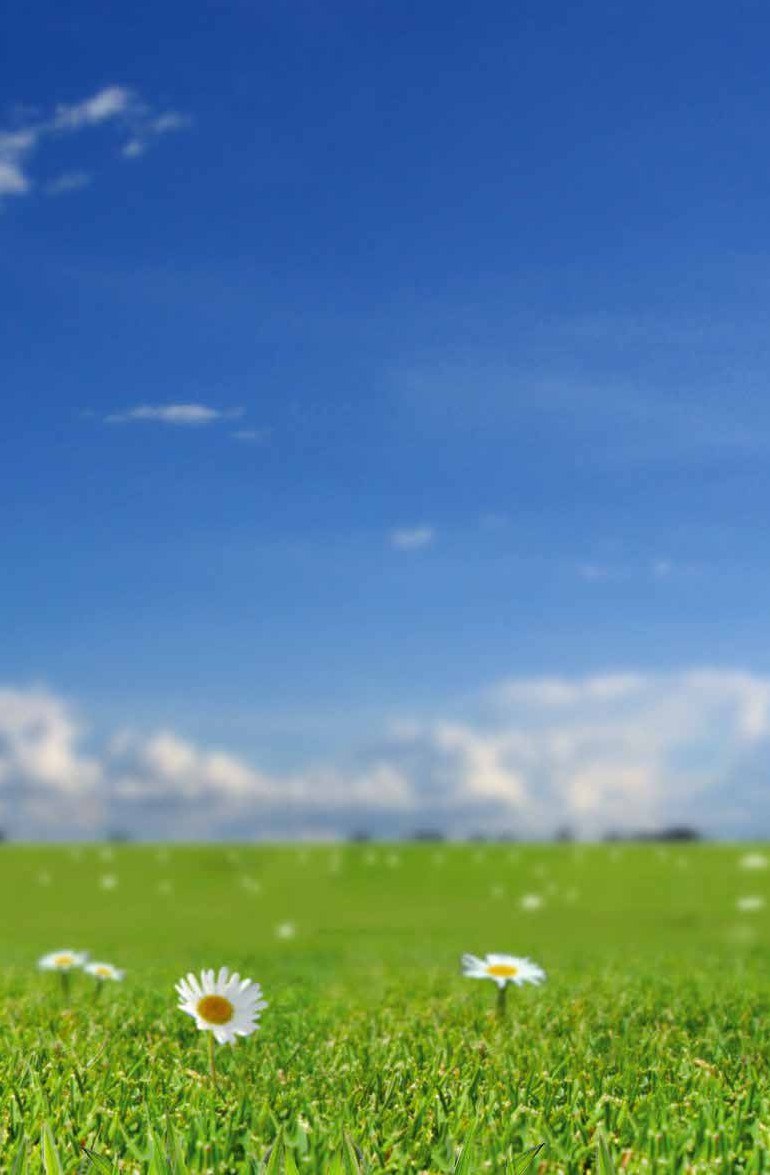


***THIRD QUARTER REPORT DECEMBER 2022***

**Honda Atlas Cars (Pakistan) Limited**



***THIRD QUARTER REPORT DECEMBER 2022***

**Honda Atlas Cars (Pakistan) Limited**



### Management / Company’s Structure

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### Condensed Interim Financial Statements

1. **Condensed Interim Statement of Financial Position**
2. **Condensed Interim Statement of Proﬁt or Loss**
3. **Condensed Interim Statement of Comprehensive Income**
4. **Condensed Interim Statement of Changes in Equity**
5. **Condensed Interim Statement of Cash Flows**

**10 Notes to and Forming Part of the Condensed Interim Financial Statements**

1. **Chairman’s Review (Urdu)**
2. **Honda Dealers’ Network**

Drive to a **Greener Future**

# Company Information

**Board of Directors** Mr. Aamir H. Shirazi Mr. Takafumi Koike Mr. Saquib H. Shirazi

Mr. Shinobu Nakamura Mr. Eihiko Sato

Mr. Gaku Nakanishi

Mr. Muhammad Naeem Khan Mr. Ariful Islam

Ms. Rie Mihara

Chairman President & CEO

Director & Senior Advisor Executive Director & VP (P) Director

Director Independent Director Independent Director Independent Director

**Company Secretary & Vice President**

Mr. Maqsood-ur-Rehman Rehmani

**Chief Financial Ofﬁcer**

Mr. Hamood-ur-Rahman Qaddaﬁ

**Audit Committee**

Mr. Muhammad Naeem Khan Chairman

Mr. Saquib H. Shirazi Member

Mr. Eihiko Sato Member

Mr. Gaku Nakanishi Member

**Human Resource and Remuneration Committee**

Mr. Muhammad Naeem Khan Chairman

Mr. Saquib H. Shirazi Member

Mr. Takafumi Koike Member

**Auditors**

M/s A. F. Ferguson & Co. Chartered Accountants

**Legal Advisor** Cornelius, Lane & Mufti Bukhari Aziz & Karim

**Registered Ofﬁce**

1-Mcleod Road, Lahore, Pakistan. Tel: +92 42 37225015-17

Mr. Shinobu Nakamura

Member

Fax: +92 42 37233518

Mr. Eihiko Sato Member

**Executive Committee**

Mr. Takafumi Koike

Mr. Maqsood-ur-Rehman Rehmani Mr. Shinobu Nakamura

**Factory**

43 Km, Multan Road,

Manga Mandi, Lahore, Pakistan.

Tel: +92 42 35384671-80

Fax: +92 42 35384691-92

E-mail: [info@honda.com.pk](mailto:info@honda.com.pk)

**Head of Internal Audit**

Mr. Imran Farooq

**Bankers**

Allied Bank Limited Citibank N.A. Deutsche Bank AG Faysal Bank Limited

Habib Bank Limited MCB Bank Limited Meezan Bank Limited

National Bank of Pakistan Soneri Bank Limited

Standard Chartered Bank (Pakistan) Limited United Bank Limited

**Regional Ofﬁces Lahore**

Asia House,

19-C&D, Block L, Gulberg III, Main Ferozepur Road.

Tel: +92 42 35694851-53

Fax: +92 42 35694854

**Karachi**

5th ﬂoor,

Tower-A, Technology Park, Shahrah-e-Faisal,

Tel: +92 21 32785411-1

# Chairman’s Review

I am pleased to present the unaudited condensed interim ﬁnancial information of the Company for the nine months ended December 31, 2022.

