



# THE CENTER OF PACKAGING **EXCELLENCE**

Nine Months Report  
**Period Ended  
March  
31, 2023**

# 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 Cash Flow	11
07	Condensed Interim Statement of Changes in Equity	12
08	Notes to the Condensed Interim Financial Statements	13

## **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. Aftab Ahmad

## **CHIEF EXECUTIVE OFFICER**

Mr. Amir Ahmed Chapra

## **CHIEF FINANCIAL OFFICER**

Mr. Umair Ahmed

## **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](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 & 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](mailto:info@meritpack.com) | Web: [www.meritpack.com](http://www.meritpack.com)

# DIRECTORS' REVIEW

Directors of your Company herewith present the review of performance together with condensed interim unaudited financial statements of the Company for the period ended March 31, 2023.

## FINANCIAL PERFORMANCE

Comparison of the un-audited financial results for the period and quarter ended March 31, 2023 are as follows:

### KEY NUMBERS

	Nine Months Ended		Quarter Ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
	(Rupees in thousands)			
Sales – net	4,705,714	3,102,908	1,686,783	1,180,181
Gross Profit	341,781	196,365	102,987	82,659
Operating Profit	208,427	77,680	61,813	39,608
Loss Before Tax	(28,821)	(118,137)	(10,820)	(19,409)
Loss After Tax	(91,609)	(114,424)	(28,535)	(19,798)

## DEAR SHAREHOLDERS

As discussed in the previous quarter, the turn around of your Company is still on track. On a nine months' basis, revenues were up 51.65% YoY while Gross profit increased by 74.05% (YoY).

For the period ended March 31, 2023, a Net Revenue of PKR 4.71 billion was achieved (up by 51.65% YoY and 42.93% QoQ) while Gross margins have increased to 7.26% from 6.33%, an improvement of 100bps. On a sequential basis, Gross margins went down due to higher electricity price increases along with higher cost of inputs which could not be passed on timely. Gross margins went down to 6.11% in 3QFY23 from 6.29% in 2QFY23.

Pakistan has been facing unprecedented challenges on the macroeconomic front along side with restrictions on LC openings, availability of spare parts and rampant inflation to name a few. Management being cognizant of these challenges, has made concerted efforts to improve pricing of its products along with improving sales mix towards the larger customers which supported the company in improving its operating profit. Post December Quarter, we have also been able to negotiate higher price increases from customers.

Loss after taxation was recorded at PKR 91.61 million (LPS: Rs. 0.46) in the period ended March 31, 2023 against a loss after taxation of PKR 114.42 million (LPS: Rs. 0.87) in the same period last year. Finance cost increased to PKR 237.25 million up by 21.16% YoY on account of higher borrowing due to the company maintaining higher inventory. The cash generated from operations for the period was PKR 359.00 million.

## **CHALLENGES**

1. Supply chain disruptions causing inefficiencies in operations.
2. Due to inflation and resultant low buying power of the end-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 interest 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.

On behalf of the Board of Directors



Iqbal Ali Lakhani  
Chairman



Amir Ahmed Chapra  
Chief Executive Officer

Karachi : April 18, 2023

## ڈائریکٹرز کا جائزہ:

آپ کی کمپنی کے ڈائریکٹرز 31 مارچ 2023ء کو ختم ہونے والے نو ماہ کے لیے کارکردگی کا جائزہ مختصر عبوری غیر آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

مالیاتی اور عملی کارکردگی:

31 مارچ 2023ء کو ختم ہونے والے سہ ماہی اور نو ماہ کے لیے غیر آڈٹ شدہ مالیاتی نتائج کا موازنہ درج ذیل ہے:

مختتمہ سہ ماہی		مختتمہ نو ماہ		
31 مارچ 2022ء	31 مارچ 2023ء	31 مارچ 2022ء	31 مارچ 2023ء	
(ہزار روپے)	(ہزار روپے)	(ہزار روپے)	(ہزار روپے)	
1,180,181	1,686,783	3,102,908	4,705,714	خالص فروخت
82,659	102,987	196,365	341,781	مجموعی منافع / نقصان
39,608	61,813	77,680	208,427	آپریٹنگ منافع / نقصان
(19,409)	(10,820)	(118,137)	(28,821)	قبل از ٹیکس نقصان
(19,798)	(28,535)	(114,424)	(91,609)	بعد از ٹیکس نقصان

