



THE CENTER OF PACKAGING **EXCELLENCE**

1st Quarter Report
**Period Ended
September
30, 2022**

T A B L E O F C O N T E N T S

01	Corporate Information	02-03
02	Directors' Review	04-07
03	Condensed Interim Statement of Financial Position	08
04	Condensed Interim Statement of Profit or Loss	09
05	Condensed Interim Statement of Comprehensive Income	10
06	Condensed Interim Statement of Changes in Equity	11
07	Condensed Interim Statement of Cash Flow	12
08	Notes to the Condensed Interim Financial Information	13-21

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Iqbal Ali Lakhani (Chairman)
Mr. Amin Mohammed Lakhani
Ms. Anushka Lakhani
Mr. Farrukh Shauket Ansari
Mr. Aftab Ahmad
Mr. Ahmed Munaf
Mr. Agha Shah Waliullah

ADVISOR

Mr. Sultan Ali Lakhani

AUDIT COMMITTEE

Mr. Farrukh Shauket Ansari (Chairman)
Mr. Amin Mohammed Lakhani
Mr. Ahmed Munaf

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr. Farrukh Shauket Ansari (Chairman)
Mr. Amin Mohammed Lakhani
Mr. Amir Ahmed Chapra
Mr. Ahmed Munaf

CHIEF EXECUTIVE OFFICER

Mr. Amir Ahmed Chapra

CHIEF FINANCIAL OFFICER

Mr. Muhammad Sohail

COMPANY SECRETARY

Mr. Mansoor Ahmed

AUDITORS

BDO Ebrahim & Co.
Chartered Accountants

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 | Email : info.shares@famco.com.pk
Phone : (021) 34380101- 5 | Fax : (021) 34380106

REGISTERED & HEAD OFFICE

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

KARACHI FACTORY

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

MARKETING DIVISIONS

Karachi Factory | Lahore Office

CONTACT US

UAN: +9221 38892147 Ext. 1014, 1008 | Phone Number: 0341-2464451
Email: info@meritpack.com | Web: www.meritpack.com

DIRECTORS' REVIEW

On behalf of the Board of Directors of Merit Packaging Limited, we herewith submit the Directors' review along with the 1st Quarter ended September 30th, 2022 un-audited Financial Statements.

KEY NUMBERS

	Quarter Ended	
	30 September 2022	30 September 2021
	(Rupees in thousand)	
Sales – net	1,391,834	871,103
Gross Profit/(loss)	136,373	49,912
Operating Profit/(loss)	93,592	16,329
Profit/(loss) before tax	19,536	(61,060)

OPERATING RESULTS

The net sales during the period under review amounted to Rs. 1,391 million as compared to Rs. 871 million for the same financial period of last year, showing an increase of Rs. 521 million or 59.7%. Company's pre-tax profit for the period under review is Rs. 19.5 million as compared to a pre-tax loss of Rs. 61 million for the corresponding period of the last year.

DEAR SHAREHOLDERS

You would be pleased to note that your company, which embarked on a mission last year to significantly improve performance, is consistently improving its financial performance quarter after quarter. For the 1QFY23, we have seen Net Revenue break all records with the company reporting a Net Revenue of PKR 1.39bn (a massive 60% increase YoY) while Gross margins have increased to 9.8% from 5.7% in 1QFY22, an improvement of 410bps. Tonnage was up too by 14.6% YoY in 1QFY23 even though we had rains and holidays which impacted some tonnage.

On an Operating level the company recorded the highest operating profit in 1QFY23 at PKR 93mn against an operating profit of PKR 16.3mn in 1QFY22, an improvement of 473%. All of this improvement is due to the hard work done by all key stakeholders from the management to the owners.

You would be happy to know that the company reported its first Net profit at PKR 3.5mn (EPS: 0.02) in 1QFY23 against a loss of PKR 57mn in 1QFY22 (LPS: 0.29 fully diluted) after reporting 19 consecutive quarters of losses especially in very challenging times. We are consistently striving to improve ourselves by targeting new products and going towards higher value addition. The packaging industry continues to face competition but the new strategy we have instituted at Merit Packaging is leading to improved order intake along with making Merit Packaging regain its lost glory.

