.2	4,632	4,632
Discount receivable	9.3	18	27,843
Claims from suppliers	9.4	2,152	59,319
Others		229	256
		8,225	108,134
<b>9.1 Workers' Profits Participation Fund</b>			
At beginning of the year		16,084	9,385
Allocation for the year		(103,780)	(72,890)
		(87,696)	(63,505)
Less: Amount paid during the year		88,890	79,589
		1,194	16,084
<b>9.2</b> This represents receivable from related party, CNH Industrial N.V. (formerly CNH Global N.V.) against reimbursement of clearing, forwarding and transportation charges. The said receivable is outstanding for more than 1 year.			
<b>9.2.1</b> The maximum aggregate due from the related party at the end of any month during the year was Rs. 4.63 million.			
<b>9.3</b> These represent rebate provided by supplier on purchase volumes achieved under the agreement during the year.			
<b>9.4</b> These represent net claims receivable from suppliers, against rejected stock imported during the year.			

**10. REFUNDS DUE FROM THE GOVERNMENT**

Note	2020	2019
	(Rupees in '000)	
Sales tax	1,497,934	788,369
Less: Provision for Sales Tax	(47,087)	(15,035)
	1,450,847	773,334
Special excise duty	-	-
	1,450,847	773,334

**10.1** During the year the Company has provided Rs. 32.05 million against sales tax claims having uncertain recovery.

Note	2020	2019
	(Rupees in '000)	
Balance as at January 1	132,647	148,502
Write offs	-	(15,855)
Provisions	(132,647)	(132,647)
Balance as at December 31	-	-

**10.2** Balance as at January 1  
Write offs  
Provisions  
Balance as at December 31

Special Excise Duty was levied on tractor components through Finance Act 2008 from July 2007 at the rate of 1% of the invoice value, which was subsequently discontinued in June 2011. This 1% was refundable in the same manner as normal sales tax refunds.

Due to non-routine processing of the SED refunds the outstanding balance kept accumulating to the tune of Rs. 263 million till September 2013.

The matter was then taken up with the Federal Tax Ombudsman (FTO), and an appeal in this regard was filed. FTO decided the matter in the Company's favor and directed FBR to process the unprocessed claim. Certain claims were processed and refund payment order (RPO) of Rs. 118 million was issued till December 2014.

During the year ended December 31, 2019, the Company re-assessed its assessment for recovery of Special excise duty recoverable since 2008 and after due consideration on a prudent basis a provision of Rs 132.6 million has been created against balance for special excise duty.

**11. OTHER FINANCIAL ASSETS****Investment**

Held at amortised cost - Certificate of Investment  
Less: Provision for impairment

Note	2020	2019
	(Rupees in '000)	
	49,300	49,300
	(49,300)	(49,300)
	-	-

**11.1** This represents investment in Certificate of Investment (COI) of Saudi Pak Leasing Company Limited (SPLCL) which matured in January 2009, however, encashment proceeds were not received due to liquidity problem of SPLCL. The Board of Directors filed a winding-up petition against SPLC in Sindh High Court for recovery of the said outstanding amount and appointed M/s Saiduddin and Co. for the said purpose.

In 2018, the Company entered into a settlement agreement with SPLC through The High Court and accordingly, petition was disposed off by the High Court. It had been agreed that SPLC will pay the outstanding amount within 9 months of the settlement agreement.

During the current year, the Company has received nil amount (2019: Rs. 3.5 million) from SPLC and are in consultation with their Legal Counsel for further action.

**12. CASH AND BANK BALANCES**

With banks on  
- Current accounts  
- PLS savings and deposit accounts  
Cash in hand  
Demand drafts in hand

Note	2020	2019
	(Rupees in '000)	
	75,923	73,317
	120,597	76,458
	816	401
	33,182	38,917
	230,518	189,093

12.1 At December 31, 2020, the mark-up rates on PLS savings and deposit accounts range from 2.84% to 5.5% per annum (2019: 6.75% to 11.25% per annum).

### 13. SHARE CAPITAL

#### 13.1 Authorised share capital

120,000,000 ordinary shares of Rs. 5 each  
(2019: 120,000,000 ordinary shares of Rs. 5 each)

2020	2019
(Rupees in '000)	
600,000	600,000

#### 13.2 Issued, subscribed and paid-up capital

Ordinary shares of Rs. 5 each

2020	2019
(Rupees in '000)	
4,500,000	4,500,000
53,464,201	53,464,201
<u>57,964,201</u>	<u>57,964,201</u>

Shares allotted for  
consideration paid in cash  
Shares allotted as  
bonus shares

2020	2019
(Rupees in '000)	
22,500	22,500
267,321	267,321
<u>289,821</u>	<u>289,821</u>

13.3 As at December 31, 2020, Al-Futtaim Industries Company LLC, U.A.E., the holding company, and CNH Industrial N.V. (formerly CNH Global N.V.), an associated company, held 50%, i.e., 28,992,705 (2019: 28,992,705) and 43%, i.e., 25,022,379 (2019: 25,022,379) shares of Rs. 5 each respectively.