**MACROECONOMIC OVERVIEW**

The economy continued to face pressures on account of rising inﬂation, an elevated ﬁscal deﬁcit and uncertainty over external ﬁnancing. The GDP growth rate projection for the current year has been revised downwards to 2.0%. Inﬂation is climbing and was recorded at 25.1% during ﬁrst ﬁve month of FY23 as compared to 9.3% during same period of last year. This was mainly driven by rupee devaluation pass through to domestic prices and upward revision in energy & food prices. On a positive note, revenue collections stood at Rs. 3.4 trillion, reﬂecting a healthy growth of 16.5% over comparative period of last year. However, leaving a shortfall of more than Rs. 220 billion against the target.

On the external front, strict policy actions and adoption of stabilization strategies started to yield positive results, with narrowed current account deﬁcit (CAD) from USD 3.1 billion in Jul-Nov FY23 to USD 7.2 billion in July-Nov FY22. The improvement in CAD was mainly driven through reduction in import bill of 20.5% from USD 32.9 billion to USD 26.9 billion. However, due to slowdown in global demand and gap in exchange rate (interbank and open market), exports and workers remittances declined by 3.4% and 9.6%, respectively. Despite positive development in CAD, foreign exchange reserves held by the Central Bank breached the USD 5 billion-mark for the ﬁrst time in ten years and dropped to USD 4.1 billion due to debt servicing and delay in resumption of IMF EFF program. Due to high demand for US

Dollars, Pak Rupee has lost more than one- fourth of its total value during 2022 with rupee's slide worsening during the second half of the calendar year. The PSX 100 index also continued its downward trend and closed the year at 40,420 points. This dismal performance was due to deterioration of investors' conﬁdence and political uncertainty. In a bid to ensure macro-economic stability and keeping aggregate demand in control, the Central Bank increased the benchmark interest rate by 6.25%during the year from 9.75% to 16%.

The performance of agriculture sector was badly affected due to torrential rains and severe ﬂoods which damaged the estimated 8.3 million acres of cultivated crops. In order to support the sector, the Government has announced incentives in “Kissan Package” and increased agriculture credit disbursement by 35.9%. Further, with better input situation, including water supply, Rabi crops are expected to perform better. This may help to improve demand for consumer durables in rural areas which slowed down in ﬁrst half of FY 23.

Large Scale Manufacturing (LSM) registered negative growth of 3.6% in July-Nov FY23 as against growth of 3.3% in July-Nov FY2022 due to elevated inﬂationary pressures and supply chain disruptions. The import restrictions on account of declining foreign exchange reserves has started to cripple industries. Resultantly, most demand indicators including sales of cement, POL, automobiles, and textiles reﬂect a downward trend. Accordingly, the shortage of much-needed foreign currency inﬂows from bilateral and multilateral institutions is required to resolve the issue of Letter of Credits (LCs) for ensuring sustained growth in this segment.

# Chairman’s Review

### AUTOMOBILE INDUSTRY

FY 23 has been a year of unprecedented challenges for the automotive industry. Car demand has remained sufﬁciently inelastic in the past. However, high inﬂation is now hurting customers and restrictions on import of CKDs have proved to be very detrimental for the auto industry. Various OEMs are now anticipating the suspension of production owing to depleting inventory levels and cash ﬂow concerns. Resultantly, the Industry' s pro du c t i o n a n d s a le s vo lu m e s h a ve plummeted signiﬁcantly during the period under review. The sales for the nine months ended December 2022 stood at 157,198 units against 182,645 units. Similarly, the Company sold 20,551 units as compared to 27,149 units in the same period of last ﬁnancial year.

### FINANCIAL RESULTS

During the nine months ended December 31, 2022, the Company achieved net sales revenue of PKR 72,743 million as compared to PKR 77,280 million in the corresponding period last year. Escalating carrying cost coupled with adverse exchange rate parity resulted in higher production cost. The Company just managed to maintain the gross proﬁt of PKR 4,379 million against PKR 4,184 million. The selling and administrative expenses increased to PKR 1,659 million against PKR 1,277 million on account of inﬂation. Other income improved to PKR 1,639 million against PKR 1,382 million owing to customers' conﬁdence in the Company's products and better funds management. The unfavorable exchange rate being the major factor, ﬁnancial and other charges were recorded at a level of PKR 1,925 million against

837 million last year. The Company posted PKR 2,433 million as proﬁt before tax in comparison to the proﬁt of PKR 3,452 million. After statutory tax adjustments, including the Super Tax, net proﬁt for the nine months period ended December 31, 2022 came out at PKR 1,084 million as compared to proﬁt of PKR 2,313 million for the corresponding period last year. Resultantly, the earning per share declined to PKR 7.59 against PKR 16.20 for the nine months of the last year.

### FUTURE OUTLOOK

The economy, over the years, has shown strong resilience despite unexpected volatility and uncertainty. The macro-economic outlook seems challenging on account of rising inﬂation, ﬁscal slippages and drying up of ﬁnancial inﬂows and reserves. Moving forward, it is essential to sustain the reform momentum and focus on policies for securing stability and p r o m o t i n g s u s t a i n a b l e g r o w t h . Macroeconomic adjustment measures, speciﬁcally ﬁscal consolidation to complement the ongoing monetary tightening and exports, will help relieve pressure on Pak Rupees. Managing the underlying risk necessitates articulating and effectively implementing a clear strategy for economic recovery. Accordingly, there is a need to strike an appropriate balance between supporting the economy, ensuring debt sustainability, and advancing structural reforms. As the economy returns to full capacity and recovery becomes durable, the four-wheeler segment is expected to resume its growth momentum.

W h i le th e m a c r o e c o n o m i c s i tu a t i o n undergoes a re-alignment, the Company remains conﬁdent in continuing its journey of sustained long-term growth. The Company is

well-poised and has demonstrated its ability to avail new opportunities and handle adversity with an aim to keep building a long-term bus ine s s pro po s i t io n tha t inc re a s e s stakeholder value.

(When one puts down the foot, it grows and grows)

### ACKNOWLEDGEMENT

I would like to acknowledge the continued support and cooperation of Honda Motor Company Limited in maintaining high standards of excellence. I extend special gratitude to our valued customers for the trust they continue to place in us, the management team for its sincere efforts and the Board of Directors for their guidance. Mr. Takafumi Koike and his team deserve strong appreciation for their hard work in the challenging business environment. I am also thankful to the dealers, bankers, vendors, and shareholders for their continuous support.