Profit Before Taxation (PBT) was recorded at PKR 19.6mn in 1QFY23 against a Loss before taxation of PKR (61mn) last year. Finance cost was PKR 74mn down by 4.3% YoY even though financial cost increased considerably in this 12 month window due to the equity improvement brought by the rights issue.

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

CHALLENGES

1. Supply chain disruptions causing inefficiencies in operations.
2. Due to inflation and resultant low buying power of the final consumers, lower number of value-added products are available.
3. 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.
4. Higher volatility of basic raw material prices has severe implications on our margins and volumes as it is very challenging to immediately pass on the total impact of incremental costs in the selling prices.
5. Increase in markup rate will lead to increased financial charges on our long-term loans and short-term borrowings.
6. Challenges in expanding our production volumes and achieving maximum capacity utilization due to highly competitive market situation in printing industry.
7. Pressure for maintaining working capital requirement on account of increased input cost and higher sales volumes.
8. Gas shortages have significantly affected production costs and operations.

ACKNOWLEDGMENT

Directors of your Company appreciate the support and commitment of all the stakeholders. They are especially thankful to the banks for their continued support.



Iqbal Ali Lakhani
Chairman



Amir Ahmed Chapra
Chief Executive Officer

ڈائریکٹرز کا جائزہ

آپ کی کمپنی کے ڈائریکٹرز 30 ستمبر 2022ء کو ختم ہونے والی پہلی سہ ماہی کے لئے کارکردگی کا جائزہ مع مختصر عبوری غیر آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

مالیاتی اور عملی کارکردگی:

30 ستمبر 2022ء کو ختم ہونے والی پہلی سہ ماہی اور گزشتہ سال اسی مدت کے لئے مسابقتی مالیاتی نتائج درج ذیل ہیں:

مختتمہ سہ ماہی		
30 ستمبر 2021ء	30 ستمبر 2022ء	
(ہزار روپے)	(ہزار روپے)	
871,103	1,391,834	خالص فروخت
49,912	136,373	مجموعی منافع / نقصان
16,329	93,592	آپریٹنگ منافع / نقصان
(61,060)	19,536	قبل از ٹیکس منافع / نقصان

آپریٹنگ نتائج:

زیر جائزہ مدت کے دوران خالص فروخت گزشتہ سال اسی مدت کے لئے 871 ملین روپے کے مقابلے میں 1,391 ملین روپے رہا جو کہ 59.7% یا 521 ملین روپے کا اضافہ دکھاتا ہے۔ گزشتہ سال اسی مدت میں ریکارڈ کئے گئے 19.5 ملین روپے قبل از ٹیکس نقصان کے مقابلے میں زیر جائزہ سہ ماہی کے دوران 61 ملین روپے کا قبل از ٹیکس نقصان رہا

محترم شیئر ہولڈرز:

آپ کو یہ جان کر خوشی ہوگی کہ آپ کی کمپنی، جس نے کارکردگی کو نمایاں طور پر بہتر بنانے کے لیے پچھلے سال ایک مشن کا آغاز کیا تھا، سہ ماہی کے بعد اپنی مالی کارکردگی کو مسلسل بہتر کر رہی ہے۔ پہلی سہ ماہی کے مالی سال 23 کے لیے، ہم نے دیکھا ہے کہ کمپنی نے خالص ریونیو کو 1.39bn PKR (سال بہ سال 60% بڑے پیمانے پر) رپورٹ کرتے ہوئے تمام ریکارڈ توڑتے ہوئے دیکھا ہے جب کہ مجموعی مارجن پہلی سہ ماہی میں 5.7% سے بڑھ کر 9.8% ہو گیا ہے۔ سہ ماہی مالی سال 22 فیصد، 410bps کی بہتری۔ پہلی سہ ماہی کے مالی سال میں شیئ میں 14.6% سالانہ اضافہ ہوا حالانکہ ہمارے پاس بارشیں اور تعطیلات تھیں جس نے کچھ ٹن کو متاثر کیا۔ آپریٹنگ سطح پر کمپنی نے پہلی سہ ماہی مالی سال 23 میں سب سے زیادہ آپریٹنگ منافع 93mn PKR پر ریکارڈ کیا جو پہلی سہ ماہی مالی سال 22 میں 16.3mn PKR کے آپریٹنگ منافع کے مقابلے میں 473% کی بہتری ہے۔ یہ تمام تر بہتری انتظامیہ سے لے کر مالکان تک تمام اہم اسٹیک ہولڈرز کی محنت کی وجہ سے ہے۔

