



# Huffaz

Seamless Pipe Industries Limited

*Commitment Towards Quality!*

## CONDENSED INTERIM FINANCIAL INFORMATION

for the Nine Months Period ended

**March 31, 2011**

*(Un-Audited)*

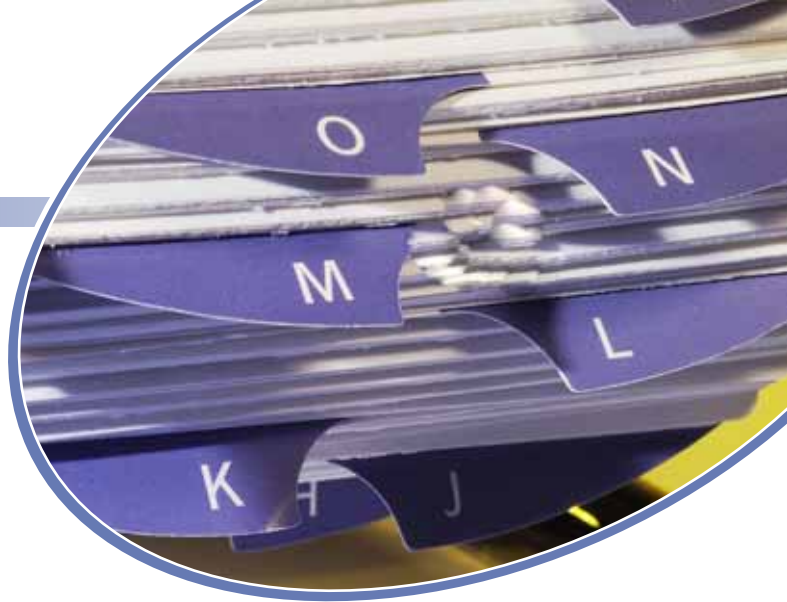




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# Corporate Directory

## Chairman:

Mr. Yousuf Mohamed Y. Najibi

## Chief Executive:

Mr. Hafiz Abdul Majid

## Executive Director:

Mr. Hafiz Abdul Haseeb

## Board of Directors:

Mr. Yousuf Mohamed Y. Najibi (UAE)  
Mr. Nabil Abdul Rahman Ahmad Arif (UAE)  
Mr. Abdul Aziz Eshaq A. Rahman (UAE)  
Mr. Muhammad Hafiz (UK)  
Mr. Arshad Ahmed (UK)  
Mr. Hafiz Abdul Waheed  
Mr. Hafiz Abdul Sami  
Mr. Hafiz Abdul Aleem  
Mr. Hafiz Abdul Majid  
Mr. Hafiz Abdul Haseeb

## CFO & Company Secretary:

Mr. Syed Zakir Ali, FCA., FCMA

## Audit Committee:

Mr. Arshad Ahmed (UK)  
Mr. Muhammad Hafiz (UK)  
Mr. Hafiz Abdul Sami  
Mr. Hafiz Abdul Haseeb

## Auditors:

M/s. S.M. Suhail & Company  
M/s. KPMG - Taseer Hadi & Company

## Legal Advisor:

M/s. Arfin & Co., Advocate,  
907 Saima Trade Center - A,  
I.I. Chundrigar Road, Karachi.

## Registrar:

M/s. Gangjees Registrar Services (Pvt) Limited,  
516 Clifton Centre, Khayaban-e-Romi,  
Block 5, Karachi.

## Bankers:

Allied Bank Limited  
Askari Bank Limited  
Bank Alfah Ltd.  
Barclay Bank Limited  
Faisal Bank Limited  
Habib Bank Limited  
MCB Bank Limited  
Meezan Bank Ltd.  
National Bank of Pakistan  
Royal Bank of Scotland  
Soneri Bank Limited

## Registered Office:

207-210 Second Floor, Mushriq Centre,  
Block 14, Gulshan-e-Iqbal, Karachi.

