



PACKAGING FOR PROGRESS

1st Quarter Report
Period Ended September 30, 2021

MERIT PACKAGING LIMITED
FIRST QUARTER REPORT
SEPTEMBER 2021

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MERIT PACKAGING LIMITED
FIRST QUARTER REPORT
SEPTEMBER 2021

CORPORATE INFORMATION

Board of Directors

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

Advisor

Sultan Ali Lakhani

Audit Committee

Farrukh Shauket Ansari	Chairman
Amin Mohammed Lakhani	
Ahmed Munaf	

Human Resource and Remuneration Committee

Ali Asrar Hossain Aga	Chairman
Amin Mohammed Lakhani	
Amir Ahmed Chapra	

Chief Executive Officer

Amir Ahmed Chapra

Chief Financial Officer

Muhammad Sohail

Company Secretary

Mansoor Ahmed

Auditors

BDO Ebrahim & Co., Chartered Accountants

MERIT PACKAGING LIMITED
FIRST QUARTER REPORT
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CORPORATE INFORMATION

Bankers - Conventional

Askari Bank Limited
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 Office

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

Factory Address

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

Contact Us

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**FIRST QUARTER REPORT
SEPTEMBER 30, 2021
DIRECTORS' REVIEW**

The Directors of your Company herewith present the performance review together with the condensed interim un-audited financial statements for the first quarter ended September 30, 2021.

Financial And Operational Performance

The comparative financial results for the first quarter ended September 30, 2021 with comparative results for the same period last year are tabulated below:

	Quarter Ended	
	September 30, 2021	September 30, 2020
	<i>(Rupees in thousand)</i>	
Net sales	871,103	639,891
Gross profit / (loss)	49,912	(20,527)
Operating profit / (loss)	16,329	(57,170)
Loss before tax	(61,060)	(137,951)

The net sales during the period under review amounted to Rs. 871 million as compared to Rs. 640 million for the same financial period of last year, showing an increase of Rs. 231 million or 36%. Company's pre-tax loss for the period under review is Rs. 61 million as compared to a pre-tax loss of Rs. 138 million for the corresponding period of the last year.

Challenges

1. Supply chain disruptions due to current situation of Covid 19 causing inefficiencies in operations;
2. Devaluation of Pak Rupee against foreign currencies and increased tariff rates will adversely affect our production cost and may impact negatively on our contribution margins;
3. Increase in interest rate will lead to increased financial charges on our long-term loans and short-term borrowings;
4. Challenges in expanding our production volumes and achieving maximum capacity utilization due to highly competitive market situation in printing industry;
5. Pressure for maintaining working capital requirement on account of increased input cost and higher sales volumes.

Current Outlook

The Company's performance during the period under review was affected on account of low-capacity utilization primarily due to shifting of Lahore operations and installation of machines in Karachi factory. The current economic situation is also affecting overall market growth and sales volume of the

The sponsors again in line with their previous continuous support to the Company have given a short term loan amounting to Rs. 250 million at below market interest rate for the working capital requirement of the Company.

Future Outlook

The directors are confident to operate with maximum capacity utilization with value added jobs after the start of production from machines shifted from Lahore factory. The management has also successfully transferred the increase in input cost of materials to the customers securing positive

Your Company is actively working to achieve an efficient utilization of the resources through broadening of customer base, uninterrupted supply to the customers and reduction in overheads. All these efforts will contribute positively towards the progress of the Company.

Your Company has also decided for the capital restructuring and offering a right issue of shares amounting to around Rs. 1.5 billion. This further issue of shares will bring down the total debts of the Company and will improve the overall financial position of the Company with more trust of the shareholders.

