



# **PACKAGING** FOR PROGRESS

**3rd Quarter Report**  
**Period Ended March 31, 2022**



**MERIT PACKAGING LIMITED**  
**THIRD QUARTER REPORT**  
**MARCH 2022**

**TABLE OF CONTENTS**

<u>o Corporate Information</u>	<b>1</b>
<u>o Directors' Review</u>	<b>3</b>
<u>o Condensed Interim Statement of Financial Position</u>	<b>7</b>
<u>o Condensed Interim Statement of Profit or Loss</u>	<b>8</b>
<u>o Condensed Interim Statement of Comprehensive Income</u>	<b>9</b>
<u>o Condensed Interim Statement of Changes in Equity</u>	<b>10</b>
<u>o Condensed Interim Statement of Cash Flow</u>	<b>11</b>
<u>o Notes to the Condensed Interim Financial Information</u>	<b>12</b>

**MERIT PACKAGING LIMITED**  
**THIRD QUARTER REPORT**  
**MARCH 2022**

**CORPORATE INFORMATION**

**Board of Directors**

Iqbal Ali Lakhani	Chairman
Amin Mohammed Lakhani	
Anushka Lakhani	
Farrukh Shauket Ansari	
Aftab Ahmad	
Ahmed Munaf	
Ali Asrar Hossain Aga	

**Advisor**

Sultan Ali Lakhani

**Audit Committee**

Farrukh Shauket Ansari	Chairman
Amin Mohammed Lakhani	
Ahmed Munaf	

**Human Resource and Remuneration Committee**

Ali Asrar Hossain Aga	Chairman
Amin Mohammed Lakhani	
Amir Ahmed Chapra	

**Chief Executive Officer**

Amir Ahmed Chapra

**Chief Financial Officer**

Muhammad Sohail

**Company Secretary**

Mansoor Ahmed

**Auditors**

BDO Ebrahim & Co., Chartered Accountants

**MERIT PACKAGING LIMITED**  
**THIRD QUARTER REPORT**  
**MARCH 2022**

**CORPORATE INFORMATION**

**Bankers - Conventional**

Habib Bank Limited  
National Bank of Pakistan  
Soneri Bank Limited  
JS Bank Limited  
MCB Bank Limited

**Bankers - Islamic**

Meezan Bank Limited  
United Bank Limited - Ameen  
Al-Baraka Bank (Pakistan) Limited  
BankIslami Pakistan Limited  
Dubai Islamic Bank Pakistan Limited  
Habib Bank Limited - Islamic Banking  
MCB Islamic

**Shares Registrar**

FAMCO Associates (Private) Limited  
8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi.  
Website : [www.famco.com.pk](http://www.famco.com.pk) | Email : [info.shares@famco.com.pk](mailto:info.shares@famco.com.pk)  
Phone : (021) 34380101 - 5 | Fax : (021) 34380106

**Registered Office**

Lakson Square, Building No. 2, Sarwar Shaheed Road, Karachi-74200, Pakistan.

**Factory Address**

17-B, Sector 29, Korangi Industrial Area, Karachi.

**Contact Us**

UAN: +9221 38892147 Ext. 1014, 1008 | Phone Number: 0341-2464451  
Email: [info@meritpack.com](mailto:info@meritpack.com) | Web: [www.meritpack.com](http://www.meritpack.com)

**THIRD QUARTER REPORT**  
**MARCH 31, 2022**  
**DIRECTORS' REVIEW**

Directors of your Company herewith present the review of performance together with condensed interim un-audited financial statements of the Company for the period ended March 31, 2022.

**FINANCIAL PERFORMANCE**

Comparison of the un-audited financial results for the period and quarter ended March 31, 2022 is as follows:

	<b>Nine months ended</b>		<b>Quarter Ended</b>	
	<b>March 31, 2022</b>	<b>March 31, 2021</b>	<b>March 31, 2022</b>	<b>March 31, 2021</b>
	<i>( Rupees in thousand)</i>		<i>( Rupees in thousand)</i>	
Net sales	3,102,908	2,166,826	1,180,181	823,655
Gross profit / (loss)	196,365	(55,964)	82,659	21,677
Operating profit / (loss)	77,680	(162,389)	39,608	(6,567)
Loss before tax	(118,137)	(405,054)	(19,409)	(87,273)

During the period under review, the net sales amounted to Rs. 3.1 billion as compared to Rs. 2.1 billion for corresponding period last year, showing an increase of Rs. 936 million or 43%. The company has achieved a gross profit of Rs. 196 million and operating profit of Rs. 77 million during the first nine months of current financial year as compared to gross loss of Rs. 55.9 million and operating loss of Rs. 162 million during same period last year. Company's pre-tax loss for the period under review is Rs 118 million as compared to Rs 405 million pre-tax losses recorded for the same period last year.

During the period, the Company issued 119,330,029 right shares at par value of Rs. 10 with premium of Rs. 2.50 per share to the existing members of the Company in proportion to 148 shares for every 100 shares held. Right issue amounting to Rs. 1,491.625 million have been allotted to the subscribers of the right shares by the Board. This further issue of shares has brought down the total debts of the Company.

**CHALLENGES**

1. Supply chain disruptions causing inefficiencies in operations;
2. Devaluation of Pak Rupee against foreign currencies and increased tariff rates will adversely affect our production cost and may impact negatively on our contribution margins;
3. Increase in interest rate will lead to increased financial charges on our long-term loans and short-term borrowings;

4. Challenges in expanding our production volumes and achieving maximum capacity utilization due to highly competitive market situation in printing industry;
5. Pressure for maintaining working capital requirement on account of increased input cost (inflated by single digit during first two quarters and double digit third quarter of currently financial) and higher sales volumes, and
6. Gas shortages have significantly affected production costs and operations.