محترم شیئر ہولڈرز:

جیسا کہ پچھلی سہ ماہی میں بتلوا خیل کیا گیا تھا، آپ کی کمپنی اب بھی اپنی راہ پر گامزن ہے۔ نو ماہ کی بنیاد پر، محصولات میں 51.65% سالانہ اضافہ ہوا جبکہ مجموعی منافع میں 74.05% (سال بہ سال) کا اضافہ ہوا۔

31 مارچ 2023 کو ختم ہونے والی مدت کے لیے PKR 4.71 بلین کا خالص ریونیو حاصل کیا گیا (YoY 51.65% اور QoQ 42.93%) سے جبکہ مجموعی مدجن 6.33% سے بڑھ کر 7.26% ہو گیا ہے، جو کہ 100bps کی بہتری ہے۔ ترتیب وار بنیادوں پر بجلی کی قیمتوں میں اضافے کے ساتھ ان پٹ کی زیادہ لاگت کی وجہ سے مجموعی مارجن نیچے چلا گیا جسے بروقت منتقل نہیں کیا جاسکا۔ مجموعی مارجن مالی سال 2023 کے تیسرا سہ ماہی میں 6.11% تک گر گیا جو کہ مالی سال 2023 کے دوسری سہ ماہی میں 6.29% تھا۔

پاکستان کو میکرو اکنامک مسائل کے ساتھ ساتھ ایل سی کھولنے پر پابندیوں اور اسپتیر پارٹس کی دستیابی اور مہنگائی میں اضافے کے ساتھ بہت مشکل وقت کا سامنا ہے۔ انتظامیہ ان سے آگاہ ہے اور اس نے اپنی مصنوعات کی قیمتوں کو بہتر بنانے کے ساتھ ساتھ بڑے صارفین کی طرف سیلرکس کو بہتر بنانے کی پوری کوشش کی ہے۔ دسمبر سہ ماہی کے بعد، ہم گاہکوں سے قیمتوں میں اضافے پر بھی بات چیت کرنے میں کامیاب رہے ہیں۔

مالی سال 2023 کے نو ماہ میں ٹیکسیشن کے بعد کا نقصان PKR 91.61 mn (Rs. 0.46:LPS) ریکارڈ کیا گیا تھا جبکہ پچھلے سال کی اسی مدت میں 114.42 mn PKR (Rs. 0.87:LPS) کے ٹیکسیشن کے بعد کا نقصان تھا۔ کمپنی کی زیادہ انوینٹری برقرار رکھنے کے لیے زیادہ قرض لینے کی وجہ سے مالیاتی لاگت سالانہ 21.16% اضافے سے PKR 237.25 mn ہو گئی۔ اس مدت کے لیے کیش جزیشن PKR 359 mn تھی۔

### درپیش مشکلات:

- 1 سپلائی چین میں رکاوٹیں جس کی وجہ سے آپریشنز میں مشکلات 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 ٹیئرف 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 کپیٹل 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 بیکس 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: 18 اپریل 2023ء



# CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2023

		(Un-audited) March 31, 2023	(Audited) June 30, 2022
	Note	-----Rupees in thousands-----	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	2,842,727	2,911,270
Capital work in progress	7	105,280	77,260
		2,948,007	2,988,530
Intangible assets		267	412
Long-term deposits		12,249	5,020
Deferred taxation		272,720	231,698
		3,233,243	3,225,660
<b>CURRENT ASSETS</b>			
Stores and spares		96,754	81,877
Stock-in-trade		858,259	700,741
Trade debts	8	1,434,988	1,113,835
Loans and advances		82,159	38,948
Trade deposits and short-term prepayments		10,584	3,122
Other receivables	9	3,168	107
Tax refund due from Government	10	308,911	368,016
Cash and bank balances		7,038	6,847
		2,801,861	2,313,493
		6,035,104	5,539,153
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital			
200,000,000 (June 30, 2022: 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	11	797,164	799,735
Capital reserves			
Equity portion of loan - associated company		622,382	521,202
Share Premium Reserve		298,325	298,325
Revenue reserves			
General reserves		106,800	106,800
Accumulated losses		(1,969,170)	(1,880,132)
		1,855,085	1,845,514
<b>NON-CURRENT LIABILITIES</b>			
Sub-ordinated loan	12	237,184	233,995
Long-term financing	13	1,286,341	1,407,488
Long-term deposits		-	13
		1,523,525	1,641,496
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	1,663,233	1,092,307
Mark-up accrued		44,047	21,064
Taxation - net	15	38,303	28,608
Current portion of deferred capital grant		-	294
Current portion of long-term financing	13	137,672	210,875
Short-term borrowings	16	773,110	698,866
Un-claimed dividend		129	129
		2,656,494	2,052,143
		6,035,104	5,539,153
<b>TOTAL EQUITY AND LIABILITIES</b>			
<b>CONTINGENCIES AND COMMITMENTS</b>			
	17		