## Factory:

90 KM Super High Way, Nooriabad Industrial  
Estate, District Dadu, Sind.

## Website:

[www.huffaz.com.pk](http://www.huffaz.com.pk)





## Mission & Vision

### Mission

**To emerge as a leader among the responsible corporate citizens, benefiting all its stakeholders through innovation in its products and services.**

### Vision

To maintain its position as leader in providing seamless pipes and tubes and engineering goods and services in local market.

To explore export market and get benefit of competitive advantage of its internationally recognized products.

To introduce and adopt best practices within the company to achieve its objectives.

To maintain high standard and quality of its products while bringing cost effectiveness.

To provide adequate return to its investors.

To maintain congenial relationship with all of its stakeholders particularly employees, customers and suppliers.

To establish and maintain safe, healthy and environment-friendly systems.





# International Certifications



ISO 9001 : 2000, ISO 14001 : 2004,  
OHSAS 18001 : 1999, API-5L-0375,  
API 5CT-0586, PED AND INVESTOR IN PEOPLE (IIP).  
certification are proof of HSP's superior  
quality standards and commitment to quality.  
Due to our superior quality standards and  
customer satisfaction the company was  
awarded the "Industrial Affairs Award 95"  
and "Pakistan Economic Excellency  
Award 1996-97"





## ***As Salam O Alaikum Wa Rahmatullah Wa Barakatohu***

Directors of the Company are pleased to present the un-audited quarterly financial statements as of March 31, 2011. These accounts are presented in accordance with the requirements of Companies Ordinance, 1984.

## **ECONOMIC OVERVIEW**

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The continued government borrowing has created difficulties for the central bank in containing inflation, which brought in justification for tight monetary policy and has also restricted industrial growth in the form of crowding out effect. The government on the other hand is making all out efforts to increase revenue so as to lower its dependence on the borrowing, however, the success has not been profound. In this scenario, the results achieved by your company are only by the Grace of Allah and hard work of its employees and management.

## **FINANCIAL OVERVIEW**

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During the nine months ended March 31, 2011 the turnover was Rs. 939.789 million as compared to the turnover of Rs. 919.972 million for the corresponding previous nine months. During this period of nine months the Company earned profit after tax of Rs. 23.413 million. This was after the charge of incremental depreciation of Rs. 234 million over the revalued fixed assets of the Company. It is expected that in the current quarter, turnover of the Company will increase and profitability will improve, inshaallah.

## **DECLARATION OF DIVIDEND**

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The Board of Directors of the Company in the meeting held on 27 February 2011 declared interim dividend at 15% (Rs. 1.50 per share). The dividend warrants have already been dispatched to the shareholders.





## **FUTURE PROSPECTS**

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The Chinese experts being representatives of supplier of Coating plant have started commissioning, which will take two to three months. For other projects the management is waiting for a positive turnaround of the world and country economy, which is expected to improve in the near future.

## **ACKNOWLEDGMENT**

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The board of directors of the Company, places on record its gratitude to valued shareholders, banks, financial institutions and customers, whose co-operation, continued support and patronage have enabled the Company to strive for constant improvement. During the period under review, relation between the management and the employees remained cordial and we wish to place on record our appreciation for the dedication and hard work of the staff and workers of the Company.

