



**Cherat Packaging Limited**  
A Ghulam Faruque Group Company

# NATURALLY

*Packaging your Future*

**ANNUAL REPORT 2023**





## **NATURALLY**

Our 3 decades-long journey has placed us as one of the leaders in the packaging industry. The belief in our values ingrained in every step is inherent as part of our nature. Our sustainable business practices honor the beauty of the world and the people around us, with whom we share a deep bond of trust; our stakeholders, people, and clients. We lead to show who we are to the world, and what the world is to us; ours and yours truly and naturally – Cherat Packaging Limited.



# ABOUT THIS REPORT

Cherat Packaging's Annual Report is the blend of Company's voyage of success and progress through values and objectives internalizing its core competitive advantage and value systems and externalizing through successful implementation of corporate strategy to achieve its vision and service to the society.

This report is prepared with an aim to provide users of this report, the Company's insight, strategic edge, risks & opportunities, current & future challenges and its strategic thinking that drives CPL to its success.

## **Our annual report focuses on three main functions:**

- Providing understanding of our business model, value chain, risks and its mitigation strategies;
- Providing Company's approach of achieving sustainable growth and achieve its short and long-term objectives; and
- Clearly identifying management strategies with its impact on financial results of the Company and value creation for the society.

In producing this report, we referred to the framework of International Integrated Reporting, requirements of regulatory bodies, International Financial Reporting Standards and Companies Act, 2017.

Going forward, we intend to make continuous improvements to our Annual Report as a medium of communication with our stakeholders.

**Reporting Scope:** Cherat Packaging Limited

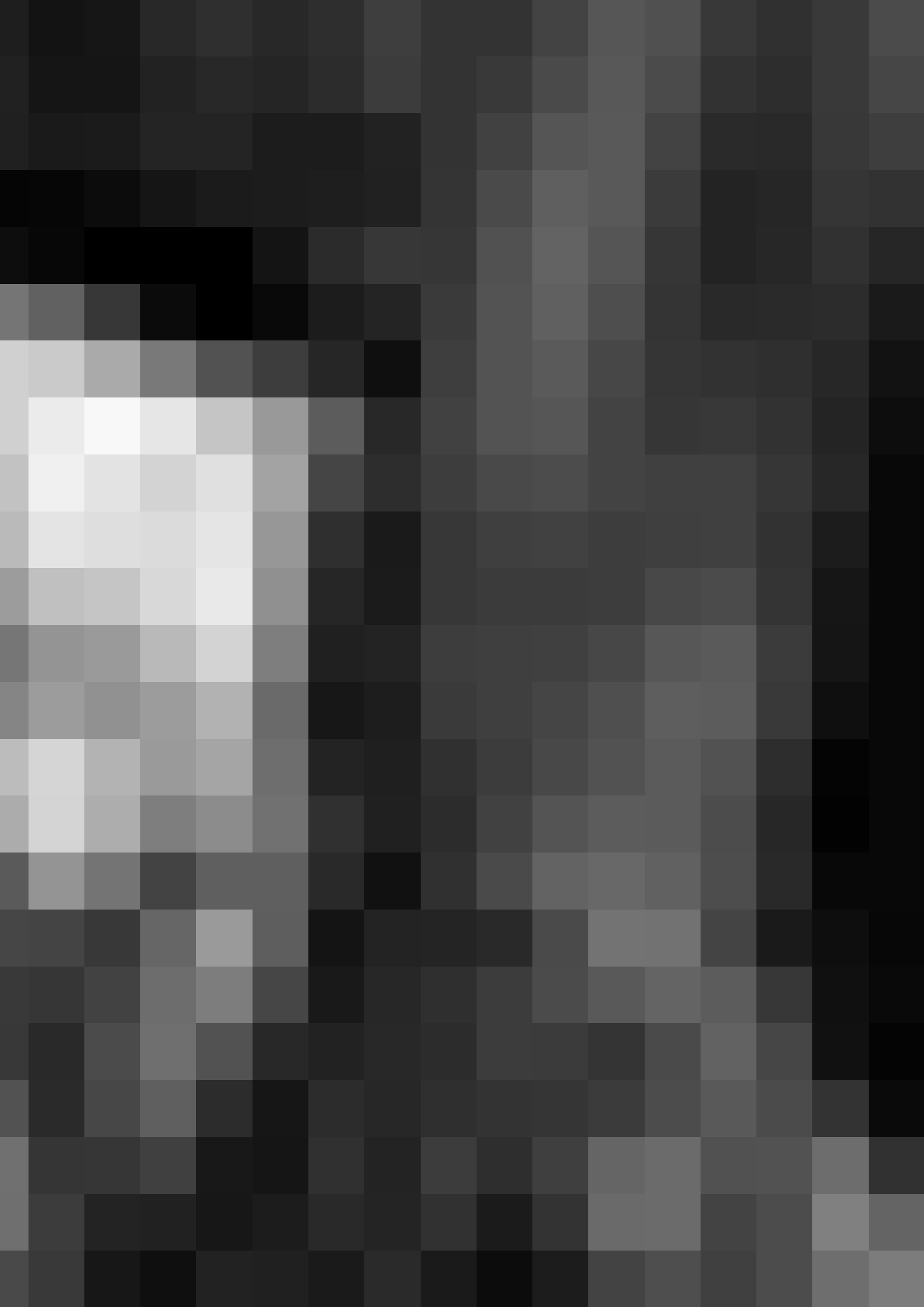
**Reporting Period:** July 01, 2022 to June 30, 2023

**Accounting standards:** International Financial Reporting Standards (IFRSs) are applied however, if contradiction between IFRS and Companies Act, 2017 occurs, requirement of Companies Act, 2017 shall prevail.



# TO PROTECT YOUR FUTURE..

Polar bears rely on sea ice to hunt and store energy for the summer and autumn when food can be scarce. Climate change, and the loss of sea ice habitat, is the greatest threat to polar bears. The impacts of this change are felt first and worst in the Arctic. - WWF Arctic Programme



**WE  
INNOVATE  
RELENTLESSLY,**

Roaming the seas for at least 500 million years, Jellyfish are transparent, are easily overlooked, and made of 95% water. The brain, aka "nerve net" allows jellies to sense their environments like changes in water chemistry, or the threat of a predator, helps jellies know whether they are facing up or down, and can also sense the presence or absence of light. Very good at surviving: Jellies have broad diets, reproduce quickly, can shrink down if food runs out, and then revive, and tolerate low-oxygen water. They are also very good at thriving in new ecosystems once they arrive. - Smithsonian Institution





# ... MAINTAIN WORLD CLASS STANDARDS,

The African lion, a symbol of strength, power, and ferocity, is the most social of all big cats and lives together in groups called "prides". To know the male lions age, the darker the mane, the older the lion. Male lions defend the pride's territory while females do most of the hunting. Despite this, the males eat first.  
- World Wildlife Fund



Orcas, also known as killer whales, are the largest member of the dolphin family. With a lifespan of over 90 years, Orcas are found in most marine habitats worldwide and are probably the second most wide-ranging mammal on the planet, after humans. They communicate in distinct 'languages' within their family groups and are infamous for their high intelligence and coordinated hunting tactics. - World Wildlife Fund

**..NURTURE..A HIGH  
PERFORMANCE TEAM..**



# ...PURSUE STRATEGIC COLLABORATION,

Honey bees have survived for millions of years by working together intensively. They also work together outside the hive: the symbiosis between bees and flowers is unique. Almost 90% of wild plants and 75% of leading global crops depend on animal pollination. One out of every three mouthfuls of our food depends on pollinators such as bees. – World Wildlife Fund






**...UPHOLD  
THE TRUST  
OF  
OUR STAKEHOLDERS,**

Tortoises have been around for over 200 million years – longer than lizards, birds, mammals, crocodiles, and snakes. They are associated with Feng Shui and other universal symbolism as a symbol of wisdom, endurance, and longevity. The longest living tortoise Jonathan was born in 1832 in Seychelles. – Animed Direct

# ...SUPPORT OUR COMMUNITIES,

The African Savanna (Bush) elephant is the world's largest land animal. Elephants are generally referred to as ecosystem engineers, because of the significant role they play in modifying and shaping the landscape. They often push over and uproot trees and these decomposing trees, in turn, create a new habitat for small mammals and thousands of insect species. Around 90% of African elephants have been wiped out in the past century - largely due to the ivory trade - leaving an estimated 415,000 wild elephants alive today. - *World Wildlife Fund*





Global warming is causing soils in the polar regions frozen since 40,000 years to thaw. As they thaw, carbon trapped within the soils gets released into the atmosphere. Carbon dioxide and Methane, when released into the atmosphere causes more warming, therefore a vicious loop that requires instant action to make it stop. - *UCAR SciEd*

**...REDUCE CARBON FOOTPRINT,**

# AND PROVIDE AN UNRIVALLED SERVICE..

Dolphins behave in ways that suggest intelligence and a sophisticated mind. Not only do they learn as individuals, but as individuals that can pass their knowledge onto others. They are notoriously talented mimics and quick learners; they demonstrate self-awareness, problem-solving, empathy, innovation, teaching skills, grief, joy and playfulness. - *Whale and Dolphin Conservation*

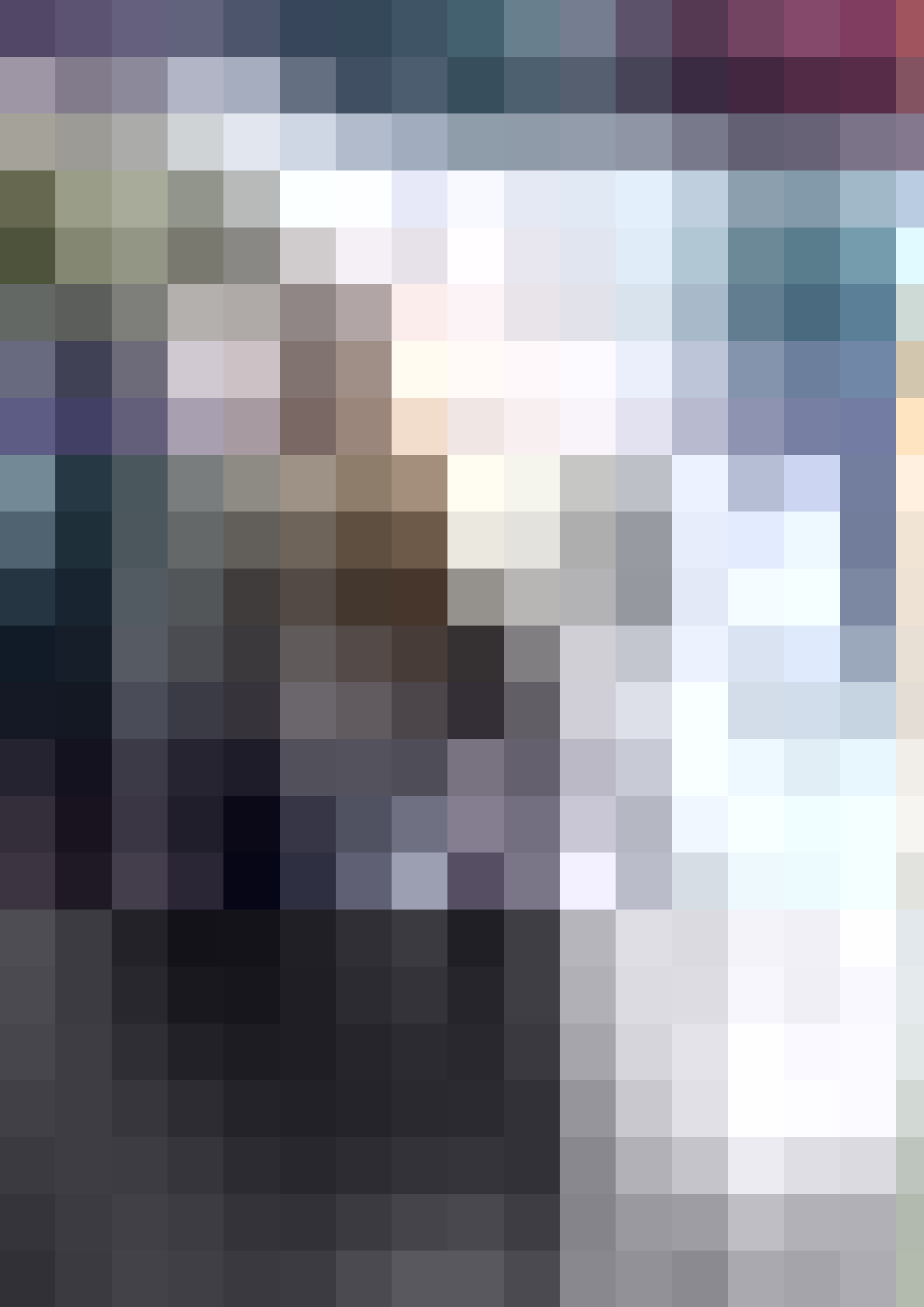


**WE LOOKOUT  
FOR YOUR FUTURE...**

**BECAUSE WE  
STRIVE TO BE...**



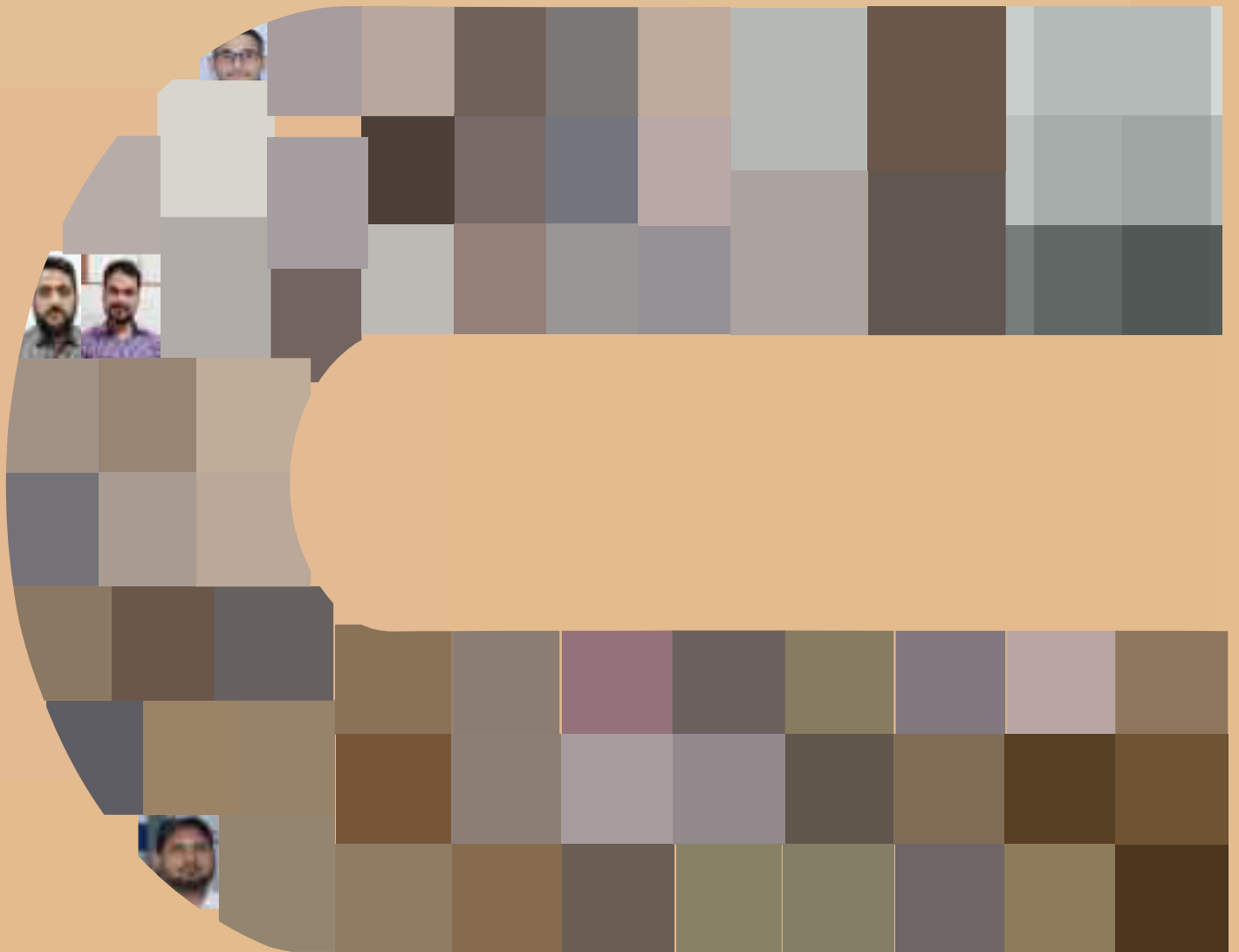
The Mute Swan, an aristocratic bird has a legacy as a luxury status. Recognised as a symbol of purity, love or fidelity because of their long-lasting monogamous relationships, it dates back centuries across various religions, cultures and mythologies, including Hinduism, Greek, Irish, Norse, Finnish and also in Nicaraguan and Chinese Literature. The monarch has a prerogative over all swans in England and Wales, a holdover from an era centuries ago when the regal avians denoted class, wealth and status. - *Smithsonian Magazine*



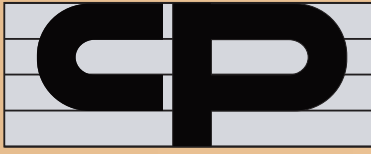
# THE PREMIUM PACKAGING COMPANY OF PAKISTAN



# WE ARE



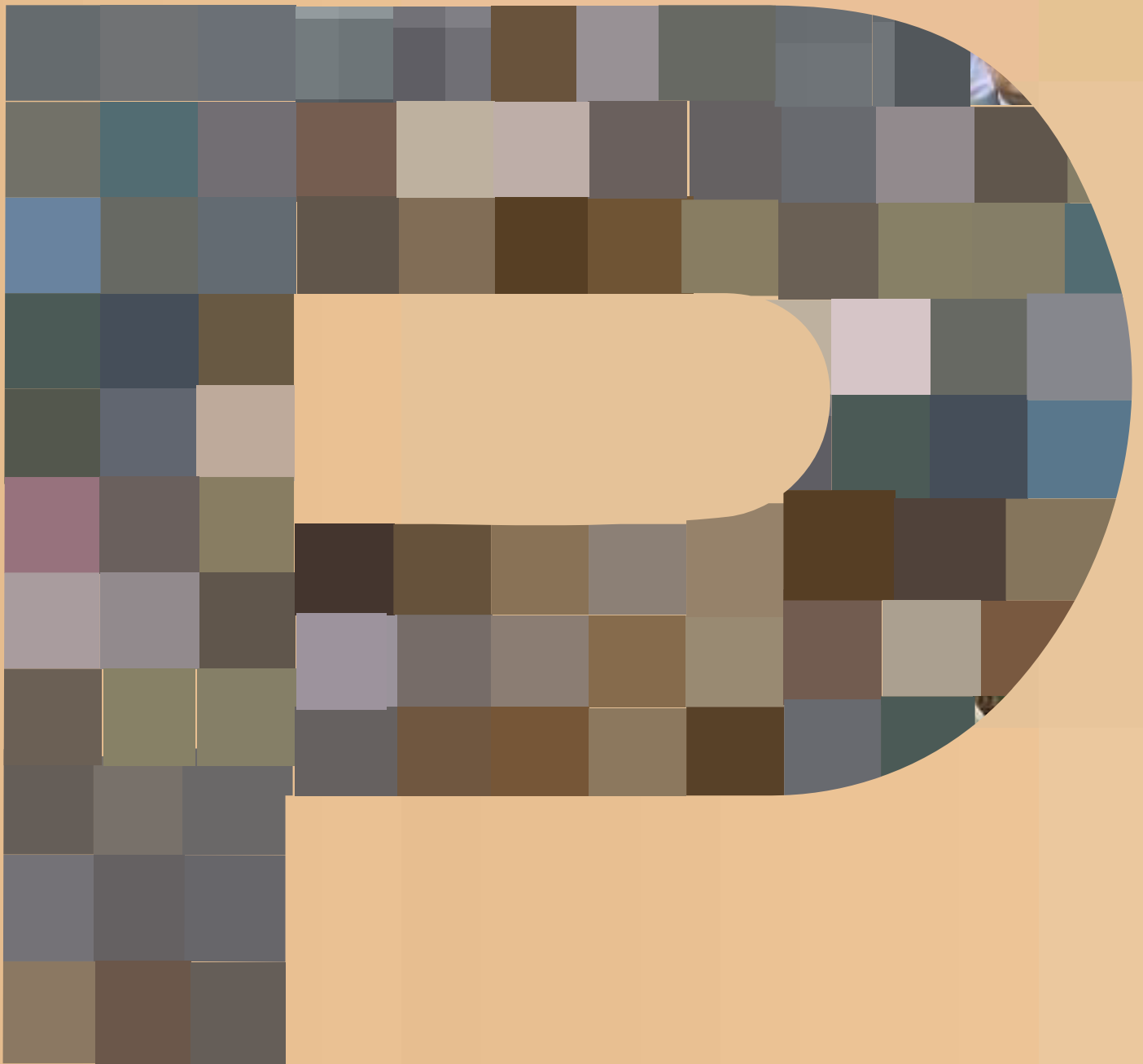
**CHERAT**



**PACKAGING**

# **Cherat Packaging Limited**

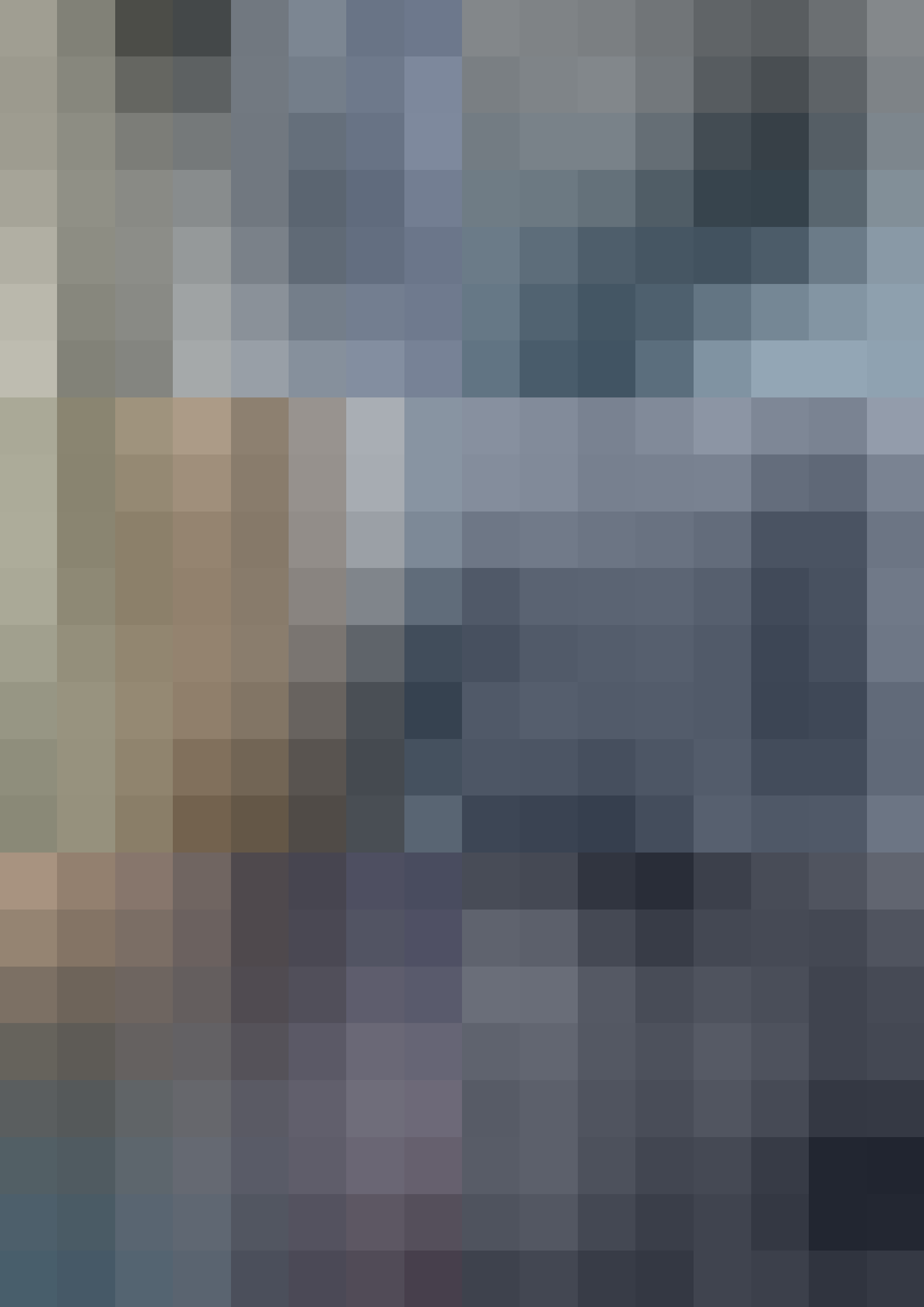
A Ghulam Faruque Group Company





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# NATURE OF BUSINESS

Cherat Packaging Limited (CPL) – a prominent name in the packaging industry – is a Ghulam Faruque Group (GFG) company. Established almost 34 years ago, CPL started its journey by producing quality cement sacks and became the leading manufacturer of cement sacks. Since 2011, the Company entered and soon became the leading manufacturer of Polypropylene bags. During 2018, the Company yet again achieved a milestone by launching its Flexible Packaging Division. The Company acquired state-of-the-art Plant and Machinery from the top manufacturers around the globe.

The Company is listed on the Pakistan Stock Exchange. CPL has a number of certifications and is a recipient of various prestigious awards including the Pakistan Stock Exchange’s Top Companies Award, Management Association of Pakistan’s Best Company Award and ICAP & ICMAP’s Best Corporate Reporting Award. CPL is the leading Company in the region to have production capability of producing bags from Kraft paper, Polypropylene and Flexible Packaging products.

The Company is also active in exporting bags to different parts of the world. We are supplying bags to sugar, wheat, chemical and other sectors as well. The plant has an annual production capacity of 660 million bags (Kraft paper and Polypropylene combined) and 16.2 million Kgs (Flexible Packaging material).

Cherat Packaging is well-known for its innovation and introduction of new products like 2-ply bags and lowest grammage PP bags without compromising on quality standards. CPL stands for providing its unmatched services in its new venture of Flexible Packaging.

# OUR CERTIFICATIONS

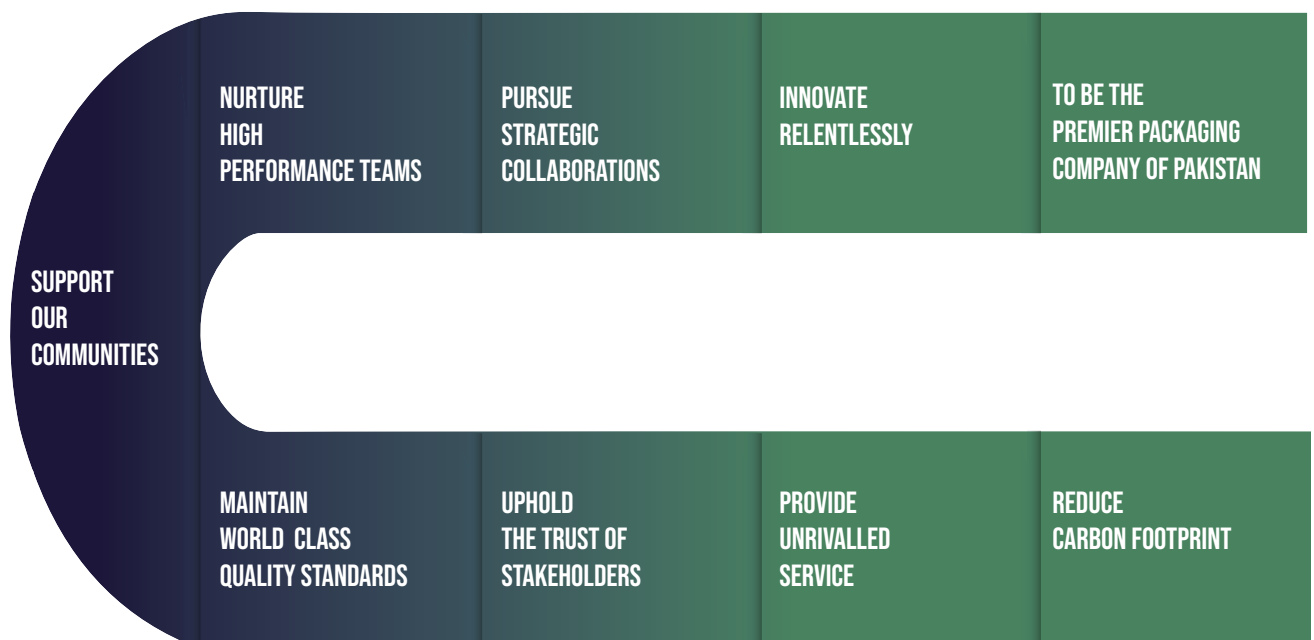


# PACKAGING YOUR FUTURE

## VISION

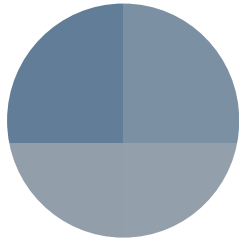
“  
PACKAGING  
YOUR **FUTURE**,”

## MISSION STATEMENT



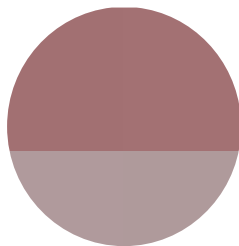


## OUR VALUES



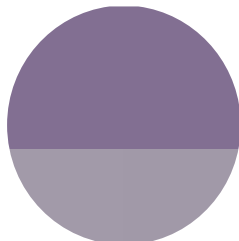
### **RESPECT**

is our way of life



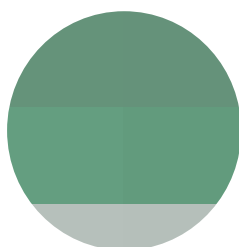
### **QUALITY**

is our legacy



### **FAIRNESS**

is our way of work



### **OWNERSHIP**

is our way to success



# CULTURE

Organizational culture in Cherat Packaging Limited is a manifestation of shared values and beliefs, which we practice every day to move towards a better and more successful organization. These shared values have a strong influence on the respective teams and help them in a win win outcome for both the employees and the organization. Our values provide the foundation of our culture and bind us into a world class team yearning to outperform the competition.

**OUR VALUES PROVIDE THE FOUNDATION OF  
OUR CULTURE AND BIND US INTO A WORLD CLASS  
TEAM YEARNING TO OUTPERFORM THE COMPETITION.**





# PACKAGING YOUR FUTURE

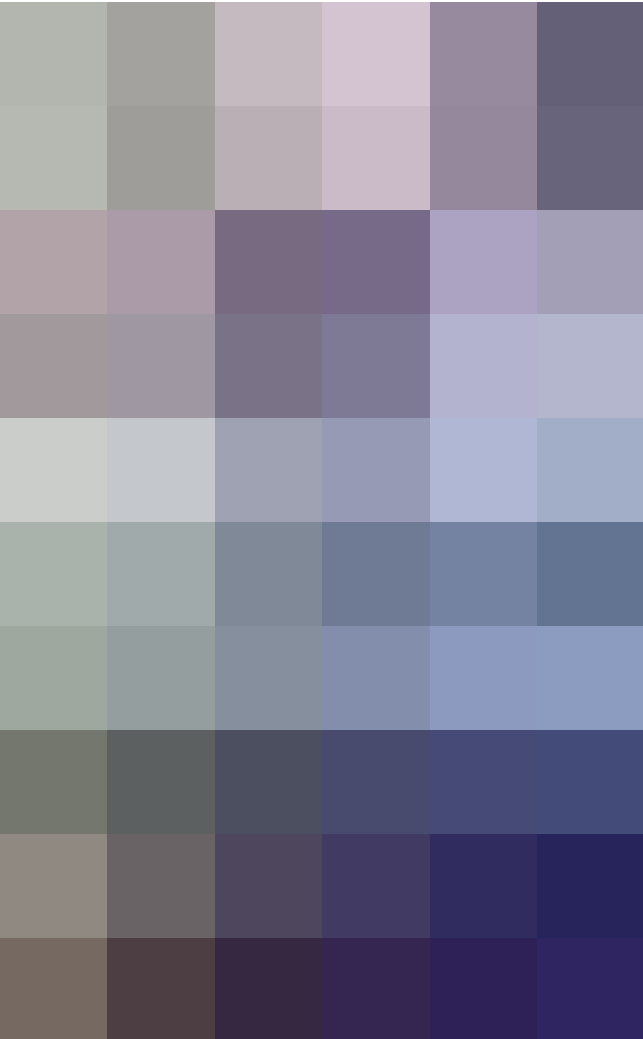
## ETHICS

Our Code of Conduct reflects our commitment to meet the expectations of our stakeholders and contains the fundamental principles and rules concerning ethical business conduct.

Cherat Packaging Limited is committed to conduct its business with honesty and integrity, and we expect all our employees to maintain high standards in accordance with the Code.

CPL's Code of Conduct forms an integral part of the terms of employment of all employees. The Company insists on full compliance and does not tolerate any misconduct and unlawful behaviour. Breach of the CPL Code of Conduct may lead to disciplinary action up to and including termination of employment.

It is the obligation of every employee to be responsible, honest, trustworthy, conscientious and dedicated to the highest standards of ethical business practices. The employees have a legal, moral and ethical responsibility to report to their Line Managers or Compliance Committee, any known or suspected violations of law, regulations and/or corporate policies.



**IT IS THE OBLIGATION OF EVERY EMPLOYEE TO BE RESPONSIBLE, HONEST, TRUSTWORTHY, CONSCIENTIOUS AND DEDICATED TO THE HIGHEST STANDARDS OF ETHICAL BUSINESS PRACTICES.**

# CODE OF CONDUCT

This Code of Conduct of the Company is based on the principles of, including but not limited to, Personal Conduct, Conduct in business dealing, Integrity and Honesty.

## Scope

This Code of Conduct is applicable to Directors, Senior Management and all regular and direct contract staff in the Company and its locations.

## Compliance with Law and Reporting of Violations

We firmly believe in good corporate governance and in providing advice concerning compliance with the Code of Conduct. All employees are encouraged to report any suspected violation of this Code of Conduct to their Line Managers (Functional Heads) who will report to the Chief Executive / Chief Operating Officer and/or as provided under the Whistle Blowing Policy of the Company.

The observance of the laws and regulations of the legal systems in which we operate, along with policies of the Company, is mandatory for all employees in all their dealings, be it with customers, suppliers, competitors, other employees, government bodies or others.

## Competition and Anti-trust Law

We obligate employees to strict compliance with Competition and Anti-trust Laws wherever the Company operates.

## Bribery and Corruption

We are committed to conducting our business in an open, honest and ethical manner in all the jurisdictions in which we operate and will not allow its employees to engage in any form of bribery or corruption in order to secure any kind of business advantage.

## Money Laundering

It is our policy to refrain from conducting business with persons or entities who are involved in criminal or illegal activities. All employees have to adhere to applicable anti-money laundering laws and regulations.

## Product Quality

We develop and manufacture high-quality products that meet all regulatory requirements and pursue quality beyond compliance in both our products and processes. We focus on regularly updating ourselves with technological advancements to produce under the highest standards and maintain all relevant technical and professional standards.

## Books, Records and Financial Reporting

The accuracy and completeness of our books, records and financial reporting is of critical importance for the Company. We fulfill all applicable legal obligations with regard to public filings and reporting.

## Ensure Confidentiality

It is our policy that no employee entrusted with confidential information about the Company, its suppliers, customers or other business partners may disclose such information to any third party or use such information for his or her personal benefit while employed with the Company or thereafter, unless prior written approval is obtained from a duly authorized person, unless it is public knowledge at the time of disclosure or the disclosure is required by law.

## Protection and Information Security

We have a policy that sets out rules on data protection and the legal conditions that must be satisfied in relation to the obtaining, handling, processing, storage, transportation and destruction of personal information. We comply with all applicable laws & regulations regarding the collection, processing and use of personal data. Any illegal collection, processing or use of personal data of our employees, suppliers, customers and third parties are strictly prohibited. All personal data must be safeguarded with appropriate care and protected against unauthorized access by third parties at all times.

## Handling and Safeguarding of the Company's Property

Employees must handle the Company's assets, property, proprietary information and intellectual rights for business purposes and not for personal benefits or gains and to make utmost efforts for the protection and efficient use of the Company's assets.

# PACKAGING YOUR FUTURE

## **Equal Treatment and Fair Working Conditions**

We are committed to promoting equality of opportunity for all staff and job applicants. We aim to create a working environment in which all individuals are able to make best use of their skills and abilities, free from discrimination or harassment, and in which all decisions or promotions are objectively based on merit. We do not tolerate any form of discrimination, harassment or bullying in the workplace.

## **Social and Corporate Governance**

We are committed to maintaining ethical leadership, advocating best practices, establishing comprehensive policies, implementing robust internal controls and engaging with shareholders and other stakeholders in a transparent and a fair manner.

We encourage employees to participate in philanthropic activities, including contributing to charities of their choice.

## **Personal Conduct and Legal Duties**

We encourage employees to improve competence and skills in their respective roles through continuing professional education, exercising due diligence, objectivity and sound judgement while performing their duties.

We also encourage employees to exhibit a high standard of personal conduct both inside and outside the Company.

## **Insider Trading**

The employees of the Company may not partake in practices like insider trading, concealment of facts, misusing of privileged information and must ensure compliance with all relevant laws and Company policies.

## **Diversity and Inclusion**

We are committed to promoting a diverse and inclusive staff composition and providing equal opportunities to all employees for employment in the Company irrespective of their culture, race, gender, caste, and religion. We do not tolerate intimidation and harassment in the workplace.

## **External Activities and Public Comments**

We do not permit employees to undertake external activities during the working hours or at the expense of their duties and commitments to the Company.

## **Health, Safety and Environmental Protection**

We are committed to complying with environmental laws and will strive to use eco-friendly technologies and practices to minimize our environmental footprint wherever reasonably possible. This includes making efficient use of natural resources and aiming to minimize the environmental impact of our activities and products.

We focus on all aspects of occupational health, safety and environmental protection. We identify and manage health, safety and environmental risks in our activities and over the entire value chain of our products and services.

We focus on customer satisfaction, employee well-being, ethical business conduct, community engagement and collaboration with government and regulatory authorities.

## **Avoiding Conflicts of Interest**

Employees may not engage in any activities, on or off the job that conflict with the Company's business interests, nor they may use their position with the Company for their personal gain or for the improper benefit of others. As a policy, conflicts of interest must be reported to Management.

# GROUP STRUCTURE

Since its inception, the Ghulam Faruque Group has continuously strengthened and diversified its lines of operations. Faruque (Pvt) Ltd is the Parent Company. Details and brief profile of other leading group companies / ventures are as follows:

## Faruque (Pvt.) Ltd.

Parent Company

Established in 1964 as a Parent Company of the Group, it primarily serves as an investment arm of the Group.



## Mirpurkhas Sugar Mills Ltd

Manufacture and selling of Sugar and corrugated Paper

### Sugar Division

Established in 1964, its principal activity is manufacturing and selling of sugar. It is located about 230 km from the port city of Karachi in Mirpurkhas and is listed on the Pakistan Stock Exchange Limited. The Company has a crushing capacity of 12,500 tons per day and is one of the most efficient sugar mills in Pakistan. Moreover, it is involved in development of higher yield sugar cane varieties on its experimental farms.

### Paper and Board Division

In order to further diversify its operations, the Company has setup a Paper and Board Project with the installed capacity 250 tons per day (TPD) at its existing location. The plant successfully started commercial production from May 2023. The project will serve to enhance the business prospects of the Company and will allow it to leverage synergies and enhance its revenues from avenues other than sugar.

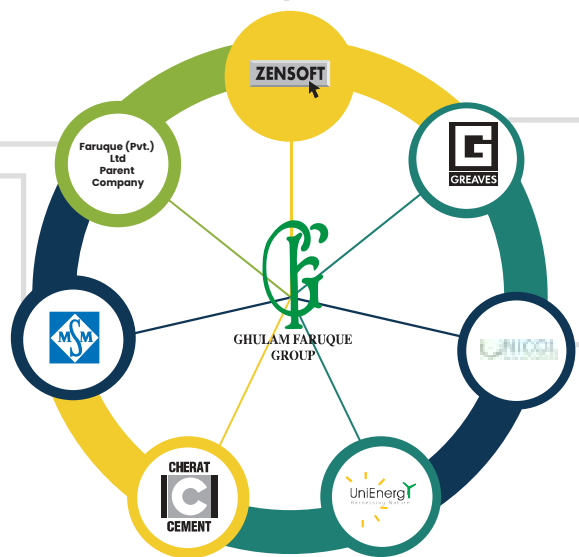


## Cherat Cement Company Ltd

Manufacturer of Ordinary Portland Cement and Composite cement

Incorporated in 1981 and its main business activity is manufacturing, marketing and sale cement with the brand name of 'Cherat' and Cherat Khyber 'respectively

The Company is amongst the pioneers of the cement industry in Pakistan and is the number 1 cement in its region. The Company has an annual installed capacity of around 4.5 million tons. The plant is located at Village Lakrai, District Nowshera, Khyber Pakhtunkhwa (KPK) province. Due to plant's geographical position, it is ideally located to export cement to Afghanistan as well as cater the local market needs. The Company is registered on Pakistan Stock Exchange Limited and is also an ISO 9001 and 14001 certified. It is also a recipient of several prestigious awards like South Asian Federation of Accountants (SAFA) Award, Business Excellence award in Export category, Pakistan Stock Exchange Top Companies Award, Management Association of Pakistan's Best Company Award and Best Corporate and Sustainability Report Award. Moreover, in order to remain abreast of technological advancements and bolster its operational infrastructure, the Company has successfully transitioned its incumbent SAP ECC system to S/4 HANA, concurrently incorporating the HR Success Factor module.



## UniEnergy Limited

Joint Venture for Renewable Wind Energy.

# PACKAGING YOUR FUTURE

ZENSOFT

## Zensoft (Pvt.) Ltd

Information Systems Services Provider Specializing in Business Software Solutions.

It was established in 1998 and is engaged in development of computer software. The Company specializes in providing high quality business solutions.



## Greaves Pakistan (Pvt.) Ltd

Providing Specialized Engineering Sales and Services

It was established in 1859 to provide specialized engineering equipment sales and services. However in 1964, the Group acquired a controlling interest in the shares of the Company and by 1981 Greaves became a wholly owned subsidiary of Faruque (Pvt.) Ltd. Greaves has the following divisions namely i) Power Generation, ii) CNG Equipment, iii) Industrial Machinery, iv) Solar Energy, v) LED, vi) Elevator, vii) Earth Moving & Construction Machinery, viii) Air Compressor ix) Fuel Dispenser and x) UPS.

### Greaves Airconditioning (Pvt.) Ltd

Equipment Suppliers and HVAC Solution Provider

Commenced operations in 1975, this is the only HVAC Company in Pakistan which is providing the complete one window HVAC solution to its customer including designing, supply, installation and maintenance of complete HVAC products range. Greaves Airconditioning is the sole distributor of Jhonson Controls International (York) products in Pakistan.

### Greaves CNG (Pvt.) Ltd

Retail Sales of CNG to end consumers

Greaves CNG was established in 2001 with a prime motive to install CNG facilities at the retail outlets of Petroleum Companies. It is a preferred third party investor for all major petroleum companies in Pakistan.

### Greaves Engineering Services (Pvt.) Ltd

HVAC Contractors

Established in 2003, its principal activity is to provide services associated with airconditioning, installation and maintenance of central and packaged units.



## Unicol Ltd

Joint Venture Distillery Producing Ethanol and Liquid Carbon Dioxide (CO2)

Unicol was incorporated in 2003 as a public unlisted company having a joint venture with equal shareholding between Faran Sugar Mills Limited, Mehran Sugar Mills Limited, and Mirpurkhas Sugar Mills Limited. All three sponsor companies are listed at the Pakistan Stock Exchange Limited. It is engaged in the production and marketing of the finest quality superfine ethanol being produced from molasses. Unicol produces various grades of ethanol including super fine ENA Anhydrous (99.9%), ENA (>96%), and B Grade (>92%). It is also engaged in the production and marketing of food-grade liquid carbon dioxide (LCO2). Unicol has an installed ethanol capacity of 56,000 MT per annum while LCO2 installed capacity of 18,000 MT per annum. Unicol exports its complete production of ethanol to various regions across the globe. Unicol is the proud recipient of the FPCCI Best Export Performance Award for 2021-22. Unicol has entered into an Asset Sales and Purchase Agreement to acquire the entire assets of Popular Sugar Mills Limited with TCD 8,000 plant capacity. This investment is intended to diversify the revenue stream of Unicol Limited and thus add future towards profitability for its shareholders.





# COMPANY INFORMATION

## Board of Directors

Mr. Akbarali Pesnani  
Mr. Amer Faruque  
Mr. Aslam Faruque  
Mr. Shehryar Faruque  
Mr. Arif Faruque  
Mr. Ali H. Shirazi  
Mr. Abid Vazir  
Mr. Sher Afzal Khan Mazari  
Ms. Maleeha Humayun Bangash

Chairman  
Chief Executive  
Director  
Director  
Director  
Director  
Director  
Director  
Director

Bank Al Habib Ltd  
Bankislami Pakistan Ltd  
Dubai Islamic Bank Pakistan Ltd  
Faysal Bank Ltd  
MCB Islamic Bank Ltd  
Meezan Bank Ltd  
The Bank of Khyber

## Audit Committee

Mr. Ali H. Shirazi  
Mr. Arif Faruque  
Mr. Shehryar Faruque

Chairman  
Member  
Member

## Share Registrar

CDC Share Registrar Services Limited.  
CDC House, 99-B, Block 'B', S.M.C.H.S.,  
Main Shahrah-e-Faisal, Karachi-74400  
Tel: 0800-23275 UAN: 111-111-500  
Email: info@cdcsrsl.com

## Human Resource and Remuneration Committee

Mr. Sher Afzal Khan Mazari  
Mr. Amer Faruque  
Mr. Aslam Faruque

Chairman  
Member  
Member

## Contact Us:

UAN: 111-000-009  
Email: info@gfg.com.pk  
Web: www.gfg.com.pk

## Director and Chief Operating Officer

Mr. Abid Vazir

## Registered Office

1st Floor, Betani Arcade,  
Jamrud Road, Peshawar  
Tel: (+9291) 5842285, 5842272  
Fax: (+9291) 5840447

## Chief Financial Officer

Syed Waqar Haider Kazmi

## Head Office

Modern Motors House,  
Beaumont Road,  
Karachi-75530  
Tel: (+9221) 35683566-67,  
35688348, 35689538  
Fax: (+9221) 35683425

## Company Secretary

Ms. Hina Mir

## Head of Internal Audit

Mr. Aamir Saleem

## Factory

Plot No. 26, Gadoon Amazai  
Industrial Estate, District Swabi,  
Khyber Pakhtunkhwa  
Tel: (+92938) 270125, 270221  
Fax: (+92938) 270126

## Auditors

EY Ford Rhodes  
Chartered Accountants

## Legal Advisor

K.M.S. Law Associates

## Regional Offices

## Bankers

Allied Bank Ltd  
Bank Al Habib Ltd  
Habib Bank Ltd  
Habib Metropolitan Bank Ltd  
Industrial and Commercial Bank of China Ltd  
MCB Bank Ltd  
National Bank of Pakistan  
Samba Bank Ltd  
Soneri Bank Ltd  
The Bank of Punjab  
United Bank Ltd

## Lahore

3, Sundar Das Road  
Tel: (+9242) 36286249-50, 36308259  
Fax: (+9242) 36286204

## Non-Banking Financial Institution

Pakistan Kuwait Investment  
Co. (Pvt) Ltd

## Islamabad

1st Floor, Razia Sharif Plaza,  
Jinnah Avenue, Blue Area  
Tel: (+9251) 2344531-33  
Fax: (+9251) 2344534, 2344550

## Bankers (Islamic)

Al Baraka Bank (Pakistan) Ltd  
Askari Bank Ltd  
Bank Alfalah Ltd

# JOURNEY AT A GLANCE

**1992**

Cherat Packaging Limited started production with one Tuber and one Bottomer having installed capacity of 50 million papersacks per annum.

**1996**

Installed 2nd Bottomer to the production line.

**1998**

Acquired ISO 9001 QMS Certificate.

**2003**

Added 2nd Tuber to the production line and thus increasing the total production capacity to 105 million paper bags per annum.

**2006**

Added 3rd Tuber and Bottomer to production line, making the total effective production capacity to 160 million paper bags per annum.

**2009**

Added 4th Tuber and Bottomer to production line. With this addition the total installed capacity reached 265 million paper bags per annum.

**2012**

Installed 1st PP Line having capacity of 65 million PP bags per annum.

**2013**

Installed 1st convertex of 2nd PP line increasing total capacity to 105 million PP bags per annum.



# PACKAGING YOUR FUTURE

**2014**

Installed 2nd convertex of 2nd PP Line and increased the capacity to 145 million PP bags per annum.

**2016**

Installation of 3rd PP Line having annual capacity of 50 million bags per annum.

**2017**

Arrival of Universal Papersack line with an annual capacity of 135 million bags per annum. Decision to enter in to the field of Flexible Packaging and signing of contract for acquiring main plant of Flexible Packaging project with Windmoller & Holscher and other suppliers.

**2019**

Completion of Flexible Packaging Project enhancing production capacity from 7.2 million Kgs to 12.6 million Kgs per annum.

**2018**

Installation of Universal Papersack Line  
–Installation of Roto & Flexo printers and laminator of the Flexible Packaging Division.

**2021**

Established LC for the import of 4th line of PP having production capacity of 65 million bags per annum.

**2022**

Commissioning of 4th PP Line having a capacity of 65 million bags per annum. Established LCs for 2nd Rotogravure printer and allied equipment.

**2023**

Commissioning of 2nd Rotogravure printer having capacity of 3.6 million Kgs per annum.

Established LC for 2nd Flexo Line Printer.

# HALL OF FAME



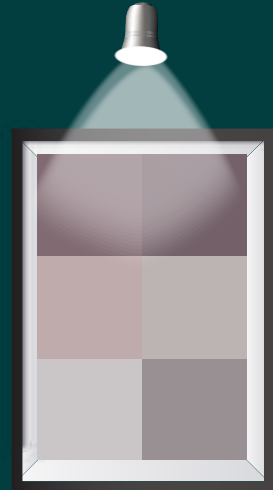
## Pakistan Stock Exchange Top Companies Award

Every year, Pakistan Stock Exchange acknowledges the performance of the Top Companies on the basis of comprehensive criteria, which includes Dividend Payout, Capital Efficiency, Profitability, Free-float of shares, Transparency, Corporate Governance & Investors Relations and Compliance with Listing of Companies & Securities Regulations.

The Company's outstanding performance has also been recognized by the Pakistan Stock Exchange and the Company has been awarded with the Top Companies Award for the year 2016 and 2020.

## Forbes: Asia's Best Under A Billion Company

In 2018, Cherat Packaging was also nominated for the Forbes- Asia's Best Under A Billion Company. Forbes annual Best Under A Billion list highlights 200 Asia-Pacific public companies with less than \$1 billion in revenue and consistent top and bottom-line growth. In 2018, candidates came from 13 countries and averaged 55% growth in sales, a 24% profit margin, and 113% growth in earnings per share.



## Corporate Social Responsibility Award

In February 2023, the National Forum for Environment and Health (NFEH) organized the 15th annual international summit for Corporate Social Responsibility (CSR) in Islamabad.

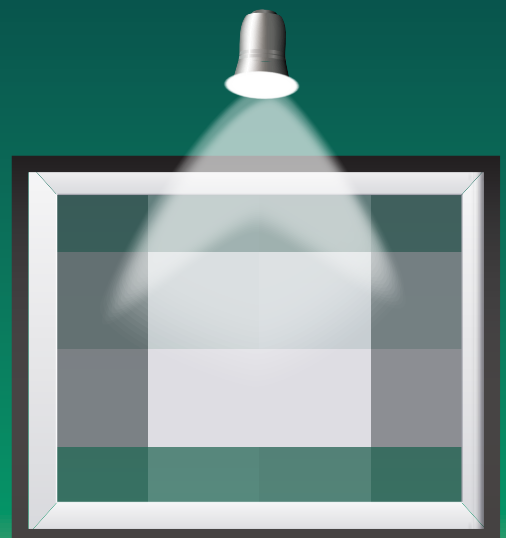
Cherat Packaging participated in the summit and was awarded the Corporate Social Responsibility Award in the category "Best Practices".

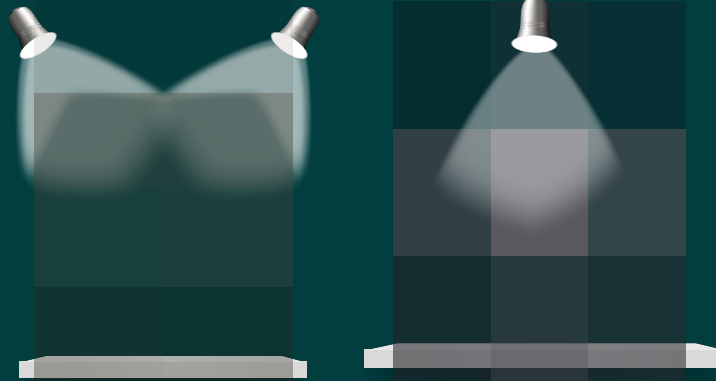
NFEH is affiliated with the United Nations Environmental Program (UNEP) and aims to facilitate, promote, and create awareness about environment, healthcare, and education among the masses in general and industries, corporate sectors, youth, and children in particular.

## Corporate Excellence Award

Management Association of Pakistan (MAP) recognizes and honors Companies showing outstanding performance and demonstrating progress and enlightened management practices. MAP conducts a financial evaluation followed by management practices appraisals, based on which it rewards the best managed companies in Pakistan by instituting the Corporate Excellence Awards. As Cherat Packaging Limited believes in transparent reporting and information symmetry, it nurtures the culture of adopting best management practices generally applied by the business community.

As a result, the company's outstanding performance was also recognized by the Management Association of Pakistan on account of Best Management practices. The Company was awarded Corporate Excellence Certificates and Awards in "Paper and Board" category for the years 2015 through 2019.





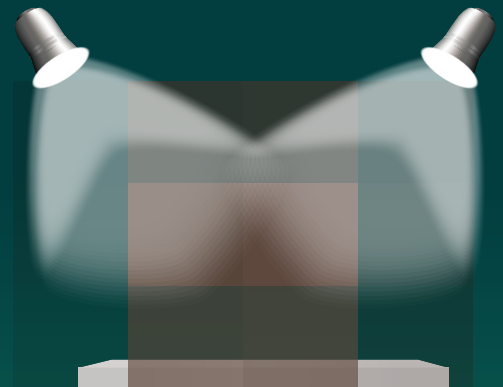
**Best Corporate Reporting Award ICAP & ICMAP**

The Best Corporate Report Awards are organized annually by a joint committee of Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP). These awards are based on the evaluation criteria which is focused to promote integrated thinking within the organization, inspired by the ‘Content Elements’ of the International Integrated Reporting Framework. The Awards aim to recognize excellence in corporate reporting and to promote accountability, governance and transparency by companies through the publication of timely, informative, factual and reader friendly information and disclosures.

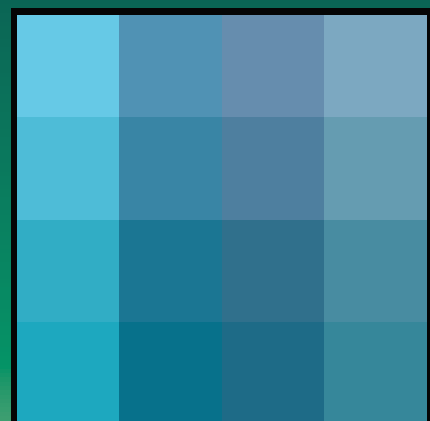
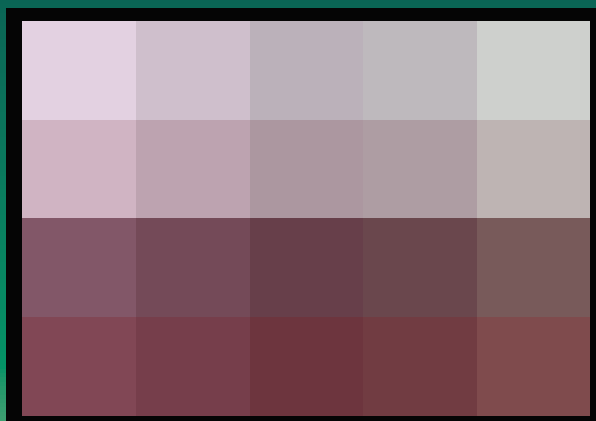
Cherat Packaging participated in these prestigious awards for the financial years 2014 to 2021 and secured 1st position in “Others Category” for all eight years. Additionally, the Company’s Annual Report 2017 and 2021 also secured overall 1st position and 3rd position nationwide respectively.

**South Asian Federation of Accountants (SAFA) Award**

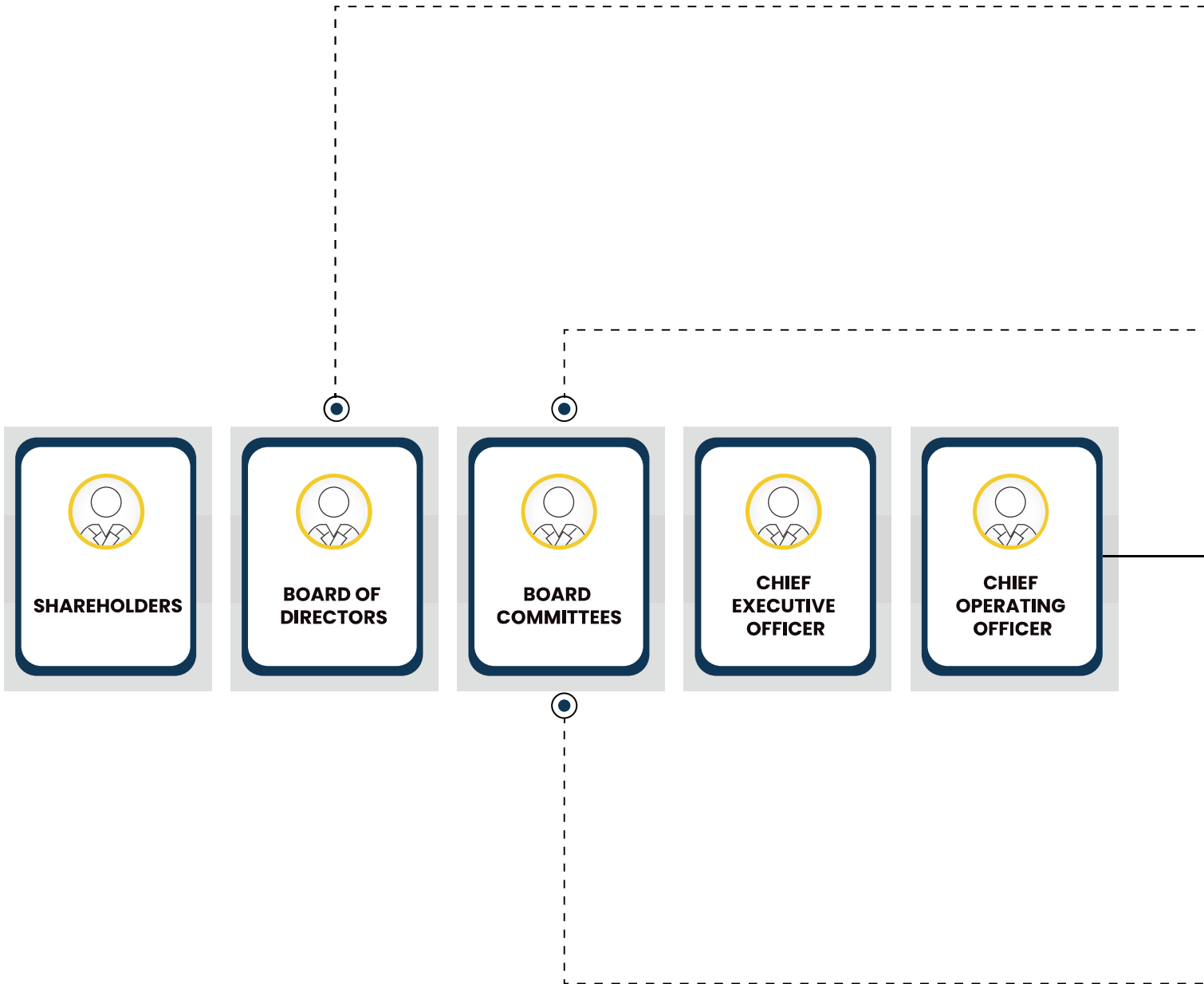
The SAFA Committee for Improvement in Transparency, Accountability & Governance (ITAG) annually announces the SAFA Best Presented Annual Report. These Awards are adjudged on the basis of evaluation of the annual reports of nominations received from the South Asian countries in accordance with the pre-defined SAFA evaluation criteria. The SAFA Best Presented Annual Report Award is considered the most prestigious accolade for financial reporting in the entire South Asian region.



In acknowledgment of its transparency in accounting practices and its outstanding achievement in presenting and disclosing high-quality, relevant, reliable, and objective financial statements in accordance with the international framework, Cherat Packaging Limited was honored with a joint bronze award in “Manufacturing sector” category of these awards held in Nepal in December 2022 for its Annual Report 2021.