## **FUTURE OUTLOOK**

During the period ended March 31, 2022, there was high economic uncertainty due to the multiple monetary policy reviews and delays in the revival of the IMF programme, which resulted in high volatility of the currency. This created many challenges for businesses and industries in the country. Nevertheless, adoption of the mini-budget despite severe resistance from the opposition political parties has eased some of the pressure as Pakistan moves toward the final stage of negotiation with IMF. The Company will continue to closely monitor the political situation, security risk due to the changing political environment in Afghanistan, and the economic situation.

Merit Packaging Ltd. through the positive effort of its management along with the consistent support of the sponsors is moving in the right direction. With the management team, your Company is making significant efforts for improving business performance and to expand its customer base, achieve faster production, lower wastages, gear uninterrupted production with more value-added jobs, besides reduction in overheads. It is expected that additional revenue will be generated and will help consolidate overall financial position of the Company in the coming financial year. The management will continue its efforts to benefit from available opportunities, while safeguarding the interests of the Company to the extent possible.

The directors, therefore, look forward with confidence to sustain growth by focusing on marketing driven strategies, optimization of resources and adopting cost control measures.

## **ACKNOWLEDGMENTS**

Your directors appreciate the support and commitment of all the stakeholders. They are especially thankful to the banks for their continued support.

On behalf of the Board of Directors



**AFTAB AHMAD  
DIRECTOR**



**AMIR AHMED CHAPRA  
CHIEF EXECUTIVE OFFICER**

Karachi: April 28, 2022

## مستقبل کی توقعات

31 مارچ 2022 کو ختم ہونے والے نو ماہ کے دوران، مالیاتی پالیسی کے متعدد بار جائزوں اور آئی ایم ایف پروگرام کی بحالی میں تاخیر کی وجہ سے بہت زیادہ اقتصادی غیر یقینی صورتحال تھی، جس کے نتیجے میں روپے کی وقعت میں اتار چڑھاؤ آیا۔ اس سے ملک میں کاروبار اور صنعتوں کے لیے بہت سے چیلنجز پیدا ہوئے۔ اس کے باوجود، حزب اختلاف کی سیاسی جماعتوں کی شدید مزاحمت کے باوجود منی بجٹ کو اپنانے سے دباؤ میں کچھ کمی آئی ہے جسکی بدولت پاکستان آئی ایم ایف کے ساتھ مذاکرات کے آخری مرحلے کی طرف بڑھ رہا ہے۔ کمپنی سیاسی صورتحال، افغانستان میں بدلتے ہوئے سیاسی ماحول کی وجہ سے سیکورٹی ریسک، اور اقتصادی صورتحال پر گہری نظر رکھے گی۔

میرٹ پیکجنگ لمیٹڈ اپنی انتظامیہ کی مثبت کوششوں کے ساتھ ساتھ اسپانسرز کے مسلسل تعاون سے درست سمت میں آگے بڑھ رہی ہے۔ انتظامی ٹیم کے ساتھ، آپ کی کمپنی کاروباری کارکردگی کو بہتر بنانے اور اپنے کسٹمرز کو بڑھانے، تیز پیداوار حاصل کرنے، کم ضیاع، زیادہ ویلیو ایڈڈ کاموں کے ساتھ بلا تعطل پیداوار کے حصول کے علاوہ اور ہیڈز میں کمی کے لیے اہم کوششیں کر رہی ہے۔ امید کی جاتی ہے کہ اضافی آمدنی پیدا ہوگی اور رواں سال کے اختتام تک کمپنی کی مجموعی مالی پوزیشن کو مستحکم کرنے میں مدد ملے گی۔ انتظامیہ دستیاب مواقع سے مستفید ہونے کے لیے اپنی کوششیں جاری رکھے گی، اور کمپنی کے مفادات کا حتی الامکان تحفظ کرے گی۔

اس لیے ڈائریکٹرز، مارکیٹنگ پرنٹی حکمت عملیوں، وسائل کی اصلاح اور لاگت پر قابو پانے کے اقدامات کو اپناتے ہوئے ترقی کو برقرار رکھنے کے لیے پراعتماد ہیں۔

## اعتراف

آپ کی کمپنی کے ڈائریکٹرز تمام اسٹیک ہولڈرز کے تعاون اور عزم کی تعریف کرتے ہیں۔ وہ خاص طور پر بینکوں کے مسلسل تعاون کے لیے ان کے شکر گزار ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے



آفتاب احمد

ڈائریکٹر



عامر احمد چھاپرا

چیف ایگزیکٹو آفیسر

کراچی 28 اپریل 2022ء



## ڈائریکٹرز کا جائزہ

آپ کی کمپنی کے ڈائریکٹرز 31 مارچ 2022ء کو ختم ہونے والے نو ماہ کے لئے کارکردگی کا جائزہ مختصر عبوری غیر آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

## مالیاتی کارکردگی

31 مارچ 2022ء کو ختم ہونے والے نو ماہ اور سہ ماہی کے لئے غیر آڈٹ شدہ مالیاتی نتائج کا موازنہ درج ذیل ہے:

مختتمہ سہ ماہی		مختتمہ نو ماہ		
31 مارچ 2022ء	31 مارچ 2021ء	31 مارچ 2022ء	31 مارچ 2021ء	
(ہزار روپے)		(ہزار روپے)		
823,655	1,180,181	2,166,826	3,102,908	خالص فروخت
21,677	(82,659)	(55,964)	196,365	مجموعی منافع / نقصان
(6,567)	39,608	(162,389)	77,680	آپریٹنگ منافع / نقصان
(87,273)	(19,409)	(405,054)	(118,137)	قبل از ٹیکس نقصان