### 14. DEFERRED TAX ASSET

Credit / (debit) balance arising on account of

- accelerated tax depreciation allowances
- deferred staff benefits - compensated absences
- provision for impairment on investment
- provision for slow moving inventories
- provision for doubtful receivables
- provision for Sales Tax
- provision others
- provision warranty
- provision for special excise duty

Note	2020	2019
	(Rupees in '000)	
	(72,357)	(69,579)
	13,364	22,733
	14,297	14,297
	73,231	54,859
	625	3,182
	13,655	4,362
	20,437	19,234
	10,036	-
	38,468	38,002
	<u>111,756</u>	<u>87,090</u>

### 15. TRADE AND OTHER PAYABLES

Creditors  
Accrued liabilities  
Accrued markup  
Customers' and dealers' advances - unsecured  
Deposits  
Taxes deducted at source  
Workers' Welfare Fund  
Royalty payable to CNH Industrial N.V.  
- associated company  
Provision for warranty services  
Others

15.1	270,351	32,811
	424,653	326,245
	15,025	105,988
	123,304	43,683
15.2	69,079	71,132
	25,687	17,860
	40,986	33,576
	106,147	50,612
15.3	34,607	-
	78,388	54,191
	<u>1,188,227</u>	<u>736,098</u>

15.1 These include amount payable to a related party, CNH Industrial N.V. (formerly CNH Global N.V.), amounting to Rs. 17.74 million against purchases made in current year.

**15.2** These includes amount received from customers / dealers of the Company as a security deposit with reference to the contracts. As per the requirements of section 217 of the Companies Act, 2017, these deposits are not utilizable for the purpose of business and are kept in separate bank account.

**15.3** Provision for warranty services:

Note	2020	2019
	(Rupees in '000)	
	-	-
	46,873	29,286
	(12,266)	(29,286)
	34,607	-

Balance as at January 1, 2020

Recognised during the year

Expenses against provision

Balance as at December 31, 2020

## 16. SHORT TERM FINANCING - under mark up / profit arrangement

Islamic Finances

16.1. & 16.3.

1,521,967

1,127,639

Conventional Finances

16.2. & 16.3.

66,669

2,501,257

1,588,636

3,628,896

**16.1** The facility for running musharkah available from banks amounted to Rs. 2.5 billion (2019: 2.5 billion) out of which the amount unavailed at the year end was Rs 0.98 billion (2019: Rs 0.37 billion). Rates of profit ranges from three month KIBOR plus 0.05% (2019: one months KIBOR plus 0.3%) to one month KIBOR plus 0.5% (2019: three months KIBOR plus 0.2%) per annum.

**16.2** The facility for running finance available from banks amounted to Rs. 2.0 billion (2019: 2.0 billion) out of which the amount unavailed at the year end was Rs 1.93 billion (2019: Rs 0.5 billion). Rates of mark-up ranges from three month KIBOR plus 0.05% (2019: one months KIBOR plus 0.25%) to one month KIBOR plus 0.5% (2019: three months KIBOR plus 0.25%) per annum.

**16.3** The facilities for opening letters of credit and guarantees as at December 31, 2020 amounted to Rs. 2.45 billion (2019: Rs. 2.75 billion) out of which unutilised balance at year end amounted to Rs. 2.04 billion (2019: Rs 2.42 billion).

The above arrangements are secured by way of hypothecation of selected plant and machinery and pari-passu charge against hypothecation of Company's present and future current assets.

## 17. COMMITMENTS

Commitments for capital expenditure outstanding as at December 31, 2020 amounted to Rs. 151.15 million (2019: Rs. 199.53 million).

## 18. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2020			2019		
	Tractors	Trading goods and others	Total	Tractors	Trading goods and others	Total
	(Rupees in '000)					
Local sales	12,583,533	105,647	12,689,180	14,831,560	159,328	14,990,888
Export sales	91,011	-	91,011	13,516	-	13,516
	12,674,544	105,647	12,780,191	14,845,076	159,328	15,004,404
Less:						
- Commission and incentives	(224,053)	(1,322)	(225,375)	(269,169)	(2,847)	(272,016)
- Sales tax	(597,217)	(22,427)	(619,644)	(732,135)	(7,865)	(740,000)
	(821,270)	(23,749)	(845,019)	(1,001,304)	(10,712)	(1,012,016)
	11,853,274	81,898	11,935,172	13,843,772	148,616	13,992,388

**18.1** These financial statements do not include disclosure relating to IFRS 8 "Operating Segments" as the Company is considered to be a single operating segment.

## 19. COST OF GOODS SOLD

### Manufactured goods

	2020	2019
	(Rupees in '000)	
Raw materials and components consumed	8,756,920	10,361,257
Salaries, wages and benefits	287,756	332,019
Charge for defined benefit plan	9,055	7,400
Charge for defined contribution plan	5,383	5,949
Stores and supplies	111,115	140,174
Royalty and technical fee	101,197	119,277
Insurance	3,921	2,926
Depreciation	37,225	34,568
Fuel, power and electricity	51,297	56,027
Inwards freight and transportation	3,219	5,534
Repairs and maintenance	27,147	111,518
Travelling, vehicle running and entertainment	5,287	7,487
Rent, rates and taxes	1,004	1,112
Communication	352	578
Printing and stationery	1,041	2,999
Others	7,762	9,811
Opening stock of work-in-process	125,256	108,584
Closing stock of work-in-process	(550,987)	(125,256)
Cost of goods manufactured	8,983,950	11,181,964
Opening stock of finished goods	648,957	822,097
Closing stock of finished goods	(525,250)	(648,957)
	9,107,657	11,355,104
Trading goods		
Opening stock	9,836	8,086
Purchases	59,784	94,318
	69,620	102,404
Closing stock	(12,607)	(9,836)
	57,013	92,568
	9,164,670	11,447,672

## 20. DISTRIBUTION EXPENSES

Salaries, wages and benefits	61,104	74,760
Charge for defined benefit plan	2,751	2,221
Charge for defined contribution plan	2,166	2,180
Insurance	159	149
(Reversal) / provision against doubtful receivables	(8,817)	10,974
Depreciation / amortisation	10,784	10,754
Electricity	1,948	1,878
Travelling, vehicle running and entertainment	13,123	13,295
Repairs and maintenance	472	5,007
Rent, rates and taxes	2,546	11,800
Communication	1,988	2,374
Advertisement and promotion	8,095	18,664
After sales expense	12,142	5,892
Warranty expense	46,873	29,286
Freight charges	61,417	70,238
Legal and professional charges	1,887	127
Printing and stationery	2,222	3,028
Others	1,044	1,319
	221,904	263,946

