



PHILIP MORRIS  
(PAKISTAN) LIMITED

April 27, 2021

The General Manager  
**Pakistan Stock Exchange Limited**  
Stock Exchange Road  
Stock Exchange Building  
Karachi

### **Board Meeting Results for the Quarter Ended March 31, 2021**

Dear Sir,

We wish to inform you that the Board of Directors of Philip Morris (Pakistan) Limited (“the Company”) at its meeting held on April 27, 2021 has approved the Quarterly Financial Statements of the Company for the quarter ended March 31, 2021. We are pleased to announce the results which are attached herewith as **Annexure A**. The brief overview of the financial results is as follows:

#### **Business Overview:**

The lack of a level playing field is one of the key challenges for the legally compliant tax paying cigarette industry. In 2013, the share of non-tax paid illicit sector was 23% but due to sheer lack of enforcement, it has now captured almost 40% of the market. Significant and excessive excise increases over the past few years have widened the price gap between legal and non-tax-paid illicit cigarettes thus facilitating downtrading and contributing to the exponential growth of the illicit cigarette sector. Excessive excise duty increases of 93% on Value Tier brands (i.e. from PKR 17/pack in Apr’18 to PKR 33/pack in Jun’19) during Federal Budgets of Sep’18 and Jun’19 have stretched the price gap and non-tax paid illicit brands continue selling at below minimum price prescribed under tax laws i.e. PKR 63/pack. Further countless tax-evading brands of cigarettes across the country are being sold as low as PKR 25/pack (avg. illicit price is PKR 38/pack). For reference: Total Tax/pack (Excise & Sales Tax) on value brands is PKR 44/pack.

We support the introduction of Track and Trace system as it will be an effective tool to supplement enforcement efforts against tax evasion. However, since 2019, the Federal Board of Revenue (FBR) has made multiple attempts to implement the system but, till date no major progress has been made on this front.

During the period ended March 31, 2021, the Company's domestic net turnover stood at PKR 4,440 million reflecting increase by 6% versus same period last year. Increase in Distribution & Marketing expenses showed commitment by the Company to continuously allocate the resources for Commercial initiatives which can earn the best returns. Further, we continue to find efficiencies in Administrative Expenses to ensure the increase remains under inflation.

During the same period ended March 31, 2021, the Company’s contribution to the National Exchequer, in the form of excise duty, sales tax and other government levies, stood at PKR 7,089 million (higher by 23.3% compared to the same period last year) reflecting 61.1% of Q1’21 Gross Turnover. The Company recorded Profit After Tax of

#### **Philip Morris (Pakistan) Limited**

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PKR 718.4 million for the period ended March 31, 2021 (compared to Profit After Tax of PKR 361.4 million for the same period last year) which is equivalent to only 6.2% of Q1'21 Gross Turnover.

Yours faithfully,

**For PHILIP MORRIS (PAKISTAN) LIMITED**

**Sana Enait Hashmi**  
**Company Secretary**



**PHILIP MORRIS (PAKISTAN) LIMITED**  
**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS**  
**AND OTHER COMPREHENSIVE INCOME (Un-audited)**  
**FOR THE QUARTER ENDED MARCH 31, 2021**

	Quarter Ended	
	March 31, 2021	March 31, 2020
	(Un-audited)	
	(Rupees in thousand)	
Turnover - net	4,439,791	4,198,286
Cost of sales	<u>2,291,178</u>	<u>2,727,777</u>
Gross profit	2,148,613	1,470,509
Distribution and marketing expenses	<u>850,882</u>	<u>521,708</u>
Administrative expenses	<u>338,770</u>	<u>352,298</u>
Other expenses	<u>134,855</u>	<u>125,129</u>
Other income	<u>(253,260)</u>	<u>(89,590)</u>
	<u>1,071,247</u>	<u>909,545</u>
Operating profit	<u>1,077,366</u>	<u>560,964</u>
Finance cost and bank charges	<u>19,160</u>	<u>12,104</u>
Profit before taxation	<u>1,058,206</u>	<u>548,860</u>
Taxation	<u>339,794</u>	<u>187,461</u>
Profit after taxation	<u>718,412</u>	<u>361,399</u>
Other comprehensive income	-	-
Total comprehensive income for the year	<u><u>718,412</u></u>	<u><u>361,399</u></u>
	----- (Rupees) -----	
Earnings per share		
- Basic	<u>11.67</u>	<u>5.87</u>
- Diluted	<u>10.19</u>	<u>5.42</u>