



MERIT PACKAGING LIMITED

**CONDENSED INTERIM
FINANCIAL INFORMATION
FOR THE QUARTER ENDED
MARCH 31, 2020**



A Lakson Group Company

MERIT PACKAGING LIMITED
THIRD QUARTER REPORT
MARCH 2020

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MERIT PACKAGING LIMITED
THIRD QUARTER REPORT
MARCH 2020

CORPORATE INFORMATION

Board of Directors

Iqbal Ali Lakhani	Chairman
Amin Mohammed Lakhani	
Anushka Lakhani	
Tasleemuddin Ahmed Batlay	
Shaikh Muhammad Barinuddin	
Sheikh Asim Rafiq	
Farrukh Shauket Ansari	
Moin M. Fudda	

Advisor

Sultan Ali Lakhani

Chief Executive Officer

Shahid Ahmed Khan

Audit Committee

Shaikh Muhammad Barinuddin	Chairman
Amin Mohammed Lakhani	
Tasleemuddin Ahmed Batlay	

Human Resource and Remuneration Committee

Shaikh Muhammad Barinuddin	Chairman
Iqbal Ali Lakhani	
Tasleemuddin Ahmed Batlay	
Shahid Ahmed Khan	

Company Secretary

Mansoor Ahmed

Auditors

BDO Ebrahim & Co., Chartered Accountants

Bankers

Al-Baraka Bank (Pakistan) Limited
Askari Bank Limited
BankIslami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Habib Bank Limited
Habib Bank Limited - Islamic Banking
JS Bank Limited

Bankers (Continued)

MCB Bank Limited
MCB Islamic Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Soneri Bank Limited
United Bank Limited - Ameen

Shares Registrar

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

Registered Office

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

Karachi Factory

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

Lahore Factory

5 Kilometer, Raiwind Manga Road,
Near Glamour Adda, Lahore.

Website

www.meritpack.com

THIRD QUARTER REPORT
MARCH 31, 2020
DIRECTORS' REVIEW

Directors of your Company are pleased to present the review of performance together with the condensed interim unaudited financial statements of the Company for the period ended March 31, 2020.

Financial and Operational Performance

Comparison of the unaudited financial results for the nine months and quarter ended March 31, 2020 is as follows:

	Nine months Ended		Quarter Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	<i>(Rupees in thousand)</i>		<i>(Rupees in thousand)</i>	
Net sales	1,552,492	2,282,288	444,795	770,153
Gross (loss) / profit	(158,254)	41,199	(77,189)	16,033
Operating loss	(264,003)	(52,747)	(112,250)	(14,979)
Loss before tax	(535,072)	(214,643)	(211,502)	(76,695)

During the period under review, the net sales amounted to Rs. 1.552 billion as compared to Rs. 2.282 billion for corresponding period last year, showing a decrease of Rs. 730 million or 32%. Company's pre-tax loss for the period under review is Rs. 535 million as compared to Rs. 215 million recorded for the same period last year.

Our lower sales volume and revenue are primarily due to slow development of value added jobs on new double coater machine, substantial increase in the inputs cost coupled with abnormal market conditions slowed down the requirements, besides lower production performance of old offset printing machines in Karachi.

The current economic situation further affected overall market growth and sales volume of the company during the period under review resulting in lower order from customers. Our margins have reduced due to cost escalation of inputs, the Company, however, is making full efforts to pass impact of cost to customers despite severe competition in the printing industry. The other factor is the increase in the financial charges due to increase in KIBOR. All these factors have culminated in a pre-tax loss of Rs. 535 million during the period under review.

The sponsors, in the past have provided loan to the Company amounting to Rs 940 million and provided further loan of Rs 650 million for its working capital requirements in December 2019. They have also graciously waived financial charges on their entire loan amounting to Rs 123 million for the period of nine months ending March 31, 2020. This has a positive impact on the overall financial position of the company.