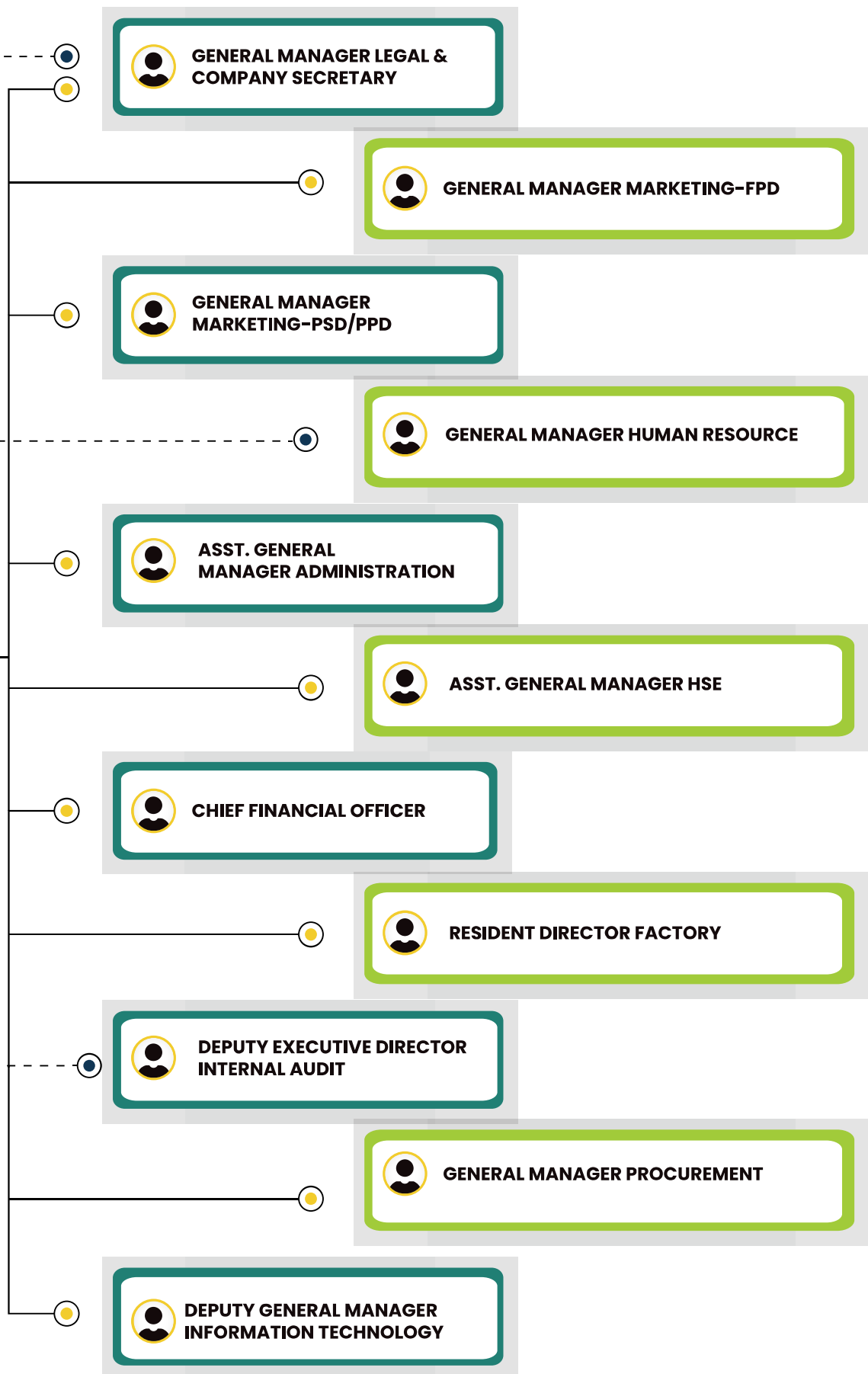
# ORGANIZATIONAL STRUCTURE



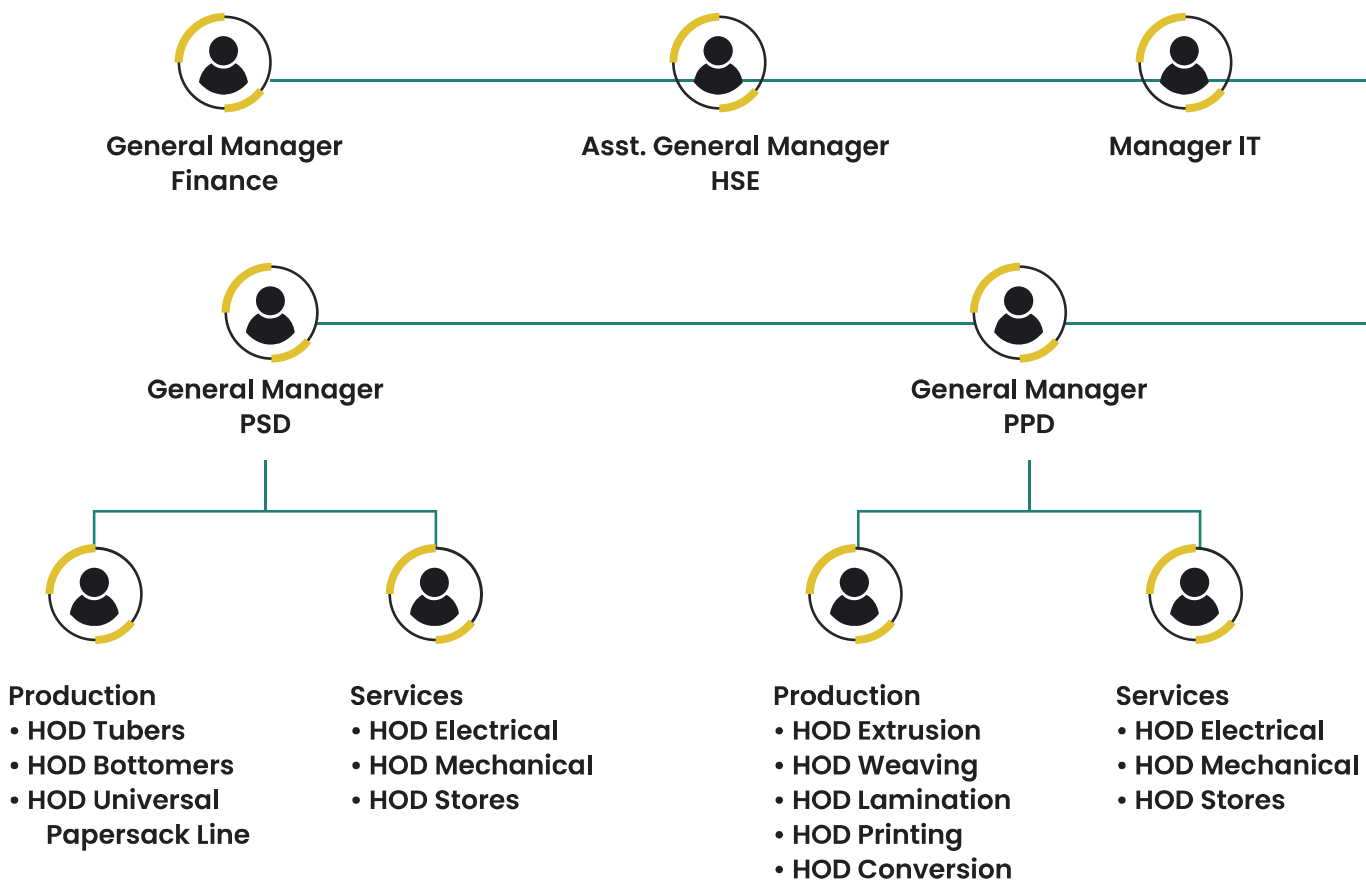
—— ADMINISTRATIVE REPORTING

- - - - - FUNCTIONAL REPORTING

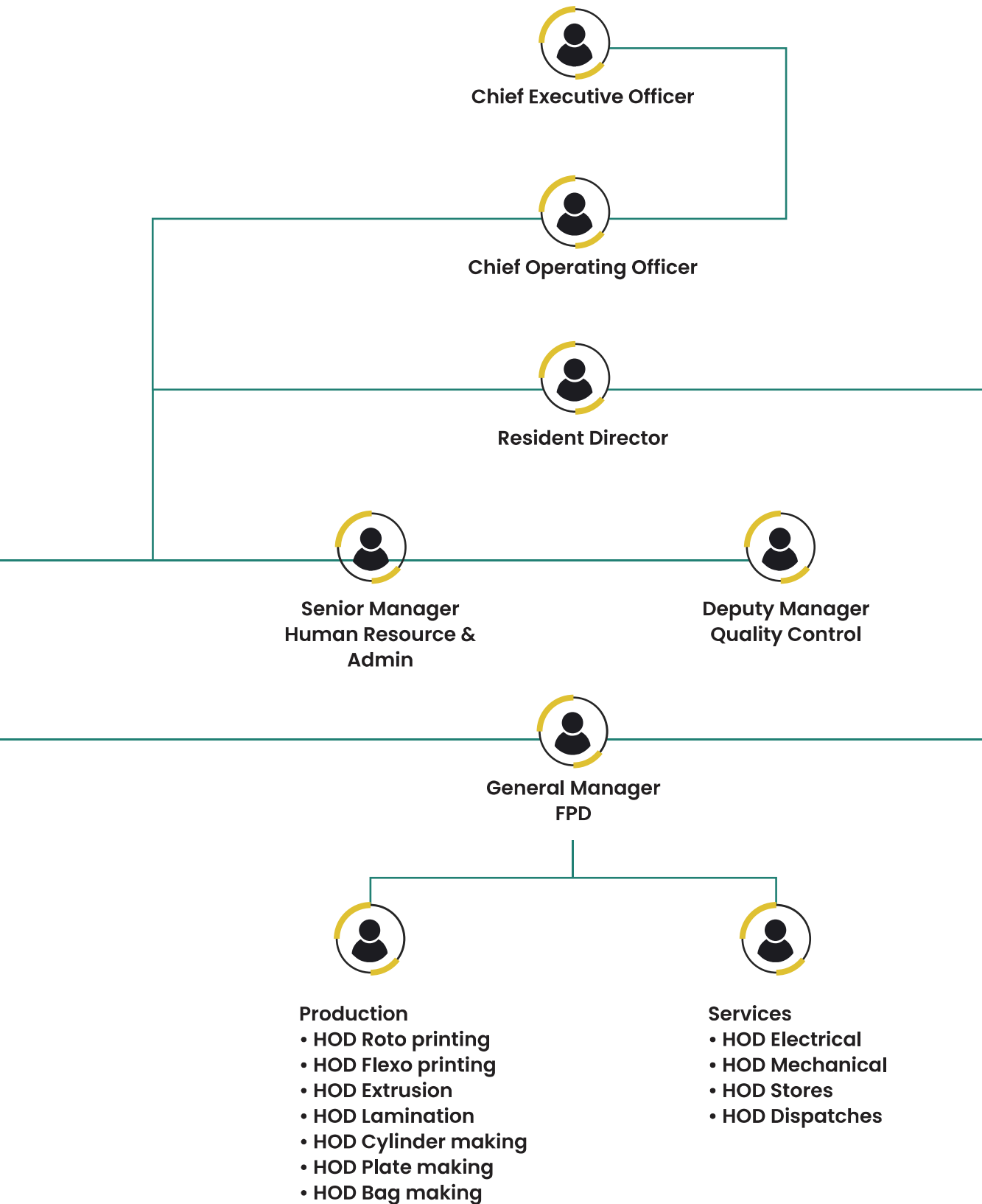
# PACKAGING YOUR FUTURE



# FACTORY SITE ORGANIZATIONAL STRUCTURE

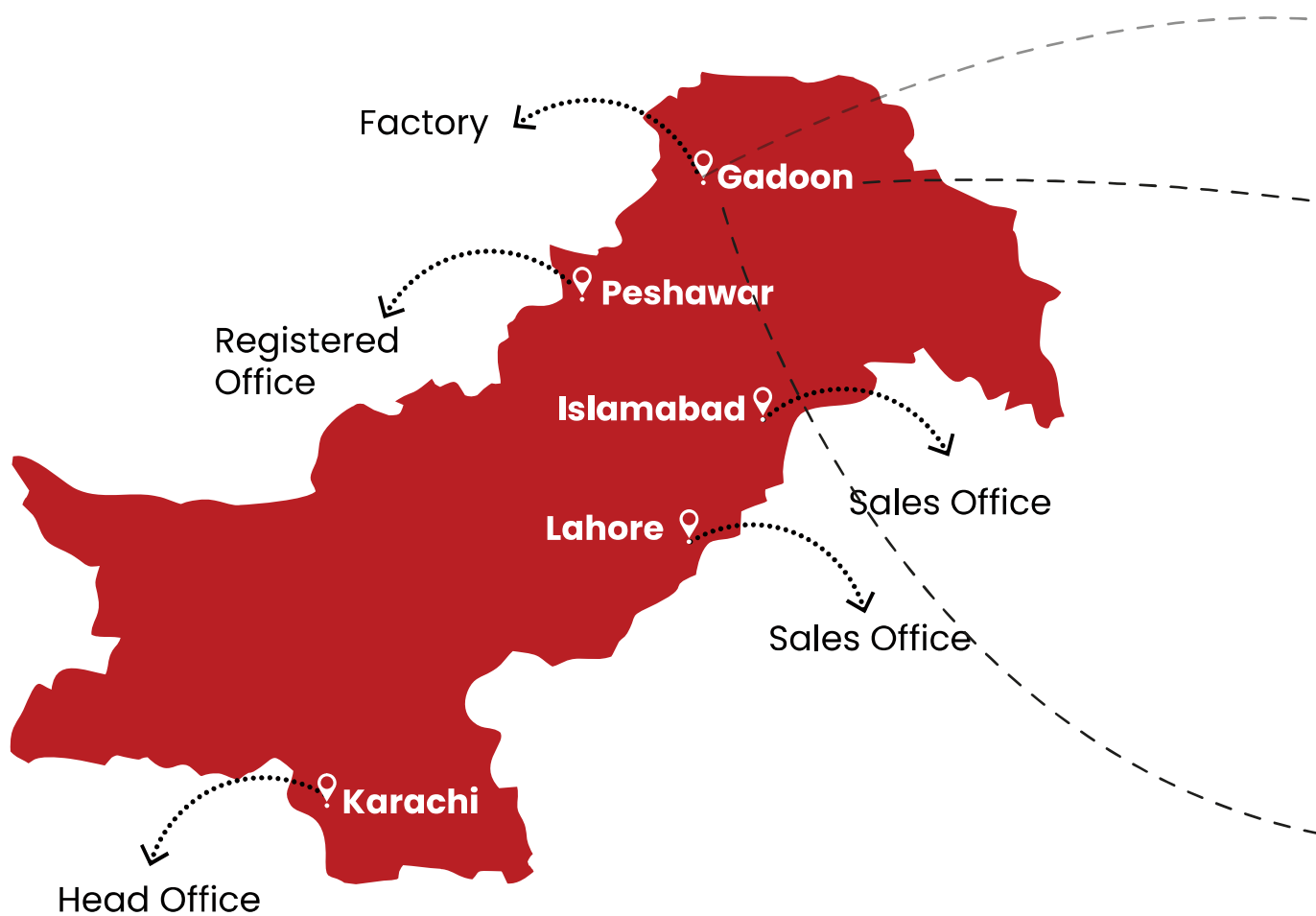


# PACKAGING YOUR FUTURE



# GEOGRAPHICAL PRESENCE

## Local presence





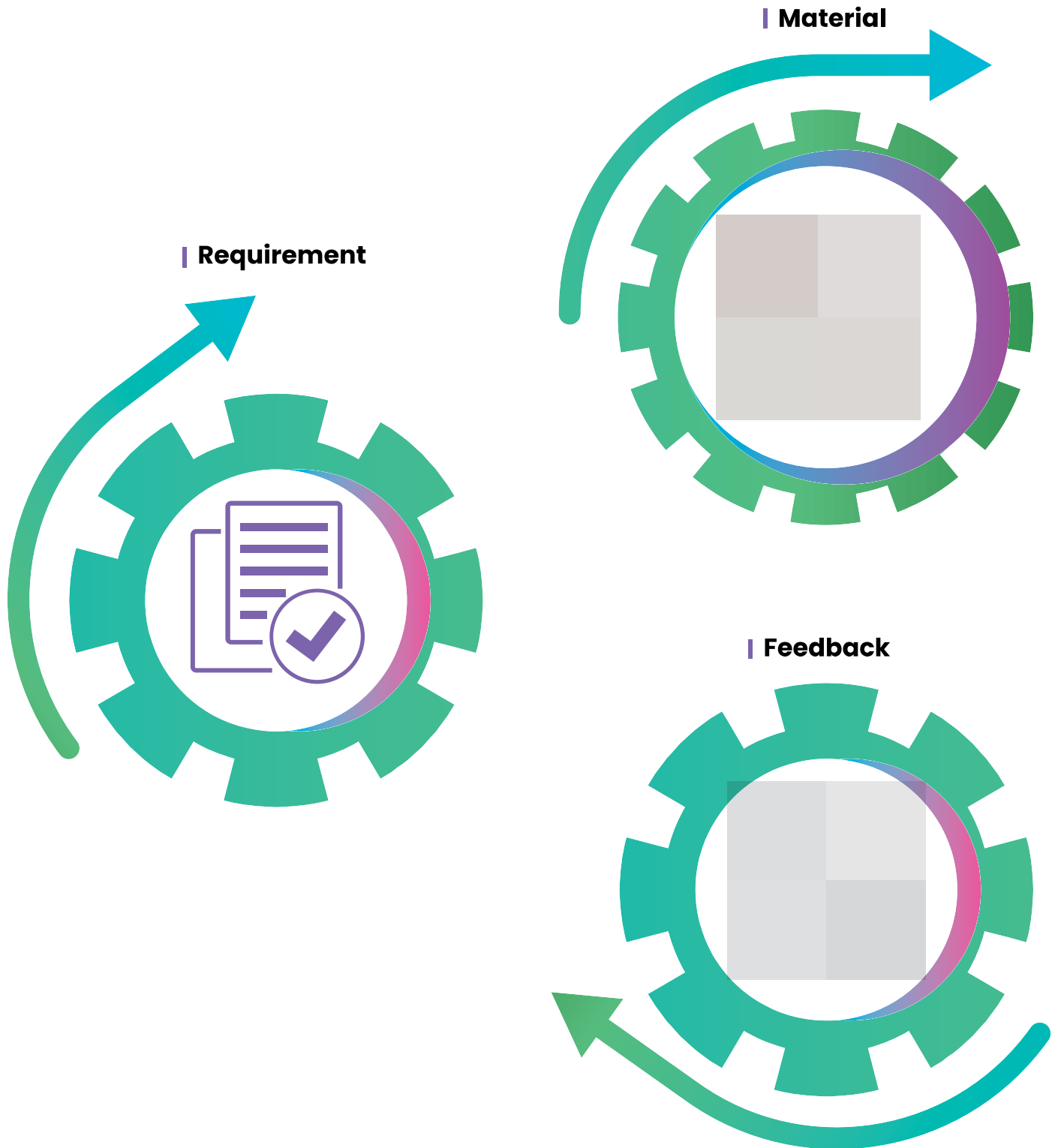
# PACKAGING YOUR FUTURE

## International presence



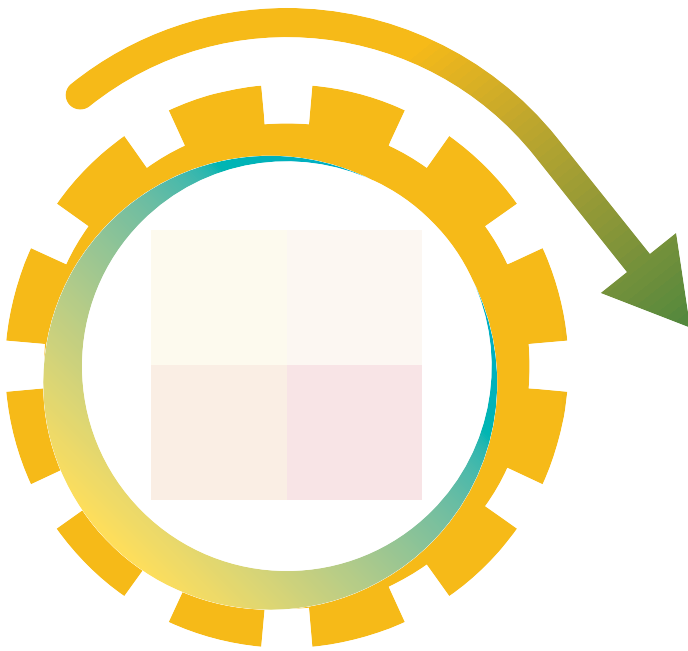
# POSITION IN THE VALUE CHAIN

Packaging impacts the sale-ability of a product. Therefore, quality packaging is the key to product success. Cherat Packaging Limited lies right in center of the product value chain.

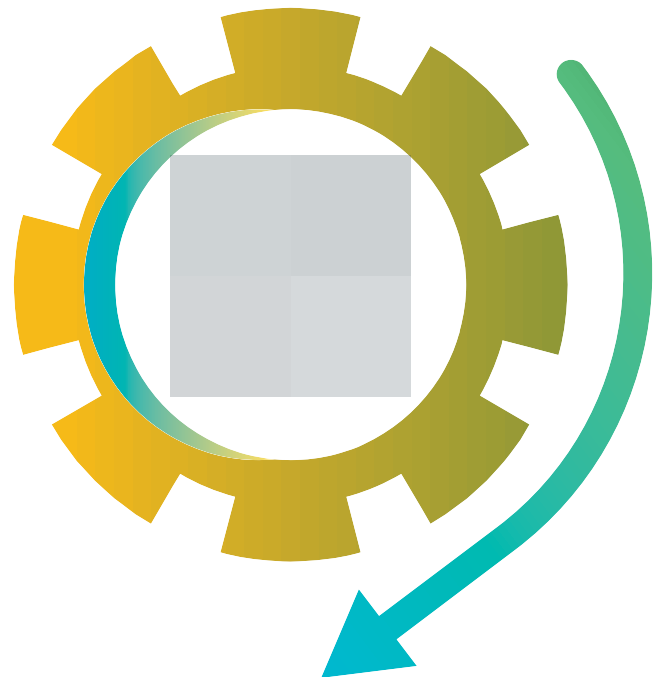


# PACKAGING YOUR FUTURE

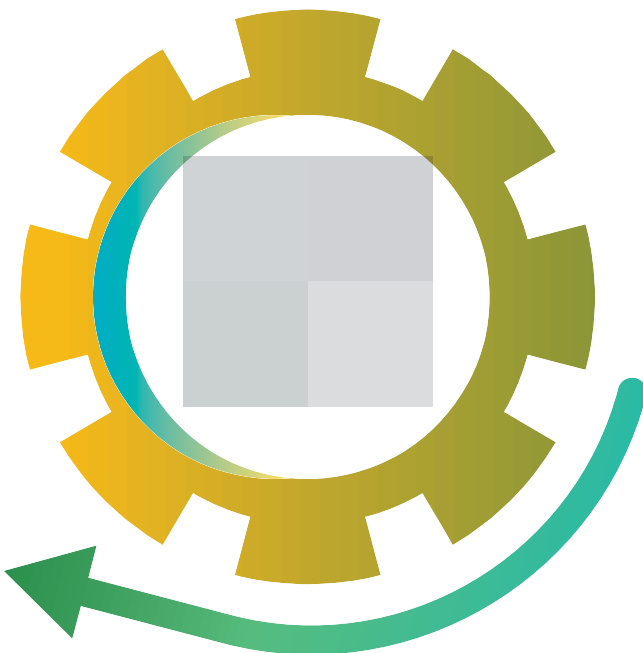
**Conversion  
Manufacturing  
& Printing**



**Shipment to  
Customers**



**Customer  
Experience**



# SIGNIFICANT FACTORS AFFECTING THE EXTERNAL ENVIRONMENT

It's not possible for an Organizations to work in a vacuum. Organizations are affected by its external environment. Some of these factors are listed and elaborated below:

Factors	POLITICAL	ECONOMICAL	SOCIAL
Description	Political factors determine the extent to which a government may influence the economy or a certain industry. Political uncertainty trembles the business environment.	Economic factors refer to the financial state of the country. A strong economy invigorates business and vice versa.	Social responsibility of a company cannot be ignored. The Company must play its role in betterment of society in which it operates. Health issues, education problems are among the social problems.
Significant change from last year	<ul style="list-style-type: none"> <li>- Political uncertainties.</li> <li>- Rifts among political parties</li> <li>- Interim Political Setup.</li> </ul>	<ul style="list-style-type: none"> <li>- Increased inflation.</li> <li>- High discount rates.</li> <li>- Exorbitant exchange rates.</li> <li>- Depleting foreign exchange reserves hampering import of raw materials.</li> </ul>	<ul style="list-style-type: none"> <li>- Continuous improvement in HSE department.</li> <li>- Natural catastrophe causing public unrest.</li> <li>- Increased awareness and expectations of society.</li> </ul>
Organization's response	The Company continuously analyzes and monitors the political situation of the country including changes in duty structures, taxes and other levies to mitigate any unwarranted affect.	<p>Cherat Packaging Limited has been on strong financial standing. The Company keeps optimal Debt: Equity ratio. Furthermore, it has negotiated competitive rates with various banks for its financing needs. Additionally, healthy relation with suppliers ensures timely supply of material at competitive rates.</p> <p>The Company monitors exchange rates closely. It plans its rapprochement of imported raw material keeping in view, the economic situations, international supply chain issues and outlook of exchange parity. The Company also considers hedging contract where necessary to dampen the impact of exchange difference.</p>	The Company always strives to be a part of social causes and for the betterment of society. For this purpose, the Company donates in various social causes including education programs and health & safety of society. On the business front, the Company has full-fledged HSE department which works for the betterment and welfare of workers at factory. The Company implemented ISO 45001 to comply with HSE international standards. As a responsible person, the company join hands with other welfare institutions & Govt in provision of food & rations in far flung areas to flood affectees and distribution of food to the less privileged people in the month of Ramadan.

# PACKAGING YOUR FUTURE

Factors	TECHNOLOGICAL	LEGAL	ENVIRONMENTAL
Description	<p>Technology plays a vital role in success of any Company. Technologically primitive companies often end-up being shutdown.</p>	<p>Companies are required to abide by various laws and regulations. Every responsible company must follow all rules and regulations laid by the Government.</p>	<p>Almost every manufacturing company has an impact on the environment. Climate changes and water shortage is the major area of concern.</p>
Significant change from last year	<ul style="list-style-type: none"> <li>- Fine tuning of Flexible Packaging machinery for product innovation.</li> <li>- Up-gradation of network and security measures.</li> <li>- SAP S/4HANA implementation.</li> </ul>	<ul style="list-style-type: none"> <li>- Companies Act, 2017.</li> <li>- Income Tax Ordinance.</li> <li>- Sales Tax Act.</li> <li>- SECP Acts, Rules and Regulations.</li> <li>- Code of Corporate Governance.</li> <li>- IFRS Amendments.</li> <li>- Labor and Environmental Laws &amp; regulations</li> </ul>	<ul style="list-style-type: none"> <li>- Implementation of EMS ISO 14001:2015.</li> <li>- Inclusion of Renewable energy including solar and hydel power.</li> </ul>
Organization's response	<p>The Company is equipped with latest technology to face the challenges of dynamic environment. Product innovation is inevitable to meet the ever changing customer demands. Therefore technological up keep of machinery is preordained. The Company continuously monitors and improves its networking infrastructure for smooth data processing and prevention from cyber threats.</p> <p>Viewing the developments in ERP environment and technological landscape, Cherat Packaging has implemented SAP S/4HANA.</p> <p>The Company acquired technical softwares &amp; hardware technologies which helped in identification and analysing of customer products unique requirements and to deliver the best possible.</p>	<p>The Company abides by all the laws enacted by Government. The Company has employed various professionals of respective fields so that the Company would strongly and strictly follow all the laws that are applicable to the Company.</p>	<p>The Company has always strived to work for the betterment of the environment. The Company has worked with an international agency on environment. The Company is fully compliant of NEQS standards.</p> <p>Company is EMS ISO 14001:2015 certified Company and abides by international rules on environmental protection. The Company is also receiving around 1 MW electricity [Pure Hydro Energy] under Wheeling Regime Energy Purchase Agreement from Pakhtunkhwa Energy Development Organization (PEDO). Moreover, the Company had installed, solar power project at its Flexible Packaging plant which have significant positive impact on environment. This helps Company to consume green energy, adding value to environment and also contribution to cost savings.</p>

# COMPOSITION OF LOCAL AND IMPORTED MATERIAL AND SENSITIVITY ANALYSIS DUE TO EXCHANGE FLUCTUATION

Cherat Packaging Limited is the leading company in Pakistan producing Kraft paper, Polypropylene bags and Flexible Packaging material. The Company mainly imports its raw materials for Kraft paper, Polypropylene bags and PE films however, some materials like films, inks and solvents etc. are procured from the local market.

The Company is exposed to foreign currency fluctuation not only for its direct imported raw materials but also for those materials which are although procured locally but materials are commercially imported by our suppliers.

Keeping all other factors constant, 10% increase or decrease in exchange rate during the year would have an impact of Rs. 756.49 million on profit before tax of the Company.

## RAW MATERIAL COMPOSITION



## SIGNIFICANT CHANGE FROM PRIOR YEAR

This year, the Company posted highest profit before tax in the history of Cherat Packaging. Despite of lower volumes than last year in BMD and finance cost putting pressure on company's profit, the Company showed growth in revenue on the back of higher FPD volumes and improved prices in both divisions due to market conditions. Further, increase in rate of super tax in recent finance act restrained net profit to Rs. 908 million.

During the year, the Company installed Roto Line II which enhanced production capacity by 3,600 tons per annum.

## COMPETITIVE LANDSCAPE AND MARKET POSITIONING

Cherat Packaging Limited is a diversified packaging company – with Paper, Polypropylene and Flexible Packaging segments. Cement, sugar, fertilizer, and chemical companies require both Paper and Polypropylene bags based on market acceptability and type of material to be packed and sold (industrial products) while FMCG companies demand Flexible Packaging. The Company's major revenue is derived from Bags Manufacturing Division (Paper bags and Polypropylene bags).

# PACKAGING YOUR FUTURE

Cherat Packaging is the leader in cement packaging while it is setting foot in Flexible Packaging industry. CPL gained a rich experience of thousands of man-hours during its journey of more than 34 years. The Company is focusing on expanding its market share and for Flexible Packaging, the Company is focusing to intrude deeper into FMCG packaging industry in the years to come.

## POWER OF SUPPLIER

Cherat Packaging values its suppliers as business partners. CPL has developed strategic partnership with top international raw material suppliers like Mondi Packaging and SABIC. Various raw materials are being procured locally like inks, solvents and various films for Flexible Packaging Division. The Company identifies finest suppliers and nurture strategic partnership with them. By virtue of these partnerships, the Company has preferred supply of raw material without unnecessary delays.

Further due to strong and long term relationship with our international raw material supplier the Company has uninterrupted supplies during unprecedented shortages of raw material.

## POWER OF CUSTOMERS

Cherat Packaging has a legacy of putting customers first. The Company is reputed for catering customer demands including development of cost effective solutions. The Company has a customer base with its reputation being a hallmark of quality.

## THREAT OF NEW ENTRANTS

The packaging industry has seen a rise in competition. New plants have been installed not only in Kraft paper and Polypropylene bags but also for Flexible Packaging material in the past few years. However, Cherat Packaging has a strategic edge over the others. The Company not only enjoys benefits of economies of scales, it also produced its name in the field of cement packaging. Further, cement expansions will create demand for packaging material in future. The Company is positioned well to cater large orders because of its state-of-the-art production facility, large production capacity, superior quality and top quality input materials.

## COMPETITION

Large number of producers in Flexible Packaging industry makes it one of the most competitive industry however, most of the suppliers are either small or disorganized that leaves a great potential for organized sector like Cherat Packaging. The Company already has Rotogravure and Flexographic printers, and Extrusion line all procured from top European suppliers. In support, the Company installed bag making, spout insertion machine, cylinder making machine, lamination machines and other auxiliary equipment that give boost to its unmatched production ability. Additionally, the Company, anticipating increased demand in Flexible Packaging material, established LC for the procurement of new Flexo Line.

## THREAT OF SUBSTITUTE PRODUCTS

Cement Packaging is done in Paper and Polypropylene hence makes them substitute to each other, however, CPL possess both Paper and PP production facility making it immune to any substitution between products. The Company has well positioned itself to cater future demands and growth. Revival of economy and increase in construction activity will benefit Company in the days to come.



# COMPETITIVE EDGE

The journey of Cherat Packaging is marked with HI TORQUE that defined its competitive edge it has developed over the years.

## HUMAN CAPITAL

CPL's success is on the back of great human potential. Cherat Packaging believes in efficient HR management, training and development, performance measurement and talent recognition. Cherat Packaging has diversified employee base with hundreds of man-hour experience.

## INNOVATION

Cherat Packaging has always been front runner in product innovation and product development. CPL's 2ply bags and lowest gram PP bags are unmatched with respect to price and quality.

## TOP SUPPLIERS

Cherat Packaging believes in procuring best quality raw material from top suppliers. The Company sources its core raw material from Mondi Packaging and SABIC while local material are sourced from various local suppliers after robust quality checks at our state-of-the-art lab.

## OUTSTANDING CUSTOMER SUPPORT

Cherat Packaging values its customers as business partners. The Company envisages its success in the success of its customers. Cherat Packaging regularly holds meetings with its customers for their specific requirements and helps them in development of new product packaging.

## REGULAR EXPANSIONS

CPL has been expanding exponentially over the last decade. With a humble start of 1 tuber and 1 bottomer in 1992, the Company is now a leading packaging company with a combined capacity of 660 million bags and 16.2 million KGs of Flexible Packaging material.

## QUALITY

Cherat Packaging pledges not to compromise on quality. Today, quality and CPL are synonymous in packaging industry.

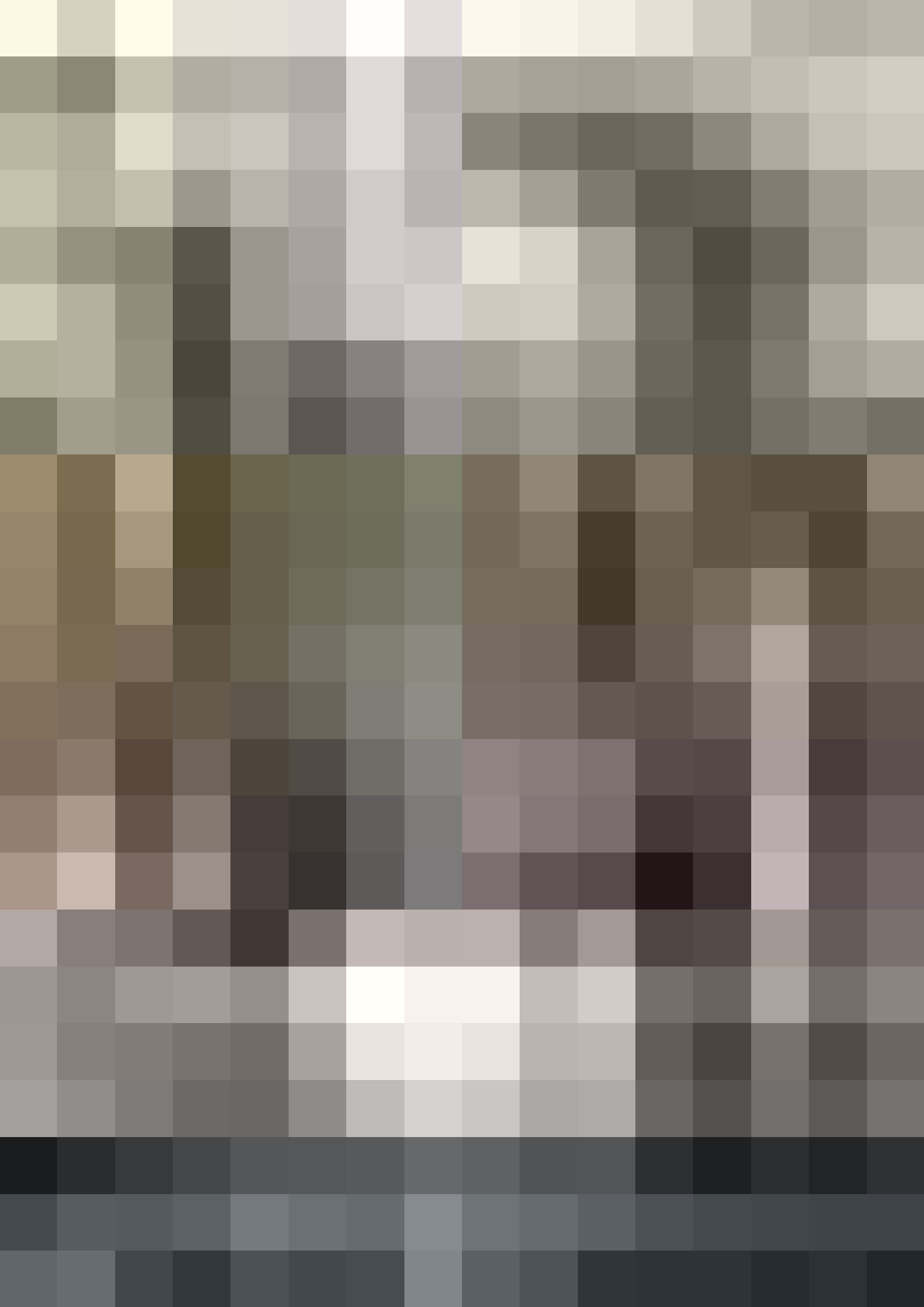
## UNMATCHED PRODUCTION FACILITY

CPL's production facility includes state-of-the-art latest machinery procured from top European companies. This facility enables the Company to produce finest quality packaging material for its customers.

## ECONOMIES OF SCALE

Being the leading Company to contain facility of Kraft paper bags, Polypropylene bags and Flexible Packaging Material, the Company enjoys economies of scale. Many functions of the Company fall under common umbrella significantly reducing its redundant costs.







# KEY REOURCES AND CAPABILITIES

Cherat Packaging Limited is ardent in delivering best services and add value to customer needs. The Company has state-of-the-art machinery together with vast experience in packaging business of hundreds of man-hours and top suppliers which enable us to add value to the customer packaging needs and provide cost effective solutions.

## **SAP Enterprise Resource System**

Cherat Packaging is one of the few companies to install SAP solution in packaging industry. The Company has well-established in-house IT department which caters all the customization needs of the Company. The Company successfully customized SAP system to cater Polypropylene and Flexible Packaging business. Additionally, the Company's IT department, generates customized reports as required by departmental personnel from time-to-time to enhance decision making. Viewing the capabilities of SAP S/4HANA, the Company successfully migrated to SAP S/4HANA, further, it has also implemented SAP Success Factor.

## **Diversified Business**

Cherat Packaging is the only Company in packaging industry which has production capabilities to produce paper bags, PP bags and Flexible Packaging products. CPL is the only Company in Pakistan which can produce various bags of different combinations using paper, PP and flexible packaging materials together and provide unique solutions to its customers.

## **Energy Efficient And Cost Minimization**

The Company utilizes modern state-of-the-art technology and machineries including Windmoller and Holscher plant which assists in achieving the Company's objectives to utilize its scarce resources in cost-efficient manner. Furthermore, the Company have installed Solar panels at its Site to enable further cost savings.

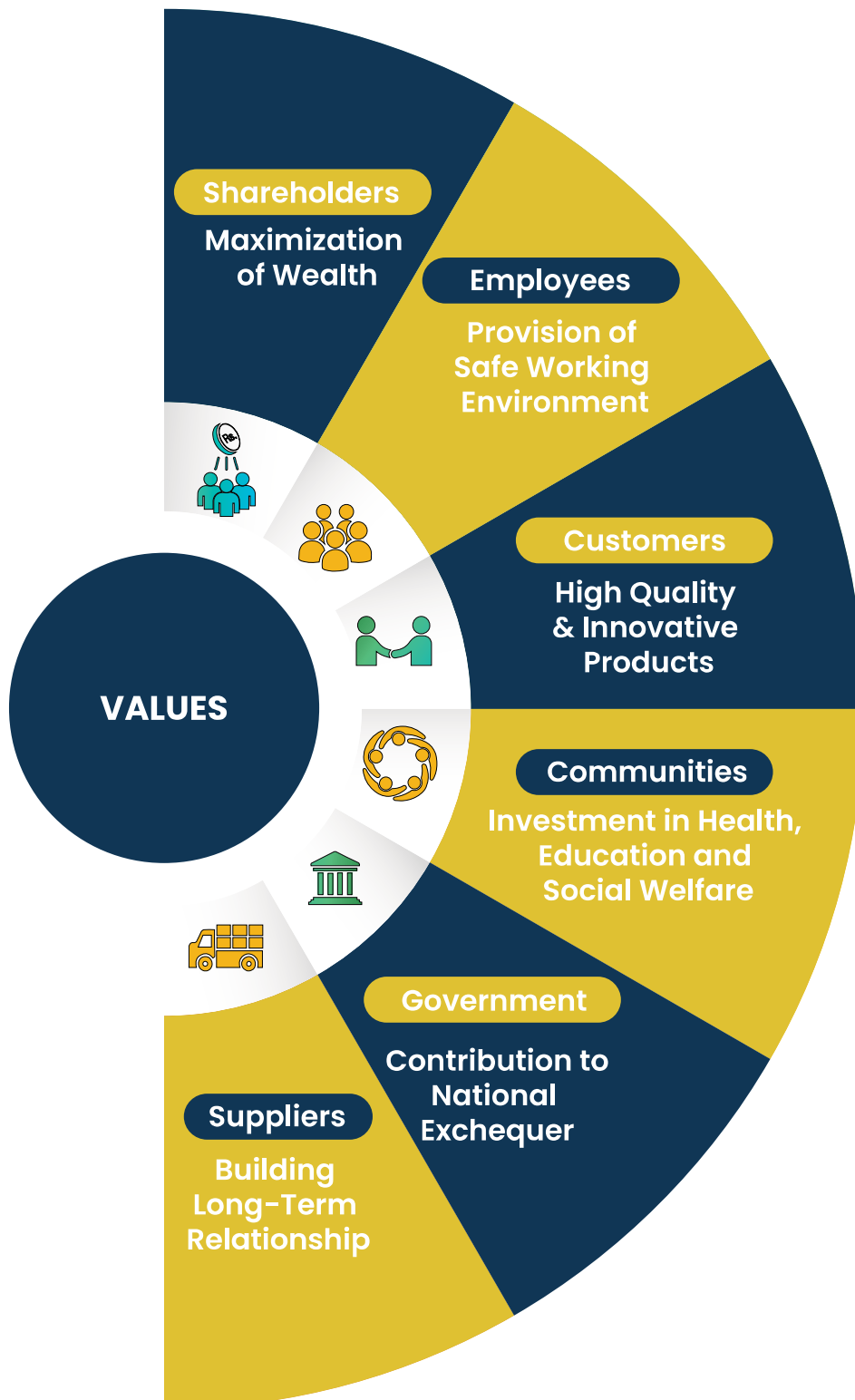
## **Ideal Location**

Location of CPL is ideal from various aspects. Having all facilities in near vicinity of each other enhances economies of scales. Further, CPL is the only Company having flexible packaging products to cater the demands of KPK customers.

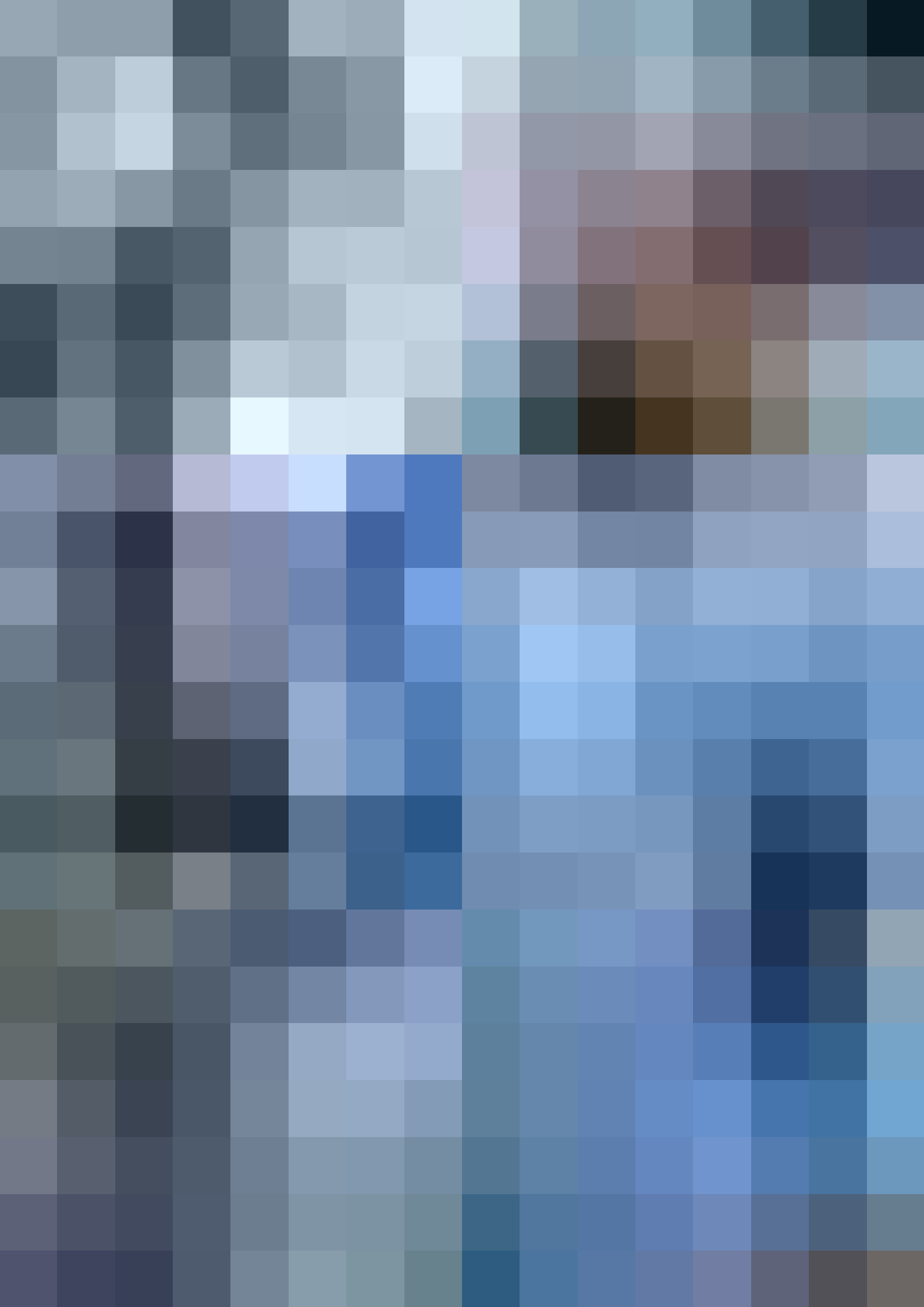
# PACKAGING YOUR FUTURE

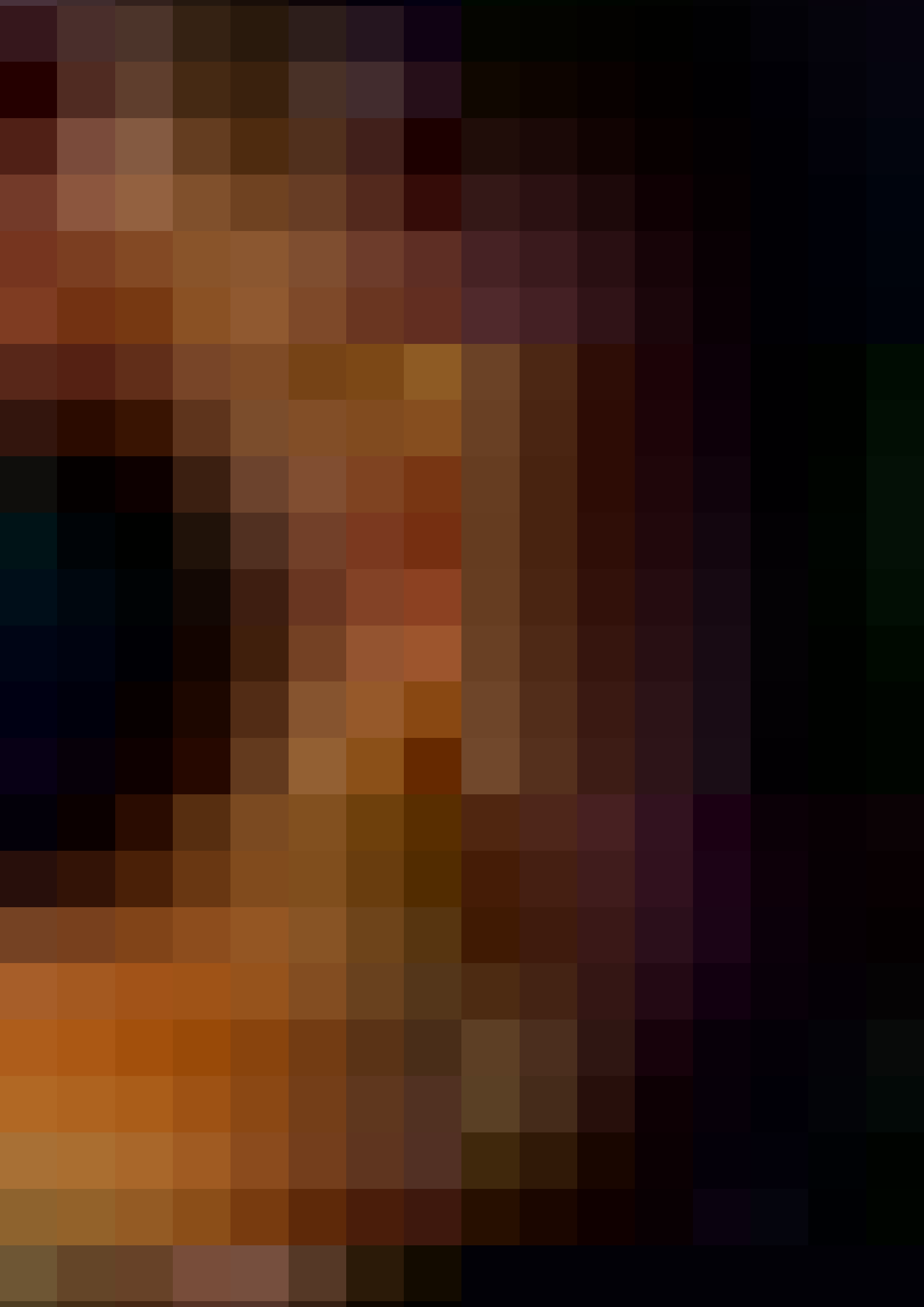
## VALUE CREATED BY THE BUSINESS USING THESE RESOURCES AND CAPABILITIES

By using these resources and capabilities Cherat Packaging creates values for its stake holders in the following manner:









# STRATEGY AND RESOURCE ALLOCATION

- 69** Strategic Objectives
- 70** Resource Allocation Plan
- 71** Liquidity Strategy
- 71** Significant Plans and Decision
- 71** Significant Change in Objectives and Strategies
- 71** Political environment where the organization operates and other companies that may affect the ability of the organization to meet its strategy
- 72** Legitimate needs, interest of key stakeholders, industry trends and legislative & regulatory environment
- 73** The Effect of Technological Change, Societal Issues, Environmental Challenges and Governance Reporting
- 74** Specific Processes Used to Make Strategic Decisions
- 75** SWOT Analysis



# STRATEGIC OBJECTIVES

The basis of our strategy stems from aim of increasing shareholders' wealth by following best business practices and being a responsible corporate citizen.

## SHORT, MEDIUM AND LONG-TERM OBJECTIVES

Our short-term objective is to improve efficiency of our operations through continuous improvement, cost reduction and workers' training. In medium term, we intend to grow through expansion of our core business by investing in state-of-the-art machinery, improving customer management and new and upgraded products. Build on short and medium term objectives, we aim to achieve excellence in business and diversify operations through related diversification strategy in the long-term.

## STRATEGIES IN PLACE

### Our Core Objective

The core objective of our management is to achieve excellence in business where our venture may be regarded as amongst the best blue-chip stocks in the country. To achieve our objectives, the management strategically strives to enhance stakeholders' value and customer satisfaction. The shareholders' value is maximized through return on investment, which management believes can be achieved through revenue maximization and cost control measures.

### The Strategic Edge

CPL expanded exceptionally over the last few years. With expansion into FPD, CPL is now one of the few companies in the region to offer varied types of packing solutions, making it the medium of choice facilitating its customers in purchasing with respect to quality packaging material for their valuable products.

### Sales and Marketing

Marketing targets and budgets are aggressively designed by the management to achieve highest possible returns. Sale prices increased during the year in line with market conditions and international prices, hence revenue of the Company increased mainly due to high growth in Flexible Packaging material sales.

In FY 2023, the Company increased its revenue on the back of increased prices of finished products and improved quantity sold by FPD. The exorbitant discount rates along with weakened PKR against USD and Euro dented the Company performance. However, the Company managed to earn highest ever profit before tax.

### Cost Management

Aiming at cost reduction coupled with environment concerns, CPL secured supply of hydro power. This has reduced cost of production of BMD realizing a substantial saving. Furthermore, installation of solar power at FPD, reduced cost of FPD production. State-of-the-art-machinery also played vital role in effective cost management and energy conservation. The company kept strict controls and effective management to keep cost under acceptable limits. The controls are managed through effective reporting structure and active internal audit department. The recommendations for any improvement are independently submitted to Board's Audit Committee. The management implements suggested improvements and corrective actions where applicable.

Our endeavor is to create value for our shareholders by ensuring a maximum return on investment and achieve customer satisfaction by way of providing our clients a world class product.

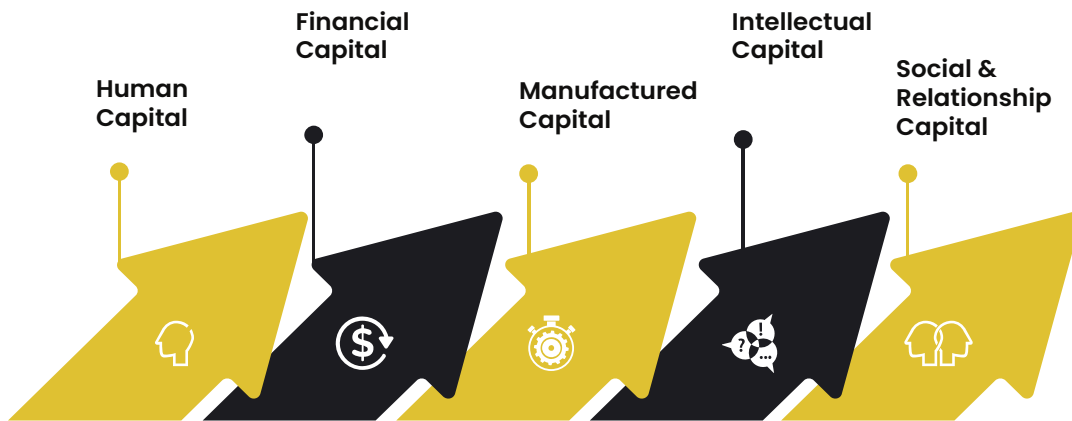
We aim to develop the long-term sustainability of the organization by grooming and training our employees and providing a congenial work environment, where they are motivated to perform at the highest standards.

We remain committed to the highest ethical and moral business values and to the true spirit of the Code of Corporate Governance.



# PACKAGING YOUR FUTURE

## RESOURCE ALLOCATION PLAN



### Our Strategy

Cherat Packaging Limited is committed to increasing revenue streams to optimize shareholders' wealth and offer our best efforts to provide best value to all our stakeholders for their engagement with the Company.

### Human Capital

Cherat Packaging Limited believes in optimization of human potential. For this purpose, the Company conducted various workshops and seminars, both in-house and outsourced, to enhance its human capital potential. Furthermore, the Company launched 'Values Roll-out' drive in order to reiterate the core values and blend them further into the Company culture. Additionally, the Company also conducts various other activities for its employees as highlighted in the calendar of notable events.

### Manufactured Capital

CPL takes pride to be the leader in possessing state-of-the-art machinery. The Company is exploring various areas of potential. Further, the Company is also putting its effort to increase its production and widen its market share. In Flexible Packaging Division, the Company is in partnership with its clients to work out various alternate cost effective solutions which would not only benefit the Company in shape of increased revenue but also the clients in shape of cheaper yet high quality product.

### Financial Capital

The Company has a long-term loan of Rs. 3.04 billion and short-term loan of Rs. 2.79 billion. The annual target has been disseminated to operational departments according to budget targets. The Company is confident that it will manage short-term loan to a reasonable level keeping in view its working capital needs.

### Intellectual Capital

The Company takes pride for being front runner in innovation and providing better solutions to its Customers at lowest cost possible. The Company continuously invests on development of new products based on changing market trends and consumption patterns. To achieve this objective, the Company has state-of-the-art lab at its factory which not only continuously monitors quality of products but also thoroughly tests innovated products to ensure its quality surpasses the Company's standard.

### Social and Relationship Capital

We recognize that the viability of our enterprise depends on our ability to sustain strong relationships with customers, vendors and with the wider community for whom we also create value. We invest in a series of initiatives that enhance collaboration and ongoing dialogue with our customers and vendors. We also contribute to the sustainable growth of our communities by offering jobs for local skilled and unskilled workforce.

# LIQUIDITY STRATEGY

## Current Liquidity Position

Cherat Packaging Limited has consistently demonstrated its commitment to fulfilling its financial obligations in a timely manner, consistently meeting all payment deadlines. The Company has financing arrangements with all leading banks of Pakistan at competitive rates amounting to Rs. 9.10 billion. The Company diligently oversees its accounts receivable and keeps outstanding days in-line with industry norms. Additionally, the Company reviews its bank position on daily basis to ensure its liquidity.

At present, the Company has short-term borrowings of Rs. 2,786 million and long-term loan of Rs. 3,045 million. Short-term borrowings decreased by Rs. 483 million as compared to previous year's closing balance. Utilization of short-term borrowings was higher during the year in view of higher stock and increased operations (especially in FPD). However, running finance decreased on year-end due to cash inflows from higher sales and prompt recoveries from customers. The Company has a sustainable growth with increased profitability and business stability. The gearing of the Company has also been monitored and controlled in line with the business objectives. Strong liquidity of the Company is evidenced by current ratio of 1.60. The Company has decent credit ratings of 'A' in long-term and 'A1' in short term since 2019. This also manifests the Company's robust liquidity position. The Company managed to earn positive cash flows during the year through its operations. Cash generated from operating activities increased by Rs 2,313 million when we compare it with last year. Majorly it increased due to increase in sales / operations and prompt recoveries from customers. Cash flows are being monitored on a daily basis. Adequate debt equity ratio is maintained. The Company regularly monitors the debt equity ratio to keep the Company from any excessive debt pressure.

## Financing Arrangements

The Company has cordial business relations with all the reputed banks and financial institutions of the Country. Adequate unutilized short-term financing facilities are available with the Company. The Company has obtained long term loans to finance expansion projects at attractive markup rates. These long-term loans include Temporary Economic Refinance Facility (TERF) as announced by the Government of Pakistan and Islamic Finance Facility for Renewable Energy which carry mark-up / profit rate at reduced rates.

# SIGNIFICANT PLANS AND DECISIONS

The Flexible Packaging Division of the Company showed remarkable progress in past years. Its revenue increased Exponentially and its losses are decreasing making its way towards profit. As the capacities and forecast sales is expected to brim, the Company further invested in capacity expansion of its flexo graphic line. The line is expected to be operational by March 2024. This capacity expansion will contribute to Flexible Packaging production capacity allowing it to take new orders, enhance profitability and carry-on its journey towards hegemony in packaging business.

# SIGNIFICANT CHANGE IN OBJECTIVES AND STRATEGIES

There is no material change in Company's objectives and strategies from the prior years.

# POLITICAL ENVIRONMENT WHERE THE ORGANIZATION OPERATES AND OTHER COUNTRIES THAT MAY AFFECT THE ABILITY OF THE ORGANIZATION TO MEET ITS STRATEGY

As a result of political uncertainty, declining foreign reserves and increasing inflation, Pakistan is currently facing an unparalleled economic challenge. Additional complications arose from last year's floods, substantial devaluation of the rupee and increases in energy prices. The government employed monetary tightening measures and imposed import restrictions in response to the inflation and diminishing foreign reserves.

# PACKAGING YOUR FUTURE

The packaging sector has also been adversely impacted by the overall slowdown in economic activities. Import restrictions have not only resulted in a significant reduction in demand but have also caused shortages of critical raw materials. Nevertheless, through effective management and the optimal utilization of available resources, Cherat Packaging has managed to maintain uninterrupted operations and continued to serve its customers in a timely manner.

The Company majorly sourced its imported raw material from Europe and Middle East. Granules are linked with petroleum prices hence volatile prices of crude oil will keep granule prices unstable. For this purpose, the management closely monitors the movement of prices through monitoring relevant published indexes along with predictive analysis to keep itself ahead of the curve.

## LEGITIMATE NEEDS, INTEREST OF KEY STAKEHOLDERS, INDUSTRY TRENDS AND LEGISLATIVE & REGULATORY ENVIRONMENT

The Company firmly believes and affirms that its adherence to all the statutory legal requirements is in line with the relevant and applicable provisions of law and regulatory framework. The consistent application of all relevant and applicable legal and regulatory requirements serves as an ongoing enhancement to our strategies, goals and achievements. Furthermore, for the purposes of good corporate governance, the Company is continuously striving to improve its legislative and regulatory environment for workers, stakeholders, and business operations.



# THE EFFECT OF TECHNOLOGICAL CHANGE, SOCIETAL ISSUES, ENVIRONMENTAL CHALLENGES

The world is facing material challenges in business arena. These challenges are putting ever mounting pressure on companies to stay responsible, sustainable and profitable. Cherat Packaging has been vigilant in analyzing these challenges and taking all possible measures to align itself with best practices regarding these challenges.

Material Challenges	TECHNOLOGICAL CHALLENGES	SOCIETAL ISSUES	ENVIRONMENTAL CHALLENGES	GOVERNANCE REPORTING
Dimension(s) of the challenge	Ever changing fast paced technology	Population and demographic changes, human rights, health, education, poverty	Climate change & loss of ecosystem, resource shortages	Compliance with legal and ethical requirement
Impact on strategy	Investment in plant and machinery including infrastructure.	<ul style="list-style-type: none"> <li>- Employment of local population;</li> <li>- Respect local values;</li> <li>- Provide congenial working environment;</li> <li>- Donate for education cause and elevate poverty</li> </ul>	<ul style="list-style-type: none"> <li>- Consider carbon footprint</li> <li>- Sourcing raw material from socially responsible Companies</li> </ul>	<ul style="list-style-type: none"> <li>- Ensuring governance reporting complies with all regulatory requirements.</li> <li>- Making sure that governance reporting is integrated into overall strategic planning and sustainability goals.</li> </ul>
Our response	<p>The Company monitors changes in technology closely. It has strategic relations with supplier of major machinery (Windmoller and Holscher) through which the Company closely monitors changes in technology that may benefit in increasing productivity and reducing cost.</p> <p>The Company also went for the acquisition of advance softwares and necessary hardwares which helps the Company to identify and analyse customer requirements with more accuracy &amp; precision resulted in more satisfied customer base.</p>	<p>Cherat Packaging is located in a remote area of Swabi. CPL has become one of the leading employer of local community helping them earn their living through congenial working in environment with special focus on health and safety of workers. Cherat Packaging maintains an ambulance for its workers and community at large.</p> <p>Cherat Packaging has been active in donating for various education and poverty elevation causes.</p> <p>CPL participates and helps the under privileged people by distribution of foods and rations and also facilitates the nation at times of catastrophe/natural calamities.</p>	<p>Cherat Packaging considers environment an important aspect of the business. The Company is complaint of EMS to keep its environmental impact in check. Cherat Packaging sources its major raw material from renowned and socially responsible suppliers like Mondri Packaging and SABIC. Mondri Packaging sources its paper raw material from sustainable forest hence impact on ecosystem and natural resource is minimal.</p> <p>The Company keeps its hazardous emissions within limits by acquisition of state of the art plant &amp; machinery and also disposes off solid waste through EPA approved suppliers. The Company is also took initiatives on environmentally sustainable solutions to its customers to reduce its impact on environment. The Company also took initiatives to use green energy produced through alternate Solar Energy.</p>	<p>The Company always encourages a culture of transparency, ethical behavior and accountability throughout the organization. It is committed to uphold transparent and strong governance practices. This commitment has been recognized by prestigious institutions such as the Management Association of Pakistan and Pakistan Stock Exchange, which have honored the company with Corporate Excellence award and Top Companies award, respectively. Additionally, the company's active participation in the Best Corporate Report awards and subsequently winning of awards underline its unwavering dedication to prioritizing sound governance reporting.</p> <p>Moreover, the Company strives to comply with applicable regulations in Pakistan. The Company is ISO 9001:2015 (Quality Management System), ISO 14001: 2015 (Environment Management System), ISO 45001:2018 (Occupational Health and Safety), FSSC (Food Safety Management Systems), SEDEX (Supplier Ethical Data Exchange), BRC (British Retail Consortium), URSA (Understanding Responsible Sourcing Audit) and Halal certified. This shows company's adherence to these standards and commitment towards transparency and ethical behavior.</p> <p>Furthermore, the organization's stringent IT governance policies and procedures play a pivotal role in ensuring data accuracy, reliability, and security.</p>

# PACKAGING YOUR FUTURE

## SPECIFIC PROCESSES USED TO MAKE STRATEGIC DECISIONS

Tactical decisions have been a forté of Cherat Packaging Limited. It has come a long way through robust decision making process that the Company has developed over the years. New investments, expansions, diversifications etc. all the decisions carry inherent risk. CPL takes into consideration various aspects like market dynamics, technological changes, competitors approach and response, and economic conditions to name a few. Cherat Packaging's success and leadership position in packaging business is the evidence of strategic thinking and strong evaluation process.

As mentioned, CPL has developed multi-layer decision making process to consider and make investment.

IDENTIFICATION OF INVESTMENT NEED	IDENTIFICATION OF VARIOUS OPTIONS TO INVESTMENT DECISION	EVALUATION OF OPTIONS	PRESENTING REPORT TO CHIEF EXECUTIVE	DECISION BY BOD
<ul style="list-style-type: none"> <li>-Responsible department</li> <li>-Basic data and rationale</li> </ul>	<ul style="list-style-type: none"> <li>- Considering market conditions</li> <li>- Considering value chain</li> <li>- Considering suppliers and customers</li> </ul>	<p><b>TECHNICAL FEASIBILITY</b></p> <ul style="list-style-type: none"> <li>- Market analysis</li> <li>- Competitors</li> <li>- Technology Customers</li> <li>- Suppliers</li> <li>- Market saturation</li> </ul> <p><b>FINANCIAL FEASIBILITY</b></p> <ul style="list-style-type: none"> <li>- NPV Payback period</li> <li>- Hurdle rate considerations</li> <li>- Sensitivity analysis</li> </ul>	<ul style="list-style-type: none"> <li>- Considering technical feasibility and market conditions</li> <li>- Comparing results with finance decisions</li> <li>- Considering business rationale</li> <li>- Opinions from finance and technical team</li> </ul>	<p>Detail discussion of requirement and need of investment</p> <p>Opinion and inputs from all directors, especially from independent directors</p>

### Specific Processes used to Establish and Monitor Culture of the Organization

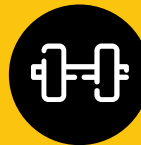
Cherat Packaging's culture is a manifestation of its shared values and beliefs. At Cherat Packaging, we promote high values of Respect, Fairness, Quality and Ownership. Cherat Packaging regularly promotes its values among employees, especially the new inductees. We embrace and encourage our employees' differences in age, color, disability, ethnicity, family or marital status, gender identity or expression, language, national origin, physical and mental ability, political affiliation, race, religion, sexual orientation, socio-economic status, veteran status, and other characteristics that make our employees unique.

At Cherat Packaging Limited, we have a responsibility to treat others with dignity and respect at all times. Core values are integral part of our annual performance evaluations of our employees. Through performance evaluations, we evaluate our employees' performance against annual SMART goals, behavioral traits and trainings & professional developments.

### Company's Attitude to Risk and Mechanisms for Addressing Integrity and Ethical Issues

Cherat Packaging Limited has developed robust policy of addressing integrity and ethical issues in shape of its Whistle Blowing Policy.

## STRENGTHS



### › **Advanced Technology**

Cherat Packaging has installed state of the art machinery in its both the divisions. The Company possesses 660 million bags capacity in BMD and 16.2 million KGs capacity in FPD. With the installation of Flexo line 2, the capacity of FPD will further enhance.

### › **Hundreds of Man Hour Experience**

Cherat Packaging has diversified employee base with hundreds of man hour experience. The Company possesses competent and committed human resource.

### › **Preferred Supplier Strategic Partnerships**

Cherat Packaging has strategic partnerships with leading suppliers of raw material and production machines (Mondi Packaging, SABIC and Windmüller & Hölscher). This provides a strategic edge to the Company over its competitors in shape of preferred supply and first-hand knowledge of technological advancements.

### › **Market Leader in Cement Packaging**

Cherat Packaging is known as a company which focuses on its quality and commitment. As a result of which, it is the market leader of cement packaging.

### › **Presence in Local and International Markets**

Cherat Packaging has the presence not only in the local markets but also it is serving international markets. The Company has been exporting its products since 2011.

## WEAKNESS



### › **Imported Raw Materials**

Cherat Packaging is dependent on consistent supply of imported raw materials. This includes Kraft Paper, granules, etc. Around 70% of the raw materials represent imported raw materials.

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# OPPORTUNITIES



## › Export Expansion

The name of Cherat Packaging Limited is now well known in international markets. The Company continually explores international markets and innovates its products to expand its exports.

## › Cost Saving Initiatives

Cherat Packaging is always working on different initiatives to increase efficiency and effectiveness and ultimately reduction in cost. For this, it is always in contact with its strategic partners / machine manufacturing companies so that any technological advancement which can improve effectiveness and efficiency can be implemented timely. Moreover, the Company installed solar power panels which is assisting the Company in reduction of energy cost.

## › Product Shift

The Company has an edge over its many competitors since it is able to offer both forms of printing at its FPD. Last year Moreover, the Company has in house cylinder making and plate processing facilities, which further assists the Company to innovate the products and meet demands of its customers timely. FPD has also been able to transform its many Roto printing products to Flexo printing. This provides ample room to CPL to tap new customers / products.

# THREATS



## › Reduced PSDP Spending

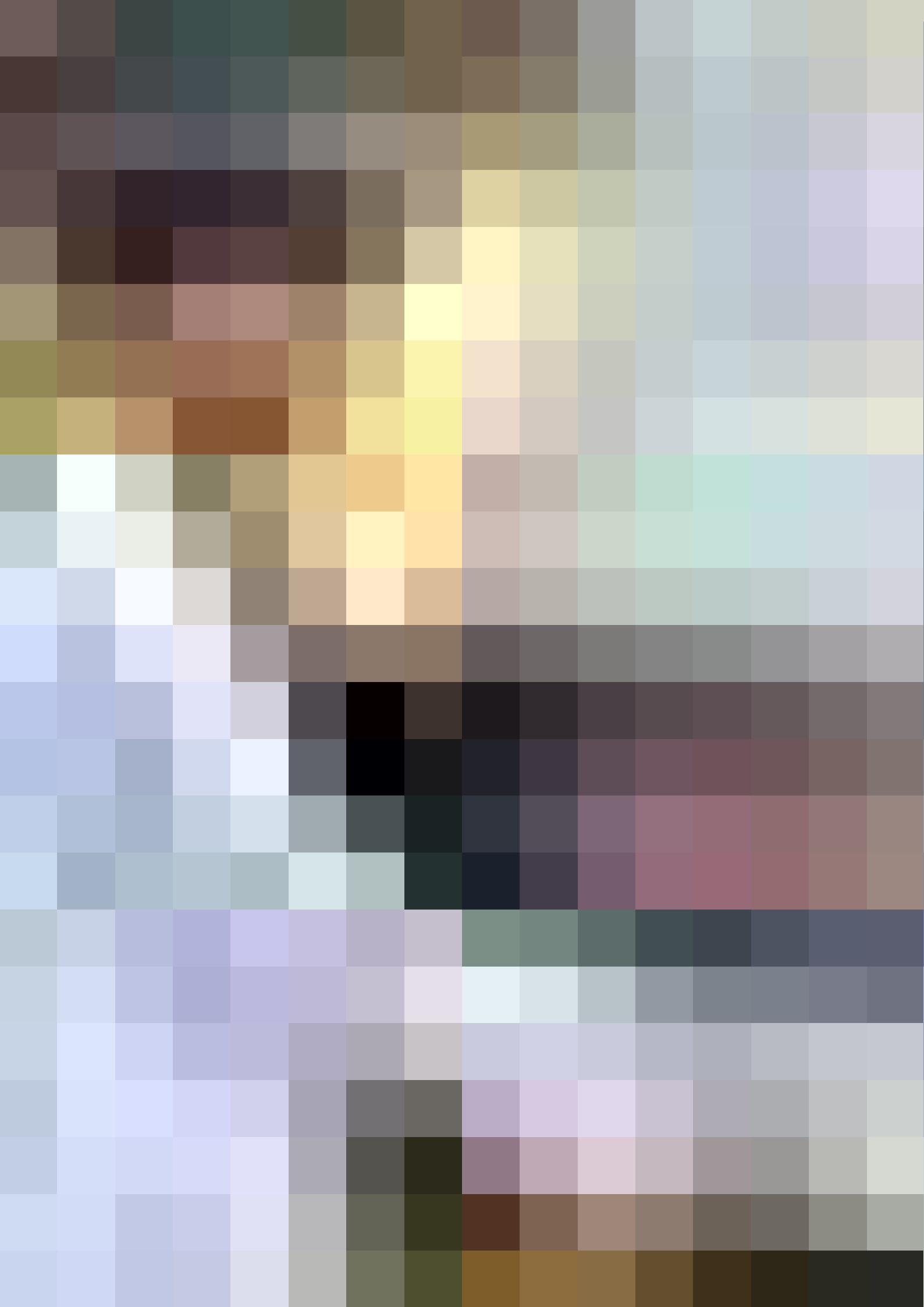
In order to cater declining economic situation, the Government may reduce PSDP spending. Reduction in PSDP may have an adverse impact on Cherat Packaging, indirect through decline in cement demand.