آپ کو یہ جان کر خوشی ہوگی کہ کمپنی نے پہلی سہ ماہی مالی سال 23 میں 3.5mn PKR (فی شیئر کی کمائی: 0.02) پر پہلی سہ ماہی مالی سال 22 میں 57mn PKR کے نقصان کے مقابلے میں اپنا پہلا خالص منافع رپورٹ کیا (فی شیئر نقصان: 0.29 مکمل طور پر diluted) مسلسل 19 چوتھائی نقصانات کی اطلاع دینے کے بعد خاص طور پر انتہائی مشکل وقت میں۔ ہم نئی مصنوعات کو ہدف بنا کر اور اعلیٰ قدر میں اضافے کی طرف جا کر خود کو بہتر بنانے کی مسلسل کوشش کر رہے ہیں۔ پیکیجنگ انڈسٹری کو مسابقت کا سامنا

کرنا پڑ رہا ہے لیکن میرٹ پیکجنگ میں ہم نے جوئی حکمت عملی وضع کی ہے وہ میرٹ پیکجنگ کو اس کی کھوئی ہوئی شان دوبارہ حاصل کرنے کے ساتھ ساتھ آرڈر کی مقدار کو بہتر بنانے کا باعث بن رہی ہے۔

اس لیے ڈائریکٹرز مارکیٹنگ سے چلنے والی حکمت عملی، وسائل کی اصلاح اور لاگت پر قابو پانے کے اقدامات پر توجہ مرکوز کر کے ترقی کو برقرار رکھنے کے لیے اعتماد کے ساتھ منتظر ہیں۔ ٹیکسیشن سے پہلے کا منافع (PBT) پہلی سہ ماہی مالی سال 23 میں 19.6mn PKR ریکارڈ کیا گیا تھا جبکہ گزشتہ سال (61mn) PKR کے ٹیکس سے پہلے کے نقصان کے مقابلے میں۔ مالیاتی لاگت 74mn PKR سالانہ 4.3% کم تھی حالانکہ اس 12 ماہ کی ونڈو میں رائٹ اشو کی وجہ سے ایکویٹی میں بہتری کی وجہ سے سود میں بڑے پیمانے پر اضافہ ہوا ہے۔

درپیش مشکلات:

- 1 سہ ماہی چین میں رکاوٹیں جس کی وجہ سے آپریشنز میں ناکامی ہوتی ہے۔
- 2 افراط زر اور حتمی صارفین کی کم قوت خرید کی وجہ سے، ویلیو ایڈڈ مصنوعات کی کم تعداد دستیاب ہے۔
- 3 غیر ملکی کرنسیوں کے مقابلے میں پاکستانی روپے کی قدر میں کمی اور ٹیئر کی شرح میں اضافہ ہماری پیداواری لاگت کو بری طرح متاثر کرے گا اور ہمارے شراکت کے مارجن پر منفی اثر ڈال سکتا ہے۔
- 4 بنیادی خام مال کی قیمتوں میں زیادہ اتار چڑھاؤ ہمارے مارجن اور حجم پر شدید اثرات مرتب کرتا ہے کیونکہ فروخت کی قیمتوں میں اضافے کے اخراجات کے کل اثرات کو فوری طور پر منتقل کرنا بہت مشکل ہے۔
- 5 شرح سود میں اضافہ ہمارے طویل مدتی قرضوں اور مختصر مدت کے قرضوں پر مالیاتی چارجز میں اضافے کا باعث بنے گا۔
- 6 پرنٹنگ انڈسٹری میں مارکیٹ کی انتہائی مسابقتی صورتحال کی وجہ سے ہماری پیداوار کے حجم کو بڑھانے اور زیادہ سے زیادہ صلاحیت کے استعمال کو حاصل کرنے میں چیلنجز۔
- 7 بڑھتی ہوئی پیداوار کی لاگت اور فروخت کے حجم کی وجہ سے ورکنگ کپٹل کی ضرورت کو برقرار رکھنے کے لیے دباؤ رہے گا۔
- 8 گیس کی قلت نے پیداواری لاگت اور آپریشنز کو نمایاں طور پر متاثر کیا ہے۔

