

Pakistan Synthetics Limited

FIRST QUARTER REPORT

SEPTEMBER 2021



PAKISTAN SYNTHETICS LIMITED

BOARD OF DIRECTORS	MR. KHURSHID AKHTAR MR. YAKOOB HAJI KARIM MR. NOMAN YAKOOB MR. ABID UMER MR. MUBBASHIR AMIN MR. ALI KAMAL MR. FARAZ YOUNUS BANDUKDA MRS. SAEED FATIMA NAQVI	CHAIRMAN-NON-EXECUTIVE CHIEF EXECUTIVE EXECUTIVE NON- EXECUTIVE NON- EXECUTIVE INDEPENDENT INDEPENDENT INDEPENDENT
AUDIT COMMITTEE	MR. ALI KAMAL - CHAIRMAN MR. MUBBASHIR AMIN MR. ABID UMER	
HUMAN RESOURCE AND REMUNERATION COMMITTEE	MR. ALI KAMAL - CHAIRMAN MR. MUBBASHIR AMIN MR. NOMAN YAKOOB	
CHIEF FINANCIAL OFFICER	MR. SHAHID YAQOOB	
COMPANY SECRETARY	MR. MUHAMMAD IMRAN	
BANKERS	DUBAI ISLAMIC BANK PAKISTAN LIMITED HABIB BANK LIMITED HABIB METROPOLITAN BANK LIMITED BANK AL HABIB LIMITED ASKARI BANK LIMITED MEEZAN BANK LIMITED BANK OF PUNJAB LIMITED BANK AL-FALAH LIMITED BANK ISLAMI PAKISTAN LIMITED	
AUDITORS	KPMG TASEER HADI & CO. CHARTERED ACCOUNTANTS	
HEAD OF INTERNAL AUDIT	MR. NABIL YAQOOB	
REGISTRAR	F.D REGISTRAR SERVICES (PVT.) LTD. OFFICE # 1705, 17TH FLOOR, SAIMA TRADE TOWER-A, I.I. CHUNDRIGAR ROAD, KARACHI.	
LEGAL ADVISOR	TASAWUR ALI HASHMI ADVOCATE	
REGISTERED OFFICE	OFFICE # 1504, 15TH FLOOR, EMERALD TOWER, BLOCK 5, CLIFTON, KARACHI.	
FACTORY	F-1, 2, 3, & 13, 14 & 15 HUB INDUSTRIAL TRADING ESTATE DISTRICT LASBELLA, BALOCHISTAN. PLOT # A-5, N.W.I.Z, PORT QASIM AUTHORITY, KARACHI.	

PAKISTAN SYNTHETICS LIMITED

DIRECTORS' REPORT

The Board of Directors is pleased to present unaudited financial statement for the quarter ended September 30, 2021 to the shareholders of the Company.

OPERATING PERFORMANCE

Despite challenges faced due to the COVID-19 pandemic the industry has been making a recovery in recent months as restrictions both in Pakistan and abroad have eased allowing the industry to perform at its full potential.

During the period under review the Company produced 6,566 Mt of Resin as against 6,393 MT of Resin during the corresponding period last year and sold 5,730 MT of Resin as against 4,367 MT of Resin during the corresponding period last year. During the period under review, the Company produced 7,470 octabins of preform as against 4,975 octabins produced during the corresponding period last year and sold 7,378 octabins during the period under review as against 4,858 octabins during the same period last year.

During the period under review the Company produced 165,361 cartons of plastic and crown caps as against 158,202 cartons during the corresponding period last year and sold 157,391 cartons as against 147,650 cartons during the corresponding period last year.

FINANCIAL RESULTS

The Company has managed to improve its performance in the current period as compared to the same period last year. During the period under review, the company's net turnover increased to Rs. 2,697.55 million from Rs. 1,590.09 million during the corresponding period last year. The Company earned Gross profit of Rs. 603.851 million as against Rs. 234.975 million in the same period last year.

The Company posted profit before tax of Rs. 443.703 million as against profit before tax of Rs. 129.896 million in the corresponding period last year. The net profit after tax stood at Rs. 315.376 million as against net profit after tax of Rs. 92.07 million in the corresponding period last year. During the period under review, Finance cost decreased to Rs. 32.21 million from Rs. 46.57 million in the same period last year due to lower interest rates as compare to the corresponding period last year. Other operating expenses increased due to higher exchange loss on account devaluation of Pak Rupee. The earning per share for the quarter ended is Rs. 3.75 per share as against Rs. 1.10 per share last year.