## › Rising Cost of Imported Raw Materials and Volatile Exchange Rates

Raw material cost is a substantial part of the overall cost of production of the Company. As a result of international economic conditions including rising costs of international fuel prices, suppliers increase the cost of products. In order to mitigate the risk, the company analyzes raw material prices offered by various suppliers on a regular basis to compare and control its purchasing cost. Moreover, it has strategic relationships with key international raw material suppliers which benefit the Company in price negotiation and prompt material delivery.

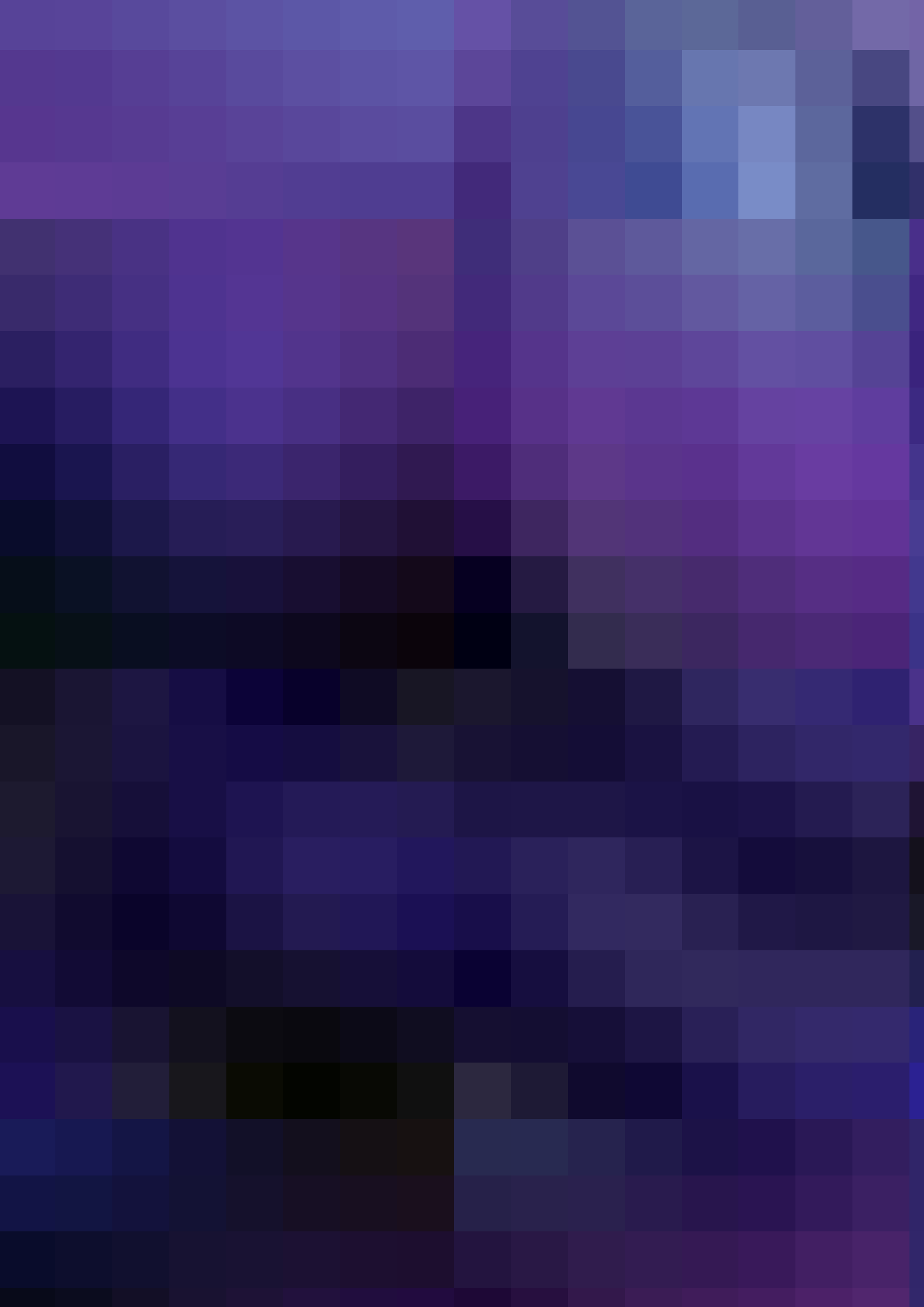
## › New Entrants

New competitors are entering into cement packaging business viewing high growth of cement sector. Since Cherat Packaging is the largest producer of Cement Packaging, it can fulfill large orders. Moreover, with hundreds of man-hour experience and state of the art technology, CPL's packaging is of high quality with minimal rejections / returns. These factors are helping the company to mitigate the impact of increase in competition









# RISKS AND OPPORTUNITIES

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# RISKS AND OPPORTUNITIES

The Board of Cherat Packaging Limited (CPL) principally assumes the responsibility to mitigate all possible risks and to identify and utilize potential events that may affect the Company. This principle keeps the Company within its risk appetite and helps to achieve its corporate objectives.

CPL is susceptible to various risks. However, through comprehensive planning and an acute business understanding of the management, the Company continues to identify and mitigate actual, potential and perceived risks. The Company maintains an established control framework comprising clear structures, authority limits and accountabilities, well implemented policies and procedures and budgeting for review processes.

The Board of Directors of the Company establishes corporate strategies and business objectives. Moreover, the Board's Audit Committee is responsible for Internal Controls in the Company. The Internal and External Auditors' reports are submitted to the Audit Committee for its review, which after detailed deliberations and suggestions for improvement are submitted to the Board of Directors.

Following are the major risks which may affect our business operations and mitigating strategies for controlling these risks.

## RISKS

Risk Level /Impact	Risk	Area of Impact	Source	Key Source of Uncertainty	Mitigating Strategy
High / High	Rising cost of imported raw material	Financial capital	External	Raw material cost is a substantial part of the overall cost of production of the Company. As a result of international economic conditions including rising costs of international fuel prices, suppliers increase the cost of products.	The Company analyzes raw material prices offered by various suppliers on a regular basis to compare and control its purchasing cost. Moreover, it has strategic relationships with key international raw material suppliers which benefit the Company in price negotiation and prompt material delivery.
High / High	Exchange Rate Fluctuation	Financial capital	External	Any fluctuation in exchange rate has direct impact on the Company and its profitability. Further, it becomes challenging for the Company to compete in the market due to frequent fluctuation of PKR parity against USD and Euro.	The Company regularly scrutinizes the parity fluctuations and whenever needed, enters into hedging arrangements.

# PACKAGING YOUR FUTURE

Risk Level /Impact	Risk	Area of Impact	Source	Key Source of Uncertainty	Mitigating Strategy
Moderate / High	Availability of Imported Raw Material	Manufactured capital, relationship capital	External	Any shortage of the material may have an impact on the production and sales activity of the Company.	The Company manages strategic relationship with best and high quality international suppliers of raw material, as already mentioned. Further, the Company effectively monitors its inventory and checks it with production plan to maintain safety stock level and determine reordering of raw materials.
Moderate / High	Credit Risk	Financial capital	Internal	The Company extends credit to its customers. There lies a risk factor that the customers may fail to discharge their obligations and cause a financial loss to the Company.	The Company regularly analyses the credit position and credit worthiness of its customers and extends credits based on minimum risk of financial loss. The Company also receives advance against sales, local LC or post-dated cheques where the risk factors are higher than the Company's pre-defined standards. Moreover, the Company regularly monitors its outstanding debtors and endeavour to keep days outstanding to allowed number of days.
Low / High	Working Capital Management	Financial capital	External	Any increase in raw material cost or increase in volume of raw material stock or debts may limit the avenues for availability of sufficient working capital.	Management has addressed the risk of shortage of working capital by availing the sufficient credit lines from the diversified financial institutions in order to meet the short-term requirements of the Company.  Further, the Company strives to keep a check on its debtors, creditors and inventory turnover in order to avoid any unnecessary working capital blockage.

Risk Level / Impact	Risk	Area of Impact	Source	Key Source of Uncertainty	Mitigating Strategy
Low / High	Rise in Energy Costs	Manufactured capital, relationship capital	External	The energy cost component is one the important factor of the overall cost of product. Any rise in energy cost would mean reduction in the profitability of the Company.	<p>The management of the Company strives to keep production wastage to a minimum level and productivity at the highest. Higher productivity helps reduce energy cost and increase profitability.</p> <p>The Company has state of the art machinery which helps in production in less time and with low wastage.</p> <p>During the year, The Company has installed 0.96 MW of solar power project that would reduce energy cost.</p> <p>Arrangement with PEDO Khyber Pakhtunkhwa for hydel power also assist the Company in reduction in energy cost.</p>
Low / Moderate	Employee turnover	Human Capital	Internal	Key employees and workers leave the Company causing lack of competent workforce.	<p>The Company values its workers and employees as essential capital. Therefore, it provides a congenial environment and growth opportunities.</p> <p>Furthermore, the Company has a robust succession plan in place.</p>
Low / High	Operations Risk	Financial Capital	External	Restrictions on imports due to depleting foreign exchange reserves.	<p>The Company maintains reasonable stock to continue its production in case of disrupted supply.</p> <p>Moreover The Company maintains partnership with key suppliers to avail preferred supply of raw material.</p>

# PACKAGING YOUR FUTURE

Risk Level /Impact	Risk	Area of Impact	Source	Key Source of Uncertainty	Mitigating Strategy
Low / High	Natural Catastrophe	Manufactured capital relationship capital	External	Destruction of production facility due to natural disaster.	<p>The risk is addressed as follows:</p> <p>Every possible aspect of safety measures has been taken into consideration by the Company during construction and erection of building and plant.</p> <p>The Company has comprehensive insurance cover for any catastrophic event.</p> <p>The Company has well established disaster recovery plan and data backup to address any unwarranted event.</p>
Low / High	Information systems risk	Manufactured capital	External	Loss of Company data and theft of sensitive information.	<p>The software including the firewall / antivirus are regularly updated in order to minimize the risk of loss or theft of data.</p> <p>Moreover, the Company has a comprehensive disaster recovery policy to address the risk. The Company maintains back-up servers to recover data in case of any disaster.</p>

## OPPORTUNITIES

Opportunity	Impacted Area	Source	Key Source Opportunity	Mitigating Strategy
One Window Operations	Manufactured capital	Internal	Production capability to produce Paper bags, Polypropylene bags and Flexible Packaging material.	With this great strategic edge, the Company is in tactical position to secure more local market share and enjoy benefits of economies of scale.
Production Capacity	Manufactured capital	Internal	Highest combined production capacity.	The Company actively pursues local and international markets to fully utilize its potential capacity and earn higher return for its shareholders. Further, this also enables the Company in achieving economies of scale.
Modern Equipment	Manufactured capital	External	Most modern and state-of-the-art machinery for Kraft paper bags, Polypropylene bags and Flexible Packaging material.	Efficient machinery enables the Company to operate with the minimum cost of production, thereby offering its customers high quality bags in cheap price. This in turn results not only in customer retention but also attracts new customers.
Diversification	Relationship capital, Manufactured capital	Internal	Developed the capability to produce not only Cement bags but also bags for sugar, rice and chemical. Further, the Company has capability to produce Flexible Packaging material in accordance with the customer demand.	The Company is committed to explore all possible avenues to maximize the pace of growth of the Company and Shareholders wealth.



# PACKAGING YOUR FUTURE

Opportunity	Impacted Area	Source	Key Source Opportunity	Mitigating Strategy
Efficient and congenial work environment	Human Capital	Internal	Provide congenial work environment where employee feels motivated for work.	<p>Provide effective environment without excessive work pressure.</p> <p>Continuous training and development of employees.</p> <p>Benefit aligned with efficient and effective work and team management.</p>
Growth of FMCG market	Relationship capital, Manufactured capital	External	Expected growth in FMCG market due to continuous increase in demand of these items.	<p>The Company invested in Flexible Packaging plant with Flexo, Roto and Extrusion machines to materialize potential growth.</p> <p>Further, the Company is going to install second Flexographic Line.</p>



# COMPREHENSIVE FRAMEWORK: ADDRESSING KEY RISKS, METHODOLOGY, RISK APPETITE AND REPORTING:

Cherat Packaging Limited has in place a full functional comprehensive framework for addressing key risks, methodology, risk appetite, and reporting. This framework is designed to strengthen our risk management practices, enhance our strategic decision-making, and ensure the sustainable growth of our organization while preserving shareholder value.

## **1. Identification of Key Risks:**

Our framework begins with the identification of key risks. We have conducted a thorough assessment of various risks that could impact our organization, including financial, operational, strategic, compliance, reputational, and technological risks. These risks have been categorized and prioritized based on their potential impact and likelihood.

## **2. Methodology for Risk Assessment:**

We have established a rigorous methodology for risk assessment that combines qualitative and quantitative analysis. This methodology utilizes tools such as risk matrices, risk heat maps, and scenario analysis to evaluate and prioritize risks. We are committed to regularly reviewing and updating this methodology to ensure its relevance.

## **3. Risk Appetite and Tolerance:**

CPL has defined its risk appetite and risk tolerance levels. Our risk appetite represents the level of risk we are willing to accept in pursuit of our strategic objectives, while risk tolerance sets specific thresholds for acceptable risk levels. These levels are aligned with our strategic goals and the expectations of our stakeholders.

## **4. Risk Mitigation and Control Measures:**

We have developed and implemented risk mitigation and control measures for each identified risk. These measures are designed to reduce the likelihood and impact of adverse events. Clear ownership and accountability have been assigned for each risk mitigation measure, ensuring effective execution.

## **5. Risk Monitoring and Reporting:**

Our framework includes a robust risk monitoring and reporting system. Key risk indicators (KRIs) have been established to provide early warning signals of impending risks. We will regularly monitor changes in risk profiles and assess the effectiveness of risk mitigation measures. Reporting structures have been established to communicate risk information to relevant stakeholders, ensuring transparency and informed decision-making.

## **6. Risk Governance and Framework Oversight:**

Our risk management policies and procedures are well-documented and consistently followed throughout the organization. Regular reviews and updates of the framework are conducted to adapt to changing business conditions and emerging risks.

# PACKAGING YOUR FUTURE

## **7. Integration with Strategic Planning:**

Risk management is integrated into our strategic planning process. This ensures that risk considerations are an integral part of our decision-making. Our risk management objectives are aligned with our strategic goals to enhance our overall resilience.

## **8. Training and Communication:**

We provide training and awareness programs to ensure that all employees understand their roles and responsibilities in managing risks. Open channels of communication are established to encourage the reporting of risks and near misses, fostering a culture of risk-awareness and accountability.

## **9. Testing and Simulation:**

We regularly conduct stress tests, scenario analyses, and simulations to assess our ability to withstand various risk scenarios. The results of these tests are used to refine our risk mitigation strategies and enhance our preparedness.

## **10. Continuous Improvement:**

Our commitment to continuous improvement is unwavering. We will regularly review and assess the effectiveness of our risk management framework. Feedback from stakeholders will be sought to make necessary improvements, ensuring the adaptability of our framework to changing circumstances.

In conclusion, CPL is dedicated to a proactive and comprehensive approach to risk management. This framework will guide us in navigating the complex landscape of risks while allowing us to seize strategic opportunities. We believe that by implementing and continuously refining this framework, we will enhance our resilience, protect shareholder value, and achieve sustainable growth.



# RISK OF SUPPLY CHAIN DISRUPTION DUE TO AN ENVIRONMENTAL, SOCIAL OR GOVERNANCE INCIDENT AND COMPANY'S STRATEGY FOR MONITORING AND MITIGATING THESE RISKS

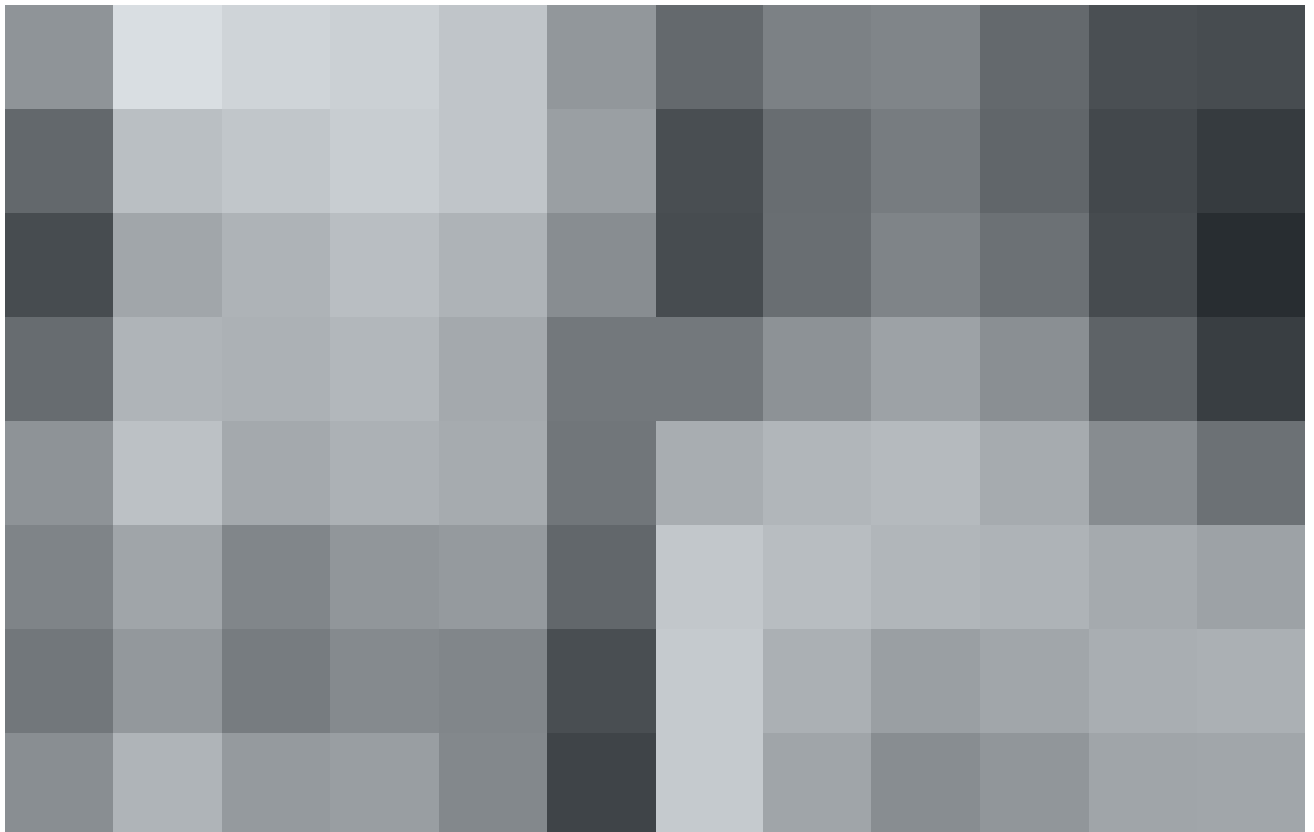
The Company recognizes that environmental, social, and governance (ESG) factors are critical to our long-term business sustainability and success. As a responsible organization, we acknowledge the potential risk of supply chain disruption associated from ESG incidents. We recognize that such incidents can adversely impact our operations and disrupt the flow of goods and services critical to our business. To address these risks, we have adopted a comprehensive strategy for monitoring and mitigating these potential disruptions.

Particulars	Environmental	Social	Governance
<b>Risk</b>	In a period marked by the evident effects of climate change, we understand the threats it can pose. Climate change can lead to extreme weather, resource scarcity, and disrupted logistics. These may impact the availability of raw materials and transportation infrastructure, accordingly, disrupting our supply chain. Further, shortages of critical resources including energy can disrupt the supply chain by increasing costs and reducing availability.	Labor strikes, worker exploitation or human rights abuses in the supply chain can result in production delays.  Further, if our operations or suppliers are involved in conflicts with local communities it may lead to protests or legal actions.	Governance incidents, such as regulatory non-compliance by our suppliers can result in legal actions, fines, or sanctions. These legal repercussions can cause disruption as resources and attention are diverted to address legal issues.  Further, governance incidents involving unethical behavior by suppliers can strain our relationships with them, potentially resulting in the termination of contracts and disrupting the supply chain.
<b>Monitoring the risk and mitigating Strategy</b>	We aim to diversify our supplier base to reduce the concentration risk in areas prone to environmental hazards.	We prioritize suppliers who demonstrate fair labour practices and uphold human rights standards.  Additionally, we engage with local communities and stakeholders to build positive relationships and minimize conflicts.	We assess suppliers' governance frameworks to ensure transparent and ethical business practices. Suppliers with strong corporate governance structures are preferred to mitigate the risk of disruptions arising from issues related to fraud, corruption, and compliance breaches.

# PACKAGING YOUR FUTURE

Particulars	Environmental	Social	Governance
	<p>Further, we actively promote usage of green energy through the utilization of solar and hydroelectric power. This not only reduces the carbon footprint of the Company but also saves the cost.</p> <p>Moreover, we maintain contingency plans that outline steps to be taken in the event of a supply chain disruption. These plans are periodically reviewed and updated to align with emerging risks.</p>	<p>Moreover, we maintain contingency plans that outline steps to be taken in the event of a supply chain disruption. These plans are periodically reviewed and updated to align with emerging risks.</p>	<p>Moreover, we maintain contingency plans that outline steps to be taken in the event of a supply chain disruption. These plans are periodically reviewed and updated to align with emerging risks.</p>

Continuous improvement is integral to our approach. We actively assess and enhance our supply chain monitoring and mitigation strategies by incorporating insights from emerging risks, industry best practices and feedback from stakeholders. Our dedication to address environmental, social, and governance risks highlights our commitment to sustaining a robust supply chain capable to withstand potential disruptions and contribute to our long-term success.





## MATERIALITY APPROACH

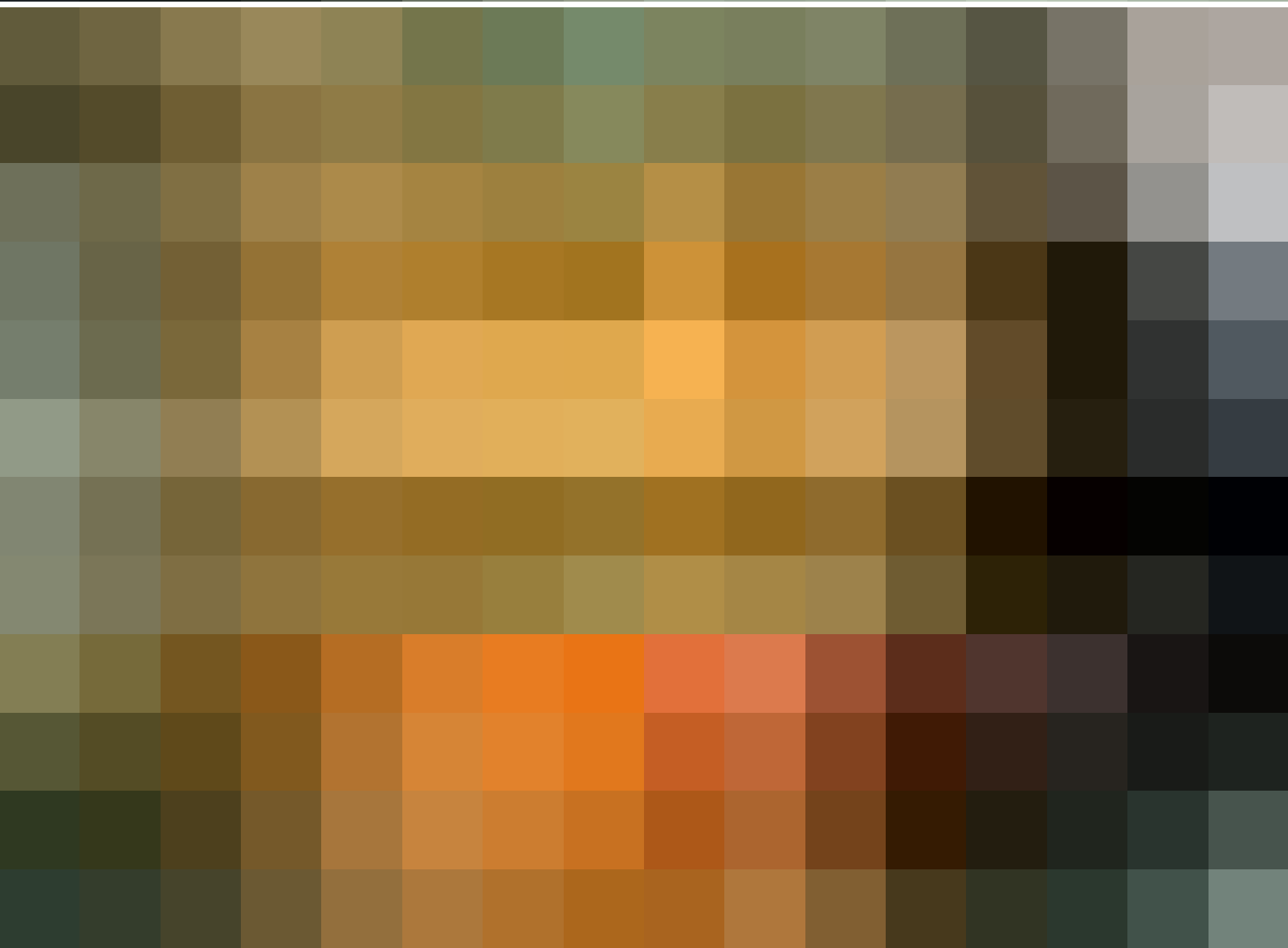
The Board of Directors of Cherat Packaging reposes authority and power to the Company's management for taking day to day decisions. The management however, observes the approach of materiality in applying power and authority. Materiality is a matter of judgment and the Company thinks that a matter is material if, individually or in aggregate, they are expected to significantly affect the performance and profitability of the Company. In order to execute day to day operations/ transactions delegation of powers has also been defined clearly and formalized procedures are followed for their execution.

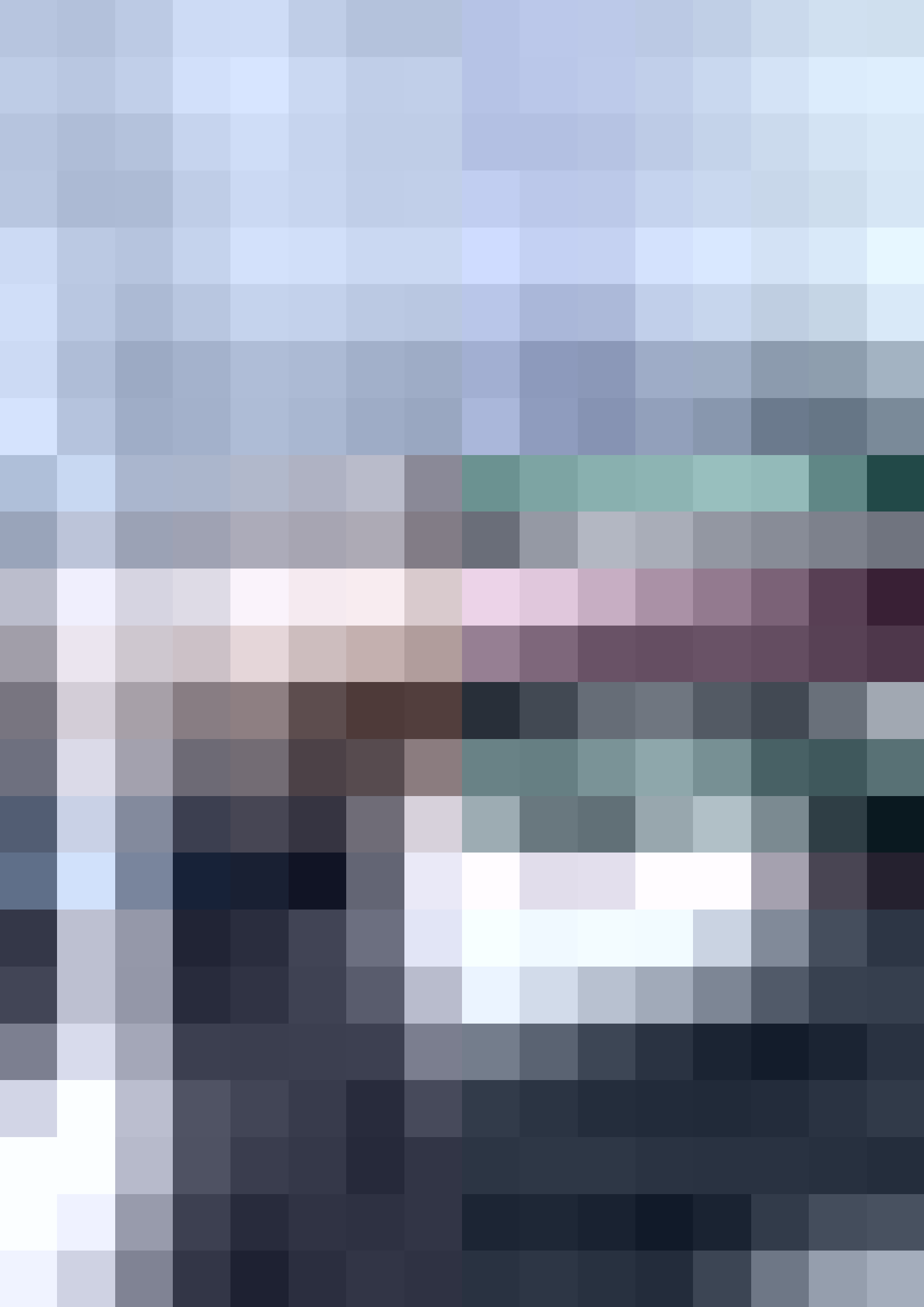
## INITIATIVES TAKEN TO PROMOTE AND ENABLE INNOVATION

Cherat Packaging has consistently been at the forefront of innovation within the packaging industry. In the past, CPL introduced 2 ply bags for cement companies which were well received by the cement industry. In respect of Polypropylene, CPL was able to produce lowest grammage bag in the world with same high quality and strength. This innovative product is unmatched and remains a symbol of CPL exclusively. In FPD, CPL was able to convert Roto printing jobs into Flexographic printing jobs without compromising on quality.

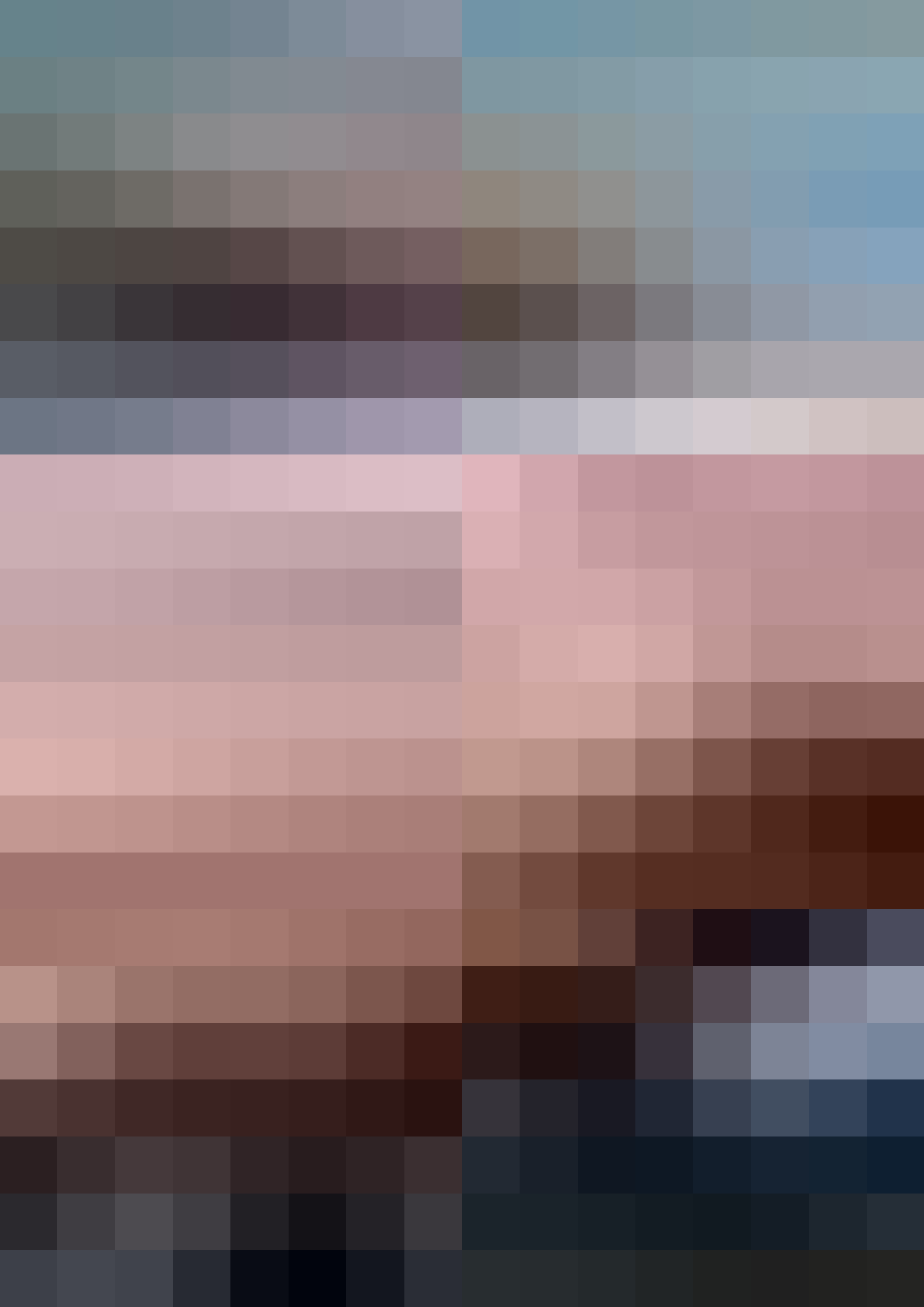
Furthermore, the Company is always in contact with its strategic partner (Windmoller & Holscher) to gain firsthand insights into technological advancement and emerging packaging trends. This ongoing collaboration empowers CPL to offer its customers the highest quality innovative products with a wide array of options. Further, to keep its production quality at its optimal, CPL conducts regular in-house training programs to enhance the skills of its workers.







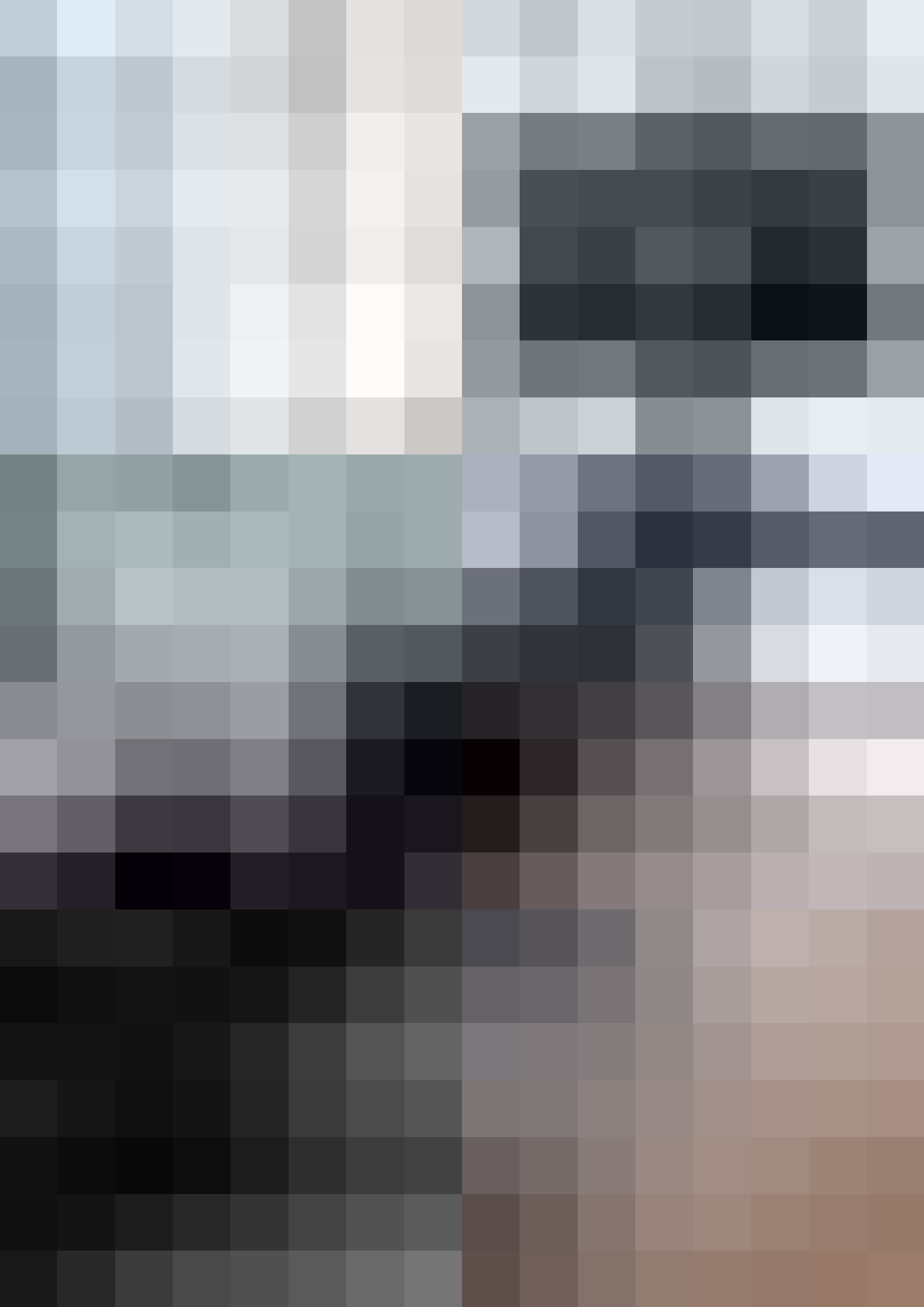






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# PACKAGING YOUR FUTURE

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 34th Annual General Meeting of Cherat Packaging Limited will be held on Tuesday, October 24, 2023 at 11:00 a.m. at the Registered Office of the Company at Betani Arcade, Jamrud Road, Peshawar, to transact the following businesses:

### ORDINARY BUSINESS

1. To confirm the minutes of the Annual General Meeting held on October 11, 2022.
2. To receive and consider the Audited Accounts of the Company for the year ended June 30, 2023 with the Directors' and the Auditors' Reports thereon.
3. To consider and approve the payment of final cash dividend @ 20% (Rs.2.00/- per share). This is in addition to an interim cash dividend @10% (Re.1/- per share) and issuance of bonus shares in proportion of 5 shares for every hundred shares held i.e. 5% already paid to the shareholders for the financial year ended June 30, 2023 as recommended by the Board of Directors.
4. To appoint Auditors for the year 2023/24 and to fix their remuneration.
5. To elect nine (9) Directors of the Company as fixed by the Board of Directors u/s 159(1) of the Companies Act, 2017. The names of retiring Directors are (1) Mr. Akbarali Pesnani (2) Mr. Amer Faruque (3) Mr. Aslam Faruque (4) Mr. Shehryar Faruque (5) Mr. Arif Faruque (6) Mr. Ali H. Shirazi (7) Mr. Abid Vazir (8) Mr. Sher Afzal Khan Mazari and (9) Ms. Maleeha Humayun Bangash.
6. To transact any other business with the permission of the chair.


### SPECIAL BUSINESS

7. To consider and approve the following resolution as Special Resolution:
  - a. ***"RESOLVED that the transactions carried out in the normal course of business with related parties and associated companies as disclosed in Note 40 of the Financial Statements during the year ended June 30, 2023, be and are hereby ratified and approved."***
  - b. ***"FURTHER RESOLVED that the Board of Directors of the Company be and is hereby authorized to approve all transactions to be carried out in the normal course of business with related parties and associated companies during the ensuing year ending June 30, 2024."***
8. To consider dissemination of annual audited financial statements to the shareholders through QR enabled code and Weblink instead of transmitting the same in the form of CD/DVD/USB and approve the following resolution:
  - a. ***"RESOLVED that circulation / dissemination of annual audited financial statements together with the reports and documents required to be annexed thereto under the Companies Act, 2017, to the shareholders through QR enabled code and Weblink as notified by the Securities & Exchange Commission of Pakistan vide its S.R.O.389(1)/2023 dated March 21, 2023 be and is hereby approved while considering technological advancements and old technology becoming obsolete, the circulation of annual financial statements through CD/DVD/USB be discontinued."***

The statements under section 134 of the Companies Act, 2017, pertaining to the above-mentioned Special Business, are attached with the notice.

Karachi: August 28, 2023

By Order of the Board of Directors



**Hina Mir**  
Company Secretary

## NOTES:

1. The register of members of the Company will be closed from Tuesday, October 17, 2023 to Tuesday, October 24, 2023 (both days inclusive) and no transfers will be registered during that time. Shares received in order at the Office of the Share Registrar of the Company, M/s. CDC Share Registrar Services Limited (CDCSRSL), CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400 at the close of business on Monday, October 16, 2023 will be treated in time for the above entitlement.
2. A member of the Company eligible to attend, speak and vote at the Annual General Meeting may appoint another member as his/her proxy to attend, speak and vote in his/her stead. Proxies to be effective must be in writing and must be received by the Company's Head Office 48 hours before the meeting.
3. The AGM proceedings will also be held via video through ZOOM application (a video link conferencing facility). Shareholders interested to participate in the meeting are requested to email required information with subject "Registration for Cherat Packaging Limited AGM" along with a valid copy of both sides of Computerized National Identity Card (CNIC) at [cdcsr@cdcsrsl.com](mailto:cdcsr@cdcsrsl.com). Shareholders are advised to mention their full details in the following manner:

Full Name of Shareholder / Proxy Holder	Company	CNIC Number	Folio / CDC A/c No.	Email ID	Mobile Phone No.
	Cherat Packaging Limited				

4. Video link details and login credentials will be sent to members at their provided email addresses enabling them to attend the meeting on the given date and time.
5. Members will be able to login and participate in the AGM proceedings through their devices after completing all the formalities required for the identification and verification of the shareholders. Video link and login credentials will be shared with only those members whose emails, containing all the required particulars, are received at least 48 hours before the time of AGM.
6. Members of the Company whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to bring original Computerized National Identity Card along with their account number in CDS and participant's ID number for verification.
7. Members of physical shares are requested to notify any change in their addresses to the Company's Share Registrar. Whereas, shareholders of CDC Accounts are requested to immediately notify any change in their addresses to their respective CDC Participant / Broker / CDC Investor Account Services.
8. According to Section 119 of the Companies Act, 2017, and Regulation 19 of the Companies (General Provisions and Forms) Regulations, 2018, all physical shareholders are advised to provide their mandatory information such as CNIC number, address, email address, contact mobile / telephone numbers, occupation, etc. to CDC Share Registrar Services Limited immediately to avoid any non-compliance of law or any inconvenience in future.
9. Shareholders who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) are requested to send the same to the Share Registrar of the Company.
10. As per Section 72 of the Companies Act, 2017 every existing listed company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the SECP. Shareholders having physical shareholding are accordingly required to open their account with investors account services of CDC or sub account with any of the brokers and convert their physical shares in book entry form. This will facilitate the shareholder in many ways, including safe custody and sale of shares, any time they want, as the trading of physical shares is not permitted as per existing regulations of the Pakistan Stock Exchange Limited.

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11. Shareholders are hereby reminded that Section 242 of the Companies Act, 2017 provides that in case of a listed company, any cash dividend declared by the company must be paid electronically directly into the bank accounts of the shareholders. In order to receive dividends directly into their bank account, shareholders are requested to fill in E-dividend Mandate Form available on the Company's website i.e. [www.gfg.com.pk](http://www.gfg.com.pk) and send it duly signed along with a copy of CNIC to the Registrar of the Company M/s. CDC Share Registrar Services Limited in case of physical shares. In case shares are held in CDC, then E-Dividend Mandate Form must be submitted directly to shareholder's broker/participant/CDC investor account services. In case of non-submission of IBAN, the Company will withhold the payment of dividends under the Companies (Distribution of Dividends) Regulations, 2017. Further, the information regarding gross dividend, tax/zakat deduction and net amount of dividend will be provided through the Centralized Cash Dividend Register (CCDR), therefore, shareholders should register themselves to CDC's eServices Portal at <https://eservices.cdcaccess.com.pk>.
12. In compliance of Section 244 of the Companies Act 2017, once the Company has completed stipulated formalities, any unclaimed dividend and /or shares that have remained outstanding for a period of three years from the date of becoming due and payable or more shall be credited to the Federal Government (in case of dividend) or delivered to the SECP (in case of physical shares). Shareholders who by any reason could not collect their remaining unclaimed dividend/shares are advised to contact the Share Registrar of the Company to collect/inquire about their unclaimed dividend or shares, if any.
13. Shareholders have the option to receive Annual Audited Financial Statements and Notice of General Meeting through email. Shareholders of the Company are requested to give their consent to the Company's Share Registrar to update its record if they wish to receive Annual Audited Financial Statements and Notice of General Meeting through email. However, if shareholders, in addition, request for hard copy of Audited Financial Statements, the same shall be provided free of cost within seven (7) days of receipt of such written request.
14. Members can also avail video conference facility. In this regard, please fill the following and submit to the Head Office of the Company seven (7) days before the Annual General Meeting. If the Company receives consent from members, holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least seven (7) days prior to the date of the meeting, the Company will arrange video conference facility in the city subject to availability of such facility in that city.  

"I/We, \_\_\_\_\_ of \_\_\_\_\_, being a member of Cherat Packaging Limited, holder of \_\_\_ ordinary shares(s) as per Registered Folio No. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_".
15. Members may exercise their right to vote by means of postal ballot i.e. by post or through electronic mode subject to the requirements of section 143 and 144 of the Companies Act, 2017. Pursuant to Companies (Postal Ballot) Regulations, 2018, for the purposes of Special Business and election of directors, if the number of members who offer themselves to be elected is more than the number of directors fixed under section 159(1) of the Companies Act, 2017, members will be allowed to exercise their right to vote through postal ballot/electronic mode in accordance with the requirement and procedures contained in the aforesaid Regulations. The schedule and procedure of postal ballot/electronic voting shall be circulated in due course and placed on the Company's website i.e. [www.gfg.com.pk](http://www.gfg.com.pk) seven (7) days before the meeting, in case the need to do so arises.
16. All shareholders are advised to check their status on Active Taxpayers List (ATL) available on FBR website and, if required, take necessary actions for inclusion of their name in the ATL. In case a person's name does not appear in the ATL the applicable tax rate will be increased by the hundred percent.
17. In case of joint account, please intimate proportion of shareholding of each account holder along with their individual status on the ATL.
18. Withholding tax exemption from the dividend income shall only be allowed if copy of valid tax exemption certificate is made available to CDC Share Registrar Services Limited by the first day of Book Closure.
19. To claim exemption from compulsory deduction of Zakat, shareholders are requested to submit Zakat Declaration (Form CZ-50) or its attested photocopy to CDC Share Registrar Services Limited, in order to avoid deduction of Zakat on all future dividends, at the earliest.

20. Any member who intends to contest the election for the office of the Directors or otherwise, shall file with the Company at its Head Office not later than fourteen (14) days before the date of the Annual General Meeting, a notice of his/her intention to offer himself/herself for election as Director in terms of Section 159(3) of the Companies Act, 2017 along with (a) consent to act as director on Form 28, duly completed and signed by the candidate; (b) a detailed profile (including other directorship, if any) along with office address for placement on the Company's website seven (7) days prior to the date of the AGM; and (c) declaration / undertaking in respect of being compliant with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 and the eligibility criteria as set out in the Companies Act, 2017.
21. For the purpose of election of Directors, voting shall be held in the following three (3) categories:
- i) Female Director                      ii) Independent Directors                      iii) Other Directors

If the number of members who offer themselves in each category is not more than the number of Directors to be elected in such category, such members will be elected unopposed without the voting process.

#### **Statement Under Section 166 of the Companies Act, 2017 - Regarding Independent Directors**

Independent Directors shall be selected in accordance with the applicable criteria set out for independence under section 166 of the Companies Act, 2017 and the Companies (Manners and Selection of Independent Directors) Regulations, 2018. Further, the Regulations issued there under and their names should be listed on the databank of independent directors maintained by Pakistan Institute of Corporate Governance. However, the candidate shall be elected in the same manner as other directors are elected in terms of Section 159 of the Companies Act, 2017.

#### **Statements Under Section 134 of the Companies Act, 2017**

### **7. RELATED PARTY TRANSACTION**

The statement sets out material facts concerning "Special Business" to be transacted at the Annual General Meeting of the Company to be held on October 24, 2023. The approval of the members of the Company will be sought for:

During the financial year ended June 30, 2023, the Company carried out transactions with its associated companies and related parties in accordance with its policies and applicable laws and regulations. Related party transactions require shareholders' approval under sections 207 and 208 of the Companies Act, 2017. Such transactions are being placed before the shareholders for their approval through special resolution proposed to be passed in the Annual General Meeting.

The shareholders are requested to ratify the transactions which have been disclosed in Note no. 40 of the Financial Statements for the year ended June 30, 2023 and further to authorize the Board of Directors to conduct transactions with related parties or associated companies for the year ending June 30, 2024.

Party wise breakup of transactions as disclosed in Note no. 40 of the Financial Statements for the year ended June 30, 2023 is given below:

<b>Name of Related Party</b>	<b>Nature of Transaction</b>	<b>Amount (Rs.'000)</b>
Faruque (Private) Limited	Service Received	47,777
	Dividend Paid	11,328
Cherat Cement Company Limited	Sale of Packing Material	3,237,318
	Dividend paid	8,119
	Dividend Received	23,975



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Name of Related Party	Nature of Transaction	Amount (Rs.'000)
Mirpurkhas Sugar Mills Limited	Sale of Packing Material	122,927
	Dividend paid	5,487
Greaves Pakistan (Private) Limited	Service Received	1,376
	Dividend Paid	5,551
	Purchase of Goods	1,865
Greaves Airconditioning (Private) Limited	Service Received	1,248
	Purchase of Goods	8
	Purchase of Fixed Assets	13,876
Zensoft (Private) Limited	Software Consultancy Charges	15,994
Unicol Limited	Sale of Packing Material	1,486
Jubilee General Insurance Company Limited	Insurance Premium	28,008
Atlas Asset Management Co. Limited	Service Received	271
Atlas Insurance Limited	Insurance Premium	6,675
	Dividend Paid	10,172
National Foods Limited	Sale of Packing Material	383,435
Pakistan Cables Limited	Purchase of Fixed Assets	742
Fauji Cement Company Limited	Sale of Packing Material	864,340
Management Association of Pakistan	Service Received	30
CPL - Employees' Provident Fund & Gratuity Fund	Contribution to Fund	42,105

The Directors are interested only to the extent of their shareholding and / or common directorship in such related parties. The name of the common Directors are mentioned in the aforesaid Note no. 40 of the Financial Statements.

## 8. DISSEMINATION OF INFORMATION REGARDING ANNUAL AUDITED FINANCIAL STATEMENTS TO THE SHAREHOLDERS THROUGH QR ENABLED CODE AND WEBLINK

In order to implement the SECP notification with respect to transmission / circulation of information such as Annual Audited Financial Statements through QR enabled code and weblink instead of CD/DVD/USB. The facility will be provided through e-mail if they desire to receive the same at their e-mail addresses. However, if the shareholder, in additions, request for hard copy of Audited Financial Statements, the same shall be provided free of cost within seven (7) days of receipt of such written request. For convenience of shareholders, Standard Request Form is available on the Company's website.

The Directors are not interested, directly or indirectly, in the above business except to the extent of shares that are held by them in the Company.

# DIRECTOR'S PROFILE

## **MR. AKBARALI PESNANI** Chairman

Mr. Akbarali Pesnani is an MBA and fellow member of both the Institute of Chartered Accountants and Institute of Cost and Management Accountants of Pakistan. He has served as Chairman Gwadar Port and Gwadar Port Implementation Authority from 2004 to 2006. Mr. Pesnani has been associated with the Aga Khan Development Network at senior levels for over 48 years. Presently he is the Chairman of Aga Khan Cultural Service Pakistan, Jubilee General Insurance Co. Ltd. and a Director on the Board of Cherat Packaging Ltd., Agha Steel Ltd. and Pakistan Cables Ltd. His association with the Ghulam Faruque Group dates back almost 42 years.

## **MR. AMER FARUQUE** Chief Executive

Mr. Amer Faruque is the Chief Executive of the Company. He is a Bachelor of Science (BS) graduate in Business Administration majoring in Management / Marketing from Drake University, Des Moines, Iowa, USA. He serves as a member of the Board of Directors of Mirpurkhas Sugar Mills Ltd., Faruque (Pvt.) Ltd., Greaves Pakistan (Pvt.) Ltd., Greaves CNG (Pvt.) Ltd., and Executive Director Marketing of Cherat Cement Co. Ltd. In the past he has served as a member of the Board of Governors of Ghulam Ishaq Khan (GIK) Institute of Engineering Sciences and Technology and Lahore University of Management Sciences (LUMS) and the Center of International Private Enterprise (CIPE). He is also the Honorary Consul of Brazil in Peshawar.

## **MR. ASLAM FARUQUE** Director

Mr. Aslam Faruque is a graduate with a major in Marketing. He is the Chief Executive of Mirpurkhas Sugar Mills Ltd., Unicol Ltd. and UniEnergy Ltd. He is on the Board of Directors of Greaves Airconditioning (Pvt.) Ltd. and Greaves Engineering Services (Pvt.) Ltd.

In the past, he has served as the Chairman and Senior Vice Chairman of Pakistan Sugar Mills Association – Center. He also served as Chairman of Pakistan Sugar Mills Association Sindh Zone, and Director of Sui Southern Gas Company Ltd., State Life Insurance Corporation of Pakistan and Pakistan Industrial Development Corporation.

## **MR. SHEHRYAR FARUQUE** Director

Mr. Shehryar Faruque is a graduate from Davis & Elkins College, Elkins, WV, USA. He serves on the Board of Directors of Faruque (Private) Limited and Zensoft (Private) Limited.

## **MR. ARIF FARUQUE** Director

Mr. Arif Faruque is a Swiss – qualified Attorney-at-Law and also holds Masters degrees in both Law and Business Administration from the USA and is currently enrolled in the OPM Program at Harvard Business School. He is the Chief Executive of Faruque (Pvt.) Ltd. He is on the Board of Directors of Mirpurkhas Sugar Mills Ltd., Cherat Packaging Ltd. and UniEnergy Ltd. Besides the above, he is also a member of the Board of Governors of Lahore University of Management Sciences (LUMS).

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## **MR. ALI H. SHIRAZI** Director

Mr. Ali H. Shirazi graduated with a BA from Yale University, U.S.A. in 2000 and thereafter completed his Masters in Law from Bristol University, U.K. in 2005. He has worked with the Bank of Tokyo-Mitsubishi in New York as well as American Honda in Torrance, California. He is Group Director Financial Services and President / Chief Executive of Atlas Battery Limited. He is on the Board of Atlas Asset Management Limited, Atlas Insurance Limited, National Management Foundation (sponsoring body of LUMS), National Foods Limited, Cherat Packaging Limited, Pakistan Cables Limited and Pakistan Society for Training and Development. Previously, he has also served on the Board of National Clearing Company of Pakistan Limited (NCCPL).

He is a 'Certified Director' from the Pakistan Institute of Corporate Governance and in 2018 completed the Owner / President Management Program (OPM) from Harvard Business School.

## **MR. ABID VAZIR** Director

Mr. Abid Vazir has been associated with Ghulam Faruque Group since 2000. He is serving as the Director and Chief Operating Officer of Cherat Packaging Limited. Furthermore, he is also serving as the Chief Executive of Greaves Airconditioning (Pvt.) Ltd. and Greaves Engineering Services (Pvt.) Ltd. Mr. Vazir is also a member of the Executive Committee of the Management Association of Pakistan.

Mr. Abid Vazir holds an MBA degree from Lahore University of Management Sciences (LUMS), enrolled in the Dean's Honors List. He belongs to the first batch of graduates of College of Business Management (IoBM) and holds an MBA degree from the Institute. Mr. Vazir is an Associate member of the Institute of Chartered Secretaries of Pakistan and a Certified Director from Pakistan Institute of Corporate Governance (PICG).

## **MR. SHER AFZAL KHAN MAZARI** Director

Mr. Sher Afzal Mazari is a progressive agriculturist who is committed to developing long term sustainable solutions to the current challenges of farming and land management. Prior to this, he had a 34-year corporate career across a range of industries from Chemicals to Foods and Fast-Moving Consumer Goods.

After graduating from Boston University, Sher Afzal began his career with ICI and then moved to Unilever, where he worked for 25 years. During this time, he has worked in senior General Management, Marketing, Communications Corporate Affairs and Sustainable Business roles, initially in Pakistan and then overseas, covering regions as diverse as Asia, Middle East and Africa.

He is deeply committed to driving a sustainable business agenda, and believes that the ESG framework should be at the core of business strategy and operations, for the long-term benefit of all stakeholders and the environment.

Mr. Sher Afzal's deep understanding and knowledge of operating in developing, emerging and frontier markets has convinced him on the vital need for tailoring global business best practice to suit local environments. He is also a firm believer in ethical and transparent business operations that not only meet local regulatory requirements but are also in strict compliance with global standards of corporate governance.

## **MS. MALEEHA HUMAYUN BANGASH**

### **Director**

Ms. Maleeha Mimi Bangash is a recognized Banking & Financial Industry expert and practitioner with rich experience of more than 24 years obtained in Singapore, Turkey and Pakistan primarily in Banking & Financial Services.

Ms. Bangash has obtained her MBA from University of Chicago, Booth School of Business, in Investment & Finance, where she graduated with Honors. Earlier, she had obtained an MBA from Lahore University of Management Sciences, in Finance & Marketing.

During her career, Ms. Bangash has demonstrated the ability to successfully set up and/or take organizations to the next level, delivering unprecedented results in her roles of Managing Director, Dy. CEO, Group Head/ SEVP, Founding Member/ Commissioner, Chief Strategy Officer and so on. She brings with her C-Suite and top leadership experience in Digital Banking, Corporate & Investment Banking, in Pakistan & Singapore. She has executed transactions and business in markets across Europe, East Asia & Pacific, South Asia & South Africa. She is experienced in Access to Finance/Financial Inclusion (MicroSMEs, Women, Youth & start-ups) Development Finance, Climate/Green Finance, Social Impact Investment & Sustainable Development Goals. She is presently engaged in various initiatives of Technology driven finance.

Ms. Bangash is currently engaged by World Bank Group-International Finance Corporation, Financial Institutions Group Singapore as Consultant- Expert Digital Banking, for East Asia & Pacific. She previously held the position of Managing Director for the World Bank Group's Investment Climate Reform Unit (Punjab Government); she has advised the KP Minister Finance, on Access to Finance/ Financial Inclusion, EODB/Investment Climate (Khyber Pakhtunkhwa Government).

Recently Ms. Maleeha Mimi Bangash has been advisor to Royale Nova Group, Chairman His Highness Shaikh Khalid bin Mohammed bin Salman Al Khalifa of Bahrain regarding various investments, including acquisition of a Bank, setting up a Digital Banking Fintech, and expanding the footprint of and Swiss Investment bank.

Ms. Bangash also served as Founding Member Competition Commission of Pakistan (Federal Government), where she set up and developed the Mergers & Acquisitions regime, set up the Competition Consultative Group and passed several speaking orders which got international recognition. She has structured & proposed innovative finance models including Specialized Investment Vehicles, Environment Endowment, Social Impact Bond/Dev Impact Bond & Blended Finance Investment Vehicles.

As Dy. CEO she successfully turned around Habib Asset Management. A seasoned banking and business strategy professional, she has worked in leading Financial Institutions in Pakistan and Singapore.

Ms. Maleeha Mimi Bangash is a certified Director from PICG.

# PACKAGING YOUR FUTURE

## CHAIRMAN'S REVIEW

The country continues to face unprecedented challenges on account of rising inflation, fiscal slippages, low foreign exchange reserves and unsettled political environment. Some of the measures taken by the government to address serious economic issues and meet IMF conditionalities have created more challenges and difficulties for the businesses and industries. Import restrictions, historically high discount rates, and increasing energy costs have further compounded the situation. Although, having taken tough and difficult decisions the government was able to avoid default and clinch the requisite deal with IMF, the country needs a long term macroeconomic plan and fiscal discipline to bring about the desired stability and create an environment for attracting investment. Additional taxes imposed through the finance bill, including super tax, to generate more revenue could prove counterproductive in the long run. The imposition of super tax has also adversely impacted the net results of the Company.

With careful planning and diligently managing the resources, the Company has been able to navigate the economic challenges and continues to serve its customers and meeting their needs in a timely manner. With its state-of-the-art equipment, well qualified personnel, and delivering required packaging solutions, it has become one of the leading players in the packaging industry. The Flexible Packaging Division continues to receive encouraging response from the market. During the year, the Company successfully commissioned its second Rotogravure printer and also placed the order for another Flexographic printer.

I am pleased to report that the Board of Directors has performed its duties and responsibilities diligently and has contributed strategically in guiding the management to successfully overcome the challenges. It focused on major risk areas and remained actively involved in the strategic planning process of the Company. The Board recognizes that well defined corporate governance processes are important to preserve and enhance stakeholders' value. All Directors, including Independent Directors, fully participated and contributed in the decision making process of the Board. The Board carried out its annual self-evaluation in line with the requirements of Code of Corporate Governance.

The Company has continued to focus on growth and diversification to meet the changing demands of its customers thus ensuring long term sustainability, reliability and value creation for its stakeholders. In an era characterized by the manifestations of climate change, the Company has directed its focus towards the mitigation of its carbon footprint. This involves the active promotion of green energy through the utilization of solar and hydroelectric power. This year, the Company successfully fulfilled around 40% of its energy requirement through these sustainable channels. This accomplishment not only facilitated a reduction in the Company's carbon footprint but also proved to be an economically prudent measure.

I would like to extend my thanks and appreciation to all the staff members, customers, suppliers, bankers, shareholders and the Board of Directors for their commitment and hard work.



**Akbarali Pesnani**  
Chairman

August 28, 2023

# DIRECTORS' REPORT TO THE MEMBERS

FOR THE YEAR ENDED JUNE 30, 2023

The Board of Directors is pleased to present to you the annual report of the Company along with the audited financial statements for the year ended June 30, 2023.

## Overview:

The country is going through an unprecedented economic challenge largely attributed to political uncertainty, declining foreign reserves and rising inflation. Last year's floods, massive rupee devaluation, upward revision in energy prices, coupled with high cost of funds and import of food items have further complicated the situation. In order to overcome the impact of inflation and declining foreign reserves, the government resorted to monetary tightening and imposed import restrictions. Although the government has been able to reach a 9-month Staff Level Agreement with IMF, the country is in dire need of a long-term economic revival plan to come out of the current economic quagmire.

The packaging sector, like other industries in the country, has also been affected by an overall economic slowdown in business activities. Restrictions on imports have not only resulted in significant demand curtailment but have also led to shortage of critical raw materials. However, through efficient management and optimum utilization of its resources, your Company was able to ensure uninterrupted operations.

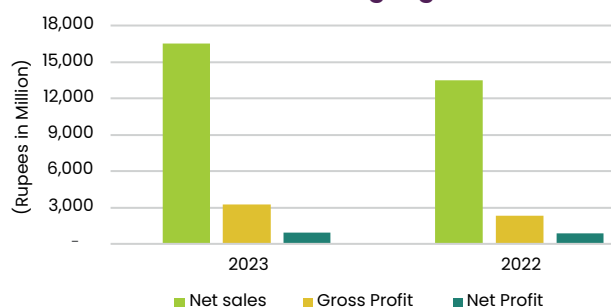
## Business Review:

Your Company has once again delivered a strong financial performance in a year of extreme economic uncertainty. There has been an appreciable rise in the sales revenues of the Company primarily driven by increase in sales volume of flexible packaging division. The Company also continues to meet the demand for high quality bags from its valuable customers from the cement industry. Flexible Packaging Division has continued the growth momentum by attracting new reputable customers and making inroads into unexplored market segments. Several household names have started to place their trust with the Company for flexible packaging material while many more are in various stages of finalization.

The financial highlights for the current year and that of last year are given below:

	2023	2022
	(Rupees in Million)	
Net sales	16,554	13,503
Gross Profit	3,277	2,315
Net Profit	908	886

## Financial Highlights



## Financial Performance:

There has been a 23% increase in the sales revenues of the Company compared to the previous year. However, because of difficult economic conditions and the resultant decline in cement demand, quantity of cement bags sold were lower than last year. As mentioned above, there was a sharp rise in cost of key input items like kraft paper, PP granules and other raw materials because of massive devaluation of Pak Rupee. Furthermore, cost of production has also risen due to increase in oil and energy prices. Higher utilization of running finance facility owing to increase in business volumes and rise in discount rates has resulted in an increase in finance cost for the year. Recent changes in taxation measures have resulted in increased tax incidence for the Company. After having provided for all the costs, the Company posted an after-tax profit of Rs. 908 million for the year ended June 30, 2023.

## Dividend Payout:

The Company has always strived to be consistent in the distribution of profits. The decision on dividend payout is made after taking into consideration various factors like Company's financial performance, its business needs, growth prospects and expansion plans. For the year under review, the Board of Directors is pleased to recommend a final cash dividend of Rs. 2 per share. This is in addition to an interim cash dividend of Re. 1 per share and 5% bonus shares.

Sales revenue increased by

**23%**

Profit after tax Rs.

**908** million

During the year, the Company commissioned its second Rotogravure Printer. It is the most advanced and efficient equipment of its kind, acquired from M/s. Windmoller & Holscher. Furthermore, in view of encouraging response received from the market, the Company has also placed the order for its second Flexo Printer to enhance the production capacity of Flexible Packaging Division.

### Expansion of Flexible Packaging Business:

During the year, the Company commissioned its second Rotogravure Printer. It is the most advanced and efficient equipment of its kind, acquired from M/s. Windmoller & Holscher. Furthermore, in view of encouraging response received from the market, the Company has also placed the order for its second Flexo Printer to enhance the production capacity of Flexible Packaging Division. The expansion will be financed through a long-term loan and is expected to be completed by March 2024. Enhancement in production capacity will enable the Company to meet the demand of its valued customers in an effective manner and optimize the utilization of its available resources.

### Corporate Social Responsibility:

The Company has always tried to contribute for the betterment of the society and the environment in which it operates. In line with its corporate social responsibility policies, the Company is engaged in multiple social initiatives to help improve the quality of lives of the people residing in the vicinity of the manufacturing facilities and the surrounding areas. The Company has always reached out to those who required help and extended necessary support at times of crisis or natural calamity

The Company is playing its part for a better environment, a better economy, and better living conditions for those in need by contributing to various reputable charitable institutions and social causes.

### Strategic objectives on ESG:

The Board is actively involved and strongly backs the Company's ESG initiatives. Our dedication lies in integrating ESG considerations seamlessly into our strategy. This supports long-term growth, mitigates risks, and cultivates a foundation of trust with our stakeholders. Our strategic goals encompass eco-friendliness, societal obligations, and proficient governance. We are resolute in diminishing our carbon footprints, safeguarding resources, promoting usage of green energy and handling waste materials in an environment friendly manner. Our focal points include promoting diversity, ensuring employee welfare, and actively participating in the community. Our decision-making is steered by ethical behavior, openness, transparency and prudent risk management. Within Corporate Social Responsibility, our strategic focus is on education, healthcare and serving the community.

