



Kunwar Idris
Chairman

Chairman's Review

I welcome you to the 24th Annual General Meeting of the Hinopak and place before you the accounts of the company and a brief account of its performance over the fifteen - month period ended March 31, 2009, and also to speculate a bit on the prospects ahead.

It has been an enigmatic extended financial year - the sales revenue was highest ever and the company's share of 56% in the national sales was also close to the highest 57% achieved in 2003. The profit before, tax however, fell steeply to Rs. 116 million from Rs. 905 million in the 12 months of 2007. You will find some explanation for this unfortunate outcome in the comments that follow.

Change of Financial Year

The company has changed its financial year from December 31 to March 31 to coincide with the financial year of Hino Motors Limited, Toyota Tsusho Corporation and their affiliated companies worldwide. That is how this report covers fifteen months defying an exact comparison with the previous year 2007 of 12 months.

National Sales

In the background of global economic recession, worst since the Second World War, Pakistan's own peculiar problems - political disturbance, falling value of rupee both against yen and dollar, acute shortage of energy, high inflation and rising interest rates - all had their adverse impact on the production cost and income of the Company despite commendable effort to increase productivity, promote sales and strengthen after - sales service arrangements.

As is well known, the worst to suffer world-wide in the current economic recession is the automotive industry. So, it has been in Pakistan. The passenger car sales have suffered, perhaps, even more than the commercial vehicles. Only the farm tractors have defied recession.

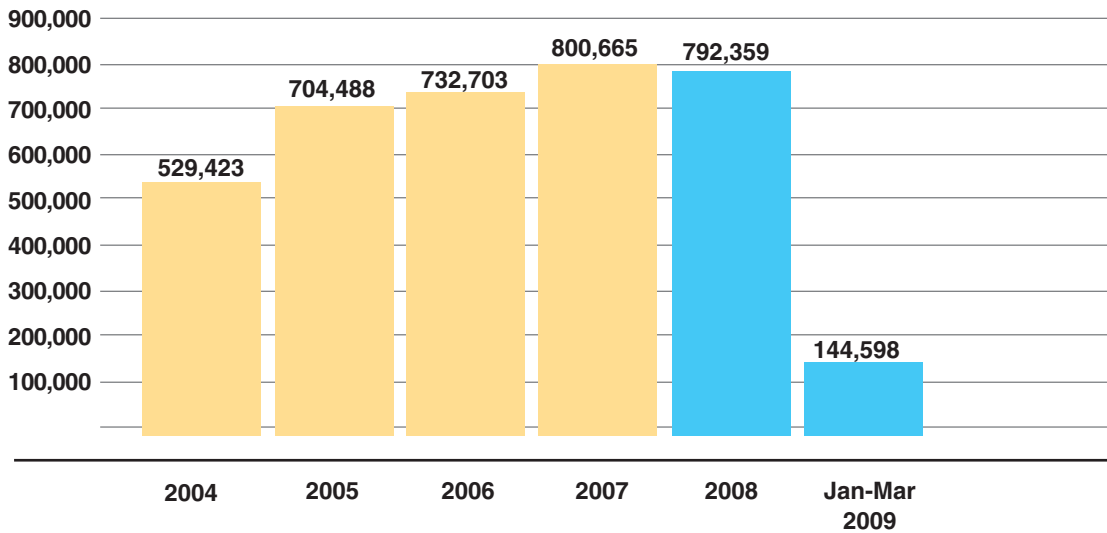
The table below shows the sale of locally produced vehicles in the last five calendar years and three months of January to March 2009:

Sales - Units

Segment	Jan – Mar 2009	2008	2007	2006	2005	2004
Car	19,213	127,863	177,306	160,256	141,326	109,439
Truck	783	4,736	4,098	4,558	3,887	2,048
Bus	158	922	1,078	928	1,375	1,411
L.C.V.(Jeep, Van, Pick-up)	1,643	23,661	23,476	33,936	29,187	18,692
Farm Tractor	14,835	54,573	54,322	49,643	46,733	40,300
Motor Cycle	107,966	580,604	540,385	483,382	481,980	357,533
Total	144,598	792,359	800,665	732,703	704,488	529,423

(The above figures are only for the member Companies of the Pakistan Automotive Manufacturers Association)

The sale of commercial vehicles started on a note of high optimism at the start of the year. In the second half, however, the sales almost fell to half of the previous mark but the year still ended with a national growth of 9.3%. And so it was in Hinopak.