For and on behalf of the Board

**HAFIZ ABDUL MAJID**

**Chief Executive**

Karachi: April 30, 2011





	Note	Un-Audited March 31 2011	Audited June 30 2010 (Restated)
(Rupees '000)			
<b>ASSETS</b>			
<b>NON - CURRENT ASSETS</b>			
Property, plant & equipment	6	4,874,055	5,055,036
Capital work in progress		12,560	3,925
Long term deposits		15,659	15,659
		<b>4,902,274</b>	<b>5,074,620</b>
<b>CURRENT ASSETS</b>			
Store & Spares	7	41,476	53,481
Stock-in-trade	8	918,315	832,643
Trade debts - considered good		106,919	96,457
Loan, Advances and other receivables		121,912	63,849
Trade deposits and prepayments		9,779	11,580
Advance Tax - net of Provisions		24,765	44,587
Cash and bank balances	9	77,828	31,797
		<b>1,300,994</b>	<b>1,134,394</b>
<b>TOTAL ASSETS</b>		<b>6,203,268</b>	<b>6,209,014</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital		700,000	700,000
70,000,000 (30 June 2010: 70,000,000) ordinary shares of Rs. 10/- each			
<b>Issued, subscribed and paid up capital</b>			
55,484,303 (30 June 2010: 55,484,303) ordinary shares of Rs. 10/- each			
Share Premium		554,844	554,844
General reserve		109,437	109,437
Un-appropriated profit		40,000	40,000
		<b>357,417</b>	<b>181,894</b>
		<b>1,061,698</b>	<b>886,175</b>
Surplus on revaluation of property, plant & equipment- net of tax		2,757,532	2,909,643
<b>NON CURRENT LIABILITIES</b>			
Musharka facility arrangement		63,852	85,136
Liability against assets subject to finance lease		77,364	83,008
Deferred liabilities		1,239,581	1,335,970
		<b>1,380,797</b>	<b>1,504,114</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	941,418	790,746
Short term sponsors' advances		16,854	21,610
Short Term Borrowing		7,595	59,356
Current portion of Non Current Liabilities		37,374	37,370
		<b>1,003,241</b>	<b>909,082</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	11		
		<b>6,203,268</b>	<b>6,209,014</b>

The annexed accounting policies and explanatory notes from 1 to 17 form an integral part of these financial statements.

Chief Executive

Director







	Note	Nine Months Ended		Three Months Ended	
		March 31 2011	March 31 2010	March 31 2011	March 31 2010
		..... Un- audited .....		..... Un- audited .....	
		.....(Rupees in '000').....			
Net Sales	12	939,789	919,972	306,420	287,975
Cost of Sales	13	(882,990)	(708,394)	(269,308)	(232,402)
<b>GROSS PROFIT</b>		<b>56,799</b>	<b>211,578</b>	<b>37,112</b>	<b>55,573</b>
<b>OPERATING EXPENSES</b>					
Selling and Distribution expenses		(3,849)	(3,298)	(1,453)	(359)
Administrative expenses		(35,195)	(31,657)	(15,214)	(10,059)
		(39,044)	(34,956)	(16,667)	(10,418)
		17,755	176,622	20,445	45,155
Other operating income		2,981	950	266	542
<b>OPERATING PROFIT</b>		<b>20,736</b>	<b>177,572</b>	<b>20,711</b>	<b>45,697</b>
Finance cost		(49,467)	(11,870)	(14,414)	6,187
		(28,731)	165,702	6,297	51,884
Workers' profit participation fund		—	(8,285)	—	(2,595)
Workers' welfare fund		(3,215)	(2,599)	535	11
		(3,215)	(10,884)	535	(2,584)
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>(31,946)</b>	<b>154,819</b>	<b>6,832</b>	<b>49,300</b>
Taxation		55,359	(55,280)	15,699	(11,100)
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<b>23,413</b>	<b>99,539</b>	<b>22,531</b>	<b>38,200</b>
<b>EARNINGS PER SHARE</b>					
		<b>(Rupees)</b>		<b>(Rupees)</b>	
<b>Basic and diluted</b>	14	<b>0.42</b>	<b>1.79</b>	<b>0.41</b>	<b>0.69</b>

The annexed accounting policies and explanatory notes from 1 to 17 form an integral part of these financial statements.

  
Chief Executive

  
Director





	Nine Months Ended		Three Months Ended	
	March 31 2011	March 31 2010	March 31 2011	March 31 2010
	Un-audited		Un-audited	
	(Rupees in '000')			
Profit after Taxation	23,413	99,539	22,531	38,200
Other Comprehensive Income	—	—	—	—
Total Comprehensive Income for the Period	<u>23,413</u>	<u>99,539</u>	<u>22,531</u>	<u>38,200</u>

The annexed accounting policies and explanatory notes from 1 to 17 form an integral part of these financial statements.