### Safety, Health and Environment:

The Company strongly believes in maintaining high standards of health and safety for its staff and, in this regard, has put in place several measures. This includes implementation of protocols on health and employee safety, to respond to the changing business requirements. The production facilities of the Company have been compliant with the prevailing standards of safety in the industry. The Company has a dedicated HSE department to oversee the

implementation of HSE objectives. The department not only ensures compliance with the best HSE practices but also carries out regular fire and safety training for the staff. Due to strong commitment of the Company on strict compliance with HSE standards, no major accident was reported during the year.

### Contribution to National Exchequer:

The Company contributed over Rs. Five (5) billion to the government treasury in form of taxes, excise duty, income tax and sales tax during the year.

### Statement on Corporate and Financial Reporting Framework:

- The financial statements prepared by the management of the Company present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
- Proper books of account have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed and explained.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance.
- Key operating and financial data for the last six (6) years in summarized form is annexed.
- There is nothing outstanding against your Company on account of taxes, duties, levies, and charges except for those which occur in normal course of business.
- The Company maintains Provident and Gratuity Fund accounts for its employees. Stated below are the values of the investments of the funds as on June 30, 2023.

• Provident Fund	Rs. 327.56 million
• Gratuity Fund	Rs. 145.17 million



# PACKAGING YOUR FUTURE

## Board of Directors:

Total number of Directors on the board is 9. Its composition is as follows:

•	Male Directors	8
•	Female Director	1
a.	Independent Directors	3
i.	Mr. Ali H. Shirazi	
ii.	Mr. Sher Afzal Khan Mazari	
iii.	Ms. Maleeha Humayun Bangash	
b.	Non-Executive Directors	4
i.	Mr. Akbarali Pesnani	
ii.	Mr. Aslam Faruque	
iii.	Mr. Shehryar Faruque	
iv.	Mr. Arif Faruque	
c.	Executive Directors	2
i.	Mr. Amer Faruque	
ii.	Mr. Abid Vazir	
d.	Female Director	1
i.	Ms. Maleeha Humayun Bangash	

- During the year, six meetings of the Board of Directors were convened. The attendance record of each director is as follow:

Name of Director	Meetings Attended
• Mr. Akbarali Pesnani	6
• Mr. Amer Faruque	6
• Mr. Aslam Faruque	5
• Mr. Shehryar Faruque	5
• Mr. Arif Faruque	6
• Mr. Ali H. Shirazi	4
• Mr. Abid Vazir	6
• Mr. Sher Afzal Khan Mazari	6
• Ms. Maleeha Humayun Bangash	6

During the year, four meetings of the Audit Committee were convened. The attendance record of each member is as follows:

Name of Director	Meetings Attended
• Mr. Ali H. Shirazi	4
• Mr. Arif Faruque	4
• Mr. Shehryar Faruque	4

During the year, two meetings of the Human Resource and Remuneration Committee were convened. The attendance record of each member is as follows:

Name of Director	Meetings Attended
• Mr. Sher Afzal Khan Mazari	2
• Mr. Aslam Faruque	2
• Mr. Amer Faruque	2

The pattern of shareholding is annexed with the report. Earnings per share (EPS) during the year was Rs. 18.50 compared to Rs. 18.04 last year.

## Directors' Remuneration:

Through the Articles of the Company, the Board of Directors is authorized to fix remuneration of Non-Executive and Independent Directors from time to time. In this regard, the Board of Directors has developed a Remuneration Policy for Non-Executive and Independent Directors of the Company. The detail of Directors' remuneration is disclosed in Note 39 of the Financial Statements for the year ended June 30, 2023.

## Performance Evaluation of Board of Directors and Board Committees:

The Company carries out annual evaluation of the Board of Directors, its Committees and Individual Directors as part of Code of Corporate Governance. Strict level of confidentiality is exercised by the Company Secretary upon receipt of completed questionnaires. To ensure transparency of the process, the Company has engaged M/s. Grant Thornton, Anjum Rahman, Chartered Accountants to compile results and prepare a report for the Board of Directors. The contents of the report are evaluated and areas that require improvement are identified.

## Related Parties Transactions:

All transactions with related parties have been executed at arm's length and have been properly disclosed in the financial statements of the Company.

## Statement of Compliance with Code of Corporate Governance:

The Company has fully complied with requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019. Statement of Compliance is provided under the relevant section of the report.

## UniEnergy Limited:

UniEnergy – a joint venture wind power project, has been granted Letter of Intent and formally allotted land for setting up the project at Jhimpir, district Thatta. The JV partners have made initial equity investment in the company to meet the ongoing financial requirements for the project. In this regard, Cherat Packaging Limited has made an equity investment of Rs. 4.62 million following the approval of the shareholders. The government has, so far, not notified the tariff for the project.

## RISK AND OPPORTUNITIES:

### • Risk Management

The Board of Directors kept a close watch on the socio-economic environment and consequential internal and external risks that might impact the safe and smooth operations and performance of the Company. As caretakers of the interest of stakeholders, the Directors remained vigilant in identifying and mitigating risks throughout the year. The Board of Directors identified potential risks,

assessed their impact on the Company and formulated strategies to mitigate risks to the business. These strategies were monitored throughout the hierarchy of the Company and through the Audit Committee.

#### • Risk Assessment

Businesses face numerous uncertainties that might pose threats to its objectives and, if not addressed, may cause substantial losses. The Board of Directors of the Company has carried out assessments of both internal and external risks that it might face. Rising costs of raw materials is the most imminent risk facing the Company. Devaluation of Pakistani Rupee has made the risk more pronounced. To curb the negative impact of this, the Company has established strategic relationships with its key international suppliers and ensured timely negotiations, pre-orders, and timely delivery. Availability of raw materials is another risk that is faced by the Company.

Cherat Packaging Limited implemented complete SAP solution back in 2009. The world-renowned SAP is fully functional through its integrated finance, quality control, supply chain and inventory management modules. Users are properly trained on this system. During the year, the Company has successfully upgraded SAP ECC 6.0 to S/4HANA and also implemented SAP Success Factor for certain modules of HR. Proper access and other controls are in place to ensure security of the system.

The Board recognizes the importance of cybersecurity, keeping in view the evolving information security threats, which can directly affect our business operations. The Company has an in-house IT department, which has dedicated resources for IT related security. As advised by the Board, cybersecurity audit is conducted by an external consultant every alternate year and any recommendations thereon are properly implemented. There was no cybersecurity breach during the year.

#### • Debt Repayment

The Company has always met its financial obligations and paid all its dues on time. During the year, the Company repaid loans of Rs. 681 million to the banks.

#### • Capital Structure

The Company's current debt to equity percentage is about 30:70. The gearing ratio is improving as the Company is making regular profits. It will further improve after full capacity utilization.

#### Future Prospects:

To sustain the economic reforms agenda and ensure sustainable growth, it is imperative for the government to carry out macroeconomic adjustment measures including fiscal consolidation to complement the ongoing monetary tightening and focus on exports, which will relieve pressure on Pak

Rupee. The confidence of the international lenders will only be restored through political stability and continued implementation of economic reforms.

The Company is striving to be a leading player in the field of packaging through continuous expansions, diversification, and realignment of its existing businesses. This will allow it to meet the demand for packaging materials from not only cement sector but also from other industries such as FMCG sector. In a period of rising competition, the Company remains confident of preserving its market share and achieving greater economies of scale. During the last few years, there has been a continuous shift in the consumption of bags from papersacks to polypropylene bags by the cement industry because of rising price difference. A major portion of the market has now switched to using polypropylene bags for packing cement. Cognizant of the changes in the consumption pattern, the Company has already started taking necessary measures and, in this regard, the Board of Directors has approved the sale of Papersack line I, II and V. The Company will be able to meet the limited demand for papersacks with its Line III and IV having a combined production capacity of 160 million papersacks per annum.

While the macroeconomic conditions remain challenging, your Company is well positioned to capitalize on available market opportunities for continuing growth. The Company has time and again demonstrated its ability to handle adversity while building a long-term business proposition that increases stakeholder value. The Company will continue to mitigate external challenges by leveraging on its financial strength and operational efficiencies. The management of the Company is closely monitoring the economic situation and will continue to take appropriate measures to safeguard the interests of stakeholders.

#### Appointment of Auditors:

The present auditors M/s. EY Ford Rhodes, Chartered Accountants, retire and being eligible, offer themselves for reappointment.

#### Acknowledgment

The management would like to express its gratitude to all customers, financial institutions, staff members, suppliers and shareholders who have been associated with the Company for their continued support and cooperation.

#### On behalf of the Board of Directors



**Akbarali Pesnani**  
Chairman



**Amer Faruque**  
Chief Executive

Karachi: August 28, 2023

# PACKAGING YOUR FUTURE

## CHAIRMAN'S SIGNIFICANT COMMITMENTS AND ANY CHANGES THERETO

Mr. Akberali Pesnani is serving Cherat Packaging Limited as the Chairman of the Board. Apart from his associations as mentioned in Directors' profile, he does not have any significant commitment.

## HOW THE BOARD OPERATES AND THE MATTERS DELEGATED TO THE MANAGEMENT

At the time of appointment of director, the Chairman of the Board communicates a complete set of document of roles, responsibilities and powers as director of the Company. These roles, responsibilities and powers (which includes decision making powers) are in accordance with the provisions of applicable and relevant laws.

Management is primarily responsible for implementing the strategies as approved by the Board of Directors. It is the responsibility of management to conduct the routine business operations of the Company in an effective and ethical manner in accordance with the strategies and goals as approved by the Board and to identify and administer the key risks and opportunities which could impact the Company in the ordinary course of execution of its business. Management is also concerned in keeping the Board members updated regarding any changes in the operating environment. It is also the responsibility of management, with the supervision of the Board and its Audit Committee, to prepare financial statements that fairly present the financial position of the Company in accordance with applicable accounting standards and legal requirements.

## ANNUAL EVALUATION OF BOARD, CHIEF EXECUTIVE OFFICER (CEO) COMMITTEES AND INDIVIDUAL MEMBERS

Board evaluation mechanisms facilitate the Board of Directors in evaluating and assessing its performance and ability to provide strategic leadership and oversight to the senior management of the Company. Accordingly, appropriate procedures have been developed based on emerging and leading practices to assist in the assessment of the Board, its committees and the individual directors themselves.

Questionnaires have been developed based on relevant criteria such as effectiveness, accountability, planning, leadership and strategy formulation by the Board and also its committees. Directors are also asked to fill out a self-evaluation questionnaire which focuses on their participation and satisfaction with the different proceedings of the Board and their individual role as a member. In addition, a separate evaluation questionnaire for Chief Executive Officer has also been developed for his performance. The performance evaluation of the CEO is carried out by all the Directors.

These questionnaires are circulated annually and are filled out by the Directors anonymously. The collected answers are then compiled by an independent chartered accountant firm.

The Company has engaged M/s. Grant Thornton Anjum Rahman, Chartered Accountants to ensure transparency of the process.

## DIRECTORS' ORIENTATION AND TRAINING

All the directors of the Company are well experienced and have diverse backgrounds. At the time of induction of any new director, he or she is given proper orientation about the operations of the Company and his or her fiduciary responsibilities. The Company had also arranged an in house Directors' training program to apprise the directors of their authorities and responsibilities. Five directors of the Company namely Mr. Shehryar Faruque, Mr. Akbarali Pesnani, Mr. Ali H. Shirazi, Mr. Abid Vazir and Ms. Maleeha Humayun Bangash are also certified under the Board Development Series Program offered by Pakistan Institute of Corporate Governance (PICG). The Company also conducted an orientation session for Directors.



## GOVERNANCE PRACTICES EXCEEDING LEGAL REQUIREMENTS

Cherat Packaging has always believed in going the extra mile and staying ahead of the game. In line with this strategy, not only have we complied with all mandatory legal compliances under the Code of Corporate Governance, the Companies Act 2017 and other applicable rules, regulations and standards, we have also carried out the following activities in addition to the legal requirements;

- a. Integrated Reporting Framework: The management reports various other essential information in this annual report which is not required by law. We are trying to adapt integrated reporting framework.
- b. Implementations of HSE: The Company has developed and implemented aggressive HSE strategies at its Plants to ensure 100% safety of its people and equipment.
- c. Dissemination of information: The Company has always ensured that all material information is communicated to the PSX, the SECP and the Company's shareholders as soon as it becomes available. At all times we have ensured that such information is sent out much before the deadlines set out in the laws.

## RELATED PARTIES

As required under fourth schedule of the Companies Act, 2017, detailed disclosures regarding related party transactions have been presented in note 40 to the Financial Statements. Such disclosure is in line with the requirements of the 4th Schedule to the Companies Act, 2017 and applicable International Financial Reporting Standards.

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY TOWARDS THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The Company, its Board of Directors and the management have always been keen to follow the standards set down by governing institutions. In lights of the same strict compliance of all standards set out by ICAP, the Companies Act, the International Accounting Reporting Standards have been adhered to and otherwise good and responsible reporting has been our general practice.

Directors are kept informed and updated: In order to keep update to the Directors with major amendments and changes in applicable relevant laws.

## DETAIL OF BOARD MEETINGS OUTSIDE PAKISTAN

During the year 6 meetings of the Board of Directors were held in Pakistan

## FEMALE DIRECTOR

Ms. Maleeha Humayun Bangash was elected as an Independent female Director on October 26, 2020 on the Board and the requirement for a female director on the board of a listed company has been complied.

# PACKAGING YOUR FUTURE

## INDEPENDENT DIRECTORS

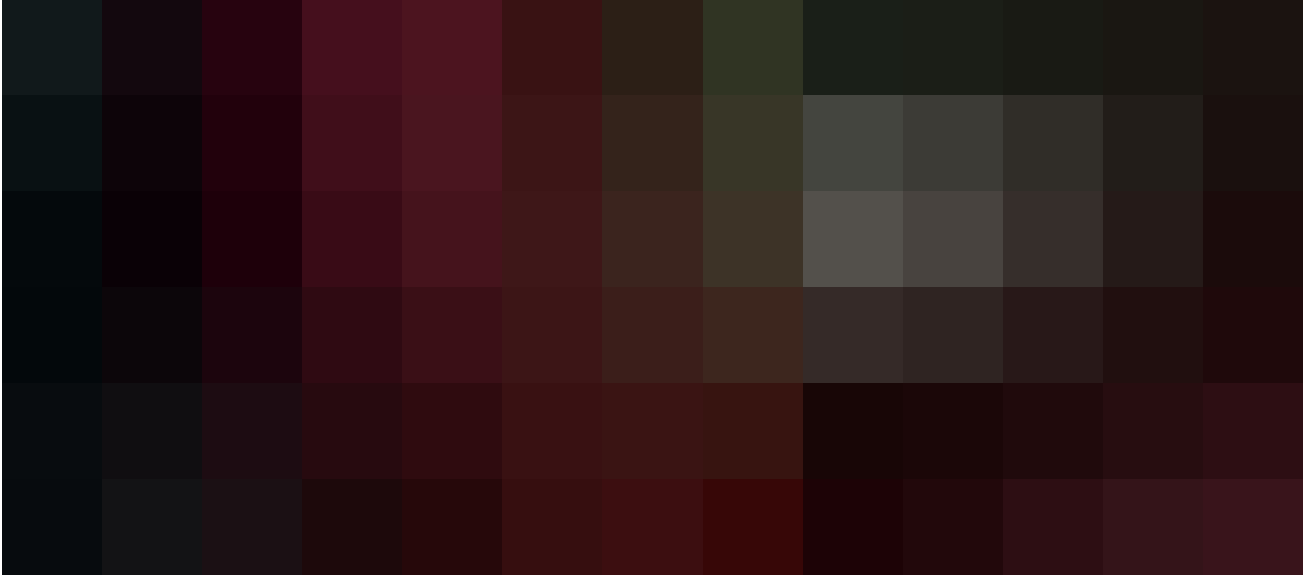
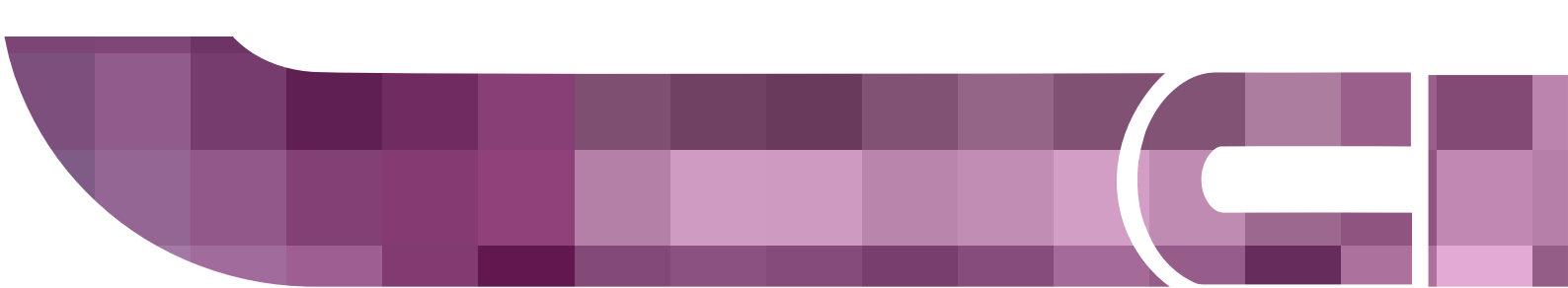
Cherat Packaging Limited has ensured that the composition of its Board of Directors is compliant with all prevailing legal and governance requirements. All independent Directors have submitted along with their consent to act as Director, the declaration as required under the Code of Companies Act, 2017, to the Company that they meet the criteria of Independent Director.

## EXECUTIVE DIRECTOR(S) SERVING AS NON-EXECUTIVE AND INDEPENDENT DIRECTOR IN OTHER COMPANIES / BODY CORPORATE

Our Chief Executive Mr. Amer Faruque is serving as a non-executive director in one listed Company and three other private companies. Furthermore, Mr. Abid Vazir Director and Chief Operating Officer is also on the Board of four other private companies, details of which are available in the Directors' Profile section.

There is no restrictions/bar in the law to earn the remuneration as non-executive directors in other companies.





## IT GOVERNANCE POLICY

Cherat Packaging has a well conceived and implemented IT Governance Policy which seeks to ensure that IT is aligned with CPL's organizational goals and strategies and delivers value to the organization. The policy is designed to promote effective, efficient, timely and informed decision-making concerning CPL's IT investments and operations. Specifically the policy aims to establish the IT governance structure and its associated procedures, roles and responsibilities, as a critical component of the overall IT Management (ITM) Framework, which guides the management in implementation and monitoring of IT investments for CPL.

### **Cherat Packaging's IT Governance Policy is mainly charged with:**

- Establishing a shared vision of how Information Technology can add value to the organization;
- Establishing Information Technology goals and the strategies for achieving those goals;
- Establishing principles and guidelines for making Information Technology decisions and managing initiatives;
- Overseeing the management of institutional Information Technology initiatives;
- Establishing and communicating organizational Information Technology priorities;
- Determining Information Technology priorities in resource allocation;
- Establishing, amending and retiring as necessary, organizational Information Technology and other technology related policies; and
- Determining the distribution of responsibility between the IT Department and end users.

# PACKAGING YOUR FUTURE



## SOCIAL & ENVIRONMENTAL RESPONSIBILITY POLICY

Cherat Packaging's Social and Environmental Responsibility Policy envisages an active commitment and participation on the part of the Company in various social work initiatives as part of its corporate social responsibility. Being a conscientious member of the corporate community, the Company contributes to various social and charitable causes including health and education sectors. In this regard, it has worked with many reputable organizations and NGOs in Pakistan.

The Company also participated in flood relief activities and helped Internally Displaced People (IDP). Cherat Packaging has always stood by the people of Pakistan in their hour of need and shall always continue to do so.

**Cherat Packaging is fully committed to acting in an environmentally responsible manner. To achieve this result, CPL:**

- Ensures its product and operations comply with relevant environmental legislation and regulations.
- Maintains and continually improves its environmental management systems and complies with requirements as out layed by specific markets or local regulations.
- Operates in a manner that is committed to continuous improvement in environmental sustainability through recycling, conservation of resources, reduction of waste, prevention of pollution, product development and promotion of environmental responsibility amongst its employees.
- Does not produce any hazardous material from its factory.
- Informs suppliers, including contractors, of its environmental expectations and requires them to adopt environmental management practices aligned with these expectations.



# HUMAN RESOURCE POLICIES

At Cherat Packaging Limited we attribute our continued success to our people. Our employees are our enduring advantage and it is our ability to create high performance teams in a culture of inclusiveness, professionalism and excellence that drives our growth. To maintain our HR competitiveness, we remain focused on areas of talent management, learning & development; succession planning, and the development of a robust Management Trainee Program.

## Attracting the Best Talent

To support the Company's objective of acquiring the best talent, we have recalibrated our Trainee Engineer Program as "Future Leaders Program" to make it dynamic in its offerings to students allowing them to challenge their potential. By providing graduating students with an exhilarating route to enter our Graduate Trainee Engineering programs, we undertook several campus recruitment drives at leading Engineering educational institutions with an aim to find the best talent that would build the company-wide pipeline of emerging leaders and also to be part of our enterprising organizational culture.

## Industrial Relations

We maintain excellent relations with our employees and labour. There is a formal labour union in place which represents all classes of workers and independently takes care of all labour related issues. The Company takes every reasonable step for swift and amicable resolution of all their issues.

## Succession Planning

Our Succession Planning policy is aimed at building a pipeline for future leadership and creating backups for critical roles.

### The salient features of this policy are detailed as under:

- Talent Assessment is conducted based on achievements, Competencies and Group Values.
- Gap Analysis is done to determine time period and tools needed to groom/ develop them as possible successors. Put through an outbound Leadership Course to determine areas of development viz a viz leadership.
- On-going coaching/ rotation/ training and developmental plans are in place to bring out best in class talent for succession.
- To deep reach successors at all levels, upward mobility is a pre-requisite in the hiring programme.

## Core Values

Values are what support the vision, shape the culture and reflect what an organization values. They are the essence of the organization's identity – the principles, beliefs or philosophy of values.

Our Core Values (Respect, Fairness, Quality, Ownership) are embedded in our recruitment process, performance appraisals and recognition initiatives.



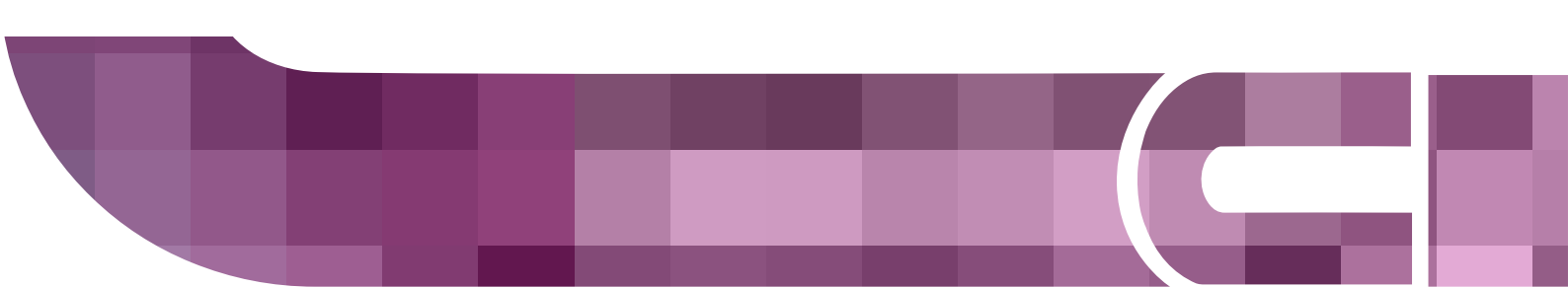
# PACKAGING YOUR FUTURE



## SAFETY OF RECORDS POLICY

Cherat Packaging is effectively implementing the policy to ensure the safety of records. All records must be retained for as long as they are required to meet legal, administrative, operational and other requirements of the Company. The main purposes of the Company Policy are:

- To ensure that the Company's records are created, managed, retained and disposed off in an effective and efficient manner;
- To facilitate the efficient management of the Company's records through the development of a coordinated Records Management Program;
- To ensure preservation of the Company's records of permanent value to support both protection of privacy and freedom of information services throughout the Company to promote collegiality and knowledge sharing;
- Information will be held only as long as required and disposed off in accordance with the record retention policy and retention schedules; and
- Records and information are owned by the Company, not by the individual or team.



## CONFLICT OF INTEREST POLICY

A Conflict of Interest Policy has been developed by Cherat Packaging to provide a framework for all directors of the Company (“Directors”) to disclose actual, potential or perceived conflicts of interest.

The policy provides guidance on what constitutes a conflict of interest and how it will be managed and monitored by the Company.

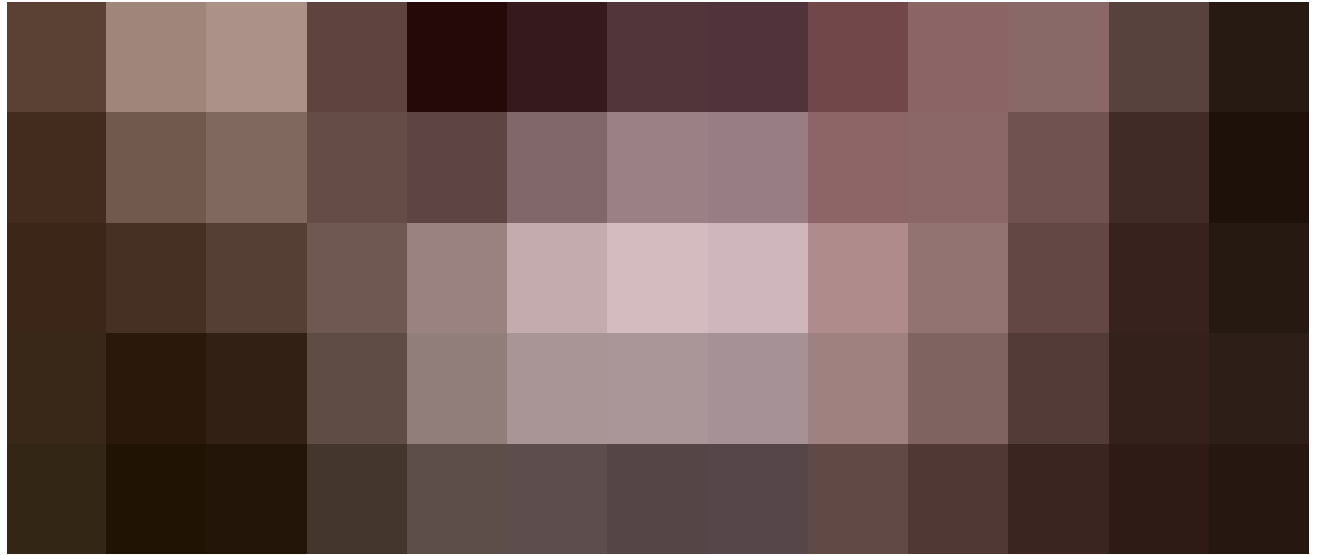
The policy is applicable to Directors as the Company strongly believes that a Director owes certain fiduciary duties, including the duties of loyalty, diligence and confidentiality to the Company which requires that the Directors act in good faith on behalf of the Company and to exercise his or her powers for stakeholders’ interests and not for their own or others interest.

### **Management of Conflict of Interest**

The Company stands fully committed to the transparent disclosures, management and monitoring of actual potential or perceived conflicts of interest. All Directors under the policy are obligated and have a duty to avoid actual, potential or perceived conflicts of interest.

Any Director with personal interest, relationship or responsibility which conflicts with the interest of the Company or its shareholders shall excuse himself or herself from any discussions on the matter that would give rise to the conflict of interest and, if necessary, from the Board meeting, or applicable part thereof.

# PACKAGING YOUR FUTURE



## WHISTLE BLOWER POLICY

An important aspect of accountability and transparency is a mechanism to enable all individuals to voice concerns internally in a responsible and effective manner when they discover information which they believe shows serious malpractice.

Our whistle blower policy is therefore fundamental to the organization's professional integrity. In addition, it reinforces the value the organization places on staff to be honest and respected members of their individual professions. It provides a method of properly addressing bona fide concerns that individuals within the organization might have, while also offering whistle blowers protection from victimization, harassment or disciplinary proceedings

It should be emphasized that the policy is intended to assist only those individuals who believe they have discovered malpractice or impropriety. It is not designed to question financial or business decisions taken by the organization nor should it be used to reconsider any matters which have been investigated under the harassment, grievance or disciplinary policies and procedures.

### **Fundamental elements of our Whistle Blower Policy are highlighted below:**

- All staff are protected from victimization, harassment or disciplinary action as a result of any disclosure, where the disclosure is made in good faith and is not made maliciously or for personal gain.
- All disclosures are required to be made in writing.
- Disclosures made anonymously are not entertained.
- Disclosures made are investigated fully including interviews with all the witnesses and other parties involved.
- All whistle blowers' disclosures made are treated as confidential and the identity of the whistle blower is protected at all stages in any internal matter or investigation.
- Disciplinary action (up to and including dismissal) may be taken against the wrongdoer dependent on the results of the investigation.
- There are no adverse consequences for anyone who reports a whistle blowing concern in good faith. However, any individual found responsible for making allegations maliciously or in bad faith may be subject to disciplinary action.

During the year no whistle blowing incidence was reported under the mentioned procedure.



## INSIDER TRADING POLICY

Cherat Packaging has taken definitive steps in ensuring that all employees, officers, members of the Board and all such relevant persons follow strict guidelines while trading in the shares of the Company. The Insider Trading Policy codifies the Company's standards on trading and enabling the trading of securities of the Company or other publicly-traded companies while in possession of material non-public information.

### **The general guidelines within the policy state that:**

- i. No trading in the securities of the Company is permitted for directors and all employees who are "Executives" as defined in the relevant laws, within the Closed Periods announced by the Company.
- ii. No insider may purchase or sell any Company security while in possession of material non-public information about the Company, its customers, suppliers, consultants or other companies with which the Company has contractual relationships or may be negotiating transactions.
- iii. No insider who knows of any material non-public information about the Company may communicate that information to any other person, including family and friends.
- iv. In addition, no insider may purchase or sell any security of any other company, whether or not issued by the Company, while in possession of material non-public information about that company that was obtained in the course of his or her involvement with the Company in the way of conducting official business. No insider who knows of any such material non-public information may communicate that information to any other person, including family and friends.

### **The Company's Responsibility to Disclose Inside Information**

The Company's responsibility, in case of inside information made known to a third party, shall be to ensure that in such case the knowledge is given full public disclosure or if such information still needs to be kept non-public then the Company must ensure that the third party is placed under legal obligation to maintain confidentiality.

# PACKAGING YOUR FUTURE

## INFORMATION SYSTEM SECURITY POLICY

### OBJECTIVE

The objective of Information Security is to ensure continuity of business of the Company and to minimize business damage by preventing and limiting the impact of security incidents.

### Policy

1. The purpose of the Policy is to protect Company information assets from all threats, whether internal or external, deliberate or accidental. These assets relate to information stored and processed electronically.
2. It is the Policy of the Company to ensure that:
  - a. Information will be protected against unauthorized access
  - b. Confidentiality of information will be assured, by protection from unauthorized disclosure or intelligible interruption.
  - c. Integrity of information (its accuracy and completeness) will be maintained by protecting against unauthorized modification.
  - d. Regulatory and legislative requirements will be met, including record keeping, according to Information Security Management System standard.
  - e. Disaster Recovery plans will be produced, maintained and tested, to ensure that information and vital services are available to the Company when needed.
  - f. Information on security matters will be made available to all staff.
  - g. All breaches of information security, actual or suspected, will be reported to and investigated by the Information Security Officer / Internal Audit.
3. Standards will be produced to support the policy. These standards will include regulations, guidelines and procedures covering matters such as (not limited to) data security, backup, virus control and passwords.
4. Business requirements for the available of information and information system will be met.
5. The role and responsibility for managing information security will be assigned to a designated Information Security Officer / Internal Audit.
6. The information Security Officer / Internal Audit will be responsible for maintaining the Policy and providing advice and guidance on its implementation.
7. All managers are responsible for implementing the Policy within their business areas, and for adherence by their staff.
8. It is responsibility of each employee to adhere to the Policy.

# NON-EXECUTIVE & INDEPENDENT DIRECTORS' REMUNERATION POLICY

## Preamble

The Board of Directors (the "Board") of Cherat Packaging Limited (the "Company") has adopted this Policy upon the implementation of Section 170 of the Companies Act 2017 read with Regulation No. 17 of the Code of Corporate Governance. Amendments, from time to time, to the Policy, if any, shall be considered by the Board in lights of changes in applicable laws and/or such external circumstances that directly apply to the scope of this Policy.

## Scope and Applicability

The Policy shall apply to all Non-Executive and Independent Directors who attend Board meetings, Audit Committee meetings, Human Resource and Remuneration Committee meetings and any other meetings called by the Board.

## Terms of the Policy

Through the Articles of the Company, the Board is authorized to fix remuneration of Non-Executive and Independent Directors from time to time. The fee of the Non-Executive and Independent Directors for attending the Board and Committee meetings of the Company shall be as determined by the Board of Directors from time to time.

# POLICY ON RELATED PARTY TRANSACTIONS

## Preamble

The Board of Directors (the "Board") of Cherat Packaging Limited (the "Company") has adopted this Policy pursuant to the provisions of Section 208 of the Companies Act 2017 read with Regulation No. 15 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 and the Companies (Related Party Transactions and Maintenance of Related Records) Regulations, 2018 issued by the Securities and Exchange Commission of Pakistan

## Scope of the Policy

This Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions. It is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties. Amendments, from time to time, to the Policy, if any, shall be considered and approved by the Board. The policy covers all Related Party Transactions of Cherat Packaging Limited as defined under Section 208 of the Companies Act 2017. The policy is applicable on all individuals responsible to initiate, authorize, record and report Related Party Transactions.

The Policy is applicable to all Related Party Transactions irrespective of their value and size. This Policy is intended to work in conjunction with regulatory provisions and other Company policies.

## Definitions

- i. **Arm's length transaction** means a transaction which is subject to such terms and conditions and is carried out in a way, as if-
  - a. the parties to the transaction were unrelated in any way;
  - b. the parties were free from any undue influence, control or pressure;
  - c. through its relevant decision-makers, each party was sufficiently knowledgeable about the circumstances of the transaction, sufficiently experienced in business and sufficiently well advised to be able to form a sound business judgment as to what was in its interests; and

# PACKAGING YOUR FUTURE

- d. each party was concerned only to achieve the best available commercial result for itself in all the circumstances.

**ii. Office of profit** means any office:

- a. where such office is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.
- b. where such office is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private Company or body corporate holding it receives from the Company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

**iii. Related party includes**

- a. a director or his relative;
- b. a key managerial personnel or his relative; a key managerial personnel shall mean the following;
  - the Chief Executive Officer of the Company;
  - the Company Secretary of the Company;
  - the whole time Directors on the Board of the Company; and
  - the Chief Financial Officer of the Company
- c. a firm, in which a director, manager or his relative is a partner;
- d. a private company in which a director or manager is a member or director;
- e. a public company in which a director or manager is a director or holds along with his relatives, any shares of its paid up share capital;
- f. any body corporate whose chief executive or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- g. any person on whose advice, directions or instructions a director or manager is accustomed to act;
- h. any company which is:
  - a holding, subsidiary or an associated company of such company; or
  - a subsidiary of a holding company to which it is also a subsidiary
- i. such other person as may be specified.
- j. relative means spouse, siblings and lineal ascendants and descendants of a person.

Provided that nothing in sub-clauses (f) and (g) shall apply to the advice, directions or instructions given in a professional capacity.

**\*All other terms will be construed as per the Companies Act 2017 and all other relevant laws.**

## Types of related party transactions

Any contract or arrangement with respect to the following, but not limited to these;

- i. sale, purchase or supply of any goods or materials;
- ii. selling or otherwise disposing of, or buying, property of any kind;
- iii. leasing of property of any kind;
- iv. availing or rendering of any services;
- v. appointment of any agent for purchase or sale of goods, materials, services or property; and
- vi. such related party's appointment to any office or place of profit in the company, its or associated company, provided:
  - a. where majority of the directors are interested in any of the above transactions, the matter shall be placed before the general meeting for approval as special resolution;
  - b. also that nothing in this sub-section shall apply to any transactions entered into by the company in its ordinary course of business on an arm's length basis.

## Disclosure and Approval of Related Party Transactions

The board shall approve related party transactions that require its approval and the following minimum information shall be circulated and disclosed to the directors along with agenda for board's meeting called for approval of related party transactions:

- i. name of related party;
- ii. names of the interested or concerned persons or directors;
- iii. nature of relationship, interest or concern along with complete information of financial or other interest or concern of directors, managers or key managerial personnel in the related party;
- iv. detail, description, terms and conditions of transactions;
- v. amount of transactions;
- vi. time frame or duration of the transactions or contracts or arrangements;
- vii. pricing policy;
- viii. recommendations of the Audit Committee, where applicable; and
- ix. any other relevant and material information that is necessary for the board to make a well informed decision regarding the approval of related party transactions.

## Identification of Related Party Transactions

Every Director will be responsible for providing a notice containing the following information to the Board of Directors on an annual basis:

- i. a firm, in which the director, manager or his relative is a partner;
- ii. a private company in which the director or manager is a member or director;
- iii. a public company in which the director or manager is a director or holds along with his relatives, any shares of its paid up share capital;
- iv. any body corporate whose chief executive or manager is accustomed to act in accordance with the advice, directions or instructions of the director or manager;
- v. any person on whose advice, directions or instructions the director or manager is accustomed to act.



# PACKAGING YOUR FUTURE

## **TERMS OF THE POLICY**

**The terms of reference for the Policy are as follows:**

- i. The management shall obtain approval of the policy by the Board;
- ii. The management may enter into any contract or arrangement with a Related Party only in accordance with the policy approved by the Board, subject to such conditions as may be specified;
- iii. The management shall obtain approval of the Board for contracts that are not on arm's length basis or not in the ordinary course of business;
- iv. The management shall present all Related Party transactions to the Audit Committee for their recommendation to the Board for approval;
- v. Every contract or arrangement entered into with a Related Party shall be referred to in the Board's report to the shareholders along with justifications;
- vi. Management shall maintain records of the transactions undertaken with Related Parties;
- vii. If a director or any other employee enters into any contract or arrangement with a Related Party without obtaining the consent of the Board or approval by a special resolution in the general meeting, and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within 90 days from the date of the contract, such contract or arrangement shall be voidable at the discretion of the Board.

## **Maintenance of Record**

The Company shall maintain one or more registers with regards to transactions undertaken with Related Parties and contracts or arrangements in which directors are interested, in the manner prescribed, and shall enter therein the particulars of:

- i. contracts or arrangements, in which any director is, directly or indirectly, concerned or interested; and
- ii. contracts or arrangements with a related party with respect to transactions to which section 208 of the Companies Act, 2017 applies

## **Pricing Methodology**

Any related party transactions carried out on agreed terms shall use one of the following pricing methodologies:

- i. Comparable Uncontrolled Price method;
- ii. Resale Price method;
- iii. Cost Plus method; and
- iv. Profit Split method

## **Scope of Limitation**

In the event of any conflict between the provisions of this Policy and the Companies Act 2017 or any other statutory enactments, rules, the provisions of the Companies Act 2017 or statutory enactments, rules shall prevail over this Policy.

## INVESTOR'S GRIEVANCE POLICY

The Company has an Investors' Grievance Policy in place. Any complaint or observation received either directly by the Corporate Department or during General Meetings are addressed by the Company Secretary. The Shareholders are given the information as desired by them as per the law well in time. All the written complaints are replied in writing. Our share registrar is CDC Share Registrar Services Limited (CDCSRSL) which is leading name in the field. The Company has many old and loyal shareholders, which shows the trust of the shareholders in the management of the Company.

## BUSINESS CONTINUITY AND DISASTER RECOVERY POLICY

The Board of Directors has approved and continuously reviews the IT Policy and Business Continuity Plan of the Company. The management has arranged offsite data storage facilities. All the key records are being maintained at different locations. Employees are aware of the steps required to be taken in case of any emergency. For further details kindly refer business continuity and disaster recovery plan.

## DIVERSITY POLICY

Cherat Packaging Limited is committed to fostering, cultivating and preserving a culture of diversity and inclusion. Our human capital is the most valuable asset we have. The collective sum of the individual differences, life experiences, knowledge, inventiveness, innovation, self-expression, unique capabilities and talent that our employees invest in their work represents a significant part of not only our culture, but our reputation and company's achievement as well.

We embrace and encourage our employees' differences in age, color, disability, ethnicity, family or marital status, gender identity or expression, language, national origin, physical and mental ability, political affiliation, race, religion, sexual orientation, socio-economic status, veteran status, and other characteristics that make our employees unique.

Cherat Packaging Limited's diversity initiatives are applicable but not limited to our practices and policies on recruitment and selection; compensation and benefits; professional development and training; promotions; transfers; social and recreational programs; layoffs; terminations; and the ongoing development of a work environment built on the premise of gender and diversity equity that encourages and enforces:

- Respectful communication and cooperation between all employees.
- The Company Secretary of the Company;
- Teamwork and employee participation, permitting the representation of all groups and employee perspectives.
- Work/life balance through flexible work schedules to accommodate employees' varying needs.
- Employer and employee contributions to the communities we serve to promote a greater understanding and respect for the diversity.

All employees of Cherat Packaging Limited have a responsibility to treat others with dignity and respect at all times. All employees are expected to exhibit conduct that reflects inclusion during work, at work functions on or off the work site, and at all other company sponsored and participative events. All employees are also required to attend and complete annual diversity awareness training to enhance their knowledge to fulfill this responsibility. Any employee found to have exhibited any inappropriate conduct or behavior against others may be subject to disciplinary action.

## GOVERNANCE OF RISK AND INTERNAL CONTROL

The Company has various policies in connection with Governance of Risk and Internal Control that have been approved by the Board of Directors and covered through different policies and disclosures. These include but are not limited to Health Safety Environment (HSE) policy, Information Technology (IT) Governance policy, Information System Security policy, Disaster Recovery policy etc. The implementation of such policies is in accordance with law to assure smooth operations of the business at all levels.

Cherat Packaging designed its risk management framework to effectively identify, analyze, evaluate, mitigate and monitor the risk faced by the Company. The Company regularly monitors impact potential of risks and devise strategy to mitigate those risk so that the Company does not drift away from its strategic goals.

# PACKAGING YOUR FUTURE

Risk assessment is done regularly to achieve a good understanding of the company's key risks, to allocate ownership to drive specific actions around them and take any relevant steps to address them. Due to their critical importance, our material issues and principal risks are integrated into our business planning processes and monitored on a regular basis by our Board of Directors. Strategic, Commercial, Operational, Financial and Compliance risks are ranked based on their impact on Cherat Packaging Limited and probability of occurrence. Upon identification of risks, mitigating strategies and action plans are developed, implemented and monitored.

## BUSINESS CONTINUITY AND DISASTER RECOVERY PLAN

The prominence of Business Continuity Planning as an essential component of effective business management has become increasingly apparent over the past few years.

Business Continuity Planning is a process used to develop a practical plan for how a business could recover or partially restore critical business activities within a predetermined time frame after a crisis or disaster. The resulting plan is called a Business Continuity Plan.

### The Plan

Cherat Packaging Limited has in place a fully functional Business Continuity Plan. This plan provides policy and guidance to ensure that the Company can respond effectively to natural, technological, and man-made incidents, or incidents that result in loss of access to an entire, or parts of a facility or loss of service due to equipment or systems failures. The objective is to restore essential services as swiftly as possible. Summarized plan is listed below.

The Company has created two business continuity teams i.e. BCP coordination team and BCP response team and defined roles and responsibilities for both the teams.

Furthermore, the plan has identified certain business functions as critical. In respect of those functions, key processes, key staff, recovery time and recovery steps are specified. The purpose is to ensure that all processes involved in the critical functions are executed in an effective and timely manner.

### Manufacturing Facilities

Manufacturing facility of the Company is in Gadoon Amazai, Khyber Pakhtunkhwa. The Company's manufacturing facility is a state-of-the-art construction and the structure is earthquake proof. The building is fire resilient and is fully equipped with modern firefighting equipment. It also meets HSE requirements at all levels. Despite of all these arrangements, Insurance coverage is made at the maximum level. In case of any natural disaster, the Company would be able to recover its financial loss through insurance coverage. Moreover, other locations of the Group are available as alternate locations therefore; interruptions, if any, can be managed.

### Identification of Potential Issues and the Plan Update

Potential issues are identified and the plan is updated from time to time to have an up to the mark solution for the anticipated problems. For such identification, independent studies are conducted and drills are carried out. Plans are updated based on the results of the studies and drills.

### Disaster Recovery Plan and IT Infrastructure

In respect of SAP, the company has both the production and the DR sites on cloud solutions provided by SAP.

In respect of data other than SAP, the Company has its production site at PTCL Karachi with DR site at PTCL Lahore. In case of any disaster, the Company would be able to continue its operations smoothly. Availability of SAP sites at separate locations enables the Company to perform its IT functions without any glitches in case of any infrastructural damage at any one location. Moreover, the company has multiple locations within Pakistan. Operations can be carried through all of the locations situated in Pakistan.

### Marketing and Other Staff

Being a part of Ghulam Faruque Group, the Company's senior management is present throughout Pakistan and not at any one location. In case of any mishap, operations can be taken over and continued from any other location.



# INDEPENDENT AUDITOR'S REVIEW REPORT

**To the members of Cherat Packaging Limited (the Company)**  
**Review Report on the Statement of Compliance contained in Listed Companies**  
**(Code of Corporate Governance) Regulations, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Cherat Packaging Limited (the Company) for the year ended 30 June 2023 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2023.

Chartered Accountants  
Place: Karachi  
Date: 11 September 2023  
UDIN: CR202310120uZlopYzwV

# STATEMENT OF COMPLIANCE

## with Listed Companies (Code of Corporate Governance) Regulations, 2019 For the year ended June 30, 2023

The company has complied with the requirements of the Regulations in the following manner:

- The total number of Directors are 9 (nine) as per the following,

a. Male:	8
b. Female:	1

- The Composition of board is as follows:

Category	Names
Independent Directors	Mr. Ali H. Shirazi Mr. Sher Afzal Khan Mazari Ms. Maleeha Humayun Bangash
Non - Executive Directors	Mr. Aslam Faruque Mr. Shehryar Faruque Mr. Arif Faruque Mr. Akbarali Pesnani
Executive Directors	Mr. Amer Faruque Mr. Abid Vazir
Female Director	Ms. Maleeha Humayun Bangash

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
- The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
- The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of significant policies along with their date of approval or updating is maintained by the company;
- All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations;
- The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the board;

- The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
- Following Directors and Executives are either exempt or have attended Directors' Training program till June 30, 2023:

### Name of Directors & Executives:

Mr. Akbarali Pesnani	Chairman
Mr. Amer Faruque	Chief Executive
Mr. Aslam Faruque	Director
Mr. Shehryar Faruque	Director
Mr. Arif Faruque	Director
Mr. Ali. H. Shirazi	Director
Mr. Abid Vazir	Director & Chief Operating Officer
Ms. Maleeha Humayun Bangash	Director

- The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
- Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;
- The board has formed committees comprising of members given below:-

### a) Audit Committee

Mr. Ali H. Shirazi	Chairman
Mr. Arif Faruque	Member
Mr. Shehryar Faruque	Member

### b) HR and Remuneration Committee

Mr. Sher Afzal Khan Mazari	Chairman
Mr. Amer Faruque	Member
Mr. Aslam Faruque	Member

- The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
- The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:-
  - Audit Committee. - Quarterly
  - HR and Remuneration Committee. - Half Yearly

15. The Board has set up an effective internal audit function supervised by a Head of Internal Audit who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company;
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard; and
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 have been complied with.

**On behalf of the Board of Directors**



**AKBARALI PESNANI**  
CHAIRMAN



**AMER FARUQUE**  
CHIEF EXECUTIVE

Karachi: August 28, 2023

# PACKAGING YOUR FUTURE

## ROLE AND RESPONSIBILITIES OF THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

Being a corporate governance compliant company, Cherat Packaging designates separate persons for the positions of the Chairman of the Board of Directors and the office of the Chief Executive Officer with clear division of roles and responsibilities.

Pursuant to the provisions of Section 192(2) of the Companies Act 2017, the Board of Directors of Cherat Packaging Limited has outlined the roles and responsibilities of the Chairman as well as the Chief Executive Officer ("CEO") of the Company, which are detailed herein below;

### Chairman

The principal role of the Chairman of the Board is to manage and to provide leadership to the Board of Directors of the Company. The Chairman is accountable to the Board. The Chairman acts as the communicator for Board decisions where appropriate. More specifically, the duties and responsibilities of the Chairman are as follows:

- acting as a liaison between management and the Board, through the CEO;
- keeping abreast generally of the activities of the Company and its management;
- ensuring that the Directors are properly informed and that sufficient information is provided to enable the Directors to form appropriate judgments and make informed decisions;
- preparing the review report (to be included with the annual financial statements) on the overall performance of the Board of Directors and effectiveness of the role played by the Board of Directors in achieving the Company's objectives;
- developing and setting the agendas for meetings of the Board;
- acting as Chair at meetings of the Board;
- ensuring that the minutes of Board meetings are appropriately recorded and reviewing and signing minutes of Board meetings;
- presiding over the Board meetings and ensuring that all relevant information has been made available to the Board;
- confirming the quorum of the meeting;
- ensuring that the agenda, notice of meeting along with all relevant material were circulated within stipulated time;
- ensuring that the minutes of the Board meetings are kept in accordance with applicable laws;
- ensuring that the appropriate recording and circulation of the minutes of the Board meeting to the Directors and officers entitled to attend the Board meetings;
- safeguarding shareholders' interest in the Company;
- issuing the letter to the directors at the commencement of each three year term of the Directors setting out their role, obligations, powers and responsibilities;
- ensuring that the Board is playing an effective role in fulfilling its responsibilities;
- determining the date, time and location of the annual or extraordinary general meetings of shareholders and to develop the agenda for the meeting;
- presiding as chairman at every General Meeting of the Company;
- recommending to the Board, after consultation with the Directors and management, the appointment of members of the Committees of the Board;
- assessing and making recommendations to the Board annually regarding the effectiveness of the Board.



## Chief Executive Officer

The CEO is, subject to control and directions of the Board, entrusted with the powers of management of affairs of the Company. In such capacity the CEO's role and responsibilities include:

- planning, formulating and implementing strategic policies;
- ensuring the achievement of productivity and profitability targets and efficient Company operations;
- ensuring that necessary coordination exists between various departments of the Company to achieve smooth and effective operations;
- maintaining an ongoing dialogue with the Directors in regard to changes in and implementation of Company's policies and the performance and development of the Company's business;
- ensuring that the Company's interests and assets are properly protected and maintained and all the required Government obligations are complied with in a timely manner;
- maintaining a close liaison with the Government, customers, suppliers and sales offices;
- chalking out human resource policies for achieving high professional standards, overall progress / betterment of the Company as a whole;
- ensuring that proper succession planning for all levels of hierarchy exist in the Company and the same is constantly updated;
- ensuring proper functioning of the Management Committees of the Company of which he is the chairman;
- preparing and presenting personally to the Board of Directors following reports/details:
  - annual business plan, cash flow projections and long term plans.
  - budgets including capital, manpower and overhead budgets along with variance analysis.
  - quarterly operating results of the Company in terms of its operating divisions and segments.
  - promulgation or amendment of the law, rules or regulations, accounting standards and such other matters as may affect the Company.
  - reviewing performance against budgets / targets, revenue and capital expenditure, profits, other administration, commercial, personnel and other matters of importance to Company.
- ensuring that open and progressive atmosphere is created among employees giving them a sense of participation and providing them with an opportunity to give their best.



# PACKAGING YOUR FUTURE

## SALIENT FEATURES OF TERMS OF REFERENCE OF THE AUDIT COMMITTEE AND THE HUMAN RESOURCE & REMUNERATION COMMITTEE

The Board is assisted by two Committees, namely the Audit Committee and the Human Resource & Remuneration Committee, to support its decision-making in their respective domains:

### Audit Committee

Mr. Ali H. Shirazi	Chairman
Mr. Arif Faruque	Member
Mr. Shehryar Faruque	Member

The Audit Committee comprises of three Non-Executive Directors one of whom is independent and he is the Chairman of the committee. The Head of Internal Audit and the external auditor attend Audit Committee meetings.

Meetings of the Audit Committee are held at least once every quarter. The Committee reviews the annual financial statements in presence of external auditors. The recommendations of the Audit Committee are then submitted for approval of financial results of the Company by the Board. During the year 2022-23, the Audit Committee held Four [4] meetings. The minutes of the meetings of the Audit Committee are provided to all the members, Directors and the Chief Financial Officer. The Head of Internal Audit attends the Audit Committee meetings regularly and meets the Audit Committee without the presence of the Management, at least once a year, to point out various risks, their intensity and suggestions for mitigating risks and improvement areas. The business risks identified are then referred to the respective departments and mitigating actions are then implemented.

### Terms of reference of Audit Committee

The Code of Corporate Governance mandates that the Board of Directors of the Company shall determine the Terms of Reference of the Audit Committee.

In light of the mandate the Board of Directors of Cherat Packaging Limited has drafted and approved the following terms of Reference for its Audit Committee. This is a non-exhaustive list and only outlines the most important guidelines for the Committee. Amendments to these shall be made from time to time in line with change in laws, and internal and external relevant factors.

### The Committee shall;

- a. determine appropriate measures to safeguard the company's assets;
- b. review annual and interim financial statements of the company, prior to their approval by the Board of Directors, focusing on:
  - i. major judgmental areas;
  - ii. significant adjustments resulting from the audit;
  - iii. going concern assumption;
  - iv. any changes in accounting policies and practices;
  - v. compliance with applicable accounting standards;
  - vi. compliance with these regulations and other statutory and regulatory requirements; and
  - vii. all related party transactions

- c) review preliminary announcements of results prior to external communication and publication;
- d) facilitate the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- e) review management letter issued by external auditors and management's response thereto;
- f) ensure coordination between the internal and external auditors of the company;
- g) review the scope and extent of internal audit, audit plan, reporting framework and procedures and ensure that the internal audit function has adequate resources and is appropriately placed within the company;
- h) consider major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
- i) ascertain that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
- j) review the company's statement on internal control systems prior to endorsement by the board of directors and internal audit reports;
- k) institute special projects, value for money studies or other investigations on any matter specified by the board of directors, in consultation with the chief executive officer and consider remittance of any matter to the external auditors or to any other external body;
- l) determine of compliance with relevant statutory requirements;
- m) monitor compliance with these regulations and identify significant violations thereof;
- n) review arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
- o) recommend to the board of directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements. The board of directors shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof.
- p) consider any other issue or matter as may be assigned by the board of directors.

#### **Human Resource & Remuneration Committee**

Mr. Sher Afzal Khan Mazari	Chairman
Mr. Amer Faruque	Member
Mr. Aslam Faruque	Member

The Human Resource & Remuneration Committee (HR & RC) comprises of three members. The Chairman is an Independent Director whereas the other two members are the Chief Executive Officer and a Non-Executive Director. Meetings are conducted at least annually or at such other frequency as the Chairman may determine. The minutes of the meetings of the HR & RC meeting are provided to all members and Directors. The Committee held two [2] meetings during the year.

#### **Terms of Reference of the Human Resource and Remuneration Committee**

The Code of Corporate Governance mandates that the Board of Directors of the Company shall determine the Terms of Reference of the Human Resource and Remuneration Committee.

# PACKAGING YOUR FUTURE

In light of the mandate the Board of Directors of Cherat Packaging Limited has drafted and approved the following terms of Reference for its HR&RC. This is a non-exhaustive list and only outlines the most important guidelines for the Committee. Amendments to these shall be made from time to time in line with change in laws, and internal and external relevant factors.

## **The Committee shall;**

- i. recommend to the Board for consideration and approval a policy framework for determining remuneration of directors (both executive and non-executive directors and members of senior management). The definition of senior management will be determined by the Board which shall normally include the first layer of management below the chief executive officer level;
- ii. undertake annually a formal process of evaluation of performance of the Board as a whole and its committees either directly or by engaging external independent consultants and if so appointed, a statement to that effect shall be made in the directors' report disclosing name, qualifications and major terms of appointment;
- iii. recommend human resource management policies to the Board;
- iv. recommend to the Board the selection, evaluation, development, compensation (including retirement benefits) of chief operating officer, chief financial officer, company secretary and head of internal audit;
- v. carry out consideration and approval on recommendations of Chief Executive Officer on such matters for key management positions who report directly to Chief Executive Officer or Chief Operating Officer;
- vi. where human resource and remuneration consultants are appointed, their credentials shall be known by the committee and a statement shall be made by them as to whether they have any other connection with the Company; and
- vii. carry out all actions in addition to those stated above, in order to ensure that the Company's risks are mitigated and growth in the right direction is taking place.

**Records:** All documentation related to the holding, proceedings and recommendations of the HR & R Committee shall be ensured by and stored with the Secretary (HR & RC).

## **Strategy and Performance**

The Board reviews the implementation of organization's strategic & financial plans, Board meeting agendas and supporting documents provide sufficient information and time to explore & resolve key issues. Board members demonstrate preparation for meetings through active participation in decision making.

# REPORT OF THE AUDIT COMMITTEE

## Audit Committee

Mr. Ali H. Shirazi	Chairman
Mr. Arif Faruque	Member
Mr. Shehryar Faruque	Member

The Audit Committee of the Company comprises of two Non-Executive Directors and one Independent Non-Executive Director who is the Chairman of the Committee. The Head of Internal Audit attends Audit Committee meetings. The Chief Executive Officer and Chief Financial Officer attend Audit Committee meetings by invitation. The Audit Committee also separately meets the external auditors at least once in a year without the presence of the Management.

Meetings of the Audit Committee are held at least once every quarter. Four meetings of the Audit Committee were held during the year 2022-2023. Based on reviews and discussions in these meetings, the Audit Committee reports that:

1. The Company has issued a Statement of Compliance with the Code of Corporate Governance which has also been reviewed and certified by the auditors of the Company.
2. The Audit Committee reviewed and approved the quarterly, half yearly and annual financial statements of the Company and recommended them for approval of the Board of Directors. Further, the financial statements comply with the requirements of the Fourth Schedule to the Companies Act, 2017, and applicable International Accounting Standards and International Financial Reporting Standards notified by SECP.
3. The Audit Committee has reviewed and approved all related party transactions.
4. The Audit Committee takes into account any feedback from the Board of Directors and incorporates for improvement.

## Internal Audit And Risk Management

1. For appraisal of internal controls and monitoring compliance, the Company has in place an appropriately staffed, Internal Audit department. The Audit Committee reviewed the resources and performance of the Internal Audit department to ensure that they were adequate for the planned scope of the Internal Audit function. Head of Internal Audit Department has direct access to the Audit Committee.
2. An Internal Audit Risk Assessment document is submitted to the Audit Committee and based on that an Audit Plan is prepared to mitigate the risks involved in the Company's operations. Further, on the basis of this plan, audits are conducted and reports are submitted. The Committee on the basis of the said reports reviews the adequacy of controls and compliance shortcomings in areas audited and discuss corrective actions in the light of management responses. Regular follow ups of these reports are also taken. This ensures the continual evaluation of controls and improved compliance. Minutes of Audit Committee meetings are timely circulated to the Board of Directors.
3. For continuous improvement of internal controls, the Committee also discussed the internal controls and the management letter with the external auditors.

## External Audit

1. The external auditors M/s. EY Ford Rhodes, Chartered Accountants were allowed direct access to the Audit Committee and necessary coordination with internal auditors was ensured. Major findings arising from audits and any matters that the external auditors wished to highlight were freely discussed with them.
2. The Audit Committee has reviewed and discussed with the external auditors and management, all the Key Audit Matters and other issues identified during the external audit along with the methods used to address the same.
3. Being eligible for reappointment as Auditors of the Company, the Audit Committee has recommended the appointment of M/s. EY Ford Rhodes, Chartered Accountants as External Auditors of the Company for the year ending June 30, 2024 as it is one of the Big Four audit firm and has thorough knowledge of the Company's business and industry due to long association with the Company.

# PACKAGING YOUR FUTURE

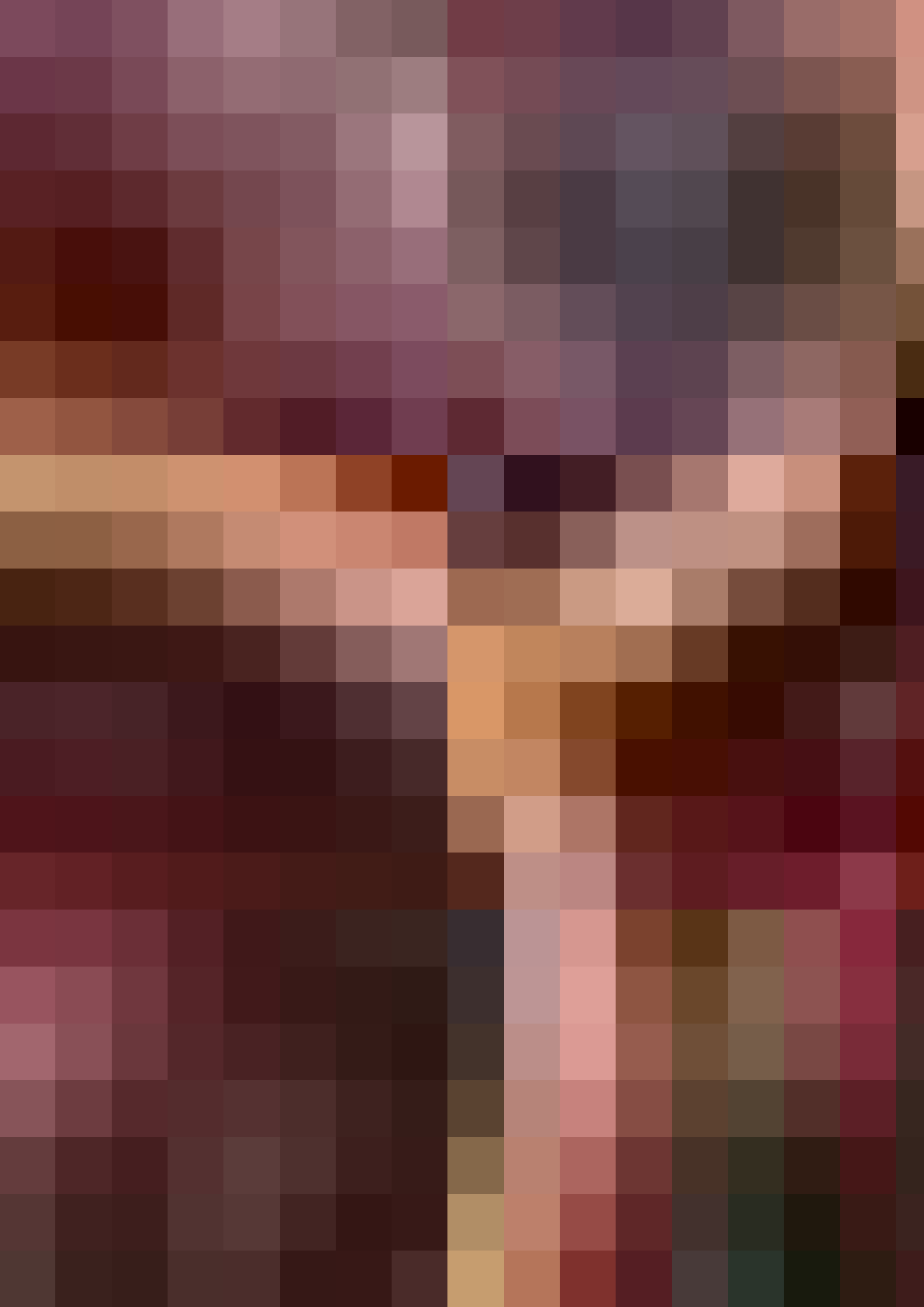
4. The Company also obtains taxation related services from M/s. EY Ford Rhodes, Chartered Accountants as it is one of the reputed firm in provision of said services and has sound professional policies and procedure to ensure compliance of independence.

August 24, 2023

**By Order of the  
Audit Committee**



**Ali H. Shirazi**  
Chairman



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# ANALYSIS OF THE FINANCIAL AND NON-FINANCIAL PERFORMANCE

The Company sets both financial and non-financial targets. These targets are against financial and non-financial indicators. Financial indicators reflect revenue, costs, profitability and liquidity etc., while non-financial indicators reflect brand image, human resource development and growth/expansion etc.

The Company produces annual budget based on the inputs from all of its departments like marketing, production, procurement, IT, HSE etc. These inputs are assembled into a master budget which is presented to Board of Directors. The BOD, after deliberations and discussions, approves the master budget. The Company was able to surpass its key targets in the last year's budget, mainly due to better decision making in response to prevalent market conditions. The Company continuously monitors cash flows, gearing and liquidity to evaluate the deviation and take corrective measures to keep all indicators with in the larger range. The Company also met its non-financial targets in the areas of marketing, human resources and growth to a greater extent.

## Financial Indicators Actual Results

Year 2022-23 has been a successful one for the Company. The business climate was challenging one due to various external factors such as geopolitical and domestic uncertainties. Despite these circumstances, the Company continued to dominate the market.

The company achieved a net profit of Rs. 908 million. The increase was primarily due to increase in sales price, increase in Flexible Packaging Division dispatches and strict cost control measures. However, increased sales did not translate into increased profits for reasons beyond the company's control, including: abrupt decrease in PKR parity against Euro and USD, consistent increase in discount rates and further increase in super tax by the government.

Summarized operating performance of the Company for the current year as compared to last year is as follows:

	2023	2022
	----- (Rupees in million) -----	
Net Sales	16,554.26	13,502.52
Cost of sales	13,277.19	11,187.79
Gross Profit	3,277.07	2,314.73
Expenses & taxes	2,368.82	1,429.22
Net profit	908.25	885.51

The Company sold 247.64 million bags, further analysis of sales is listed below:

	2023	2022
	----- (Quantity in million) -----	
Local sales (Bags)	246.64	290.72
Export sales (Bags)	1.00	12.99
Total Sales (Bags)	247.64	303.71
Flexible packaging (Kgs)	6.89	5.86



# PACKAGING YOUR FUTURE

Domestically, the Company lost some quantity primarily on account of increased competition, use of bulk cement and reduction in local cement demand. However, Flexible Packaging Division was able to increase its dispatches due to favorable market response. Improvement in prices also helped in increase of sales revenue further. However, this increase was not fully translated on account of unstable raw material prices.

In Rupee terms, sales analysis is reproduced below:

Local Sales

Kraft paper & Polypropylene Bags

Flexible Packaging

Export Sales - Cement Packaging

Total Sales

	2023	2022
	----- (Rupees in million) -----	
	11,133.92	9,811.85
	5,344.10	3,185.61
	76.24	505.06
	16,554.26	13,502.52

## Budgeted Results

The Company has robust system of budgeting process. The budget is made challenging yet achievable. The Company has achieved following results against budget:

Net Sales

Cost of sales

Gross Profit

Expenses & taxes

Net profit

	2023 (Actual)	2023 (Budget)
	----- (Rupees in million) -----	
	16,554.26	18,349.88
	13,277.19	16,339.18
	3,277.07	2,010.70
	2,368.82	1,550.10
	908.25	460.60

Considering last year's standards, the company maintained its high revenue and profit margin targets. Company was able to achieve better gross profit results through better decision-making and procurement strategies. However, rising fixed costs, discount rates and increase in super tax rate had an impact on net profit.