FUTURE OUTLOOK

The Company remains cautiously optimistic for the year ahead. Development of multiple vaccines and their gradual roll out has created hope of healthy recovery in the period to come. Recently inflationary trend has been witnessed in international freights and major commodity prices and increasing Rupee dollar parity are having impact on production cost.

Management is closely monitoring the situation and will continue to take appropriate measures to safeguard the interest of the shareholders. To meet the challenges ahead, investment in existing business in order to cater customer wide-ranging product demand is anticipated to allow the Company to position itself to meet the challenges ahead. The Company will continue to pace itself

PAKISTAN SYNTHETICS LIMITED

with the dynamic business environment to meet the changing demand of its customer ensuring sustainable growth and profitability.

ACKNOWLEDGEMENT

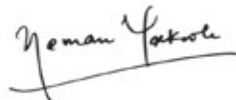
The Board expresses the hope that it's valued shareholders, Federal and Provincial Government functionaries, Banks, financial institutions and customers, shall continue to extend their cooperation, support and patronage as in the past.

The Board also expresses its appreciation for the valuable services, loyalty and laudable efforts continuously rendered by the executives, staff members and workers of the company and recognize that they are most valuable assets of the Company.

For and on behalf of the Board of Directors



YAKOOB HAJI KARIM
CHIEF EXECUTIVE



NOMAN YAKOOB
DIRECTOR

Date: October 28, 2021

Karachi

PAKISTAN SYNTHETICS LIMITED

Condensed Interim Statement of Financial Position

As at 30 September, 2021

		30 September 2021 Unaudited (Rupees in '000)	30 June 2021 Audited
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	5	2,495,316	2,209,018
Right-of-use asset		39,549	42,020
Long term loan to employees		1,482	1,419
Long term deposits and prepayments		8,687	9,519
Deferred taxation - net		73,265	161,128
		<u>2,618,299</u>	<u>2,423,104</u>
Current assets			
Stores and spares		315,836	315,528
Stock-in-trade	6	1,543,690	1,670,712
Trade debts	7	1,111,854	1,028,366
Loans and advances		24,963	75,033
Short term deposits and prepayments		13,121	8,883
Short term investment		77,104	548
Other receivables		7,032	2,032
Advance tax - net of provision		147,558	166,397
Cash and bank balances		420,787	14,167
		<u>3,661,945</u>	<u>3,281,666</u>
TOTAL ASSETS		<u>6,280,244</u>	<u>5,704,770</u>
EQUITY AND LIABILITIES			
Shareholders' equity			
Authorised share capital of 140,000,000 (30 June 2021: 140,000,000) ordinary shares of Rs. 10 each		<u>1,400,000</u>	<u>1,400,000</u>
Issued, subscribed and paid-up capital		840,600	840,600
Reserves		<u>1,819,655</u>	<u>1,504,279</u>
		<u>2,660,255</u>	<u>2,344,879</u>
Non-current liabilities			
Long term borrowings		417,715	335,542
Lease liability		36,705	38,808
Deferred Liabilities		<u>150,908</u>	<u>153,127</u>
		<u>605,328</u>	<u>527,477</u>
Current liabilities			
Trade and other payables		2,083,918	1,607,319
Accrued markup		6,338	6,775
Short term borrowings	8	720,120	989,919
Current portion of lease liability		8,107	7,685
Unclaimed dividend		4,219	4,219
Current portion of long term borrowings		<u>191,959</u>	<u>216,497</u>
		<u>3,014,661</u>	<u>2,832,414</u>
TOTAL EQUITY AND LIABILITIES		<u>6,280,244</u>	<u>5,704,770</u>
Contingencies and commitments			
	9		

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.