Chief Executive

Director





	<b>Nine Months Period Ended</b>	
	<b>March 31 2011</b>	<b>March 31 2010</b>
	Un-audited	
	Rs. in 000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit/(Loss) before taxation	(31,946)	154,819
<b>Adjustment for:</b>		
Depreciation	297,241	55,568
Provision for staff gratuity	5,000	5,000
Provision for compensated absences	150	1,000
Finance cost	49,467	11,870
Provision for WPPF & WWF	3,215	11,269
	<b>355,073</b>	<b>84,707</b>
Operating profit before working capital changes	<b>323,127</b>	<b>239,526</b>
Working capital changes		
<b>(Increase)/decrease in current assets</b>		
Stores and spare parts	12,005	5,538
Stock-in-trade	(85,671)	258,493
Trade debts	(10,462)	86,092
Advances, deposits, prepayments and other receivables	(54,054)	(237,022)
	<b>(138,182)</b>	<b>113,101</b>
<b>Increase/(Decrease) in current liabilities</b>		
Trade and other payables	77,631	(106,738)
Cash generated from operations	<b>262,576</b>	<b>245,889</b>
Gratuity paid	(1,225)	(1,444)
Finance cost paid	(33,750)	(1,718)
Taxes paid	(24,985)	(51,091)
<b>Net cash generated from operating activities</b>	<b>202,616</b>	<b>191,636</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(116,260)	(104,111)
Capital work in progress	(8,635)	(4,451)
<b>Net cash used in investing activities</b>	<b>(124,895)</b>	<b>(108,562)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Saudi Pak Lease Coating Sheds	(5,644)	—
Sponsors' advances paid	(4,756)	(11,973)
Musharika liabilities paid	(21,284)	(7,095)
Dividend paid	(6)	(124)
<b>Net cash (used) from financing activities</b>	<b>(31,690)</b>	<b>(19,192)</b>
Net increase in cash and cash equivalent	<b>46,031</b>	<b>63,882</b>
Cash and cash equivalent at beginning of the period	<b>31,797</b>	<b>12,231</b>
<b>Cash and cash equivalent at end of the period</b>	<b>77,828</b>	<b>76,113</b>

The annexed accounting policies and explanatory notes from 1 to 17 form an integral part of these financial statements.

  
Chief Executive

  
Director





	Share Capital	Share Premium	General Reserve	Accumulated Profit	Total
	Rs. 000				
Balance as at 30 June 2009 as Restated	341,442	109,437	40,000	262,432	753,311
<b>Transaction with owners recorded directly in Equity</b>					
Bonus Share Issued @ 30% for the Year Ended 30 June 2009	102,433	—	—	(102,433)	—
Bonus Share Issued @ 25% for the Period Ended 30 Sep 2009	110,969	—	—	(110,969)	—
	213,402	—	—	(213,402)	—
Total comprehensive income for the nine month period ended 31 March 2010	—	—	—	99,539	99,539
Transfer from surplus on revaluation of property, plant and equipment-net of deferred tax	—	—	—	2,860	2,860
Balance as at March 31, 2010	554,844	109,437	40,000	151,429	855,710
Total comprehensive income for the three months period ended 30 June 2010 (Restated)	—	—	—	29,529	29,529
Transfer from surplus on revaluation of property, plant and equipment-net of deferred tax	—	—	—	936	936
Balance as at June 30, 2010 (Restated)	554,844	109,437	40,000	181,894	886,175
Total comprehensive income for the Nine month period ended 31 March 2011	—	—	—	23,413	23,413
Transfer from surplus on revaluation of property, plant and equipment-net of deferred tax	—	—	—	152,110	152,110
<b>Balance as at March 31, 2011</b>	<b>554,844</b>	<b>109,437</b>	<b>40,000</b>	<b>357,417</b>	<b>1,061,698</b>

The annexed accounting policies and explanatory notes from 1 to 17 form an integral part of these financial statements.

Chief Executive

Director





## 1. STATUS AND NATURE OF BUSINESS

Huffaz Seamless Pipe Industries Limited (the Company) was incorporated in Pakistan in the year 1983 as a public Company limited by shares. The shares of the Company are quoted on the Karachi and Lahore Stock Exchanges. The principal object and business of the Company is to manufacture and sell seamless steel pipe and tubes (tubular products). The Registered Office of the Company is situated at 207-210, Mashriq Center, Block 14, Gulshan-e-Iqbal, Karachi; and Plant of the Company is located at Nooriabad, District Dadu.