اعتراف:

آپ کی کمپنی کے ڈائریکٹرز تمام اسٹیک ہولڈرز کی معاونت اور وابستگی کو خراج تحسین پیش کرتے ہیں۔ وہ بٹنکس سے ان کے مسلسل تعاون کے لیے خصوصی اظہار تشکر کرتے ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے



عامر احمد چھاپرا
چیف ایگزیکٹو آفیسر



اقبال علی لاکھانی
چیرمین

کراچی: 26 اکتوبر 2022ء

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2022

		(Un-audited) September 30, 2022	(Audited) June 30, 2022
	Note	Rupees in 000's	Rupees in 000's
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	6	2,868,544	2,911,270
Capital work in progress	7	97,498	77,260
		2,966,042	2,988,530
Intangible assets		331	412
Long-term deposits		12,250	5,020
Deferred taxation	8	233,107	231,698
		3,211,730	3,225,660
CURRENT ASSETS			
Stores and spares		86,518	81,877
Stock-in-trade		810,882	700,741
Trade debts	9	1,347,418	1,113,835
Loans and advances		68,898	38,948
Trade deposits and short-term prepayments		11,150	3,122
Other receivables	10	1,062	107
Tax refund due from Government		344,040	368,016
Cash and bank balances		2,660	6,847
		2,672,628	2,313,493
		5,884,358	5,539,153
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital (200,000,000 ordinary shares of Rs.10/- each)		2,000,000	2,000,000
Issued, subscribed and paid-up capital		1,999,584	1,999,584
Surplus on revaluation of property, plant and equipment		798,641	799,735
Capital reserve			
Equity portion of loan - associated company		521,202	521,202
Share Premium Reserve		298,325	298,325
Revenue reserves			
General reserves		106,800	106,800
Accumulated losses		(1,875,600)	(1,880,131)
		1,848,952	1,845,515
NON CURRENT LIABILITIES			
Sub-ordinated loan	11	236,553	233,996
Long-term financing	12	1,417,372	1,407,487
Long-term deposits		-	13
		1,653,925	1,641,496
CURRENT LIABILITIES			
Trade and other payables	13	1,370,141	1,092,307
Mark-up accrued		26,252	21,064
Taxation - net		38,614	28,607
Short-term borrowings	14	764,718	698,866
Un-claimed dividend		129	129
Current portion of deferred capital grant		-	294
Current portion of long-term financing		181,627	210,875
		2,381,481	2,052,142
		5,884,358	5,539,153
TOTAL EQUITY AND LIABILITIES			
CONTINGENCIES AND COMMITMENTS			
	15		

The annexed notes from 1 to 27 form an integral part of this condensed interim financial information.



Aftab Ahmad
Director



Amir Ahmed Chapra
Chief Executive Officer



Muhammad Sohail
Chief Financial Officer

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

FOR THE PERIOD ENDED SEPTEMBER 30, 2022

	Note	Quarter ended	
		September 30, 2022	September 30, 2021
		Rupees in 000's	Rupees in 000's
Sales - net	16	1,391,834	871,103
Cost of sales	17	(1,255,461)	(821,191)
Gross profit		136,373	49,912
General and administrative expenses		(24,731)	(21,742)
Selling and distribution expenses		(24,453)	(14,593)
Other income		9,151	5,423
Other operating expenses		(2,748)	(2,671)
		(42,781)	(33,583)
Operating profit		93,592	16,329
Financial charges		(74,056)	(77,389)
Profit / (loss) before taxation		19,536	(61,060)
Taxation	18	(16,099)	3,959
Net profit/(loss) for the period		3,437	(57,101)
			<i>Restated</i>
Profit / (loss) per share - basic and diluted (Rupee)	19	0.02	(0.69)

The annexed notes from 1 to 27 form an integral part of this condensed interim financial information.