**AAMIR H. SHIRAZI**

Date: January 26, 2023 Karachi

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)**

#### AS AT DECEMBER 31, 2022

**Un-audited Audited**

**December 31, March 31,**

**Rupees in thousand**

**Note**

**2022 2022**

|  |  |  |
| --- | --- | --- |
| **EQUITY AND LIABILITIES**  SHARE CAPITAL AND RESERVES  Authorized share capital  200,000,000 (March 31, 2022: 200,000,000)  ordinary shares of Rs. 10 each | 2,000,000 | 2,000,000 |
| Issued, subscribed and paid up share capital 142,800,000 (March 31, 2022: 142,800,000)  ordinary shares of Rs. 10 each Reserves  Revenue reserve: Un-appropriated proﬁts | 1,428,000  17,456,000  1,160,863 | 1,428,000  15,956,000  2,576,725 |
| NON-CURRENT LIABILITIES  Long term ﬁnances - secured 6  Deferred government grant 7  Employee retirement beneﬁts  Deferred taxation Deferred revenue  CURRENT LIABILITIES  Current portion of non-current liabilities 8  Accrued mark-up  Unclaimed dividend Unpaid dividend  Trade and other payables  CONTINGENCIES AND COMMITMENTS 9 | 20,044,863 | 19,960,725  2,739,121  787,677  250,977  521,177  18,197  4,317,149  357,011  37,293  47,937  -  45,542,933  45,985,174 |
| 3,041,010  870,039  329,032  521,177  18,687 |
| 4,779,945 |
| 354,609  73,722  51,538  509,796  42,361,599 |
| 43,351,264 |
|  | 68,176,072 | 70,263,048 |
| ASSETS  NON-CURRENT ASSETS  Property, plant and equipment 10  Intangible assets  Capital work-in-progress 11  Long term trade debts  Long term loans to employees Long term deposits  CURRENT ASSETS  Stores and spares  Stock-in-trade Trade debts  Loans, advances, deposits, prepayments and other receivables  Income tax recoverable Short term investments Cash and bank balances |  | 7,549,924  747,295  2,364,549  27,216  254,558  4,042  10,947,584  290,262  22,866,173  978,728  10,739,845  4,658,414  6,795,538  12,986,504  59,315,464 |
| 9,435,996  1,028,331  73,727  445,268  303,516  4,042 |
| 11,290,880 |
| 315,650  22,299,826  1,580,436  19,382,076  5,796,928  1,990,912  5,519,364 |
| 56,885,192 |
|  | 68,176,072 | 70,263,048 |

The annexed notes 1 to 20 form an integral part of these condensed interim ﬁnancial statements .

## CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)

FOR THE THREE-MONTH AND NINE-MONTH PERIOD ENDED DECEMBER 31, 2022

**Three-month period ended Nine-month period ended**

Rupees in thousand

**Note**

#### December 31, 2022

**December 31, 2021**

#### December 31, 2022

**December 31, 2021**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Sales 12  Cost of sales 13 | 22,948,616  (21,158,639) | 29,538,879  (28,737,745) | 72,743,172  (68,364,399) | 77,279,809  (73,095,257) |
| **Gross proﬁt** | 1,789,977 | 801,134 | 4,378,773 | 4,184,552 |
|  |  |  |
| Distribution and marketing costs | (218,540) | (181,258) | (676,831) | (526,678) |
| Administrative expenses | (321,656) | (246,883) | (982,751) | (750,464) |
| Other income | 324,521 | 530,477 | 1,638,919 | 1,381,996 |
| Other expenses | (76,410) | (246,344) | (1,545,906) | (781,672) |
| Finance cost | (317,731) | (16,141) | (378,770) | (55,681) |
|  | (609,816) | (160,149) | (1,945,339) | (732,499) |
| **Proﬁt before taxation**  Taxation | 1,180,161  (369,336) | 640,985  (195,040) | 2,433,434  (1,349,696) | 3,452,053  (1,138,679) |
| **Proﬁt for the period** | 810,825 | 445,945 | 1,083,738 | 2,313,374 |

**Earnings per share - basic and diluted (Rupees)**

5.68

3.12

7.59

16.20

The annexed notes 1 to 20 form an integral part of these condensed interim ﬁnancial statements.

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE THREE-MONTH AND NINE-MONTH PERIOD ENDED DECEMBER 31,2022

**Three-month period ended Nine-month period ended**

Rupees in thousand

#### December 31, 2022

**December 31, 2021**

#### December 31, 2022

**December 31, 2021**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Proﬁt for the period**  **Other comprehensive income:** Items that may be reclassiﬁed subsequently to proﬁt or loss  Items that will not be subsequently  reclassiﬁed to proﬁt or loss | 810,825  -  - | 445,945  -  - | 1,083,738  -  - | 2,313,374  -  - |
| **Total comprehensive income for the period** | 810,825 | 445,945 | 1,083,738 | 2,313,374 |

The annexed notes 1 to 20 form an integral part of these condensed interim ﬁnancial statements.

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31,2022

**Capital Reserve evenuR e Reserves**

Rupees in thousand

**Share capital**

**Share premium**

**General reserve**

**Un-appropriated proﬁts**

**Total**

**as owners recognized directly in equity**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Balance as on April 1, 2021 (audited)** | 1,428,000 |  | 76,000 |  | 14,880,000 |  | 1,812,163 |  | 18,196,163 |
| **Appropriation of reserves**  Transfer to general reserve | - |  | - |  | 1,000,000 |  | (1,000,000) |  | - |
| **Total comprehensive income for the period** |  |  |  |  |  |  |  |  |  |
| Proﬁt for the period | - |  | - |  | - |  | 2,313,374 |  | 2,313,374 |
| Other comprehensive income for the period | - |  | - |  | - |  | - |  | - |
|  | - |  | - |  | - |  | 2,313,374 |  | 2,313,374 |
| **Transactions with owners in their capacity** |  |  |  |  |  |  |  |  |  |
| Final dividend for the year ended |  |  |  |  |  |  |  |  |  |
| March 31, 2021 @ Rupees 4.52 per share | - |  | - |  | - |  | (645,456) |  | (645,456) |
| **Balance as on December 31, 2021 (un-audited)** | 1,428,000 |  | 76,000 |  | 15,880,000 |  | 2,480,081 |  | 19,864,081 |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Balance as on April 1, 2022 (audited)**  **Appropriation of reserves**  Transfer to general reserve  **Total comprehensive income for the period**  Proﬁt for the period  Other comprehensive income for the period  **Transactions with owners in their capacity as owners recognized directly in equity**  Final dividend for the year ended March 31, 2022 @ Rupees 7 per share | 1,428,000  - | 76,000  - | | 15,880,000  1,500,000 | | 2,576,725  (1,500,000) | | 19,960,725  - | | |
| -  - |  | -  - |  | -  - |  | 1,083,738  - |  | 1,083,738  - |  |
| -  - | -  - | | -  - | | 1,083,738  (999,600) | | 1,083,738  (999,600) | | |
| **Balance as on December 31, 2022 (un-audited)** | 1,428,000 | 76,000 | | 17,380,000 | | 1,160,863 | | 20,044,863 | | |

The annexed notes 1 to 20 form an integral part of these condensed interim ﬁnancial statements.

## CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31,2022

**Nine-month period ended**

Rupees in thousand

**Note**

## December 31, 2022

**December 31, 2021**

|  |  |  |  |
| --- | --- | --- | --- |
| **Cash ﬂows from operating activities**  Cash (used in)/generated from operations 15  Finance cost paid  Employees' retirement beneﬁts and other obligations paid Net increase in loans to employees  Net (increase)/decrease in long term trade debts Income tax paid  Royalty paid  Net increase in deferred revenue | (8,203,817)  (28,492)  (113,751)  (167,937)  (418,052)  (2,488,210)  (1,183,155)  4,295 | 7,318,857  (14,638)  (97,449)  (129,071)  29,091  (2,707,334)  (878,917)  6,961 | |
| **Net cash (outﬂow)/inﬂow from operating activities Cash ﬂows from investing activities**  Purchase of property, plant and equipment  Purchase of short term investments Purchase of intangible assets  Proceeds from disposal of property, plant and equipment  Proceeds from disposal of short term investments Interest received  **Net cash inﬂow/(outﬂow) from investing activities**  **Cash ﬂows from ﬁnancing activities** Repayment of long term loans-secured Long term ﬁnances acquired  Dividends paid  **Net cash outﬂow from ﬁnancing activities** | (12,599,119) | 3,527,500 | |
| (1,095,990)  (31,936,644)  (222,556)  181,602  37,625,142  685,619 |  | (1,084,147)  -  (468,227)  27,676  - 1,064,383 |
| 5,237,173 | (460,315) | |
| (209,383)  590,392  (486,203) |  | (187,469)  530,529  (643,954) |
| (105,194) | (300,894) | |
| **Net (decrease)/increase in cash and cash equivalents Cash and cash equivalents at the beginning of the period** | (7,467,140)  12,986,504 | 2,766,291  14,920,536 | |
| **Cash and cash equivalents at the end of the period** 16 | 5,519,364 | 17,686,827 | |

The annexed notes 1 to 20 form an integral part of these condensed interim ﬁnancial statements.

**NOTES TO AND FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**

**FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2022**

1. **LEGAL STATUS AND NATURE OF BUSINESS**

Honda Atlas Cars (Pakistan) Limited (the 'Company') is a public company limited by shares incorporated in Pakistan on November 4, 1992 under the repealed Companies Ordinance, 1984 (now, the Companies Act, 2017). It is a subsidiary of Honda Motor Co., Ltd., Japan, (the 'holding company'). The Company's ordinary shares are listed on the Pakistan Stock Exchange Limited.

The registered office of the Company is situated at 1-Mcleod Road, Lahore, and its manufacturing facility is located at 43 km, Multan Road, Manga Mandi, Lahore. The Company also has regional offices situated at Asia House, 19-C&D, Block L, Gulberg III, Main Ferozepur Road, Lahore and Tower A, Technology Park, Shahrah-e-Faisal, Karachi.

The Company's principal activities are assembling and progressive manufacturing and sale of Honda vehicles and spare parts. The Company commenced commercial production from July 1994.

#### BASIS OF PREPARATION

* 1. **Statement of Compliance** These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

) International Accounting Standard ('IAS') 34, 'Interim Financial Reporting', issued by International Accounting Standards Board ('IASB') as notified under the Companies Act, 2017, and

ii) Provisions of and directives issued under the Companies Act, 2017.

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

* 1. These condensed interim financial statements are un-audited and are being submitted to the members as required by section 237 of the Companies Act, 2017 (the "Act").

These condensed interim financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended March 31, 2022. Selected explanatory notes are included to explain events and transactions that are significant to the understanding of the changes in the Company’s financial position and performance since the last annual financial statements.

#### SIGNIFICANT ACCOUNTING POLICIES

* 1. The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of preceding annual published financial statements of the Company for the year ended March 31, 2022 except for the adoption of new and amended standards as set out below:
  2. **Initial application of standards, amendments or an interpretation to existing standards**
     1. **Standards, amendments and interpretations to accounting standards that are effective in the current period**

There were certain amendments to accounting and reporting standards which became mandatory for the Company during the period. However, these do not have any significant impact on the Company’s financial reporting and, therefore, have not been detailed in these condensed interim financial statements.

* + 1. **Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company**

There are certain amendments to the accounting and reporting standards that will be mandatory for the Company’s annual accounting periods beginning on or after April 1, 2023. However, these amendments will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these condensed interim financial statements.

**NOTES TO AND FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**

#### FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2022

1. **ACCOUNTING ESTIMATES**

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

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements for the year ended March 31, 2022, with the exception of changes in estimates referred to in note 5.

#### TAXATION

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss of the Company. Amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual income tax rate changes.

Rupees in thousand

**Note**

#### Un-audited December 31, 2022

**Audited March 31, 2022**

|  |  |  |
| --- | --- | --- |
| **6. LONG TERM FINANCES - SECURED**  Loan under reﬁnance scheme - Conventional loan 6.1  Loan under reﬁnance scheme - Islamic mode of ﬁnancing 6.2  Current portion shown under current liabilities | -  3,184,819 3,184,819  (143,809) 3,041,010 | 184,156  2,739,121 2,923,277  (184,156) 2,739,121 |

**6.1** This represents long term financing facility obtained from Standard Chartered Bank (Pakistan) Limited under the State Bank of Pakistan’s (SBP) Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns, recognised initially at fair value. The total facility amounted to Rs 500 million. As of December 31, 2022, all installments have been paid. The facility was secured against current assets of the Company. The markup on the facility is payable quarterly and the base rate applicable during the period was 1.25% per annum.

#### 6.2

This represents long term Islamic financing facility (Diminishing Musharakah) obtained from Faysal Bank Limited under State Bank of Pakistan’s (SBP) Refinance Scheme for Temporary Economic Refinance Facility (‘TERF’), recognised initially at fair value. The total facility available amounts to Rs 5,000 million. The balance is repayable in 32 equal quarterly instalments after a grace period of two years from the date of each disbursement. The facility is secured against a lien over the Company’s import documents and first hypothecation charge over its fixed assets, excluding land and buildings, amounting to Rs 6,667 million. The markup on the facility is payable quarterly and the base rate applicable during the period was 1.6% per annum.