Yakoob Haji Karim
Chief Executive



Noman Yakoob
Director



Shahid Yaqoob
Chief Financial Officer

PAKISTAN SYNTHETICS LIMITED

Condensed Interim Statement of Profit or Loss (Unaudited)

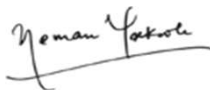
For the quarter ended 30 September 2021

	Note	30 September 2021	30 September 2020
		(Rupees in '000)	
Net sales	10	2,697,547	1,590,094
Cost of sales		(2,093,696)	(1,355,119)
Gross profit		603,851	234,975
Distribution and selling costs		(42,634)	(40,076)
Administration and general expenses		(21,899)	(17,658)
Other operating expenses		(70,290)	(9,910)
		(134,823)	(67,644)
		469,028	167,331
Other income		6,886	10,468
Operating profit before finance costs		475,914	177,799
Finance costs		(32,211)	(47,903)
Profit before taxation		443,703	129,896
Taxation	11	(128,326)	(37,822)
Profit for the period		315,376	92,074
		(Rupees)	
Profit per share - basic and diluted	12	3.75	1.10

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.



Yakoob Haji Karim
Chief Executive



Noman Yakoob
Director



Shahid Yaqoob
Chief Financial Officer

PAKISTAN SYNTHETICS LIMITED

Condensed Interim Statement of Comprehensive Income (Unaudited)

For the quarter ended 30 September 2021

	30 September 2021	30 September 2020
	(Rupees in '000)	
Profit for the period	315,376	92,074
Other comprehensive income		
<i>Items that will never be reclassified to statement of profit or loss</i>		
Recognition of actuarial gain / (loss) on defined benefit liability	-	-
Impact of deferred tax	-	-
	-	-
Total comprehensive income for the period	315,376	92,074

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.



Yakoob Haji Karim
Chief Executive



Noman Yakoob
Director



Shahid Yaqoob
Chief Financial Officer

PAKISTAN SYNTHETICS LIMITED

Condensed Interim Statement of Changes in Equity (Unaudited)

For the quarter ended 30 September 2021

	Issued, subscribed and paid-up capital	Reserves			Total reserves	Total
		Capital reserve	Revenue reserve			
		Share premium	General reserve	Unappropriated profit		
		(Rupees in '000)				
Balance as at 30 June 2020	840,600	224,160	292,450	245,043	761,653	1,602,253
Total comprehensive income for the period ended 30 September 2020						
Profit for the period	-	-	-	92,074	92,074	92,074
Other comprehensive income	-	-	-	-	-	-
	-	-	-	92,074	92,074	92,074
Balance as at 30 September 2020	840,600	224,160	292,450	337,117	853,727	1,694,327
Balance as at 30 June 2021	840,600	224,160	292,450	987,669	1,504,279	2,344,879
Total comprehensive Income for the period ended 30 September 2021						
Profit for the period	-	-	-	315,376	315,376	315,376
Other comprehensive income	-	-	-	-	-	-
	-	-	-	315,376	315,376	315,376
Balance as at 30 September 2021	840,600	224,160	292,450	1,303,045	1,819,655	2,660,255

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.



Yakoob Haji Karim
Chief Executive



Noman Yakoob
Director



Shahid Yaqoob
Chief Financial Officer

PAKISTAN SYNTHETICS LIMITED

Condensed Interim Statement of Cash Flows (Unaudited)

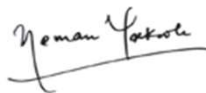
For the quarter ended 30 September 2021

		30 September 2021	30 September 2020
	Note	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		443,703	129,896
Adjustments for:			
Depreciation		72,692	60,686
Charge for staff gratuity		3,322	2,362
Profit on disposal of property, plant and equipment		(3,856)	(569)
Finance costs		32,211	47,903
Mark-up on lease liability		1,102	525
Unrealised gain on remeasurement of investment		(8)	(8)
Grant Income		(3,278)	(938)
		545,888	239,857
Changes in:			
Working capital	13	482,034	69,482
Long term loan to employees - net		(63)	(317)
Cash generated from operations		1,027,859	309,022
Staff gratuity paid		(2,333)	(1,751)
Financial charges paid		(26,465)	(60,905)
Taxes (paid) / refund received		(21,623)	73,075
Net cash generated from operating activities		977,438	319,441
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(362,293)	(67,275)
Proceeds from disposal of property, plant and equipment		9,700	3,000
Net cash used in investing activities		(352,593)	(64,275)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities		(2,783)	(3,784)
Long term diminishing musharka - net		54,357	76,660
Short term istisna and murabaha - net		(156,073)	(175,568)
Net cash used in financing activities		(104,499)	(102,692)
Net increase in cash and cash equivalents		520,346	152,474
Cash and cash equivalents at beginning of the period		(99,559)	(326,746)
Cash and cash equivalents at end of the period		420,787	(174,272)
CASH AND CASH EQUIVALENTS COMPRISE			
Cash and bank balances		420,787	52,576
Running finance under mark-up arrangement		-	(226,848)
		420,787	(174,272)

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.