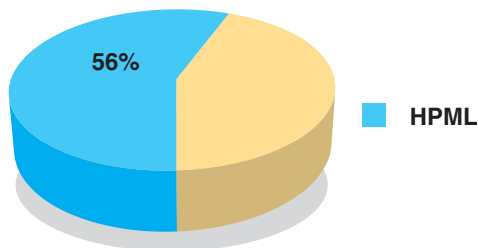


Hinopak Business

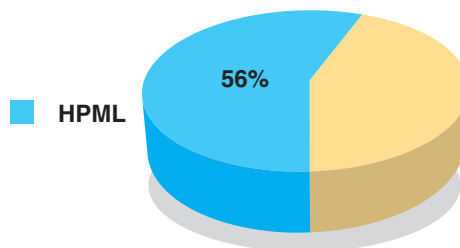
Sales

The sales revenue for the year 2008 is a record. The Company maintained its leadership in the commercial vehicles with a market share of 56%.

HPML Market Share 2007



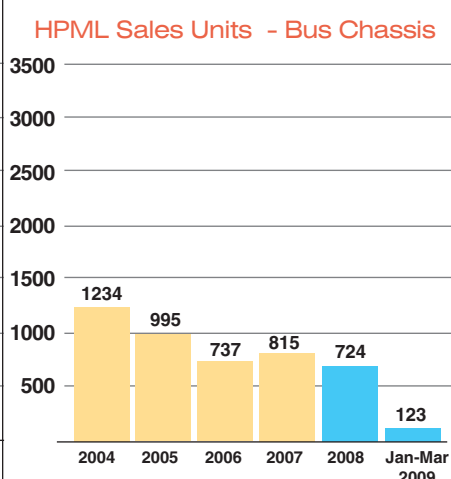
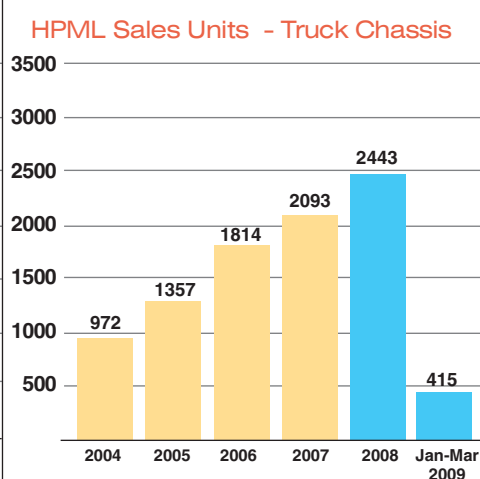
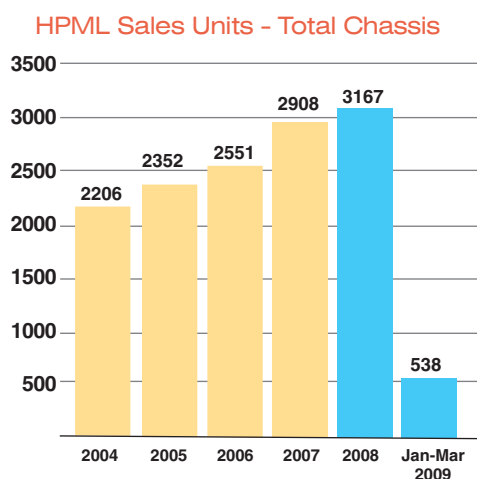
HPML Market Share 2008



Export

A project with the active support of Hino Japan for the export of buses and trucks to the Gulf, Middle East and Africa is in hand. A number of Hino dealers from the region visited Hinopak's manufacturing and body - fabrication facilities and went back feeling confident that for its quality and price the bus produced in Pakistan would sell though the market is highly competitive. Export is expected to commence by the end of the year.

The export of wind deflectors to the Gulf countries is continuing but in small numbers.



Operating Results

Sales Revenue

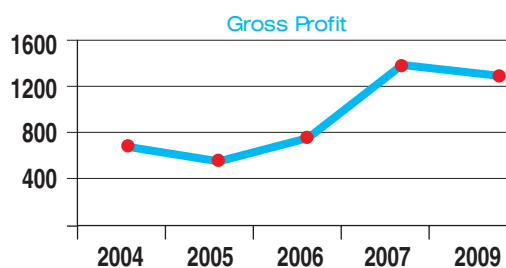
The sales revenue for the fifteen months is Rs. 12,151 million (Rs. 7,827 million in 12 months of 2007).