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



AMIR AHMED CHAPRA
CHIEF EXECUTIVE OFFICER



IQBAL ALI LAKHANI
CHAIRMAN

Karachi: October 28, 2021

مستقبل کی توقعات:

ڈائریکٹرز، کراچی فیکٹری میں مشینوں کی کامیاب تنصیب اور ان سے پیداوار شروع ہونے کے بعد، ویلیو ایڈڈ جائز کے ساتھ زیادہ سے زیادہ صلاحیت کے استعمال کے ساتھ کام کرنے کے لیے پراعتماد ہیں۔ انتظامیہ نے پیداواری لاگت میں اضافے کو بھی کامیابی سے صارفین کو منتقل کر دیا ہے جو کہ مثبت منافع کی ضامن ہے۔ آپ کی کمپنی، کسٹمرز کو وسیع کرنے، صارفین کو بلا تعطل فراہمی اور اور ہیز میں کمی کے ذریعے وسائل کے موثر استعمال کو حاصل کرنے کے لیے سرگرم عمل ہے۔ یہ تمام کوششیں کمپنی کی ترقی میں مثبت کردار ادا کر رہی ہیں۔

آپ کی کمپنی نے سرمائے کی تنظیم نو کا بھی فیصلہ کیا ہے اور تقریباً 1.5 بلین روپے کی مالیت کے حصص کے رائٹ ایٹو کی پیشکش کی ہے۔ حصص کا یہ مزید اجراء کمپنی کے کل قرضوں کو کم کرے گا اور حصص یافتگان کے بڑھتے ہوئے اعتماد کے ساتھ کمپنی کی مجموعی مالی حالت کو بہتر بنائے گا۔

اعتراف:

آپ کی کمپنی کے ڈائریکٹرز تمام حصص یافتگان، صارفین، بینکوں، سپلائرز اور ملازمین کے تعاون اور مسلسل حمایت کو سراہتے ہیں۔



عامر احمد چھاپرا
چیف ایگزیکٹو آفیسر

بورڈ آف ڈائریکٹرز کی جانب سے



اقبال علی لاکھانی
چیرمین

کراچی: 28 اکتوبر 2021ء

پہلی سہ ماہی رپورٹ

ڈائریکٹرز کا جائزہ:

آپ کی کمپنی کے ڈائریکٹرز 30 ستمبر 2021ء 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 2021ء 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 2020ء	
(ہزار روپے)	(ہزار روپے)	
871,103	639,891	خالص فروخت
49,912	(20,527)	مجموعی منافع / نقصان
16,329	(57,170)	آپریٹنگ منافع / نقصان
(61,060)	(137,951)	قبل از ٹیکس نقصان

زیر جائزہ مدت کے دوران خالص فروخت گزشتہ سال اسی مدت کے لئے 640 ملین روپے کے مقابلے میں 871 ملین روپے رہا جو کہ 231 ملین روپے یا 36% کا اضافہ دکھاتا ہے۔ گزشتہ سال اسی مدت میں ریکارڈ کئے گئے 138 ملین روپے قبل از ٹیکس نقصان کے مقابلے میں زیر جائزہ سہ ماہی کے دوران 61 ملین روپے کا قبل از ٹیکس نقصان رہا۔

درپیش مشکلات:

- (۱) کوویڈ 19 کی موجودہ صورتحال کی وجہ سے سپلائی چین میں خلل پڑا جو آپریشنز میں عدم استحکام کا باعث بنتا ہے۔
- (۲) غیر ملکی کرنسیوں کے مقابلے میں پاکستانی روپے کی قدر میں کمی اور ٹیئرف کی شرح میں اضافہ ہماری پیداواری لاگت کو بری طرح متاثر کرے گا اور ہمارے منافع پر منفی اثر ڈال سکتا ہے۔
- (۳) شرح سود میں اضافہ ہمارے طویل مدتی اور مختصر مدت کے قرضوں پر مالیاتی چارجز میں اضافہ کا باعث بنے گا۔
- (۴) پرنٹنگ انڈسٹری میں انتہائی مسابقتی صورتحال کی وجہ سے ہماری پیداوار کے حجم کو بڑھانے اور زیادہ سے زیادہ صلاحیت کے استعمال کو حاصل کرنے میں مشکلات ہو سکتی ہیں۔
- (۵) بڑھتی ہوئی پیداواری لاگت اور زیادہ فروخت کے حجم کی وجہ سے ورکنگ کپیٹل کی ضرورت کو برقرار رکھنے کے لئے دباؤ رہے گا۔