زیر جائزہ مدت کے دوران خالص فروخت گزشتہ سال اسی مدت کے لئے 2.1 بلین روپے کے مقابلے میں 3.1 بلین روپے رہی جو 936 ملین روپے یا 43% کا اضافہ دکھاتی ہے۔ کمپنی نے رواں مالی سال کی نو ماہ میں 196 ملین روپے کا خالص منافع اور 77 ملین روپے کا آپریٹنگ منافع حاصل کیا جو کہ گزشتہ سال اسی عرصے کے دوران 55.9 ملین روپے کا خالص نقصان اور 162 ملین روپے کا آپریٹنگ نقصان رہا۔ گزشتہ سال اسی مدت میں ریکارڈ کئے گئے 405 ملین روپے قبل از ٹیکس نقصان کے مقابلے میں زیر جائزہ مدت کے دوران 118 ملین روپے رہا۔

زیر جائزہ مدت کے دوران کمپنی نے 10 روپے کی مساوی قیمت اور 2.50 روپے پر ٹیکم کے ساتھ 119,330,029 رائٹ حصص کا اجراء کیا جو کہ کمپنی کے موجودہ حصص یافتگان کو ہر 100 حصص کے لیے 148 حصص کے تناسب سے جاری کیے۔ 1,491.625 ملین روپے کے رائٹ ایٹو کو بورڈ نے حصص یافتگان کو مختص کر دیے ہیں جسکی وجہ سے کمپنی کے کل قرضوں میں کمی آئی ہے۔

## درپیش مشکلات:

- ۱) سپلائی چین میں خلل پڑا جو آپریشنز میں عدم استحکام کا باعث بنتا ہے۔
- ۲) غیر ملکی کرنسیوں کے مقابلے میں پاکستانی روپے کی قدر میں کمی اور ٹیرف کی شرح میں اضافہ ہماری پیداواری لاگت کو بری طرح متاثر کیا اور ہمارے منافع پر منفی اثر ڈال سکتا ہے۔
- ۳) شرح سود میں اضافہ ہمارے طویل مدتی اور مختصر مدت کے قرضوں پر مالیاتی چارجز میں اضافہ کا باعث بنے گا۔
- ۴) پرنٹنگ انڈسٹری میں انتہائی مسابقتی صورتحال کی وجہ سے ہماری پیداوار کے حجم کو بڑھانے اور زیادہ سے زیادہ صلاحیت کے استعمال کو حاصل کرنے میں مشکلات ہو سکتی ہیں۔
- ۵) بڑھتی ہوئی پیداواری لاگت (موجودہ مالی سال 2021-22 کے ابتدائی دو کوارٹرز کے دوران سنگل ہندسوں اور تیسرے کوارٹرز میں دو ہرے ہندسوں میں) اور فروخت کا زیادہ حجم کی وجہ سے ورکنگ کیپٹل کی ضرورت کو برقرار رکھنے کا دباؤ۔
- ۶) گیس کی قلت نے پیداواری لاگت اور آپریشنز کو نمایاں طور پر متاثر کیا ہے۔

**MERIT PACKAGING LIMITED**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2022**

		(Un-audited) March 31, 2022	(Audited) June 30, 2021
	Note	----- Rupees in 000's -----	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	2,871,200	3,005,132
Capital work in progress	7	121,857	23,101
		<u>2,993,057</u>	<u>3,028,233</u>
Intangible assets		497	752
Long-term loans		-	96
Long-term deposits		5,027	5,086
Deferred taxation		219,148	176,482
		<u>3,217,729</u>	<u>3,210,649</u>
<b>CURRENT ASSETS</b>			
Stores and spares		73,960	85,946
Stock-in-trade		519,673	537,335
Trade debts	8	1,074,955	651,600
Loans and advances		38,002	40,256
Trade deposits and short-term prepayments		28,245	2,625
Other receivables	9	589	13,141
Tax refund due from Government	10	355,205	430,641
Cash and bank balances		18,605	3,539
		<u>2,109,234</u>	<u>1,765,083</u>
		<u>5,326,963</u>	<u>4,975,732</u>
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital			
200,000,000 ordinary shares of Rs.10/- each		<u>2,000,000</u>	<u>2,000,000</u>
Issued, subscribed and paid-up capital	12	1,999,584	806,284
Capital reserve			
Equity portion of loan - associated company		521,202	537,219
Share Premium		298,325	
Surplus on revaluation of property, plant and equipment	13	801,044	805,185
Revenue reserve			
General reserves		106,800	106,800
Accumulated losses		(1,826,003)	(1,706,171)
		<u>1,900,952</u>	<u>549,317</u>
<b>NON CURRENT LIABILITIES</b>			
Sub-ordinated loan	14	231,513	225,381
Long-term financing	15	1,404,814	2,182,277
Long-term deposits		22	100
Deferred capital grant		-	526
		<u>1,636,349</u>	<u>2,408,284</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	1,036,329	800,833
Mark-up accrued		25,220	26,893
Taxation - net	11	16,556	8,478
Short-term borrowings	17	436,794	785,497
Un-claimed dividend		129	129
Current portion of deferred capital grant		685	2,261
Current portion of long-term financing		273,949	394,040
		<u>1,789,662</u>	<u>2,018,131</u>
		<u>5,326,963</u>	<u>4,975,732</u>
<b>TOTAL EQUITY AND LIABILITIES</b>			
<b>CONTINGENCIES AND COMMITMENTS</b>			
	18		

The annexed notes from 1 to 30 form an integral part of this condensed interim financial information.