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



**Iqbal Ali Lakhani**  
Chairman



**Amir Ahmed Chapra**  
Chief Executive Officer



**Umair Ahmed**  
Chief Financial Officer

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

## FOR THE PERIOD ENDED MARCH 31, 2023

		Nine months ended		Quarter ended	
		March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Note		-----Rupees in thousands-----			
Sales - net	18	4,705,714	3,102,908	1,686,783	1,180,181
Cost of sales	19	(4,363,933)	(2,906,543)	(1,583,796)	(1,097,522)
<b>Gross profit</b>		<b>341,781</b>	<b>196,365</b>	<b>102,987</b>	<b>82,659</b>
General and administrative expenses		(77,089)	(72,651)	(25,635)	(25,463)
Selling and distribution expenses		(72,263)	(52,510)	(23,917)	(20,063)
Other income		22,374	15,398	9,872	5,209
Other operating expenses		(6,376)	(8,922)	(1,494)	(2,734)
		(133,354)	(118,685)	(41,174)	(43,051)
<b>Operating profit</b>		<b>208,427</b>	<b>77,680</b>	<b>61,813</b>	<b>39,608</b>
Financial charges		(237,248)	(195,817)	(72,633)	(59,017)
<b>Loss before taxation</b>		<b>(28,821)</b>	<b>(118,137)</b>	<b>(10,820)</b>	<b>(19,409)</b>
Taxation	20	(62,788)	3,713	(17,715)	(389)
<b>Net loss for the period</b>		<b>(91,609)</b>	<b>(114,424)</b>	<b>(28,535)</b>	<b>(19,798)</b>
<b>Loss per share - basic and diluted (Rupees)</b>	21	<b>(0.46)</b>	<b>(0.87)</b>	<b>(0.14)</b>	<b>(0.10)</b>

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



**Iqbal Ali Lakhani**  
Chairman



**Amir Ahmed Chapra**  
Chief Executive Officer



**Umair Ahmed**  
Chief Financial Officer

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

FOR THE PERIOD ENDED MARCH 31, 2023

	Nine months ended		Quarter ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
-----Rupees in thousands-----				
Net loss for the period	(91,609)	(114,424)	(28,535)	(19,798)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss for the period</b>	<b>(91,609)</b>	<b>(114,424)</b>	<b>(28,535)</b>	<b>(19,798)</b>

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



**Iqbal Ali Lakhani**  
Chairman



**Amir Ahmed Chapra**  
Chief Executive Officer



**Umair Ahmed**  
Chief Financial Officer

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

FOR THE PERIOD ENDED MARCH 31, 2023

		Nine months ended	
		March 31, 2023	March 31, 2022
Note	-----Rupees in thousands-----		
22	359,009		118,948
15	(20,798)		(17,460)
	(127,881)		(100,030)
	(7,229)		96
	(13)		(19)
	203,088		1,535
	(100,862)		(113,083)
	98		2,773
	(100,764)		(110,310)
	-		(790,000)
	(176,365)		(218,930)
	-		(250,000)
	-		250,000
	-		1,482,076
	(12)		(603)
	(176,377)		472,543
	(74,053)		363,768
	(692,019)		(781,957)
	(766,072)		(418,189)
	7,038		18,605
	(773,110)		(436,794)
	(766,072)		(418,189)