#### 7. DEFERRED GOVERNMENT GRANT

This represents deferred government grant recognised in respect of the beneﬁt of below-market interest rate on long term ﬁnances as referred to in note 6. The beneﬁt has been measured as the difference between the fair value of the loan and the proceeds received. The Company has used the prevailing market rate of mark-up for similar instruments to calculate fair values of respective loans. The discount rate used is 7.5% to 14.25% per annum. The reconciliation of the carrying amount is as follows:

Rupees in thousand

**Note**

#### Un-audited December 31, 2022

**Audited March 31, 2022**

|  |  |  |  |
| --- | --- | --- | --- |
| Opening balance | 952,713 | 715,004 | |
| Deferred grant recognised during the period/year | 267,937 | 372,026 | |
| Credited to proﬁt or loss | (148,470)  1,072,180 | (134,317)  952,713 | |
| Less: Current portion shown under current liabilities | (202,141) | (165,036) | |
| Closing balance | 870,039 | 787,677 | |
| **8. CURRENT PORTION OF NON-CURRENT LIABILITIES** |  |  |  |
| Current portion of long term loan 6 | 143,809 | 184,156 |
| Current portion of deferred government grant 7 | 202,141 | 165,036 |
| Current portion of deferred revenue | 8,659 | 7,819 |
|  | 354,609 | 357,011 |

#### 9. CONTINGENCIES AND COMMITMENTS

**9.1**

#### Contingencies

There is no significant change in contingencies from the preceding annual published financial statements of the Company for the year ended March 31, 2022, except for the following:

1. With reference to note 15.1 (ii) of the annual financial statements of the Company for the year ended March 31, 2022, Collector of Customs (Adjudication) has endorsed further demand of Rs 1,140.99 million on similar grounds for the periods from April 2018 to March 2020 and April 2020 to March 2021, taking the total amount involved in the matter to Rs 5,384.82 million.

The Company has already filed an appeal and obtained stay against above demand with Customs Appellate Tribunal. However, no provision on this account has been made in these condensed interim financial statements as the management considers that its stance is founded on meritorious grounds which have been settled in the Company’s favor by the Customs Appellate Tribunal in earlier years.

1. Bank guarantees of Rs 5,896.99 million (March 31, 2022: Rs 5,844.05 million) have been issued in favor of third parties.

#### 9.2 Commitments in respect of

Rupees in thousand

#### Un-audited December 31, 2022

**Audited March 31, 2022**

|  |  |  |
| --- | --- | --- |
| Letters of credit and purchase orders for capital expenditure | 86,245 | 93,810 |
| Letters of credit and purchase orders for other than capital expenditure | 3,248,565  3,334,810 | 2,795,580  2,889,390 |

**NOTES TO AND FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**

#### FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2022

Rupees in thousand

**Note**

#### Un-audited December 31, 2022

**Audited March 31, 2022**

|  |  |  |
| --- | --- | --- |
| **10. PROPERTY, PLANT AND EQUIPMENT**  Opening book value  Additions during the period/year 10.1  Disposals and derecognition during the period/year (book value) Depreciation charged for the period/year  Closing book value | 7,549,924  3,185,023 | 4,000,261  4,518,404  8,518,665  (54,711)  (914,030)  (968,741)  7,549,924 |
| 10,734,947 |
| (163,876)  (1,135,075) |
| (1,298,951) |
| 9,435,996 |
| **10.1 Additions during the period/year**  Buildings on freehold land Plant and machinery Furniture and ofﬁce equipment Vehicles  Tools and equipment  Computers | 112,747  2,399,929  35,254  617,158  11,873  8,062 | 27,881  3,982,750  20,558  368,517  18,587  100,111 |
|  | 3,185,023 | 4,518,404 |
| **11. CAPITAL WORK-IN-PROGRESS**  Opening balance  Additions during the period/year  Transfers during the period/year to  property, plant and equipment/intangible assets/stores/others Expensed out during the period/year |  | 3,788,001  3,786,750  7,574,751  (5,205,148)  (5,054) |
| 2,364,549  1,409,782 |
| 3,774,331  (3,695,341)  (5,263) |
| Closing balance | 73,727 | 2,364,549 |

**Three-month period ended Nine-month period ended**

Rupees in thousand

#### December 31, December 31, 2022 2021

**December 31, December 31, 2022 2021**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **12. SALES**  Own manufactured goods Sales tax  Federal excise duty Capital value tax Commission to dealers Discount to customers  Trading goods Sales tax  Commission to dealers |  | 35,319,574  (5,114,828)  (739,753)  - (558,766)  (177,574)  28,728,653  966,643  (156,217)  (200)  810,226 |  | 92,642,262  (13,448,711)  (2,453,202)  - (1,466,863)  (258,399)  75,015,087  2,701,279  (436,157)  (400)  2,264,722 |
| 27,727,508  (4,029,595)  (992,762)  (179,682)  (366,374)  (140,239) | 88,205,842  (12,816,805)  (3,144,021)  (317,529)  (1,286,079)  (586,072) |
| 22,018,856 | 70,055,336 |
| 1,109,253  (179,393)  (100) | 3,206,454  (518,018)  (600) |
| 929,760 | 2,687,836 |
|  | 22,948,616 | 29,538,879 | 72,743,172 | 77,279,809 |
| **13. COST OF SALES**  Own manufactured goods Trading goods | 20,584,654  573,985 | 28,199,066  538,679 | 66,624,080  1,740,319 | 71,570,519  1,524,738 |
|  | 21,158,639 | 28,737,745 | 68,364,399 | 73,095,257 |

**NOTES TO AND FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**

#### FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2022

Rupees in thousand

#### 14. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

**Nine-month period ended December 31, December 31, 2022 2021**

#### Relationship with the Company Nature of transaction

|  |  |  |  |
| --- | --- | --- | --- |
| i. Holding company | Purchase of goods | 3,899,937 | 4,247,441 |
|  | Purchase of property, plant and equipment | 4,463 | 41,063 |
|  | Purchase of intangible assets | 228,255 | 166,449 |

1. Other related parties
2. Key management personnel
3. Post employment beneﬁt plans

Technical assistance and training charges Royalty

Recovery against warranty and other claims Dividends payable / paid

Sale of goods Purchase of goods

Purchase of property, plant and equipment Insurance premium

Technical assistance and training charges

Royalty Insurance claims

Recovery against warranty and other claims Dividends paid

Salaries and other employee beneﬁts Sale of property, plant and equipment

Expense charged in respect of retirement beneﬁt plans

- 1,410,546

757

509,796

441,307

28,767,984

296,279

435,612

11,265

6,961

28,690

400,349

301,838

220,833

5,333

148,434

124

1,502,828

1,045

329,185

304,478

38,279,228

628,497

433,148

9,399

9,594

15,651

158,790

194,901

189,610

20

117,760

Period/year end balances, other than those disclosed in the notes to these condensed interim ﬁnancial statements are as follows:

Rupees in thousand

**Receivable from related parties**

* Holding company
* Other related parties

**Payable to related parties**

* Holding company
* Other related parties

213

80,344

697,020

4,092,136

3,336,040

9,582,127

474

123,970

#### Un-audited December 31, 2022

**Audited March 31, 2022**

Rupees in thousand

|  |  |  |
| --- | --- | --- |
| 1. **CASH GENERATED FROM OPERATIONS**   Proﬁt before taxation  Adjustments for non-cash charges and other items:   * + Depreciation on property, plant and equipment   + Gain on disposal of property, plant and equipment   + Proﬁt on bank deposits   + Markup on advances to suppliers   + Interest on loans to employees   + Discounting/(unwinding) of discount of trade receivables   + Discounting/(unwinding) of discount of long term loans   + Gain on short term investments   + Finance cost   + Provision for employees' retirement beneﬁts and other obligations   + Provision for Net Realizable Value   + Provision for obsolescence   + Amortisation on intangible assets   + Amortisation of deferred revenue   + Royalty   + Working capital changes 15.1 | 2,433,434  1,135,075  (17,726)  (594,279)  (85,301)  (4,681)  205,734  87,033  (883,872)  64,921  176,059  -  - 143,309  (2,965)  1,427,791  (12,288,349) | 3,452,053  618,285  (1,356)  (1,016,769)  (50,316)  (2,829)  (7,646)  (24,389)  - 59,042  139,356  26,342  32,897  87,083  (4,212)  1,519,308  2,492,008 |
|  | (8,203,817) | 7,318,857 |
| **15.1 Working capital changes** |  |  |
| **(Increase)/decrease in current assets** |  |  |
| - Stores and spares | (25,388) | (11,434) |
| - Stock-in-trade | 566,347 | (9,403,305) |
| - Trade debts | (807,442) | (192,222) |
| - Loans, advances, prepayments and other receivables | (8,611,643) | (7,617,306) |
| **(Decrease)/increase in current liabilities** | (8,878,126) | (17,224,267) |
| - Trade and other payables | (3,410,223) | 19,716,275 |
|  | (12,288,349) | 2,492,008 |

**Note**

#### Nine-month period ended December 31, December 31, 2022 2021

Rupees in thousand

|  |  |  |
| --- | --- | --- |
| **16. CASH AND CASH EQUIVALENTS**  Cash and cash equivalents included in the condensed interim statement of cash ﬂows comprise of the following amounts:  Cash and bank balances Short term investments | 5,519,364  - | 15,698,526  1,988,301 |
|  | 5,519,364 | 17,686,827 |

#### Un-audited December 31, December 31, 2022 2021

**NOTES TO AND FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**

#### FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2022

**Manufacturing Trading**

#### Total

**Three-month period ended**

**Nine-month period ended**

**Three-month period ended**

**Nine-month period ended**

**Three-month period ended**

**Nine-month period ended**

Rupees in thousand

**December 31, 2022**

**December 31, 2021**

**December 31, 2022**

**December 31, 2021**

**December 31, 2022**

**December 31, 2021**

**December 31, 2022**

**December 31, 2021**

**December 31, 2022**

**December 31, 2021**

**December 31, 2022**

**December 31, 2021**



**1 Company’s Structure**

**2 Review Report**

**3**

**Management /**

**Condensed Interim Financial Statements**

**17** Third Quarter Report December 2022

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **17. SEGMENT INFORMATION**  Segment revenue Segment expenses  - Cost of sales  Gross proﬁt | 22,018,856  (20,584,654) | 28,728,653  (28,199,066) | 70,055,336  (66,624,080) | 75,015,087  (71,570,519) | 929,760  (573,985) | 810,226  (538,679) | 2,687,836  (1,740,319) | 2,264,722  (1,524,738) | 22,948,616  (21,158,639) | 29,538,879  (28,737,745) | 72,743,172  (68,364,399) | 77,279,809  (73,095,257) |
| 1,434,202 | 529,587 | 3,431,256 | 3,444,568 | 355,775 | 271,547 | 947,517 | 739,984 | 1,789,977 | 801,134 | 4,378,773 | 4,184,552 |
| Distribution and marketing costs | | | | | | | | | (218,540) | (181,258) | (676,831) | (526,678) |
| Administrative expenses | | | | | | | | | (321,656) | (246,883) | (982,751) | (750,464) |
| Other income | | | | | | | | | 324,521 | 530,477 | 1,638,919 | 1,381,996 |
| Other expenses | | | | | | | | | (76,410) | (246,344) | (1,545,906) | (781,672) |
| Finance cost | | | | | | | | | (317,731) | (16,141) | (378,770) | (55,681) |
| **Proﬁt before taxation** | | | | | | | | | 1,180,161 | 640,985 | 2,433,434 | 3,452,053 |
| Taxation | | | | | | | | | (369,336) | (195,040) | (1,349,696) | (1,138,679) |
| **Proﬁt for the period** | | | | | | | | |  |  |  |  |
| 810,825 | 445,945 | 1,083,738 | 2,313,374 |

**17.1** Segment wise assets and liabilities are not being reviewed by the Chief Operating Decision Maker.

#### FINANCIAL RISK MANAGEMENT

* 1. **Financial Risk Factors**

The Company’s activities expose it to a variety of ﬁnancial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk.

The condensed interim ﬁnancial statements do not include all ﬁnancial risk management information and disclosures required in the annual ﬁnancial statements, and should be read in conjunction with the Company’s annual ﬁnancial statements as at March 31, 2022.

There have been no changes in the risk management department or in any risk management policies since the year ended March 31, 2022.

#### Fair Value Estimation

During the period, there were no signiﬁcant changes in the business or economic circumstances that affect the fair value of the Company's ﬁnancial assets and ﬁnancial liabilities. Furthermore, there were no reclassiﬁcations of ﬁnancial assets.

#### DATE OF AUTHORISATION FOR ISSUE

These condensed interim ﬁnancial statements were authorised for issue on January 26, 2023 by the Board of Directors of the Company.

#### CORRESPONDING FIGURES

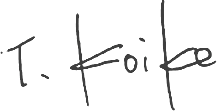
In order to comply with the requirements of IAS 34, the condensed interim statement of ﬁnancial position has been compared with the balances of annual audited ﬁnancial statements of preceding ﬁnancial year, whereas, the condensed interim statement of proﬁt or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash ﬂows have been compared with the balances of comparable period of immediately preceding ﬁnancial year.