<b>21. ADMINISTRATIVE EXPENSES</b>		<b>2020</b>	<b>2019</b>
(Rupees in '000)			
Salaries, wages and benefits		203,153	192,510
Charge for defined benefit plan		8,654	8,791
Charge for defined contribution plan		5,818	7,311
Insurance		547	355
Depreciation		33,503	35,514
Electricity		7,143	6,948
Travelling, vehicle running and entertainment		4,450	9,363
Repairs and maintenance		1,163	1,527
Rent, rates and taxes		8,529	1,881
Communication		12,132	12,305
Auditors' remuneration	21.1	3,449	3,207
Advertising		1,435	1,770
Legal and professional charges		21,865	5,611
Printing and stationery		7,376	6,379
Donation	21.2	127	236
Others		3,331	3,055
		<u>322,675</u>	<u>296,763</u>
<b>21.1 Auditors' remuneration</b>			
Audit fee		1,800	1,800
Fee for limited review of half yearly financial statements		400	400
Certification for compliance with Code of Corporate Governance, certifications for government and other agencies and other services		490	490
Out of pocket expenses		759	517
		<u>3,449</u>	<u>3,207</u>
<b>21.2</b>	None of the Directors or their spouses had any interest in the donee.		
<b>22. OTHER INCOME</b>			
<b>Income from financial assets</b>			
Return on PLS savings and deposit accounts		40,618	17,581
<b>Income from other assets</b>			
Scrap sales		14,822	32,106
Profit on disposal of fixed assets		777	661
Discount received Recovery from other financial assets		-	3,500
Others		2,581	7,575
		<u>18,180</u>	<u>43,842</u>
		<u>58,798</u>	<u>61,423</u>
<b>23. OTHER EXPENSES</b>			
Workers' Profits Participation Fund		103,780	72,890
Workers' Welfare Fund		43,900	36,378
Provision against slow moving and obsolete inventories		63,345	189,175
		<u>211,025</u>	<u>298,443</u>
<b>24. FINANCE COSTS</b>			
Bank charges and commission		1,824	4,113
Mark up on islamic financing		98,529	263,903
Mark up on running finance		45,436	130,447
		<u>145,789</u>	<u>398,463</u>

**25. INCOME TAX EXPENSE**

Current  
- for the year  
- prior year  
Deferred

2020	2019
(Rupees in '000)	
594,611	493,251
8,307	(4,850)
(24,668)	(117,529)
578,250	370,872

**25.1 Relationship between tax expense and accounting profit:**

Accounting profit before tax  
  
Tax at applicable rate of 29% (2019: 29%)  
Effect of final tax on exports  
Tax credit  
Prior year tax  
Others

1,927,902	1,348,524
559,092	391,072
(3,633)	(236)
-	(2,679)
8,307	(4,850)
14,484	(12,435)
578,250	370,872

**26. EARNINGS PER SHARE - Basic and diluted**

Profit after taxation attributable to ordinary shareholders

Weighted average number of shares  
in issue during the year (in thousand)

Basic and diluted earnings per share (Rupees)

1,349,657	977,652
57,964	57,964
23.28	16.87

**26.1** A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at December 31, 2020 and 2019 which would have any effect on the earnings per share if the option to convert exercised.

**27. CASH GENERATED FROM OPERATIONS**

Profit before income tax  
Add / (less): Adjustment for non-cash charges  
and other items  
Depreciation and amortisation  
Retirement benefits charge  
Gain on disposal of fixed assets  
Return on bank deposits  
Mark up on running finance

2020	2019
(Rupees in '000)	
1,927,907	1,348,524
81,512	80,835
20,460	18,412
(777)	(661)
(40,618)	(17,581)
143,965	394,350
2,132,449	1,823,879

Effect on cash flow due to working capital changes

Decrease / (increase) in current assets  
Inventories  
Trade receivables  
Loans and advances  
Trade deposits and short-term prepayments  
Other receivables  
Refunds due from the Government  
  
Increase / (decrease) in current liabilities  
Trade and other payables

782,376	720,695
9,624	46,982
6,655	39,121
(17,527)	35,907
99,909	(95,170)
(677,513)	1,023,872
203,524	1,771,407
543,092	(546,222)
746,616	1,225,185
2,879,065	3,049,064

## 28. CASH AND CASH EQUIVALENTS

	2020	2019
	(Rupees in '000)	
Cash in hand	816	401
At banks in		
- Current accounts	75,923	73,317
- PLS savings and deposit accounts	120,597	76,458
	196,520	149,775
Demand drafts in hand	33,182	38,917
Short term financing - note 16	(1,588,636)	(3,628,896)
	(1,358,118)	(3,439,803)

## 29. EMPLOYEE BENEFIT OBLIGATIONS

**29.1** As stated in note 2.11 (i) the Company operates an approved funded gratuity scheme for all its permanent employees. The scheme defines an amount of gratuity benefit that an employee will receive on retirement subject to a minimum qualifying period of service under the scheme. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuations of the scheme was carried out as at December 31, 2020.

**29.2** Plan assets held in trust are governed by local regulations which mainly include Trust Act, 1882; the Companies Act, 2017; Income Tax Rules, 2002 and the Rules under the trust deeds. Responsibility for governance of the Plan, including investment decisions and contribution schedules, lies with the Board of Trustees. The Company appoints the trustees and all trustees are employees of the Company.