Future Outlook

The COVID-19 pandemic has resulted decline in business activities in the country, its economic damage is mounting across all businesses including ours, specially due to closure of markets resulting in lower consumption of packaged items consequently reducing demand of our output. However, the recently inducted seven colors Heidelberg double coater printing machine fully loaded with inter-deck dryers from Germany has opened new avenues of production in our offset division. It will provide better value added jobs with higher efficiencies, and will help in replacing some old printing machines.

With the induction of new machines and changing environment of business integration, we are rationalizing our lines of businesses as well and on the other hand operations are being focused in way where we operate close to our customers.

It is expected that making full efforts to pass impact of cost to customers, adopting cost control measures and optimizing full capacity utilization in Karachi and Lahore manufacturing sites will generate additional revenue to improve financial stability in future.

Acknowledgments

The Directors of your Company appreciate the continued support and commitment of all the shareholders, customers, banks, vendors and employees.

On behalf of the Board of Directors



**SHAHID AHMED KHAN
CHIEF EXECUTIVE OFFICER**



**TASLEEMUDDIN AHMED BATLAY
DIRECTOR**

Karachi: April 29, 2020

تیسری سرمایہ رپورٹ

مارچ 31، 2020ء

ڈائریکٹرز کا جائزہ

آپ کی کمپنی کے ڈائریکٹرز کی سرمت کے ساتھ 31 مارچ 2020ء کو ختم ہونے والی تیسری سرمایہ کے لئے کارکردگی کا جائزہ مع مختصر عبوری غیر آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

مالیاتی اور عملی کارکردگی

31 مارچ 2020ء کو ختم ہونے والے نو ماہ اور تیسری سرمایہ کے لئے غیر آڈٹ شدہ مالیاتی نتائج کا موازنہ درج ذیل ہے:

مختصر سرمایہ		مختصر نو ماہ		
31 مارچ 2020ء	31 مارچ 2019ء	31 مارچ 2020ء	31 مارچ 2019ء	
(ہزار روپے)		(ہزار روپے)		
770,153	444,795	2,282,288	1,552,492	خالص فروخت
16,033	(77,189)	41,199	(158,254)	مجموعی نقصان/منافع
(14,979)	(112,250)	(52,747)	(264,003)	آپریٹنگ نقصان
(76,695)	(211,502)	(214,643)	(535,072)	قبل از ٹیکس نقصان

زیر جائزہ مدت کے دوران خالص فروخت گزشتہ سال اسی مدت کے لئے 2.282 بلین روپے کے مقابلے میں 1.552 بلین روپے رہی جو 730 بلین روپے یا 32% کا خسارہ دکھاتی ہے۔ گزشتہ سال اسی مدت میں ریکارڈ کئے گئے 215 بلین روپے قبل از ٹیکس نقصان کے مقابلے میں زیر جائزہ مدت کے دوران 535 بلین روپے رہا۔

ہماری فروخت کی کم مقدار اور محصول کی بنیادی وجہ بنی ذیل کوٹر مشین پروڈیوایڈ ڈکام کی سست ترقی، غیر معمولی مارکیٹ کے حالات کی وجہ سے خام مال کے دام میں خاطر خواہ اضافہ اور اسکے ساتھ کراچی میں نصب پرانی آفسٹ مشینوں کی کم پیداواری کارکردگی کی وجہ سے مارکیٹ کی ضروریات میں کمی آئی۔

زیر جائزہ مدت کے دوران موجودہ معاشی صورت حال میں مارکیٹ کی مجموعی نمو اور فروخت کی مقدار کو مزید متاثر کیا جو کہ گاہکوں کے کم آرڈر کی وجہ بنی۔ خام مال کے دام میں اضافہ کی وجہ سے ہمارے مارجن کم ہوئے۔ آپ کی کمپنی پر تنگ کی صنعت میں سخت مقابلے کے باوجود اس اضافے کے اثر کو کسٹمر کو منتقل کرنے کیلئے کوشاں ہے۔ دوسرا عنصر KIBOR میں اضافے کی وجہ سے مالیاتی چارجز میں اضافہ ہوا۔ یہ سارے عوامل زیر جائزہ مدت کے دوران 535 بلین روپے قبل از ٹیکس نقصان کا باعث بنے۔

