

Bunny's Limited (BNL) stands proudly as a distinguished brand with an illustrious legacy spanning nearly four decades. Through our distinctive legacy and positioning we have earned recognition for producing high-quality, hygienic products that have garnered the loyalty of our valued customers. Notably, BNL holds a unique position as the sole public-listed bakery/snacks manufacturing company.

We would like to address recent concerns that have emerged due to an article published by Mettis Global. This article has raised questions about BNL performance and corporate governance practices, casting shadows on our reputation. We want to assure you that these concerns are without factual basis and are driven by misconceptions, distortions, and speculative assumptions. It inaccurately suggests that BNL is not only responsible for its statutory corporate obligations but also for the roles of its members, sponsors, and auditors – an assertion that does not align with factual reality.

Outlined below are responses to the assertions made in Mettis Global's article:

- **Unsuccessful Profitability Targets & Cowed Performance in 9MFY23**

The global economic landscape has been characterized by turbulence due to prolonged pandemic and commodity super cycle. Additionally, domestic economic and political instability have resulted into skyrocketing commodity prices and currency devaluation. None of these could have been forecasted four years back when projections were shared with the members. Luckily, we are in a business, where we can pass on cost escalations to customers but there are limits to everything and we have to keep purchase power of end-consumer under consideration. Secondly price hike is a follow up action and can't be done in advance of cost escalation and in times of inflation, there's an inherent disparity between costs and prices, leading to reduced profitability.

We'd like to highlight that Business Recorder's assessment provides a more accurate understanding of our situation, taking into account the challenges we were about to face due to escalating costs. In its corporate brief of BNL published in its daily issue of June 6, 2023 and while talking about future outlook, it says:

*"With food inflation showing no breather, the cost of BNL is sure to hike. Furthermore, high distribution cost and finance cost owing to unabated fuel prices and discount rates respectively will put further pressure on its bottom-line and margins. With steady demand growth and periodic price revisions, the company can, to some extent, pass on the onus to the final consumers and keep its bottom-line in the profit zone, yet, its margins are very much expected to take the hit in the coming quarter"*

BNL's management has been keeping its members informed about the turbulent economic and political situation, both internationally and domestically. All Directors' Reports of the recent past published along with periodic and annual financial statements have drawn specific references to these situations.



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Having said all that, BNL's management can't be held responsible for the less than forecasted profitability due to the suffocating factors outlined above. However, we are delighted to inform our shareholders that your Company has improved its supply chain, production processes, distribution and marketing strategy which will be helpful in better performance going forward.

- **Industry Peers Outperforming**

Drawing parallels between BNL and entities like NESTLE, Shezan, FCEPL, FFL, and PREMA is misleading due to the substantial differences in our business operations. Our unique supply chain, manufacturing processes, and sales strategies set us apart. We operate in different business dynamics that make direct comparisons illogical. It's crucial to understand that these entities function in industries with varied characteristics, rendering them incomparable peers.

- **Corporate Governance Red Flags**

It's important to clarify that the profiles of directorship candidates were uploaded / presented as part of legal obligations for the election of directors, not as a statement of the elected directors' profiles. This misconception on part of the author has led to an unjust portrayal of corporate governance concerns.

- **Appointment of Director without any Notice**

One of the independent directors resigned in February, 2023. The casual vacancy was filled within the stipulated time and the appointment was duly reported to SECP in prescribed way. Unfortunately, there was a communication lapse in reporting to PSX. We acknowledge this isolated incident and commit to preventing its recurrence.

- **The independence of Independent Directors**

The paragraph, as set out in the article, contains lot of hurling and misstated facts. Mostly it is a discourse of linguistic skills and doesn't merit a reply. Management takes this opportunity to inform its shareholders that BOD of the Company has two independent directors, Mr. Rafi-uz Zaman Awan and Mrs. Shahzi Khan and both are listed in Independent Directors Database maintained by PICG.

- **No Corporate Briefing since the start of Trading:**

The Company is actively coordinating with PSX to organize the Corporate Briefing Session (CBS) and assure shareholders that it will take place in the near future.

- **Insider Trading**

The Company has ensured statutory compliance regarding reportable transactions in shares of the Company in a timely and efficient manner. We hereby confirm to our shareholders that all the

  
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transactions of shares buy/sell by directors / substantial shareholders have been reported to SECP and PSX and have also been presented in the Board meetings. We further confirm that no shares transfers were made during close periods.

BNL as legal entity, though not legally obliged but for the sake of information to the shareholder of the Company and to further clear the glare of inside trading created by the article, contacted the sponsors. Their stated position is that none of the transactions as given in article leads to insider trading. Some of these were executed for the sake of mutual rights adjustment between sponsors and the others were their personal financial arrangements.

- **SECP Role**

After reading this paragraph, again and again, we have concluded that nothing specific has been produced here that concerns BNL and writer is acting as an angel advisor to SECP.

- **Auditor's Negligence**

In the weirdest of the ways, article says that companies should prioritize the quality of their auditors. The author perhaps has the least knowledge of legal framework of the country and has no clue that it is not company's responsibility to appoint Auditors. Under the law, appointment of the Auditors vests with the shareholders of the Company. M/S Aslam Malik and Company, statutory auditors of BNL, have been appointed for one year by the shareholders in last AGM. For any next term, shareholders will be at liberty to continue with the same Auditors or appoint any other, if they feel so.

For the information of shareholders, we state that M/S Aslam Malik and Company are QCR rated firm of chartered accountant and have been authorized by ICAP to perform external audits of the listed companies. In a list published by SBP, they are classified as "B category" auditor firm, along with 15 other firms, to audit certain banking Companies set up under Banking Companies Ordinance, 1962.

In the same paragraph of the article, few references have been made about insider trading, rumors of holding of shares under brokerage houses and some financing activities leading to insider trading. The author might have a better idea that how private transactions of shareholders fall under the scope of audit of a Listed Company.

BNL is not obliged to reply on conduct of the Auditors but ensures its shareholders that there has been no financial mismanagement on part of the Company. Further, the BNL hasn't done any financing activities or entered into any agreement based on shares of the Company. All the allegations made in the paragraph of the article are malicious, generic, without any specifics and seems to have made by someone having lesser knowledge of the corporate legal framework.



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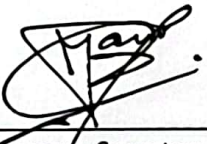


- **Unfulfilled Promises of Expansion Plans**

BNL has embraced responsible expansion by successfully introducing a fully automated bun and burger line. The installation and commencement of commercial production were duly reported to PSX. Further expansion awaits a conducive economic environment, as BNL remains dedicated to responsible and well-timed growth.

In these tumultuous times, BNL's unwavering commitment to adherence to legal requirements and reporting standards remains resolute. Despite the challenging economic backdrop, our operational efforts persistently strive for excellence. Our corporate committees are actively engaged and are overseeing core functions. It's important to recognize that judicious expansion decisions are pivotal in maintaining stability amidst economic uncertainty. As we look ahead, BNL's management is determined to uphold its expansion plans, ensuring they align with the right timing.

With utmost regards,

  
\_\_\_\_\_  
Company Secretary

  
\_\_\_\_\_  
CFO

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