**29.3** The latest actuarial valuation of the Plan as at December 31, 2020 was carried out using the Projected Unit Credit Method. Details of the Fund as per the actuarial valuation are as follows:

### 29.4 Statement of financial position reconciliation as at December 31

	2020	2019
	(Rupees in '000)	
Present value of defined benefit obligation	207,226	258,137
Fair value of plan assets	(243,423)	(206,938)
	(36,197)	51,199

### 29.5 Movement in present value of defined benefit obligation

Obligation as at January 1	258,137	180,396
Current service cost	20,393	18,750
Interest expense	24,274	21,333
Remeasurement on obligation	(39,065)	50,016
Benefits paid	(56,513)	(12,358)
Obligation as at December 31	207,226	258,137

### 29.6 Movement in the fair value of plan assets

Fair value as at January 1	206,938	158,794
Interest income	24,210	21,671
Remeasurement on plan assets	(4,317)	(2,172)
Employer contributions	73,105	41,003
Benefits paid	(56,513)	(12,358)
Fair value as at December 31	243,423	206,938

### 29.7 Expense recognised in statement of profit or loss

Current service cost	20,393	18,750
Interest expense - net	64	(338)
	20,457	18,412

29.8 Remeasurement recognised in other comprehensive income	2020		2019	
	(Rupees in '000)			
Experience losses	39,065		(50,016)	
Remeasurement of fair value of plan assets	(4,317)		(2,172)	
Remeasurements	34,748		(52,188)	
<b>29.9 Net recognised (asset) / liability</b>				
Balance as at January 1	51,199		21,602	
Expense for the year	20,457		18,412	
Employer contributions	(73,105)		(41,003)	
Remeasurement recognised in other comprehensive income	(34,748)		52,188	
Balance as at December 31	(36,197)		51,199	

29.10 Composition of plan assets:	2020		2019	
	(Rupees in '000)	%	(Rupees in '000)	%
Term deposits	151,157	62.10	122,559	58.71
Others (include bank balance)	92,266	37.90	84,379	41.29
	243,423	100.00	206,938	100.00

29.11 Actuarial assumptions	2020		2019	
	Expected rate of increase in salaries			
- Management staff				
- Short-term - 1 year		9.75%		11.25%
- Long-term - more than 1 year		9.75%		11.25%
- Non-management staff				
- Short-term - 1 year		9.75%		11.25%
- Long-term - more than 1 year		9.75%		11.25%
Discount factor used		9.75%		11.25%

**29.12** Pre-Retirement mortality was assumed to be SLIC (2001-05) for males and females, as the case may be, but rated down one year.

**29.13** The Company ensures asset / liability matching by investing in short-term deposits and does not use derivatives to manage its risk.

**29.14** The expected return on plan assets has been determined by considering the expected returns available on the assets underlying the current investment policy.

#### 29.15 Sensitivity analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
		(Rupees in '000)	
Discount rate at December 31	1%	(16,774)	7,781
Future salary increases	1%	8,631	(17,742)

If longevity increases by 1 year, the resultant decrease in obligation is insignificant.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

## 29.16 Historical information

	2020	2019	2018	2017	2016
	(Rupees in '000)				
As at December 31					
Present value of defined benefit obligation	207,226	258,137	180,396	149,317	134,996
Fair value of plan assets	(243,423)	(206,938)	(158,794)	(139,310)	(125,281)
(Surplus) / deficit	(36,197)	51,199	21,602	10,007	9,715
Experience adjustments					
Gain / (loss) on obligation	39,065	(50,016)	(15,719)	(2,694)	(8,188)
Loss on plan assets	(4,317)	(2,172)	(5,183)	(6,763)	(492)
	34,748	(52,188)	(20,902)	(9,457)	(8,680)

29.17 The expected return on plan assets is based on the market expectations and depend upon the asset portfolio of the fund, at the beginning of the period.

29.18 As per actuarial advice, the Company is expected to contribute Rs.5.33 million towards gratuity fund in 2020 (2019: Rs. 21.9 million).

29.19 The weighted average duration of non-management employees is 32.35 years and of management employees is 8.88 years.

29.20 Expected maturity analysis of undiscounted retirement benefit plan.

At December 31, 2020	Less than a year	Between 1 2 years	Between 2 5 years	Between 5 10 years	Over 10 years	Total
Retirement benefit plan	30,557	25,880	85,457	93,213	269,776	504,883

29.21 The investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

## 30. RELATED PARTY TRANSACTIONS

30.1 The following transactions were carried out with related parties during the year:

Relationship	Nature of transactions	2020	2019
		(Rupees in '000)	
i. Holding company	Dividend paid	-	626,242
ii. Associate company	Dividend paid	-	510,457
	Royalty paid	45,663	127,907
	Royalty charge	101,197	119,277
	Purchases of services	15,779	-
	Purchases of goods	-	7,745
iii. Retirement benefit funds	Contribution to Al-Ghazi Tractors Limited Staff Provident Fund	13,367	15,440
	Contribution to Al-Ghazi Tractors Limited Employees' Gratuity Fund	73,105	41,007
iv. Key management personnel *	Salaries and other employee benefits	113,120	149,598
	Retirement benefits	6,956	13,349

The outstanding balances of related parties as at December 31, 2020 are included in trade and other payables and other receivables respectively.

\* Key management personnel includes CEO, CFO and all Head of the Departments.