Aftab Ahmad
Director



Amir Ahmed Chapra
Chief Executive Officer



Muhammad Sohail
Chief Financial Officer

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

FOR THE PERIOD ENDED SEPTEMBER 30, 2022

	Quarter ended	
	September 30, 2022	September 30, 2021
	Rupees in 000's	Rupees in 000's
Net profit / (loss) for the period	3,437	(57,101)
Other comprehensive income / (loss):		
Surplus on revaluation of property, plant and equipment	-	-
Deferred tax liability	-	-
	-	-
Total comprehensive profit / (loss) for the period	3,437	(57,101)

The annexed notes from 1 to 27 form an integral part of this condensed interim financial information.



Aftab Ahmed
Director



Amir Ahmed Chapra
Chief Executive Officer



Muhammad Sohail
Chief Financial Officer

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

FOR THE PERIOD ENDED SEPTEMBER 30, 2022

	Capital Reserve			Revenue Reserves				
	Issued, subscribed and paid-up capital	Surplus on Revaluation of Property, Plant & Equipment	Equity portion of loan from associated company	Share premium Reserve	General Reserves	Accumulated losses	Total	Total
	Rupees in 000's							
Balance as at July 1, 2021	806,284	805,185	537,219	-	106,800	(1,706,171)	(1,599,371)	549,317
Total comprehensive loss for the period ended September 30, 2021								
Loss for the period	-	-	-	-	-	(57,101)	(57,101)	(57,101)
Other comprehensive income - net of tax	-	-	-	-	-	-	-	-
	-	-	-	-	-	(57,101)	(57,101)	(57,101)
Transferred to accumulated losses on account of incremental depreciation - net of tax	-	(1,400)	-	-	-	1,400	1,400	-
Balance as at September 30, 2021	806,284	803,785	537,219	-	106,800	(1,761,872)	(1,655,072)	492,216
Balance as at July 1, 2022	1,999,584	799,735	521,202	298,325	106,800	(1,880,131)	(1,475,006)	1,845,515
Total comprehensive Income for the period ended September 30, 2022								
Profit for the period	-	-	-	-	-	3,437	3,437	3,437
Other comprehensive income - net of tax	-	-	-	-	-	-	-	-
	-	-	-	-	-	3,437	3,437	3,437
Transferred to accumulated losses on account of incremental depreciation - net of tax	-	(1,094)	-	-	-	1,094	1,094	-
Balance as at September 30, 2022	1,999,584	798,641	521,202	298,325	106,800	(1,875,600)	(1,470,475)	1,848,952

The annexed notes from 1 to 27 form an integral part of this condensed interim financial information.



Aftab Ahmad
Director



Amir Ahmed Chapra
Chief Executive Officer



Muhammad Sohail
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

FOR THE PERIOD ENDED SEPTEMBER 30, 2022

	Note	Quarter ended	
		September 30, 2022	September 30, 2021
		Rupees in 000's	Rupees in 000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from /(used in) operations	20	56,012	(10,546)
Taxes paid - net		(7,500)	(10,008)
Financial charges paid		(34,197)	(5,741)
Long-term loans and advances		-	96
Long-term deposits		(7,230)	(42)
Net cash generated from / (used in) operating activities		7,085	(26,241)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(25,018)	(19,385)
Net cash used in investing activities		(25,018)	(19,385)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term financing - Banks		(52,080)	(63,390)
Proceeds from short-term financing - Sponsors		-	250,000
Ijarah lease rentals payment - net		(26)	(222)
Net cash (used in) / generated from financing activities		(52,106)	186,388
Net (decrease) / increase in cash and cash equivalents		(70,039)	140,762
Cash and cash equivalents at beginning of the period		(692,019)	(781,957)
Cash and cash equivalents at end of the period		(762,058)	(641,195)
CASH AND CASH EQUIVALENTS:			
Cash and bank balances		2,660	36,007
Short-term running finances		(764,718)	(677,202)
		(762,058)	(641,195)

The annexed notes from 1 to 27 form an integral part of this condensed interim financial information.