اسپانسر نے ماضی میں کمپنی کو 940 بلین روپے کا قرض فراہم کیا اور اسی تسلسل میں کمپنی کے سرمایہ کی ضرورت پوری کرنے کیلئے دسمبر 2019ء میں مزید 650 بلین روپے کا قرض فراہم کیا۔ ماضی میں اپنے تمام قرضوں پر مالیاتی چارجز بھی معاف کر دیئے ہیں جو کہ زیر جائزہ نو ماہ کی مدت میں یہ رقم 123 بلین روپے بنتی ہے اس کا کمپنی کی مجموعی مالی حیثیت پر مثبت اثر پڑا ہے۔

مستقبل کی توقعات

COVID-19، بائی مرض کے نتیجے میں ملک میں کاروباری سرگرمیوں میں کمی واقع ہوئی ہے۔ اس کا معاشی نقصان ہمارے سمیت تمام کاروبار میں بڑھ رہا ہے، خاص طور پر مارکیٹ کی بندش کی وجہ سے۔ کچھ اشیاء کی کم کھپت کے نتیجے میں ہماری پیداواری طلب کم ہو رہی ہے۔ جرمنی سے جدید ترین 7 کلر ہیلڈ برگ ڈیل کوٹر آفسٹ پر تنگ مشین کی شمولیت پرانی مشینوں کو بدلنے کے ساتھ کمپنی کی آپریشنل صلاحیتوں میں اضافہ اور زیادہ پروڈیوایڈیشن کے ساتھ آفسٹ پیداوار میں بنی راہیں کھولی ہیں۔ نئی مشینوں کی شمولیت اور کاروباری انضمام کے بدلتے ماحول کے ساتھ ہم اپنے کاروبار کو مستحضر کر رہے ہیں دوسری طرف ہم اپنے صارفین کے قریب رہتے ہوئے آپریشن کا اسی طرح مرکوز کیا جا رہا ہے۔

توقع کی جاتی ہے کہ لاگت کے اثرات صارفین تک پہنچاتے ہوئے، لاگت پر قابو پانے والے اقدامات اور کراچی اور لاہور فیکٹری میں مکمل پیداواری صلاحیت کے بہتر استعمال سے اضافی آمدنی پیدا ہوگی جو کہ مستقبل میں معاشی استحکام کا باعث بنے گا۔

اعتراف

آپ کی کمپنی کے ڈائریکٹرز تمام جھص یا فنگن، کسٹمرز، بکنس، سپلائرز اور ملازمین کے تعاون اور مسلسل حمایت کو سراہتے ہیں۔