30.2 Following are the related parties including associated companies with whom the Company had entered into transactions or have arrangements / agreements in place:

S. No.	Company name	Basis of relationship	Aggregate % of shareholding
1	Al-Futtaim Industries Company (LLC)	Parent	50.02%
2	CNH Industrial N.v. (formerly CNH Global N.v.)	Associate	43.17%

**30.2.1** Al-Futtaim Industries Company (LLC) is a Company incorporated in Dubai.

**30.2.2** CNH Industrial N.V. (formerly CNH Global N.V.) is a Company incorporated in the Netherlands.

### 31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the financial statements for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company are as follows:

	Chief Executive		Director		Executives	
	2020	2019	2020	2019	2020	2019
	(Rupees in '000)					
Managerial remuneration	32,761	42,622	9,642	13,303	19,743	30,021
Bonus	-	11,371	-	2,329	-	4,571
House rent	10,442	13,227	-	4,231	7,124	10,714
Utilities	2,018	2,939	-	940	1,583	2,381
Retirement benefits	4,258	6,825	-	1,999	2,890	5,157
Leave passage	17,983	4,409	3,147	2,622	3,455	4,084
	<u>67,462</u>	<u>81,393</u>	<u>12,789</u>	<u>25,424</u>	<u>34,795</u>	<u>56,928</u>
Number of persons	<u>2</u>	<u>1</u>	<u>2</u>	<u>1</u>	<u>8</u>	<u>9</u>

- The Chief Executive and Executives are also provided with Company maintained cars and are entitled to medical benefits and club subscription in accordance with their entitlements.
- Director is also provided with Company maintained car and furnished house in accordance with his entitlements. Furthermore, the Director is entitled to other remuneration which is borne by the Parent Company therefore, it is not included here.
- Aggregate amount charged to statement of profit or loss for the year in respect of fee to director was Rs. 2.06 million (2019: Rs. 2.38 million).

### 32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(i) Financial assets and liabilities by category and their respective maturities

(i) FINANCIAL ASSETS	Interest / mark-up bearing			Non interest bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
Loans and advances	-	-	-	3,425	781	4,206	4,206
Deposits	-	-	-	-	4,160	4,160	4,160
Other receivables	-	-	-	229	-	229	229
Cash and bank balances	120,597	-	120,597	109,921	-	109,921	230,518
<b>2020</b>	<u>120,597</u>	<u>-</u>	<u>120,597</u>	<u>113,575</u>	<u>4,941</u>	<u>118,516</u>	<u>239,113</u>
<b>2019</b>	<u>76,458</u>	<u>-</u>	<u>76,458</u>	<u>126,755</u>	<u>4,757</u>	<u>131,512</u>	<u>207,970</u>
<b>FINANCIAL LIABILITIES</b>							
At amortised cost							
Trade and other payables	-	-	-	963,643	-	963,643	963,643
Unclaimed dividend	-	-	-	72,376	-	72,376	72,376
<b>2020</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,036,019</u>	<u>-</u>	<u>1,036,019</u>	<u>1,036,019</u>
<b>2019</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>718,063</u>	<u>-</u>	<u>718,063</u>	<u>718,063</u>
<b>Off balance sheet items</b>							
Financial commitments:							
Contracts for capital expenditure							151,147
Letters of credit and guarantee							406,828
<b>2020</b>							<u>557,975</u>
<b>2019</b>							<u>530,334</u>

The effective mark-up rates for the monetary financial assets are mentioned in respective notes to the financial statements.

**(ii) Concentrations of credit risk**

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties failed to perform as contracted. Out of the total financial assets of Rs. 239.11 million (2019: Rs. 207.97 million) the financial assets exposed to the credit risk amount to Rs. 205.12 million (2019: Rs. 168.65 million) which mainly comprise of balances with banks.

The Company places surplus funds with various reputed banks having minimum credit ratings of A-1 as assigned by credit rating agencies. The Company monitors its exposure to a single bank its ratings on continuous basis.

The Company's products are mainly sold against cash or demand drafts issued by Zarai Taraqati Bank Limited (ZTBL) and certain other commercial banks. Hence, the Company believes that it is not exposed to credit risk against tractor sales. As of December 31, 2020, there is no impaired balance and the carrying amount of trade receivables relates to independent customers for whom there is no recent history of default.

Loans to employees are not exposed to any material credit risk and are secured against the retirement benefits of the respective employees.

Other receivables are not exposed to any significant credit risk.

Deposits have been placed mainly with government institutions, hence exposed to no significant credit risk.

The management does not expect any losses from non-performance by these counterparts.

**(iii) Liquidity risk**

Liquidity risk reflects the Company's inability in raising funds to meet commitments. The Company manages liquidity risk by maintaining sufficient cash and balances with banks. As at December 31, 2020 there is no maturity mismatch between financial assets and liabilities that expose the Company to liquidity risk.

**(iv) Market risk**

**a) Foreign exchange risk**

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. At December 31, 2020 trade and other payables exposed to foreign currency risk amount to Rs.18.52 million (2019: Rs. 19.9 million).

The company imports raw materials and components in US Dollar and is exposed to Rupee / US Dollar exchange risk. If the Pakistan Rupee had weakened / strengthened by 4% against US Dollar with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 524.48 million (2019: Rs. 182.76 million), mainly as a result of foreign exchange losses / gains on settlement of US Dollar denominated trade payables.

**b) Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. As at December 31, 2020, the Company's interest bearing financial assets amounted to Rs. 120.6 million (2019: Rs. 76.46 million) and had the interest rate varied by 100 basis points with all the other variables held constant, profit before tax for the year would have been approximately higher / lower by Rs. 1.21 million (2019: Rs. 0.76 million).

#### (v) Fair values of the financial instruments

The carrying values of all the financial instruments reflected in the financial statements approximate to their fair values.

### 33. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide adequate returns for shareholders and benefits for other stakeholders.

### 34. PLANT CAPACITY AND PRODUCTION

Plant capacity (single shift) - units

Actual production - units

Actual production of tractors varies in line with the market demand.