موجودہ صورتحال:

زیر جائزہ مدت کے دوران کمپنی کی کارکردگی لاہور آپریشنز کی منتقلی اور کراچی فیکٹری میں ان مشینوں کی تنصیب کی وجہ سے کم صلاحیت کے استعمال کی وجہ سے متاثر ہوئی۔ موجودہ معاشی صورتحال مارکیٹ کی مجموعی نمو اور کمپنی کی فروخت کے حجم کو بھی متاثر کر رہی ہے۔ اسپانسرز نے ایک بار پھر کمپنی کو اپنی پچھلی مسلسل حمایت کے تسلسل میں 250 ملین روپے کا، مارکیٹ سے کم شرح سود پر، ایک مختصر مدتی قرض دیا ہے جو کہ کمپنی کی ورکنگ کپیٹل کی ضرورت کو برقرار رکھنے میں معاون ثابت ہوگا۔


MERIT PACKAGING LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2021

		(Un-audited) September 30, 2021	(Audited) June 30, 2021
		Rupees in 000's	
Note			
ASSETS			
NON-CURRENT ASSETS			
	Property, plant and equipment		
6	Operating fixed assets	2,966,188	3,005,132
7	Capital work in progress	32,262	23,101
		2,998,450	3,028,233
	Intangible assets	667	752
	Long-term loans	-	96
	Long-term deposits	5,094	5,086
8	Deferred taxation	191,330	176,482
		3,195,541	3,210,649
CURRENT ASSETS			
	Stores and spares	87,014	85,946
	Stock-in-trade	434,998	537,335
9	Trade debts	823,677	651,600
	Loans and advances	41,547	40,256
	Trade deposits and short-term prepayments	8,488	2,625
10	Other receivables	194	13,141
	Tax refund due from Government	390,441	430,641
	Cash and bank balances	36,007	3,539
		1,822,366	1,765,083
		5,017,907	4,975,732
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		
	80,628,398 ordinary shares of Rs. 10/- each	806,284	806,284
	Surplus on revaluation of property, plant and equipment	803,785	805,185
	Capital reserve		
	Equity portion of loan - associated company	537,219	537,219
	Revenue reserves		
	General reserves	106,800	106,800
	Accumulated losses	(1,761,872)	(1,706,171)
		492,216	549,317
NON CURRENT LIABILITIES			
	Sub-ordinated loan	227,754	225,381
11	Long-term financing	2,119,994	2,182,277
12	Long-term deposits	66	100
	Deferred capital grant	-	526
		2,347,814	2,408,284
CURRENT LIABILITIES			
	Trade and other payables	767,758	800,833
13	Mark-up accrued	53,226	26,893
	Taxation - net	881	8,478
14	Short-term borrowings	927,202	785,497
	Un-claimed dividend	129	129
	Current portion of deferred capital grant	1,935	2,261
	Current portion of long-term financing	426,746	394,040
		2,177,877	2,018,131
		5,017,907	4,975,732
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.