**AFTAB AHMAD**  
**DIRECTOR**



**AMIR AHMED CHAPRA**  
**CHIEF EXECUTIVE OFFICER**



**MUHAMMAD SOHAIL**  
**CHIEF FINANCIAL OFFICER**

**MERIT PACKAGING LIMITED**  
**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS**  
**FOR THE PERIOD ENDED MARCH 31, 2022 (UN-AUDITED)**

		<u>Nine months ended</u>		<u>Quarter ended</u>	
		<u>March 31,</u>	<u>March 31,</u>	<u>March 31,</u>	<u>March 31,</u>
		<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Note		<u>Rupees in 000's</u>			
Sales - net	19	3,102,908	2,166,826	1,180,181	823,655
Cost of sales	20	(2,906,543)	(2,222,790)	(1,097,522)	(801,978)
Gross profit / (loss)		196,365	(55,964)	82,659	21,677
General and administrative expenses		(72,651)	(58,692)	(25,463)	(18,560)
Selling and distribution expenses		(52,510)	(38,179)	(20,063)	(11,037)
Other income		15,398	7,690	5,209	2,342
Other operating expenses		(8,922)	(17,244)	(2,734)	(989)
		(118,685)	(106,425)	(43,051)	(28,244)
Operating profit / (loss)		77,680	(162,389)	39,608	(6,567)
Financial charges		(195,817)	(242,665)	(59,017)	(80,706)
Loss before taxation		(118,137)	(405,054)	(19,409)	(87,273)
Taxation	21	3,713	(18,840)	(389)	852
Net loss for the period		(114,424)	(423,894)	(19,798)	(86,421)
Loss per share - basic and diluted (Rs)	22	(0.87)	(5.13)	(0.10)	(1.05)

The annexed notes from 1 to 30 form an integral part of this condensed interim financial information.



**AFTAB AHMAD**  
**DIRECTOR**



**AMIR AHMED CHAPRA**  
**CHIEF EXECUTIVE OFFICER**



**MUHAMMAD SOHAIL**  
**CHIEF FINANCIAL OFFICER**

**MERIT PACKAGING LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED MARCH 31, 2022 (UN-AUDITED)**

	<u>Nine months ended</u>		<u>Quarter ended</u>	
	<u>March 31,</u>	<u>March 31,</u>	<u>March 31,</u>	<u>March 31,</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	<u>Rupees in 000's</u>			
Net loss for the period	(114,424)	(423,894)	(19,798)	(86,421)
Other comprehensive income:	-	-	-	-
Total comprehensive loss for the period	<u>(114,424)</u>	<u>(423,894)</u>	<u>(19,798)</u>	<u>(86,421)</u>

The annexed notes from 1 to 30 form an integral part of this condensed interim financial information.



**AFTAB AHMAD**  
**DIRECTOR**



**AMIR AHMED CHAPRA**  
**CHIEF EXECUTIVE OFFICER**



**MUHAMMAD SOHAIL**  
**CHIEF FINANCIAL OFFICER**

**MERIT PACKAGING LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED MARCH 31, 2022 (UN-AUDITED)**

	Capital Reserve				Revenue Reserves		
	Issued, subscribed and paid-up capital	Surplus on Revaluation of Property, Plant & Equipment	Share Premium Reserve	Equity portion of loan from associated companies	General Reserves	Accumulated losses	Total
<b>Balance as at July 1, 2020</b>	806,284	327,692	-	465,338	793,030	106,800	(1,028,020)
Total comprehensive loss for the period ended March 31, 2021							
Loss for the period	-	-	-	-	-	-	(423,894)
Other comprehensive income	-	-	-	-	-	-	-
Transactions with owners							
Equity portion of loan	-	-	-	71,881	71,881	-	-
Transferred to accumulated loss on account of incremental depreciation - net of tax	-	(917)	-	-	(917)	917	917
<b>Balance as at March 31, 2021</b>	806,284	326,775	-	537,219	863,994	106,800	(1,450,997)
<b>Balance as at July 1, 2021</b>	806,284	805,185	-	537,219	1,342,404	106,800	(1,599,371)
Total comprehensive loss for the period ended March 31, 2022							
Loss for the period	-	-	-	-	-	(114,424)	(114,424)
Other comprehensive income	-	-	-	-	-	-	-
Transactions with owners							
Equity portion of loan	-	-	-	(16,017)	(16,017)	-	-
Issue of ordinary right shares	1,193,300	-	298,325	-	298,325	-	-
Share issue costs	-	-	-	-	-	(9,549)	(9,549)
Transferred to accumulated loss on account of incremental depreciation - net of tax	-	(4,141)	-	-	(4,141)	4,141	4,141
<b>Balance as at March 31, 2022</b>	1,999,584	801,044	298,325	521,202	1,620,571	106,800	(1,719,203)
							1,900,952

The annexed notes from 1 to 30 form an integral part of this condensed interim financial information.