یورڈ آف ڈائریکٹرز کی جانب سے



تسلیم الدین احمد صاحب
ڈائریکٹر



شہباز احمد خان
چیف ایگزیکٹو آفیسر

کراچی: 29 اپریل 2020ء

MERIT PACKAGING LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2020

		(Un-audited) March 31, 2020	(Audited) June 30, 2019
	Note	Rupees in 000's	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	2,995,277	2,373,583
Capital work in progress		-	669,150
		<u>2,995,277</u>	<u>3,042,733</u>
Intangible assets		636	823
Long-term loans		297	531
Long-term deposits		10,207	11,295
Deferred taxation		<u>108,146</u>	<u>97,627</u>
		3,114,563	3,153,009
CURRENT ASSETS			
Stores and spares		74,683	67,117
Stock-in-trade		575,811	547,387
Trade debts (unsecured - considered good)		439,228	406,754
Loans and advances		27,010	7,063
Trade deposits and short-term prepayments		7,070	1,523
Other receivables		5,138	872
Tax refund due from Government		448,009	394,525
Taxation-net		24,093	40,809
Cash and bank balances		<u>10,212</u>	<u>4,140</u>
		<u>1,611,254</u>	<u>1,470,190</u>
		<u>4,725,817</u>	<u>4,623,199</u>
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
200,000,000 (June 30, 2019: 100,000,000) ordinary shares of Rs.10/- each		<u>2,000,000</u>	<u>1,000,000</u>
Issued, subscribed and paid-up capital			
80,628,398 (June 30, 2019: 80,628,398) ordinary shares of Rs. 10/- each		806,284	806,284
Surplus on revaluation of property, plant and equipment		328,442	329,411
Capital reserve			
Equity portion of loan - associated company		374,881	216,299
Accumulated losses		<u>(869,247)</u>	<u>(333,788)</u>
		640,360	1,018,206
NON CURRENT LIABILITIES			
Sub-ordinated loan		91,435	80,224
Long-term financing	8	1,655,930	1,361,824
Long-term deposits		374	436
Long term lease liability		<u>74,668</u>	<u>-</u>
		1,822,407	1,442,484
CURRENT LIABILITIES			
Trade and other payables		820,508	826,177
Mark-up accrued		59,458	54,418
Short-term borrowings	9	1,045,193	1,012,701
Un-claimed dividend		129	129
Current portion of lease liabilities		10,587	-
Current portion of long-term financing		<u>327,175</u>	<u>269,084</u>
		<u>2,263,050</u>	<u>2,162,509</u>
		<u>4,725,817</u>	<u>4,623,199</u>
TOTAL EQUITY AND LIABILITIES			
CONTINGENCIES AND COMMITMENTS			
	10		

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.



TASLEEMUDDIN AHMED BATLAY
DIRECTOR



SHAHID AHMED KHAN
CHIEF EXECUTIVE OFFICER



MUHAMMAD AAQIL JAH
CHIEF FINANCIAL OFFICER

MERIT PACKAGING LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2020

		Nine months ended		Quarter ended	
		March 31,	March 31,	March 31,	March 31,
		2020	2019	2020	2019
	Note	Rupees in 000's			
Sales - net	11	1,552,492	2,282,288	444,795	770,153
Cost of sales	12	(1,710,746)	(2,241,089)	(521,984)	(754,120)
Gross (loss) / profit		(158,254)	41,199	(77,189)	16,033
General and administrative expenses		(68,927)	(65,102)	(23,688)	(22,279)
Selling and distribution expenses		(33,283)	(31,328)	(11,366)	(10,521)
Other income		2,754	5,673	848	2,261
Other operating expenses		(6,293)	(3,189)	(855)	(473)
		(105,749)	(93,946)	(35,061)	(31,012)
Operating loss		(264,003)	(52,747)	(112,250)	(14,979)
Financial charges		(271,069)	(161,896)	(99,252)	(61,716)
Loss before taxation		(535,072)	(214,643)	(211,502)	(76,695)
Taxation	13	10,519	40,025	18,438	11,879
Net loss for the period		(524,553)	(174,618)	(193,064)	(64,816)
Loss per share - basic and diluted (Rs)	14	(6.51)	(2.17)	(2.39)	(0.80)

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.



TASLEEMUDDIN AHMED BATLAY
DIRECTOR



SHAHID AHMED KHAN
CHIEF EXECUTIVE OFFICER



MUHAMMAD AAQIL JAH
CHIEF FINANCIAL OFFICER

MERIT PACKAGING LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2020

	<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>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Note	Rupees in 000's			
Net loss for the period	(524,553)	(174,618)	(193,064)	(64,816)
Other comprehensive income:				
Surplus on revaluation of property, plant and equipment	-	123,106	-	-
Deferred tax liability	-	(5,927)	-	-
	-	117,179	-	-
Total comprehensive loss for the period	<u>(524,553)</u>	<u>(57,439)</u>	<u>(193,064)</u>	<u>(64,816)</u>

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.