2020	2019
30,000	30,000
12,654	15,400

### 35. NUMBER OF EMPLOYEES

35.1 Number of employees including contractual employees at 31 December

402	436
-----	-----

35.2 Average number of employees including contractual employees during the year

414	448
-----	-----

### 36. SUBSEQUENT EVENTS

The Board of Directors in their meeting held on May 4th, 2021 have proposed a final cash dividend of Rs. 21.39 per share amounting to Rs. 1,240 million ((2019: Rs. Nil per share amounting to Rs. Nil) subject to approval of the Company in the forthcoming annual general meeting. Further, the Board of Directors resolved to transfer PKR 1,049 million from general reserves to unappropriated profit.

These financial statements do not include the effects of above appropriations, which will be accounted for subsequent to the year end.

### 37. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on May 4th, 2021 by the Board of Directors.



Chief Executive



Director



Chief Financial Officer

# Product

NH - GHAZI (65Hp)



NH -640 (75 HP)



# Portfolio

NH - 480 (55 HP)



NH -70-56 4WD (85 HP)



NH -DABUNG (85 HP)



## NH - 480 (55 HP)

Engine Power	55 HP
Operating Weight	1,710 kg
Number of Cylinders	3
Bore and stroke	100 x 115 mm
Piston Displacement	2710 cc
Max. Power	2500 RPM 55 HP
Max. Torque	@1500rpm 16.5kgm
Pump	Distribution Injection type pump with Mechanical speed governor
Battery	12 Volts 90/ 95 Ah
Air Filter	Oil Bath with pre cleaner and Semi-automatic dust unloader
Fuel Filter	02 replaceable cartridges
Fuel Tank Capacity	54 Liters
Transmission	Gearbox with constant-mesh gears: 8 forward and 2 reverse speeds Synchronesh on 3rd, 4th, 7th & 8th speeds
Brakes	-Service dry band type with mechanical control
Brakes Parking	With hand lever on right hand side of operator
Steering	Manual, Recirculating ball type, Centre lever Joint to lubricated for life
Driver's Seat	Fully upholstered with parallelogram suspension, and adjustable to driver's weight.
Power Take-off	540 rpm (1318 * - 6 Spline Shaft) @ 2160 Engine RPM.
Hyd. Pump	Gear type pump driven from engine.
Pump Capacity	22.7 L/min
Maximum Lifting Capacity	1,450kg
Tyre Front	6.0 / 16
Tyre Rear	12.4/ 11-28
D.T.O	Speed same as engine - Anti clockwise



## NH - GHAZI (65Hp)

### Power Steering

Engine Power	65 HP
Operating Weight	1,770 kg
Number of Cylinders	3
Bore and stroke	104 x 115 mm
Piston Displacement	2931 cc
Max. Power	2500 RPM 65 HP
Max. Torque	@1500rpm 19.0 Kgm
Pump	Distribution Injection type pump with Mechanical speed governor
Battery	12 Volts 90 /95Ah
Air Filter	Oil Bath with pre cleaner and Semi-automatic dust unloader
Fuel Filter	02 replaceable cartridges
Fuel Tank Capacity	54Liters
Transmission	Gearbox with constant-mesh gears 8 forward and 2 reverse speeds Synchronesh on 3rd, 4th, 7th & 8th speeds
Brakes	Service dry band type with mechanical control, oil immersed disc Brakes
Brakes Parking	With hand lever on right hand side of operator
Steering	Hydraulic Power with independent oil pump of flow capacity 12 litres / min and separate oil tank capacity 1.8 liters with complete filtering system.
Driver's Seat	Fully upholstered with parallelogram suspension, and adjustable to driver's weight.
Power Take-off	540 rpm (1318 ~- 6 Spline Shaft) @ 2160 Engine RPM.
Hyd. Pump	Gear type pump driven from engine
Pump Capacity	22.7 L/min
Maximum Lifting Capacity	1,650kg
Tyre Front	6.0 / 16
Tyre Rear	14.9/ 13-28
D.T.O	Speed same as engine – Anti clockwise



## NH -640 (75 HP)

### Power Steering

Engine Power	75 HP
Operating Weight	2,070 kg
Number of Cylinders	4
Bore and stroke	100 x 115 mm
Piston Displacement	3613 cc
Max. Power	@2500 RPM 75 HP
Max. Torque	@1500rpm 22.5kgm
Pump	Distribution Injection type pump with Mechanical speed governor
Battery	12 Volts 110/ 120 Ah
Air Filter	Oil Bath with pre cleaner and Semi-automatic dust unloader
Fuel Filter	02 replaceable cartridges
Fuel Tank Capacity	54Liters
Transmission	Gearbox with constant-mesh gears 8forward and 2 reverse speeds Synchronesh on 3rd, 4th, 7th & 8th speeds
Brakes	Service dry band type with mechanical control, oil immersed disc Brakes
Brakes Parking	With hand lever on right hand side of operator
Steering	Hydraulic Power with independent oil pump of flow capacity 12 litres / min and separate oil tank capacity 1.8 liters with complete filtering system.
Driver's Seat	Fully upholstered with parallelogram suspension, and adjustable to driver's weight.
Power Take-off	540 rpm ( 1318 * - 6 Spline Shaft) @ 2160 Engine RPM.
Hyd. Pump	Gear type pump driven from engine.
Pump Capacity	24.8 L/min
Maximum Lifting Capacity	1,650kg
Tyre Front	7.5/ 16
Tyre Rear	16.9/ 14-30
D.T.O	Speed same as engine - Anti clock wise



