

GAMMON PAKISTAN LIMITED

CORPORATE BRIEFING SESSION FY 2022-23

DATED: NOVEMBER 24, 2023

Disclaimer

- ▶ **During the course of this presentation we may make forward-looking statements regarding future events or the future performance of the Company. By its very nature, forward looking statements involve inherent risks and uncertainties, both general and specific and risks exist that the predictions, forecasts, projections and other forward looking statements may not be achieved.**
- ▶ **Gammon Pakistan Ltd., does not undertake any obligation to update or revise any of statement / forecast / projection, whether as a result of new information, future events or otherwise.**
- ▶ **When relying on forward looking statements you should carefully consider the political, economic, social and legal environment in which the Company operates.**

Flow of the Presentation

- ▶ **Economy and Construction Industry of Pakistan**
- ▶ **Gammon Pakistan Ltd.**
 - ▶ **Brief History of the Company**
 - ▶ **Brief on Financial Results for the year 2022-2023**
- ▶ **Future Outlook**
- ▶ **Questions / Answers**

Economy and Construction Industry of Pakistan - Year 2022-2023

- ▶ After nearly stagnating in FY 2023 (July 2022–June 2023), the economy appears to be turning over a new leaf in FY 2024. A USD 3 billion IMF bailout in July allowed the government to avoid an impending default and helped rebuild international reserves and unlock further funding from other creditors.
- ▶ During the outgoing fiscal year 2022-23 Pakistan has faced unprecedented challenges due to poor demand-driven policies of the previous government, devastating floods, and political uncertainty. In addition, the Russia-Ukraine war severely disrupted the global demand-supply balance which led to a commodity super-cycle resulting in slow down of the global economic growth to 2.8 percent in the current year from 6.2 percent. Above all, the poor economic management of previous government led the country to a near-default situation by the time the coalition government took charge. Inconsistent policies, unsustainable fiscal deficit, the exponential rise in public debt, economic uncertainties, and mounting circular debt have been the main ingredients of previous government's tenure.

Economy and Construction Industry of Pakistan - Year 2022-2023

- ▶ The last fiscal year of the previous government alone witnessed an overall fiscal deficit of 7.9 percent, and a trade deficit of US\$ 39.1 billion. In FY 2023, the government achieved significant economic gains in terms of improved external and fiscal indicators. As a result, even with a significant increase in debt servicing, the fiscal deficit reduced to 4.6 percent of GDP in July-April FY2023 against 4.9 percent for the same period last year, while the primary balance has been reverted from deficit to surplus. Furthermore, during the first eleven months of the outgoing fiscal year, the trade deficit is down by 40 percent and the current account deficit by 76 percent during July-April FY2023.
- ▶ The SBP weekly report released revealed that the country's total liquid foreign exchange reserves went down by \$308 million (-2.1%) on September 23, 2022, to \$13.76 billion, compared to \$14.07 billion one week earlier. The SBP reserves decreased \$8.005 billion, compared to \$8.346 billion a week earlier. However, these reserves increased earlier only when, the central bank received a \$1.2 billion tranche from the International Monetary Fund (IMF).

Economy and Construction Industry of Pakistan - Year 2022-2023

- ▶ The tranches are not the solution for strengthening our fragile economy. The government must undertake several drastic measures to revive the country's faltering economy. The last six months have seen some of the highest prices of energy the world over. Coupled with the political instability, the rolling blackouts and extremely high prices of electricity has driven many of our export-oriented business to closure.
- ▶ The new taxes imposed by the government on the real estate sector will badly affect the growth of the construction industry and largely increase unemployment.

Economy and Construction Industry of Pakistan - Year 2022-2023

7

- ▶ The fiscal year (FY23) wraps with the price of a 50-kg cement bag standing tall at an average Rs1145, highest average price ever recorded, with markets such as Islamabad and Lahore leading the way at Rs1150 and Rs1170 per bag. The two markets are also behind the largest hike in average prices, boosting the surge in average weekly price during the year of about 40 percent compared to the average weekly price last year.
- ▶ The price of all items related to construction purposes have increased, including cement, sand, crush, tiles, brick, concrete, paint as well as steel bars.
- ▶ “The surge in the price of steel is not artificial, it is interlinked with various factors including rapid currency devaluation. In a short span of just one year, the price of scrap increased by 26%, electricity increased by 79%, gas increased by 187%, the PKR devalued by 37%, cargo charges increased 220% and the financial charges have gone up by 107%,

SUMMARISE ECONOMY (Verbal)

Brief History of the Company

- ▶ The Company was incorporated under the repealed Companies Act, 1913 (now the Companies Act, 2017) on August 12, 1947 as a Public Company Limited by shares. Its shares are quoted on Pakistan Stock Exchange Limited (Formerly Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited).
- ▶ The principal activity of the Company is execution of civil construction works and Company intends to add up its working model in future as developers as well.
- ▶ The registered office of the Company is situated at Gammon House, 400/2 Peshawar Road, Rawalpindi.

Financial Results of the Company for the year ended June 30, 2023

9

Particulars	2023	2022
	Pak Rupees	Pak Rupees
Contract income	6,677,706	24,331,831
Contract expenditure	(16,804,360)	(26,240,916)
Net contract Profit / (Loss)	(10,126,654)	(1,909,085)
Operating Profit / (Loss)	1,882,801	(7,941,578)
Finance cost	(91,772)	(26,702)
Fair value gain on investment property	2,321,301	8,998,562
Profit / (Loss) before taxation	4,112,329	1,030,282
Profit / (Loss) after taxation	7,547,369	(6,367,572)
Earning / (loss) per share	0.27	(0.23)

Highlights of Financial Results of the Company during the year 2022-2023

10

- ▶ Revenue from projects has declined by 23% this year, as compared to last year, due to finishing works at ongoing projects, main events during the year are as under:
 - ▶ The Project at Fateh Jang is complete and we are in process of final bill and claims like escalation design change etc.
 - ▶ Project of Bridges on Old Bannu Road (dualization Project) is also complete and processing for final bill is underway.
- ▶ Despite financial constraints our efforts are in process to get further business. It is expected that some more work will be awarded to your company by some clients in the near future.

Highlights of Financial Results of the Company during the year 2022-2023

- ▶ **We are striving hard to acquire some mega projects with available options like JV with some financially strong company to pre-qualify for the project bidding. It will improve the company's financial position.**
- ▶ **After the Management change your company is in restructuring mode and our vigorous efforts are continued in favour of the Company.**

Highlights of the Subsidiary of the Company during the FY 2022-2023

Gammon Pakistan Precast Private Limited - **GPPL**

- ▶ We are pleased to inform that Gammon Pakistan Precast Private Limited made progress during the year and its further improved results are expected next year.
- ▶ GPPL will not only share the open market but will play major role in own development projects. I also feel amused to say that the model we are going to introduce in the market for precast products countywide for Clients, will bring good results. Preliminary work flow and clients response is encouraging for future business prospects.

Future Outlook

13

- ▶ Events after the reporting date (June 30, 2023):
 - ▶ There is no significant event to report after June 30, 2023 except that contract revenue for the first quarter FY 2024 is NIL due to closure of ongoing projects.
 - ▶ In view of the current economic and environmental uncertainties, GPL remains vigilant of the market dynamics and stands well-positioned to continue its existing growth momentum, focusing on improved service standards and expanding its footprint. The Company is poised to reap the benefits for future growth, Insha'Allah.
 - ▶ Despite financial constraints our efforts are in process to get further business. It is expected that some more work will be awarded to our company by some clients in the near future.

Questions / Answers

Thank You