## 2. BASIS OF PRESENTATION

These condensed interim financial statements (Condensed Interim Financial Information) have been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in condensed interim financial information do not include all of the information required for full annual financial statements, and should therefore be read in conjunction with the financial statements of the company for the year ended 30 June 2010.

This condensed interim financial information is unaudited and is being submitted to the shareholders as required under section 245 of the Company Ordinance, 1984 and the listing regulations of Karachi and Lahore Stock Exchanges.

The comparative balance sheet presented in the condensed interim financial information as at 30 June, 2010 has been extracted from the audited financial statements of the Company for the year ended 30 June, 2010 and as restated in the reviewed financial statements for the period ended December 31, 2010, whereas the items of comparative profit and loss account, statement of comprehensive income, statement of changes in equity and the cash flow statements have been extracted from condensed interim financial information of the Company for the nine months period ended 31 March 2010.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of the condensed interim financial information are the same as those applied in preparation of the financial statements of the company as at and for the year ended 30 June 2010.

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. However, actual results may differ from these estimates.

In preparing this condensed interim financial information, the significant judgments made by the management in applying the company's accounting policies and the key sources of estimates uncertainly were the same as those that applied to the financial statements as at and for the year ended 30 June 2010.

## 5. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Company as at and for the year ended 30 June 2010.





	Note	(Unaudited) March 31 2011	(Audited) June 30 2010 (Restated)
.....Rs. in 000.....			
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	6.1	4,874,055	5,055,036
Capital work in progress	6.2	12,560	3,925
		<u>4,886,615</u>	<u>5,058,961</u>
<b>6.1</b>	Following are the additions in owned fixed assets.		
Building on freehold land		63,957	165,144
Plant and machinery		50,644	1,350
Electric & Gas Appliances		590	423
Furniture & fixtures		172	158
Office equipment		78	1,310
Factory equipment		617	41,010
Motor vehicles		42	163
Computers and allied equipments		160	1,206
Security Weapons		—	632
		<u>116,260</u>	<u>211,396</u>
<b>6.2 CAPITAL WORK IN PROGRESS</b>			
Capital work in progress includes new erections for installation of Coating Plant and other plant & machinery and Electrical installation as on March 31, 2011.			
<b>7 STORES, SPARE PARTS AND LOOSE TOOLS</b>			
Stores		38,378	50,357
Spare parts and loose parts		3,098	3,124
		<u>41,476</u>	<u>53,481</u>
<b>8 STOCK-IN-TRADE</b>			
Raw material - in hand		234,028	415,974
Rejection / scrap material		54,829	13,244
Work in process		78,436	138,038
Finished goods		551,022	265,387
		<u>918,315</u>	<u>832,643</u>
<b>9 CASH AND BANK BALANCES</b>			
In hand		—	—
At banks - in current account		77,759	31,726
At bank - in foreign currency accounts		69	71
		<u>77,828</u>	<u>31,797</u>





	(Unaudited) March 31 2011	(Audited) June 30 2010 (Restated)
.....Rs. in 000.....		
<b>10 TRADE AND OTHER PAYABLES</b>		
Creditors	129,256	149,992
Accrued liabilities	31,373	19,159
Tax deducted at source	—	1,625
Workers' profit participation fund	145,678	129,961
Workers' welfare fund	3,215	3,180
Provision for compensated absences	7,021	6,871
Unclaimed dividend	2,601	2,607
Bills payable	256,401	298,333
Accrued custom duties	11,873	11,873
Advance from customers	337,235	161,862
Other liabilities	16,765	5,283
	<u>941,418</u>	<u>790,746</u>

**11 CONTINGENCIES & COMMITMENTS**

**11.1 Contingencies**

- a. Guarantees amounting to Rs. 104.577 million (June 30, 2010: 47.468 million) have been furnished in favor of various parties.
- b. Rs. 0.612 million (June 30, 2010: Rs. 0.612 million) representing octroi duty and Rs. 0.690 million (June 30, 2011: Rs. 0.690 million) representing disputed office rent as cases are pending in various courts and the management is confident of favorable decisions.