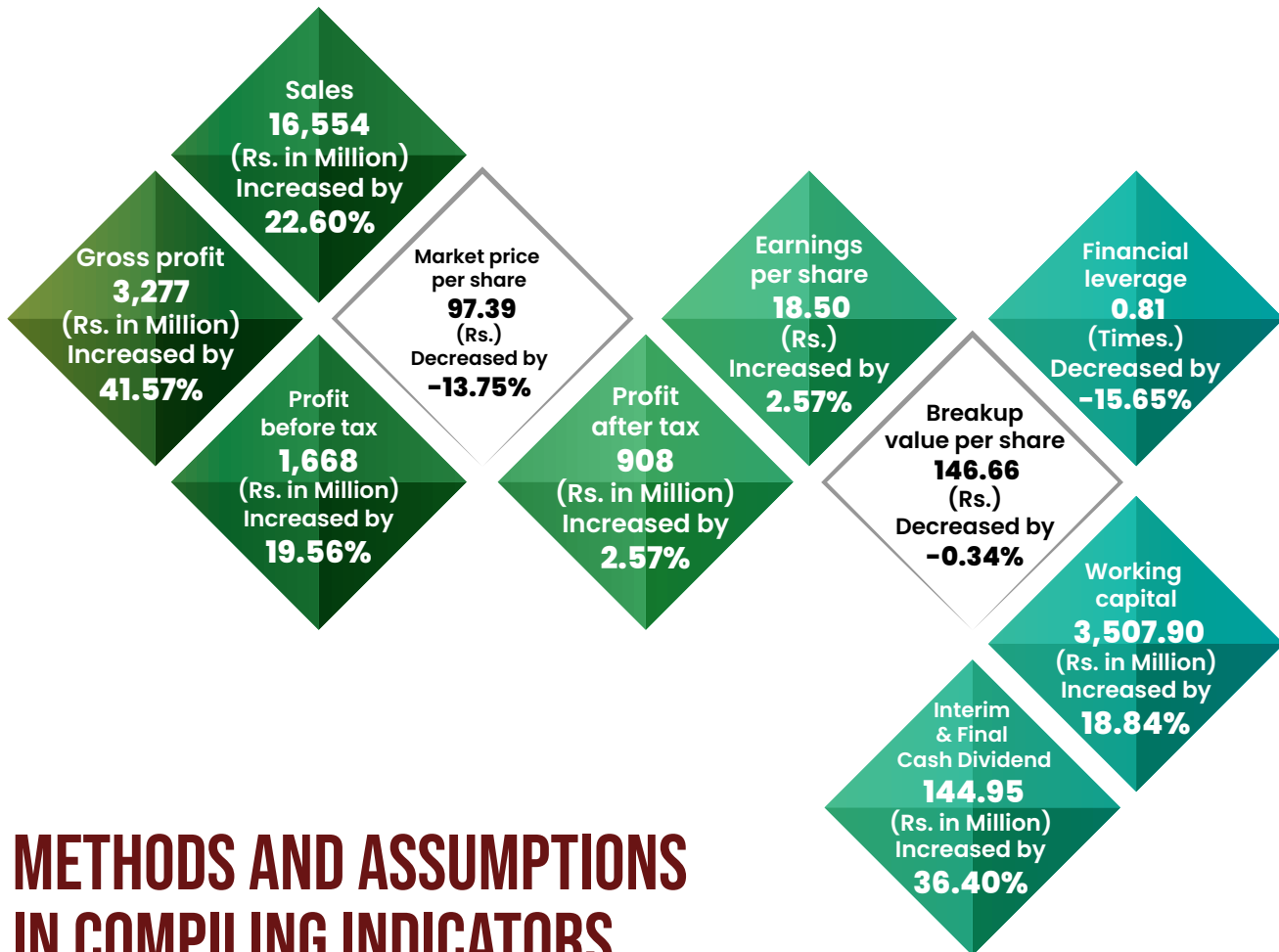
## Dividend

The Company has a legacy of paying dividends. This year, the Company announced / paid 30% cash dividend for the year 2023 which includes interim dividend of 10%. The Company also announced bonus shares @ 5% (2,337,875 shares)

## Payment on Account of Duties, Taxes, Levies etc.

The Company fulfills its obligations well in time whether it involves vendors or Government. The Company has no outstanding or overdue duties, taxes or levies during the year.

## KEY PERFORMANCE INDICATORS



## METHODS AND ASSUMPTIONS IN COMPILING INDICATORS

The Company monitors its indicators which effectively reflect the Company's performance.

The Company analyze its market positioning, competitors and general market conditions while compiling its indicators. It also analyses sales, gross profit, profit after tax and EPS on regular basis to gauge its performance. These are basic indicators of Company's financial performance and profitability.

Market price is the measure of perception of the Company in the market. Market price of the Company's shares decreased mainly due to the economic conditions and policies brought in by the Government.

The Company manages its dividend policy with the purpose of increasing shareholders' wealth. Dividend is the amount allocated out of profit for the payment to shareholders. The Company takes its decisions of cash or stock dividend based on market conditions, share price and governing laws and regulations.

Comparing cash flow from operating activities with profit before tax can give insights into how a company finances short-term capital. The Company regularly analyses its cash flows and tries to keep it on positive side. This improved mainly due to increase in turnover, profit margins and effective working capital management.

# PACKAGING YOUR FUTURE

## NON FINANCIAL INDICATORS

Capital Forms	Objective	KPI Monitored	Future Relevance
Manufactured Capital	<p>Product Development &amp; Innovation</p> <hr/> <p>Business Diversification</p> <hr/> <p>Maintain industry leadership and expand sales</p> <hr/> <p>Enhance operational efficiency and efficient inventory management</p> <hr/> <p>Economize on cost eliminating redundancies</p> <hr/> <p>Sustainability</p> <hr/> <p>Health &amp; Safety of workers</p> <hr/> <p>Training and Education</p> <hr/> <p>Shareholder Value</p> <hr/> <p>Stock Value</p> <hr/> <p>Suppliers and Customers Relationships</p> <hr/> <p>Highest product strength at lowest cost in industry</p> <hr/> <p>Maintain industry leadership</p>	<p>Produce high quality and low cost bags for various industries. Conversion of Roto Printing jobs to Flexo Printing to offer economical solutions to the customers.</p> <hr/> <p>Analyze various prospects of investments in packaging industry and invest in the most promising venture.</p> <hr/> <p>Market share, price management and identification of new markets.</p> <hr/> <p>Production efficiency ratios and Activity ratios.</p> <hr/> <p>Optimization of available resources and better allocation of fixed costs.</p> <hr/> <p>Keep a close eye on Current Ratio, Gearing and Interest Cover.</p> <hr/> <p>Provision of a congenial and clean environment along with safety for smooth work.</p> <hr/> <p>Continuous training of employees and workers. Monitor training need analysis with special focus on health and safety at work.</p> <hr/> <p>EPS, ROE, Turnover and DPS.</p> <hr/> <p>Analyse market price as a measure of relationship capital.</p> <hr/> <p>Assess the payment stream and ensure timely payment. Provide customer maximum support beyond customer supplier relationship.</p> <hr/> <p>Regularly monitor avenues to increase product strength. Produce low gram bags for better yield to facilitate our customers.</p>	<p>The Company believes in innovation and introducing new varieties for cement, FMCG and other industries in Pakistan</p> <hr/> <p>Business diversification is our long-term objective. Leadership is our continuous endeavour and has to be maintained today and invest in operational efficiency, staff training and economies of scale to maintain it in the years to come.</p> <hr/> <p>We believe in continuously providing environment which harmonize the workers' efforts in higher productivity.</p> <hr/> <p>We value our relationship with all our stakeholders therefore, we will continue to strive to improve shareholders' value. Improve our customer services and ensure timely payments.</p> <hr/> <p>We shall continue to innovate products and provide best possible packaging solutions.</p>
Human Capital			
Relationship Capital			
Intellectual capital			

All the above KPIs will remain relevant in the near future.



# CHANGE IN INDICATORS AND PERFORMANCE MEASURES

Key Performance Indicators (KPIs) provide understanding of a company's performance in key areas. These indicators are a gauge to analyze current standing of the company and likely path the company would follow.

Cherat Packaging Limited has identified following KPIs that are critical to its business. While identifying KPIs, the Company analyzed various indicators, their interpretations and accordingly their extent to which they may correctly and clearly communicate the Company's performance.

Change in important indicators is as follows

## **Change in Financial Indicators**

Financial indicators of the Company remained same as last year however, following financial indicators are of most importance:

### **Financial Leverage**

Long term loan of the Company is currently at Rs. 3.04 billion. These loans mainly consist of Rs. 2.07 billion related to Flexible Packaging (excluding loan obtained for solar power project) while other Rs. 0.97 billion relates to previous expansion in PP, installation of Universal Papersack Line and loan obtained for solar power project. The Company analyzes its financial health and ensures that the Company remains at optimum financial position.

### **Working Capital**

Working capital is an essential part of the Company's operations. The Company has been managing its working capital efficiently. As of the end of FY 2023, working capital of the Company increased as compared to last year mainly because of increase in operations.

## **Change in Non-Financial Indicators**

Non-financial indicators of the Company remained same as last year. However, following indicators are of utmost importance.

### **Human Capital**

The Company keeps on working to elevate the human capital potential so that the Company can reduce its cost. The Company believes that the enhancement in human capital skills elevates the profitability of the Company.

### **Relationship Capital**

The Company ensures to keep better relations with suppliers and as well as with customers through timely payments to vendors and provision of support to customers beyond expectations.

### **Intellectual Capital**

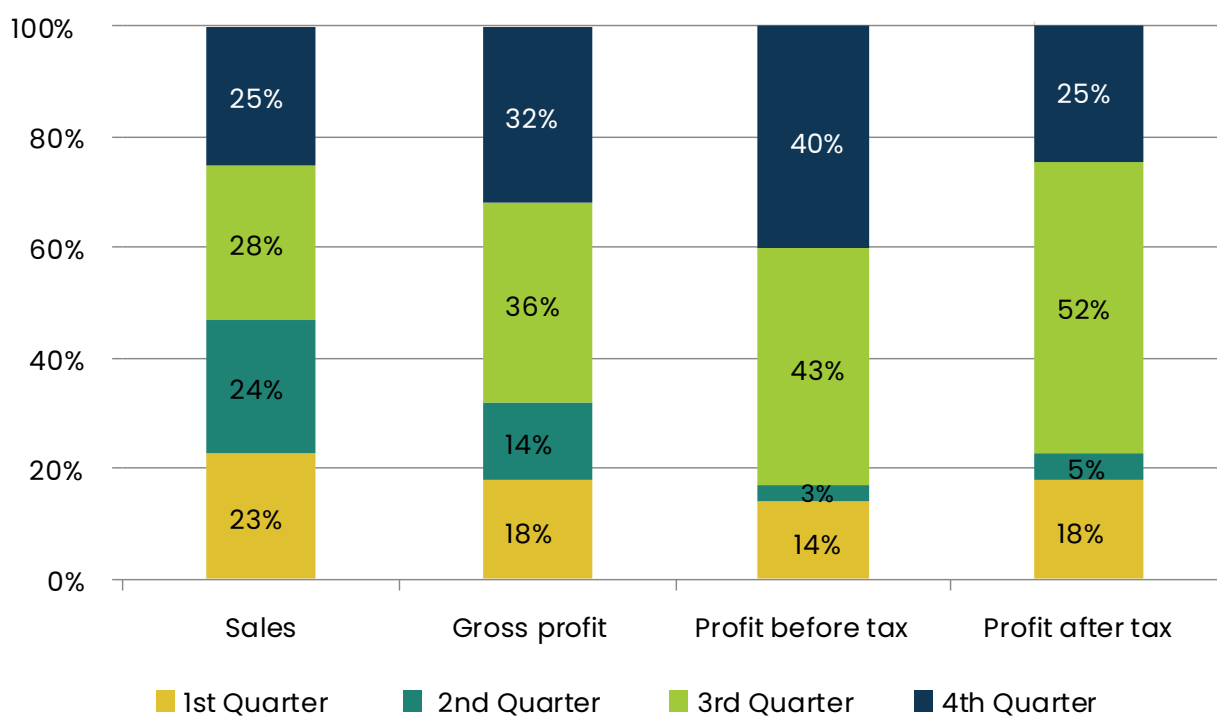
The Company has always been the front runner when it comes to innovation. The Company is carrying on this legacy in Flexible Packaging Division also therefore the Company has included this indicator as it is an important key area.

# PACKAGING YOUR FUTURE

## QUARTERLY PERFORMANCE ANALYSIS

### Cherat Packaging Limited Quarter Wise Profit & Loss Account

	Sep-22	Dec-22	Mar-23	Jun-23	Total
----- (Rupees in `000) -----					
Sales - Net	3,802,803	4,040,532	4,564,238	4,146,689	16,554,262
Cost of Good Sold	(3,200,707)	(3,594,777)	(3,372,763)	(3,108,942)	(13,277,189)
GROSS PROFIT	602,096	445,755	1,191,475	1,037,747	3,277,073
Selling Expenses	(62,491)	(67,599)	(55,945)	(58,796)	(244,831)
Administrative Expenses	(42,646)	(54,182)	(54,525)	(29,449)	(180,802)
Other charges	(15,856)	(2,595)	(40,030)	(18,701)	(77,182)
	(120,993)	(124,376)	(150,500)	(106,946)	(502,815)
Other Income	9,989	35,424	30,962	19,609	95,984
OPERATING PROFIT	491,092	356,803	1,071,937	950,410	2,870,242
Finance Cost	(250,469)	(313,289)	(351,212)	(286,934)	(1,201,904)
Profit before taxation	240,623	43,514	720,725	663,476	1,668,338
Taxation	(78,613)	(1,061)	(241,227)	(439,187)	(760,088)
Profit after taxation	162,010	42,453	479,498	224,289	908,250



# QUARTERLY RESULTS ANALYSIS

## Quarter 1

**Sales:** Revenue in the first quarter of financial year 2023 increased compared to the June quarter of financial year 2022 due to increase in dispatches of Flexible Packaging Division. Further, increase was also due to escalation of selling prices.

**Cost of sales:** Cost of sales increased due to the increase in dispatches of Flexible Packaging Division. It also increased because of rise in fixed cost and raw material cost.

**Operating profit:** The operating profit of the company slightly decreased when we compare it with last quarter. This was due to increase in raw material cost and fixed cost (as discussed above).

**Net Profit:** In the last quarter of FY 2022, the government imposed Super Tax which was applicable for FY 2022 also. Accordingly, the impact of the whole financial year was booked in the last quarter causing a decline in net profit. As a result of which, the net profit of last quarter of FY 2022 was lower than the net profit of September 2022 quarter.

## Quarter 2

**Sales:** In the quarter ended December 2022, improvement in sales revenue was due to increase in dispatches of Bag Manufacturing Division.

**Cost of sales:** Cost of sales increased as a result of increase in dispatches. Further, it also increased due to increase in raw material cost and fixed costs.

**Operating profit:** The decline in operating profit was majorly due to increase in cost of sales. The reasons for increase in cost of sales are mentioned above.

**Net Profit:** Due to the reasons above and increase in finance cost, the net profit of the Company declined by around Rs. 120 million in comparison with September 2022 quarter.

## Quarter 3

**Sales:** In the third quarter, sales majorly increased on account of increase in sales prices.

**Cost of sales:** Cost of goods sold decreased by 6% during the quarter because of consumption of lower value raw material. Moreover, reduction in dispatches of Flexible Packaging Division also resulted in lower cost of sales.

**Operating profit:** Due to the reasons mentioned above, the Operating profit of the Company increased.

**Net Profit:** Increase in net profit is in alignment with the increase in operating profit. However, hike in finance cost impacted the profitability of the quarter.

## Quarter 4

**Sales:** Reduction in sales revenue of the Company was due to decline in dispatches. However, as a result of increase in selling prices, the impact of decline in dispatches was minimized.

**Cost of sales:** Cost of sales decreased due to decline in dispatches.

**Operating profit:** Operating profit of the Company declined due to the reduction in sales quantity.

**Net Profit:** : In addition to the factors mentioned above, the impact of change in rate of super tax contributed to the decline in net profit.

# RATIOS

Ratio Description	Unit	2023	2022	2021	2020	2019	2018
<b>Profitability Ratios:</b>							
Gross Profit ratio	%	19.80	17.14	17.22	12.44	17.31	15.49
Net Profit to Sales	%	5.49	6.56	7.60	0.74	6.95	10.03
EBITDA Margin to Sales	%	19.70	16.56	17.04	12.97	18.10	15.31
Operating leverage ratio	Times	2.33	0.94	4.12	(1.47)	2.17	(1.38)
Return on Equity	%	13.50	14.40	15.81	1.52	12.53	16.67
Return on Capital employed	%	8.87	9.85	9.69	0.93	7.66	9.69
Effective tax rate	%	45.56	36.54	28.65	28.82	14.73	7.03
Shareholder's Funds	%	43.82	41.92	47.98	42.78	39.35	48.20
Return on Shareholders' Funds	%	12.61	14.16	14.16	1.47	12.60	15.75
Total Shareholder Return	%	2.64	-41.97	74.06	61.17	-31.46	-28.07
<b>Liquidity Ratios:</b>							
Current ratio	Times	1.60	1.50	1.69	1.59	1.56	2.21
Quick / Acid test ratio	Times	0.66	0.71	0.89	0.84	0.75	1.12
Cash to Current Liabilities	Times	0.01	-	0.01	-	-	-
Cash flow from Operations to Sales	Times	0.17	0.04	0.13	0.17	(0.10)	-
Cash flow to capital expenditure	Times	2.05	0.27	5.79	5.55	(1.15)	-
Cash flow coverage ratio	Times	0.84	0.09	0.54	0.56	(0.24)	-
<b>Investment / Market Ratios:</b>							
Earnings per share (EPS)	Rs.	18.50	18.04	20.12	1.65	13.24	18.87
Price to book ratio	Times	0.66	0.77	1.40	1.04	0.70	1.07
Market Value Per Share at the end of the year	Rs.	97.39	112.92	198.91	117.15	80.64	143.69
Low during the year	Rs.	80.00	93.56	119.44	49.16	80.00	132.40
High during the year	Rs.	132.00	204.00	249.28	138.49	192.45	279.01
Price Earnings ratio	Times	5.26	6.26	9.89	70.90	6.09	7.61
Break up value per share*	Rs.	146.66	147.17	142.09	112.32	115.58	134.40
Dividend Yield ratio	Times	0.03	0.02	0.03	0.01	0.06	0.05
Dividend Payout ratio	Times	0.16	0.14	0.25	0.61	0.38	0.37
Dividend Cover ratio	Times	6.27	8.33	4.02	1.65	2.91	3.02
Cash Dividend	Rs.(000')	144,949	106,267	212,535	42,507	193,220	235,212
Cash Dividend per share	Rs.	3.00	2.50	5.00	1.00	5.00	7.00
Stock Dividend	%	5.00	10.00	-	-	10.00	15.00
<b>Capital Structure Ratios:</b>							
Financial leverage ratio	Times	0.81	0.96	0.78	1.14	1.31	0.83
Weighted average cost of debt	%	15.44	8.74	7.91	14.20	9.18	4.18
Net borrowing / EBITDA	Times	1.78	2.67	2.46	4.42	3.97	3.45
Average operating working capital as %age of sales	%	42.02	45.61	45.50	53.98	53.07	39.20
Debt to Equity ratio	Times	30 : 70	30 : 70	32 : 68	37 : 63	39 : 61	38 : 62
Interest Cover ratio	Times	2.39	3.88	4.11	1.13	2.30	6.96
<b>Activity / Turnover Ratios:</b>							
Inventory turnover ratio	Times	2.62	2.86	3.23	2.87	2.61	3.42
No. of Days in Inventory	Days	137	126	112	125	138	105
Debtor turnover ratio	Times	6.15	5.30	5.33	5.34	6.17	7.26
No. of Days in Receivables	Days	59	68	68	67	58	50
Total Assets turnover ratio	Times	1.01	0.90	0.89	0.85	0.71	0.76
Fixed Assets turnover ratio	Times	2.76	2.43	2.24	1.85	1.57	1.48
Creditor turnover ratio	Times	10.68	12.75	16.29	18.25	19.16	10.34
No. of Days in Creditors	Days	34	28	22	20	19	35
Operating Cycle	Days	162	165	157	172	177	120
<b>Employee Productivity Ratios:</b>							
Production per employee	Rs.	40,375	37,926	36,705	32,632	29,963	34,942
Revenue per employee	Rs.	50,625	44,416	44,841	37,150	35,342	40,992
Staff turnover ratio	%	5.38	8.66	5.53	4.55	4.98	1.45
<b>Non Financial Ratios:</b>							
% of Plant Availability (BMD)	%	36.15	47.42	54.99	45.91	46.42	58.24
% of Plant Availability (FPD)	%	54.33	60.69	45.62	47.94	15.15	4.16
<b>Others:</b>							
Spare inventory as a % Assets costs	%	2.90	2.60	2.71	2.49	2.29	1.06
Maintenance cost as % of Operating expenses	%	2.71	2.50	2.35	2.54	2.15	1.46

\*This includes all investments made at fair value. The Company have all its long term investments in related parties only.

# COMMENTS ON RATIOS

## Profitability

In recent years, the company has achieved impressive profitability indicators, primarily attributable to better decision-making processes and the company's dedicated efforts towards improvement. In the current year, the company posted highest profit before tax inspite of decrease in BMD's quantity sold and various tough economic challenges like significant increase in discount rates and decline in value of PKR against USD and EURO. This remarkable increase in profit before tax was not fully translated into increase in net profit because of escalation in rate of super tax through Finance Act, 2023. Further, increase in sales and operating profit of FPD helped the Company in improvement of aforesaid profitability.

## Liquidity

Liquidity ratios represent important category of financial ratios employed to assess company's ability to meet its current debt obligations. Liquidity ratios improved during the year due to timely collections from debtors, reduction in short term borrowings and effective working capital management.

## Investment / Market

Investment / Market ratio reflects a company's overall performance. Company's net profit slightly increased as compared to last year. As discussed above, though the Company has reported highest ever profit before tax, however, it could not be fully translated into net profit due to increase in rate of super tax. Accordingly, this also impacted the EPS which increased to Rs. 18.50 (i.e. an increase of Rs. 0.46 per share from last year). Further, the market price of the company's share declined when we compare it with last year. There was around 13.75% decline in the share price (i.e. it reduced from Rs. 112.92 In 2022 to Rs. 97.39 in the current year). However, there was just a decline of 0.38% in market capitalization of the company. This is due to bonus shares issued by the company during the year. Further, the prevalent economic and market conditions also impacted the share price of the company.

## Capital Structure

The company continuously monitors its capital structure and aims to keep it at its optimum level. Financial leverage has improved as compared to last year due to reduction in short term borrowings towards the end of the year inspite of the fact that the operations of the company increased. This reduction in short term borrowings was due to effective working capital management which includes prompt recoveries from the customers.

## Activity / Turnover

The company observed an increase in inventory turnover days as compared to last year because of higher cost of sales and inventory cost. This is consistent with the prevailing market conditions. Further, Debtor turnover has improved due to prompt recoveries from debtors during the year. Implementation of effective management policies increased asset turnover ratio of the company.

## Employee Productivity Ratios:

The company has consistently made significant efforts to enhance the working environment for its employees to maintain their motivation and improve overall productivity and performance. Over the past five years, the company has witnessed an increase in employee productivity due to improved human resource management and an effective recruitment process.

## Non Financial Ratios:

The history of Cherat Packaging is marked with expansions and growth. In the month of June 2023, the Company made further expansions in FPD through installation and commissioning of Roto line 2. Enhancement in production capacity of FPD will enable the company to cater the demand of its customers in an effective manner and optimize the utilization of its available resources.

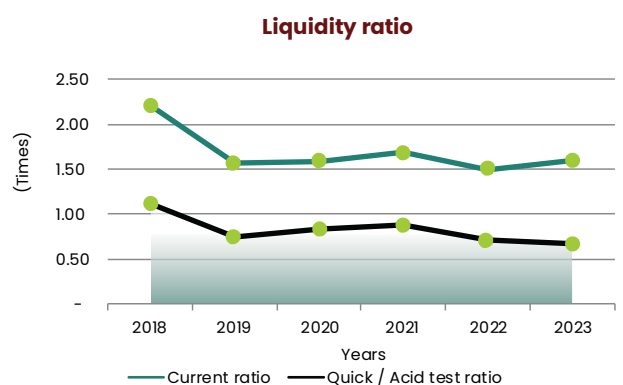
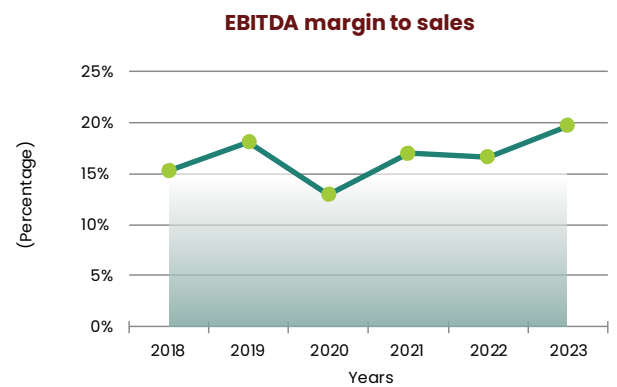
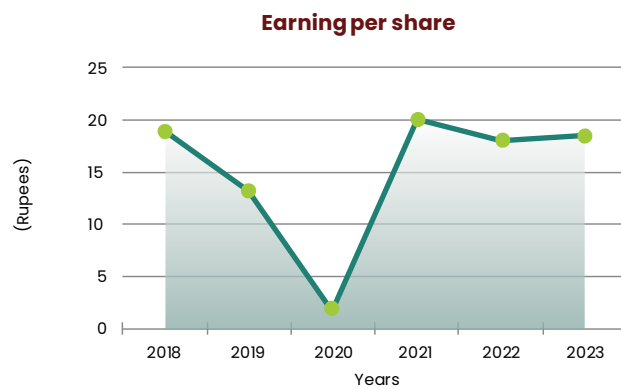
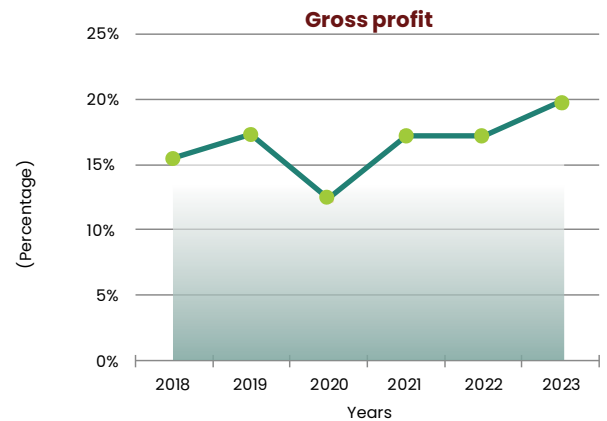
## Other Ratios:

The Company has installed state-of-the-art machineries from reputable vendors. As a result of which the Company benefits through quality output and efficiency in production. This also enables the Company to maintain low maintenance costs / spare parts inventories. Moreover, in the recent years, the said ratios have slightly increased due to diversification and expansions.



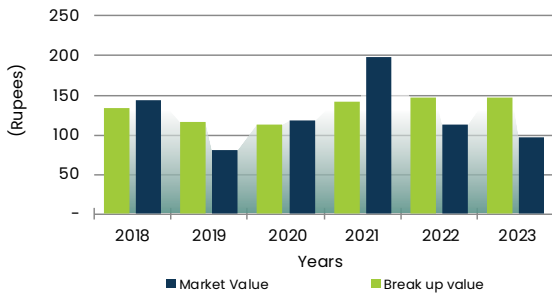
# PACKAGING YOUR FUTURE

## GRAPHICAL PRESENTATION OF ANALYSIS OF FINANCIAL STATEMENTS

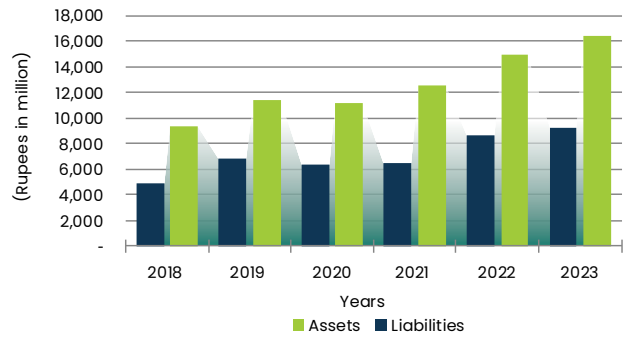


# GRAPHICAL PRESENTATION OF ANALYSIS OF FINANCIAL STATEMENTS

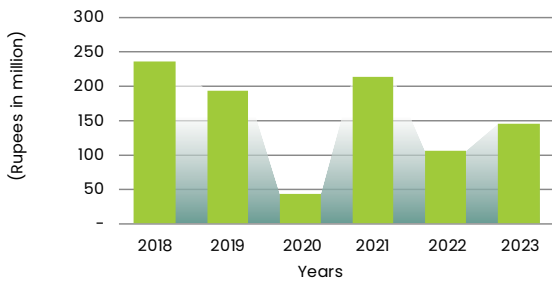
**Value per share**



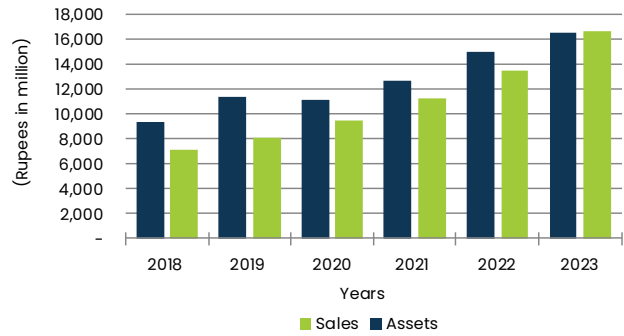
**Assets & Liabilities**



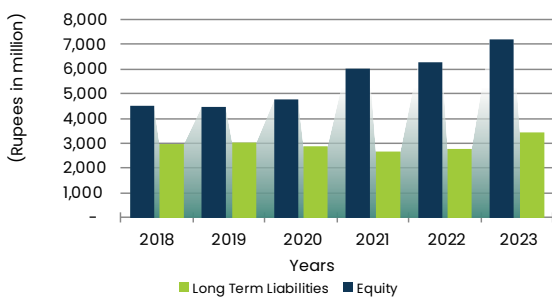
**Cash Dividend**



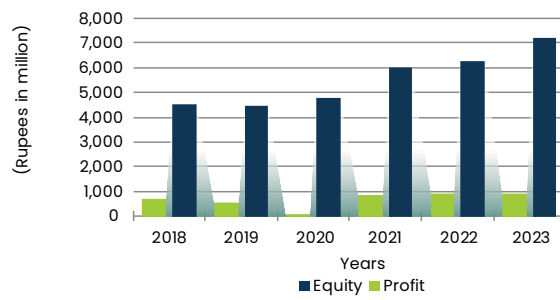
**Sales to total assets**



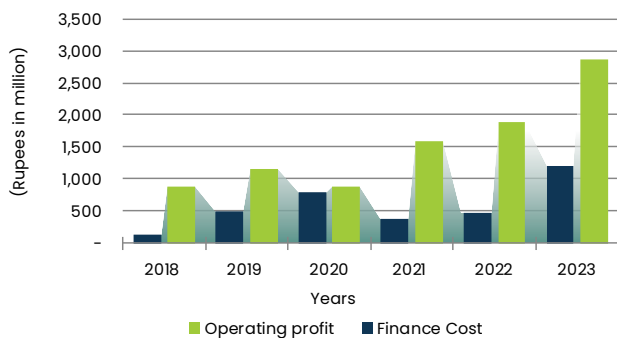
**Equity & Long - term liabilities**



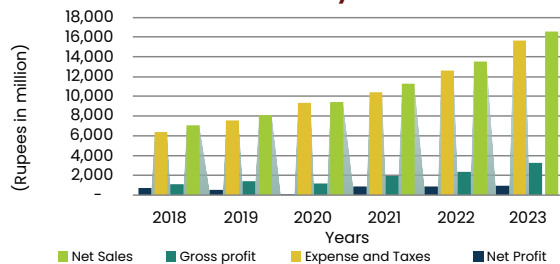
**Return on equity**



**Interest Cover**



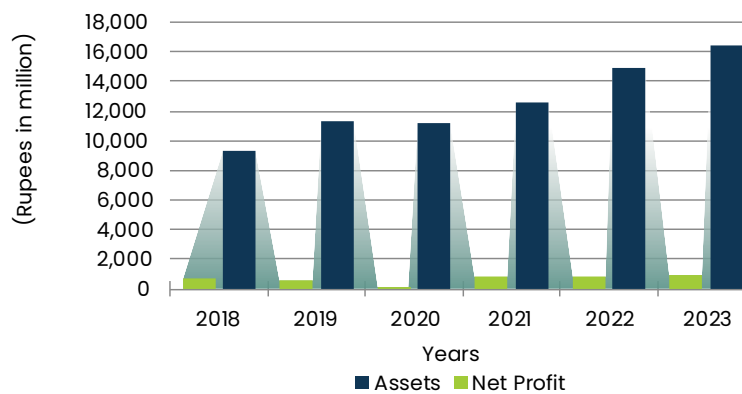
**Profitability trend**



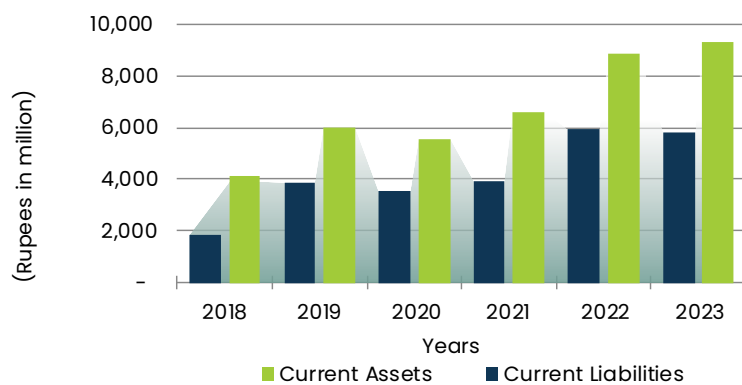
# PACKAGING YOUR FUTURE

## GRAPHICAL PRESENTATION OF ANALYSIS OF FINANCIAL STATEMENTS

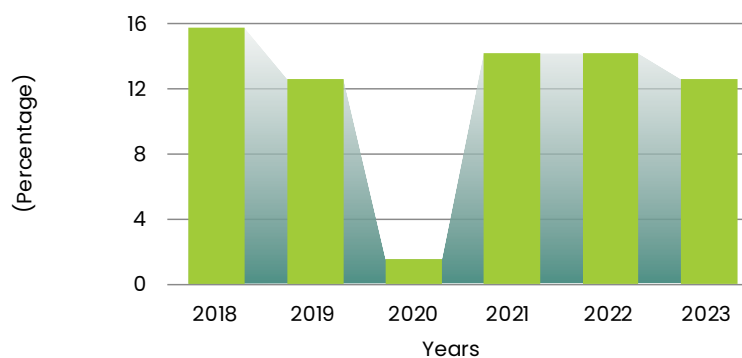
### Net Profit to Total Assets



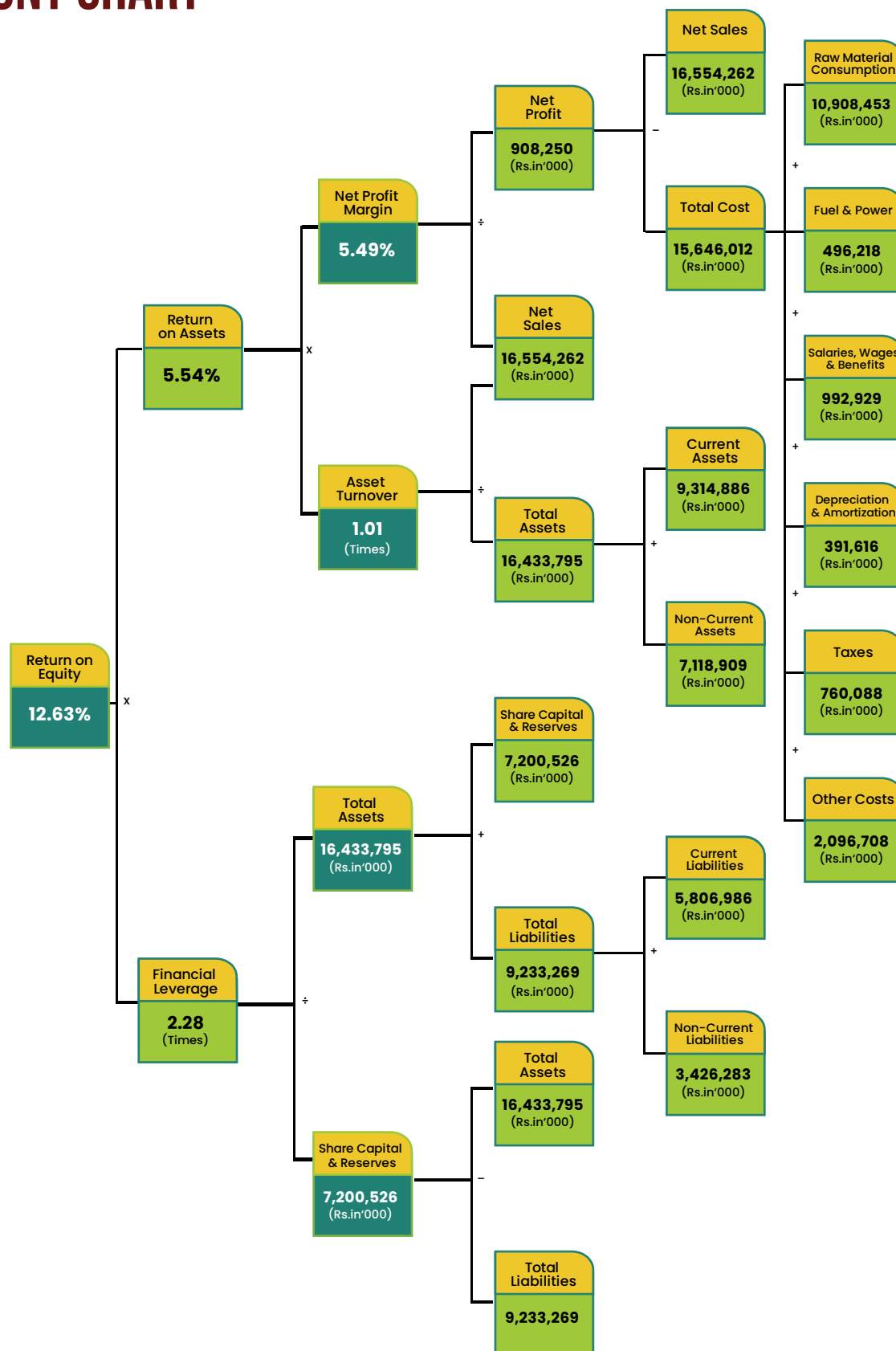
### Current Assets to Current Liabilities



### Return on Shareholders' Funds



# DUPONT CHART

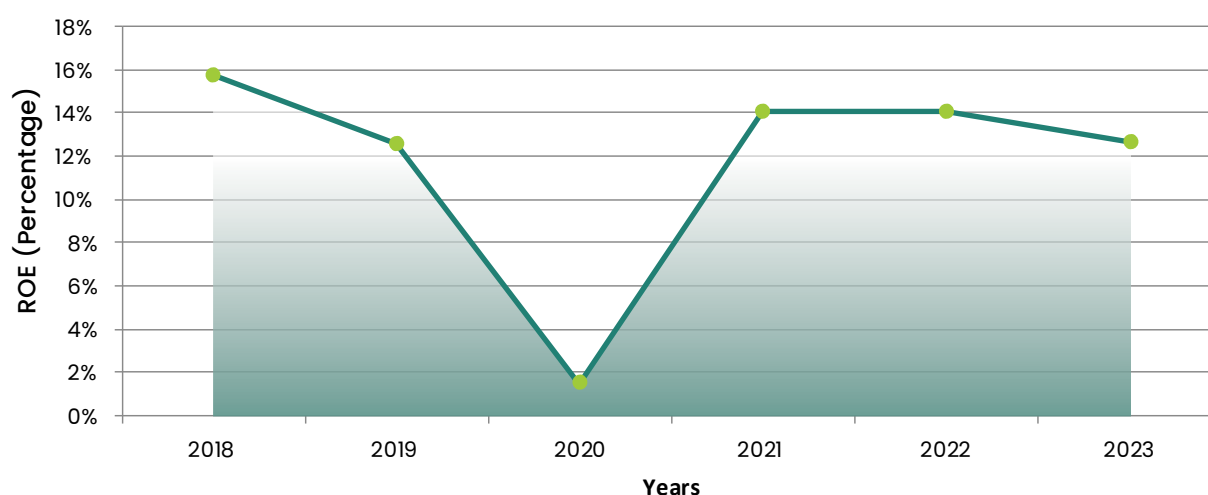


**Note:** Non-Current Assets include "Non-Current Assets classified as held for sale"

# PACKAGING YOUR FUTURE

## DUPONT ANALYSIS

Year	Net Profit Margin	Assets Turnover	Financial Leverage	ROE
	Net Profit / Sales	Sales / Total Assets	Total Assets / Total Equity	
	A	B	C	AXBXC
2018	10.03%	0.76	2.07	15.81%
2019	6.95%	0.71	2.54	12.60%
2020	0.74%	0.85	2.34	1.47%
2021	7.60%	0.89	2.08	14.06%
2022	6.56%	0.90	2.39	14.10%
2023	5.49%	1.01	2.28	12.63%



### Comments on DuPont Analysis

1. Profit margin of the Company has decreased during the year due to increase in raw material prices, drastic increase in discount rates and change in rate of super tax.
2. Asset Turnover increased during the year because of increase in revenue with a corresponding increase in fixed assets and inventory.
3. Financial leverage slightly decreased during the year because of reduction in short term borrowings. Short term borrowing decreased because of cash inflows from higher sales and prompt recoveries from customers.
4. ROE increased slightly during the year as compared to last year due to various unfavourable economic conditions such as higher discount rates, increased raw material prices, change in rate of super tax and rise in general inflation resulting in higher fuel, power and freight cost.

# FREE CASH FLOWS

## Free Cash Flows to the Firm

	2023	2022	2021	2020	2019	2018
----- (Rupees in `000) -----						
Earning before interest and taxes	2,870,242	1,880,688	1,583,294	882,181	1,166,634	893,145
Adjustment for non-cash items	321,121	329,501	308,968	377,561	276,404	170,312
Working capital changes	(635,369)	(1,967,572)	(392,560)	311,532	(2,219,521)	(1,064,481)
<b>Net cash generated from / (used in) operating activities</b>	<b>2,555,994</b>	<b>242,617</b>	<b>1,499,702</b>	<b>1,571,274</b>	<b>(776,483)</b>	<b>(1,024)</b>
Capital expenditure	(1,248,926)	(899,748)	(259,209)	(283,154)	(673,827)	(3,158,595)
<b>Free cash flows to the firm</b>	<b>1,307,068</b>	<b>(657,131)</b>	<b>1,240,493</b>	<b>1,288,120</b>	<b>(1,450,310)</b>	<b>(3,159,619)</b>

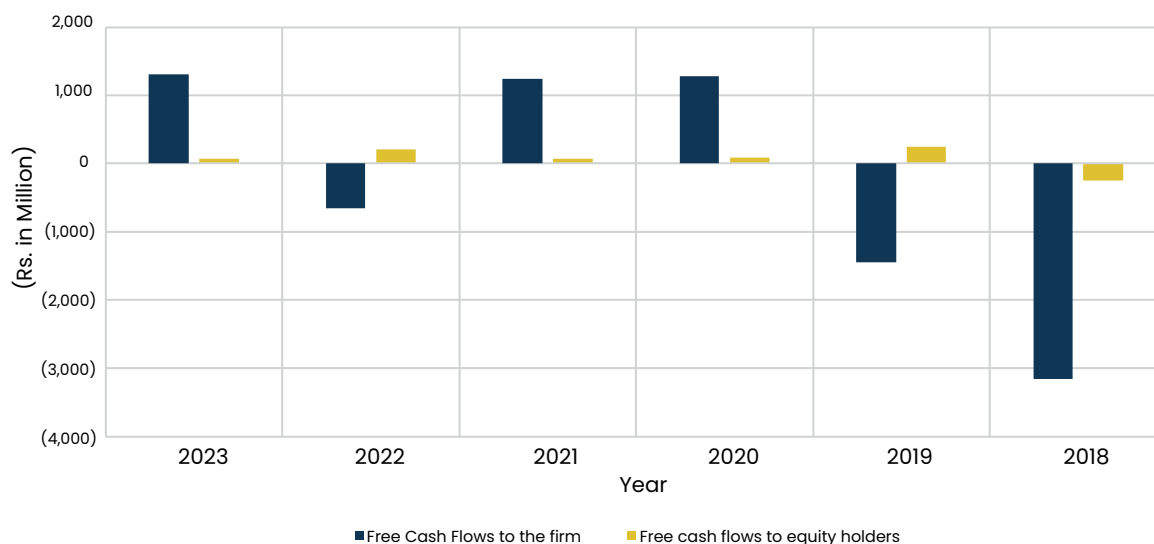
## Free Cash Flows to the Equity Holders

Free cash flow to the firm	1,307,068	(657,131)	1,240,493	1,288,120	(1,450,310)	(3,159,619)
Net borrowings	(139,458)	1,295,749	(695,550)	(398,005)	2,078,720	2,985,256
Finance cost paid	(1,090,332)	(437,907)	(475,949)	(801,027)	(383,380)	(77,293)
<b>Free cash flow to the equity holders</b>	<b>77,278</b>	<b>200,711</b>	<b>68,994</b>	<b>89,088</b>	<b>245,030</b>	<b>(251,656)</b>

## Comments

Free cash flow to the firm improved as compared to last year mainly due to effective working capital management and increase in EBIT. Whereas, free cash flow to the equity holders declined as compared to last year due to the fact that the company made certain repayments of debts. Further, this also decreased because of increase in finance cost due to increase in discount rates.

### Graphical Presentation of Free Cash Flow Analysis





# HORIZONTAL ANALYSIS - SIX YEARS

	2023 (Rupees in '000)	%	2022 (Rupees in '000)	%
<b>STATEMENT OF FINANCIAL POSITION</b>				
<b>ASSETS</b>				
Non-Current Assets	6,640,538	10%	6,061,384	1%
Current Assets	9,314,886	5%	8,860,273	34%
Non-current assets classified as held for sale	478,371	100%	-	0%
<b>Total Assets</b>	16,433,795	10%	14,921,657	19%
<b>EQUITY AND LIABILITIES</b>				
Share Capital and Reserves	7,200,526	15%	6,255,557	4%
Non-Current Liabilities	3,426,283	24%	2,757,510	4%
Current Liabilities	5,806,986	-2%	5,908,590	51%
<b>Total Equity and Liabilities</b>	16,433,795	10%	14,921,657	19%
<b>STATEMENT OF PROFIT OR LOSS</b>				
Turnover – net	16,554,262	23%	13,502,519	20%
Gross profit	3,277,073	42%	2,314,729	19%
Operating profit	2,870,242	53%	1,880,688	19%
Profit before taxation	1,668,338	20%	1,395,385	16%
Profit after taxation	908,250	3%	885,509	4%



# PACKAGING YOUR FUTURE

2021 (Rupees in '000)	%	2020 (Rupees in '000)	%	2019 (Rupees in '000)	%	2018 (Rupees in '000)	%
5,978,810	7%	5,580,510	5%	5,328,751	1%	5,273,537	95%
6,608,344	18%	5,580,221	-7%	6,022,692	47%	4,095,137	43%
-	0%	-	0%	-	0%	-	0%
<u>12,587,154</u>	<u>13%</u>	<u>11,160,731</u>	<u>-2%</u>	<u>11,351,443</u>	<u>21%</u>	<u>9,368,674</u>	<u>68%</u>
6,039,840	27%	4,774,404	7%	4,466,238	-1%	4,516,005	12%
2,643,027	-8%	2,875,037	-5%	3,033,486	1%	2,997,929	287%
3,904,287	11%	3,511,290	-9%	3,851,719	108%	1,854,740	139%
<u>12,587,154</u>	<u>13%</u>	<u>11,160,731</u>	<u>-2%</u>	<u>11,351,443</u>	<u>21%</u>	<u>9,368,674</u>	<u>68%</u>
11,255,102	19%	9,436,193	17%	8,093,407	14%	7,091,653	10%
1,937,625	65%	1,173,729	-16%	1,400,649	28%	1,098,332	-13%
1,583,294	79%	882,181	-24%	1,166,634	31%	893,145	-14%
1,198,522	1115%	98,678	-85%	660,080	-14%	764,883	-21%
855,092	1117%	70,235	-88%	562,873	-21%	711,079	1%

# VERTICAL ANALYSIS - SIX YEARS

	2023 (Rupees in '000)	%	2022 (Rupees in '000)	%
<b>STATEMENT OF FINANCIAL POSITION</b>				
<b>ASSETS</b>				
Non-Current Assets	6,640,538	40%	6,061,384	41%
Current Assets	9,314,886	57%	8,860,273	59%
Non-current assets classified as held for sale	478,371	3%	-	0%
<b>Total Assets</b>	16,433,795	100%	14,921,657	100%
<b>EQUITY AND LIABILITIES</b>				
Share Capital and Reserves	7,200,526	44%	6,255,557	42%
Non-Current Liabilities	3,426,283	21%	2,757,510	18%
Current Liabilities	5,806,986	35%	5,908,590	40%
<b>Total Equity and Liabilities</b>	16,433,795	100%	14,921,657	100%
<b>STATEMENT OF PROFIT OR LOSS</b>				
Turnover – net	16,554,262	100%	13,502,519	100%
Gross profit	3,277,073	20%	2,314,729	17%
Operating profit	2,870,242	17%	1,880,688	14%
Profit before taxation	1,668,338	10%	1,395,385	10%
Profit after taxation	908,250	5%	885,509	7%

# PACKAGING YOUR FUTURE

2021 (Rupees in '000)		%	2020 (Rupees in '000)		%	2019 (Rupees in '000)		%	2018 (Rupees in '000)		%
5,978,810	47%		5,580,510	50%		5,328,751	47%		5,273,537	56%	
6,608,344	53%		5,580,221	50%		6,022,692	53%		4,095,137	44%	
-	0%		-	0%		-	0%		-	0%	
<u>12,587,154</u>	<u>100%</u>		<u>11,160,731</u>	<u>100%</u>		<u>11,351,443</u>	<u>100%</u>		<u>9,368,674</u>	<u>100%</u>	
6,039,840	48%		4,774,404	43%		4,466,238	39%		4,516,005	48%	
2,643,027	21%		2,875,037	26%		3,033,486	27%		2,997,929	32%	
3,904,287	31%		3,511,290	31%		3,851,719	34%		1,854,740	20%	
<u>12,587,154</u>	<u>100%</u>		<u>11,160,731</u>	<u>100%</u>		<u>11,351,443</u>	<u>100%</u>		<u>9,368,674</u>	<u>100%</u>	
11,255,102	100%		9,436,193	100%		8,093,407	100%		7,091,653	100%	
1,937,625	17%		1,173,729	12%		1,400,649	17%		1,098,332	15%	
1,583,294	14%		882,181	9%		1,166,634	14%		893,145	13%	
1,198,522	11%		98,678	1%		660,080	8%		764,883	11%	
855,092	8%		70,235	1%		562,873	7%		711,079	10%	

# COMMENTS ON HORIZONTAL ANALYSIS

## STATEMENT OF FINANCIAL POSITION

### Fixed asset

Fixed assets increased over a period of 6 years due to expansions carried out by the company from time to time. This year, fixed assets of the Company increased due to capitalization of Roto Line 2. However, due to reclassification of KP Line I, II and V, the impact of increase was not fully reflected.

### Investments (including short term investment)

Long-term investment of the Company increased by Rs. 145.28 million due to increase in share price of Cherat Cement Company Limited by Rs. 27.24. During the year, the company also invested in term deposits of Rs. 123.96 million (classified as short term Investment). Out of this, term deposit of Rs 40 million is utilized for issuance of guarantee against Sindh Infrastructure CESS.

### Stores, Spare parts & loose tools, Stock in trade and Trade debts

Stores, Spare parts & loose tools, Stock in trade and Trade debts increased steadily over past six years on account of increase in operations and expansions.

### Taxation

Advance tax amount has decreased due to higher provision of tax.

### Share capital and reserves

Increased due to steady profits earned by the company and issuance of shares in last six years.

### Long-term loans

The Company has always strived to maintain strong debt equity ratio to optimize returns. Accordingly, CPL financed its project as combination of debt and equity. In the current year, the Company has obtained long-term loans for financing Roto Line II project amounting to Rs. 985.77 million during the year.

### Current Liabilities

Current liabilities increased over the years because of increase in company's operations. In the current year, current liabilities decreased due to reduction in short term borrowings because of cash inflows from higher sales and prompt recoveries from customers.

## STATEMENT OF PROFIT OR LOSS

### Turnover

Turnover increased over past six years mainly due to improved performance of FPD; continuous growth and expansions; and appreciation of market prices.

### Gross profit

Despite facing rising raw material prices and exchange rate fluctuations, the Company achieved a gross profit of Rs. 3,277 Million for the year ended 2023 which was Rs 1,098 Million in 2018. This success can be attributed to the company's operational efficiency, the implementation of cost-effective measures, the installation of state-of-the-art plant and machinery, effective inventory management, streamlined supply chain operations, and the retention of valuable human resources.

### Operating profit

Effective cost control measures have resulted in curtailment of increase in administrative and other expenses to keep it under acceptable limits. Hence, it helped the Company in achieving better operating profit as compared to previous years.

### Finance Cost

Finance cost increased significantly during the year due to increase in discount rate by SBP. Further, it rose due to utilization of running finance because of increase in operations.

### Net profit

Net profit of the Company has shown a positive trend in recent years. The Company has achieved a net profit of Rs. 908 million during the year which is the second highest after 2016.

# PACKAGING YOUR FUTURE

## COMMENTS ON VERTICAL ANALYSIS

### STATEMENT OF FINANCIAL POSITION

#### Non-Current Assets

Although Roto Line 2 was capitalized during the year, however, non-current assets to total assets ratio decreased due to reclassification of KP line I, II and V as held for sale.

#### Current Assets

Current Assets of the company in value terms mainly increased due to increase in stock in trade. The increase in stock in trade was due to upwards trends in raw material prices.

#### Long-term loan

Long term loan increased as the company has obtained long-term loan of Rs. 985.77 million for installation and commissioning of Roto line II.

### STATEMENT OF PROFIT OR LOSS

#### Turnover

For the fiscal year under review, turnover mainly increased due to higher sales of FPD which enhanced because of induction of new customers having higher margins. Further, increase in selling prices also assisted in improvement of Turnover.

#### Gross profit

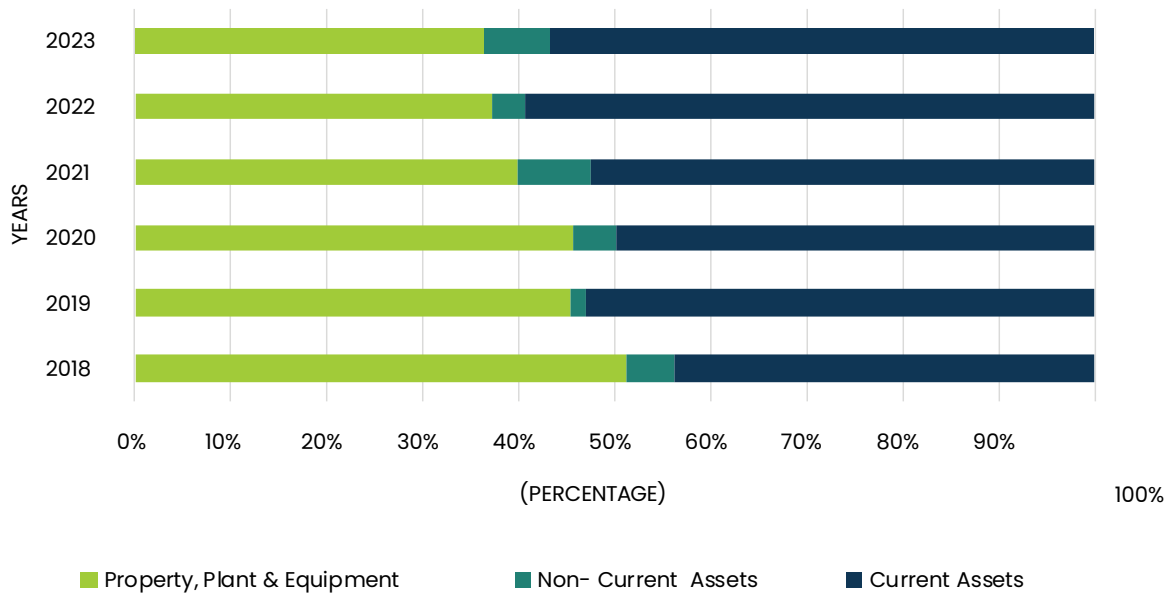
For the fiscal year ending on June 30, 2023, the company recorded its highest-ever gross profit of Rs. 3.3 billion. This achievement was primarily attributed to (among other factors) the successful implementation of our marketing strategy, increase in selling prices and enhanced production efficiency.

#### Net profit

Net profit reported by the company during the year is highest since the year 2016. This is due to increase in gross profit (as discussed above). The increase in finance cost due to rise in discount rates and escalation in rate of super tax impacted the profitability of the Company.

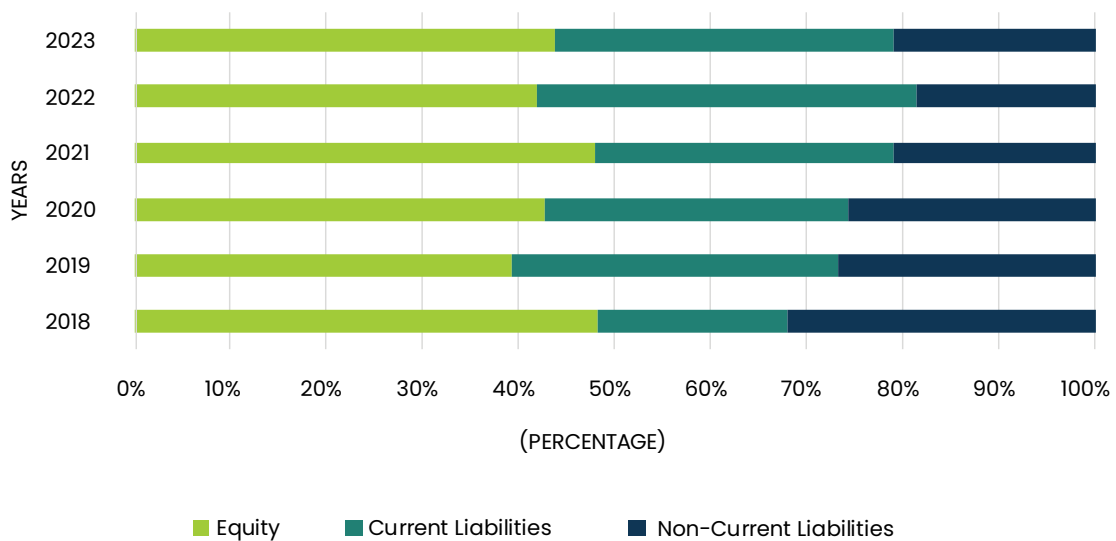
# GRAPHICAL PRESENTATION OF STATEMENT OF FINANCIAL POSITION AND STATEMENT OF PROFIT OR LOSS

Statement of Financial Position Analysis – Assets



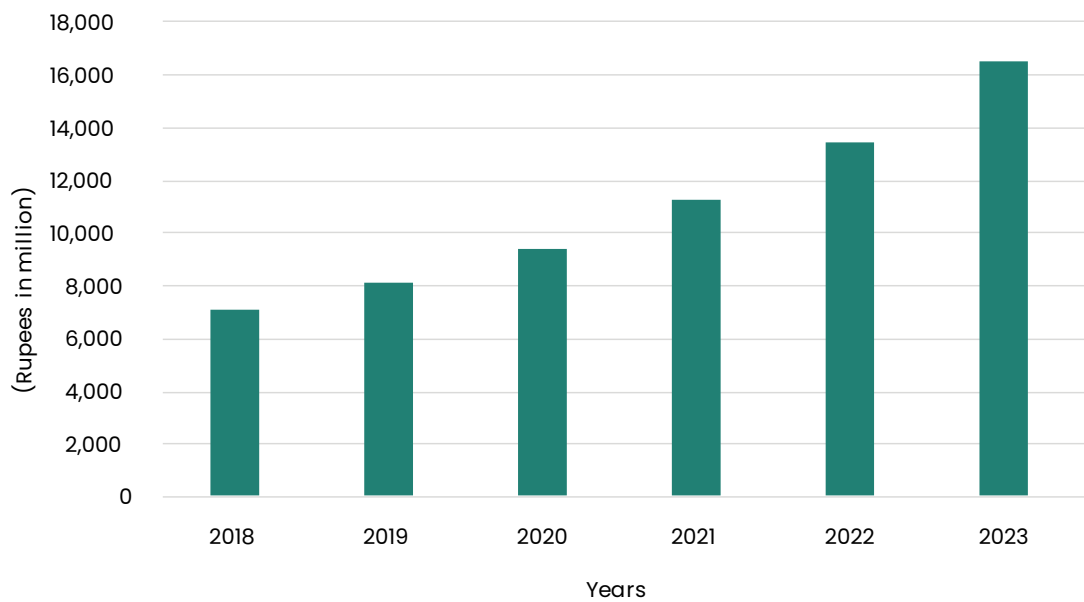
**Note:** Non-Current Assets include "Non-Current Assets classified as held for sale"

Statement of Financial Position Analysis – Equity & Liabilities

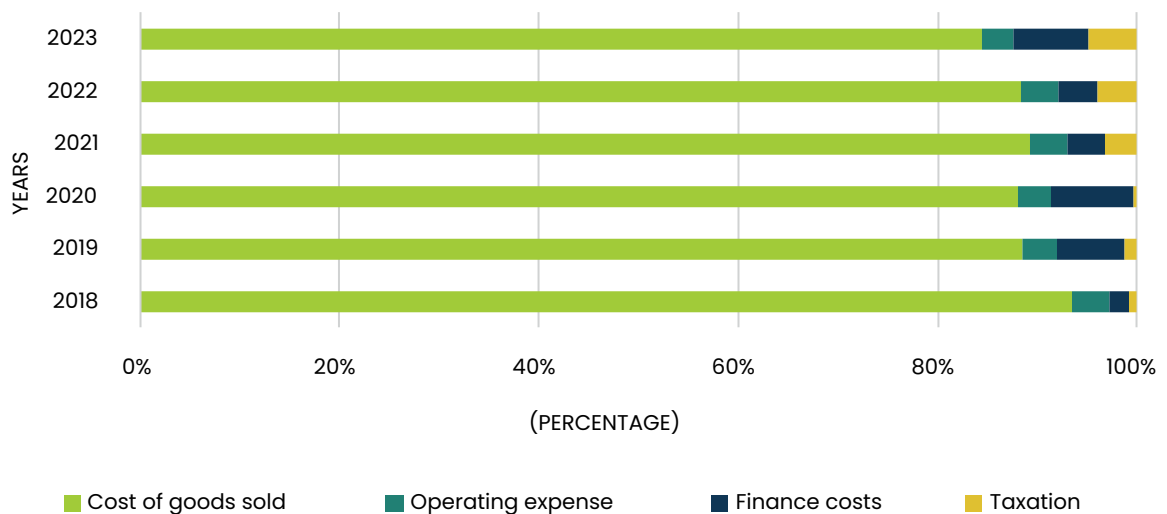


# PACKAGING YOUR FUTURE

Statement of Profit or Loss Analysis - Revenue



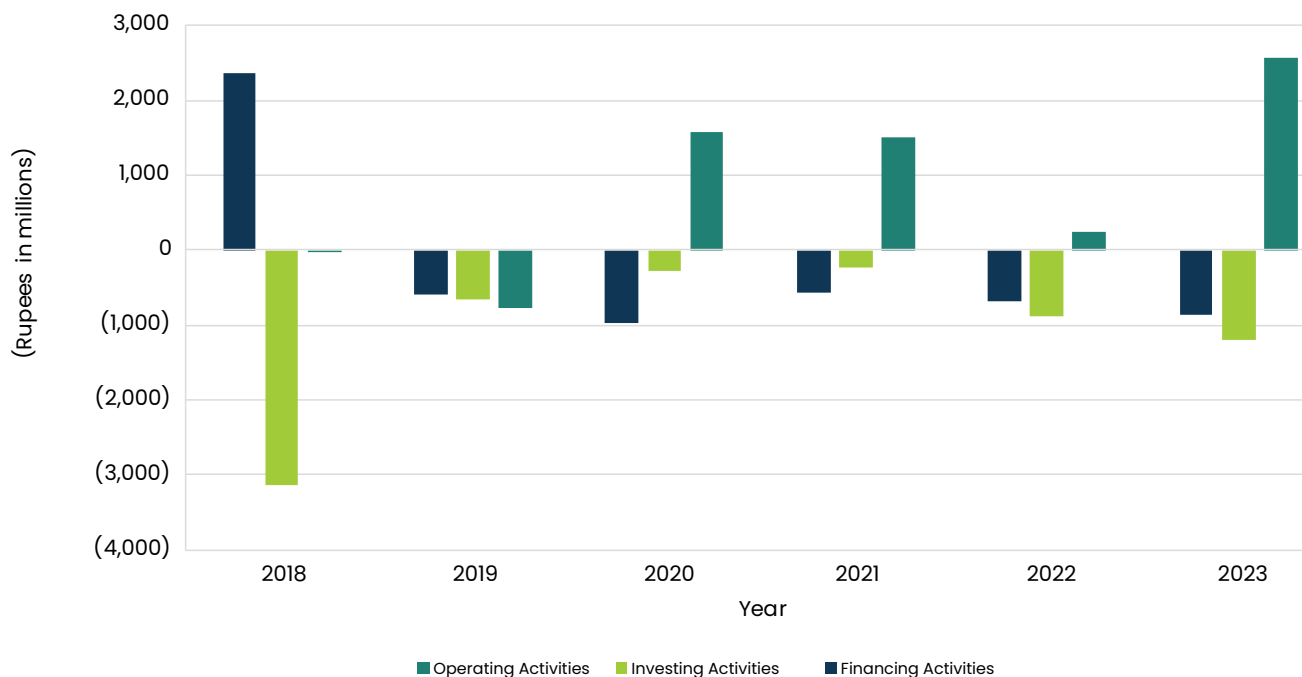
Statement of Profit or Loss Analysis - Expenses



# SUMMARY OF STATEMENT OF CASH FLOWS-SIX YEARS

	2023	2022	2021	2020	2019	2018
	----- (Rupees in `000) -----					
Net cash generated from / (used in) operating activities	2,555,994	242,617	1,499,702	1,572,080	(776,483)	(1,024)
Net cash used in investing activities	(1,207,161)	(881,640)	(236,108)	(274,392)	(650,862)	(3,135,215)
Net cash (used in) / generated from financing activities	(857,284)	(678,605)	(570,109)	(976,240)	(581,874)	2,354,193
Net increase / (decrease) in cash and cash equivalents	491,549	(1,317,628)	693,485	321,448	(2,009,219)	(782,046)
Cash and cash equivalents as at the beginning of the year	(3,239,901)	(1,922,273)	(2,615,758)	(2,937,206)	(927,987)	(145,941)
Cash and cash equivalents as at the end of the year	(2,748,352)	(3,239,901)	(1,922,273)	(2,615,758)	(2,937,206)	(927,987)

Summary of Cash Flows





# PACKAGING YOUR FUTURE

## COMMENTS ON STATEMENT OF CASH FLOWS

Cash flow from operating activities witnessed great fluctuation during the period from FY 2018 to FY 2019. The major reason was the optimization of stock-in-trade level with respect to new polypropylene bags plant operations. Further, the operating cash flows fell slightly on negative side mainly on account of decreased profit before tax, increased investment in stock in anticipation of expected operation of Flexible Packaging project and payments of sales tax and withholding tax on import of various machinery of Flexible Packaging. In FY 2019, full-fledge operations of FPD, increased discount rate and dwindling PKR parity caused the operating cash flows to decrease further. In FY 2020 and 2021 the Company witnessed upward trend in operating cash flows due to effective working capital management. The decrease in operating cash flow in 2022 is primarily due to increase in stock-in-trade related to the installation of PP Line IV. In 2023, the company witnessed highest operating cash flow due to increase in operations / sales and effective working capital management.

