



The Bulwark of Agriculture  
Agri Sector Needs An  
Emergency Recovery Plan

# AL-GHAZI TRACTORS LTD

## Third Quarterly Report

30 September 2011  
(un audited)



**AL-GHAZI TRACTORS LTD**



*to make AGTL a symbol of success*

## **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.*

## **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.*



# AL-GHAZI TRACTORS LTD

## CORPORATE INFORMATION

### Board of Directors

Charles Leonard Hunt  
Parvez Ali  
Kunwar Idris  
Hadjas Youssef  
Mohammad Ali Qaiyum  
Mario Gasparri  
Nasir Mahmood  
Pietro Cianci Venturi

Chairman  
Chief Executive Officer & Managing Director  
Director  
Director  
Director  
Director  
Director  
Director

### Company Secretary

Subika Muzammil

ACA

### Bankers

Askari Bank Limited  
Habib Bank Limited  
Meezan Bank Limited  
Faysal Bank Limited  
Bank AL-Habib Limited  
Hong Kong & Shanghai Bank

### Registrar

FAMCO Associates (Private) Limited  
Ground Floor, State Life Building 1-A  
I.I. Chundrigar Road, Karachi

### Board Committees

#### Audit Committee

Mr. Charles Leonard Hunt - Chairman

Mr. Kunwar Idris - Member

Mr. Nasir Mahmood - Member

Mr. Hadjas Youssef - Member

#### Enterprise Risk Management Committee

Mr. Kunwar Idris - Chairman

Mr. Nasir Mahmood - Member

Mr. Hadjas Youssef - Member

### Auditors

A.F.Ferguson & Co.  
Chartered Accountants  
Karachi

### Tax and Legal Advisors

Saiduddin & Co.  
Karachi

### Registered Office

11<sup>th</sup> Floor, NICL Building, Abbasi Shaheed Road,  
Karachi – 74400  
Phones (PABX) (92-21) 35660881-5  
Fax : (92-21) 35689387  
Email : [agtl@alghazitractors.com](mailto:agtl@alghazitractors.com)  
Web : [www.alghazitractors.com](http://www.alghazitractors.com)

### Corporate Governance, HR and Nominations Committee

Mr. Charles Leonard Hunt - Chairman

Mr. Kunwar Idris - Member

Mr. Hadjas Youssef - Member



QUALITY MANAGEMENT-BRAND STRENGTH

## AL-GHAZI TRACTORS LIMITED

### DIRECTOR'S REPORT

Imposition of 16% sales tax on tractors from July 1, 2011, brought the local tractor industry to a grinding halt. Tractor manufacturers were forced to drop their shutters – for the first time since the inception of the industry in 1980s. With a stock of dead weight inventory of CBU tractors at the end of June 2011, the AGTL plant at Dera Ghazi Khan has been closed since July' 2011. There is uncertainty with chaotic market – which is almost dead, and despite appeals from all stakeholders – the manufacturers, the very large supply chain associates, the farmers – business conditions continue to be abysmal.

Only 951 tractors were sold during the third quarter, July – September 2011, compared with 4,985 sold in the same period last year. Tractor sales for the three quarters, January – September 2011 were 15,904 tractors compared with 21,916 sold in the same period last year. This is indeed a big decline for an industry otherwise used to monumental results.

For the third quarter 2011, the company earned a paltry profit-before-tax of Rs 136.2 million after announcing a record high profit for the half year ended June 30, 2011.

Pre-tax-profit for the first three quarters, January – September 2011 was Rs 1.824 billion compared with Rs 2.047 billion in the same period of last year.

16% sales tax on tractors was imposed to improve, what FBR called, the tax-to-GDP ratio. FBR had estimated that based on sales of around 75,000 tractors per annum, the government will earn a revenue of around Rs 8 billion. With sales plummeting to such lows, revenue on sales tax will plummet in equal proportions. AGTL paid just a meager sale tax of Rs 83.9 million during the quarter July – September 2011. Revenue will diminish further when 35% corporate tax being paid by the manufacturers and the 300 associate vendors amounting to an estimated Rs. 5 billion will shrink. The returns will thus be diminishing notwithstanding the high social costs of unemployment, and the multiplier impact of reduced yields of farm produce and the dangerous risk of drop in crop size.

There is general consensus that imposition of 16% sales tax has made the tractor – the basic prime mover – spin out of reach of the majority of farmers – the subsistence farmers who are 93% of those who contribute to around 25% of the GDP.

While the clarion June announcement by the President of Pakistan that there will be no sales tax on farmers holding up to 12.5 acres of land was not implemented, the Secretary, Ministry of Industries, in a recent meeting held on September 29, 2011 with tractor manufacturers, and PAAPAM – the part manufacturers – expressing concern over the drop of sale of tractors gave an assurance that the Ministry will “take every possible step to bring the tractor industry back to its flourishing path again”.