Yakoob Haji Karim
Chief Executive



Noman Yakoob
Director



Shahid Yaqoob
Chief Financial Officer

PAKISTAN SYNTHETICS LIMITED

Notes to the Condensed Interim Financial Statements (Un-audited)

For the quarter ended September 30, 2021

1. STATUS AND NATURE OF BUSINESS

Pakistan Synthetics Limited ("the Company") was incorporated on 18 November 1984 as a private limited company in Pakistan and subsequently converted into a public limited company on 30 December 1987. The shares of the Company are listed on Pakistan Stock Exchange with effect from 27 June 1995. The principal activity of the Company is manufacturing and sale of Plastic Caps, Crown Caps, PET resin, Preform and BOPET resin. The registered office of the Company is situated at office no. 1504, 15th floor, Emeraled Tower, Block 5, Clifton, Karachi.

The manufacturing facility of the Company is situated at F-1,2,3 and 13,14 & 15, Hub Industrial Trading Estate, District Lasbella Balochistan and Plot No. A-5, N.W.I.Z, Port Qasim Authority, Karachi.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements have 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 Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan 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 with the requirements of IAS 34 or IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These condensed interim financial statements of the Company does not include all of the information required for annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended 30 June 2021. 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.

These condensed interim financial statements are being submitted to the shareholders as required by listing regulations of Pakistan Stock Exchange vide section 237 of the Companies Act, 2017.

2.2 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention, except as stated otherwise.

PAKISTAN SYNTHETICS LIMITED

2.3 Functional and presentation currency

These condensed interim financial statements are presented in Pakistan Rupees which is also the Company's functional currency. All financial information presented in Pakistan Rupees has been rounded off to the nearest thousand Rupee except where stated otherwise.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of audited annual financial statements of the Company as at and for the year ended 30 June 2021.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reporting amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience. Actual results may differ from these estimates.

The significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended 30 June 2021.

The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the annual financial statements as at and for the year ended 30 June 2021.

5. PROPERTY, PLANT AND EQUIPMENT

	30 September 2021 (Unaudited) (Rupees in '000)	30 June 2021 (Audited)
Operating fixed assets	2,055,121	2,123,102
Capital work in progress	440,195	85,916
	<u>2,495,316</u>	<u>2,209,018</u>

5.1 Following are the additions to property, plant and equipment during the period:

	For the quarter ended	
	30 September 2021 (Rupees in '000)	30-Sep 2020
<i>Additions / transfers from CWIP:</i>		
Building on leasehold land	-	57,040
Vehicles	7,627	-
Furniture and equipment	-	136
Computer accessories	387	-
Capital work in progress	354,279	67,137
	<u>362,293</u>	<u>124,313</u>

PAKISTAN SYNTHETICS LIMITED

	30 September 2021 (Unaudited) (Rupees in '000)	30 June 2021 (Audited)
6. STOCK IN TRADE		
Raw and packing material		
- in hand	583,726	361,732
- in transit	121,850	294,522
	<u>705,576</u>	<u>656,254</u>
Work-in-process	160,206	455,329
Finished goods	677,908	559,129
Provision for slow moving and obsolete stock	-	-
	<u>677,908</u>	<u>559,129</u>
	<u><u>1,543,690</u></u>	<u><u>1,670,712</u></u>
7. TRADE RECEIVABLES		
Trade receivables	1,351,100	1,267,612
Less: Allowance for impairment loss against trade receivables	(239,246)	(239,246)
	<u><u>1,111,854</u></u>	<u><u>1,028,366</u></u>
8. SHORT TERM BORROWINGS - SECURED		
<i>Conventional</i>		
Running finance under mark-up arrangement	-	65,373
<i>Islamic</i>		
Murabaha	183,567	271,769
Istisna	536,553	604,424
Running Musharaka	-	48,353
	<u><u>720,120</u></u>	<u><u>989,919</u></u>
9. CONTINGENCIES AND COMMITMENTS		
9.1 Contingencies		
There are no changes in the status of contingencies as disclosed in the annual financial statements for the year ended 30 June 2021 except for the matter mentioned in note no. 21.1.4. of the annual financial statements whose status is given below:		
The levy of Infrastructure cess case has been decided against the Company, therefore the Company along with other industrial importers challenged the decision of the High Court of Sindh in the Supreme Court of Pakistan. The Supreme Court granted an interim relief whereby Company has been required to furnish a fresh Bank Guarantee against 100% of the amount of Infrastructure cess involved.		
9.2 Commitments		
9.2.1	The Company has facilities of Rs. 2,650 million (30 June 2021: Rs. 2,500 million) for opening letters of credit. At 30 September 2021, the open letters of credits for stock in trade, stores and spares and capital commitment amounted to Rs. 407.02 million (30 June 2021: Rs. 516.581 million).	