# NH -DABUNG (85 HP)

## Power Steering

Engine Power	85 HP
Operating Weight	2,865 kg
Number of Cylinders	4
Bore and stroke	104 x 115 mm
Piston Displacement	3,908 cc
Max. Power	@2600 RPM 85 HP
Max. Torque	@1600rpm 29.7kgm
Pump	Distribution type fuel injection pump with Mechanical speed governor.
Battery	12 Volts 107 Ah
Air Filter	Oil Bath with pre cleaner
Fuel Filter	02 replaceable cartridges.
Fuel Tank Capacity	65 Liters
Transmission	Gear box with constant-mesh gears 8 forward and 2 reverse speeds
Brakes	Oil immersed disc Brakes
Brakes Parking	Manual lever on right hand side of operator
Steering	Hydraulic Power Steering capacity 1.8 liters with complete filtering system.
Driver's Seat	Fully upholstered with parallelogram suspension, and adjustable foot step for ease
Power Take-off	540 rpm (1318" – 6 Spline Shaft) @ 2160 Engine RPM.
Hyd. Pump	Gear type pump driven from engine.
Pump Capacity	26.7 L/min
Maximum Lifting Capacity	2,150kg
Tyre Front	7.50 -16
Tyre Rear	18.4/ 15-30
D.T.O	Hight speed 35mm dia / same speed as engine



## NH -70-56 4WD (85 HP)

### 4x4 Lift-O-Matic Hydrostatic Power Steering

Engine Power	85 HP
Operating Weight	2,600 kg
Number of Cylinders	4
Bore and stroke	104 x 115 mm
Piston Displacement	3908 cc
Max. Power	85 HP
Max. Torque	@1500rpm 27kgm
Pump	Distribution Injection type pump with Mechanical and Hydraulic speed governor
Battery	12 Volts 110/ 120 Ah
Air Filter	Oil Bath with pre cleaner and Semi-automatic dust unloader
Fuel Filter	02 replaceable cartridges
Fuel Tank Capacity	61.01 Liters
Transmission	Gearbox with constant-mesh gears Synchronmesh on 3rd, 4th, 7th & 8th speeds
Brakes	Oil immersed multi disc type, Brakes actuation Hydraulic
Brakes Parking	With hand control lever and flashing warning light
Steering	Hydrostatic Power Independent circuit
Driver's Seat	De luxe with parallelogram suspension and Hydraulic shock absorber , adjustable to driver's weight
Power Take-off	540 rpm(1750 Engine RPM)
Pump Capacity	34.5 L/min
Maximum Lifting Capacity	2,200Kg
Tyre Front	12.4/ 11-24
Tyre Rear	18.4/ 15-30



## GLOSSARY

TERM	DEFINITION
AGM	Annual General Meeting
AGTL	Al-Ghazi Tractors Limited
CAGR	Cumulative Annual Growth Rate
CBA	Collective Bargaining Agent
CCG	Code of Corporate Governance
CDC	Central Depository Company
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CNH	Case New Holland
CSR	Corporate Social Responsibility
DGK	Dera Ghazi Khan
EBIT	Earnings before Interest and Taxation
EBITDA	Earnings before Interest, Taxation, Depreciation and Amortization
EPS	Earnings per Share
ERP	Enterprise Resource Planning
FBR	Federal Board of Revenue
GDP	Gross Domestic Product
GP	Gross Profit
Hp	Horsepower
HR	Human Resources
HSD	High Speed Diesel
ICAEW	Institute of Chartered Accountants of England and Wales
ICAP	Institute of Chartered Accountants of Pakistan
ICMAP	Institute of Cost and Management Accountants of Pakistan
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
ISO	International Organization for Standardization
IT	Information Technology
KSE	Karachi Stock Exchange
LDO	Light Diesel Oil
MIS	Management Information System
NP	Net Profit
PDI	Pre Delivery Inspection
PICG	Pakistan Institute of Corporate Governance
SECP	Securities and Exchange Commission of Pakistan
TEVTA	Technical Education and Vocational Training Authority
UTS	Ultimate Tensile Strength
WPPF	Workers' Profit Participation Fund
WWF	Workers Welfare Fund
ZTBL	Zarai Taraqiyati Bank Limited



## INVESTOR FEEDBACK FORM

To request information or submit a comment / query to the Company, please complete the following and return this page to-

Company Secretary  
Tractor House, 102-B,  
16th East Street, DHA Phase I,  
Off. Korangi Road, Karachi.

Comment / Query : \_\_\_\_\_  
\_\_\_\_\_

Name : \_\_\_\_\_

Permanent Mailing Address : \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Contact Numbers (Tel) : \_\_\_\_\_

(Fax) : \_\_\_\_\_

Email : \_\_\_\_\_

Name of Company : \_\_\_\_\_  
(If Applicable)

Designation : \_\_\_\_\_  
(If Applicable)

Company Address : \_\_\_\_\_

(If Applicable) \_\_\_\_\_  
\_\_\_\_\_



**FAMCO ASSOCIATES (PVT) LTD.**

8-F, Near Hotel Faran, Nursery  
Block 6, P.E.C.H.S.  
Shahra-e-Faisal  
Karachi.

**Date:**

Dear Sirs,

**ELECTRONIC CREDIT MANDATE FORM (MANDATORY)**

I hereby communicate to receive my future dividends directly in my bank account as detailed below:

Name of share-holder/certificate-holder : -----  
Folio Number/CDC Account No. : ----- Company/Entity: -----  
Contact number : -----  
Title of Bank Account : -----  
IBAN Number (see Note below) : -----  
Name of Bank : -----  
Bank branch name & full mailing address : -----  
-----  
CNIC No. (copy attached) : -----  
NTN (in case of corporate entity) : -----  
Cell / Landline number : -----

It is stated that the above particulars given by me are correct and to the best of my knowledge; I shall keep the Company/Modaraba informed in case of any changes in the said particulars in future.