**AFTAB AHMAD**  
**DIRECTOR**



**AMIR AHMED CHAPRA**  
**CHIEF EXECUTIVE OFFICER**



**MUHAMMAD SOHAIL**  
**CHIEF FINANCIAL OFFICER**

**MERIT PACKAGING LIMITED**  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED MARCH 31, 2022 (UN-AUDITED)**

		Nine months ended		
		March 31, 2022	March 31, 2021	
Note		----- Rupees in 000's -----		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
	Cash generated from operations	23	118,948	78,247
	Taxes (paid) / refund - net		(17,460)	31,029
	Financial charges paid		(100,030)	(143,374)
	Long-term loans and advances		96	156
	Long-term deposits		(19)	(127)
	Net cash generated from / (used in) operating activities		1,535	(34,069)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
	Capital expenditure		(113,083)	(28,758)
	Intangible assets		-	(457)
	Proceeds from sale of property, plant and equipment		2,773	17,823
	Ijarah lease rentals payment - net		(603)	(703)
	Net cash used in investing activities		(110,913)	(12,095)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
	Proceeds from long-term financing - Banks		-	48,705
	Repayment of long-term financing - Banks		(218,930)	(21,484)
	Repayment of long-term financing - Sponsors		(790,000)	-
	Proceeds from short-term financing - Sponsors		250,000	200,000
	Repayment of short term borrowings - Sponsors		(250,000)	-
	Principal paid on long term lease liabilities		-	(8,173)
	Subscription against right issue, net of share issue cost		1,482,076	-
	Net cash generated from financing activities		473,146	219,048
	Net increase / (decrease) in cash and cash equivalents		363,768	172,884
	Cash and cash equivalents at beginning of the period		(781,957)	(779,199)
	Cash and cash equivalents at end of the period		(418,189)	(606,315)
<b>CASH AND CASH EQUIVALENTS:</b>				
	Cash and bank balances		18,605	13,040
	Short-term running finances		(436,794)	(619,355)
			(418,189)	(606,315)

The annexed notes from 1 to 30 form an integral part of this condensed interim financial information.



**AFTAB AHMAD**  
**DIRECTOR**



**AMIR AHMED CHAPRA**  
**CHIEF EXECUTIVE OFFICER**



**MUHAMMAD SOHAIL**  
**CHIEF FINANCIAL OFFICER**

**MERIT PACKAGING LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR THE PERIOD ENDED MARCH 31, 2022**

**1. NATURE AND STATUS OF THE COMPANY**

- 1.1 Merit Packaging Limited ("the Company") was incorporated on January 28, 1980 in Pakistan as a public limited company under the repealed Companies Ordinance, 1984 (Now Companies Act, 2017) and is listed on the Pakistan Stock Exchange. The registered office of the Company is situated at Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi. The Company is mainly engaged in the manufacture and sale of printing and packaging materials.

**2. GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS**

The registered office of the Company is located at Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi, Pakistan and factory is located at Plot No. 17-B, Sector 29, Korangi Industrial Township, Karachi, Pakistan.

**3. BASIS OF PREPARATION**

**3.1 Statement of compliance**

This condensed interim financial information is unaudited and is being submitted to the shareholders as required under section 237 of the Companies Act, 2017.

This condensed interim financial information of the Company for the period ended March 31, 2022 has 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 the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ from the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 are followed.

This condensed interim financial information does not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended June 30, 2021 which have been prepared in accordance with approved accounting standards as applicable in Pakistan. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

The comparative statement of financial position presented in this condensed interim financial information has been extracted from the annual audited financial statements of the Company for the year ended June 30, 2021, whereas the comparative condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity are extracted from the unaudited condensed interim financial information for the period ended March 31, 2021.

### 3.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention, except for revaluation of certain property, plant and equipment at fair value and recognition of certain employees retirement benefits at present value.

This condensed interim financial information has been prepared following accrual basis of accounting except for statement of cash flows.

### 3.3 Functional and presentation currency

This condensed interim financial information has been presented in Pak Rupees, which is the functional and presentation currency of the Company.

## 4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted and methods of computation followed in the preparation of this condensed interim financial information are same as those for the preceding annual financial statements for the year ended June 30, 2021.

## 5. ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires management to make certain judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the financial statements for the year ended June 30, 2021.

	Note	Un-audited March 31, 2022	Audited June 30, 2021
		Rupees in 000's	
<b>6. OPERATING FIXED ASSETS</b>			
Opening net book value (NBV)		3,005,132	2,884,732
Additions during the period / year at cost	6.1	14,327	25,207
Revaluation surplus recognized during the period / year		-	486,057
		3,019,459	3,395,996
Disposals during the period / year at NBV	6.2	(3,023)	(90,511)
Depreciation charge for the period / year		(145,236)	(226,044)
Assets write off		-	(70,082)
Impairment charge for the period / year		-	(4,227)
		(148,259)	(390,864)
		2,871,200	3,005,132



		<b>Un-audited March 31, 2022</b>	<b>Audited June 30, 2021</b>
	<b>Note</b>	<b>———— Rupees in 000's ————</b>	
<b>6.1 Detail of additions (at cost) during the period / year are as follows:</b>			
Building / improvements on leasehold land		2,986	-
Plant and machinery		6,276	20,030
Furniture and fixtures		230	49
Vehicles		449	800
Office equipment		3,390	1,622
Computer equipment		996	2,176
Electrical installation		-	530
		<u>14,327</u>	<u>25,207</u>
<b>6.2 Detail of disposals (net book value) during the period / year are as follows:</b>			
Plant and machinery		2,121	88,304
Cylinders and dies		-	1,070
Electrical installation		557	-
Office equipment		220	-
Vehicles		125	1,137
		<u>3,023</u>	<u>90,511</u>
<b>7. CAPITAL WORK-IN-PROGRESS</b>			
This comprises of:			
Civil works		28,576	12,436
Plant and machinery		93,281	10,665
	7.1	<u>121,857</u>	<u>23,101</u>
<b>7.1 Movement of carrying amount</b>			
Opening balance		23,101	-
Additions during the period / year at cost		113,083	48,308
Transfer to property, plant and equipment during the period / year		<u>(14,327)</u>	<u>(25,207)</u>
Closing balance		<u>121,857</u>	<u>23,101</u>
<b>8. TRADE DEBTS</b>			
(Unsecured - considered good)			
Due from associated companies		239,975	170,281
Others		834,980	481,319
		<u>1,074,955</u>	<u>651,600</u>
(Unsecured - considered doubtful)			
Others		2,535	2,535
Allowance for expected credit losses		<u>(2,535)</u>	<u>(2,535)</u>
		<u>1,074,955</u>	<u>651,600</u>