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



**Iqbal Ali Lakhani**  
Chairman



**Amir Ahmed Chapra**  
Chief Executive Officer



**Umair Ahmed**  
Chief Financial Officer

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

FOR THE PERIOD ENDED MARCH 31, 2023

Issued, subscribed and paid-up capital	Capital Reserves				Revenue Reserves			Total
	Surplus on revaluation of property, plant and equipment	Share Premium Reserve	Equity portion of loan from associated company	Sub Total	General Reserve	Accumulated losses	Sub Total	

-----Rupees in thousands-----

Balance as at July 01, 2021 (audited) 806,284 805,185 - 537,219 1,342,404 106,800 (1,706,171) (1,599,371) 549,317

## Total comprehensive loss for the period ended March 31, 2022

Loss for the period	-	-	-	-	-	-	(114,424)	(114,424)	(114,424)
Other comprehensive income - net of tax	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	(114,424)	(114,424)	(114,424)

## Transaction with owners

Equity portion of loan	-	-	-	(16,017)	(16,017)	-	-	-	(16,017)
Issue of ordinary right shares - net of issue costs	1,193,300	-	298,325	-	298,325	-	(9,549)	(9,549)	1,482,076

## Transferred to unappropriated profit on account of incremental depreciation (net of tax)

	-	(4,141)	-	-	(4,141)	-	4,141	4,141	-
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Balance as at March 31, 2022 (un-audited) 1,999,584 801,044 298,325 521,202 1,620,571 106,800 (1,826,003) (1,719,203) 1,900,952

Balance as at July 1, 2022 (audited) 1,999,584 799,735 298,325 521,202 1,619,262 106,800 (1,880,132) (1,773,332) 1,845,514

## Total comprehensive loss for the period ended March 31, 2023

Loss for the period	-	-	-	-	-	-	(91,609)	(91,609)	(91,609)
Other comprehensive income - net of tax	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	(91,609)	(91,609)	(91,609)

## Transaction with owners

Equity portion of loan	-	-	-	101,180	101,180	-	-	-	101,180
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## Transferred to unappropriated profit on account of incremental depreciation (net of tax)

	-	(2,571)	-	-	(2,571)	-	2,571	2,571	-
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Balance as at March 31, 2023 (un-audited) 1,999,584 797,164 298,325 622,382 1,717,871 106,800 (1,969,170) (1,862,370) 1,855,085

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



**Iqbal Ali Lakhani**  
Chairman



**Amir Ahmed Chapra**  
Chief Executive Officer



**Umair Ahmed**  
Chief Financial Officer

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE PERIOD ENDED MARCH 31, 2023

## 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.
- 1.2** The Company incurred net loss after tax for the period ended March 31, 2023 amounting to Rs. 91.609 million (March 31, 2022: Rs. 114.424 million loss) and its accumulated losses stood as at March 31, 2023 amounted to Rs.1,969.170 million (June 30, 2022: Rs. 1,880.132 million). Overall performance of the company has improved from last interim period as the Company has earned operating profit of Rs. 208.427 million (March 31, 2022: Rs. 77.680 million). The management's assessment to the said operating profit represents better market competitive margin from customers, increase in volume from existing customers and effective operational cost management. The Company has better prospects of future profitability as per its financial projections based on its current competitive position in the market.

## 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. The factory of the Company is located at Plot No. 17-B, Sector 29, Korangi Industrial Township, Karachi, Pakistan.

## 3. BASIS OF PREPARATION

### 3.1 Statement of compliance

These condensed interim financial statements are unaudited and are being submitted to the shareholders as required under section 237 of the Companies Act, 2017.

These condensed interim financial statements of the Company for the period ended March 31, 2023 has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where 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.

These condensed interim financial statements do not include all the information and disclosures required for the 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 financial statements.

The comparative statement of financial position presented in these condensed interim financial statements 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 March 31, 2022.

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE PERIOD ENDED MARCH 31, 2023

## 3.2 Basis of measurement

These condensed interim financial statements have 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.

## 3.3 Functional and presentation currency

These condensed interim financial statements have been presented in Pak Rupees, which is the functional and presentation currency of the Company.