IQBAL ALI LAKHANI
CHAIRMAN


AMIR AHMED CHAPRA
CHIEF EXECUTIVE OFFICER


MUHAMMAD SOHAIL
CHIEF FINANCIAL OFFICER

MERIT PACKAGING LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2021

	Note	Quarter ended	
		September 30,	September 30,
		2021	2020
		Rupees in 000's	
Sales - net	16	871,103	639,891
Cost of sales	17	(821,191)	(660,418)
Gross profit / (loss)		49,912	(20,527)
General and administrative expenses		(21,742)	(20,750)
Selling and distribution expenses		(14,593)	(15,958)
Other income		5,423	1,543
Other operating expenses		(2,671)	(1,478)
		(33,583)	(36,643)
Operating profit / (loss)		16,329	(57,170)
Financial charges		(77,389)	(80,781)
Loss before taxation		(61,060)	(137,951)
Taxation	18	3,959	(27,472)
Net loss for the period		(57,101)	(165,423)
Loss per share - basic and diluted (Rs)	19	(0.71)	(2.05)

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



IQBAL ALI LAKHANI
CHAIRMAN



AMIR AHMED CHAPRA
CHIEF EXECUTIVE OFFICER



MUHAMMAD SOHAIL
CHIEF FINANCIAL OFFICER

MERIT PACKAGING LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2021

	Quarter ended	
	September 30,	September 30,
	2021	2020
Note	Rupees in 000's	
Net loss for the period	(57,101)	(165,423)
Other comprehensive income / (loss):		
Surplus on revaluation of property, plant and equipment	-	-
Deferred tax liability	-	-
	-	-
Total comprehensive loss for the period	(57,101)	(165,423)

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



IQBAL ALI LAKHANI
CHAIRMAN



AMIR AHMED CHAPRA
CHIEF EXECUTIVE OFFICER



MUHAMMAD SOHAIL
CHIEF FINANCIAL OFFICER

MERIT PACKAGING LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2021

			Capital Reserve	Revenue Reserves			
	Issued, subscribed and paid-up capital	Surplus on Revaluation of Property, Plant & Equipment	Equity portion of loan from associated company	General Reserves	Accumulated losses	Total	Total
	Rupees in 000's						
Balance as at July 1, 2020	806,284	327,692	465,338	106,800	(1,134,820)	(1,028,020)	571,294
Total comprehensive loss for the period ended September 30, 2020							
Loss for the period	-	-	-	-	(165,423)	(165,423)	(165,423)
Other comprehensive income - net of tax	-	-	-	-	-	-	-
	-	-	-	-	(165,423)	(165,423)	(165,423)
Transferred to accumulated losses on account of incremental depreciation - net of tax	-	(306)	-	-	306	306	-
Balance as at September 30, 2020	806,284	327,386	465,338	106,800	(1,299,937)	(1,193,137)	405,871
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

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



IQBAL ALI LAKHANI
CHAIRMAN



AMIR AHMED CHAPRA
CHIEF EXECUTIVE OFFICER



MUHAMMAD SOHAIL
CHIEF FINANCIAL OFFICER

MERIT PACKAGING LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2021

		Quarter ended	
		September 30, 2021	September 30, 2020
Note		Rupees in 000's	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated/(used) in operations	20	(10,546)	(80,432)
Taxes refund/(paid) - net		(10,008)	38,029
Financial charges paid		(5,741)	(60,650)
Long-term loans and advances		96	-
Long-term deposits		(42)	8
Net cash used in operating activities		(26,241)	(103,045)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(19,385)	(5,534)
Ijarah lease rentals payment - net		(222)	(266)
Net cash used in investing activities		(19,607)	(5,800)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term financing - Banks		-	12,180
Repayment of long-term financing - Banks		(63,390)	-
Proceeds from short-term financing - Sponsors		250,000	-
Repayment of short term borrowings (excluding running finance)		-	-
Principal paid on long term lease liabilities		-	(2,499)
Net cash generated from financing activities		186,610	9,681
Net decrease in cash and cash equivalents		140,762	(99,164)
Cash and cash equivalents at beginning of the period		(781,957)	(779,199)
Cash and cash equivalents at end of the period		(641,195)	(878,363)
CASH AND CASH EQUIVALENTS:			
Cash and bank balances		36,007	16,292
Short-term running finances		(677,202)	(894,655)
		(641,195)	(878,363)

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



IQBAL ALI LAKHANI
CHAIRMAN



AMIR AHMED CHAPRA
CHIEF EXECUTIVE OFFICER



MUHAMMAD SOHAIL
CHIEF FINANCIAL OFFICER

MERIT PACKAGING LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2021

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 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, 2021 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;
- 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, 2021 which have been prepared in accordance with approved accounting standards as applicable in Pakistan.