Aftab Ahmed
Director



Amir Ahmed Chapra
Chief Executive Officer



Muhammad Sohail
Chief Financial Officer

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE PERIOD ENDED SEPTEMBER 30, 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 Act, 1913 (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 UNIT

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 being submitted to the shareholders as required under section 237 of the Companies Act, 2017 and the listing regulations of the Pakistan Stock Exchange.

This condensed interim financial information of the Company for the period ended September 30, 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 have been 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, 2022 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 audited 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, 2022, 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 September 30, 2022.

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE PERIOD ENDED SEPTEMBER 30, 2022

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, 2022.

5. ESTIMATES AND JUDGMENTS

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, 2022.

	Note	Un-audited September 30, 2022	Audited June 30, 2022
		Rupees in 000's	Rupees in 000's
6. OPERATING FIXED ASSETS			
Opening net book value (NBV)		2,911,270	3,005,132
Additions during the period / year at cost	6.1	4,780	101,311
		2,916,050	3,106,443
Disposals during the period / year at NBV	6.2	-	(3,078)
Depreciation charge for the period / year		(47,506)	(192,095)
		(47,506)	(195,173)
		2,868,544	2,911,270
6.1 Detail of additions (at cost) during the period / year are as follows:			
Building / improvements on leasehold land		40	10,563
Plant and machinery		-	71,637
Furniture and fixtures		41	1,179
Vehicles		-	449
Office equipment		2,907	4,364
Computer equipment		1,637	1,892
Electrical installation		155	11,227
		4,780	101,311

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE PERIOD ENDED SEPTEMBER 30, 2022

		Un-audited September 30, 2022 Rupees in 000's	Audited June 30, 2022 Rupees in 000's
6.2	Detail of disposals (net book value) during the period / year are as follows:		
	Plant and machinery	-	(2,177)
	Office equipment	-	(220)
	Electrical installation	-	(557)
	Vehicles	-	(124)
		-	(3,078)
7.	CAPITAL WORK-IN-PROGRESS		
	This comprises of:		
	Civil works	41,438	33,267
	Plant and machinery	56,060	43,993
		7.1 97,498	77,260
7.1	Movement of carrying amount		
	Opening balance	77,260	23,101
	Additions during the period / year at cost	25,018	155,471
	Transfer to property, plant and equipment during the period / year	(4,780)	(101,312)
	Closing balance	97,498	77,260
8.	DEFERRED TAXATION		
	Total deferred tax asset arising due to timing difference calculated at applicable tax rates as at reporting date amounted to Rs. 411.205 million (June 30, 2022: Rs. 444.614 million) debit. Out of this balance, deferred tax asset amounting to Rs. 178.098 million (June 30, 2022: Rs. 212.916 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.		
9.	TRADE DEBTS		
	(Unsecured - considered good)		
	Due from associated companies	319,008	245,090
	Others	1,028,410	868,745
		1,347,418	1,113,835
	(Unsecured - considered doubtful)		
	Others	8,619	8,619
	Provision for doubtful debts	(8,619)	(8,619)
		1,347,418	1,113,835

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE PERIOD ENDED SEPTEMBER 30, 2022