\_\_\_\_\_  
Shareholder/Certificate-holder's Signature

**Notes and Instructions:**

1. Please provide complete IBAN Number (24 digits), after checking with your concerned branch to enable electronic credit directly into your bank account.
2. The payment of cash dividend will be processed based on the account number alone. Company/Modaraba will rely on the account number as per Shareholder/Certificate holder's instructions and shall not be responsible for any loss, damage, liability or claim arising, directly or indirectly, from any error, delay, or failure in performance of any of its obligations hereunder which is caused by incorrect payment instructions and /or due to any event beyond the control of the Company/Modaraba.
3. Shareholders holding shares in physical form must submit this form separately for each Company/Modaraba where they hold their shares/Modaraba Certificates quoting their folio number.
4. CDC shareholders are requested to submit their Dividend Mandate directly to their broker (participant)/CDC Investor Accounts Services. It is not required to file separate form for each Company.

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AFFIX  
CORRECT  
POSTAGE

The Company Secretary  
Al-Ghazi Tractors Limited  
Tractor House, 102-B,  
16th East Street, DHA Phase I,  
Off. Korangi Road, Karachi.

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## FORM OF PROXY

I / We \_\_\_\_\_

of \_\_\_\_\_

a member(s) of Al-Ghazi Tractors Limited and holding \_\_\_\_\_

ordinary shares, as per Register Folio \_\_\_\_\_

hereby appoint \_\_\_\_\_

of \_\_\_\_\_

or failing him \_\_\_\_\_

of \_\_\_\_\_

to vote for me/us and on my/our behalf at the Annual General Meeting of Al-Ghazi Tractors Limited to be held on 15 June 2021 at 04:00 PM through video-link arrangement

Signed on this \_\_\_\_\_ day of \_\_\_\_\_, 2021 in the presence of:

1. Signature \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

CNIC or Passport No. \_\_\_\_\_

2. Signature \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

CNIC or Passport No. \_\_\_\_\_

Signature of  
member(s)  
across  
Revenue Stamp  
of Rs. 5/-

### ***Important:***

1. A member entitled to attend a General Meeting entitled to appoint a proxy to attend and vote instead of him. No person shall act as proxy (except for a corporation) unless he is entitled to be present and vote in his own right.
2. The instrument appointing a proxy should be signed by the member or by his attorney duly authorized in writing. If the member is a corporation its common seal (if any) should be affixed to the instrument.
3. The proxies shall be deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting.

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درست رقم کا ٹکٹ  
چسپاں کریں

کمپنی سیکریٹری  
الغازی ٹریڈرز لمیٹڈ،  
ٹریڈرز ہاؤس، B-102،  
16 ایسٹ اسٹریٹ، ڈی ایچ اے فیز 1،  
کورنگی روڈ، کراچی۔

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# الغازی ٹریڈرز لمیٹڈ

## پراکسی فارم

میں / ہم ----- ساکن -----  
بجائیت ممبر (ز) الغازی ٹریڈرز لمیٹڈ اور حق ملکیت رکھتے ہوئے -----  
عمومی شیئرز جس کا اندراج رجسٹرڈ فولیو نمبر -----  
اپنی جانب سے نامزد کرتا ہوں ----- کو  
ساکن -----  
اور ان کے ناجانے پر مسمیٰ / مسما ت -----  
کو بطور پراکسی مقرر کرتا کرتے ہیں تاکہ وہ میری / ہماری جگہ اور میری /  
ہماری طرف سے کمپنی کے سالانہ عام اجلاس بتاریخ 15 جون 2021ء بوقت شام 04:00 بجے بذریعہ ویڈیو لنک منعقد  
ہو رہا ہے، اس میں یا اس کے کسی ملتی شدہ اجلاس میں شرکت کرے اور ووٹ ڈالے۔

اس پر مورخہ ----- 2021 کو درج ذیل کی موجودگی میں دستخط ثبت کیے:

(1) دستخط: ----- نام: -----  
(2) دستخط: ----- نام: -----  
پتا: ----- پتا: -----  
شناختی کارڈ / پاسپورٹ نمبر: ----- شناختی کارڈ / پاسپورٹ نمبر: -----

5/- روپے مالیت کے ریونیو  
اسٹیٹیمپ پر دستخط کریں  
ممبر (ممبرز) کے دستخط

نوٹ:

- 1- اجلاس میں شرکت کرنے اور ووٹ دینے کا استحقاق رکھنے والا کوئی بھی ممبر اجلاس میں اپنی جگہ شرکت کرنے اور ووٹ دینے کیلئے تحریری طور پر پراکسی کا تقرر کر سکتا ہے۔
- 2- پراکسی کی دستاویز پر ممبر یا اس کا اٹارنی جسے تحریری طور پر اس کی اجازت دی گئی ہو دستخط کریں گے اگر ممبر کوئی کارپوریشن ہے تو اس کی مشترکہ مہر (اگر کوئی ہو) اس دستاویز پر ثبت کی جائے گی۔
- 3- کارآمد ہونے کیلئے یہ ضروری ہے کہ یہ پراکسی کمپنی کے رجسٹرڈ آفس میں اجلاس کیلئے مقررہ وقت سے کم از کم 48 گھنٹے قبل ہر طرح سے مکمل صورت میں جمع کرا دیئے جائیں۔

**REGISTERED AND HEAD OFFICE**

Tractor House, 102 -B, 16th East Street, DHA Phase I,  
Off. Korangi Road, Karachi.

Tel: 92 21 35318901-5 | Fax: 92 21 35660882

Email: [agtl@alghazitractors.com](mailto:agtl@alghazitractors.com) | Website: [www.alghazitractors.com](http://www.alghazitractors.com)



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AGTL



NEWHOLLAND

QUALITY MANAGEMENT-BRAND STRENGTH

**AL-GHAZI TRACTORS LTD**