PAKISTAN SYNTHETICS LIMITED

10. NET SALES

	30 September 2021 (Unaudited) (Rupees in '000)	30 September 2020 (Unaudited)
Local sales	3,174,478	1,866,384
Export sales	-	2,735
Gross sales	<u>3,174,478</u>	<u>1,869,119</u>
Less Sales tax	<u>(476,931)</u>	<u>(279,025)</u>
	<u><u>2,697,547</u></u>	<u><u>1,590,094</u></u>

11. TAXATION

Current tax	140,331	39,437
Deferred tax	<u>(12,005)</u>	<u>(1,615)</u>
	<u><u>128,326</u></u>	<u><u>37,822</u></u>

12. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. There is no dilutive effect on the basic earnings per share of the Company:

	Quarter ended	
	30 September 2021 ----- (Rupees in '000) -----	30 September 2020
Profit for the period	<u>315,376</u>	<u>92,074</u>
	----- (Number) -----	
Weighted average number of ordinary shares	<u>84,060,000</u>	<u>84,060,000</u>
	----- (Rupees) -----	
Earnings per share - basic and diluted	<u>3.75</u>	<u>1.10</u>

13. WORKING CAPITAL CHANGES

Movement in working capital

	Quarter ended	
	30 September 2021 ----- (Rupees in '000) -----	30 September 2020
Stores and spares	(308)	(36,537)
Stock in trade	127,022	24,585
Trade debts	(83,488)	119,956
Loans and advances	50,070	(23,095)
Short term deposits and prepayments	(4,238)	(12,626)
Other receivables	(5,000)	(11,391)
Short term investment	(76,556)	-
Long-term deposits and prepayments - net	832	(10)
Trade and other payables	<u>473,700</u>	<u>8,600</u>
	<u><u>482,034</u></u>	<u><u>69,482</u></u>

PAKISTAN SYNTHETICS LIMITED

14. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties comprise of entities over which the Company is able to exercise significant influence, entities with common directors, major shareholders, staff retirement benefits, directors and key management personnel. Transactions with related parties are entered into at commercial terms, as per the terms of employment and actuarial advice, as the case may be.

Details of transactions with and balances from / to related parties, other than those which have been specifically disclosed elsewhere in these condensed interim financial statements are as follows:

14.1. Related party transactions:	Quarter ended	
	30 September 2021	30 September 2020
	(Rupees in '000)	
<i>Key management personnel compensation</i>		
Managerial remuneration	13,089	11,628
Others	2,535	1,872

- 14.2. The directors and most of the executives of the Company are provided with free use of Company maintained cars.

15. Events Occurring After Balance Sheet Date

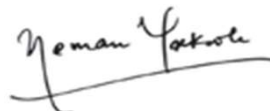
The Board of Directors of the Company in their meeting held on 6 September 2021 has proposed a final cash dividend of Rs. 2.5 per share amounting to Rs. 210.15 million and bonus issue of 1 share for each 10 shares held amounting to book value of Rs. 84.06 million for the year ended 30 June 2021. The approval of the shareholders of the Company for the dividend and bonus issue has been obtained at the Annual General Meeting held on October 22, 2021. The condensed interim financial statements for the quarter ended 30 September 2021, do not include the effect of the final cash dividend and bonus issue and the same will be accounted for in the condensed interim financial statements of the Company for the half year ended 31 December, 2021.

16. GENERAL

These condensed interim financial statements have been authorised for issue on October 28, 2021 by the Board of Directors of the Company.



Yakoob Haji Karim
Chief Executive



Noman Yakoob
Director



Shahid Yaqoob
Chief Financial Offi