## 4 SIGNIFICANT ACCOUNTING POLICIES AND CHANGES THEREIN

The accounting policies adopted and methods of computation followed in the preparation of these condensed interim financial statements are same as those for the preceding annual financial statements for the year ended June 30, 2022.

### 4.1 Initial application of standards, amendments or an interpretation to existing standards

#### a) Standards, amendments and interpretations to accounting standards that are effective in the current period

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on July 01, 2022, but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these condensed interim financial statements.

#### b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

There are certain standards, amendments to the accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2023, but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these condensed interim financial statements.

## 5 ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial statements require 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.

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE PERIOD ENDED MARCH 31, 2023

		Un-audited March 31, 2023	Audited June 30, 2022
	Note	-----Rupees in thousands-----	
<b>6 PROPERTY, PLANT AND EQUIPMENT</b>			
Opening net book value (NBV)		2,911,270	3,005,132
Additions during the period / year at cost	6.1	72,842	101,311
		2,984,112	3,106,443
Disposals during the period / year at NBV		(82)	(3,078)
Depreciation charge for the period / year		(141,303)	(192,095)
		(141,385)	(195,173)
Closing net book value (NBV)		2,842,727	2,911,270
<b>6.1 Detail of additions (at cost) during the period / year are as follows:</b>			
Building / improvements on leasehold land		14,300	10,563
Plant and machinery		44,439	71,637
Furniture and fixtures		2,597	1,179
Vehicles		-	449
Office equipment		7,504	4,364
Computer equipment		3,378	1,892
Electrical installation		624	11,227
		72,842	101,311
<b>7 CAPITAL WORK-IN-PROGRESS</b>			
This comprises of:			
Civil works		89,960	33,267
Plant and machinery		15,320	43,993
	7.1	105,280	77,260
<b>7.1 Movement of carrying amount</b>			
Opening balance		77,260	23,101
Additions (at cost) during the period / year		82,321	155,470
		159,581	178,571
Transfer to operating fixed assets during the period / year		(54,301)	(101,311)
Closing balance		105,280	77,260
<b>8 TRADE DEBTS</b>			
<b>Unsecured - considered good</b>			
Due from associated companies		384,535	245,090
Others		1,050,453	868,745
		1,434,988	1,113,835
<b>Unsecured - considered doubtful</b>			
Others		8,619	8,619
Allowance for expected credit losses		(8,619)	(8,619)
		1,434,988	1,113,835



# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE PERIOD ENDED MARCH 31, 2023

		Un-audited March 31, 2023	Audited June 30, 2022
	Note	-----Rupees in thousands-----	
<b>9 OTHER RECEIVABLES</b>			
<b>Unsecured-considered good</b>			
Due from associated company	9.1	-	55
Others		3,168	52
		<b>3,168</b>	<b>107</b>
<b>9.1</b>	This represents insurance agency commission and employee's medical claim receivable from Century Insurance Company Limited, an Associated Company.		
		Un-audited March 31, 2023	Audited June 30, 2022
	Note	-----Rupees in thousands-----	
<b>10 TAX REFUND DUE FROM GOVERNMENT</b>			
Sales tax and special excise duty receivable		254,911	240,699
Income tax refundable		54,000	127,317
		<b>308,911</b>	<b>368,016</b>
<b>11 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>			
<b>Gross surplus:</b>			
Opening balance		812,129	819,804
Transfer to unappropriated profit in respect of incremental depreciation charged during the period/year - (net of deferred tax)		(2,571)	(5,449)
Related deferred tax liability		(1,050)	(2,226)
		<b>(3,621)</b>	<b>(7,675)</b>
Closing balance		<b>808,508</b>	<b>812,129</b>
<b>Related deferred tax effect:</b>			
Opening balance		(12,394)	(14,620)
Incremental depreciation charge during the period / year		1,050	2,226
		<b>(11,344)</b>	<b>(12,394)</b>
		<b>797,164</b>	<b>799,735</b>
<b>12 SUBORDINATED LOAN - UNSECURED</b>			
From associated undertaking	12.1 & 12.2	<b>237,184</b>	<b>233,995</b>

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE PERIOD ENDED MARCH 31, 2023