		Un-audited September 30, 2022	Audited June 30, 2022
	Note	Rupees in 000's	Rupees in 000's
10. OTHER RECEIVABLES			
(Unsecured-considered good)			
Due from associated company		-	55
Others		1,062	52
		<u>1,062</u>	<u>107</u>
11 SUBORDINATED LOAN - UNSECURED			
From associated undertaking	11.1	<u>236,553</u>	<u>233,995</u>
11.1	These subordinated loans have been obtained from associated undertakings amounting to an aggregate of Rs. 250 million (June 30, 2022: Rs. 250 million) for the purpose of financing the capital expenditure requirement and to support the working capital and for funding business activities. The financial cost 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.		
11.2	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.		
12. LONG TERM FINANCING			
Secured			
From banking companies	12.1 & 12.2	453,477	505,137
Less: Current portion shown under current liabilities		<u>(181,627)</u>	<u>(210,875)</u>
		271,850	294,262
Unsecured - From associated undertaking			
Opening balance	12.3	1,113,225	1,676,979
Add : Notional mark up		32,297	122,228
Less : Paid during the period		-	(702,000)
Less : Present value adjustment		-	16,018
		<u>1,145,522</u>	<u>1,113,225</u>
		<u>1,417,372</u>	<u>1,407,487</u>

- 12.1 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 tenor of the financing is two and quarter year inclusive of 6-Months grace period and are repayable in 8 equal quarterly installments commenced from January 2021.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE PERIOD ENDED SEPTEMBER 30, 2022

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

- 12.2 These loans have been obtained from financial institutions (loan excluding as defined in note 12.1) 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 11.51% to 16.50% (June 30, 2022: 8.05% to 11.19%) payable quarterly. The tenure of these financing facilities is five to six years including one year grace period.
- 12.3 These loans have been obtained from associated undertakings amounting to an aggregate of Rs. 1,200 million (June 30, 2022: Rs. 1,200 million) for the purpose of financing the capital expenditure requirement and to support the working capital and for funding business activities. The financial cost 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 14.36% per annum, which is determined to be the transaction price at which a similar transaction could be executed between unrelated parties.

	Note	Un-audited September 30, 2022	Audited June 30, 2022
		Rupees in 000's	Rupees in 000's
13. TRADE AND OTHER PAYABLES			
Creditors		1,279,950	1,055,812
Accrued liabilities		76,584	24,826
Payable to gratuity fund		11,827	10,628
Advances from customers		1,291	552
Workers' Welfare Fund		251	251
Others		238	238
		<u>1,370,141</u>	<u>1,092,307</u>
14. SHORT TERM BORROWINGS			
From banking companies - secured			
Running finance	14.1	764,718	698,866
		<u>764,718</u>	<u>698,866</u>

- 14.1 The Company has short term running finance facilities from various banks under mark-up arrangements in aggregate amount of Rs. 870 million (June 30, 2022: Rs. 870 million) having mark-up at rates ranging from 16.16% to 17.16% (June 30, 2022: 9.09% to 11.61%) per annum calculated on a daily utilization basis and payable quarterly. The unutilized balance at the end of the period was Rs. 105.282 million (June 30, 2022: Rs. 171.134 million).

The Company also has a facility for opening letters of credit under mark-up arrangements as at September 30, 2022 amounting to Rs. 445 million (June 30, 2022: Rs. 445 million) from various commercial banks. The unutilized balance at the end of the period was Rs. 445 million (June 30, 2022: Rs. 445 million).

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

There was no contingent liability as at September 30, 2022.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE PERIOD ENDED SEPTEMBER 30, 2022

15.2 Commitments

There was no commitment against the purchase of stores, spares and raw materials under contractual obligation as at September 30, 2022. (June 30, 2022: Rs. 25.03 million).

16. SALES - NET

Gross sales
Local sales
Less:
Sales tax
Sales return

Quarter ended	
September 30, 2022	September 30, 2021
Rupees in 000's	Rupees in 000's
1,628,661	1,019,410
(236,677)	(148,225)
(150)	(82)
(236,827)	(148,307)
1,391,834	871,103

17. COST OF SALES

Materials consumed
Salaries, wages and other benefits
Packing material consumed
Outsourced services
Stores and spares consumed
Power and fuel
Depreciation
Amortization
Rent, rates and taxes
Repairs and maintenance
Vehicle running expenses
Insurance
Ijara lease rentals
Printing and stationery
Communication charges
Travelling and conveyance
Fee and subscription
Software license fee
Other expenses