TASLEEMUDDIN AHMED BATLAY
DIRECTOR



SHAHID AHMED KHAN
CHIEF EXECUTIVE OFFICER



MUHAMMAD AAQIL JAH
CHIEF FINANCIAL OFFICER

MERIT PACKAGING LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2020 (UN-AUDITED)

	Issued, subscribed and paid-up capital	Surplus on Revaluation of Property, Plant & Equipment	Capital Reserve Equity portion of loan from associated company	General Reserves	Accumulated loss	Total	Total
	Rupees in 000's						
Balance as at July 1, 2018	806,284	213,604	-	106,800	(130,588)	(23,788)	996,100
Total comprehensive (loss) / income for the period ended March 31, 2019							
Loss for the period	-	-	-	-	(174,618)	(174,618)	(174,618)
Other comprehensive income - net of tax	-	117,179	-	-	-	-	117,179
	-	117,179	-	-	(174,618)	(174,618)	(57,439)
Transactions with owners							
Equity portion of loan	-	-	208,830	-	-	-	208,830
Transferred to accumulated loss on account of incremental depreciation - net of tax	-	(1,029)	-	-	1,029	1,029	-
Balance as at March 31, 2019	806,284	329,754	208,830	106,800	(304,177)	(197,377)	1,147,491
Balance as at July 1, 2019	806,284	329,411	216,299	106,800	(448,462)	(341,662)	1,010,332
Total comprehensive loss for the period ended March 31, 2020							
Loss for the period	-	-	-	-	(524,553)	(524,553)	(524,553)
Other comprehensive income - net of tax	-	-	-	-	-	-	-
	-	-	-	-	(524,553)	(524,553)	(524,553)
Share issue costs	-	-	-	-	(4,001)	(4,001)	(4,001)
Transactions with owners							
Equity portion of loan	-	-	158,582	-	-	-	158,582
Transferred to accumulated loss on account of incremental depreciation - net of tax	-	(969)	-	-	969	969	-
Balance as at March 31, 2020	806,284	328,442	374,881	106,800	(976,047)	(869,247)	640,360

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.


TASLEEMUDDIN AHMED BATLAY
DIRECTOR


SHAHID AHMED KHAN
CHIEF EXECUTIVE OFFICER


MUHAMMAD AAQIL JAH
CHIEF FINANCIAL OFFICER

MERIT PACKAGING LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2020

		Nine months ended	
		March 31, 2020	March 31, 2019
	Note	Rupees in 000's	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	15	(191,918)	(95,903)
Taxes paid - net		(24,092)	(37,812)
Financial charges paid		(221,063)	(79,886)
Long-term loans and advances		234	(75)
Long-term deposits		1,026	(116)
Net cash used in operating activities		(435,813)	(213,792)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(61,825)	(635,127)
Proceeds from sale of property, plant and equipment		4,766	377
Ijarah lease rentals payment - net		(535)	(441)
Net cash used in investing activities		(57,594)	(635,191)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term financing		650,000	707,737
Repayment of long-term financing		(172,975)	(175,280)
Proceeds from short-term financing		(300,000)	340,000
Repayment of short term borrowings (excluding running finance)		300,000	(240,000)
Principal paid on long term lease liabilities		(6,037)	-
Share issue costs		(4,001)	-
Net cash generated from financing activities		466,987	632,457
Net decrease in cash and cash equivalents		(26,420)	(216,526)
Cash and cash equivalents at beginning of the period		(858,561)	(792,218)
Cash and cash equivalents at end of the period		(884,981)	(1,008,744)
CASH AND CASH EQUIVALENTS:			
Cash and bank balances		10,212	11,508
Short-term running finances		(895,193)	(1,020,252)
		(884,981)	(1,008,744)

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.



TASLEEMUDDIN AHMED BATLAY
DIRECTOR



SHAHID AHMED KHAN
CHIEF EXECUTIVE OFFICER



MUHAMMAD AAQIL JAH
CHIEF FINANCIAL OFFICER

MERIT PACKAGING LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2020

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. The two factories of the Company are located at Plot No. 17-B, Sector 29, Korangi Industrial Township, Karachi, Pakistan, and 5 Kilometer, Raiwind Manga Road, Near Glamour Adda, Lahore, 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 March 31, 2020 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, 2019 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, 2019, 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, 2019.