**12.1** 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 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.

**12.2** 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.

		Un-audited	Audited
		March 31, 2023	June 30, 2022
Note		-----Rupees in thousands-----	
<b>13 LONG TERM FINANCING</b>			
<b>Secured</b>			
From banking companies	13.1	328,772	505,137
Less: Current portion shown under current liabilities		(137,672)	(210,875)
		191,100	294,262
<b>Unsecured - From associated undertaking</b>			
Opening balance	13.2	1,113,226	1,676,979
Financing repaid during the period / year		-	(702,000)
		1,113,226	974,979
Add : Notional mark up		83,195	122,229
Less : Present value adjustment	13.3	(101,180)	16,018
		1,095,241	1,113,226
		1,286,341	1,407,488

**13.1** These loans have been obtained from financial institutions 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 12.92% to 18.09% (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.

**13.2** 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 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 16.54% per annum, which is determined to be the transaction price at which a similar transaction could be executed between unrelated parties.

**13.3** The Company has rescheduled its interest free loan from associated undertakings amounting to Rs. 650 million to gain further financial space.

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE PERIOD ENDED MARCH 31, 2023

		Un-audited March 31, 2023	Audited June 30, 2022
	Note	-----Rupees in thousands-----	
<b>14 TRADE AND OTHER PAYABLES</b>			
Creditors		1,582,706	1,055,812
Accrued liabilities		66,687	24,826
Advance from customers		561	552
Payable to gratuity fund		13,028	10,628
Workers' Welfare Fund		251	251
Others		-	238
		<b>1,663,233</b>	<b>1,092,307</b>
<b>15 TAXATION - NET</b>			
Provision for taxation	20	59,101	52,437
Advance tax		(20,798)	(23,829)
		<b>38,303</b>	<b>28,608</b>
<b>16 SHORT TERM BORROWINGS</b>			
From banking companies - secured			
Running finance	16.1	<b>773,110</b>	<b>698,866</b>

**16.1** 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 15.16% to 20.38% (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. 97 million (June 30, 2022: Rs. 171 million).

The Company also has a facility for opening letters of credit under mark-up arrangements as at March 31, 2023 amounting to Rs. 395 million (June 30, 2022: Rs. 445 million) from various commercial banks. These arrangements are secured by pari passu hypothecation charge on stores and spares, stock-in-trade and trade debts.

## 17 CONTINGENCIES AND COMMITMENTS

### 17.1 Contingencies

There was no contingent liability as at March 31, 2023.

### 17.2 Commitments

The commitments against Letters of credit in respect of capital and revenue expenditure as at March 31, 2023 amounted to Rs. 89.13 million (June 30, 2022: Rs. Nil) and Rs. 26.092 million (June 30, 2022: Rs. 25.003 million) respectively.

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE PERIOD ENDED MARCH 31, 2023

		Nine months ended		Quarter ended	
		March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Note		-----Rupees in thousands-----			
<b>18 SALES - NET</b>					
Gross sales					
Local sales		5,508,056	3,633,570	1,973,442	1,382,859
Less:					
Sales tax		(799,972)	(527,855)	(285,620)	(200,706)
Sales return		(2,370)	(2,807)	(1,039)	(1,972)
		(802,342)	(530,662)	(286,659)	(202,678)
		4,705,714	3,102,908	1,686,783	1,180,181
<b>19 COST OF SALES</b>					
Raw materials consumed	19.1	3,630,780	2,317,686	1,286,815	902,728
Salaries, wages and other benefits		162,635	135,840	57,039	50,714
Packing material consumed		96,806	62,257	34,759	23,058
Outsourced services		15,216	14,571	3,455	4,429
Stores and spares consumed		104,567	60,107	47,409	23,971
Power and fuel		157,825	86,283	49,446	29,965
Depreciation		137,967	143,483	47,283	46,416
Amortization		21	60	-	20
Rent, rates and taxes		9,185	6,450	4,114	2,280
Repairs and maintenance		37,179	22,961	7,525	10,340
Vehicle running expenses		5,420	2,348	1,732	789
Insurance		13,067	9,927	4,222	3,307
Ijarah lease rentals		-	185	-	46
Printing and stationery		1,280	1,300	428	793
Communication charges		1,546	1,032	590	246
Travelling and conveyance		1,950	788	801	417
Fee and subscription		1,635	378	715	270
Software license fee		210	657	210	233
Other expenses		5,827	1,681	826	805
		4,383,116	2,867,994	1,547,369	1,100,827
Opening work-in-process		33,128	73,131	111,737	46,299
Closing work-in-process		(65,053)	(51,447)	(65,053)	(51,447)
		(31,925)	21,684	46,684	(5,148)
Cost of goods manufactured		4,351,191	2,889,678	1,594,053	1,095,679
Opening stock of finished goods		31,900	55,936	8,901	40,914
Closing stock of finished goods		(19,158)	(39,071)	(19,158)	(39,071)
		12,742	16,865	(10,257)	1,843
		4,363,933	2,906,543	1,583,796	1,097,522
<b>19.1 Raw material consumed</b>					
Opening raw material		629,517	403,495	628,215	422,309
Purchases made during the period		3,753,219	2,338,525	1,410,556	904,753
Closing raw material		(751,956)	(424,334)	(751,956)	(424,334)
Material consumed during the period		3,630,780	2,317,686	1,286,815	902,728