The Company has been in continuous expansion which has governed the cash flow from investing activities. In FY 2018, the Company installed Universal Papersack line enhancing its production capacity to 400 million KP bags per annum. Correspondingly, the Company also initiated Flexible Packaging line in 2018. The Company installed remaining machineries of Flexible Packaging Division in FY 2019. In FY 2021, the Company also installed certain other machineries for Flexible Packaging Division. Company initiated solar power project to look after its energy needs. In FY 2022, the Company installed 0.96 MW solar power to reduce energy cost and additional PP line enhancing its production capacity to 260 million bags per annum. Further in 2023, the company installed Roto Line II in Flexible Packaging Division to cater the demand of the customers.

Cash flows from financing activities are direct reflection of the above two. During the FY 2018, the Company issued right shares and obtained loans to finance its new venture into Flexible Packaging. In FY 2019, tough business conditions and higher operational costs compelled the Company to utilize its running finance facility. In the FY 2020 and 2021, the Company was able to repay its borrowings as a result of effective working capital management. In 2022, Company received a loan to finance the installation of PP line IV. Further in 2023, the Company received a loan to finance the installation of new Roto Line II in Flexible Packaging Division.

# STATEMENT OF CASH FLOWS DIRECT METHOD

for the year ended June 30, 2023

	2023	2022
	----- (Rupees in `000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	16,956,857	12,994,585
Cash paid to suppliers and employees	(14,147,718)	(12,440,368)
Cash generated from operations	2,809,139	554,217
Net income tax paid	(233,395)	(304,757)
Gratuity paid	(19,750)	(15,500)
Long-term loans and security deposits	-	8,657
<b>Net cash generated from operating activities</b>	2,555,994	242,617
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure incurred-net of borrowing cost	(1,248,926)	(899,748)
Additions to intangible assets	(2,733)	(782)
Proceeds from sale of operating property, plant and equipment	20,523	12,230
Dividend received	23,975	6,660
<b>Net cash used in investing activities</b>	(1,207,161)	(881,640)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long-term financing-net	343,937	(28,536)
Dividend paid	(110,889)	(212,162)
Finance costs paid	(1,090,332)	(437,907)
<b>Net cash used in financing activities</b>	(857,284)	(678,605)
<b>Net increase / (decrease) in cash and cash equivalents</b>	491,549	(1,317,628)
<b>Cash and cash equivalents as at the beginning of the year</b>	(3,239,901)	(1,922,273)
<b>Cash and cash equivalents as at the end of the year</b>	(2,748,352)	(3,239,901)

# PACKAGING YOUR FUTURE

## KEY FINANCIAL INFORMATION - SIX YEARS

	2023	2022	2021	2020	2019	2018
	----- (Quantity in million) -----					
Production BMD (Bags)	238.62	312.95	327.17	273.17	276.18	346.55
Production FPD (Kgs)	6.99	6.00	4.61	4.43	1.26	0.003
Sales BMD (Bags)	247.64	303.71	334.23	271.13	270.53	344.78
Sales FPD (Kgs)	6.89	5.86	4.66	4.34	1.17	0.003
<b>Summary of Statement of Financial Position</b>	----- (Rupees in million) -----					
<b>Assets</b>						
Non-Current Assets	6,641	6,062	5,979	5,580	5,329	5,274
Current Assets	9,315	8,860	6,608	5,580	6,023	4,095
Non-Current Assets Held For Sale	478	-	-	-	-	-
<b>Total Assets</b>	<b>16,434</b>	<b>14,922</b>	<b>12,587</b>	<b>11,160</b>	<b>11,352</b>	<b>9,369</b>
<b>Equity and Liabilities</b>						
Shareholders Equity	7,201	6,256	6,040	4,774	4,467	4,516
Non-current Liabilities	3,426	2,757	2,643	2,875	3,033	2,998
Current Liabilities	5,807	5,909	3,904	3,511	3,852	1,855
<b>Equity and Liabilities</b>	<b>16,434</b>	<b>14,922</b>	<b>12,587</b>	<b>11,160</b>	<b>11,352</b>	<b>9,369</b>
<b>Summary of Statement of Profit or Loss</b>						
Turnover Net	16,554	13,503	11,255	9,436	8,093	7,092
Gross profit	3,277	2,315	1,938	1,174	1,401	1,098
Operating profit	2,870	1,881	1,583	882	1,167	893
Profit before tax	1,668	1,395	1,199	99	660	765
Profit after tax	908	886	855	70	563	711

BMD = Bags Manufacturing Division

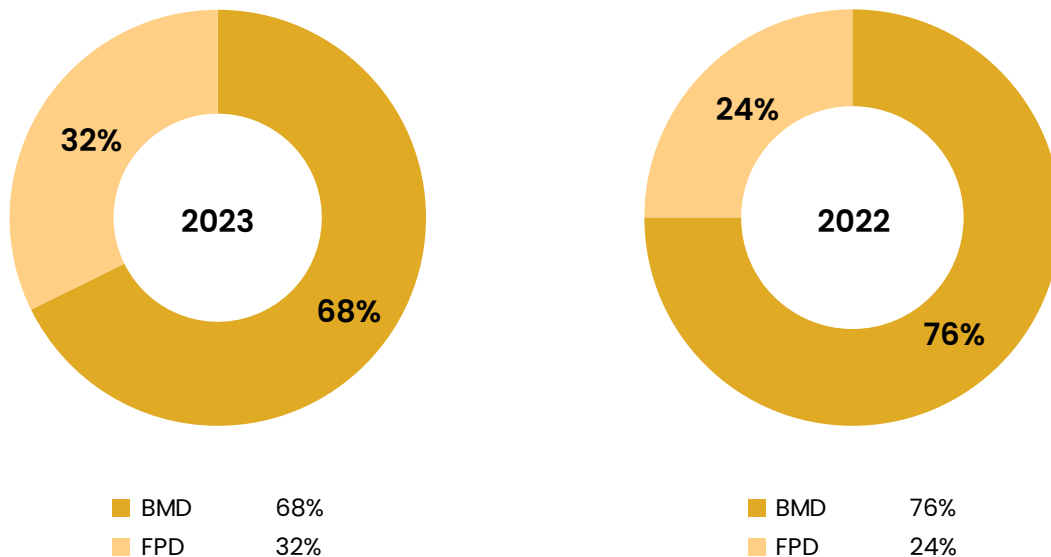
FPD = Flexible Packaging Division

# SEGMENTAL VIEW OF BUSINESS PERFORMANCE

During these difficult times of economic and geopolitical uncertainty, the Company maintained its performance. Strategic partnership with international suppliers helped the Company in reaping the benefits of raw material availability.

## Segmental View

The Company is investing in various clients (especially FMCGs) in shape of samples and test products. Various clients are testing our products and the Company is receiving positive response. Some of them have already matured. The Company expects that FPD sales will further increase in coming years. FPD contribution in total sales increased to 32% as compared to last year. The FPD revenue witnessed an increase of 68% in revenue as compared to last year.



## Market Share

Cherat Packaging is the largest producer of Cement bags in Pakistan. The Company is the gateway to innovation in cement packaging as it has introduced various groundbreaking innovations which not only benefited customers but also lead the Company to be the leader of the cement packaging industry. The Company enjoys prominent edge over its competitors regarding market share by virtue of its diversified investment in KP and PP bags. Moreover, the Company entered into Flexible Packaging Division in 2018 and through penetration strategy, the Company is gaining market acceptance and increasing its market share gradually.

## Explanation of Negative Changes in Performance over the Period

Over the years, the Company performed well surpassing expectations despite many challenges. However, in 2020 the Company witnessed decline in profits due to COVID-19 pandemic, though it had closed its financial year in positive zone. In 2021 and 2022, the Company continued its performance and closed its financial years at Rs. 855 million and Rs. 886 million respectively. Again in current year the Company continued its performance and sailing through difficult economic conditions posted 2nd highest net profit of Rs. 908 million.

## Debt Repayment

As reported in Directors' Report, no default occurred during the year

## Significant Change in Accounting Policies, Judgements, Estimates and assumptions

There is no significant change in accounting policies, judgements, estimates and assumptions during the year.

# SHARE PRICE SENSITIVITY ANALYSIS

Share of Cherat Packaging Limited are generally considered a safe and stable investment. However, the share market recession coupled with fragile National Economy had an impact on the Company operations. The share price varied from Rs 80 to Rs 132 for each offer during the year. Viewing the consistent company performance and profitability, steady share price is expected in the near future. We understand that various factors and variables may impact the company's stock price. The factors are listed below and commented upon for the facilitation of the users:

## Government Policies

Markets are impacted by government policies because they have the power to direct everything including monetary-related arrangements, fiscal measures and regulatory framework which carry guidelines to comply with. These policies can have a negative impact on the entire business sector, among other things. A certain or unfavourable decision by the Government would impact the Organization's monetary exhibition.

## Exchange Gain / Loss

As imports influence the company's business, the profitability ratios are influenced by the unpredictability of foreign exchange rates. The Company imports raw material from different international markets hence exposure to currency risk is greater. Given the current circumstances, weaker Pak rupee results in higher cost of production. On the other hand, it also makes company exports more competitive, potentially boosting sales and earnings, which can drive up the share price.

## Material Price Sensitivity

The price of raw materials can have a significant impact on the share price sensitivity of companies, particularly those that rely heavily on these materials in their operations. Increased input cost results in higher cost of production which may lead to reduced profit margins. However, Cherat Packaging Limited was able to pass on the cost increase to consumers in most of the cases, which helped Company in maintaining its profit margins. Moreover, Company's ability to manufacture innovative finished goods also provides a shield against material price sensitivity.

## Energy Crisis

Energy is one of the fundamental variables for the acceptability of Organization execution. The Company's operations have all been affected by the ongoing energy crisis. The unending move in energy rates and enthusiasm for fuel costs influences the financial presentation of the

Company. However, to counter the rising energy cost impact, the Company has installed solar panels and acquired Hydel power which not only helps the company in production of green energy but also helps in reduction of costs.

## Interest Rates

Interest rates can have a significant impact on share prices and the broader stock market. The prevailing discount rates are also having hefty impact on Pakistan's business environment and similarly on Cherat Packaging Limited. The increased discount rate has resulted in huge increase in financial charges of the Company and its profitability. However, it is important to note that the relationship between interest rates and share prices is not always straightforward, and various factors can interact to produce different outcomes.

## Law & Order

The law and order situation, also known as political stability and security can have various impacts on share price sensitivity. Investors often closely monitor the political and security environment because it can influence a company's operations, profitability, and the broader investment climate. Pakistan's current law and order situation and political polarization is hampering the investor confidence, economic stability, foreign investment, and the operational environment for businesses. Hence, volatility in share prices is a reflection of the same. Therefore, expected political stability in wake of upcoming elections, would have positive share price trends.

## Plant Operations

To serve the customers with high quality products and to meet the customer needs, the organization has installed state of the art manufacturing equipment especially for the Polypropylene and Flexible Packaging products. The efficient machinery not only produces high quality goods but also offers cost effective solutions to the customers, which is a competitive advantage of the Company. This results in customer retention and higher profitability and hence a positive impact on the share price.

## The Cement and Allied Sector

The organization's major chunk of revenue comes from manufacture and sale of cement sacks. The demand of these sacks, both paper and polypropylene, is directly impacted by the cement demand in local market. Any boom in construction activity whether resulting from development carried out by public sector or private sector, directly impacts the company profitability.

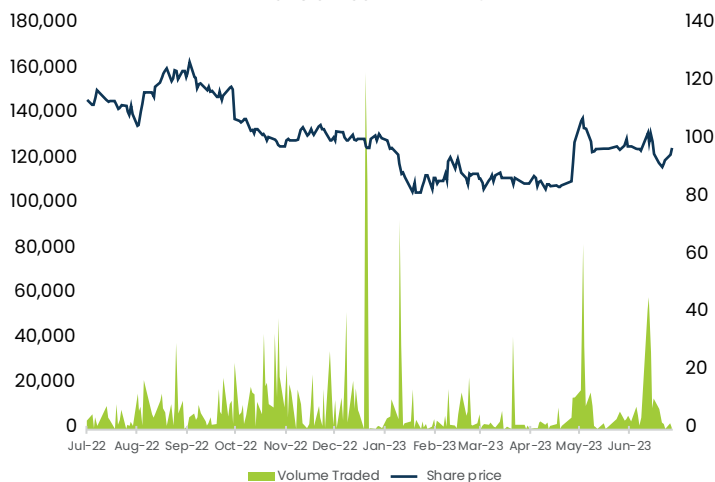
## Sensitivity Analysis of Change in Market Capitalization

Share Price as of 30.06.2023 Rs. 97.39  
Market Capitalization as of 30.06.2023 Rs. 4,781,400,324

Change in Share Price by Change in Market Capitalization

+10% Rs. 478,140,032  
-10% Rs. (478,140,032)

Share Prices- Trend v/s Volume Traded  
Financial Year 2022-2023



# CALENDAR OF NOTABLE EVENTS

## August 2022

- 14th** Independence Day Celebration
- 24th** Board of Directors Meeting –Annual 2022



## September 2022

- 8th** Corporate Briefing Session



## October 2022

- 19th** Board of Directors Meeting –1<sup>st</sup> Quarter 2022
- 21st** 33<sup>rd</sup> AGM at Registered Office
- 27th** Received 1<sup>st</sup> prize in BCRA 2020 organized by ICAP & ICMAP



## November 2022

- 27th** Annual Picnic



## December 2022

- 14th** Attended National Finance Olympiad organized by ICAP
- 18th** Received Bronze Award in manufacturing Cat. from SAFA held in Nepal



## February 2023

- 16th** Board of Directors Meeting – 2<sup>nd</sup> Quarter 2022
- 21st** NFEH Award



## March 2023

- 8th** International Women's Day 2023



## April 2023

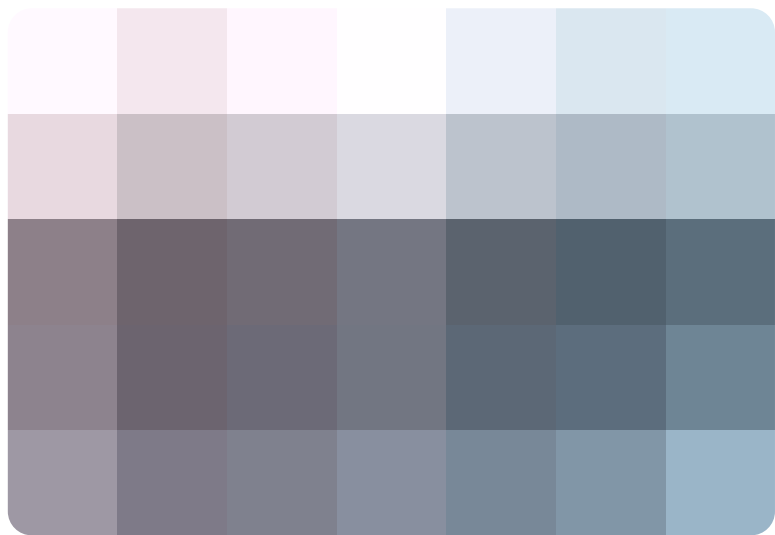
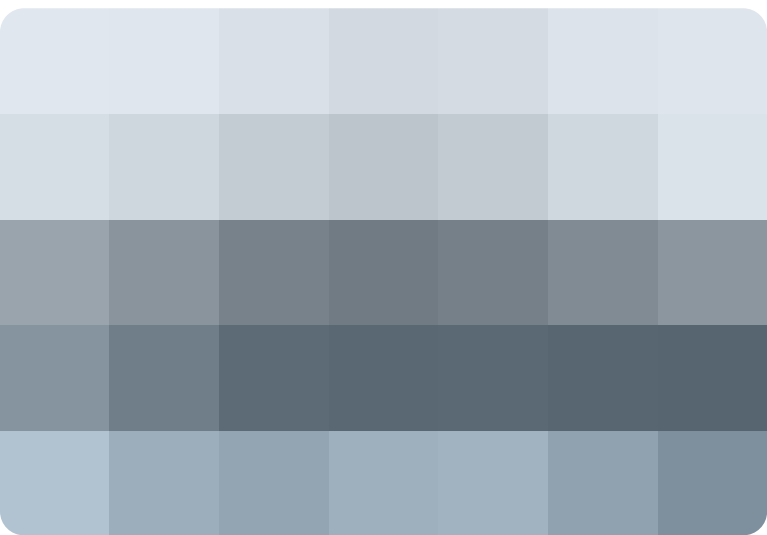
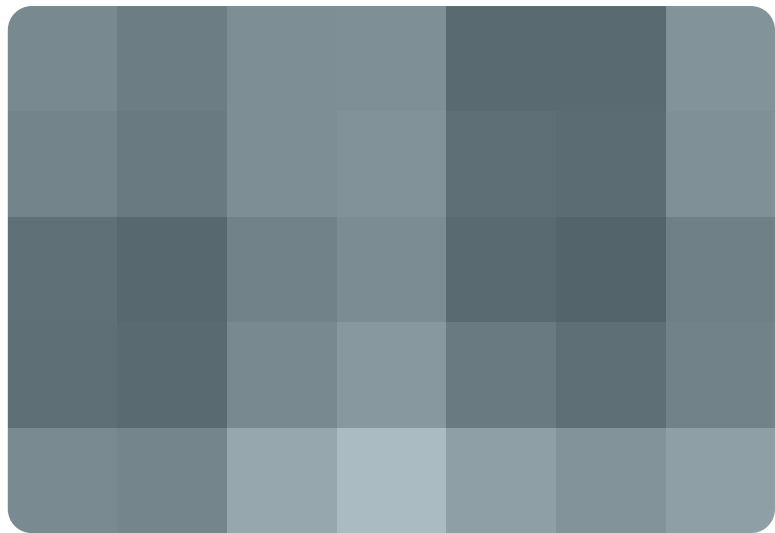
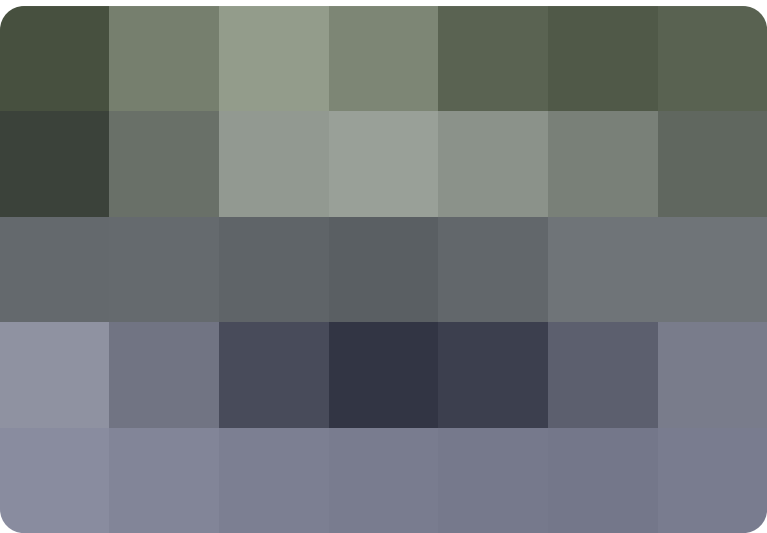
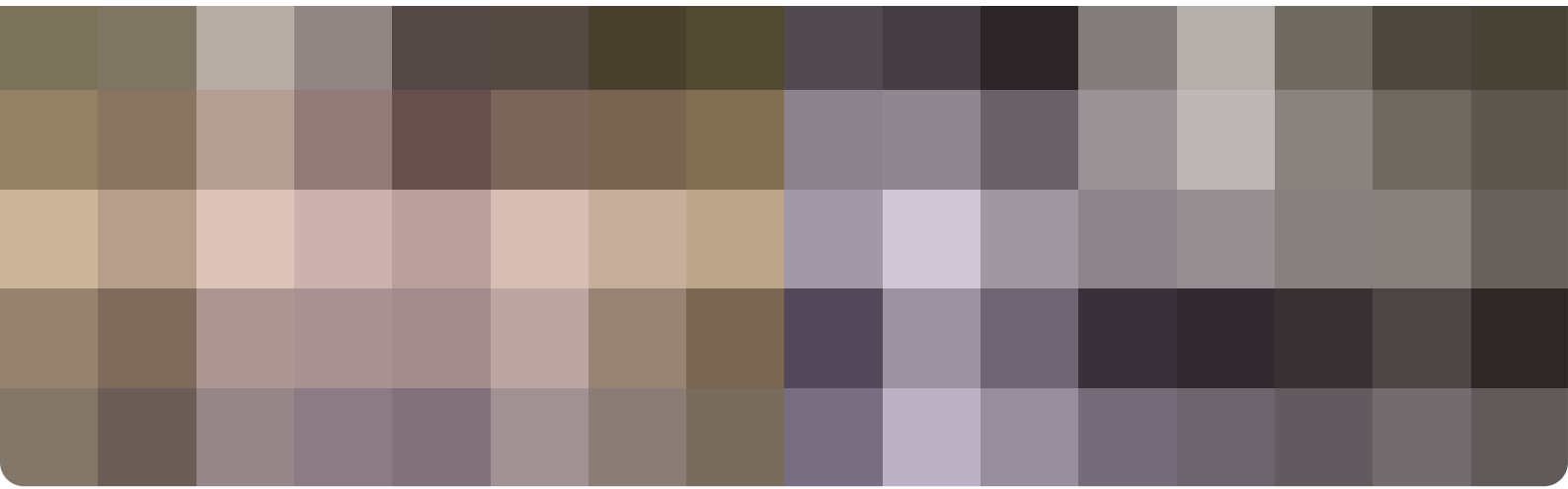
- 27th** Board of Directors Meeting – 3<sup>rd</sup> Quarter 2023



## June 2023

- 23rd** Successful Commissioning of Roto line 2
- 26th** Board of Directors Meeting –Budget 2023/24
- 30th** Year End Closing





# HR TRANSFORMATION JOURNEY AT GHULAM FARUQUE GROUP (SAP SUCCESSFACTORS IMPLEMENTATION)

The aim of HR Digital Transformation through SAP SuccessFactors is to streamline people, data, and processes to create a better employee experience and become more efficient and competitive in a digital world.

After successful implementation of SuccessFactors' Employee Central and Performance Management & Goals Management modules, Cherat Packaging Limited has initiated the implementation of Recruitment and On-Boarding module.

Recruiting and onboarding the right talent is pivotal to any business for ongoing growth and success. With the implementation of SAP SuccessFactors Recruiting Cherat Packaging Limited will be able to attract and engage top talent, select and hire the best candidates as per requirement, and measure the business results. This system will help emphasize primarily on hiring process and selecting the best candidates.

Whereas SAP SuccessFactors 'Onboarding' module will allow us to efficiently manage a variety of programs and employee transitions, including Pre Day-One, Onboarding, Cross boarding, Offboarding, and rehire through a single solution.





# PACKAGING YOUR FUTURE

## BUSINESS RATIONALE OF MAJOR CAPITAL EXPENDITURE

### **Growth**

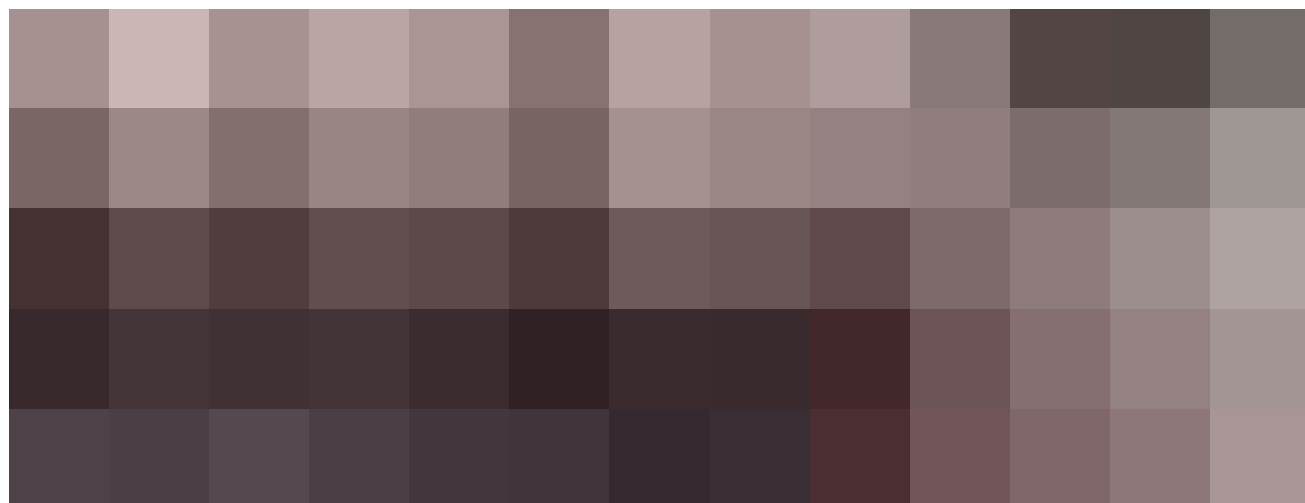
Cherat Packaging Limited is a forward-thinking company. Historically, the Company has successfully increased its production capabilities for both paper sack bags and polypropylene bags. Furthermore, in the year 2018, the Company diversified its operations by venturing into the flexible packaging materials business. This strategic move empowered the Company to offer packaging solutions to a wider spectrum of industries, including FMCGs and pharmaceuticals, in addition to its established offerings of cement sacks, sugar bags, flour bags, rice bags, and more.

### **Expansion of Flexible Packaging Business - Rotogravure printing line II**

In the month of June 2023, the Company achieved the successful installation and commissioning of its second Rotogravure printer together with the allied equipment for its Flexible Packaging Division. The equipment was acquired from leading European suppliers including world's best German based plant manufacturer i.e. M/s. Windmoller & Holscher. This installation will result in an increase in production capacity by 3,600 tons, allowing the Company to efficiently meet the demands of its valued customers and optimize the utilization of its existing resources. The acquisition was financed through a long-term loan arrangement.

### **Expansion of Flexible Packaging Business - Flexographic printing line II**

In order to capitalize on the positive market response and considering future developments in the packaging industry, the Company has decided to procure its second Flexographic printer along with allied equipment. The order for the printer has been placed with M/s. Windmoller & Holscher. The expansion project will be funded through a long-term loan arrangement. The anticipated completion date for this project is March 2024.



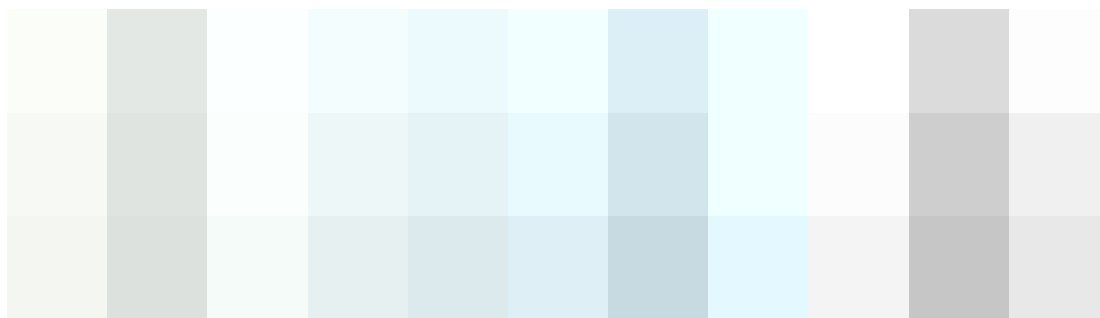
*Hand shake for ordering of 2nd flexo printer at Dusseldorf between CPL & W&H*



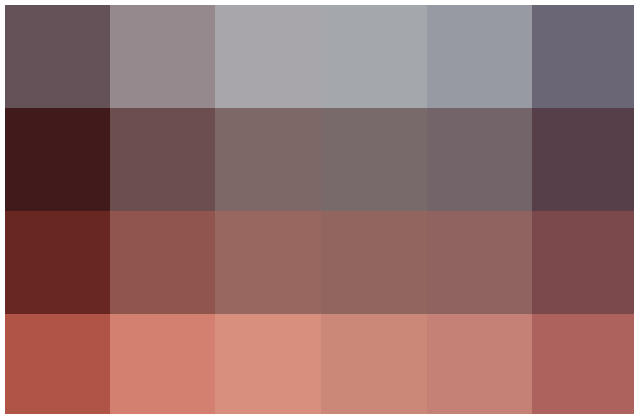
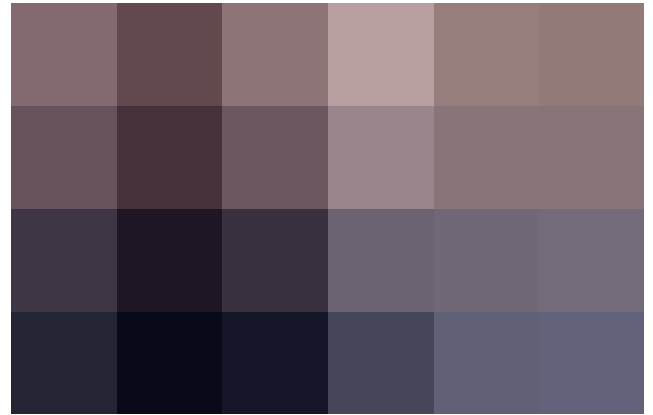
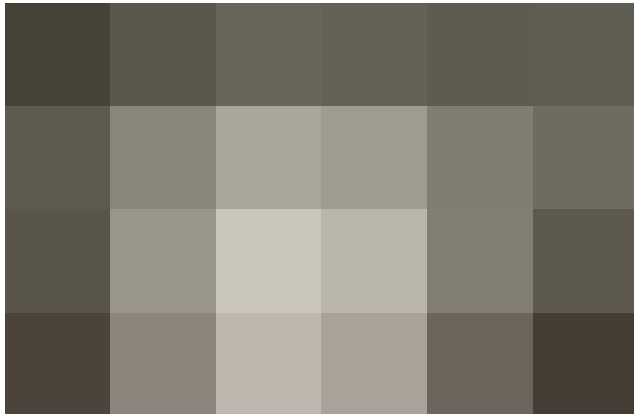
## ERP UPGRADATION TO MEET MODERN BUSINESS ESSENTIALS

It is the Cherat Packaging's philosophy to match the pace of technological advancement for matching the international standards. It can be seen in its production facilities and implementation of world renowned ERP software, "SAP". The SAP ERP was implemented in CPL in the year 2009. It was upgraded and reconfigured from time to time as per the changing needs of the Company and progression of the industry. Since SAP has announced that it will stop providing support for the legacy ECC System from 2025, the Company took the timely decision of system migration. Moreover, the Company engaged a renowned SAP consultant for implementation of S/4 HANA. The company successfully completed its system migration activity during the year and all modules including, FICO, MM, QC, SD, PP and PM are now fully functional and are being utilized to their utmost potential. SAP S/4HANA offers several advantages over SAP ECC 6 (the earlier version) that make it a preferred choice. Some of the major benefits due to which SAP S/4HANA is considered better than SAP ECC 6 are given below:

- **Real -Time Data Processing:** SAP S/4HANA is built on the SAP HANA in-memory database platform, enabling real-time data processing and analytics. This means that data is instantly available for reporting, analysis, and decision-making, allowing organizations to make quicker and more informed decisions. In contrast, ECC 6 relies on traditional disk-based databases, which can introduce latency and slower data access.
- **Simplified Data Model and Reduced Complexity:** S/4HANA simplifies the data model by consolidating tables and eliminating data redundancy. This simplification not only improves data quality but also reduces the complexity of data management. ECC 6, with its more complex data structures, can be harder to maintain and optimize.
- **Enhanced User Experience with Fiori:** SAP S/4HANA comes with the Fiori user experience, a modern and intuitive interface. Fiori is designed to be responsive and accessible from mobile devices, enhancing user productivity and satisfaction. ECC 6, which primarily uses the older SAP GUI, may have a less user-friendly and outdated interface.
- **Advanced Analytics and Machine Learning Capabilities:** S/4HANA incorporates advanced analytics and machine learning capabilities directly into the platform. This allows organizations to harness predictive analytics, automated decision support, and intelligent automation for better business outcomes. ECC 6 lacks these integrated advanced analytics features, requiring additional tools and integrations.



# PACKAGING YOUR FUTURE





# DISCLOSURES ON IT GOVERNANCE AND CYBERSECURITY

- 179** IT Governance Policy
- 179** IT Security Policy
- 180** Board's risk oversight function for Cybersecurity
- 180** Formation of Board Level Committee
- 181** Controls and procedures about cybersecurity risks and incidents
- 181** Comprehensive security assessment of technology environment
- 181** Contingency and disaster recovery plan
- 182** Advancement in digital transformation
- 183** Staff training to avoid Cybersecurity threat & risks

# IT GOVERNANCE POLICY

The Company has a well-conceived and implemented IT Governance Policy which seeks to ensure that it is aligned with Cherat's organizational goals and strategies and delivers value to the organization. The policy is designed to promote effective, efficient, timely, and informed decision-making concerning Cherat's IT investments and operations. Specifically, the policy aims to establish the IT governance structure and its associated procedures, roles, and responsibilities, as a critical component of the overall IT Management (ITM) framework, which guides the management in respect of implementation and monitoring of IT investments for Cherat.

## The Company's IT Governance Policy is mainly charged with:

- Establishing a shared vision of how information technology can add value to the organization
- Establishing information technology goals, and the strategies for achieving those goals
- Establishing principles and guidelines for making information technology decisions and managing initiatives
- Overseeing the management of institutional information technology initiatives
- Establishing and communicating organizational information technology priorities
- Determining information technology priorities in resource allocation
- Establishing, amending and retiring, as necessary, organizational information technology and other technology related policies, and determining the distribution of responsibility between the IT department and end users.

# IT SECURITY POLICY

The objective of Information Security is to ensure continuity of business of the company and to minimize business damage by preventing and limiting the impact of security incidents.

## Policy

The purpose of the Policy is to protect Company information assets from all types of threats including cybersecurity threats, whether internal or external, deliberate or accidental. These assets relate to information stored and processed electronically.

It is the Policy of the Company to ensure that:

- Information will be protected against unauthorized access.
- Confidentiality of information will be assured by protection from unauthorized disclosure or intelligible interruption.
- Integrity of information (its accuracy and completeness) will be maintained by protecting against unauthorized modification.
- Regulatory and legislative requirements will be met, including record keeping, according to Information Security Management System standard.
- Disaster Recovery Plans will be produced, maintained and tested, to ensure that information and vital services are available to Company when needed.
- Information on security matters will be made available to all staff.  
All breaches of information security, actual or suspected, will be reported to and investigated by the Cybersecurity Security Officer / Internal Audit.
- The controls, rules and procedures for all individuals accessing and using an organization's IT assets and resources

# PACKAGING YOUR FUTURE

## Standards

Standards have been produced to support the policy. These standards include regulations, guidelines and procedures covering matters such as (not limited to) cybersecurity threats, data security, backup, endpoints users control and password:

- Business requirements for the available of information and information system will be met.
- The role and responsibility for managing information security will be assigned to a designated Cybersecurity Officer / Internal Audit.
- The information Security Officer / Internal Audit will be responsible for maintaining the policy and providing advice and guidance on its implementation.
- All managers are responsible for implementing the Policy within their business areas, and for adherence by their staff.
- It is responsibility of each employee to adhere to the Policy.

## Industry specific requirements for cybersecurity and strategy

IT steering committee has approved and enforce IT teams to implement multiple controls for cybersecurity attacks & risks mitigation.

As per direction of the IT steering committee, the IT team has implemented multiple controls like next generation edge network firewalls, user end-point security system, email security gateway and user access policy & procedures as best industry practices to ensure secure environment from any type of cybersecurity threats.

## BOARD'S RISK OVERSIGHT FUNCTION FOR CYBERSECURITY

When it comes to cybersecurity governance, company board of directors has specifically assigned agenda to IT steering committee to align with management on the appropriate risk appetite related to cybersecurity.

### Management engagement with the board

The Board's audit committee while performing risk oversight function also reviews and evaluates the cybersecurity risks. The budgets and capex for Network upgradation and strengthening cyber security are approved by the Board after detailed presentation by the management. Internal Audit department regularly performs network and cyber security audits, the results of which are presented to the Board's Audit Committee.

## FORMATION OF BOARD LEVEL COMMITTEE

There is no Board-level cyber security committee. However, this function is administered by the IT steering committee formed by the Company.

Through its oversight function the IT steering committee plays an important role in encouraging management to take broader ownership of cybersecurity risk, and it is incumbent on them to understand if and how the responsibility for cybersecurity is shared across the company.

Cybersecurity risks and mitigation factors are included in agenda of IT steering committee meeting with respect to discussions about strategy and risk, prioritizing self-education and external advice to improve cybersecurity risk controls.

IT security policy, controls, procedures & third party audit are reviewed in IT steering committee meeting and ensure that all the recommendations identified in third party security audit report should be implemented.

# CONTROLS AND PROCEDURES ABOUT CYBERSECURITY RISKS AND INCIDENTS

Networks and systems are constantly evolving due to threats, organizational growth or new regulatory & business requirements. Traditional analysis products focus on recording and identifying company-wide threats through logging, analysis and reporting over time.

Company has deployed multiple systems to secure IT systems and data i.e network firewall, email security gateway and end point security systems which are all monitored by system and firewall log Analyzer.

Firewall Log Analyzer is powerful log management tool which acts as analytics and reporting platform. It provides organization with a single console to manage, automate, orchestrate, and respond, enabling simplified security operations, proactive identification and remediation of risks, and complete visibility of the entire attack landscape.

Few measures that IT team have implemented includes advanced threat detection capabilities, centralized security analytics, end-to-end security posture awareness and control and Firewall Security Fabric helps security teams to identify and mitigate threats proactively.

## **Comprehensive security assessment of technology environment**

Information Security Policies and assessment of IT objects serve as the backbone of any mature information security program. IT steering committee has implemented information security policies that support its organizations' business objectives while also adhering to industry standards and regulations. Board of directors always fully support and participate in the development, enforcement of information security policies and independent third party security assessment of IT environment to ascertain the security level of the company and communicate the findings thereon.

# CONTINGENCY AND DISASTER RECOVERY PLAN

The Board of Directors has approved and continuously reviews the IT Policy and Business Continuity Plan of the Company. The management has arranged offsite data storage facilities. All the key records are being maintained at different locations. Employees are aware of the steps required to be taken in case of any emergency. The concept of Business Continuity Planning has become a major business management requirement over the past few years.

## **Business Continuity Plan**

Business Continuity Planning is a process used to develop a practical plan for how a business can recover or partially restore critical business activities within a predetermined time frame after a crisis or disaster.

## **Manufacturing Facilities**

The Company's manufacturing facility is at Swabi, Khyber Pakhtunkhwa and is a state of the art construction with its structure being earthquake proof. The building is fire resilient and fully equipped with modern firefighting equipment. It also meets HSE requirements at all levels. Hence, partial loss would not affect the Company's operations. Moreover, other locations of the Ghulam Faruque Group are available as alternate locations therefore; interruptions, if any, can be managed.

## **Identification of Potential Issues and the Plan Update**

Potential issues are identified and updated from time to time to have an up to the mark solution for the anticipated problems. For the purposes of such identification, independent studies are conducted and drills are carried out. Based on the results obtained from these studies and drills, plans are updated.



# PACKAGING YOUR FUTURE

## Disaster Recovery Plan and IT Infrastructure

In respect of SAP, the company has both the production and the DR sites on cloud solutions provided by SAP. In respect of data other than SAP, the Company has its production site at PTCL Karachi with DR site at PTCL Lahore. In case of any disaster, the Company would be able to continue its operations smoothly. Availability of SAP sites at separate locations enables the Company to perform its IT functions without any glitches in case of any infrastructural damage at any one location. Moreover, the company has multiple locations within Pakistan. Operations can be carried through all of the locations situated in Pakistan.

## Cyber Insurance

Cybersecurity insurance, is a contract that an entity can purchase to help reduce the financial risks associated with doing business online. In exchange for a monthly or quarterly fee, the insurance policy transfers some of the risk to the insurer.

Cybersecurity insurance is a new and emerging industry. Companies that purchase cybersecurity insurance today are considered early adopters. Cybersecurity policies can change from one month to the next, given the dynamic and fluctuating nature of the associated cyber-risks. Unlike well-established insurance plans, underwriters of cybersecurity insurance policies have limited data to formulate risk models to determine insurance policy coverages, rates and premiums.

Currently we have no specific Cyber insurance. But we have kept the option of DR as contingency in any case of theft, disaster and cyberattack to restore the data and hardware. Resources are available to make data and hardware to restore at any level with all harmony of DR & BC.

## ADVANCEMENT IN DIGITAL TRANSFORMATION

In the past few decades, a fourth industrial revolution has emerged, known as Industry 4.0. Industry 4.0 takes the emphasis on digital technology from recent decades to a whole new level with the help of interconnectivity through the Internet of Things (IoT), access to real-time data, and the introduction of cyber-physical systems. Industry 4.0 offers a more comprehensive, interlinked, and holistic approach to manufacturing. It connects physical with digital, and allows for better collaboration and access across departments, partners, vendors, product, and people. Industry 4.0 empowers business owners to better control and understands every aspect of their operation, and allows them to leverage instant data to boost productivity, improve processes, and drive growth.

There are hundreds of concepts and terms (ERP, IoT, RPA, Block Chain, AI, Big data, Cloud Computing etc) that relate to Industry 4.0, but we have to decide in which domain we want to invest in Industry 4.0 solutions as per our business requirement.

In our case, board of directors in IT steering committee decided to invest in ERP and Cloud computing to improve business process management tools and reporting that can be used to manage information across an organization.

Cloud computing is the delivery of computing services—including servers, storage, databases, networking, software, analytics, and intelligence—over the Internet (“the cloud”) to offer faster innovation, flexible resources, and economies of scale. Organization typically pay only for cloud services.

During the year, the Company migrated from on premises SAP ERP solution to SAP HANA on cloud.



## STAFF TRAINING TO AVOID CYBERSECURITY THREAT & RISKS

IT steering committee advised IT team to regularly inform and organize training for the Company's end users to follow best standard practices to avoid any cybersecurity threats & risks. IT team regularly conducts information security awareness sessions. The purpose of security awareness is to focus attention on security, creating sensitivity to the threats and vulnerabilities of computer systems and recognition of the need to protect data, information and systems. Security awareness training helps to minimize risk thus preventing the loss of Personal Identification Information (PII), Internet Protocols (IP), and money or brand reputation. An effective awareness training program addresses the cybersecurity mistakes that employees may make when using email, the web and in the physical world such as tailgating or improper document disposal.





# FUTURE OUTLOOK

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- 188** Sources of Information and Assumptions Used for Forecasts
- 188** Company Performance Against Last Year Projections
- 188** Status of Projects

# FORWARD LOOKING STATEMENT

Pakistan has been adversely affected by decline in GDP in Financial Year 2023. The major drag came from a significant contraction in business volume of the industry due to several adverse domestic and external factors. Import curbs, devaluation of Rupee, rampant inflation, depleting foreign reserve, tightening monetary policies and economic slowdown along with high interest rate served as the main reasons which impacted Pakistan's manufacturing potential. Tough monsoon season with massive rainfalls and high intensity flash floods also affected Pakistan's economy and vis-à-vis resulted in double-digit decline in demand of domestic cement sales, and contraction in large-scale manufacturing including packaging sector. Cherat Packaging Limited, however, was able to manage these challenges to a greater extent with the help of innovative, sustainable, and adaptable strategies including appropriate ordering of raw material, ensuring quality of the products and meeting customers' delivery requirements.

Pakistan's future outlook is a complex interplay of challenges and potential. Hence, the Company expects a tricky upcoming year. Packaging business in Pakistan appears encouraging as the country's consumer markets are expanding and becoming more diverse because of growing middle class and increasing urbanization. The demand for innovative and sustainable packaging solutions is likely to grow, presenting a chance for the Company to align with sustainable practices and innovative solutions for the customers. With the recent commissioning of second Rotogravure printing line and addition of second Flexographic printer in March 2024, the Company is well positioned to cater more customers and offer innovative solutions. However, to capitalize this potential in the current dynamic business landscape, the Company has to encounter a range of challenges, like economic instability, political polarization, security concerns, managing supply chain disruptions, competing in a crowded market, coping with escalating input costs of raw material including energy, rising inflation, and contending with inadequate infrastructure and logistical issues. The aforementioned factors coupled with global recession fears pose a risk not only to the national economy but also to the profitability prospects of the Company in the coming year.

The market and the segments in which the Company is operating, is exposed to devaluation of Pakistani rupee and inflationary increase in the cost of both local and imported raw materials due to global supply chain disruptions and geopolitical uncertainties. In order to curb the negative impact of this, the Company has harnessed strategic relationships with its key international & local suppliers and ensured timely negotiations, pre-orders and timely delivery. Availability of power at competitive rates is also an important

factor for the Company. In order to reduce its electricity costs and meet sustainability goals, the Company has commissioned 0.96 MW solar power panels at its Flexible Packaging Division which is contributing to savings in utility expense. Furthermore, the Company is also receiving around 1 MW electricity under wheeling Regime Energy Purchase Agreement from Pakhtunkhwa Energy Development Organization (PEDO) at a reduced rate. The Company is persistently refining its operational efficiencies and utilizing its available resources to counter the current pressure situation and to safeguard interests of all stakeholders.

The Company's philosophy is to grow its business by remaining in control of the developments taking place in the industry. Over the years, the Company has diversified its business by entering into new areas of packaging to align its long-term objective of being a leading player in the field of packaging. Methodical investments in enhancement of production capacities by adding latest available machinery, allow the Company to have efficient production facility which makes the products financially viable both for the Company and the customers. The Company always strives towards high quality and innovative products through in-house research and discovering novel, improved and cheaper solutions which gives the company a strategic edge over its competitive products and also binds the customers in long term relationship. Previously, the Company had successfully introduced 2 ply paper bags and lowest grammage PP bags for the cement industry. Continuous product development and introduction of new products in different target markets not only helps the Company to meet the customer demand for packaging but also helps maintain the Company status as the leading supplier of the quality packaging solution for local and international markets.

The Company strives to comply with applicable regulations in Pakistan. The Company is ISO 9001:2015 (Quality Management System), ISO 14001: 2015 (Environment Management System), ISO 45001:2018 (Occupational Health and Safety), FSSC (Food Safety Management Systems), SEDEX (Supplier Ethical Data Exchange), BRC (British Retail Consortium), URSA (Understanding Responsible Sourcing Audit) and Halal certified.

To create and maintain congenial and encouraging work environment, the Company has formalized policies for staff well being which involve providing access to healthcare, promoting a positive work environment, encouraging open communication, offering opportunities for professional development, and implementing policies that promote work-life balance. The Company has recently introduced premium HR software Success Factor to keep a track

# PACKAGING YOUR FUTURE

record of professional development of its employees. The Company conducted adequate technical trainings for the identified employees based on the last year's Training Need Analysis (TNA) and performance appraisal of the Company personnel. The same process is followed on yearly basis. The Company has developed extensive training program for all levels of management. The Company will be conducting these trainings and continue to support its employees in enhancing their professional capabilities in future also which would equip the employees with required technical and management skills in the years to come.

The Company management is cautiously monitoring the business needs and is taking all suitable measures to protect the interests of stakeholders.

## FINANCIAL PROJECTIONS

The Company remains positive about future prospects in these challenging conditions and expects to achieve its growth in the ensuing years. The Company anticipates pressure on local and export markets in view of ongoing crises, which will affect us also. Competition in the local bags sales is also expected to increase further which may put pressure on profitability of the Company. However, the Company foresees to minimize its impact through implementation of lean manufacturing concept and introduction of new and improved bag features. The mark-up rates prevailing at the end of the year are expected to carry the trend during the coming financial year since the exorbitant inflation rate is not expected to come down quickly. The Company is expected to have higher revenue from Flexible Packaging Division due to increased expected sales in view of recently commissioned second Rotogravure printing line. Furthermore, the Company expects to achieve higher export volumes due to devaluation of PKR. The Company expects to achieve a revenue of around Rs. 19 billion next year based on management's best judgement and estimates.

## SOURCES OF INFORMATION AND ASSUMPTIONS USED FOR FORECASTS

The Company produces master budget based on a comprehensive budget drive annually and updates forecast keeping in view the recent market conditions, historical results and outlook. Each department including marketing, production, HR etc. gives input while producing budget and forecast. Information like Customer sales, average sale price, seasonal fluctuations, economic outlook are taken into account while preparing budget for the following year. For any new ventures, information is gathered from

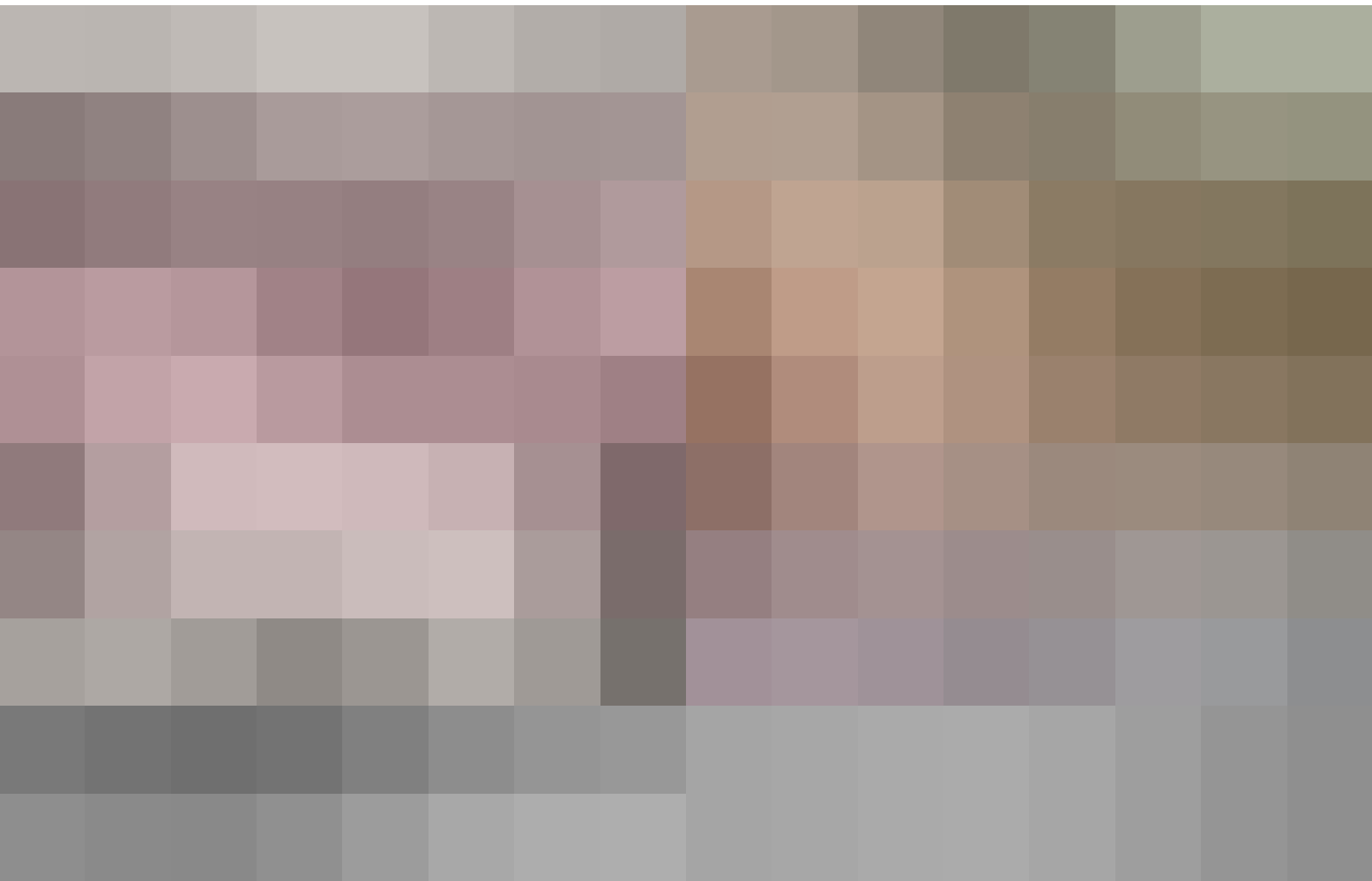
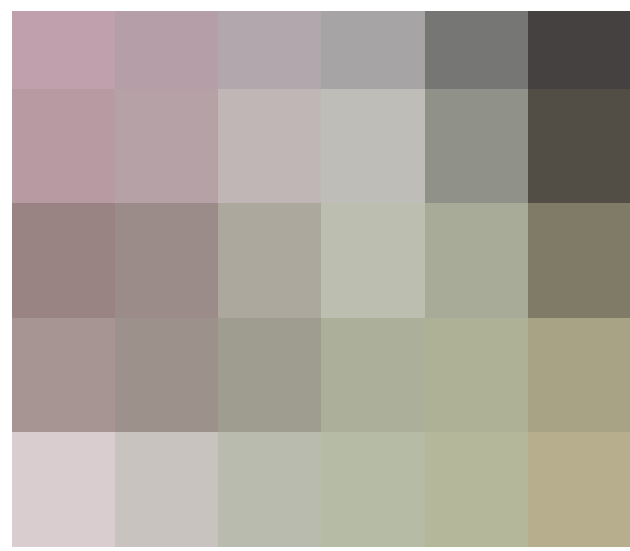
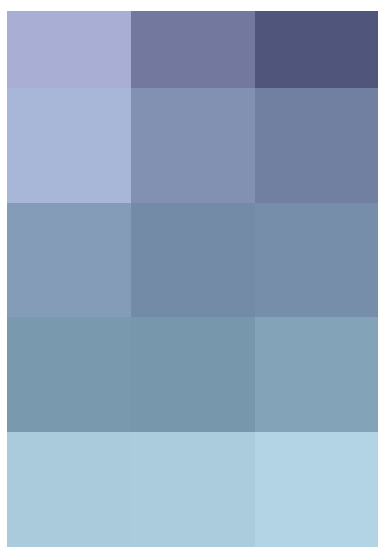
available market research on the anticipated products. If needed, professional services of a consultant are also sought to fine tune the data and underlying assumptions before making a formal feasibility. The feasibility is then presented to the Board of Directors. Thorough discussion on the assumptions and financial viability of the project is conducted and the results and assumptions are approved. Special attention is paid to avoid the wishful thinking and to make the project payback more realistic.

## COMPANY PERFORMANCE AGAINST LAST YEAR PROJECTIONS

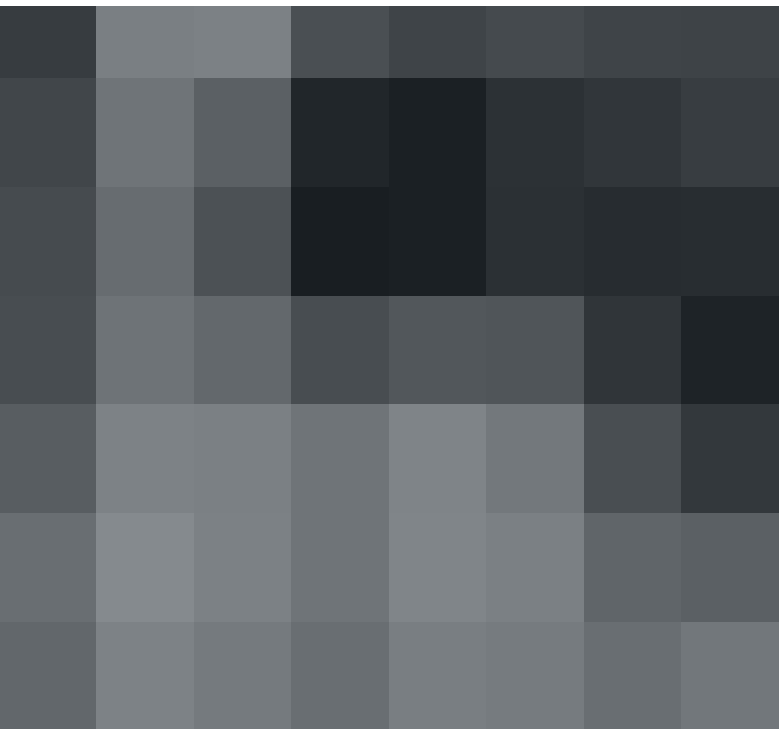
Based on prevailing economic conditions and expectations at the start of the FY 2023, the Company anticipated moderate growth keeping in view the impact of ongoing global supply chain disruptions. Due to decrease in cement dispatches on account of heavy rainfall and floods, rapid increase in discount rates by SBP and resultant slow-down of economy, the Company witnessed decrease in Kraft paper and PP bags sales. Nevertheless, the Company successfully achieved, in fact surpassed, the budget of FPD sales owing to apt marketing strategies, efficient production, effective management, and growing demand of FMCG products. However, revenue of Kraft paper and PP bags witnessed decline due to slowdown in cement sales. Moreover, shift from paper bags to PP bags was evidenced during the year which necessitated changes in the marketing strategy of the Company. The gains availed in shape of increased GP were partially eroded by increased discount rates and nascent super tax. Nonetheless, the profit after tax remained higher than budget due to price adjustments, better margins than expected and impactful management during uncertain economic conditions. Almost all financial and non financial targets established during last year were met to a greater extent.

## STATUS OF PROJECTS

The Company successfully commissioned its Rotogravure line II project during the year as per the schedule. This expansion was needed to meet the anticipated growth and customer needs. Viewing the rising customer demand for Flexographic printing, the Company has established letter of credit for the second Flexo Graphic printer. The project is expected to be commissioned by March 2024. Although, the Company has already registered its impact in Flexible packaging market, certain smaller scale developments including enhancement in Flexible packaging machinery to augment the already installed plant are underway. Viewing the huge product line in different segments, this technological upkeep by the Company is imperative in capturing other annexed markets of Flexible packaging.









# STAKEHOLDERS RELATIONSHIP AND ENGAGEMENT

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# STAKEHOLDERS ENGAGEMENT

The Company has a policy of maintaining relationships based on trust and collaboration with all its stakeholders. Shareholders Engagement procedure embrace communication, compliance with laws & regulations, customer centric as well as society focused approach.

Our stakeholders extend valuable contribution towards our growth and existence. Procedure for stakeholders' engagement includes effective communication, good harmony and compliance with laws & regulations. We cannot truly execute our purpose without input from our stakeholders.

## 1. Shareholders

Safeguarding our shareholders' interest is our prime responsibility. Our shareholders' interest revolves around good returns, profitability, growth and regulatory compliances. We respond to our shareholders' expectations through improvement in business mechanics, effective governance and corporate reporting framework. Annual General Meetings and statutory reporting are the most effective means of our engagement with our shareholders.

Support of shareholders is critical in achieving the Company objectives.

## Investors' Grievance Policy

The Company has an investors' Grievance Policy in place. Any complaints or observations received either directly by the Corporate Department or during General Meetings are addressed by the Company Secretary. The Shareholders are given the information as desired by them as per the law well in time. All the written complaints are replied in writing. Our share registrar is CDC Share Registrar Services Limited (CDCSRSL) which is a leading name in the field. The Company has many old and loyal shareholders, which shows the trust of the Shareholders in the management of the Company.

## 2. Customers and Transporters

Sustaining and developing long term relationships with our customers and transporters forms the key of our business' success. Their expectations are focused on product quality, pricing and service delivery. Our sales and marketing team remain in close contact to this segment of our stakeholders to resolve issues on a priority basis. We continue to engage with our customers and transporters through meetings and market visits and communications.

We derive success from the brand loyalty of Cherat and the cooperation from our transporters.

## 3. Suppliers and Vendors

Efficient supplier network is a key for effective working capital management. To achieve this objective, we conduct market surveys to strengthen our bond with our suppliers and vendors. We believe in strategic relationships and we have strategic alliance with Mondi Packaging, Sabc and Windmoller & Holscher.

Our supply chain management team is in continuous contact with suppliers and vendors through meetings

and correspondences to resolve all queries for on time deliveries.

Cooperation of our suppliers gives us an extra edge over our competitors.

## 4. Banks and Other Lenders

We value our relationship with our financial partners and lenders. Financial risk management and business sustainability are few of the interests of this segment of stakeholders. Periodic briefings, quarterly financial reporting, Head Office and Site visits are the important means for our engagement with this category of stakeholders.

Bank and other institutes help us in obtaining loans at attractive rates and advise on strategic issues whenever needed.

## 5. Regulators

Our commitment to compliance with laws and regulations is evident from our Corporate and Legal team's continued efforts for efficient and effective legal and regulatory obedience. The engagement includes submission of periodic reports, responding to enquiries and meetings as and when required.

Active engagement with regulators improves level of compliance.

## 6. Employees

Our company has extensive employee engagement schemes in place. The employees' issues revolve around work life balance, training and development and rewards. We have educational loan schemes, in-house and outside training programs and long-term employment reward schemes in place to value our employees as Human Capital. Employee meetings are on regular intervals in form of Annual get-together, celebrating sports day and team building activities.

Employees engagement improves the level of dedication and hard work.

## 7. Institutional Investors and Analysts' Briefing

Institutional investors regularly obtain general business briefings and financial reports from management. Formal meetings are also arranged whenever needed. Without compromising the confidentiality, business analysts are provided with information and briefings as and when they require. The strong connection with institutional investors and analysts facilitates in avoiding any misconception / rumors in the market.

The Company arranges briefing with individual institutional investors from time to time. Conference calls with foreign investors were also made to discuss the performance of the company and the cement packaging industry. Corporate Briefing Session was also held.

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## 8. Corporate Briefing Sessions

In compliance with PSX requirements, the Company conducted Corporate Briefing Session. The briefing was well attended by analysts, shareholders and potential investors. The Chief Operating Officer (COO) of the Company presented its financial results, analysis, future prospects and challenges. COO also discussed all the queries raised by participants at a great length.



## 9. Media

Ads and campaigns are launched in media based on marketing requirements. Interaction with media improves the Company's brand image.

## 10. Local Community

The Company actively participates in various social work initiatives as part of its corporate social responsibility. Being a conscientious member of the corporate community, the Company contributes to various social and charitable causes including health, education and social sectors. During the year the company contributed for health and Safety of the people in its vicinity by joining hands with the Khyber Pakhtunkhwa authority against COVID-19. In the past the Company has worked for the rehabilitation of flood affectees and IDPs. Cherat Packaging has worked with many reputable organizations and NGOs. The Company has always stood by the people of Pakistan in their hour of need and shall always continue to do so.

Further, the Company takes care of people living in its vicinity through regular donations for development of household, education and medical facilities. The management encourages hiring workforce from local vicinity and employment of less privileged and special persons are also considered.

### Minority Shareholders

The management of the Company believe, encourage and ensure the equitable treatment of all shareholders including minority shareholders to attend, speak and vote at the General Meetings and appoint another member as his/her proxy in his/her absence. The notices of General Meetings are circulated by the Company within the regulatory time frames to the registered addresses of the shareholders (including minority shareholders) as well as it is published in Urdu and English newspapers.

### Investors Relations Section

To keep transparency in the relationship between the Company and its shareholders, the website of Cherat Packaging Ltd (<http://gfg.com.pk/cpl>) contains all the major financial information needed for investors' decision making in a separate tab of "Investor Relations".

Further, presentation by CEO is also uploaded each year on the website (<https://gfg.com.pk/cpl>).

### AGM Proceedings

The last AGM was conducted at the registered office of the Company at Betani Arcade Jamrud Road Peshawar on Wednesday October 11, 2022 at 10:00 a.m. The meeting was properly organized and well attended by the Shareholders.

The Shareholders appreciated the untiring efforts made by the management in achieving another remarkable year in terms of production and sales despite of tough economic conditions.

Shareholders raised different questions on the Financial Statements, especially with respect to economic situation and company's future outlook. The questions were answered in detail by the management after which the Financial Statements were approved by the Shareholders.

The Chairman answered the questions of Shareholders. Shareholders posed their confidence in the strategic approach of the Company. Shareholders asked regarding Flexible Packaging performance. They were informed that the Company is approaching various customers aggressively. They were also informed that the loss is decreasing gradually as the Company is gaining further recognition in the Flexible Packaging market.

Shareholders also gave approval for appointment of M/s. EY Ford Rhodes, Chartered Accountants as external Auditors and distribution of cash dividend.

### Matters Raised in the Last AGM

Our valued shareholders attended the AGM, and appreciated the management for achieving the business objectives.

The Annual General Meeting provides ample opportunity to interact with the shareholders of the Company. The AGM of the Company was conducted in person and virtually through video link on Thursday, October 11, 2022 and the queries of shareholders were properly addressed.

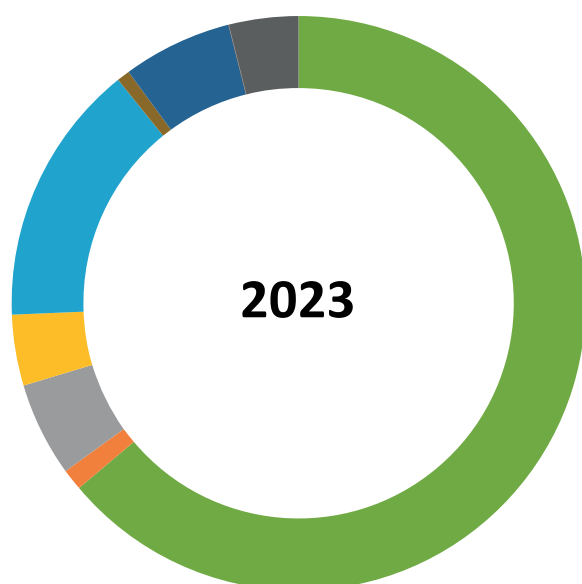
In a reply to the query from a shareholder regarding upgrading the business of Flexible Packaging along with sales and future outlook, the management updated that this division will diversify and enhance the revenue of the company.

The management also acknowledged positive and encouraging response received from the market. Another query raised by a shareholder regarding the expansion of the PP Bags line and its utilization. Management replied that the capacity utilization is low at the moment due to decline in the local cement demand, however, the excess capacity will be in our favour in case cement demand rises which the Company can easily fulfill.

# STATEMENT OF VALUE ADDITION AND DISTRIBUTION OF WEALTH

	2023 (Rupees in '000)	%	2022 (Rupees in '000)	%
<b>Wealth Generated</b>				
Net Sales (Including Sales Tax)	19,447,245	99.51%	15,717,512	99.75%
Other Operating Income	95,984	0.49%	39,668	0.25%
	19,543,229	100.00%	15,757,180	100.00%
<b>Distribution of Wealth</b>				
Cost of sales (Excluding employees' remuneration)	12,481,513	63.87%	10,475,619	66.48%
Distribution, Administration and certain other expenses (Excluding Employees' Remuneration)	233,773	1.20%	231,355	1.47%
Employees' Remuneration	1,037,661	5.31%	930,347	5.90%
Government as direct taxes (including Workers' Welfare Fund)	782,112	4.00%	532,440	3.38%
Government as indirect taxes	2,892,983	14.80%	2,214,993	14.06%
Dividends*	144,949	0.74%	106,267	0.67%
To debt providers	1,201,904	6.15%	485,303	3.08%
To society as donation	5,033	0.03%	1,613	0.01%
Retained	763,301	3.91%	779,243	4.95%
	19,543,229	100.00%	15,757,180	100.00%

\*Subsequent to year ended June 30, 2023, the Board of Directors in its meeting held on August 28, 2023 has proposed final cash dividend @ Rs.2.00 per share amounting to Rs.98.19 million (2022: Rs. 1.5 per share amounting to Rs. 63.77 million ) for approval of the members at the Annual General Meeting.