However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual 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, 2021, whereas the comparative condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity are extracted from the unaudited condensed interim financial information for the period ended September 30, 2020.

3.2 Basis of measurement

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

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

3.3 Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

5. ESTIMATES AND 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, 2021.

		Un-audited September 30, 2021	Audited June 30, 2021
	Note	Rupees in 000's	
6. OPERATING FIXED ASSETS			
Opening net book value (NBV)		3,005,132	2,884,732
Additions during the period / year at cost	6.1	10,224	25,207
Revaluation surplus recognized during the period / year		-	486,057
		<u>3,015,356</u>	<u>3,395,996</u>
Disposals during the period / year at NBV	6.2	-	(90,511)
Depreciation charge for the period / year		(49,168)	(226,044)
Assets write off		-	(70,082)
Impairment charge for the period / year		-	(4,227)
		<u>(49,168)</u>	<u>(390,864)</u>
		<u>2,966,188</u>	<u>3,005,132</u>

6.1 Detail of additions (at cost) during the period / year are as follows:

Building / improvements on leasehold land	2,008	-
Plant and machinery	5,159	20,030
Factory tools & Equipments	1,072	-
Furniture and fixtures	143	49
Vehicles	-	800
Office equipment	1,687	1,622
Computer equipment	155	2,176
Electrical installation	-	530
	<u>10,224</u>	<u>25,207</u>

6.2 Detail of disposals (net book value) during the period / year are as follows:

Plant and machinery	-	(88,304)
Cylinders and dies	-	(1,070)
Vehicles	-	(1,137)
	<u>-</u>	<u>(90,511)</u>

7. CAPITAL WORK-IN-PROGRESS

This comprises of:

Civil works	6,890	12,436
Plant and machinery	25,372	10,665
	<u>32,262</u>	<u>23,101</u>

7.1

		Un-audited September 30, 2021	Audited June 30, 2021
	Note	Rupees in 000's	
7.1 Movement of carrying amount			
Opening balance		23,101	-
Additions during the period / year at cost		19,385	48,308
Transfer to property, plant and equipment during the period / year		(10,224)	(25,207)
Closing balance		<u>32,262</u>	<u>23,101</u>

8. DEFERRED TAXATION

Total deferred tax asset arising due to timing difference calculated at applicable tax rates as at reporting date amounted to Rs. 362.700 million (June 30, 2021: Rs. 353.166 million) debit. Out of this balance, deferred tax asset amounting to Rs. 171.370 million (June 30, 2021: Rs. 176.685 million) has not been recognized in these financial statements in accordance with the stated accounting policy of the Company.

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

9. TRADE DEBTS

(Unsecured - considered good)			
Due from associated companies		213,606	170,281
Others		610,071	481,319
		<u>823,677</u>	<u>651,600</u>
(Unsecured - considered doubtful)			
Others		2,535	2,535
Provision for doubtful debts		(2,535)	(2,535)
		<u>823,677</u>	<u>651,600</u>

10. OTHER RECEIVABLES

(Unsecured-considered good)			
Due from associated company	10.1	183	55
Others		11	13,086
		<u>194</u>	<u>13,141</u>

- 10.1 This represents medical insurance claim receivable from Century Insurance Company Limited, an associated company.