**11.2 Commitments**

- a. Commitments under letters of credit as at March 31, 2011 amounting to Rs. 867.605 million (June 30, 2010: 561.164 million).
- b. Company announced interim cash dividend of 15% from the Retained earnings as approved by the Board of Directors in the meeting held on 27.02.2011

**12 NET SALES**

This include export sales amounting Rs.147.210 million (March 31, 2010: Rs.22.362 million)





	<b>Nine Months Period Ended</b>	
	<b>March 31 2011</b>	<b>March 31 2010</b>
	..... <b>Un-audited</b> .....	
	..... <b>Rs. in 000</b> .....	
<b>13 COST OF SALES</b>		
Opening stock - finished goods	265,387	373,594
Cost of goods manufactured (13.1)	<u>1,168,625</u>	<u>637,152</u>
	<u>1,434,012</u>	1,010,746
Closing stock - finished goods	<u>(551,022)</u>	<u>(302,352)</u>
	<u><u>882,990</u></u>	<u><u>708,394</u></u>
<b>13.1 Cost of goods manufactured</b>		
Raw material consumed (13.1.1)	615,515	422,419
Store and spare parts consumed	9,740	9,524
Natural gas and chemical consumed	95,821	65,619
Processing charges (Pipe Coating)	11,494	15,726
Power, fuel and water	31,394	17,822
Salaries, wages, allowances and benefits	70,233	52,607
Rent, rates and taxes	612	365
Insurance	504	101
Repair and maintenance	4,513	4,206
Carriage and cartage	3,746	689
Depreciation	294,487	52,388
Others	<u>12,548</u>	<u>7,136</u>
	<u>1,150,607</u>	648,602
Rejection / scrap material		
Opening	13,245	15,546
Closing	(54,829)	(71,606)
	<u>(41,584)</u>	<u>(56,060)</u>
Work in process		
Opening	138,038	82,961
Closing	(78,436)	(38,350)
	<u>59,602</u>	<u>44,611</u>
	<u><u>1,168,625</u></u>	<u><u>637,152</u></u>
<b>13.1.1 Raw material consumed</b>		
Opening stock	415,973	307,162
Purchases	433,570	223,725
Closing stock	<u>(234,028)</u>	<u>(108,468)</u>
	<u><u>615,515</u></u>	<u><u>422,419</u></u>







**14 EARNING PER SHARE- BASIC)**

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

Profit after taxation (Rupees in thousands)

Weighted average number of ordinary shares (in thousands)

Earnings per share (Rupees)

<u>Nine Months Period Ended</u>	
March 31 2011	March 31 2010
..... Un-audited .....	
.....Rs. in 000.....	

23,413	99,539
55,484	55,484
0.42	1.79

**15 TRANSACTIONS WITH RELATED PARTIES**

The related parties comprises of associated undertaking (Hafiz Abdul Waheed and Brothers (Private) Limited) and others. Transactions with related parties and associated undertakings, other than remuneration and benefits to key management personnel under the terms of their employment are as under:

<u>Nine Months Period Ended</u>	
March 31 2011	March 31 2010
..... Un-audited .....	
.....Rs. in 000.....	

Sale of finished goods - net

61,873	55,413
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The Company continues to have a policy whereby all transactions with related parties and associated undertakings are entered into at commercial term and conditions.

**16 DATE OF AUTHORIZATION**

These financial statements have been authorized for issue on April 30, 2011 by the Board of Directors of the Company.

**17 GENERAL**

Figures have been rounded off to the nearest thousand of rupees.

Chief Executive

Director

Karachi: April 30, 2011





## **Huffaz Seamless Pipe Industries Limited**

### **Registered Office:**

207-210, Second Floor, Mashriq Centre,  
Block -14, Gulshan-e-Iqbal, Karachi.

### **Factory:**

90 KM Super Highway,  
Nooriabad Industrial Estate,  
District Dadu, Sind.

**Website:** [www.huffaz.com.pk](http://www.huffaz.com.pk)