		<b>Un-audited March 31, 2022</b>	<b>Audited June 30, 2021</b>
	<b>Note</b>	<b>———— Rupees in 000's ————</b>	
<b>9. OTHER RECEIVABLES</b>			
(Unsecured-considered good)			
Due from associated company	9.1	92	55
Others		497	13,086
		<u>589</u>	<u>13,141</u>
9.1	This represents insurance agency commission and employee's medical claim receivable from Century Insurance Company Limited, an Associated Company.		
<b>10. TAX REFUND DUE FROM GOVERNMENT</b>			
Sales tax and special excise duty receivable		227,889	289,909
Income tax refundable		127,316	140,732
		<u>355,205</u>	<u>430,641</u>
<b>11. TAXATION - NET</b>			
Advance tax		22,397	17,899
Provision for taxation	21	(38,953)	(26,377)
		<u>(16,556)</u>	<u>(8,478)</u>
<b>12. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>			
Balance as at July 01,			
80,628,398 ordinary shares of Rs. 10/- each		806,284	806,284
Issue of right shares during the period / year	12.1	1,193,300	-
Closing Balance			
199,958,427 (June 30, 2021: 80,628,398)			
ordinary shares of Rs. 10/- each		<u>1,999,584</u>	<u>806,284</u>
12.1	During the period, the Company issued 119,330,029 right shares at par value of Rs. 10 with premium of Rs. 2.50 per share to the existing members of the Company in proportion to 148 shares for every 100 shares held. Right issue amounting to Rs. 1,491.625 million have been allotted to the subscribers of the right shares by the Board in their meeting held on December 9, 2021.		

		Un-audited March 31, 2022	Audited June 30, 2021
	Note	Rupees in 000's	
<b>13. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>			
<b>Gross surplus:</b>			
Balance as at July 01,		819,806	335,984
Net surplus recognized during the period / year		-	486,057
Transfer to unappropriated profit in respect of incremental depreciation charged during the period/year - (net of deferred tax)		(4,141)	(1,587)
Related deferred tax liability		(1,691)	(648)
		(5,832)	483,822
Closing balance		813,974	819,806
<b>Related deferred tax effect:</b>			
Balance as at July 01,		(14,621)	(8,292)
Effect of surplus recognized during the period / year		-	(6,977)
Incremental depreciation charge during the period / year		1,691	648
		(12,930)	(14,621)
		801,044	805,185

#### 14. SUBORDINATED LOAN - UNSECURED

From associated undertaking	14.1 & 14.2	231,513	225,381
<p>14.1 These subordinated loans have been obtained from associated undertakings amounting to an aggregate of Rs. 250 million (June 30, 2021: Rs. 250 million) for the purpose of financing the capital expenditure requirement and to support the working capital and for funding business activities. The interest on these loans has been waived for a period of three years from the date of the agreements, resulting in reduction in face value of this loan, due to presence of a below market element. These loans have been measured at amortized cost, determined by discounting future cash flows with the prevailing market rate ranging from 7.43% to 7.79% per annum, which is determined to be the transaction price at which a similar transaction could be executed between unrelated parties.</p> <p>14.2 This loan shall remain sub-ordinated to the financing facilities extended by the banks to the Company. The loan shall not be repaid until the entire amount of financing facilities and any payments due in respect of financing facilities or any other finance extended / provided by the banks to the Company, have been paid in full by the Company to the banks and the banks have notified to the sponsors of such payments; and / or the banks otherwise give any permission in writing to the Company to make full or part of the payments due under the long term financing to the associated undertakings.</p>			

		Un-audited March 31, 2022	Audited June 30, 2021
	Note	Rupees in 000's	
<b>15. LONG TERM FINANCING</b>			
<b>Secured</b>			
From banking companies	15.1 & 15.2	594,510	811,338
Less: Current portion shown under current liabilities		(273,949)	(306,040)
		<u>320,561</u>	<u>505,298</u>
<b>Unsecured - From associated undertaking</b>			
Opening balance	15.3	1,764,979	1,459,956
Financing obtained during the period / year		-	200,000
Financing repaid during the period / year		(790,000)	-
		<u>974,979</u>	<u>1,659,956</u>
Add : Notional mark up		93,256	146,676
Add : Present value adjustment		16,018	(41,653)
Less : Current portion		-	(88,000)
		<u>1,084,253</u>	<u>1,676,979</u>
		<u>1,404,814</u>	<u>2,182,277</u>

15.1 These loans have been obtained from financial institutions (loan excluding as defined in note 15.2) for the purpose of financing capital expenditure and secured against first pari passu charge on specific property, plant and equipments of the Company. The effective rate of mark-up was 8.94% to 10.38% (June 30, 2021: 7.99% to 10.22%) payable quarterly. The tenure of these financing facilities is five to six years including one year grace period.

15.2 The Company had obtained term finance facility from Habib Bank Limited under Refinancing Scheme of the State Bank of Pakistan amounting to Rs. 71.869 million specifically for paying salaries and wages to Company's employees. The Company has not made any further drawdown during the reporting period (Rs. 48.705 million during the year ended June 30, 2021). The tenor of the financing is two and quarter year inclusive 6-Months grace period and are repayable in 8 equal quarterly installments commencing from January 2021.

This loan is secured against first pari passu charge on specific property, plant and equipment of the Company.

15.3 These loans have been obtained from associated undertakings amounting to an aggregate of Rs. 1,200 million (June 30, 2021: Rs. 1,990 million) for the purpose of financing the capital expenditure requirement and to support the working capital and for funding business activities. The interest on these loans has been waived for a period of three years from the date of the agreements, resulting in reduction in face value of this loan, due to presence of a below market element. These loans have been measured at amortized cost, determined by discounting future cash flows with the prevailing market rate ranging from 7.76% to 14.36% per annum, which is determined to be the transaction price at which a similar transaction could be executed between unrelated parties.