		Un-audited September 30, 2021	Audited June 30, 2021
	Note	Rupees in 000's	
11. SUBORDINATED LOAN - UNSECURED			
From associated undertaking	11.1	227,754	225,381
11.1	These subordinated loans have been obtained from associated undertakings amounting to an aggregate of Rs. 250 million (June 30, 2021: Rs. 250 million) for the purpose of financing the capital expenditure requirement and to support the working capital and for funding business activities. The interest on these loans has been waived for a period of three years from the date of the agreements, resulting in reduction in face value of this loan, due to presence of a below market element. These loans have been measured at amortized cost, determined by discounting future cash flows with the prevailing market rate ranging from 7.43% to 7.79% per annum, which is determined to be the transaction price at which a similar transaction could be executed between unrelated parties.		
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	748,800	811,338
Less: Current portion shown under current liabilities		(316,746)	(306,040)
		432,054	505,298
Unsecured - From associated undertaking			
Opening balance	12.3	1,764,979	1,459,956
Financing obtained during the year		-	200,000
		1,764,979	1,659,956
Add : Notional mark up		32,961	146,676
Less : Present value adjustment		-	(41,653)
Less : Current portion		(110,000)	(88,000)
		1,687,940	1,676,979
		2,119,994	2,182,277

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

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

- 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 8.01% to 9.34% (June 30, 2021: 7.99% to 10.22%) payable quarterly. The tenure of these financing facilities is five to six years including one year grace period.
- 12.3 These loans have been obtained from associated undertakings amounting to an aggregate of Rs. 1,990 million (June 30, 2021: Rs. 1,990 million) for the purpose of financing the capital expenditure requirement and to support the working capital and for funding business activities. The interest on these loans has been waived for a period of three years from the date of the agreements, resulting in reduction in face value of this loan, due to presence of a below market element. These loans have been measured at amortized cost, determined by discounting future cash flows with the prevailing market rate ranging from 7.43% to 14.36% per annum, which is determined to be the transaction price at which a similar transaction could be executed between unrelated parties.

	Un-audited September 30, 2021	Audited June 30, 2021
Note	———— Rupees in 000's ————	

13. TRADE AND OTHER PAYABLES

Creditors	659,200	723,345
Accrued liabilities	97,949	66,235
Payable to gratuity fund	9,373	9,373
Advances from customers	783	1,439
Workers' Welfare Fund	251	251
Others	202	190
	<u>767,758</u>	<u>800,833</u>

14. SHORT TERM BORROWINGS

From banking companies - secured			
Running finance	14.1	677,202	785,497
From associated company - unsecured	14.2	250,000	-
		<u>927,202</u>	<u>785,497</u>

- 14.1 The Company has short term running finance facilities from various banks under mark-up arrangements in aggregate amount of Rs. 920 million (June 30, 2021: Rs. 962 million) having mark-up at rates ranging from 8.51% to 9.65% (June 30, 2021: 8.44% to 10.55%) per annum calculated on a daily utilization basis and payable quarterly. The unutilized balance at the end of the year was Rs. 242.798 million (June 30, 2021: Rs. 176.503 million).

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

- 14.2 This short-term borrowing facility was obtained from an associated company during the reporting period at a markup of 3 months KIBOR minus 2% payable at the last day of current financial year.

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

There was no contingent liability as at September 30, 2021.

15.2 Commitments

There was no commitment against the purchase of stores, spares and raw materials under contractual obligation as at September 30, 2021. (June 30, 2021: NIL).

The amount of future Ijarah rentals for Ijarah financing as at September 30, 2021 is Rs. 0.747 million (June 30, 2021: Rs. 0.969 million).