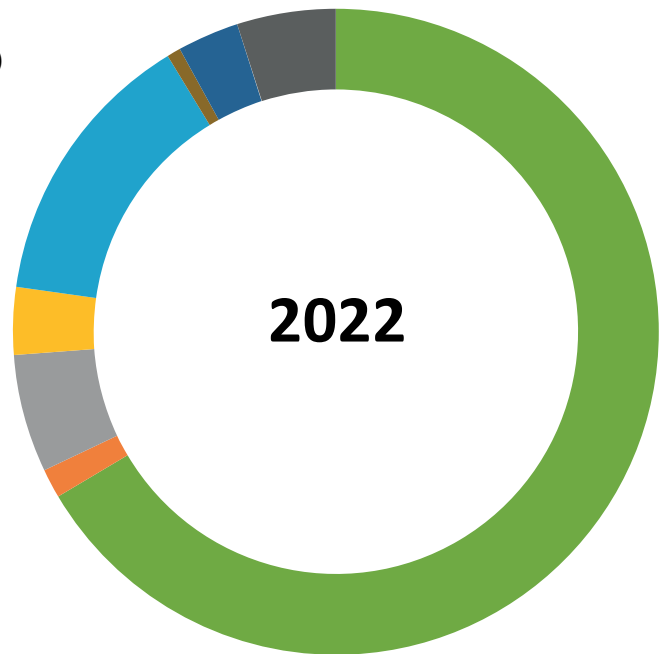
## Distribution of wealth

- Cost of sales (Excluding employees' remuneration)
- Distribution, Administration and certain other expenses (Excluding Employees' remuneration)
- Employees' Remuneration
- Government as direct taxes (including Workers' Welfare Fund)
- Government as indirect taxes
- Dividends\*
- To debt providers
- To society as donation
- Retained

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## Distribution of wealth

- Cost of sales (Excluding employees' remuneration)
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- To debt providers
- To society as donation
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# SUSTAINABILITY & CORPORATE SOCIAL RESPONSIBILITY

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# HIGHLIGHTS OF VARIOUS ASPECTS OF SUSTAINABILITY

We remain committed to continuous improvement in Health, Safety and Environment aspects as we expanded our business and production capacities. The Company has always been aware of its responsibility towards the people, environment and climate of Pakistan and has strived to ensure the well being of all.

To fulfill the aforesaid responsibility and to ensure effective systems of monitoring and reporting of necessary compliance with health, safety and environment aspects, the Company has established a dedicated and adequately staffed HSE department. This department of the Company is involved in environmental protection, occupational health and safety, compliance and certain other aspects. HSE Department's objective includes, but is not limited to, prevention of accidents, emergency cases and health issues at work along with environmental protection.

Certifications acquired/to be acquired and international standards adopted.

The production facility remained fully compliant with industry standards and safety requirements. For this very purpose, the Company has fully adopted and has obtained certification of Quality Management System (QMS) (i.e. ISO 9001: 2015). Further, in order to strive towards the continuous improvement in Health, Safety and Environment aspects, the Company has obtained ISO 14001: 2015 , ISO 45001:2018 , FSSC 2000 and Halal certifications. Moreover, to align itself with the industry standards, the Company obtained SEDEX and BRC (British Retail Consortium) to strive towards continuous improvement in food safety.

Further, the Company is also registered with KP Environmental Protection Agency.

Company fully complies with regulatory requirements of National Environmental Quality Standards (NEQS). In addition to the aforesaid, the Company also complies. Further, with the requirements of Pakistan Standards & Quality Control Authority's standards.

The highlights of the Company's performance, policies, initiatives and plans in place relating to various aspects of sustainability are as follows

## 1. Economic

The economic dimension of sustainability concerns the Company's impact on the economic conditions of its stakeholders.

### a. Economic Performance

The Company is also registered with KP Environmental Protection Agency. Cherat Packaging is committed to provide continuous growth and value for all stakeholders. This growth and value can be quantified and assessed accurately through the audited financial statements of the Company and the statement of value addition and its distribution, which are part of this

report.

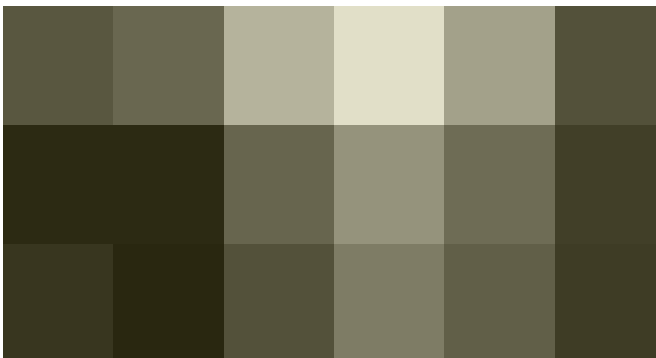
### b. Market Presence

Our Company's presence in the market has significant impacts in terms of employment and business opportunities provided. The Company encourages hiring of workforce from local community at each area of business operations from entry level to the senior management. The Company also gives business opportunities to local transporters and contractors. Moreover, due to expansion / new projects the Company has awarded contracts to local vendors for civil works and other key areas.

### c. Indirect Economic Impacts

Our growth and development means the growth and development of our homeland Pakistan. Additionally, we consider ourselves responsible corporate citizens, therefore, it is important we monitor and measure our ongoing indirect economic impacts in the wider context. The Company supports in development of infrastructure and other facilities of the country in general and of our factory vicinity in particular.

## 2. Environmental



The Company's aim in respect of environment is to reduce all adverse environmental aspects arising out of our operations. In order to meet this purpose, we have acquired most advanced technology plant which controls industrial waste at lowest levels. Further, to improve the environment, natural tree plantation has been done in the factory premises.

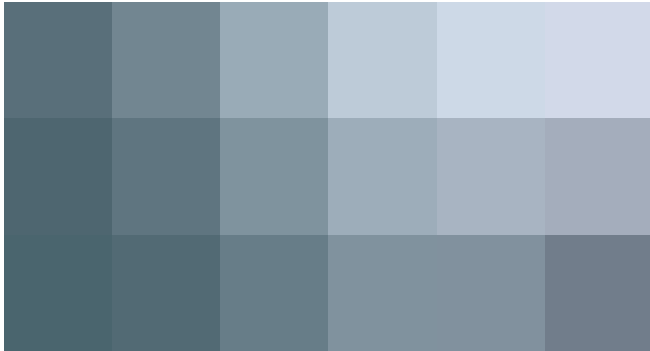
Moreover, the Company maintains and continually improves its environmental management systems and complies with requirements as outlined by specific markets or local regulations. Further, the Company operates in a manner that is committed to continuous improvement in environmental sustainability through recycling, conservation of resources, prevention of pollution, product development and promotion of environmental responsibility amongst its employees. Furthermore, as discussed above, the Company fully complies with the regulatory requirements of NEQS.

The highlights of the Company's performance, policies,

# PACKAGING YOUR FUTURE

initiatives and plans in place relating to certain aspects of this dimension of sustainability are as follows:

## a. Energy



Energy is an important component of our production process and the energy crisis may directly impact the operations of the Company. Therefore, efficient energy usage is not only vital in terms of the environment, but also because it can provide the Company a competitive edge in terms of cost factors.

For this purpose and being a responsible corporate citizen, the Company initiated a program to conserve energy. In this regard, the Company has installed low powered highly efficient Light Emitting Diode (LED) lights at all its locations. Further, the Company devised a production plan in order to use its production facility efficiently with lesser energy usage. Moreover, the Company completed the commissioning of 0.96 MW solar power project. These solar panels would help to produce green energy for which the Company has successfully obtained NOC from NEPRA and produced 1.18 Million Kwh Units.

In addition to this, the Company has also acquired energy from Pakhtunkhwa Energy Development Organization (PEDO) in order to obtain hydro power which will also help us in usage of green energy. Furthermore, the energy is conserved by the addition of the most modern, state-of-the-art machinery, which also results production of quality products in the most efficient and effective manner. In addition to the above, in order to conserve energy, the management of the Company strives to keep production wastage to a minimum level and productivity at the highest level.

## b. Products

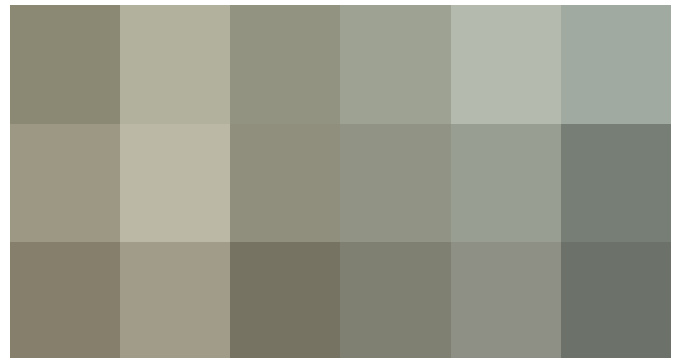
The Company is mainly engaged in manufacturing, marketing and sale of products that are reusable and recyclable and, accordingly, have little or no impact over environment. For Flexi Products Company is always in touch with raw material and machine suppliers to introduce environmental friendly products.

## c. Emissions

Emissions control relates directly to climate change and the impact of gaseous emissions on the ozone layer. As a manufacturing concern, this is of vital

importance. The Company is in full compliance with Regulations and all of our emissions from manufacturing process are well monitored and tested on regular basis in well established laboratories and the outcomes of the lab tests are well below their respective limits as specified in NEQS.

## d. Effluents and Waste



As a manufacturing concern, this is an important topic as it has an impact not only on our own operations, but also on local communities where waste is generated and disposed of. Accordingly, the Company has invested in a high quality plant technology to avoid industrial waste and to control industrial effluents. Although the industrial effluents are on a very low side in this industry, management is fully aware of its responsibilities in this regard and related policies are already in place. Employees are given proper training to minimize the wastage.

Further, the Company has invested in the state-of-the-art Solvents Re-cycling machine which enables it to recycle the chemicals/solvents and reuse the material instead of disposing it as a waste. Moreover, solid chemical waste are disposed off to EPA (Environmental Protection Agency) approved vendors which in turn will ensure safe disposal of waste and would ultimately minimize harmful impacts on the environment. The Company also continuously monitors discharge level of waste water and performs lab tests on it to ascertain the environmental impact.

## e. Transport

Our products are transported to the customers through heavy trucks and containers. The Company is cognizant of the fact that these trucks could have impact on surroundings as small mishaps can lead to heavy accidents. In order to mitigate this risk, the Company has adopted measures for safe transportation i.e. quantity-wise trucks are being used in order to avoid over or under loading. Truck's capacity is effectively utilized due to which risk of accidents resulting from overloading is avoided and it also helps company economically.

## f. Quality Management

The Company is committed to the manufacturing of high quality packaging materials. Our manufacturing facilities are accredited to Quality Management System ISO 9001:2015. The consistency of performance of our products is vital for our customers so the raw materials, intermediate and final products are regularly tested as part of the whole production process.

### 2. Quality Management Procedures

Our Quality Management procedures include:

#### a. Papersack Division (PSD)

Our Quality Management process includes Testing from Raw Material to final inspection up to pre-delivery stage of papersacks. This generally includes:

- Strength Properties Analysis of Kraft paper.
- Inspection of Printing Inks to ensure achieve Customer's approved Colour Shades.
- Arrangements and Inspection of Polymer Stereo as per customers approved Artworks.
- Preparation and Inspection of Glue through Mixture of 02 Starches of different grades.
- In-Process inspection at different stages of Tubes & Bags manufacturing.
- Final Inspection of Bags Including Drop Testing and Bales packing Quality Checks and moisture content before packing of bales.
- Hourly sampling and testing at each stage.
- Counting of Bags on Machines / Pallets /Bailing Process and cross checking after packing.

#### b. Polypropylene Division (PPD)

Our Quality Management includes Monitoring and Testing of whole manufacturing process of Polypropylene (PP) sacks at 06 different stages, from printing to pre-delivery stage. This generally includes:

- Different Quality Tests of Tape at Extrusion line including Denier, Tenacity, and Elongation etc.
- Inspection of Fabric Rolls for size, density and strength while running on Looms in weaving Section.
- Inspection of Lamination Process on Coating Line for GSM.
- Arrangements and Inspection of Polymer Sterios as per customers' approved Artworks. •Inspection of Printing Inks for Color and Viscosity on receipt and inspection of Printed Fabric.
- In-Process inspection on Convertex and Auto cutting machines during Bags manufacturing.
- Final Inspection of Bags Including Air Permeability, Dimensions, welding and Bales packing Quality.
- Counting of Bags on Machines / Pallets /Bailing Process and cross checking after packing.

#### c. Flexible Packaging Division (FPD)

Our Quality Management includes Monitoring and Testing of Flexible Packaging materials at all stages, from printing to pre-delivery stage. This generally includes:

- Performance of various Quality Tests on all types of incoming local and imported Films including GSM, Thickness, Seal temperature, Seal strength, Co-efficient of friction (COF) and Dyne Level etc.
- Performance of viscosity test on all types of incoming inks and adhesives.
- Moisture and purity level tests on all types of incoming solvents.
- In-process inspection at printing, lamination and slitting stages of flexible packaging material manufacturing.

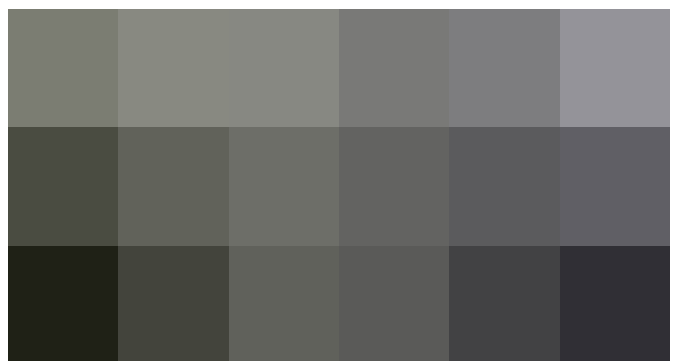
In-house Quality Control Laboratory The key to comprehensive quality control is the use of an in-house laboratory. Having an in-house, state-of-the-art laboratory is absolutely necessary to manufacture superior quality products. Our Quality Control laboratory is a primary component to achieve our mission of maintaining strict control over every aspect of manufacturing products.. Quality is an integral part of our ISO 9001:2015 certification.

Our in-house laboratory allows for timely, accurate, cost-effective testing that ensures every product, from raw material to finished goods, meets all quality requirements. Our products are tested before being released for sale. Such stringent attention to quality control is extremely difficult to accomplish without a state-of-the-art, in-house laboratory.

## 3. Social

The social dimension of sustainability concerns the impacts the Company has on the social systems within which it operates. The highlights of the Company's performance, policies, initiatives and plans in place relating to certain aspects of this dimension are as follows.

### a. Employment



The Company has given tremendous employment opportunities through continuous expansion of business /production lines and new projects. New employment opportunities are provided to local people from Gadoon Amazai, Peshawar, Lahore, Islamabad and Karachi. Additionally, a number of factory workers have been hired from nearby villages and hamlets, thereby creating good employment opportunities for the locals.

# PACKAGING YOUR FUTURE

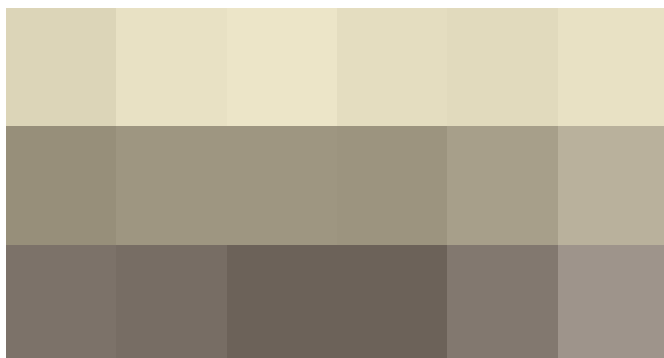
The Company is recognized among top employers due to its excellent employee benefits. Following benefits are provided to full-time permanent employees:

- Health care
- Life insurance
- Education assistance
- Furniture facility
- Leave fare assistance
- Provident fund
- Gratuity
- Earned leaves
- Company maintained vehicles; and
- Others.

## **b. Industrial Relations**

We maintain excellent relations with our employees & labour and the Company takes every reasonable step for swift and amicable resolution of all their issues. The Company also inducts apprentices in its Apprenticeship Program through which graduates from reputable institutions are regularly inducted. A management trainee program is also in place to meet the future requirements.

## **c. Occupational Health and Safety**



We manage and utilize resources and operations in such a way that the safety and health of our people is ensured. We believe our safety and health responsibilities extend beyond protection and enhancement of our own facilities. We have dedicated safety staff at our plant.

At Cherat Packaging, Health and Safety is the first and foremost agenda topic for our each in-house and higher management meetings. The Company has made safety manual containing policies and procedures. Moreover, a mechanism is in place for visitors and third parties through which full compliance with safety measures is ensured. In addition, Health and Safety concerns are explicitly included in SMART goals of head of departments and senior management of plant.

Hundred percent compliance with policy programmes

resulted in the conclusion of the year with no reportable occupational illness. These programmes include the regular testing of plant equipment and sites from a health perspective, as well as monitoring of employee health.

Additionally, health awareness sessions on basic lifesaving techniques, medical emergency handling and first aid were conducted during the year.

Our production lines achieved the whole year without any major injury. Reported injury case if happen, is thoroughly investigated by trained personnel and findings are subsequently circulated Company wide. Once investigations are completed, actions and recommendations are assigned to individuals with a strict follow-up system put in place to avoid any recurrence.


### **• Health & Safety training**

Our workers are sufficiently trained through fire & safety trainings and are also adequately equipped with Personal Protection Equipments which is monitored at regular intervals. Workers are also trained by theoretical explanations and practical drills to handle unforeseen emergencies. Regular mock drills are also carried out to familiarize everyone with the steps and procedure to follow in emergency situations. Mock drills of chemical spillage, firefighting, evacuation, casualty handling and security are also conducted. Moreover, safety audits are also conducted on regular basis. Further, daily toolbox discussions are also conducted in the factory on various topics including workplace hazards and safe work practices.

### **• Firefighting Equipment**



In order to strive towards creating a safe working environment, the Company, inter alia, has made multi million rupees investment to install firefighting equipments. These equipments include state of the art fire detection system, CO2 Suppression System and General fire system (including fire pump, fire sprinklers & valves, hydrant valves, portable fire extinguisher, fire hose, etc.).



To deal with the fire resulted due to hazardous chemicals, the company has also made investment in International Standards conforming Foam System (including inductors and allied equipment) keeping in view the business requirements

The aforementioned investment will not only help the Company on continuity of its operations and safety of its materials / equipments but more importantly it will also ensure the safety of its workforce. Firefighting equipment is checked on regular basis to ensure its proper functioning.

#### • **Safe working environment**

The Company believes that it is imperative to provide its workforce with the congenial, healthy and safe working environment which includes, but is not limited to, provision of clean drinking water and healthy subsidized food.

The Company, in order to create a safe working environment, is also fulfilling all regulatory requirements in respect of handling and storage of hazardous chemicals which includes preparation of proper / safe storage area and obtainment of necessary licenses. As discussed above International Standards conforming Foam System is also in place for fire resulted due to hazardous chemicals. Further, in order to achieve aforesaid purpose, the Company has adequately placed safety signboards at all important visible places. These safety signboards include road traffic signs in order to regulate traffic in the factory premises, signs to remind workforce of using and wearing safety equipments, fire safety signs, etc.

#### • **Safe Men Hours**

Production facilities ensure safety of employees through adherence of strict policies and procedures on health and safety. A proper record of safe men-hours is maintained. Any minor issues are handled by in-house dispensary.

#### **d. Training and Education**

The training, education and development of our people are topics of critical importance to us. The Company hires energetic, talented, and motivated human resources and provides them a congenial and healthy working environment to utilize their capabilities efficiently. The Company believes that its core strength is its people, who strive every day to meet individual challenges and help the Company achieve its collective targets. The Company has in place a Performance Review Process in order to recognize employees' contribution and reward them according to their performances.

Moreover, Training Need Analysis (TNA) is effectively in place where in-house and external trainings are arranged at all management levels. The Company offers education assistance plan to nurture growth and encourage professional education of employees. The education assistance program not only equips employees with improved academics and technical knowledge but also provides the Company with rightly equipped human resource to face the new challenges offered by expansions, diversifications and business growth.

Further, eligible employees receive Service Awards based on their performance and length of service. The management's objective is to recognize and reward employees' contribution to the business. This process helps the availability of high quality workforce which plays a vital role in achieving day-to-day targets and tactical and strategic objectives of the Company.

#### **e. Equal Opportunity and Non-discrimination**

The Company is committed in promoting equality of opportunity for all staff and job applicants. We aim to create a working environment in which all individuals are able to make best use of their skills and abilities, free from discrimination or harassment, and in which all decisions or promotions are objectively based on merit. We do not tolerate any form of discrimination, harassment or bullying in the workplace.

#### **f. Child Labour**

The Company has strict policy over prohibition of child labour. No child has ever been employed by the Company and the same policy will go in future.

#### **g. Forced or Compulsory Labour**

The Company believes in free working environment; no employed worker is forced or compulsory labour.

#### **h. Grievance Mechanism**

The Company is committed to provide every opportunity to employees for re-dress of valid grievances (arising from work related issues). The management does not discriminate against any employee who elects to use the grievance procedure. The purpose of this policy is to encourage healthy relationship between employees in order to ensure smooth running of the business.

#### **i. Consumer Protection Measures**

The Company ensures that the packaging material is packed and dispatched to its consumers in a safe manner. It also complies with all safety standards and industrial requirements. The Company ensures that the customers get best value for money.

# PACKAGING YOUR FUTURE

## **j. Business Ethics and Anti-Corruption Measures**

The Company is fully committed to promoting the highest standards of ethical behavior throughout its business. The management condemns corrupt and fraudulent practices and ensures transparency, integrity and honesty in all aspects of work. The Company expects all its employees to perform services with integrity and professionalism. Fundamental to this is the adoption of a 'zero tolerance' approach to all forms of corruption and misrepresentation.

## **k. Local Communities**

We strive for the development of communities surrounding us. Investment in the communities we operate in, and near vicinities, are strong focus for the Company. Further details on this topic are presented under the next section "Highlights of Corporate Social Responsibility". Following other aspects of sustainability have been discussed under the topic "Code of Conduct":

- Compliance with the law;
- Competition and Anti-trust law; and
- Protection and Information Security.

## **HSE Management Systems:**

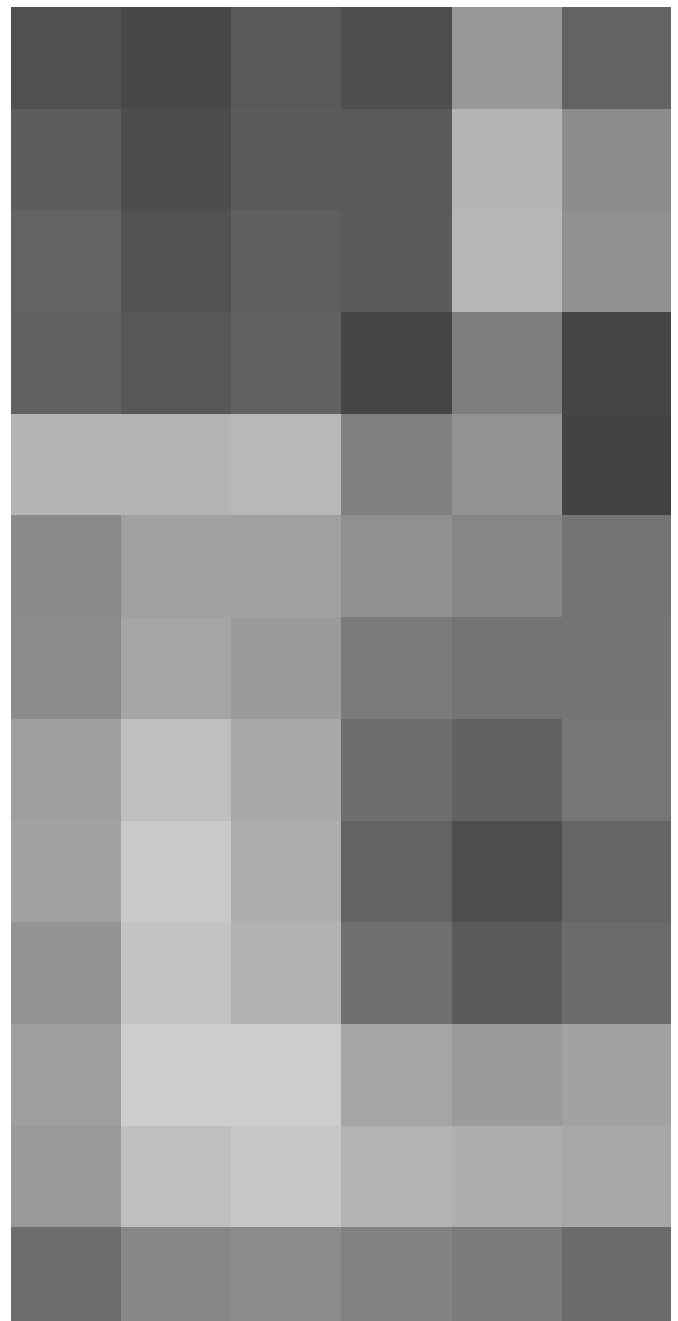
Tools that help an organization continually improve its health, safety and environmental performance contain organizational elements that follow a continuous cycle of planning, implementing, checking, and improving. Our workforce is routinely updated about occupational health, safety and environment concerns through a continuous process of training and coaching at different levels. To enhance safety awareness and to build a culture of continuous improvement in personal and process safety, a comprehensive communication structure has been established such as daily, weekly and monthly safety reviews.

Safety measures at the Company have been taken according to the work environment (by conducting risk assessment) at our plants and the corporate offices. At all offices of the Company, safety is everybody's responsibility therefore every area/ functional head is the owner of safety practices under the umbrella of HSE principles. The operation teams at all locations collaborate in implementation of HSE policies and procedures.

To sustain HSE awareness and to build a culture of continuous improvement in personal and process safety, different committees at appropriate levels are formed and periodic reviews are regularly carried out.

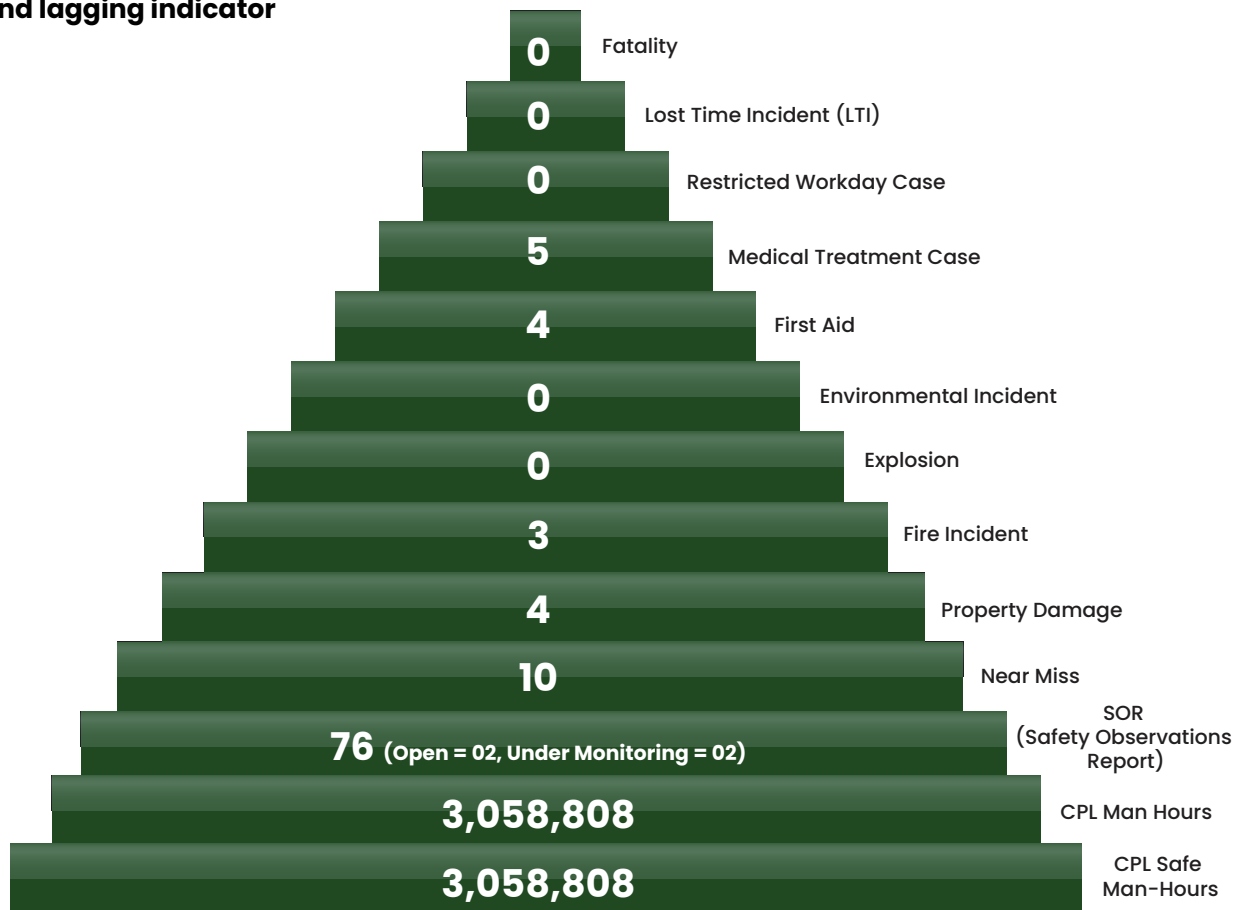
HSE department works day in and out in different areas/ functions of the Company. Following are the key highlights:

- Monthly Inspections
- Trainings & Awareness Sessions
- Emergency drills on different Scenarios
- Compliance of Permit to Work
- Ambulance Operations handling community emergencies (CSR)
- Monitoring & Compliance of Site Procedures during Ongoing Projects
- Awareness & Compliance monitoring.



# KEY PERFORMANCE INDICATORS

leading and lagging indicator



A summary of awareness sessions conducted during the year are presented below:

QUARTER	SESSIONS CONDUCTED	TOPICS / SCENARIOS
First	11	Permit to Work, Heat Stress, Ergonomics Safety, Work at height, Control of Substances Hazardous to Health (COSHH), ERT Refresher Sessions, Hot Work, General Safety, GMP training/Environment safety. <b>Fire Emergency Drills.</b>
Second	12	Manual Handling, Equipment & Power Tools Safety, Basic First Aid & CPR, Fire Fighting, Road safety/Defensive driving, Hazard Communication, Loading offloading SOP, Safe Operations of Lifting Equipment (3rd Party), Working on machine (safety precautions). <b>Chemical Spill Drills &amp; Natural Disaster / Evacuation Drill</b>
Third	13	PTW Refresher Training, Use of Fire extinguisher, ERT Refresher Training, Control of Substances Hazardous to Health (COSHH), Basic first aid & CPR, GMP, Use of Fire House, Use of SCABA, Defensive driving Training. Fire Emergency Drills
Fourth	24	COSHH, Heat Stress, Fire Prevention & Protection, Basic First Aid, ERT Refresher Training, Use of Fire Extinguisher, Burn Precautions, Machine Safety, Manual Handling, Emergency Response Plan, General Safety. Natural Disaster / Evacuation Drills & Evacuation Drill



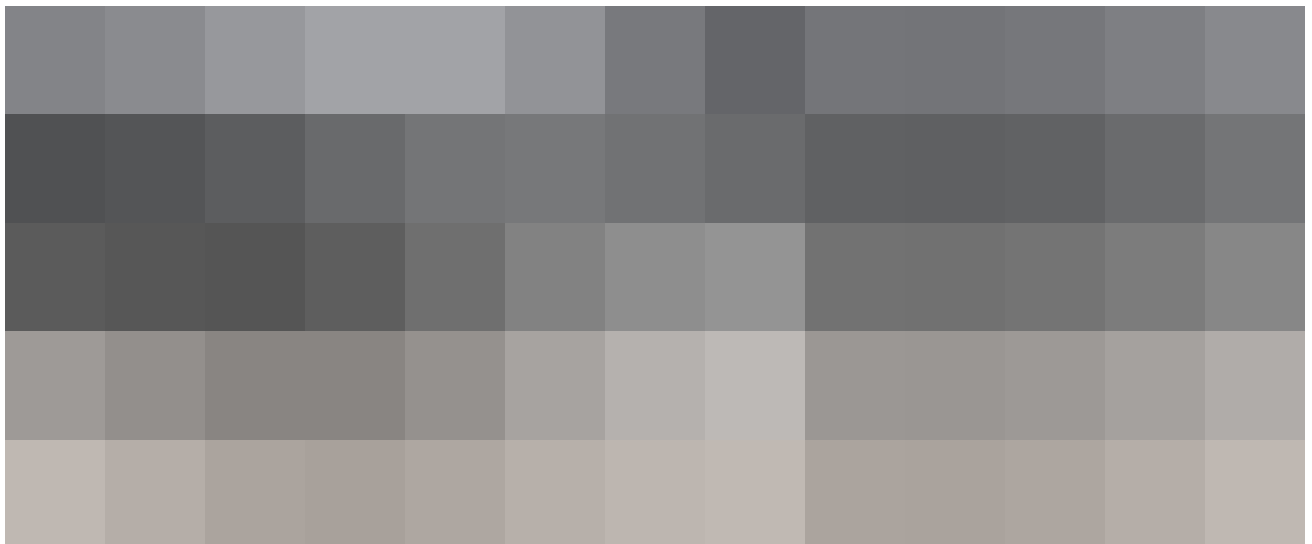
# PACKAGING YOUR FUTURE

## SUSTAINABILITY STRATEGY

As previously discussed, our company is fully committed to its responsibilities toward the people, environment, and climate of Pakistan. In line with this commitment and our dedication to promoting environmental and social sustainability, we have implemented the following:

- Identify and assess environmental and social impact associated with the operations of the Company.
- Adopt measures to avoid / mitigate those impacts;
- Establish and maintain a sound worker-management relationship;
- Promote fair treatment, non-discrimination and equal opportunities for workers;
- Protect and promote the health of workers, especially by promoting safe and healthy working conditions;
- Maintain detailed safety standards
- Avoiding / minimizing pollution from operations;
- Identify opportunities for energy and resource efficiency improvements including waste reduction;
- Ensure that safeguarding of employees, labor and property is carried out in a legitimate manner that avoids or minimizes risks to the community's safety and security;
- Ensure that stakeholders are appropriately engaged on environmental and social issues that could potentially affect them through a process of meaningful consultation;
- Maintain a constructive relationship with stakeholders on an ongoing basis through meaningful engagement.

The preceding paragraphs outline the concrete steps and actions our company has undertaken to achieve these objectives.





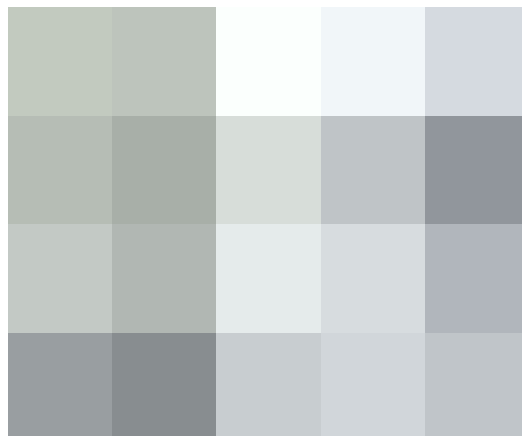
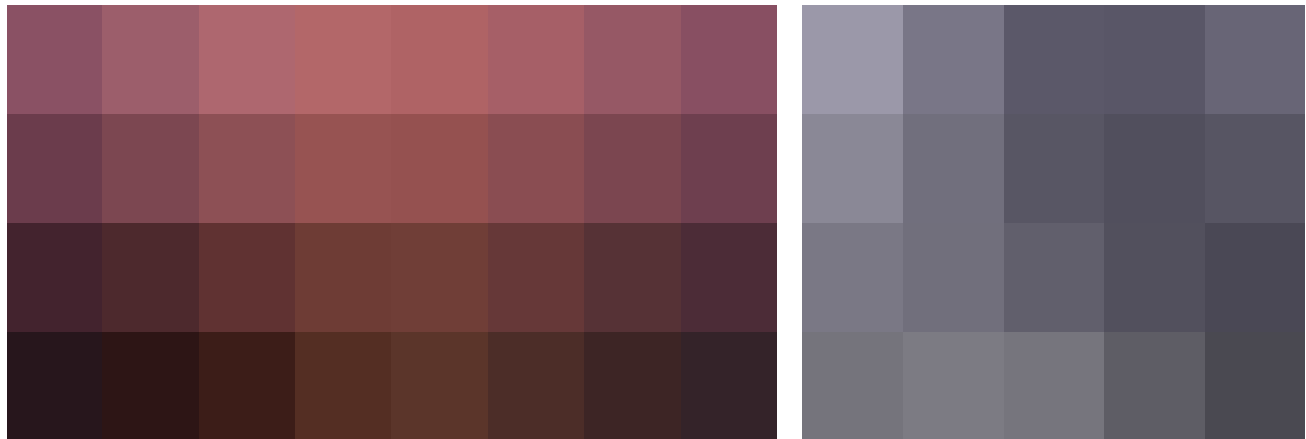
## CSR AWARD



# CHERAT PACKAGING LIMITED (CPL) WON THE 15<sup>TH</sup> NFEH'S CSR AWARD 2023 FOR BEST PRACTICES

Cherat Packaging Limited (CPL) participated in 15th annual international summit for Corporate Social Responsibility (CSR) organized by National Forum for Environment & Health (NFEH) Pakistan at Serena Hotel Islamabad on 21 Feb 2023. Cherat Packaging Limited (CPL) won the prestigious award under the CSR category "BEST PRACTICES for Standard Compliances" as CPL shown remarkable & magnificent performance for achieving and maintaining the compliances for international/national standards within the country organizations.

The award along with Certificate of Excellence was received from event chief guest (Mr. Ahsan Iqbal, Minister for Planning & Reforms – Government of Pakistan).



# PACKAGING YOUR FUTURE

## HIGHLIGHTS OF CORPORATE SOCIAL RESPONSIBILITY

The Company actively participates in various social work initiatives as part of its corporate social responsibility. Being a conscientious member of the corporate community, the Company contributes generously to various social and charitable causes including towards health, education and social sectors. In the past the Company has worked for the rehabilitation of flood affectees and IDPs. Cherat Packaging has worked with many reputable organizations and NGOs. The Company has always stood by the people of Pakistan in their hour of need and shall always continue to do so.

The Company has formulated an efficient policy for sustainability and corporate social responsibilities in accordance with the SECP's CSR guidelines 2013 and the Companies' Act 2017. The Board approves the CSR activities with respect to monetary and avenue terms.

### **a. Community Investment & Welfare Schemes**

The Company invests in community and welfare schemes through donations to education and health sectors.

### **b. Ambulance Service**

Keeping in view the needs of local community and staff members, the Company is maintaining an Ambulance service for ease of transportation of patients to Hospitals. The Ambulance is fully equipped with necessary medical equipment and is accompanied with qualified paramedic staff. Moreover, a help line service is operational in order to make it more reachable.

### **c. National Cause Donations**

The Company has always stood by the people of Pakistan in their hour of need and shall always continue to do so. The Company has donated generously in the past for the flood victims and IDPs.

During COVID-19, the Company distributed ration supply to local community in collaboration with KPK authorities.

### **d. Details of Charity Account**

The Company makes donations to support less privileged people of the society. Over the years, the main focus of the Company is to donate for education and health.

The Company has been donating and working with many reputable organizations and NGOs in Pakistan like The Aga Khan University and The Citizens Foundation

### **e. Educational awareness session at ICAP**

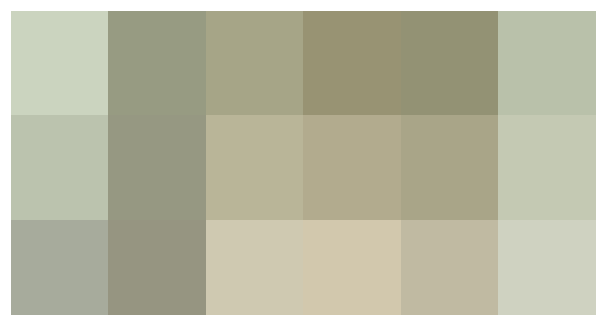
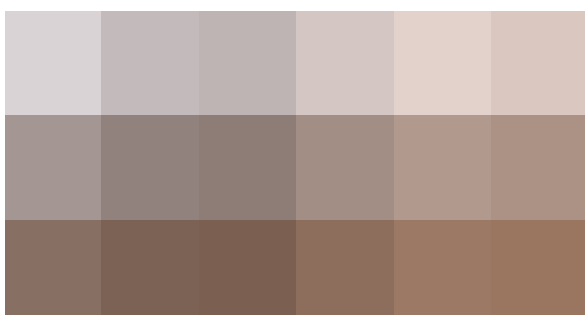
As a part of educational development, Company's Chief Operating Officer & CFO delivered lecture at ICAP's seminar for passing out students in order to enhance their morale and to motivate them.

### **f. Rural Development Programs & Employment of Special Persons**

The Company takes care of people living in its vicinity through regular donations for development of household, education and medical facilities. As discussed above, the management encourages hiring workforce from local vicinity and employment of less privileged and special persons are also considered.

### **g. Ration Drive**

The Company has a legacy of donating ration for flood, earthquake victims & IDPs. Similarly during COVID-19, the Company distributed ration to the needy people of its locality and its staff.





# BUSINESS MODEL

**211** Our Business Model

# OUR BUSINESS MODEL



## Inputs → Process

### Human Capital

277 employees



### Manufactured Capital

- 5 paper bag lines
- 4 PP bag lines
- Flexible Packaging Division (FPD)
- Flexo
- Roto
- Extrusion
- Cylinder making
- Auxiliary machines
- Raw material procured: 12.02 billion



### Financial Capital

- From net assets of Rs. 6.26 billion to Rs. 7.20 billion.
- Strong credit rating - A (PACRA)



### Intellectual Capital

- lowest grammage PP bag
- 2 Ply bags
- Conversion of Roto jobs into Flexo
- End-to-end solution from product designing to actual supply
- Quality certifications



### Social and Relationship Capital

- Largest international suppliers
- Mondi Packaging
- SABIC
- Windmoller & Holscher
- Strong customer base in Bags Manufacturing Division (BMD)
- Evolving customer base in FPD
- Best raw material procurement

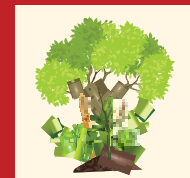
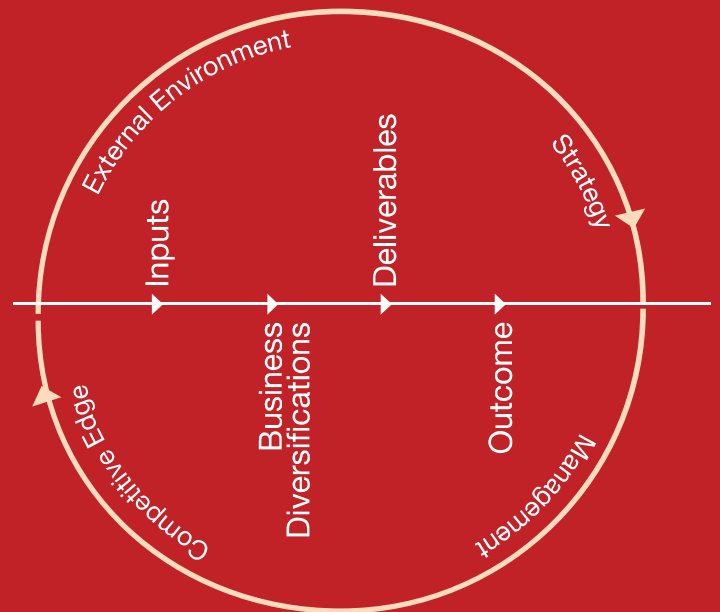
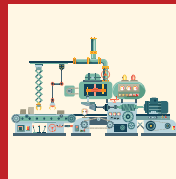


### Natural Capital

- Adherence to EMS
- Conventional to green energy



CPL's business model is interwoven with its vision, mission and values. The business model consists of employing resources, enhanced by competitive edge and human capital to transform inputs such as raw material into innovative packaging solutions to our customers with a focus to contribute towards local community, surrounding environment and stakeholders.



Today's packaging industry is fast paced. The Company's success depends on understanding customer requirements, anticipation of future trends, challenges and opportunities, and partnering with suppliers and human capital to discover long-term and sustainable solution to all our stakeholders.

*Material change in the business model (no material change during the year).*

## → Outputs

## → Outcomes



**Employees**  
316



**Turnover:**  
Rs. 16.55 billion



**Net profit:**  
Rs. 908.25 million



SAP S4 HANA  
implemented

SAP-Success Factor II



Dividends @ 30%  
Stock dividend @ 5%

**Exports:**  
Rs. 76.24 million  
Relations enhanced with  
Mondi Packaging, SABIC  
and Windmoller & Holcher



Solar power project  
of Rs. 120 million  
Around 1MW electricity P.M  
from PEDO

### Human Capital

- Training and development
- Promotions
- New hirings
- 316 employees



### Manufactured Capital

- Turnover increased by Rs. 3.05 billion
- Investment in new support machines
- Established L/C for 2nd Flexo Printer



### Financial Capital

- Net profit Rs. 908.25 million
- Operating cash flows generated Rs. 2.56 billion



### Intellectual Capital

- Improvement in network security
- Secured Remote Working Facility
- Upgrading ERP
- Human Capital Management



### Social and Relationship Capital

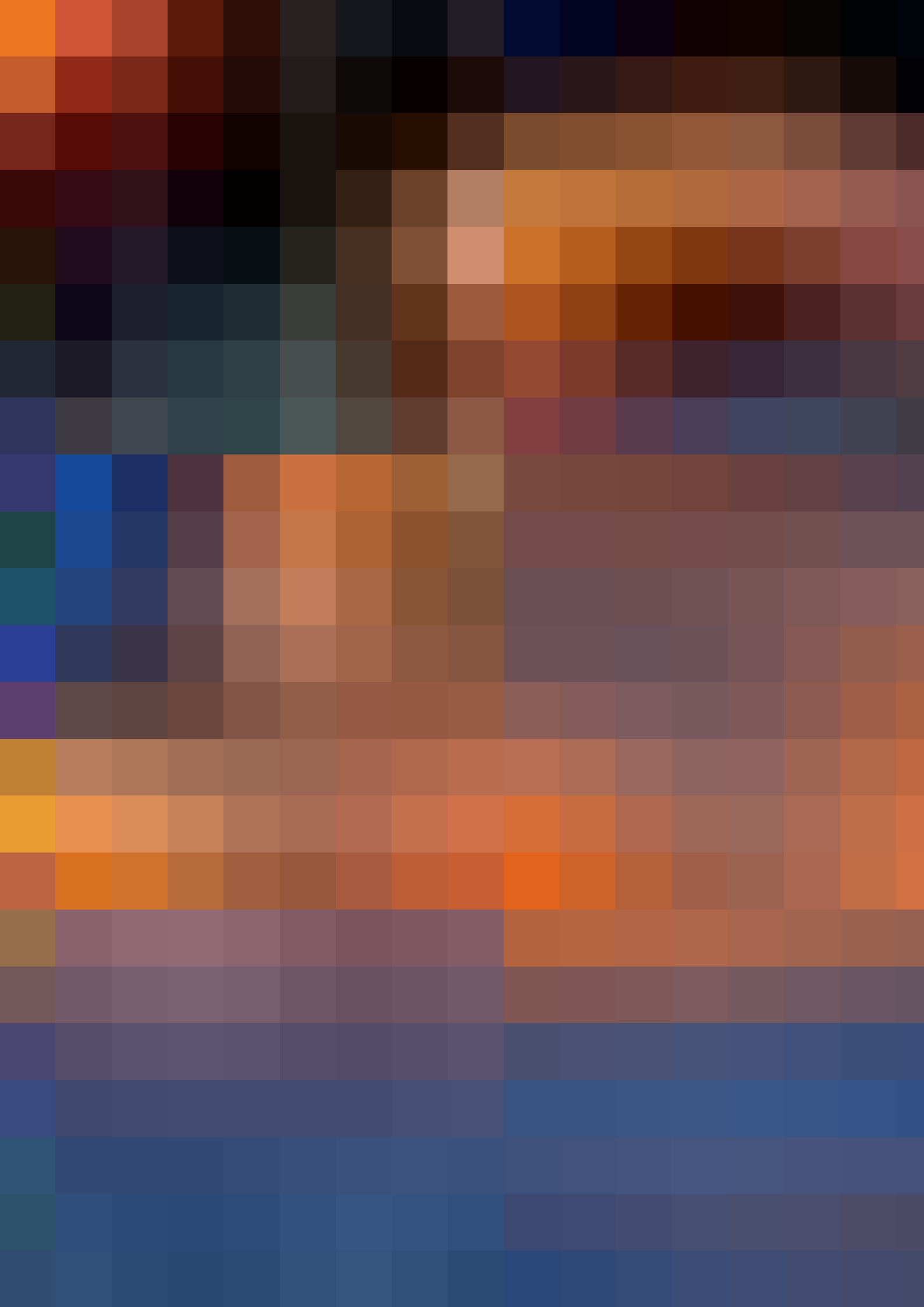
- Preferred supply of raw material
- Uninterrupted production
- New customers in FPD
- Charity and donation
- Dividend to shareholders



### Natural Capital

- Adherence to EMS
- Conversion to Hydel Power through PEDO
- Installation of Solar Power project







# STRIVING FOR EXCELLENCE IN CORPORATE REPORTING

- 215** Statement of Unreserved Compliance of International Financial Reporting Standards (IFRS) Issued by International Accounting Standards Board (IASB)
- 216** Adoption and Statement of Adherence with the International Integrated Reporting Framework



# STATEMENT OF UNRESERVED COMPLIANCE OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) ISSUED BY INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB)

Cherat Packaging Limited is preparing statutory financial statements in accordance with the IFRS issued by IASB as notified under the Companies Act 2017 including the disclosure requirements of fourth schedule.

However, SECP has not notified adoption of following IFRS:

Standards	IASB effective date (annual periods beginning on or after)
IFRS 1 – First Time Adoption of IFRSs	01 January 2004
IFRS 17 – Insurance Contracts	01 January 2023

In addition to this, note 2.4 to the financial statement specify few standards and interpretations which are yet to be effective in Pakistan. The Company believes that that the impact of the above standards and those referred in note 2.4 does not have any material impact to the financial statements.

Karachi: August 28, 2023



**Amer Faruque**  
Chief Executive

# PACKAGING YOUR FUTURE

## ADOPTION AND STATEMENT OF ADHERENCE WITH THE INTERNATIONAL INTEGRATED REPORTING FRAMEWORK

### **Overview:**

This annual report (report) of the Cherat Packaging Limited (Company) has been prepared as per the guidelines of the International Integrated Reporting (IR) framework and the Global Reporting Initiative (GRI) Standards. The report's aim is to provide its stakeholders a quality, concise and transparent briefing of the Company's ability, position and expertise to create sustainable value, which is vital for its position, performance and reporting capabilities.

Management of the Company is following the spirit of adhering to the best corporate and governance practices. The management is also committed to achieve excellence in all aspects of transparent reporting. The Company also achieved good stage of compliance. The Company also considers the importance and strengthening of this report in terms of information connectivity and demonstration of results impact regarding various capital employed.

### **Business operations:**

The Company is engaged in manufacturing, marketing and sale of Paper sack bags, Polypropylene bags and Flexible Packaging material. The data and information presented in this report pertains to its plants, marketing offices and head office.

### **Objectives and Contents:**

The contents of this report are based on Company's engagement with its stakeholders, IR framework and GRI Standards sustainability and to provide quality information of interest of various group of stakeholders of impacts of activities on economy, market, environment and society as well as long-term sustainability of the Company's business.

It is imperative to ensure that the material is being presented in such a way that it enables the stakeholders to better understand these activities. The business strategy information has been linked directly to business activities and non-financial information.

### **Methodologies:**

In compilation of data basic scientific measurements, mathematical calculation methods, accounting principles, actual basis and other different logical methodologies are used. The Company strives to ensure the accuracy of the sustainability as well as the information being provided.

### **Role of the Board:**

The Board of Directors (the Board) has crucial role, since directors are elected by shareholders and IR framework is a mechanism of ensuring long-term value creation and increasing transparency. The IR framework requires involvement and support of the Board and Chief Executive.

Henceforth, the Management of the Company is guided to achieve Company objectives by advising, assessing, and monitoring the business strategies and ensuring the execution and modification of these activities.

### **Role of Management:**

The Management has laid the business foundation built on the principles of ethics and corporate professionalism. The same is being developed by devising and disseminating procedural steps and policies thereby highlighting need of good governance and resource allocation in achieving the desired objectives.

### **Connectivity, Monitoring and Control:**

The Company's reporting is monitored and it is ensure that the relevant information is shared in the most suited way for the stakeholders. Connectivity of the information is another aspect which needs to be addressed properly.



### **Financial and Non-Financial Information:**

The report also includes both financial and non financial information about the Company's brand, financial structure, operations, performance, insight, risks & opportunities and outcome attributable to the value creation ability.

The Company has adopted the IR framework to give an overview of the Company's business affairs and philosophy by connecting and presenting the financial and non-financial information considering the varied interests of stakeholders.

The forward-looking statement explains the future challenges and how the Company plans to address these.

### **Connectivity, Monitoring and Control:**

The Company's reporting is monitored and it is ensure that the relevant information is shared in the most suited way for the stakeholders. Connectivity of the information is another aspect which needs to be addressed properly.

stakeholders are made aware of the Company's philosophy and attitude towards achieving the enhanced stakeholders' value and customer satisfaction.

The stakeholders' value is maximized through returns on investment, which management believes can be achieved through revenue maximization and cost control measures.

### **Other factors:**

This report also includes other factors which impacted the economic performance of the Company.

The Company also provides an overview of Health, Safety and Environment (HSE) to its stakeholders and addresses complaints and grievances. Achieving sustainable corporate value by focusing economic, societal, technological and environmental factors and their impacts is the Company's core strength.

The analysis and conclusions presented in this report demonstrates various factors that have been taken into account and the management is taking measures to increase the resilience of the business and its operations.

### **Users:**

This report intended to address the needs of users, investors, stakeholders, suppliers, employee, regulators and society to provide view of value creation potential taking into account risks and opportunities. The Company believes that this report provides better understanding of its business strategies, opportunities & risks, business model, governance, performance which creates value to the Company and its shareholders. The Company shall continue to improve the information produced to make it even easier to understand.

### **Materiality:**

The report includes the information relevant for its stakeholders to make decisions on the organization's economic, social and environmental performance.

Reporting period:

This report of the Company is published annually and covers period beginning from July 01, 2022 till June 30, 2023.

# PACKAGING YOUR FUTURE

## **Our Report:**

This report of the Company has included following content elements for the users of this report:

- Organizational overview and external environment
- Strategy and resource allocation
- Risks and opportunities
- Governance
- Performance and position
- Stakeholders' relationship and engagement
- Sustainability and corporate social responsibility
- Striving for Excellence in corporate reporting

Karachi: August 28, 2023



**Amer Faruque**  
Chief Executive

# GLOSSARY OF TERMS

Annual General Meeting (AGM)	A mandatory, yearly gathering of a publicly traded Company's executives, directors and interested shareholders.
BCR	Best Corporate Report
BMD	Bag Manufacturing Division
CDC	Central Depository Company
CPEC	China Pakistan Economic Corridor
CPL	Cherat Packaging Limited
Debt	An amount owed for funds borrowed.
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortization.
EMS	Environmental Management System
EPS	Earnings Per Share
FMCG	Fast Moving Consumer Goods
FPD	Flexible Packaging Division
HSE	Health, Safety, and Environment
IAS	International Accounting Standards (Accounting standards of the IASB)
IASA	International Accounting Standards Association
IASB	International Accounting Standards Board.
IFRS	International Financial Reporting Standards.
KIBOR	Karachi Inter Bank Offer Rate.
KPK	Khyber Pakhtunkhwa
NEQS	National Environmental Quality Standards
PARITY	The exchange rate between the currencies of two countries
PEDO	Pakhtunkhwa Energy Development Organization
Principal	In commercial law, the principal is the amount that is received, in the case of a loan, or the amount from which flows the interest.
PSDP	Public Sector Development Program
PSD	Paper Sack Division
Security	A pledge made to secure the performance of a contract or the fulfillment of an obligation.
SEDEX	Supplier Ethical Data Exchange
Shariah-Compliant Finance/Banking	Facility which meets all of the requirements of Shariah law and the principles articulated for "Islamic Finance".
SOP	Standard Operating Procedure
Spread	Rate charged by the bank over KIBOR.
Term	The maturity or length of time until final repayment on a loan, bond, sale or other contractual obligation.
URSA	Understanding Responsible Sourcing Audit
Working Capital	Current assets minus current liabilities.

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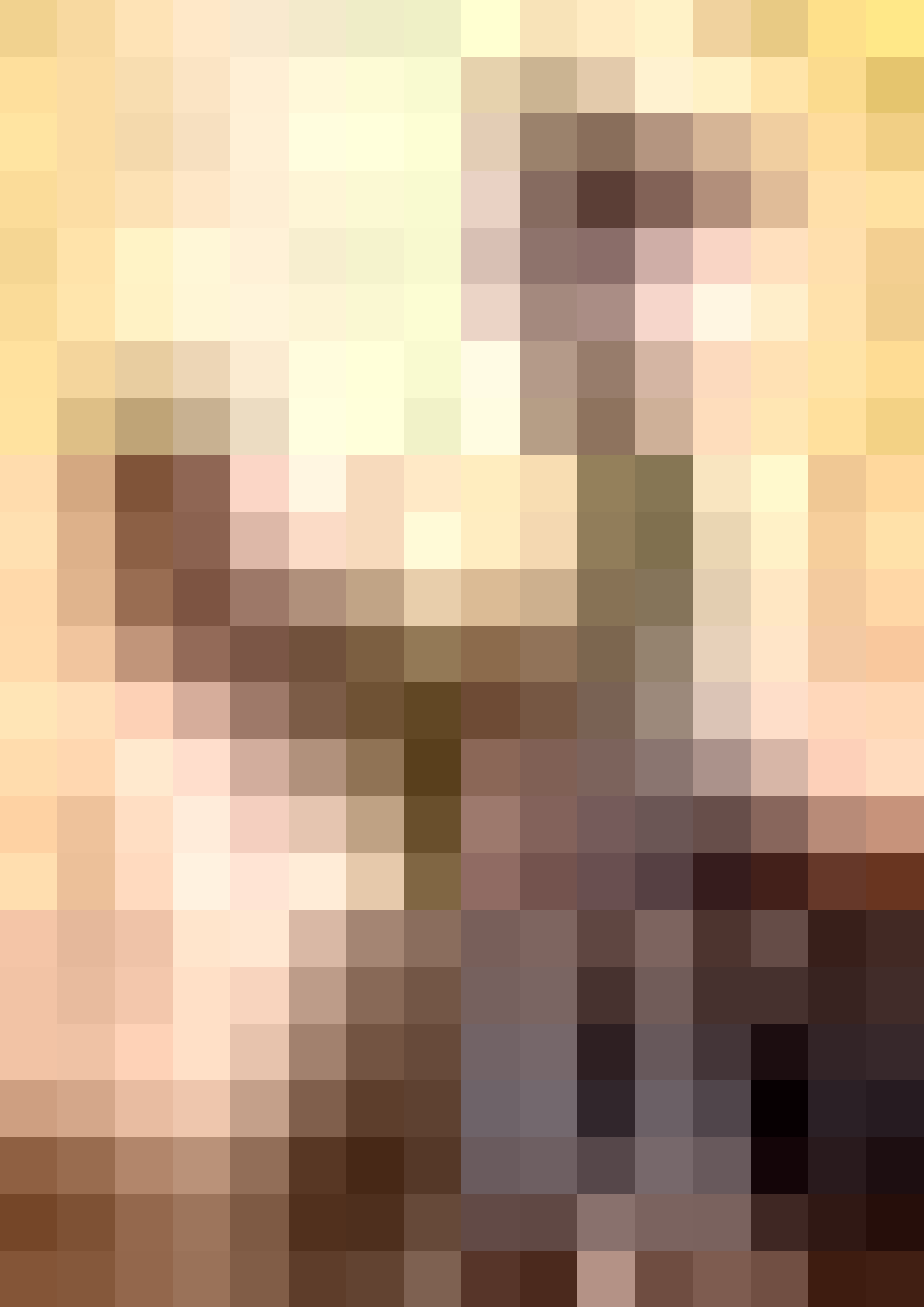


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5.13	Compliance with the Best Practices of Code of Corporate Governance (No marks in case of any non-compliance).	110, 129-131
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5.15	Salient features of TOR and attendance in meetings of the board committees (Audit, Human Resource, Nomination and Risk management).	134-136
5.16	<b>Timely Communication:</b> within 40 days - 6 marks (within 50 days - 6 marks in case of holding company who has listed su sidiary /subsidiaries) within 60 days - 3 marks (Entities requiring approval from a Regulator before finalization of their financial statements would be provided a 20 days relaxation, on providing evidence to the Committee).	281
5.17	Audit Committee report should describe the work of the committee in discharging its responsibilities. The report should include:	137-138
	a) Composition of the committee with at least one member qualified as "financially literate and all members are non-executive / Independent directors including the Chairman of the Audit Committee.	
	b) Committee's overall role in discharging its responsibilities for the significant issues in relation to	

	<p>the financial statements, and how these issues were addressed.</p> <p>c) Committee's overall approach to risk management and internal control, and its processes, outcomes and disclosure.</p> <p>d) Role of Internal Audit to risk management and internal control, and approach to Internal Audit to have direct access to Audit Committee and evaluation of Internal Auditor's performance.</p> <p>e) Review of arrangement for staff and management to report to Audit Committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommended instituting remedial and mitigating measures.</p> <p>f) An explanation as to how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor,; and if the external auditor provides non-audit services, an explanation as to how auditor's objectivity and independence is safeguarded.</p> <p>g) If Audit Committee recommends external auditors other than the retiring external auditors, before the lapse of three consecutive years, reasons shall be reported.</p> <p>h) The Audit Committee's views whether the Annual Report was fair, balanced and understandable and also whether it provided the necessary information to shareholders to assess the company's position and performance, business model and strategy.</p> <p>i) Results of the self-evaluation of the Audit Committee carried out of its own performance.</p> <p>j) Disclosure of the number of whistle-blowing incidences reported to the Audit Committee during the year.</p>	137-138
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5.19	Board disclosure on Company's use of Enterprise Resource Planning (ERP) software including: <ul style="list-style-type: none"> <li>a) how it is designed to manage and integrate the functions of core business processes/ modules like finance, HR, supply chain and inventory management in a single system;</li> <li>b) management support in the effective implementation and continuous updation;</li> <li>c) details about user training of ERP software;</li> <li>d) how the company manages risks or control risk factors on ERP projects;</li> <li>e) how the company assesses system security, access to sensitive data and segregation of duties.</li> </ul>	175-176, 111
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6.02	<ul style="list-style-type: none"> <li>a) Analysis of financial ratios.</li> <li>b) Explanation of negative change in the performance against prior year.</li> </ul>	148-155, 169
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6.04	Graphical presentation of 6.02 and 6.03 above.	150-155, 163-165
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6.07	Segmental review and analysis of business performance including segment revenue, segment results, profit before tax, segment assets and liabilities.	169, 271-273
6.08	<ul style="list-style-type: none"> <li>a) Share price sensitivity analysis using key variables (i.e. selling price, raw material cost, interest rate and currency) with the consequent impact on the company's earning.</li> <li>b) Composition of local versus imported material and sensitivity analysis in narrative form due to foreign currency fluctuations.</li> </ul>	170 59
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6	Disclosure requirements for common control transactions as specified under the Accounting Standard on 'Accounting for common control transactions' developed by ICAP and notified by SECP (through SECP S.R.O. 53 (I)/2022 dated January 12, 2022)	N/A
7	Disclosure about Human Resource Accounting (includes the disclosure of process of identifying and measuring the cost incurred by the company to recruit, select, hire, train, develop, allocate, conserve, reward and utilize human assets).	281
8	In financial statements issued after initial or secondary public offering(s) of securities or issuance of debt instrument(s) implementation of plans as disclosed in the prospectus/offering document with regards to utilization of proceeds raised till full implementation of such plans.	N/A
9	Where any property or asset acquired with the funds of the company and is not held in the name of the company or is not in the possession and control of the company, this fact along with reasons for the property or asset not being in the name of or possession or control of the company shall be stated; and the description and value of the property or asset, the person in whose name and possession or control it is held shall be disclosed.	N/A





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# INDEPENDENT AUDITOR'S REPORT

To the members of Cherat Packaging Limited

Report on the Audit of the Financial Statements

## Opinion

We have audited the annexed financial statements of Cherat Packaging Limited (the Company), which comprise the statement of financial position as at 30 June 2023, and the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2023 and of the profit, other comprehensive loss, the changes in equity and its cash flows for the year then ended.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Following are the key audit matters:

Key audit matters	How the matter was addressed in our audit
<b>1. Valuation of stock-in-trade</b>	
<p>As at reporting date, the Company held stock-in-trade amounting to Rs. 5,457.707 million which constitutes 33.21% of total assets, as disclosed in note 9 to the financial statements.</p> <p>As described in note 3.5 to the financial statements, stock-in-trade is measured at lower of cost and Net Realizable Value (NRV). The cost of work-in-process and finished goods is determined at average manufacturing cost including a proportion of production overheads. Judgements are required to determine the appropriate basis for costing and its valuation.</p> <p>Given the significance of the amount involved and the level of judgements and estimates required to value the stock-in-trade, we have identified valuation of stock-in-trade as a key audit matter.</p>	<p>Our key audit procedures in this area amongst others included the following:</p> <ul style="list-style-type: none"> <li>- Obtained an understanding of the Company's valuation process for stock-in-trade and tested controls relevant to such process.</li> <li>- Tested the calculations of per unit cost of finished goods and assessed the appropriateness of management's basis for the allocation of cost and production overheads.</li> <li>- Tested the NRV of the stock-in-trade by performing a review of sales close to and subsequent to the year end and comparing with the cost for a sample of products.</li> <li>- Observed physical stock count activities to ascertain the condition and existence of stock-in-trade, performed testing on a sample of items to assess their NRV and evaluated the adequacy of NRV adjustment for stock-in-trade as at the year end.</li> <li>- Assessed the adequacy of the related disclosures in accordance with the applicable financial reporting standards</li> </ul>
<b>2. Capital expenditure and related transfers</b>	
<p>As disclosed in note 4.2 to the accompanying financial statements, the Company has incurred a significant amount of capital expenditure amounting to Rs. 1,149.49 million, which mainly includes capitalisation on account of Rotogravure Line II in the Flexible Packaging Division amounting to Rs. 1,129.12 million.</p> <p>Capital expenditures incurred during the year constitute a substantial transaction and require significant judgment regarding the capitalization of eligible cost components, including borrowing costs, in accordance with the relevant reporting standards. Determining the timing of when the assets are available for use and estimating their useful lives and residual value involves critical assessments.</p> <p>Accordingly, we have identified capital expenditure and related transfers as key audit matter.</p>	<p>Our procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the Company's process with respect to capital expenditure including determination of useful lives and testing the Company's controls in this area relevant to our audit.</li> <li>• Considered whether the items of cost capitalised, including borrowing cost, meet the recognition criteria of an assets in accordance with the applicable financial reporting standards.</li> <li>• Checked the timing of capitalisation by examining on a sample basis, the asset completion certificates from the Company's technical departments.</li> <li>• Evaluated the basis used by the management for determining the useful lives of the new</li> </ul>



	<p>assets and the depreciation charged in relation thereto, by considering factors such as the current depreciation, estimates for similar or comparable assets, expected utilization of the assets and the estimated residual value at the end of the useful lives.</p> <ul style="list-style-type: none"><li>• Checked the relevant contracts and documents, including but not limited to, suppliers' invoices, delivery notes, international LCs and shipping documentation supporting various components of the capitalised cost.</li><li>• Obtained and checked the financing agreements and circularized confirmations to the financing banks to confirm outstanding loan balances and other related terms at year end. We checked compliance of the covenants and their implications. We also checked the maturity analysis of the financing to ascertain the classification of loans as per their remaining maturities.</li><li>• Assessed the adequacy of the Company's disclosures in accordance with the applicable financial reporting standards.</li></ul>
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### Information Other than the Financial Statements and Auditor's Report thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Company's financial reporting process.