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, recognition of interest free loans obtained from associated companies 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 TRANSACTIONS AND EVENTS AFFECTING THE FINANCIAL POSITION AND PERFORMANCE

During the period ended March 31, 2020, the Company has shifted its Lahore factory from its existing rented premises to a new location at Manga Road with the larger space and better infrastructure available for un-interrupted production of our offset north division.

Other significant transactions and events affecting the Company's financial position and performance during the period have been adequately disclosed in the notes to these financial statements where required.

5. 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, 2019 and half year ended December 31, 2019.

6. 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, 2019.

		Un-audited March 31, 2020	Audited June 30, 2019
	Note	Rupees in 000's	
7. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	7.1	2,923,234	2,373,583
Right of use assets	7.2	72,043	-
		<u>2,995,277</u>	<u>2,373,583</u>
7.1 Operating fixed assets			
Opening net book value (NBV)		2,373,583	2,195,365
Additions during the period / year at cost	7.1.1	730,974	216,680
Revaluation surplus recognized during the period / year		-	123,106
		<u>3,104,557</u>	<u>2,535,151</u>
Disposals during the period / year at NBV	7.1.2	(7,573)	(353)
Depreciation charge for the period / year		(173,750)	(161,215)
		<u>(181,323)</u>	<u>(161,568)</u>
		<u>2,923,234</u>	<u>2,373,583</u>
7.1.1 Detail of additions (at cost) during the period / year are as follows:			
Building / improvements on leasehold land		72,516	43,425
Plant and machinery		648,151	139,079
Cylinders and dies		10,040	32,568
Vehicles		-	491
Office equipment		-	109
Computer equipment		267	858
Electrical installation		-	150
		<u>730,974</u>	<u>216,680</u>
7.1.2 Detail of disposals (net book value) during the period / year are as follows:			
Plant and machinery		1,599	-
Electrical installation		5,750	-
Computer equipment		-	9
Vehicles		224	344
		<u>7,573</u>	<u>353</u>
7.2 Right of use assets			
Opening net book value (NBV)		83,418	-
Additions during the period / year at cost		-	-
Depreciation charge for the period / year		(11,375)	-
		<u>72,043</u>	<u>-</u>

		Un-audited March 31, 2020	Audited June 30, 2019
	Note	Rupees in 000's	
8. LONG TERM FINANCING			
Secured			
From banking companies	8.1	909,980	1,082,955
Less: Current portion shown under current liabilities		(327,175)	(269,084)
		582,805	813,871
Unsecured			
From associated undertaking	8.2 & 8.3	1,073,125	547,953
Less: Current portion shown under current liabilities		-	-
		1,073,125	547,953
		1,655,930	1,361,824

- 8.1 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 13.83% to 14.92% (June 30, 2019: 9.64% to 10.57%) payable quarterly. The tenure of these financing facilities is five to six years including one year grace period.
- 8.2 This loan has been obtained from associated undertakings amounting to an aggregate of Rs. 1,340 million (June 30, 2019: Rs. 690 million) for the purpose of financing the capital expenditure requirement and to support the working capital and for funding business operational activities.
- 8.3 During the year ended June 30, 2019, the repayment of loan and markup thereon was rescheduled, resulting in a complete waiver of markup. The waiver in the payment of markup has been provided 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. This loan has been measured at amortized cost, determined by discounting future cash flows with the prevailing market rate ranging from 7.43% to 9.38% per annum, which is determined to be the transaction price at which a similar transaction could be executed between unrelated parties Furthermore, during the period ended March 31, 2020 the Company has obtained a interest free loan of Rs. 650 million from it's associated undertaking. This loan has been measured at amortized cost, determined by discounting future cash flows with the prevailing market rate at 14.36% per annum.