Un-audited	
Quarter ended	
September 30, 2021	September 30, 2020
Rupees in 000's	

16. SALES - NET

Gross sales

Local sales

Export sales

Less:

Sales tax

Sales return

1,019,410	739,174
-	7,359
1,019,410	746,533
(148,225)	(106,359)
(82)	(283)
(148,307)	(106,642)
871,103	639,891

Un-audited	
Quarter ended	
September 30, 2021	September 30, 2020
Rupees in 000's	

17. COST OF SALES

Materials consumed	620,769	851,386
Salaries, wages and other benefits	39,098	30,371
Packing material consumed	16,505	12,998
Outsourced services	4,867	9,497
Stores and spares consumed	16,467	9,672
Power and fuel	24,978	24,132
Depreciation	48,701	61,188
Amortization	20	20
Rent, rates and taxes	2,047	1,702
Repairs and maintenance	5,692	3,312
Vehicle running expenses	782	542
Insurance	3,313	4,697
Ijara lease rentals	69	70
Printing and stationery	179	132
Communication charges	377	317
Travelling and conveyance	211	524
Fee and subscription	108	-
Software license fee	192	236
Other expenses	448	187
	<u>784,823</u>	<u>1,010,983</u>
Opening work-in-process	73,131	(56,988)
Closing work-in-process	(48,376)	(57,834)
	<u>24,755</u>	<u>(114,822)</u>
Cost of goods manufactured	<u>809,578</u>	<u>896,161</u>
Opening stock of finished goods	55,936	(129,799)
Closing stock of finished goods	(44,323)	(105,944)
	<u>11,613</u>	<u>(235,743)</u>
	<u>821,191</u>	<u>660,418</u>

18. TAXATION

Current	10,889	-
Prior	-	-
Deferred	(14,848)	27,472
	<u>(3,959)</u>	<u>27,472</u>

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

		Un-audited	
		Quarter ended	
		September 30, 2021	September 30, 2020
Note		Rupees in 000's	
19.	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		(57,101)	(165,423)
Weighted average number of ordinary shares (in thousands)		80,628	80,628
Loss per share (Rupees)		(0.71)	(2.05)
20.	CASH USED IN OPERATIONS		
Loss before taxation		(61,060)	(137,951)
Adjustment for non-cash items and other items:			
Financial charges		77,389	80,781
Depreciation		49,168	61,676
Amortization		85	62
Provision for slow moving stock and obsolete items		2,011	(316)
Capital grant income		(852)	(564)
Ijarah lease rentals		222	266
		128,023	141,905
(Loss) / profit before working capital changes		66,963	3,954
Working capital changes	20.1	(77,509)	(84,386)
		(10,546)	(80,432)
20.1	Working capital changes		
Increase in current assets:			
Stores and spares		(2,159)	(9,915)
Stock-in-trade		101,417	(14,811)
Trade debts		(172,077)	(104,271)
Loans and advances		(1,291)	(4,928)
Trade deposits and short term prepayments		(5,863)	(5,259)
Other receivables		12,946	(2,749)
Tax refund due from Government		22,594	(1,437)
		(44,433)	(143,370)
(Decrease) / increase in current liabilities:			
Trade and other payables (excluding unclaimed dividend)		(33,076)	58,984
		(77,509)	(84,386)

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:

		Un-audited	
		Quarter ended	
		September 30, 2021	September 30, 2020
		Rupees in 000's	
Relation with the Company	Nature of transaction		
Associated Companies	Sales of goods and services	344,692	136,226
	Purchases of goods and services	382,850	405,889
	Rent and allied charges	155	63
	Insurance agency commission income	-	635
	Insurance claim	292	260
	Short-term financing obtained	250,000	-
Retirement benefit plans	Contribution towards		
	employees retirement benefit plans	2,202	2,839
Key management personnel	Compensation in respect of:		
	Short term employee benefits	4,482	5,050
	Retirement benefits	296	325

Un-audited September 30, 2021	Audited June 30, 2021
Rupees in 000's	

- 21.2 Period / year end balances:

Receivable from associated companies	213,789	170,335
Payable to associated companies	445,246	503,295
Long-term financing from associated company	1,797,940	1,764,979
Sub-ordinated loan	227,754	225,381
Short-term financing from associated companies	250,000	-

- 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

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, 2021.

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 28, 2021.

27. 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



MUHAMMAD SOHAIL
CHIEF FINANCIAL OFFICER



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