		<b>Un-audited March 31, 2022</b>	<b>Audited June 30, 2021</b>
	<b>Note</b>	<b>———— Rupees in 000's ————</b>	
<b>16. TRADE AND OTHER PAYABLES</b>			
Creditors		987,832	723,345
Accrued liabilities		38,884	66,235
Payable to gratuity fund		8,300	9,373
Advances from customers		836	1,439
Workers' Welfare Fund		251	251
Others		226	190
		<u>1,036,329</u>	<u>800,833</u>

## 17. SHORT TERM BORROWINGS

From banking companies - secured			
Running finance	17.1	436,794	785,497
From associated company - unsecured	17.2	-	-
		<u>436,794</u>	<u>785,497</u>

- 17.1 The Company has short term running finance facilities from various banks under mark-up arrangements in aggregate amount of Rs. 870 million (June 30, 2021: Rs. 962 million) having mark-up at rates ranging from 9.09% to 10.07% (June 30, 2021: 8.44% to 10.55%) per annum calculated on a daily utilization basis and payable quarterly. The unutilized balance at the end of the year was Rs. 433.206 million (June 30, 2021: Rs. 176.503 million).

The Company also has a facility for opening letters of credit under mark-up arrangements as at March 31, 2022 amounting to Rs. 445 million (June 30, 2021: Rs. 445 million) from various commercial banks. The unutilized balance at the end of the period was Rs. 445 million (June 30, 2021: Rs. 445 million). These arrangements are secured by pari passu hypothecation charge on stores and spares, stock-in-trade and trade debts.

- 17.2 During the period under review, the Company obtained a short-term borrowing facility from an associated company amounting to Rs. 250 million at a markup of 3 months KIBOR minus 2%. During the period, this short term loan has been repaid. The purpose of the loan was to finance the working capital requirement of the Company.

## 18. CONTINGENCIES AND COMMITMENTS

### 18.1 Contingencies

There was no contingent liability as at March 31, 2022.

<b>Un-audited</b>	<b>Audited</b>
<b>March 31,</b>	<b>June 30,</b>
<b>2022</b>	<b>2021</b>
<b>———— Rupees in 000's ————</b>	

## 18.2 Commitments

The Company was committed as at the reporting date as follows:

- Stores, spares and raw materials under contractual obligation	<u>4,280</u>	<u>-</u>
- Future Ijarah rentals for Ijarah financing	<u>162</u>	<u>969</u>

<b>Nine months ended</b>		<b>Quarter ended</b>	
<b>March 31,</b>	<b>March 31,</b>	<b>March 31,</b>	<b>March 31,</b>
<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Un-audited</b>	<b>Un-audited</b>	<b>Un-audited</b>	<b>Un-audited</b>
<b>———— Rupees in 000's ————</b>			

## 19. SALES - NET

Gross sales

Local sales

Export sales

3,633,570	2,553,498	1,382,859	962,717
-	7,359	-	-
3,633,570	2,560,857	1,382,859	962,717

Less;

Sales tax

Sales return

(527,855)	(366,653)	(200,706)	(137,862)
(2,807)	(27,378)	(1,972)	(1,200)
(530,662)	(394,031)	(202,678)	(139,062)
3,102,908	2,166,826	1,180,181	823,655

## 20. COST OF SALES

Materials consumed	2,317,686	1,632,781	902,728	619,107
Salaries, wages and other benefits	135,840	101,345	50,714	39,872
Packing material consumed	62,257	47,411	23,058	17,815
Outsourced services	14,571	22,718	4,429	2,545
Stores and spares consumed	60,107	41,746	23,971	17,137
Power and fuel	86,283	77,046	29,965	25,437
Depreciation	143,483	171,595	46,416	51,871
Amortization	60	60	20	20
Rent, rates and taxes	6,450	4,157	2,280	1,030
Repairs and maintenance	22,961	10,481	10,340	4,308
Vehicle running expenses	2,348	1,542	789	513
Insurance	9,927	14,276	3,307	4,883
Ijara lease rentals	185	208	46	69
Printing and stationery	1,300	655	793	356
Communication charges	1,032	1,195	246	386
Travelling and conveyance	788	1,186	417	338
Fee and subscription	378	1,158	270	386
Software license fee	657	709	233	236
Other expenses	1,681	719	805	393
	<u>2,867,994</u>	<u>2,130,988</u>	<u>1,100,827</u>	<u>786,702</u>

	Nine months ended		Quarter ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
	Un-audited	Un-audited	Un-audited	Un-audited
	Rupees in 000's			
Opening work-in-process	73,131	56,988	46,299	38,428
Closing work-in-process	(51,447)	(50,151)	(51,447)	(50,151)
	21,684	6,837	(5,148)	(11,723)
Cost of goods manufactured	2,889,678	2,137,825	1,095,679	774,979
Opening stock of finished goods	55,936	129,799	40,914	71,833
Closing stock of finished goods	(39,071)	(44,834)	(39,071)	(44,834)
	16,865	84,965	1,843	26,999
	2,906,543	2,222,790	1,097,522	801,978

## 21. TAXATION

Current	(38,953)	(15,562)	(14,862)	(12,435)
Deferred	42,666	(3,278)	14,473	13,287
	3,713	(18,840)	(389)	852

21.1 The current tax liability of the Company is covered under Section 113 "Minimum tax" of the Income Tax Ordinance, 2001.