**Aamir H. Shirazi**

**Takafumi Koike**

**Hamood ur Rahman Qaddaﬁ**



**(When one puts down the foot, it grows and grows)**





















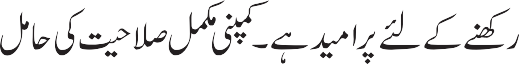
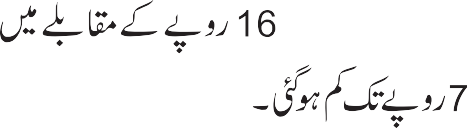




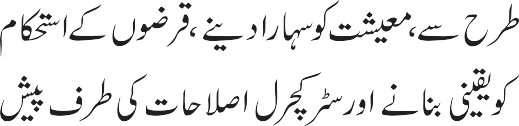
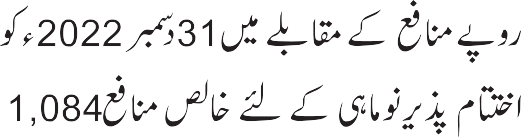


**2023 ** **26**





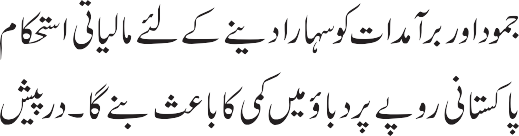
 

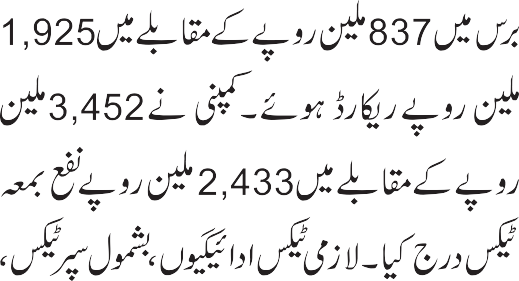












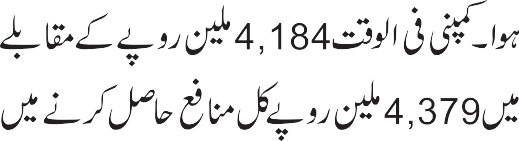






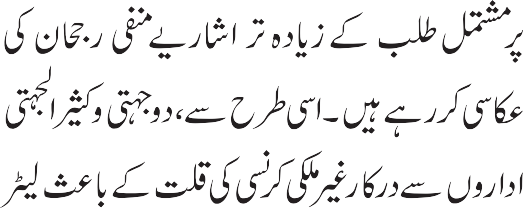
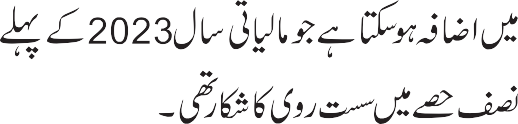


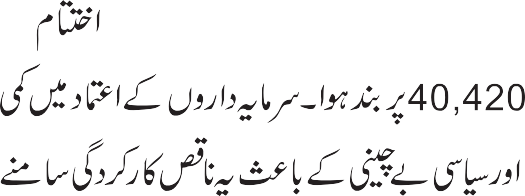


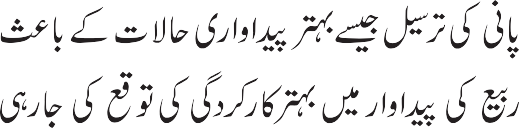




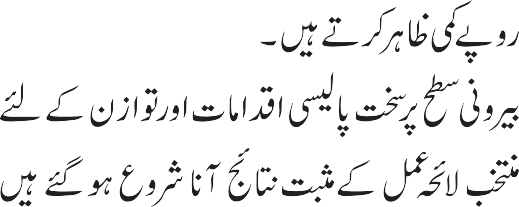
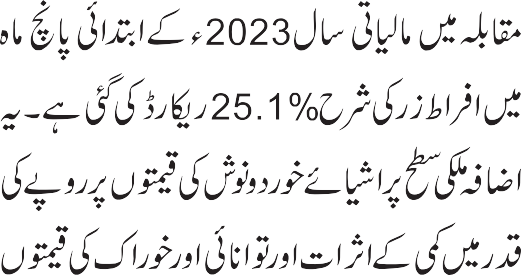


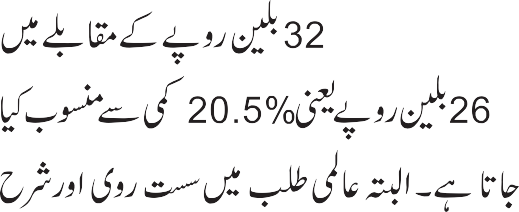
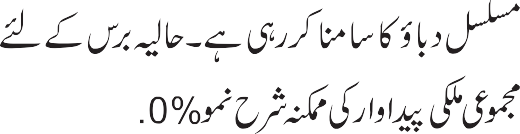






























**3S DEALERS**

**KARACHI**

**Honda Shahrah-e-Faisal** 13-Banglore Town, Main Shahrah-e-Faisal.

Tel: (021) 34547113-6,

Fax: (021) 34526758

**Honda Defence** 67/1, Korangi Road Near HINO Circle Tel: (021) 35805291-4

Fax: (021) 35389648

**Honda SITE**

C-1, Main Manghopir Road, SITE.

Tel: (021) 32577411-2

Fax: (021) 32577412

**Honda South**

1-B/1, Sec. 23, Korangi Industrial Area.

Tel: (021) 35050251-4

Fax: (021) 35064599

**Honda Drive In**

118-C, Rashid Minhas Road. Tel: (021) 34992832-7

Fax: (021) 34992823

**Honda Quaideen** 233-A-2, PECHS. Tel: (021) 34556071-3

Fax: (021) 34554644

**Honda Port Qasim**

Plot No. 3B & 4B, Block-B, Gulshan-e-Benazir, Township Scheme,

PQA, Bin Qasim. Cell: 0333-1025816

**Honda Khair**

Plot 8B, Corridor Area,

near Gulshan e Mayamar Mor, Main Super Highway.

UAN 03111-111-772,

(021) 36881414-18

**Honda United**

D-8, Block-B, North Nazimabad, Karachi Central.

Tel: (021) 36680551-55

**HYDERABAD**

**Honda Palace** Shahbaz Town, Jamshoro Road. Tel: (0223) 6671789

Fax: (0223) 667519

**ABBOTTABAD**

**Honda Abbott**

Kala Pull,

Main Mansehra Road, Musa Zai Colony.

Tel: (0312) 0108190

**LAHORE**

**Honda Fort**

32 Queens Road.

Tel: (0311) 4348265

Fax: (042) 36361076

**Honda Point**

Main Defence Road. Tel: (042) 35700994

Fax: (042) 35700993

**Honda Gateway**

15 - Km, Multan Road, Tel: (042) 111 333 789

Fax: (042) 37511075

**Honda Township** Main Peco Road, Kot Lakhpat.

Tel: (042)-111-07-08-06

Fax: (042) 35943371

**Honda Ring Road**

1-KM Ferozpur Road, Bhulley Shah Interchange, Ring Road.