9. SHORT TERM BORROWINGS

From banking companies - secured			
Running finance	9.1	895,193	862,701
From associated company - unsecured	9.2	150,000	50,000
From Director's spouse - unsecured	9.3	-	100,000
		<u>1,045,193</u>	<u>1,012,701</u>

- 9.1 The Company has short term running finance facilities from various banks under mark-up arrangements in aggregate amount of Rs. 1,170 million (June 30, 2019: Rs. 1,170 million) having mark-up at rates ranging from 14.54% to 15.82% (June 30, 2019: 9.84% to 11.33%) per annum calculated on a daily product basis and payable quarterly. The unutilized balance at the end of the period was Rs. 274.809 million (June 30, 2019: Rs. 307.299 million).

The Company also has a facility for opening letters of credit under mark-up arrangements as at March 31, 2020 amounting to Rs. 490 million (June 30, 2019: Rs. 490 million) from various commercial banks. The unutilized balance at the end of the period was Rs. 490 million (June 30, 2019: Rs. 490 million).

These arrangements are secured by pari passu hypothecation charge on stores and spares, stock-in-trade and trade debts.

- 9.2 This short-term borrowing facility (interest free loan) was obtained from an associated company.
- 9.3 This short-term borrowing facility (interest free loan) was obtained from Director's spouse and repaid during the period ended March 31, 2020.

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

There was no contingent liability as at the balance sheet date.

10.2 Commitments

The Company was committed against the purchase of stores, spares and raw materials under contractual obligation amounting to Rs. 4.546 million (June 30, 2019: Rs. 9.482 million).

Unaudited			
Nine months ended		Quarter ended	
March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Rupees in 000's			

11. SALES - NET

Gross sales

Local sales

Export sales

Less: Sales tax

1,807,467	2,581,518	514,451	887,933
4,504	-	4,504	-
1,811,971	2,581,518	518,955	887,933
(259,479)	(299,230)	(74,160)	(117,780)
1,552,492	2,282,288	444,795	770,153

		Unaudited			
		Nine months ended		Quarter ended	
		March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
		Rupees in 000's			
12.	COST OF SALES				
	Materials consumed	1,322,833	1,873,567	355,018	604,370
	Salaries, wages and other benefits	118,953	126,932	40,487	45,287
	Packing material consumed	39,336	46,233	12,087	16,247
	Outsourced services	15,151	22,891	4,719	9,389
	Stores and spares consumed	39,331	51,013	17,128	17,094
	Power and fuel	58,886	76,462	20,910	25,648
	Depreciation	182,593	97,617	61,658	34,197
	Amortization	60	60	20	20
	Rent, rates and taxes	6,955	21,330	1,754	7,400
	Repairs and maintenance	12,747	10,429	2,755	3,833
	Vehicle running expenses	1,356	1,850	497	635
	Insurance	11,005	11,373	3,744	3,603
	Ijara lease rentals	219	149	73	51
	Printing and stationery	351	757	71	259
	Communication charges	1,394	1,248	435	405
	Travelling and conveyance	1,299	1,508	421	473
	Fee and subscription	957	467	108	76
	Software license fee	341	753	114	252
	Other expenses	288	477	113	145
		1,814,055	2,345,116	522,112	769,384
	Opening work-in-process	83,031	61,446	142,451	147,143
	Closing work-in-process	(118,839)	(128,526)	(118,839)	(128,526)
		(35,808)	(67,080)	23,612	18,617
	Cost of goods manufactured	1,778,247	2,278,036	545,724	788,001
	Opening stock of finished goods	72,984	57,414	116,745	60,480
	Closing stock of finished goods	(140,485)	(94,361)	(140,485)	(94,361)
		(67,501)	(36,947)	(23,740)	(33,881)
		1,710,746	2,241,089	521,984	754,120

13. TAXATION

- 13.1 The current period's total tax liability of the Company amounting to Rs. 23.454 million is covered under Section 113 "Minimum tax" of the Income Tax Ordinance, 2001. This has been fully adjusted against tax credit under section 65B at the rate of 5% on the cost of plant and machinery capitalized. Unadjusted tax credit of Rs. 72.783 million is available for adjustment against two subsequent years' tax charge.
- 13.2 Deferred tax asset has only been recognized to the extent of excess deductible temporary differences over and above taxable temporary differences, capable of being reversed in the ensuing years. The computation for deferred taxation incorporates assumptions regarding utilization of tax losses carried forward, turnover taxes and tax credits. Deferred tax is computed at the rate of 29% on account of changes made to Income Tax Ordinance, 2001 through Finance Act 2019, applicable to the expected period when temporary differences are expected to be reversed / utilized.