Opening work-in-process
Closing work-in-process

Cost of goods manufactured

Opening stock of finished goods
Closing stock of finished goods

1,114,219	620,769
51,068	39,098
28,280	16,505
4,008	4,867
18,985	16,467
50,562	24,978
45,996	48,701
16	20
2,476	2,047
6,598	5,692
1,816	782
3,758	3,313
-	69
516	179
325	377
348	211
510	108
-	192
3,666	448
1,333,147	784,823
33,128	73,131
(118,073)	(48,376)
(84,945)	24,755
1,248,202	809,578
31,900	55,936
(24,641)	(44,323)
7,259	11,613
1,255,461	821,191

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE PERIOD ENDED SEPTEMBER 30, 2022

	Note	Quarter ended	
		September 30, 2022	September 30, 2021
		Rupees in 000's	Rupees in 000's
18. TAXATION			
Current		17,508	10,889
Deferred		(1,409)	(14,848)
		<u>16,099</u>	<u>(3,959)</u>

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

19. PROFIT / (LOSS) PER SHARE - BASIC AND DILUTED

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

Profit / (loss) for the period	3,437	(57,101)
		(Restated)

Weighted average number of ordinary shares	177,772	82,597
--	---------	--------

Profit / (Loss) per share (Rupee)	0.02	(0.69)
-----------------------------------	------	--------

20 CASH USED IN OPERATIONS

Profit/(Loss) before taxation	19,536	(61,060)
-------------------------------	--------	----------

Adjustment for non-cash items and other items:

Financial charges	74,056	77,389
Depreciation	47,506	49,168
Amortization	81	85
Provision for slow moving stock and obsolete items	-	2,011
Capital grant income	294	(852)
Ijarah lease rentals	26	222

	121,963	128,023
--	---------	---------

Profit before working capital changes	141,499	66,963
---------------------------------------	---------	--------

Working capital changes	(85,487)	(77,509)
-------------------------	----------	----------

20.1	<u>56,012</u>	<u>(10,546)</u>
------	---------------	-----------------

20.1 Working capital changes

Increase in current assets:

Stores and spares	(4,641)	(2,159)
Stock-in-trade	(110,141)	101,417
Trade debts	(233,583)	(172,077)
Loans and advances	(29,950)	(1,291)
Trade deposits and short term prepayments	(8,028)	(5,863)
Other receivables	(955)	12,946
Tax refund due from Government	23,976	22,594
	<u>(363,322)</u>	<u>(44,433)</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE PERIOD ENDED SEPTEMBER 30, 2022

(Decrease) / increase in current liabilities:

Trade and other payables (excluding unclaimed dividend)

Quarter ended	
September 30, 2022	September 30, 2021
Rupees in 000's	Rupees in 000's
277,835	(33,076)
(85,487)	(77,509)

21. TRANSACTIONS WITH RELATED PARTIES

21.1 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:

Relation with the Company	Nature of transaction		
Associated companies	Sales of goods and services	450,488	344,692
	Purchase of goods and services	845,768	382,850
	Rent and allied charges	38	155
	Insurance claim	461	292
	Short-term financing obtained	-	250,000
Retirements benefits plan	Contribution towards		
	Employees retirements benefits plan	1,200	2,202
Key management personnel	Compensation in respect of:		
	Short term employee benefits	5,867	4,482
	Retirements benefits	1,072	296

21.2 Period / year end balances:

	Un-audited September 30, 2022 Rupees in 000's	Audited June 30, 2022 Rupees in 000's
Receivable from associated companies	319,008	245,090
Payable to associated companies	906,044	697,809
Long-term financing from associated company	1,145,522	1,113,225
Sub-ordinated loan	236,553	233,995

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

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

NOTES OF THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED SEPTEMBER 30, 2022

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.

23. 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. The process of 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 price 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, 2022.

24. CAPITAL 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. In order to maintain or adjust the capital structure, the Company may issue new shares or adjust the amount of dividends paid to shareholders.

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.

The Company is not subject to any externally imposed capital requirements.

25. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and better presentation. However, no significant reclassification has been made during the period.

26. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue by the Board of Directors of the Company on October 26, 2022.

27. 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

OUR OFFSET PORTFOLIO



OUR FLEXIBLE PORTFOLIO