Gross Profit

The gross profit has fallen to Rs. 1,251 million from Rs. 1,388 million. For each product line it is shown below:

	Rs. in million		
Gross Profit	Jan 2008 - Mar 2009	2007	Increase / (Decrease)
Chassis	693	939	(246)
Bus & Truck Bodies	303	263	40
Other Business (Contract Assembly and Spare Parts)	255	186	69
Total Gross Profit	1,251	1,388	(137)

Production cost has risen because of depreciating rupee and rising cost of materials. The distribution and administrative expenses increased to Rs. 607 million from Rs. 409 million chiefly due to inflation.



Other Income & Expenses

Income from short term investments and savings increased by Rs. 29 million due to better liquidity in the first half of 2008 and increase in interest rates. Because of improved procedures, income from scrap sales increased by Rs. 38 million.

Finance cost

The exchange loss stood at Rs. 563 million compared to only Rs. 31 million in the corresponding period last year due to depreciation of rupee against US dollar by 34% and appreciation of Japanese Yen against US Dollar by 22% - highest in 13 years. The financial cost also increased by Rs. 79 million due to larger borrowings and higher interest rates in the latter half.

Profit before Tax

For the reasons explained heretofore the profit before tax sharply declined to Rs. 116 million from Rs. 905 million in 2007.

Capital Expenditure

The Company continued to invest in its plants to streamline capacity and technology and to improve safety standards. The amount invested during the year was Rs. 208 million.

Cash Flow

The cash flow in the last two quarters of the year received a serious setback because of unfavorable exchange rate, fall in sales and imposition of 35% cash margin on opening of import letter of credits by the State Bank (since withdrawn).

Production

The number of chassis produced in 15 months was 5128 compared to 4152 in 2007. The production of trucks went up by 29% but that of buses remained static. 2409 IMV (Hilux) frames were produced for Indus Motor Company. The plant productivity improved by 7.4%.



Body Fabrication

Hinopak is the only commercial vehicle manufacturer of the country which alongside its assembly plant also has a modern body fabrication plant. During the period 2258 bodies of different kinds, both for trucks and buses, were produced. The number last year was 1747. New body designs have been developed for diverse and specialized purposes like flatbed, dozer carrier, recovery vehicle and troop carrier. A body of superior specifications for the export bus has also been developed. The productivity of the plant went up by 4.4% by elimination of waste, more balanced production planning, advanced manufacturing processes, improved skill and positive attitude of the managers, technicians and workers.



Business Process Improvement and Product Development

Through continuous transfer of technology and implementation of Oracle-based Enterprise Resource Planning System in the manufacture of components and processes, Hinopak's product quality remained at a high level.



Corporate Social Responsibility (CSR)

A CSR and Global Compact Committee looks after the whole range of issues relating to environment, philanthropy, health and safety. A full report on CSR activities was published. The employees on their own initiative and encouraged by the policy of the Company are contributing voluntarily to social activities.

The Company fully complies with the SECP's Code of Corporate Governance and Toyota group's guidelines.

Contribution to National Exchequer

Through its own manufacture and localization of parts by vendors, the company saved almost two billion rupees in foreign exchange and paid Rs. 878 million in taxes, duties and cesses.

Human Resource Development

Regular training courses were organized at home and abroad (Singapore, Thailand, Vietnam, Sri Lanka, Malaysia and Japan) for the workers, executives and managers to keep them abreast of new technologies and work practices. A group of employees was also sent to Leadership Adventure training session.



Future Outlook

With no end to economic slump in sight, political conditions aggravating and production cost rising the hope for profitable operations of the company lies only in the implementation of the government's long-delayed truck modernization and urban transport schemes. The transport business itself is not attracting investors because of high operating costs, fixed passenger fares and low volume of cargo. Hinopak has been constantly pleading with the concerned authorities to provide incentives and facilities to vendors, investors and operators to deploy new vehicles for economical transportation of goods and passengers. Particularly pathetic is the state of public transport in Karachi and other large cities but no headway at all is made in implementing a national scheme for 8000 passenger buses for big cities approved by the authorities quite some time ago.

The struggle ahead looks long and hard. The management can only promise to work hard and as long as it takes, and asks for the understanding of the shareholders with whom it has always generously shared its profits.

I must take this opportunity to thank the management and the workers for their commitment to duty, the vendors for maintaining quality and the dealers for their exertions in promoting sale which enabled Hinopak to retain its distinction of being the best commercial vehicle company of the country even in adverse circumstances. The response of the individual customers and institutions to the after-sales service provided by the company has been more than generous. I would also like to thank the federal and provincial governments for their support and the district governments and many other official and semi-official organizations for their patronage and their willingness to pay a bit more for quality and better service.



K. Idris

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Chairman

Dated: April 30, 2009