21.2 Total deferred tax asset arising due to timing difference calculated at applicable tax rates as at reporting date amounted to Rs. 418.524 million (June 30, 2021: Rs. 353.166 million) debit. Out of this balance, deferred tax asset amounting to Rs. 199.376 million (June 30, 2021: Rs. 176.685 million) has not been recognized in these financial statements in accordance with the stated accounting policy of the Company.

Deferred tax asset has been recognized to the extent of excess deductible temporary differences over and above taxable temporary differences.

## 22. LOSS PER SHARE - BASIC AND DILUTED

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

Loss for the period	(114,424)	(423,894)	(19,798)	(86,421)
		(Restated)		(Restated)
Weighted average number of ordinary shares (in thousands)	130,998	82,597	199,958	82,597
Loss per share (Rupees)	(0.87)	(5.13)	(0.10)	(1.05)

	<b>Unaudited</b>	
	<b>Nine months ended</b>	
	<b>March 31,</b>	<b>March 31,</b>
	<b>2022</b>	<b>2021</b>
<b>Note</b>	<b>———— Rupees in 000's ————</b>	

## 23. CASH GENERATED FROM OPERATIONS

Loss before taxation		(118,137)	(405,054)
Adjustment for non-cash items and other items:			
Gain on disposal of Property, plant and equipment		250	(1,674)
Financial charges		195,817	242,665
Depreciation		145,236	172,988
Amortization		255	194
Government grants		(2,102)	(2,894)
Impairment loss		-	7,089
Provision for slow moving stock and obsolete items		6,125	6,704
Ijarah lease rentals		603	703
		<u>346,184</u>	<u>425,775</u>
Profit before working capital changes		228,047	20,721
Working capital changes	23.1	<u>(109,099)</u>	<u>57,526</u>
		<u>118,948</u>	<u>78,247</u>

### 23.1 Working capital changes

(Increase) / decrease in current assets:			
Stores and spares		8,743	(11,707)
Stock-in-trade		14,779	45,254
Trade debts		(423,356)	(183,028)
Loans and advances		2,254	(14,053)
Trade deposits and short term prepayments		(25,620)	(2,676)
Other receivables		12,552	(1,365)
Tax refund due from Government		66,054	56,214
		<u>(344,594)</u>	<u>(111,361)</u>
Increase in current liabilities:			
Trade and other payables (excluding unclaimed dividend)		235,495	168,887
		<u>(109,099)</u>	<u>57,526</u>

## 24. TRANSACTIONS WITH RELATED PARTIES

- 24.1 The related parties comprise of related group companies, local associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and remuneration and benefits to key management personnel under the terms of their employment are as follows:



		Un-audited			
		Nine months ended		Quarter ended	
		March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
		Rupees in 000's			
Relation with the Company	Nature of transaction				
Associated Companies	Sales of goods and services	1,076,706	645,287	380,628	263,123
	Purchases of goods and services	1,733,874	1,037,946	697,072	241,474
	Rent and allied charges	299	204	97	66
	Insurance agency commission income	-	1,906	-	635
	Insurance claim	845	937	127	223
	Mark-up on short-term financing	3,957	-	-	-
	Long-term financing obtained	-	200,000	-	200,000
	Repayment of long-term financing	790,000	-	-	-
	Short-term financing obtained	250,000	-	-	-
	Repayment of short-term financing	250,000	-	-	-
Retirement benefit plans	Contribution towards				
	employees retirement benefit plans	7,101	8,019	2,450	2,506
Key management personnel	Compensation in respect of:				
	Short term employee benefits	14,152	15,838	5,274	6,153
	Retirement benefits	889	890	296	228
				<b>Un-audited</b>	<b>Audited</b>
				<b>March 31,</b>	<b>June 30,</b>
				<b>2022</b>	<b>2021</b>
		<b>———— Rupees in 000's ————</b>			

## 24.2 Period / year end balances:

Receivable from associated companies	240,068	170,335
Payable to associated companies	709,133	503,295
Long-term financing from associated company	1,084,253	1,764,979
Sub-ordinated loan	231,513	225,381

24.3 The above transactions with related parties are at arm's length based on normal commercial rates.

## 25. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The carrying values of all financial assets and liabilities reflected in the condensed interim financial information approximate their fair values. Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

## 26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's objective in managing risks is the creation and protection of share holders' value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls.

risk management is critical to the Company's continuing profitability. The Company is exposed to credit risk, liquidity risk and market risk (which includes interest rate risk and currency risk) arising from the financial instruments it holds.

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

The Company's financial risk management objective and policies are consistent with that disclosed in the financial statements for the year ended June 30, 2021.

## **27. CAPITAL RISK MANAGEMENT**

The Company's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders through the optimization of the debt and equity balance.

The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The Company management believes on maintaining appropriate mix of debt and equity capital and monitors capital on the basis of the net debt to equity ratio. The net debt is defined as long and short term borrowings offset by cash and bank balances. The equity includes ordinary share capital and reserves.

## **28. DATE OF AUTHORIZATION FOR ISSUE**

This condensed interim financial information was authorized for issue by the Board of Directors of the Company on April 28, 2022.

## **29. CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and better presentation.

## **30. GENERAL**

Amounts have been rounded off to the nearest thousands of rupees unless otherwise stated.



**AFTAB AHMAD**  
**DIRECTOR**



**AMIR AHMED CHAPRA**  
**CHIEF EXECUTIVE OFFICER**



**MUHAMMAD SOHAIL**  
**CHIEF FINANCIAL OFFICER**





**MERIT PACKAGING LIMITED**

A Lakson Group Company

17-B, Sec 29, Korangi Industrial Area, Karachi-75180/Pakistan  
Tel: (92 213) 501 7180, 5544, website: [www.meritpack.com](http://www.meritpack.com)