Unaudited			
Nine months ended		Quarter ended	
March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Rupees in 000's			

14. 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	(524,553)	(174,618)	(193,064)	(64,816)
Weighted average number of ordinary shares (in thousands)	80,628	80,628	80,628	80,628
Loss per share (Rupees)	(6.51)	(2.17)	(2.39)	(0.80)

Unaudited	
Nine months ended	
March 31, 2020	March 31, 2019
Rupees in 000's	

Note

15. CASH USED IN OPERATIONS

Loss before taxation	(535,072)	(214,643)
Adjustment for non-cash items and other items:		
Loss / (gain) on disposal of Property, plant and equipment	2,807	(25)
Financial charges	271,069	161,896
Depreciation	185,125	100,373
Amortization	187	205
Provision for doubtful debts	-	19
Ijarah lease rentals	535	441
	459,723	262,909
(Loss) / profit before working capital changes	(75,349)	48,266
Working capital changes	15.1	(116,569)
	(191,918)	(95,903)

15.1 Working capital changes

Increase in current assets:		
Stores and spares	(7,567)	(26,217)
Stock-in-trade	(28,424)	(188,567)
Trade debts	(32,473)	(87,857)
Loans and advances	(19,947)	(8,979)
Trade deposits and short term prepayments	(5,547)	(8,418)
Other receivables	(4,267)	(1,914)
Tax refund due from Government	(12,675)	(84,856)
	(110,900)	(406,808)
(Decrease) / increase in current liabilities:		
Trade and other payables (excluding unclaimed dividend)	(5,669)	262,639
	(116,569)	(144,169)

16. TRANSACTIONS WITH RELATED PARTIES

- 16.1 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, 2020	March 31, 2019	March 31, 2020	March 31, 2019
		Rupees in 000's			
Relation with the Company	Nature of transaction				
Associated Companies	Sales of goods and services	164,242	357,738	57,660	114,769
	Purchases of goods and services	1,121,524	1,356,446	366,599	436,501
	Rent and allied charges	199	253	61	62
	Insurance agency commission income	1,918	1,863	606	778
	Insurance claim	845	767	365	423
	Long-term financing obtained	650,000	250,000	-	-
	Short-term financing obtained	300,000	340,000	-	100,000
	Repayment of short-term financing	200,000	240,000	-	100,000
Director's spouse	Repayment of short-term financing	100,000	-	-	-
Retirement benefit plans	Contribution towards				
	employees retirement benefit plans	8,667	8,677	2,897	2,814
Key management personnel	Compensation in respect of:				
	Short term employee benefits	16,723	16,309	5,511	4,894
	Retirement benefits	1,128	1,237	365	381
			Un-audited		Audited
			March 31,		June 30,
			2020		2019
		Rupees in 000's			

- 16.2 Period / year end balances:

Receivable from associated companies	40,690	17,647
Payable to associated companies	662,883	544,281
Long-term financing from associated company	1,073,125	547,953
Sub-ordinated loan	91,435	80,225
Short-term financing from associated companies	150,000	50,000
Short-term financing from director's spouse	-	100,000

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

17. 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.

18. 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, 2019.

19. 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 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.

20. 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.

21. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue by the Board of Directors of the Company on April 29, 2020.

22. GENERAL

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



TASLEEMUDDIN AHMED BATLAY
DIRECTOR



SHAHID AHMED KHAN
CHIEF EXECUTIVE OFFICER



MUHAMMAD AAQIL JAH
CHIEF FINANCIAL OFFICE



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