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE PERIOD ENDED MARCH 31, 2023

	Nine months ended		Quarter ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
-----Rupees in thousands-----				
<b>20 TAXATION</b>				
Current	(59,101)	(38,953)	(21,213)	(14,862)
Prior	(44,709)	-	5,181	-
Deferred	41,022	42,666	(1,683)	14,473
	<u>(62,788)</u>	<u>3,713</u>	<u>(17,715)</u>	<u>(389)</u>

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

**20.2** Total deferred tax asset arising due to timing difference calculated at applicable tax rates as at reporting date amounted to Rs. 272.720 million (June 30, 2022: Rs. 231.698 million) debit. Out of this balance, deferred tax asset amounting to Rs. 272.017 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.

## 21 LOSS PER SHARE - BASIC AND DILUTED

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

	Nine months ended		Quarter ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Net loss for the period (Rupees in thousands)	(91,609)	(114,424)	(28,535)	(19,798)
Weighted average number of ordinary shares (in thousands)	199,958	130,998	199,958	199,958
Loss per share (Rupees)	<u>(0.46)</u>	<u>(0.87)</u>	<u>(0.14)</u>	<u>(0.10)</u>

## 22 CASH GENERATED FROM OPERATIONS

Loss before taxation  
Adjustment for non-cash items and other items:  
Gain on disposal of Property, plant and equipment  
Financial charges  
Depreciation  
Amortization  
Government grants  
Provision for slow moving stock and obsolete items  
Ijarah lease rentals

Profit before working capital changes  
Working capital changes

Note	Nine months ended	
	March 31, 2023	March 31, 2022
-----Rupees in thousands-----		
	(28,821)	(118,137)
	(16)	250
	237,248	195,817
	141,303	145,236
	145	255
	(294)	(2,102)
	-	6,125
	12	603
	<u>378,398</u>	<u>346,184</u>
	349,577	228,047
	<u>9,432</u>	<u>(109,099)</u>
	<u>359,009</u>	<u>118,948</u>

22.1

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE PERIOD ENDED MARCH 31, 2023

## 22.1 Working capital changes

### (Increase) / decrease in current assets:

Stores and spares
Stock-in-trade
Trade debts
Loans and advances
Trade deposits and short term prepayments
Other receivables
Tax refund due from Government

### Increase in current liabilities:

Trade and other payables
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Nine months ended	
March 31, 2023	March 31, 2022
-----Rupees in thousands-----	
(14,877)	8,743
(157,518)	14,779
(321,153)	(423,356)
(43,211)	2,254
(7,462)	(25,620)
(3,061)	12,552
(14,212)	66,054
(561,494)	(344,594)
570,926	235,495
9,432	(109,099)

## 23 TRANSACTIONS WITH RELATED PARTIES

23.1 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:

Nature of transaction	Nature of Relation	Basis of Relation	Nine months ended		Quarter ended	
			March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
			-----Rupees in thousands-----			
<b>Sales of goods, Services and Reimbursement of expenses:</b>						
Colgate Palmolive Pakistan Limited	Associated company	Common Director	1,803,023	806,894	724,779	344,124
Century Paper & Board Mills Limited	Associated company	Common Director	147,448	261,399	54,431	34,889
Cyber Internet Services (Private) Limited	Associated company	Common Director	60	-	-	-
Gam Corporation (Private) Limited	Associated company	Common Director	-	1,079	-	-
Caraway (Private) Limited	Associated company	Common Director	1,197	7,494	555	1,775
<b>Purchase of goods, services and Reimbursement of expenses:</b>						
Century Paper & Board Mills Limited	Associated company	Common Director	2,700,716	1,722,408	894,642	691,272
Century Insurance Company Limited	Associated company	Common Director	17,494	1,872	5,435	174
Princeton Travels (Private) Limited	Associated company	Common Director	928	719	380	483
Lakson Business Solutions Limited	Associated company	Common Director	2,036	1,668	631	471
SIZA Services (Private) Limited	Associated company	Common Director and 24.20% shares held	1,971	2,101	657	638
Cyber Internet Services (Private) Limited	Associated company	Common Director	1,558	675	579	110
Sybrid (Private) Limited	Associated company	Common Director	1,348	300	75	79
<b>Rent &amp; Other Allied Charges</b>						
Hassanali & Gulbano Lakhani Foundation	Associated company	Trustee	131	279	19	77
<b>Insurance claim</b>						
Century Insurance Company Limited	Associated company	Common Director	1,062	690	303	690
<b>Loan obtained</b>						
SIZA (Private) Limited	Associated company	Common Director and 24.90% shares held	-	250,000	-	-
<b>Loan Repayment</b>						
SIZA (Private) Limited	Associated company	Common Director and 24.90% shares held	-	250,000	-	-
SIZA (Private) Limited	Associated company	Common Director and 24.90% shares held	-	3,957	-	-

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE PERIOD ENDED MARCH 31, 2023

Nature of transaction	Nature of Relation	Basis of Relation	Nine months ended		Quarter ended	
			March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
-----Rupees in thousands-----						
SIZA (Private) Limited	Associated company	Common Director and 24.90% shares held	-	640,000	-	-
Premier Fashions (Private) Limited	Associated company	Common Director and 21.20% shares held	-	150,000	-	-
Right Issued to related parties						
SIZA (Private) Limited	Associated company	Common Director and 24.90% shares held	-	524,692	-	-
SIZA Services (Pvt.) Limited	Associated company	Common Director and 24.20% shares held	-	450,546	-	-
SIZA Commodities (Pvt.) Limited	Associated company	Common Director and 11.24% shares held	-	167,591	-	-
Premier Fashions (Pvt.) Limited	Associated company	Common Director and 21.20% shares held	-	316,187	-	-
Right Issued to Directors		0.72% shares held	-	2,350	-	-
Other related parties			-	57	-	-
Others						
Remuneration and other benefits	Key Management Personnel		12,679	14,152	4,712	5,274
Contribution to Staff Retirement Benefit Plans	Employees Fund		6,923	7,101	2,410	2,450

	Un-audited	Audited
	March 31, 2023	June 30, 2022
-----Rupees in thousands-----		
23.2 Period / year end balances:		
Receivable from associated companies	384,535	245,090
Payable to associated companies	1,162,002	697,809
Long-term financing from associated company	1,095,241	1,113,226
Sub-ordinated loan	237,184	233,995

**23.3** The above transactions with related parties are at agreed terms on normal commercial rates as per duly approved by the Board of Directors.

## 24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The carrying values of all financial assets and liabilities reflected in the condensed interim financial statements 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.

## 25 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 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.



# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE PERIOD ENDED MARCH 31, 2023

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.

## 26 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. In order to maintain or adjust the capital structure, the Company may issue new shares.

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.

## 27 NUMBER OF EMPLOYEES

The number of employees as at March 31, 2023 were 382 (June 30, 2022: 352) and average number of employees during the period were 336 (June 30, 2022: 366).

## 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 18, 2023.

## 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.



**Iqbal Ali Lakhani**  
Chairman



**Amir Ahmed Chapra**  
Chief Executive Officer



**Umair Ahmed**  
Chief Financial Officer



# OUR OFFSET PORTFOLIO



# OUR FLEXIBLE PORTFOLIO