Tel: (042)-345-100-00

**Honda Lahore**

12 KM, Lahore Sheikhupura Road Kot Abdul Malik Lahore. Ph # 042-7900500-4

**ISLAMABAD**

**Honda Classic**

Plot 179, I 10/3,

Industrial Area. Tel: (051) 4438801-5

Fax: (051) 4436446

**Honda Avenue**

1-Km, Koral Chowk, Islamabad Highway, Opp. Judicial Colony. Tel: (051) 2326121-4

Fax: (051) 2326126

**JHELUM**

**Honda Express**

Main GT Road, Kala Gujran. Tel: (0544) 272082

**RAWALPINDI**

**Honda Centre**

300, Peshawar Road.

Tel: (051) 5125181-5

UAN: (051) 111 300 123

Fax: (051) 5125186

**Honda Downtown**

Main G.T. Road Swan Camp Rawalpindi / Islamabad.

UAN (051) 111 899 899

**MARDAN**

**Honda Mardan**

Opposite Industrial Estate, Surkh Dhery, Nowshera Road. Tel: (0937) 881115

UAN: (0937) 111-627-326

**MULTAN**

**Honda Breeze**

63 Abdali Road.

Tel: (061) 4588871-3

Fax: (061) 4588874

**Honda Multan** Northern Bypass Road, Near NCBA Institute.

Tel: (061) 8023241-44

**FAISALABAD**

**Honda Faisalabad** East Canal Road. Tel: (041) 8731741-4

Fax: (041) 8524029

**Honda Chenab** 123 JB Raja Wala, Green View Colony. Tel: (041) 260-111-4

Fax: (041) 2603549

**Honda Lyallpur** Gattwala Toll Plaza, Sheikhupura Road. Tel: (041) 2423774-9

**SARGODHA**

**Honda Citrus Fields** 7-Km Lahore Road. Tel: (048) 3225186-7

**GUJRANWALA**

**Honda Gujranwala**

G.T. Road.

Tel: (055) 3415401-3

Fax: (055) 3415407

**SIALKOT**

**Honda Falcon**

Pakki Kotli, Daska Road.

Tel: (052) 3252000, 3251251-4

Fax: (052) 3563203

**MIRPUR**

**Honda Empire**

Mian Muhammad Road, Quaid- e-Azam Chowk, Mirpur Azad Kashmir

Tel: (05827) 451501-3

Fax: (05827) 451500

**PESHAWAR**

**Honda North**

Main University Road. Tel: (091) 5854901

Fax: (091) 5854753

**DERA GHAZI KHAN**

**Honda HiSun**

Multan Road.

Tel: (064) 111-690-690

Fax: (064) 2689009

**RAHIM YAR KHAN**

**Honda Rahim Yar Khan** Shahbaz Pur Road,Near Naveena Textile Mills, Cantt Chowk.

Tel: (068) 5674446-8

Fax: (068) 5674445

**SAHIWAL**

**Honda Sahiwal**

Sahiwal Bypass Lahore Road near PSO

Tel: 040-4502081-82

**QUETTA**

**Honda Carwan**

Airport Road, Besides Carwan Fuel Station, Sheikhmanda.

Tel: 081-2881001-3

**BAHAWALPUR**

**Honda Bahawalpur**

KLP Road, Bypass, Bahawalpur Cell: 0300-0891400



**2S DEALERS**

**LAHORE**

**Johar Town Honda** 892-R-1 Main Boulevard, Johar Town.

Tel: 042-35291712 , 35291771

**Aabpara Honda** Aabpara Market, 16 Wahdat Road.

Tel: 042-35866932,

**Samanabad Honda**

Plot No.29/30 – 21,

Acre Scheme Samanabad, Tel: 042-37530563 , 37530579

**Defence Honda**

E-105, New Super Town, Near Main Gate Defence Housing, Society, Main Boulevard, DHA

Tel: 0321-4466544, 042-35732358

**Smart Honda**

Lidhar adjacent to Shell Pump, Near Askari-11,Main Bedian Road. Tel: 0323-4142008

**Shalamar Honda**

Quaid-e-Azam Interchange, Lakhodair Mehmood Booti, Near Eastern, Housing Society. Tel: 042-6558011-5

**KARACHI**

**Nazimabad Honda**

1-J8/B Muslim League Quarter, Main Road Nazimabad No.1 Tel: 021-36603336-7

**RAWALPINDI**

**Royal Honda**

CB-940/A, Meherabad, Main Peshawar Road, Rawalpindi Cantt.

Tel: 0314-5462464

**Swan Honda**

Swan Honda Private Limited, Main G.T. Road, Opposite SOS, Village Near Sawan Camp.

Tel: 0300-5550569

**ISLAMABAD**

**Margalla Honda**

Service Road, E-11/4 Near, Aura Grand Marquee.

Tel: 051-2318051-2

**AMX Honda**

Plot # 142, Opposite, Islamabad Dry port I-9/2. Tel: 0333-5488898

**MULTAN**

**Prime Honda**

Mushtaq Colony Industrial, Estate Road, Near Nadirabad, Railway Crossing.

Tel: 061-6538112

**BAHAWALPUR**

**Horizon Honda** Multan Road. Tel: 0321-6817729

**FAISALABAD**

**Jaranwala Road Honda**

Jaranwala Road.

Tel: 041-8710616, 8541097

**Civil Lines Honda**

P-121/1 Jail Road, Civil Lines. Tel: 041-2641925, 2409394

**GUJRAT**

**River Edge Honda**

Near Science College, G.T. Road. Tel: 053-3523511

**SUKKUR**

**Clock Tower Honda** Hussaini Road, Near Gurdwara. Tel: 071-5617683

**HARIPUR**

**Haripur Honda**

Main G.T Road Haripur Tel: (+92-995) 319881-3

**1S DEALERS**

**LAHORE**

**Sugoi Parts Center**

Shop No. 4-6, Shamyl Center, 4-Montgomery Road.

Tel: 042-36370121

**Sugoi Defence Parts Center**

Shop No. 1 Corner 26/26

Main Walton Road. Lahore Cantt. Tel: 042-36626987

**KARACHI**

**Sugoi Parts Center**

Shop No. 1&2 Amber Electronics, Market M.A Jinnah Road.

Tel: 021-32778211-12

**Sugoi Sunset Parts Center**

Plot No. 12-C, 12th Commercial Street, Phase II, Extension D.H.A.

Tel: 021-35312766

**MULTAN**

**Sugoi Multan Parts Center** 103/9 Iqbal Plaza Opp. RTO Ofﬁce, Near Feasta Garden, LMQ Road. Tel: 061-4586160-61