## Auditor's Responsibilities for the Audit of the Financial Statements


Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is **Omer Chughtai**.



**Chartered Accountants**

**Place:** Karachi

**Date:** 11 September 2023

**UDIN Number:** AR202310120CGurTEs91

# Statement of Financial Position


As at June 30, 2023

	Note	2023	2022
----- (Rupees in `000) -----			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets			
Property, plant and equipment	4	5,987,585	5,555,646
Intangible assets	5	6,531	4,599
		5,994,116	5,560,245
Long-term investments	6	645,701	500,418
Long-term security deposits	7	721	721
		6,640,538	6,061,384
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	8	601,390	480,428
Stock-in-trade	9	5,457,707	4,661,360
Trade debts	10	2,546,377	2,840,738
Loans and advances	11	8,459	6,378
Trade deposits and short-term prepayments	12	106,785	34,915
Other receivables	13	99,033	263,260
Short-term Investment	14	123,963	-
Taxation - net		333,893	544,069
Cash and bank balances	15	37,279	29,125
		9,314,886	8,860,273
Non-current assets classified as held for sale	16	478,371	-
		9,793,257	8,860,273
<b>TOTAL ASSETS</b>		<b>16,433,795</b>	<b>14,921,657</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	17	490,954	425,069
Reserves	18	6,709,572	5,830,488
		7,200,526	6,255,557
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing	19	2,164,712	1,781,601
Deferred taxation	20	1,047,602	732,555
Government grant	21	213,969	243,354
		3,426,283	2,757,510
<b>CURRENT LIABILITIES</b>			
Trade and other payables	22	2,026,821	1,772,086
Accrued mark-up		318,349	145,983
Short-term borrowings	23	2,785,631	3,269,026
Current maturity of long-term financing	19	636,850	676,024
Current maturity of Government grant	21	29,046	34,811
Unpaid dividend		2,155	2,350
Unclaimed dividend	24	8,134	8,310
		5,806,986	5,908,590
<b>CONTINGENCIES AND COMMITMENTS</b>			
	25		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>16,433,795</b>	<b>14,921,657</b>

The annexed notes from 1 to 45 form an integral part of these financial statements.

  
**Amer Faruque**  
 Chief Executive Officer

  
**Aslam Faruque**  
 Director

  
**Syed Waqar Haider Kazmi**  
 Chief Financial Officer  
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# Statement of Profit or Loss

For the year ended June 30, 2023

	Note	2023	2022
		----- (Rupees in `000) -----	
Turnover – net	26	16,554,262	13,502,519
Cost of sales	27	(13,277,189)	(11,187,790)
<b>Gross profit</b>		<b>3,277,073</b>	<b>2,314,729</b>
Distribution costs	28	(244,831)	(254,813)
Administrative expenses	29	(180,802)	(143,015)
Other expenses	30	(77,182)	(75,881)
		(502,815)	(473,709)
Other income	31	95,984	39,668
<b>Operating profit</b>		<b>2,870,242</b>	<b>1,880,688</b>
Finance costs	32	(1,201,904)	(485,303)
<b>Profit before taxation</b>		<b>1,668,338</b>	<b>1,395,385</b>
<b>Taxation</b>			
Current		(468,124)	(335,562)
Prior		24,553	(613)
Deferred		(316,517)	(173,701)
	33	(760,088)	(509,876)
<b>Net profit for the year</b>		<b>908,250</b>	<b>885,509</b>
Earnings per share – basic and diluted	34	<b>Rs. 18.50</b>	<b>(Restated) Rs. 18.04</b>

The annexed notes from 1 to 45 form an integral part of these financial statements.



**Amer Faruque**  
Chief Executive Officer



**Aslam Faruque**  
Director



**Syed Waqar Haider Kazmi**  
Chief Financial Officer

# Statement of Comprehensive Income

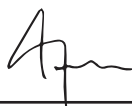
For the year ended June 30, 2023

	2023	2022
	----- (Rupees in `000) -----	
Net profit for the year	908,250	885,509
<b>Other comprehensive income</b>		
<b>Items that may not be reclassified subsequently to the statement of profit or loss:</b>		
Unrealized gain / (loss) on remeasurement of equity instrument at fair value through other comprehensive income	145,127	(449,338)
Actuarial gain / (loss) on defined benefit plan - net of deferred tax	2,110	(7,919)
	147,237	(457,257)
<b>Total comprehensive income for the year</b>	<b>1,055,487</b>	<b>428,252</b>

The annexed notes from 1 to 45 form an integral part of these financial statements.



**Amer Faruque**  
Chief Executive Officer



**Aslam Faruque**  
Director



**Syed Waqar Haider Kazmi**  
Chief Financial Officer

# Statement of Cash Flows

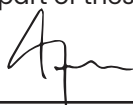
For the year ended June 30, 2023

	Note	2023	2022
----- (Rupees in `000) -----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before taxation</b>		1,668,338	1,395,385
<b>Adjustments for:</b>			
Depreciation	4.1.4	390,815	354,931
Amortization	5.1	801	832
(Gain) / Loss on disposal of operating property, plant and equipment	4.1.5	(11,928)	2,209
Exchange loss	30	714	-
Gratuity expense		20,708	18,242
Government grant amortized	21	(35,150)	(21,765)
Share of profit from joint venture	31	(156)	(46)
Dividend income	31	(23,975)	(6,660)
Finance costs	32	1,201,904	485,303
		1,543,733	833,046
		3,212,071	2,228,431
<b>(Increase) / decrease in current assets:</b>			
Stores, spare parts and loose tools		(120,962)	(91,057)
Stock-in-trade		(796,347)	(1,509,065)
Trade debts		294,361	(586,109)
Loans and advances		(2,081)	5,304
Trade deposits and short-term prepayments		(71,870)	5,022
Other receivables		164,227	(103,236)
Short-term Investment		(123,963)	-
		(656,635)	(2,279,141)
<b>Increase in current liabilities:</b>			
Trade and other payables		253,703	604,927
		2,809,139	554,217
<b>Cash generated from operations</b>			
Income tax paid		(233,395)	(304,757)
Gratuity paid		(19,750)	(15,500)
Long-term loans and security deposit - net		-	8,657
<b>Net cash generated from operating activities</b>		2,555,994	242,617
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure incurred - net of borrowing costs	4.2	(1,248,926)	(899,748)
Additions to intangible assets		(2,733)	(782)
Proceeds from disposal of operating property, plant and equipment	4.1.5	20,523	12,230
Dividend received		23,975	6,660
<b>Net cash used in investing activities</b>		(1,207,161)	(881,640)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long-term financing - net		343,937	(28,536)
Finance costs paid		(1,090,332)	(437,907)
Dividend paid		(110,889)	(212,162)
<b>Net cash used in financing activities</b>		(857,284)	(678,605)
<b>Net increase / (decrease) in cash and cash equivalents</b>		491,549	(1,317,628)
<b>Cash and cash equivalents as at the beginning of the year</b>		(3,239,901)	(1,922,273)
<b>Cash and cash equivalents as at the end of the year</b>	38	(2,748,352)	(3,239,901)

The annexed notes from 1 to 45 form an integral part of these financial statements.



**Amer Faruque**  
Chief Executive Officer



**Aslam Faruque**  
Director



**Syed Waqar Haider Kazmi**  
Chief Financial Officer



# Statement of Changes in Equity

For the year ended June 30, 2023

Issued, Subscribed and Paid-up Capital	Reserves						Sub-total	Total
	Capital Reserve	Revenue Reserves		Other Components of Equity				
	Share premium	General reserve	Unappropriated profit	Actuarial (loss) / gain on gratuity fund-net of deferred tax	Unrealized (loss) / gain on listed equity investment			


----- (Rupees in `000) -----

<b>Balance as at July 01, 2021</b>	425,069	998,628	180,000	3,676,676	14,989	744,478	5,614,771	6,039,840
Final cash dividend for the year ended June 30, 2021 @ Rs. 4.00 per share	-	-	-	(170,028)	-	-	(170,028)	(170,028)
Interim cash dividend for the year ended June 30, 2022 @ Re. 1.00 per share	-	-	-	(42,507)	-	-	(42,507)	(42,507)
Net profit for the year	-	-	-	885,509	-	-	885,509	885,509
Other comprehensive income for the year	-	-	-	-	(7,919)	(449,338)	(457,257)	(457,257)
Total comprehensive income for the year	-	-	-	885,509	(7,919)	(449,338)	428,252	428,252
<b>Balance as at June 30, 2022</b>	425,069	998,628	180,000	4,349,650	7,070	295,140	5,830,488	6,255,557
<b>Balance as at July 01, 2022</b>	425,069	998,628	180,000	4,349,650	7,070	295,140	5,830,488	6,255,557
Final cash dividend for the year ended June 30, 2022 @ Rs. 1.50 per share	-	-	-	(63,760)	-	-	(63,760)	(63,760)
Bonus shares issued in the ratio of 10 shares for every 100 shares held	42,507	-	-	(42,507)	-	-	(42,507)	-
Interim cash dividend for the year ended June 30, 2023 @ Re. 1.00 per share	-	-	-	(46,758)	-	-	(46,758)	(46,758)
Bonus shares issued in the ratio of 5 shares for every 100 shares held	23,378	-	-	(23,378)	-	-	(23,378)	-
Net profit for the year	-	-	-	908,250	-	-	908,250	908,250
Other comprehensive income for the year	-	-	-	-	2,110	145,127	147,237	147,237
Total comprehensive income for the year	-	-	-	908,250	2,110	145,127	1,055,487	1,055,487
<b>Balance as at June 30, 2023</b>	490,954	998,628	180,000	5,081,497	9,180	440,267	6,709,572	7,200,526

The annexed notes from 1 to 45 form an integral part of these financial statements.



**Amer Faruque**  
Chief Executive Officer



**Aslam Faruque**  
Director



**Syed Waqar Haider Kazmi**  
Chief Financial Officer

# Notes to the Financial Statements

For the year ended June 30, 2023

## 1. THE COMPANY AND ITS OPERATIONS

- 1.1** Cherat Packaging Limited (the Company) was incorporated in Pakistan as a public company limited by shares in the year 1989. Its main business activities are manufacturing, marketing and sale of paper sacks, polypropylene bags and flexible packaging material. The Company is listed on Pakistan Stock Exchange Limited. The geographical location and addresses of the Company's business units / immovable assets are as under:

Business unit	Address
Registered office / sales office	1st Floor, Betani Arcade, Jamrud Road, Peshawar
Head office	3rd Floor, Modern Motors House, Beaumont Road, Karachi
Sales office	3, Sunder Das Road, Lahore
Sales office	1st Floor, Razia Sharif Plaza, Jinnah Avenue, Blue Area, Islamabad
Bags manufacturing division (immovable assets)	Plot # 26 Gadoon Amazai Industrial Estate, District Swabi (Land measuring area - 13 acres)
Flexible packaging division (immovable assets)	Plot # 4, Gadoon Amazai Industrial Estate, District Swabi (Land measuring area - 8.09 acres)

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise:

International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act);

Provisions of and directives issued under the Act.

Where provisions of and directives issued under the Act differ from the IFRS, the provisions of and directives issued under the Act, have been followed.

### 2.2 Accounting convention

These financial statements have been prepared on the basis of historical cost convention except for certain items as disclosed in the relevant accounting policies below.

### 2.3 Standards, interpretations and amendments applicable to financial statements

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after July 1, 2022 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore not detailed in these financial statements.

#### Amendments to approved accounting standards

IFRS 3 Reference to the Conceptual Framework (Amendments)

IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (Amendments)

IAS 37 Onerous Contracts – Costs of Fulfilling a Contract (Amendments)

# Notes to the Financial Statements

For the year ended June 30, 2023

The adoption of the above amendments to the accounting standards did not have any material effect on the Company's financial statements.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after January 01, 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

## Improvements to Accounting Standards Issued by the IASB (2018–2020 cycle)

IFRS 9	Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities
IAS 41	Agriculture – Taxation in fair value measurements
IFRS 16	Leases: Lease incentives

The adoption of the above amendments to the approved accounting standards did not have any material effect on the Company's financial statements.

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after July 1, 2022 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore not detailed in these financial statements.

## 2.4 Standards, amendments and improvements to IFRSs that are not yet effective

The following standards, amendments and improvements to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards, amendments or improvements:

Amendment or improvement		Effective date (annual periods beginning on or after)
IFRS 17	Insurance Contracts (Amendments)	January 01, 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies (Amendments)	January 01, 2023
IAS 8	Definition of Accounting Estimates (Amendments)	January 01, 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)	January 01, 2023
IAS 12	International Tax Reform – Pillar Two Model Rules (Amendments)	January 01, 2023
IAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (Amendments)	January 01, 2024
IFRS 16	Lease Liability in a Sale and Leaseback (Amendments)	January 01, 2024
IAS 7 / IFRS 7	Disclosures: Supplier Finance Arrangements (Amendments)	January 01, 2024
IFRS 10 / IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)	Not yet finalized

# Notes to the Financial Statements

For the year ended June 30, 2023

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan and are not expected to have any material impact on the Company's financial statements in the period of initial application.

Standard or interpretation	Effective date (annual periods beginning on or after)
IFRS 1 First-time Adoption of International Financial Reporting Standards	01 January 2004
IFRS 17 Insurance Contracts	01 January 2023

## 2.5 Significant accounting estimates, judgments and assumptions

The preparation of these financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make estimates, judgements and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities and assets, at the end of the reporting period. However, uncertainty about these estimates and judgements could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The management continually evaluates estimates, judgments and assumptions which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Revisions to accounting estimates are recognised prospectively.

In the process of applying the accounting policies, management has made the following estimates, judgments and assumptions which are significant to the financial statements:

### 2.5.1 Property, plant and equipment

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of asset is made for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of operating property, plant and equipment, with corresponding effects on the depreciation charge and impairment, if any, for that period.

### 2.5.2 Taxation

#### Current

In applying the estimate for income tax payable, the Company takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past. Any instance where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingency.

# Notes to the Financial Statements

For the year ended June 30, 2023

## Deferred

Deferred tax is provided in full using the balance sheet liability method on all temporary differences arising at the statement of financial position date, between the tax bases of the assets and the liabilities and their carrying amounts. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that sufficient future taxable profits will be available against which these can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences may reverse, based on tax rates and tax laws that have been enacted or substantively enacted by the statement of financial position date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted. Deferred tax is charged or credited to the statement of profit or loss.

### 2.5.3 Stock-in-trade, stores, spare parts and loose tools

The Company reviews the Net Realizable Value (NRV) of stock-in-trade, stores and spare parts and loose tools to assess any diminution in the respective carrying values. NRV is estimated with reference to the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

### 2.5.4 Staff retirement benefits

Certain actuarial assumptions have been adopted for valuation of present value of defined benefit obligations and fair value of plan assets. Any change in these assumptions in future years might affect gains and losses in those years. The actuarial valuation involves making assumptions about discount rate, expected rate of return on assets, future salary increases and mortality rates.

### 2.5.5 Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non-occurrence of the uncertain future events.

### 2.5.6 Allowance for Expected Credit Losses (ECL) on financial assets

The Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. At every reporting date, the historical credit loss experience is updated and forward-looking factors are analysed. The Company's historical credit loss experience and forecast of economic conditions may not be representative of actual default in the future.

# Notes to the Financial Statements

For the year ended June 30, 2023

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 3.1 Property, plant and equipment

Property, plant and equipment except for land and capital work-in-progress are stated at cost less accumulated depreciation and impairment loss, if any. Land and capital work-in-progress are stated at cost less impairment, if any. Capital work-in-progress consists of expenditure incurred and advances made in the course of an asset's construction and installation. Depreciation is charged to statement of profit or loss applying the reducing balance method except for computers which are depreciated on straight-line method, at the rates mentioned in note 4.1 to these financial statements, and certain plant and machinery of flexible packaging division as mentioned in note 4.1.1 to these financial statements which are depreciated using the units of production method. Depreciation is charged from the month in which an asset is available for use, while no depreciation is charged in the month in which an asset is disposed off.

Maintenance and repairs are charged to the statement of profit or loss as and when incurred. Major renewals and improvements which increase the asset's remaining useful economic life or the performance beyond the current estimated levels are capitalised and the assets so replaced, if any, are retired.

Gains or losses on disposal of property, plant and equipment, if any, are recognised in the statement of profit or loss.

The carrying values of property, plant and equipment are reviewed for impairment annually when events or changes in circumstances indicate that the carrying values may not be recoverable. If such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to the recoverable amounts.

### 3.2 Intangible assets

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of such assets can also be measured reliably.

Computer software and implementation costs that are directly associated with the computer and computer controlled machines which cannot operate without the related specific software, are included in the cost of respective assets. Software which is not an integral part of the related hardware is classified as intangible asset.

Intangible assets are stated at cost less accumulated amortization and impairment loss, if any. Intangible assets are amortized on straight line method when assets are available for use. Amortization is charged from the month of the year in which addition / capitalization occurs while no amortization is charged in the month in which an asset is disposed off.

### 3.3 Investments

#### 3.3.1 Joint venture

The Company has interest in a jointly controlled entity. The Company combines its share and recognizes its interest in the joint venture using the equity method. Under equity method, the investment in joint venture is carried in the statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the joint venture.

# Notes to the Financial Statements

For the year ended June 30, 2023

The statement of profit or loss reflects the share of the results of operations of joint venture.

After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on the Company's investment in joint venture. The Company determines at each reporting date whether there is any objective evidence that the investment in joint venture is impaired. If this is the case, the Company calculates the amount of impairment loss as the difference between the recoverable amount of joint venture and their carrying value and recognizes the amount in the statement of profit or loss.

Financial statements of joint venture are prepared for same reporting period as that of the Company, using consistent accounting policies in line with that of the Company.

### **3.3.2 At fair value through other comprehensive income**

These investments are initially recognised at cost, being the fair value of the consideration paid including transaction cost. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price).

All gains or losses from change in the fair value of these investments are recognised directly in other comprehensive income.

### **3.3.3 At fair value through profit or loss**

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuation in prices are classified as 'financial assets at fair value through profit or loss' category.

These investments are initially recognised at fair value, relevant transaction costs are taken directly to the statement of profit or loss and subsequently measured at fair value. Net gains and losses arising on changes in fair value of these financial assets are taken to the statement of profit or loss in the period in which they arise.

### **3.4 Stores, spare parts and loose tools**

These are valued at lower of weighted average cost and estimated NRV except items in-transit, if any, which are stated at invoice value plus other charges incurred thereon up to the date of the statement of financial position.

Provision / write-off, if required, is made in financial statements for slow moving, obsolete and unusable items to bring their carrying value down to NRV. NRV signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses.

### **3.5 Stock-in-trade**

Raw materials and finished goods are valued at lower of weighted average cost and estimated NRV, except items in-transit, if any, which are valued at cost comprising invoice values plus other charges incurred thereon up to the date of statement of financial position.

Work-in-process is valued at weighted average cost including a proportion of manufacturing overheads.

# Notes to the Financial Statements

For the year ended June 30, 2023

Cost signifies in relation to:

**Raw and packing material** - Purchase cost and other direct expenses on weighted average basis

**Finished goods and work-in-process** - Cost of direct material, labour and proportion of manufacturing overheads

**Stock-in-transit** - Invoice value plus other charges paid thereon up to the statement of financial position date

Provision, if required is made in the financial statements for slow moving, obsolete and unusable items to bring their carrying value down to NRV.

## 3.6 Trade debts, loans, deposits and other receivables

Trade debts, loans, deposits and other receivables are stated initially at fair value and subsequently measured at amortized cost using the effective interest rate method. Provision is made on the basis of lifetime ECLs that result from all possible default events over the expected life of the trade debts, loans and other receivables. Bad debts are written off when considered irrecoverable.

## 3.7 Cash and cash equivalents

Cash and cash equivalents are stated at cost. For the purpose of statement of cash flows, cash and cash equivalents comprise cash and cheques in hand, current and saving accounts with banks and short term borrowings.

## 3.8 Share capital and reserves

Ordinary shares are classified as equity and recognised at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Reserves comprise of capital and revenue reserves. Capital reserves represent share premium while revenue reserves comprise of general reserves and unappropriated profit. The purpose of general reserves includes, but not limited to, fulfilling various business needs like meeting contingencies, offsetting future losses, enhancing the working capital, etc.

## 3.9 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### 3.9.1 Financial assets

#### a) Initial recognition and measurement

Financial assets are classified at initial recognition and subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss.



# Notes to the Financial Statements

For the year ended June 30, 2023

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

## **b) Subsequent measurement**

For purposes of subsequent measurement, the Company classifies its financial assets into following categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) (FVOCI); and
- Financial assets at fair value through profit or loss (FVPL)

### **Financial assets at amortized cost (debt instruments)**

The Company measures financial assets at amortized cost if both of the following conditions are met:

The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in unconsolidated statement of profit or loss when the asset is derecognised, modified or impaired.

### **Financial assets designated at FVOCI (equity instruments)**

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

# Notes to the Financial Statements

For the year ended June 30, 2023

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

## Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the unconsolidated statement of financial position at fair value with net changes in fair value. This category also includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognised as other income in profit or loss when the right of payment has been established.

The Company has not designated any financial asset at FVPL

## Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's unconsolidated statement of financial position) when

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

(a) the Company has transferred substantially all the risks and rewards of the asset, or

(b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

# Notes to the Financial Statements

For the year ended June 30, 2023

## Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL is recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For financial assets other than trade debts, the Company applies general approach in calculating ECL. It is based on difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive discounted at the approximation of the original effective interest rate. The expected cash flows will include cash flows from sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade debts, the Company applies a simplified approach where applicable in calculating ECL. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Company has established a provision matrix for large portfolio of customer having similar characteristics and default rates based on the credit rating of customers from which receivables are due that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset to be at a risk of default when contractual payments are 180 days past due, unless there are factors that might indicate otherwise. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### 3.9.2 Financial liabilities

Financial liabilities - loans and borrowings are initially recognised at fair value, net of transaction costs incurred and subsequently carried at amortized cost using the effective interest method. These are classified as current liabilities unless the Company has an unconditional / contractual right to defer settlement of the liability for at least twelve months after the statement of financial position date. The Company has not designated any financial liabilities at FVTPL.

### 3.9.3 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realize the assets and settle liabilities simultaneously. Incomes and expenses arising from such assets and liabilities are also offset accordingly.

# Notes to the Financial Statements

For the year ended June 30, 2023

## 3.10 Government grant

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to expense, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed out. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

## 3.11 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

## 3.12 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

## 3.13 Foreign currency transactions and translations

Transactions in foreign currencies are translated into Pakistani Rupees at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated into Pakistani Rupees at the foreign exchange rate ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

## 3.14 Revenue recognition

Revenue is recognised at the point in time when control of the asset is transferred to the customer. The Company has concluded that it is acting as a principal in its revenue arrangements. Revenue is measured at fair value of the consideration received or receivable and is recognised on the following basis:

### 3.14.1 Sale of goods

Revenue from sale of goods is recognised when or as control of goods have been transferred to a customer either over time or at a point in time, when the performance obligations are met. It is recorded at net of trade discounts and rebates.

### 3.14.2 Other income

Profit on savings accounts is recognised on accrual basis using an effective interest rate method.

Dividend income is recognised when the right to receive such payment is established.

Other revenues are accounted when performance obligations are met.

# Notes to the Financial Statements

For the year ended June 30, 2023

## 3.15 Staff retirement benefits

### 3.15.1 Gratuity fund

The Company operates an approved and funded gratuity scheme for all eligible employees who have completed the minimum qualifying period of service. The scheme is administered by the trustees nominated under the trust deed. The contributions to the scheme are made in accordance with actuarial valuation using Projected Unit Credit method. Actuarial gains and losses are recognised in full in the period in which they occur in the other comprehensive income. All the past service costs are recognised at the earlier of when the amendments or curtailment occurs and when the Company has recognised related restructuring or terminations benefits.

### 3.15.2 Provident fund

The Company operates an approved defined contributory provident fund scheme for all permanent employees who have completed the minimum qualifying period of service. Equal monthly contributions are made by the Company and the employees to the fund at the rate of 8.33% of basic salary.

## 3.16 Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

## 3.17 Taxation

### 3.17.1 Current

The charge for current taxation is based on taxable income at the current rates in accordance with Income Tax Ordinance, 2001.

### 3.17.2 Deferred

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

As the provision for taxation has been made partially under the normal basis and partially under the final tax regime, therefore, the deferred tax liability has been recognised on a proportionate basis in accordance with Technical Release 27 issued by the Institute of Chartered Accountants of Pakistan.

# Notes to the Financial Statements

For the year ended June 30, 2023

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted by the statement of financial position date.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset current tax assets and liabilities and they relate to the income tax levied by the same tax authority.

## 3.17.3 Sales tax

Revenues, expenses and assets are recognised net of amount of sales tax except:

- Where sales tax incurred on a purchase of asset or service is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- Receivables or payables that are stated with the amount of sales tax included; and
- The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of assets or liabilities in the statement of financial position.

## 3.18 Earnings per share

The Company presents basic and diluted Earnings Per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for the effects of all dilutive potential ordinary shares.

## 3.19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

## 3.20 Impairment of non-financial assets

The carrying amount of non-financial assets other than inventories are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised, as an expense in the statement of profit or loss, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects the current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

# Notes to the Financial Statements

For the year ended June 30, 2023

## 3.21 Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. For trade debts, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Company considers a financial asset in default when contractual payments are 270 days past due. Further, the Company may consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

## 3.22 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognised in the financial statements in the period in which these are approved. Transfer between reserves made subsequent to the statement of financial position date is considered as a non-adjusting event and is recognised in the financial statements in the period in which such transfers are made.

## 3.23 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

## 3.24 Segment reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the Chief Executive Officer (CEO) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, income tax assets, liabilities and related income and expenditures. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

## 3.25 Short-term leases

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on such leases are recognised as expense on a straight-line basis over the lease term.

# Notes to the Financial Statements

For the year ended June 30, 2023

## 3.26 Contingent liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of obligation cannot be measured with sufficient reliability.

## 4. PROPERTY, PLANT AND EQUIPMENT

	Note	2023	2022
----- (Rupees in '000) -----			
Operating property, plant and equipment	4.1	5,834,403	5,425,194
Capital work-in-progress (CWIP)	4.2	153,182	130,452
		<u>5,987,585</u>	<u>5,555,646</u>

### 4.1 Operating property, plant and equipment

2023 Description	COST					ACCUMULATED DEPRECIATION					NET BOOK VALUE	DEPRECIATION RATE
	As at July 01, 2022	Additions (Note 4.2)	Disposals (Note 4.1.5)	Assets classified as held for sale	As at June 30, 2023	As at July 01, 2022	Disposals	Charge for the year (Note 4.1.4)	Assets classified as held for sale	As at June 30, 2023	As at June 30, 2023	% per annum
----- (Rupees in '000) -----												
Leasehold land	77,022	-	-	-	77,022	-	-	-	-	-	77,022	-
Building on leasehold land	1,394,875	4,229	-	-	1,399,104	435,520	-	78,748	-	514,268	884,836	5-10
Plant and machinery	5,028,068	1,149,492	-	(833,112)	5,344,448	1,417,770	-	210,709	(354,741)	1,273,738	4,070,710	5-7.5
Power and other installations	367,033	-	-	-	367,033	86,421	-	23,390	-	109,811	257,222	7.5-10
Furniture and fittings	80,210	11,058	-	-	91,268	21,111	-	6,296	-	27,407	63,861	5-10
Vehicles	244,676	82,935	(25,108)	-	302,503	101,459	(16,657)	38,695	-	123,497	179,006	20
Equipment	390,602	29,482	-	-	420,084	109,106	-	23,141	-	132,247	287,837	7.5-10
Computers	68,262	9,794	(429)	-	77,627	54,167	(285)	9,836	-	63,718	13,909	33.33
	<u>7,650,748</u>	<u>1,286,990</u>	<u>(25,537)</u>	<u>(833,112)</u>	<u>8,079,089</u>	<u>2,225,554</u>	<u>(16,942)</u>	<u>390,815</u>	<u>(354,741)</u>	<u>2,244,686</u>	<u>5,834,403</u>	

2022 Description	COST					ACCUMULATED DEPRECIATION					NET BOOK VALUE	DEPRECIATION RATE
	As at July 01, 2021	Additions (Note 4.2)	Disposals (Note 4.1.5)	Assets classified as held for sale	As at June 30, 2022	As at July 01, 2021	Disposals	Charge for the year (Note 4.1.4)	Assets classified as held for sale	As at June 30, 2022	As at June 30, 2022	% per annum
----- (Rupees in '000) -----												
Leasehold land	77,022	-	-	-	77,022	-	-	-	-	-	77,022	-
Building on leasehold land	1,304,529	90,346	-	-	1,394,875	356,391	-	79,129	-	435,520	959,355	5-10
Plant and machinery	4,343,061	685,007	-	-	5,028,068	1,229,666	-	188,104	-	1,417,770	3,610,298	5-7.5
Power and other installations	216,105	150,928	-	-	367,033	64,887	-	21,534	-	86,421	280,612	7.5-10
Furniture and fittings	64,376	15,834	-	-	80,210	15,355	-	5,756	-	21,111	59,099	5-10
Vehicles	181,602	73,311	(10,237)	-	244,676	81,700	(5,581)	25,340	-	101,459	143,217	20
Equipment	388,263	12,109	(9,770)	-	390,602	85,772	(74)	23,408	-	109,106	281,496	7.5-10
Computers	58,947	9,587	(272)	-	68,262	42,692	(185)	11,660	-	54,167	14,095	33.33
	<u>6,633,905</u>	<u>1,037,122</u>	<u>(20,279)</u>	<u>-</u>	<u>7,650,748</u>	<u>1,876,463</u>	<u>(5,840)</u>	<u>354,931</u>	<u>-</u>	<u>2,225,554</u>	<u>5,425,194</u>	



# Notes to the Financial Statements

For the year ended June 30, 2023

**4.1.1** Following plant and machinery relating to Flexible Packaging Division are depreciated using units of production method:

- Flexo graphic printer
- Rotogravure printers
- Extrusion line
- Laminators

**4.1.2** Particulars of significant plant and machinery are given below:

**Kraft paper bags plant**

Tuber – 2 machines  
Bottomer – 2 machines

**Polypropylene bags plant**

Extrusion line – 4 machines  
Weaving line – 4 machines  
Coating line – 4 machines  
Printing line – 4 machines  
Bags conversion line – 6 machines

**Flexible packaging plant**

Flexo graphic printer  
Rotogravure – 2 printers  
Extrusion line  
Laminator – 3 machines  
Bag making machine

<b>4.1.3 Reconciliation of book value:</b>	<b>Note</b>	<b>2023</b>	<b>2022</b>
		----- (Rupees in `000) -----	
Net book value as at the beginning of the year		5,425,194	4,757,442
Additions during the year - at cost		1,286,990	1,037,122
Depreciation charge for the year		(390,815)	(354,931)
Disposals during the year at book value	4.1.5	(8,595)	(14,439)
Non-current assets classified as held for sale at book value	4.1	(478,371)	-
Net book value as at the end of the year		5,834,403	5,425,194

**4.1.4 The depreciation charge for the year has been allocated to:**

Cost of sales	27	371,313	343,552
Distribution costs	28	13,408	7,362
Administrative expenses	29	6,094	4,017
		390,815	354,931

# Notes to the Financial Statements

For the year ended June 30, 2023

## 4.1.5 The following operating property, plant and equipment were disposed off during the year:

Description	Cost	Net book value	Sale proceeds	Gain/(loss) (Note 31 & 30)	Mode of disposal	Particulars of buyers and relationship, if any
----- (Rupees in '000) -----						
<b>Vehicles</b>						
Honda Civic	2,329	748	3,254	2,506	Auction	Mr. Anwar Ul Haq
Toyota Corolla	1,807	426	452	26	Employee Scheme	Mr. Sher Malik – Employee
Honda City	1,597	530	2,515	1,985	Auction	Mr. Zahid Qadri
Audi A6	6,000	1,584	1,584	-	Employee Scheme	Mr. Abid Vazir – Director / Employee
Suzuki Wagon R	1,760	1,399	2,236	837	Auction	Mr. Wasim Mirza
Suzuki Wagon R	1,054	273	273	-	Employee Scheme	Mr. Abdul Qadir – Employee
Suzuki Wagon R	984	249	249	-	Employee Scheme	Mr. Muhammad Fareed – Employee
Suzuki Wagon R	894	193	224	31	Employee Scheme	Mr. Muhammad Kaleem – Employee
Suzuki Mehran	840	323	1,070	747	Auction	Mr. Naimatullah Jan
Suzuki Mehran	860	357	1,160	803	Auction	Mr. Zahid Qadri
Suzuki Mehran	840	323	1,100	777	Auction	Mr. Akhtar Zeb
Suzuki Mehran	840	335	335	-	Employee Scheme	Mr. Muhammad Rafiq – Employee
Suzuki Mehran	773	201	201	-	Employee Scheme	Mr. Mohammad Asif – Employee
Suzuki Mehran	762	287	980	693	Auction	Mr. Tahir Iqbal
Suzuki Mehran	762	287	1,060	773	Auction	Mr. Akhtar Zeb
Suzuki Mehran	746	142	560	418	Auction	Mr. Sajjad
Suzuki Mehran	742	264	1,050	786	Auction	Mr. Arif Ali
Suzuki Mehran	732	251	732	481	Insurance Claim	EFU Insurance
Suzuki Mehran	732	243	1,143	900	Auction	Mr. Tehseen Ullah
Motor Bike	54	36	26	(10)	Auction	Mr. Hashim Vohra
Computer	429	144	319	175	Insurance Claim	EFU Insurance
<b>2023</b>	<b>25,537</b>	<b>8,595</b>	<b>20,523</b>	<b>11,928</b>		
2022	20,279	14,439	12,230	(2,209)		

## 4.2 Capital work-in-progress

	Building on leasehold land	Plant and machinery	Power and other installations	Furniture and fittings	Vehicles	Equipment	Computers	Total
----- (Rupees in '000) -----								
<b>Balance as at June 30, 2021</b>	44,509	46,888	105,390	370	2,687	57,787	-	257,631
Capital expenditure incurred/advances made during the year	52,280	666,238	45,997	15,464	81,811	38,265	9,888	909,943
Transferred to operating property, plant and equipment	(90,346)	(685,007)	(150,928)	(15,834)	(73,311)	(12,109)	(9,587)	(1,037,122)
<b>Balance as at June 30, 2022</b>	6,443	28,119	459	-	11,187	83,943	301	130,452
Capital expenditure incurred/advances made during the year	1,014	1,162,483	496	11,058	73,148	52,028	9,493	1,309,720
Transferred to operating property, plant and equipment	(4,229)	(1,149,492)	-	(11,058)	(82,935)	(29,482)	(9,794)	(1,286,990)
<b>Balance as at June 30, 2023</b>	<b>3,228</b>	<b>41,110</b>	<b>955</b>	<b>-</b>	<b>1,400</b>	<b>106,489</b>	<b>-</b>	<b>153,182</b>

**4.2.1** During the year borrowing costs on long-term financing obtained have been capitalized amounting to Rs. 60.79 million (2022: 0.80 million), using a capitalization rate of 19.61 % per annum (2022: 7.65%) in Flexible Packaging Division.

## 4.3 Fair value of property, plant and equipment

The Company assessed fair value of property, plant and equipment (excluding land and building) in May 2023 through an independent valuer. The Company used the fair value of plant and machinery as per the valuation report and included all assets capitalized subsequently at book value. Resultantly, the fair value of property, plant and equipment assessed amounts to Rs. 7.35 billion (2022: Rs. 6 billion); however, the same has not been incorporated in these financial statements.

# Notes to the Financial Statements

For the year ended June 30, 2023

## 5. INTANGIBLE ASSETS

Description	COST				AMORTIZATION				NET BOOK VALUE	AMORTIZATION RATE
	As at July 01	Additions during the year	Disposals during the year	As at June 30,	As at July 01,	Disposals	Charge for the year (Note 5.1)	As at June 30,	As at June 30,	% per annum
----- (Rupees in `000) -----										
<b>2023</b>										
ERP System/Software	16,940	2,733	-	19,673	12,341	-	801	13,142	6,531	10
<b>2022</b>										
ERP System/Software	16,158	782	-	16,940	11,509	-	832	12,341	4,599	10

5.1 The amortization charge for the year has been allocated to:	Note	2023	2022
		----- (Rupees in `000) -----	
Cost of sales	27	554	645
Administrative expenses	29	247	187
		801	832

## 6. LONG-TERM INVESTMENTS

### Investments in related parties

At fair value through other comprehensive income	6.1	640,816	495,689
Joint venture			
Investment in a joint venture	6.2	4,885	4,729
		645,701	500,418
<b>6.1</b> At fair value through other comprehensive income			
Cherat Cement Company Limited		640,816	495,689

**6.1.1** Represents 5,327,698 (2022: 5,327,698) ordinary shares of Rs. 10/- each representing 2.74% interest.

6.2 Investment in a joint venture	Note	2023	2022
		----- (Rupees in `000) -----	
As at the beginning of the year	6.2.1	4,729	4,683
Share of profit - unaudited	31	156	46
As at the end of the year		4,885	4,729

**6.2.1** Represents 462,000 shares (2022: 462,000) of Rs. 10/- each representing 4.62% interest in UniEnergy Limited (UEL), a public unlisted Company. UEL is formed for the generation and transmission of wind power; however, the company has not yet commenced its commercial operations.

**6.3** Investments in associated companies and undertakings have been made in accordance with the requirements of the Companies Act, 2017.

# Notes to the Financial Statements

For the year ended June 30, 2023

## 7. LONG-TERM SECURITY DEPOSITS considered good

Sector wise analysis is as follows:

Government sector – secured

Other sectors – unsecured

Note	2023	2022
	----- (Rupees in `000) -----	
	571	571
	150	150
7.1	<u>721</u>	<u>721</u>

7.1 These deposits do not carry any interest.

## 8. STORES, SPARE PARTS AND LOOSE TOOLS

Stores

Spare parts

Loose tools

Stores-in-transit

63,986	47,777
476,128	388,141
998	1,186
<u>541,112</u>	<u>437,104</u>
<u>60,278</u>	<u>43,324</u>
<u>601,390</u>	<u>480,428</u>

## 9. STOCK-IN-TRADE

### Raw material

In hand

in-transit

Work-in-process

Finished goods

Polypropylene scrap goods / reworkable material

4,395,992	3,292,428
319,337	554,166
<u>4,715,329</u>	<u>3,846,594</u>
209,442	214,838
506,849	581,480
26,087	18,448
<u>5,457,707</u>	<u>4,661,360</u>

## 10. TRADE DEBTS

### Considered good

secured

unsecured

Allowance for expected credit loss

10.1	-	285,828
10.3	2,590,047	2,598,580
	<u>2,590,047</u>	<u>2,884,408</u>
	(43,670)	(43,670)
10.2	<u>2,546,377</u>	<u>2,840,738</u>

10.1 Represents receivables against export sales made to Africa in 2022 under Letter of Credit and advance.

10.2 Trade receivables are generally on 45 days term. Aging analysis of trade debts is as follows:

Note	2023	2022
	----- (Rupees in `000) -----	
10.3	1,981,075	1,254,523
	565,302	1,586,215
	<u>2,546,377</u>	<u>2,840,738</u>

# Notes to the Financial Statements

For the year ended June 30, 2023

**10.3** This includes Rs. 54.18 million (2022: Rs. 0.09 million), Rs. 273.64 million (2022: Rs. Nil) and Rs. 63.34 million (2022: 22.88 million) receivable against the sales to related parties namely Mirpurkhas Sugar Mills Limited, Fauji Cement Company Limited and National Foods Limited, respectively.

**10.4** The amount due from related parties is neither past due nor impaired. The maximum aggregate amount receivable from the related parties at the end of any month during the year was Rs. 506.39 million (2022: Rs. 54.79 million).

## 11. LOANS AND ADVANCES – considered good

	Note	2023	2022
		----- (Rupees in `000) -----	
<b>Advances</b>			
Suppliers	11.1	4,036	4,312
Letters of credit		4,423	2,066
		<u>8,459</u>	<u>6,378</u>

**11.1** These advances were made to non-governmental bodies and do not carry any interest

## 12. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	2023	2022
		----- (Rupees in `000) -----	
Trade deposits - unsecured, considered good	12.1	105,079	31,080
Short-term prepayments		1,706	3,835
		<u>106,785</u>	<u>34,915</u>

**12.1** These deposits were paid to non-governmental shipping agencies and banks and do not carry any interest.

## 13. OTHER RECEIVABLES

	Note	2023	2022
		----- (Rupees in `000) -----	
Sales tax refundable		94,547	200,222
Others		4,486	63,038
		<u>99,033</u>	<u>263,260</u>

## 14. SHORT-TERM INVESTMENT

Islamic Bank	14.1	83,963	-
Conventional Bank	14.2	40,000	-
		<u>123,963</u>	<u>-</u>

**14.1** Represents Term Deposit Receipt (TDR) carrying a markup at 17% per annum.

**14.2** Represents TDR carrying a markup at 14.5% per annum. The Company has obtained Guarantees for Sindh Infrastructure Development Cess against the TDR.

# Notes to the Financial Statements

For the year ended June 30, 2023

## 15. CASH AND BANK BALANCES

Note	2023	2022
	----- (Rupees in `000) -----	
	462	1,191
	<b>Bank balances</b>	
	<b>Islamic banks</b>	
	12,798	16,024
	<b>Conventional banks</b>	
	18,403	4,894
15.1	5,616	7,016
	24,019	11,910
	37,279	29,125

15.1 These carry profit ranging from 12.25% to 19.50% (2022: 5.50% to 12.25% ) per annum.

## 16. NON CURRENT ASSETS HELD FOR SALE

The Board of Directors of the Company authorized the management of the Company to sell Paper sack lines I, II, & V. This is being done in view of shift in demand from Paper sack to Polypropylene bags by the cement industry. Management expects to complete the negotiations and execute the formalities for sale of the assets within the next financial year. The Company will be able to meet the future demand of paper sack bags with its lines III and IV having a combined capacity of 160 million bags per year. Also refer note 4.1.

## 17. SHARE CAPITAL

### 17.1 Authorized capital

2023	2022	2023	2022
Number of shares		----- (Rupees in `000) -----	
100,000,000	100,000,000	1,000,000	1,000,000
	Ordinary shares of Rs. 10/- each		

### 17.2 Issued, subscribed and paid-up capital

2023	2022	2023	2022
Number of shares			
26,207,242	26,207,242	262,072	262,072
22,888,151	16,299,593	228,882	162,997
49,095,393	42,506,835	490,954	425,069
	Ordinary shares of Rs. 10/- each		
	- Issued as fully paid in cash		
	- Issued as bonus shares		

17.3 Following is the detail of shares held by the associated companies:

	2023	2022
	----- (Number of shares) -----	
Faruque (Private) Limited	5,032,214	4,356,896
Cherat Cement Company Limited	3,606,524	3,122,532
Mirpurkhas Sugar Mills Limited	2,437,615	2,110,490
Greaves Pakistan (Private) Limited	2,465,963	2,135,034
	13,542,316	11,724,952

# Notes to the Financial Statements

For the year ended June 30, 2023

**17.4** Voting rights, Board selection, right of first refusal and block voting are in proportion to the shareholding.

## 18. RESERVES

Note	2023	2022
----- (Rupees in `000) -----		
<b>Capital reserve</b>		
Share premium	998,628	998,628
<b>Revenue reserve</b>		
General reserve	180,000	180,000
Unappropriated profit	5,081,497	4,349,650
	5,261,497	4,529,650
<b>Other Components of Equity</b>		
Actuarial gain on gratuity fund	9,180	7,070
Unrealized gain on equity investment	440,267	295,140
	449,447	302,210
	6,709,572	5,830,488

## 19. LONG-TERM FINANCING - secured

### Islamic banks

Fixed Assets Refinance - Polypropylene Line III	19.1	45,000	135,000
Fixed Assets Refinance - Kraftpaper Line V	19.2	180,000	300,000
Fixed Assets Refinance - Rotogravure printing Line - II Project	19.3	985,765	-
Islamic Finance Facility for Renewable Energy	19.4	71,868	80,268
		1,282,633	515,268

### Conventional banks

Fixed Assets Refinance Loan - Flexible Packaging Line - I Tranche 1	19.5	720,000	960,000
Tranche 2	19.6	360,000	
Temporary Economic Refinance Facility (TERF) - Polypropylene Line - IV	19.7	438,929	480,000
		1,518,929	1,844,733
		2,801,562	2,360,001
Refinance Scheme for Payment of Wages and Salaries	19.8	-	97,624
		2,801,562	2,457,625
Current maturities		(636,850)	(676,024)
		2,164,712	1,781,601

**19.1** Represents long-term financing obtained from an Islamic bank under Diminishing Musharakah for the import of Polypropylene Plant. It carries profit at the rate of 6 months' KIBOR + 0.2% per annum. The financing is repayable in 10 equal semi-annual installments which commenced after 30 months from the date of first drawdown i.e. from January 2019. The financing is secured against first pari-passu hypothecation charge of Rs. 667 million over specific plant and machinery of the Company.

**19.2** Represents long-term financing obtained from an Islamic bank under Diminishing Musharakah for the import of Universal Papersack Line. The loan carries a profit rate of 6 months' KIBOR + 0.2% per annum. The financing is repayable in 10 equal semi-annual installments which commenced after 30 months from the date of first drawdown i.e. from January 2020. It is secured against first pari-passu hypothecation charge of Rs. 800 million on plant and machinery of the Company.

# Notes to the Financial Statements

For the year ended June 30, 2023

- 19.3** Represents Diminishing Musharakah obtained during the year from an Islamic bank for the import of Rotogravure printing line II. The loan carries profit at the rate of 3 months KIBOR plus 0.2% per annum. The loan is repayable in 20 equal quarterly installments commencing after 27 months from the date of first disbursement i.e. from August 16, 2022. It is secured by way of first pari-passu hypothecation charge of Rs. 1,333 million over plant and machinery of the Company.
- 19.4** Represents a long-term financing obtained from an Islamic bank under State Bank of Pakistan's Islamic Financing Facility for Renewable Energy (IFRE) recognised initially at fair value to setup a 0.96 MW Solar Power Project. The total facility amounts to Rs. 120 million and it carries a flat profit rate of SBP's rate of 2% + 1.75% per annum. The financing is repayable in 20 equal semi-annual installments which commenced after 6 months from the date of first drawdown i.e. April 2021. It is secured against first pari-passu hypothecation charge of Rs. 160 million on plant and machinery of the Company. The incremental borrowing rate for the purpose of discounting adjustment is taken at 7.65% (2022: 7.65%) per annum and differential markup has been recognised as government grant (as mentioned in note 21) which will be amortized to the other income over the period of facility.
- 19.5** Represents long-term financing obtained from a conventional bank for the import of Flexible Packaging Plant. It carries mark-up at the rate of 6 months KIBOR+ 0.15% per annum. The financing is repayable in 10 equal semi-annual installments which was due to commence after 30 months from first drawdown i.e. from August 2020. However, considering one year deferment availed under principal deferment facility offered by SBP through BPRD circular no. 13 of 2020, repayment commenced from August 2021. The financing is secured against first pari-passu hypothecation charge of Rs. 1,600 million on plant and machinery of the Company.
- 19.6** Represents long-term financing obtained from a conventional bank for the import of Flexible Packaging Plant. It carries mark-up at the rate of 6 months' KIBOR+ 0.15% per annum. The financing is repayable in 10 equal semi-annual installments which was due to commence after 30 months from first drawdown i.e. from December 2020. However, considering one year deferment availed under principal deferment facility offered by SBP through BPRD circular no. 13 of 2020, repayment commenced from December 2021. The financing is secured against first pari-passu hypothecation charge of Rs. 800 million on plant and machinery of the Company.
- 19.7** Represents a long-term loan obtained from a conventional bank under Temporary Economic Refinance Facility (TERF) as announced by the Government of Pakistan recognised initially at fair value. The total facility amounts to Rs 800 million and it carries a flat mark-up at the rate of 1.70% per annum. The financing is repayable in 16 equal semi-annual installments commencing from June 2024. The financing is secured against first pari-passu hypothecation charge of Rs. 1,066.67 million on the plant and machinery of the Company. The incremental borrowing rate for the purpose of discounting adjustment is taken at 11.02% (2022: 11.02%) per annum and differential markup has been recognised as government grant (as mentioned in note 21) which will be amortized to the other income over the period of facility.



# Notes to the Financial Statements

For the year ended June 30, 2023

**19.8** Represents long-term financing obtained from a conventional bank under the Refinance Scheme for Payment of Wages and Salaries by State Bank of Pakistan recognised initially at Fair value. The total facility amounted to Rs. 237 million and it carried a flat mark-up at the rate of 0.5% to 1 % per annum. The SBP allowed rate as per the scheme is up to 3%. The financing was repayable in 8 equal quarterly installments commenced from April 2021. It was secured against first pari-passu hypothecation charge over current assets of the Company. The loan has been fully paid during the year.

## 20. DEFERRED TAXATION

Note	2023	2022
	----- (Rupees in `000) -----	
<b>Temporary taxable differences</b>		
Accelerated tax depreciation	1,065,876	752,628
Deferred tax on actuarial gain on defined benefit plan	(8,249)	(6,779)
<b>Temporary deductible differences</b>		
Deferred tax on Government Grant	-	(3,973)
Others	(10,025)	(9,321)
	<u>1,047,602</u>	<u>732,555</u>

## 21. GOVERNMENT GRANT

Balance as at the beginning of the year		278,165	17,540
Recognized during the year		-	282,390
Amortized during the year	31	(35,150)	(21,765)
Balance as at the end of the year	21.1	<u>243,015</u>	<u>278,165</u>
Current maturity		(29,046)	(34,811)
		<u>213,969</u>	<u>243,354</u>

**21.1** As aforementioned in note 19.4 and 19.7, the Government grant has been recorded as per the provisions of IAS-20 due to the difference between coupon and effective interest rates of the aforementioned financial liabilities.

## 22. TRADE AND OTHER PAYABLES

Note	2023	2022
	----- (Rupees in `000) -----	
Creditors	715,902	542,913
Contract liabilities	22.1 32,166	7,213
Gratuity fund	22.2 21,152	20,834
Bills payable	482,258	510,503
Accrued liabilities	304,131	323,790
Sindh Infrastructure Development Cess	22.3 393,388	284,237
Workers' Profits Participation Fund	22.4 44,732	46,302
Workers' Welfare Fund	22.5 23,720	21,537
Retention money	9,372	14,757
	<u>2,026,821</u>	<u>1,772,086</u>

**22.1** These contract liabilities are unsecured and received under normal course of business. Revenue recognized during the year from amounts included in contract liabilities at the beginning of the year amounts to Rs. 7.21 million. (2022: Rs. 2.71 million).

# Notes to the Financial Statements

For the year ended June 30, 2023

## 22.2 Gratuity fund

### Defined benefit plan

The Company operates an approved funded gratuity scheme for all eligible employees. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuation was carried out as at June 30, 2023.

#### Amounts recognized in the statement of financial position:

	2023	2022
	----- (Rupees in `000) -----	
Present value of defined benefit obligations	166,323	123,566
Fair value of plan assets	(145,171)	(102,732)
Liability recognized in the statement of financial position	<u>21,152</u>	<u>20,834</u>

#### Amounts recognized in the statement of profit or loss:

Current service cost	19,511	19,270
Interest cost	16,117	10,142
Expected return on plan assets	(14,920)	(11,170)
	<u>20,708</u>	<u>18,242</u>

#### Amounts recognized in other comprehensive income:

Actuarial (loss) / gain on defined benefit obligations	(7,129)	2,865
Actuarial gain / (loss) on plan assets	7,769	(23,408)
	<u>640</u>	<u>(20,543)</u>

#### Movement in the liability in the statement of financial position:

As at the beginning of the year	20,834	(2,451)
Net charge for the year	20,708	18,242
Re-measurement chargeable in other comprehensive income	(640)	20,543
Contributions	(19,750)	(15,500)
Balance as at the end of the year	<u>21,152</u>	<u>20,834</u>

#### Movement in the present value of defined benefit obligation:

As at the beginning of the year	123,566	105,978
Current service cost	19,511	19,270
Interest cost	16,117	10,142
Benefits paid during the year	-	(8,959)
Actuarial gain	7,129	(2,865)
Balance as at the end of the year	<u>166,323</u>	<u>123,566</u>

#### Movement in the fair value of plan assets:

As at the beginning of the year	102,732	108,429
Expected return	14,920	11,170
Contributions	19,750	15,500
Benefits paid during the year	-	(8,959)
Actuarial (loss) / gain	7,769	(23,408)
Balance as at the end of the year	<u>145,171</u>	<u>102,732</u>

# Notes to the Financial Statements

For the year ended June 30, 2023

Principal actuarial assumptions used are as follows:	Note	2023	2022
		----- (Percentage) -----	
Expected rate of increase in salary level – long term	22.2.1	14.25	11.25
Valuation discount rate		16.25	13.25
Rate of return on plan assets		16.25	13.25
Mortality rates		SLIC 2001–2005	SLIC 2001–2005

**22.2.1** The discount rate of 16.25% is representative of yields on long-term Government Bonds

**22.2.2** Expected gratuity expense to the plan for the year ending June 30, 2024 is Rs. 24.42 million.

## Comparison for past years: As at June 30,

	2023	2022	2021	2020	2019
	----- (Rupees in '000) -----				
Present value of defined benefit obligations	166,323	123,566	105,978	95,427	80,268
Fair value of plan assets	(145,171)	(102,732)	(108,429)	(77,098)	(46,579)
(Surplus) / deficit	21,152	20,834	(2,451)	18,329	33,689
Experience adjustment on plan liabilities	(7,129)	2,865	5,548	(259)	(473)
Experience adjustment on plan assets	7,769	(23,408)	15,044	20,331	27,527
	640	(20,543)	20,592	20,072	27,054

## Composition of plan assets are as follows:

	2023	2022
	----- (Rupees in '000) -----	
Government Securities	66,118	60,340
Mutual Funds / Shares	77,663	41,733
Bank balances	1,390	659
	145,171	102,732

The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the Company, at the beginning of the period, for returns over the entire life of related obligation. The return on plan assets was assumed to equal the discount rate. Actual gain / (loss) on plan assets during the year amounts to Rs. 22.69 million (2022: Rs. (12.24) million).

## Sensitivity analysis

	2023			
	Discount rate		Salary increase	
	+100 bps	-100 bps	+100 bps	-100 bps
	----- (Rupees in '000) -----			
Present value of defined benefit obligations	158,428	175,296	176,136	157,547

**22.3** Government of Sindh imposed an infrastructure fee on the goods entering or leaving the province through the Sindh Finance (Amendment) Ordinance, 2007 which was challenged in the Honorable Sindh High Court (SHC) which granted an interim relief in May 2011, whereby the goods of petitioners will be cleared by the Excise and Taxation Department on payment of 50% of the disputed amount and on furnishing bank guarantee for the balance 50% amount till the final outcome of the case. The Company became a party to the

# Notes to the Financial Statements

For the year ended June 30, 2023

arrangement in February 2014 and issued bank guarantees in favor of the Department. In the month of June 2021, SHC decided the case in favor of Excise and Taxation Department. The Company challenged the decision of the SHC, in respect of infrastructure cess, in the Honorable Supreme Court of Pakistan which provided relief to the petitioners by issuing stay order and allowing submission of bank guarantee of 100% of the amount till the time the case is finally decided. The amount of guarantee issued up to June 30, 2023 for infrastructure fee is Rs. 399 million. The management has accrued the amount in these financial statements.

<b>22.4 Workers' Profits Participation Fund</b>	<b>Note</b>	<b>2023</b>	<b>2022</b>
		----- (Rupees in `000) -----	
Balance as at the beginning of the year		46,302	64,169
Interest thereon	32	666	502
		46,968	64,671
Payments during the year		(46,968)	(64,671)
		-	-
Charge for the year	30	44,732	46,302
Balance as at the end of the year		44,732	46,302

<b>22.5 Workers' Welfare Fund</b>			
Balance as at the beginning of the year		21,537	20,691
Charge for the year	30	22,024	22,564
		43,561	43,255
Less: Paid during the year		19,841	21,718
Balance as at the end of the year		23,720	21,537

## 23. SHORT-TERM BORROWINGS

<b>Conventional banks</b>			
Short-term running finance	23.1	2,022,664	2,442,591
<b>Islamic banks</b>			
Running Musharakah	23.2	762,967	826,435
		2,785,631	3,269,026

**23.1** Represents facilities obtained from various conventional banks amounting to Rs. 5,750 million (2022: Rs. 5,250 million) out of which Rs. 3,727 million (2022: Rs. 2,507.40 million) remains unutilised at the year end. These facilities are secured against registered joint pari-passu hypothecation charge over stocks and book debts for Rs. 7,671 million (2022: Rs. 6,067 million) and ranking hypothecation charge over stocks and book debts of Rs. Nil (2022: 683 million). These facilities carry mark up of 1 and 3 months' KIBOR plus spread ranging from 0.40 % to 0.75% (2022: 1 and 3 months' KIBOR plus spread ranging from 0.30% to 0.75%) per annum.

# Notes to the Financial Statements

For the year ended June 30, 2023

**23.2** Represents facilities obtained from various Islamic banks amounting to Rs. 3,350 million (2022: Rs. 2,300 million) out of which Rs. 2,587 million remains unutilised (2022: Rs. 1,473.60 million) at the year end. These facilities are secured against registered joint pari-passu hypothecation charge over stocks and book debts for Rs. 4,469 million (2022: Rs. 2,533 million) and ranking hypothecation charge over stocks and book debts of Rs. Nil (2022: 534 million). These facilities carry profit rate of 1 and 3 months KIBOR plus spread ranging from 0.15 % to 0.75 % (2022: 1 and 3 months' KIBOR plus spread ranging from 0.15% to 0.75%) per annum.

## 24. UNCLAIMED DIVIDEND

The Company is maintaining a separate bank account for unclaimed dividend as required under section 244 of the Companies Act, 2017.

## 25. CONTINGENCIES AND COMMITMENTS

	Note	2023	2022
----- (Rupees in `000) -----			
Outstanding letters of guarantee – conventional bank		77,018	77,018
Outstanding letters of credit – conventional and Islamic banks		534,635	2,125,109
Capital commitments	25.2	62,113	747,790

**25.1** Khyber Pakhtunkhwa Economic Zones Development and Management Company (KPEZDMC) was established in KPK with an aim to develop and manage industrial zones in KPK. The KPEZDMC offered various incentives on development projects within KPK from the financial year 2016 to December 2019. The Company applied for the incentive against its Polypropylene bags line and other expansions up till June 30, 2017. However, despite several follow ups, KPEZDMC has not released the incentive amount. Viewing the situation the company has filed a petition in Peshawar High Court (PHC) for the recovery of the incentive amount. The case is still pending in PHC. The management of the Company is hopeful that the incentive amount will be realized from KPEZDMC. However, as a matter of prudence, no income has yet been recorded in these financial statements.

**25.2** These capital commitment have been extended to a related party amounting to Rs. 62.11 million (2022: Nil)

## 26. TURNOVER – net

	2023	2022
----- (Rupees in `000) -----		
Local sales	19,376,157	15,215,845
Less: Sales tax	2,892,983	2,214,993
	16,483,174	13,000,852
Less: Discounts	5,150	3,397
Net local sales	16,478,024	12,997,455
Export sales	76,238	505,064
	16,554,262	13,502,519

# Notes to the Financial Statements

For the year ended June 30, 2023

## 27. COST OF SALES

	Note	2023	2022
----- (Rupees in `000) -----			
<b>Raw material consumed</b>			
Stock as at the beginning of the year		3,292,428	1,706,229
Purchases		12,019,482	11,129,449
		15,311,910	12,835,678
Stock as at the end of the year	9	(4,395,992)	(3,292,428)
		10,915,918	9,543,250
Duty drawback on export		(7,465)	(13,345)
		10,908,453	9,529,905
<b>Manufacturing overheads</b>			
Salaries, wages and benefits	27.1	795,676	712,171
Stores, spare parts and loose tools consumed		274,540	215,096
Fuel and power		496,218	406,671
Packing charges		261,058	231,912
Rent, rates and taxes		11,228	8,666
Repairs and maintenance		14,517	16,071
Depreciation	4.1.4	371,313	343,552
Amortization	5.1	554	645
Insurance		62,072	46,629
General office expenses		1,741	3,574
Vehicle running expenses		32,412	21,789
Travelling and conveyance		17,236	10,859
Communication expenses		6,219	4,766
Printing and stationery		7,768	2,153
Legal and professional charges		15,422	13,288
Freight and cartage		3,905	3,191
Subscription		9,947	4,928
Stores and spares parts – written off		222	65
Others		5,398	4,577
		2,387,446	2,050,603
		13,295,899	11,580,508
<b>Work-in-process</b>			
Balance as at the beginning of the year		214,838	244,483
Balance as at the end of the year	9	(209,442)	(214,838)
		5,396	29,645
<b>Polypropylene scrap goods / reworkable material</b>			
Balance as at the beginning of the year		18,448	11,550
Balance as at the end of the year	9	(26,087)	(18,448)
Sales		(91,098)	(73,876)
		(98,737)	(80,774)
Cost of goods manufactured		13,202,558	11,529,379
<b>Finished goods</b>			
Balance as at the beginning of the year		581,480	239,891
Balance as at the end of the year	9	(506,849)	(581,480)
		74,631	(341,589)
		13,277,189	11,187,790

# Notes to the Financial Statements

For the year ended June 30, 2023

**27.1** Includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 17.17 million and Rs. 16.14 million (2022: Rs. 13.77 million and Rs. 9.97 million ) respectively.

<b>28. DISTRIBUTION COSTS</b>	<b>Note</b>	<b>2023</b>	<b>2022</b>
		----- (Rupees in `000) -----	
Salaries and benefits	28.1	89,837	75,849
Travelling and conveyance		5,931	4,521
Vehicle running expenses		11,069	6,509
Repair and maintenance		1,016	469
Communication expenses		2,904	2,169
Rent, rates and taxes		1,885	2,250
Insurance		4,120	3,139
Printing and stationery		2,266	271
Depreciation	4.1.4	13,408	7,362
Freight and cartage		108,098	134,650
Export expenses		943	10,619
Others		3,354	7,005
		<u>244,831</u>	<u>254,813</u>

**28.1** Includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 3.16 million and Rs. 2.65 million (2022: Rs. 2.27 million and Rs. 4.64 million) respectively.

<b>29. ADMINISTRATIVE EXPENSES</b>	<b>Note</b>	<b>2023</b>	<b>2022</b>
		----- (Rupees in `000) -----	
Salaries and benefits	29.1	107,416	96,025
Directors' fee		4,080	3,480
Travelling and conveyance		2,656	1,490
Vehicle running expenses		7,864	4,277
Communication expenses		6,115	5,210
Printing and stationery		4,864	2,019
Rent, rates and taxes		3,963	1,961
Legal and professional charges		10,571	8,144
Insurance		10,942	8,638
Subscription		7,064	4,527
Advertisement		884	312
Depreciation	4.1.4	6,094	4,017
Amortization	5.1	247	187
Repairs and maintenance		5,950	1,078
General office expenses		1,627	1,305
Utilities		451	326
Others		14	19
		<u>180,802</u>	<u>143,015</u>

**29.1** Includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 2.03 million and Rs. 1.91 million (2022: Rs. 1.75 million and Rs. 3.63 million) respectively.

# Notes to the Financial Statements

For the year ended June 30, 2023

<b>30. OTHER EXPENSES</b>	<b>Note</b>	<b>2023</b>	<b>2022</b>
		----- (Rupees in `000) -----	
Auditors' remuneration	30.1	4,679	3,192
Donations	30.2	5,033	1,614
Loss on disposal of operating property, plant and equipment	4.1.5	-	2,209
Workers' Profits Participation Fund	22.4	44,732	46,302
Workers' Welfare Fund	22.5	22,024	22,564
Exchange loss		714	-
		<b>77,182</b>	<b>75,881</b>

## 30.1 Auditors' remuneration

Audit fee	1,344	1,130
Half yearly review and CCG certification	713	600
Tax and other corporate services	2,336	1,096
Out of pocket expenses	286	366
	<b>4,679</b>	<b>3,192</b>

**30.2** Recipients of donations do not include any donee in which any director or his spouse had any interest except for donation paid to Ghulam Faruque Trust. Following directors of the Company are also trustees of the said trust:

- Mr. Amer Faruque
- Mr. Aslam Faruque
- Mr. Shehryar Faruque

<b>31. OTHER INCOME</b>	<b>Note</b>	<b>2023</b>	<b>2022</b>
		----- (Rupees in `000) -----	
<b>Income from financial assets</b>			
Profit on savings accounts / short-term investment			
- conventional banks		6,335	1,046
Dividend income from an associated company – Cherat Cement Company Limited	31.1	23,975	6,660
Government grant amortized	21	35,150	21,765
Profit on short term investment – islamic bank		2,830	-
Share of profit from investment in a joint venture – UniEnergy Limited	6.2	156	46
		<b>68,446</b>	<b>29,517</b>
<b>Income from non-financial assets</b>			
Gain on disposal of operating property, plant and equipment	4.1.5	11,928	-
Scrap sales		15,610	10,151
		<b>95,984</b>	<b>39,668</b>

**31.1** Cherat Cement Company Limited is included as shariah compliant company at Pakistan Stock Exchange under KMIALLSHR index and KMI-30 index



# Notes to the Financial Statements

For the year ended June 30, 2023

32. FINANCE COSTS	Note	2023	2022
		----- (Rupees in `000) -----	
<b>Islamic banks</b>			
Mark-up on long-term financing		76,038	52,242
Mark-up on short-term borrowings		282,607	74,317
Bank charges and duties		2,346	2,106
		360,991	128,665
<b>Conventional banks</b>			
Mark-up on long-term financing		250,213	162,373
Mark-up on short-term borrowings		578,427	175,306
Mark-up on Refinance Scheme for Payment of Wages and Salaries		2,874	12,393
Guarantee commission		2,573	3,026
Bank charges and duties		6,160	3,038
		840,247	356,136
		1,201,238	484,801
Interest on Workers' Profits Participation Fund	22.4	666	502
		1,201,904	485,303

## 33. TAXATION

**33.1** Provision for tax in these financial statements is calculated on the basis of Normal Tax Regime under the Income Tax Ordinance (ITO), 2001.

**33.2** The Finance Act, 2022 had introduced super tax on high earning persons for the tax year 2022 and onwards. The Company challenged the applicability of the super tax imposed under section 4C of the Income Tax Ordinance amounting to Rs. 39.85 million. An interim stay was granted by the Honorable Peshawar High Court (PHC) to file income tax return for the tax year 2022 by excluding the amount of the super tax. Subsequently, PHC ordered to deposit 50% of the super tax liability based on the judgement of the Honorable Supreme Court of Pakistan in a similar case of other companies. Accordingly, the Company deposited 50% of the said super tax liability.

Keeping in view the inherent uncertainties involved in such matters, the management, as a matter of prudence, has recognized a provision for whole amount of super tax for tax year 2022 in these financial statements.

**33.3** During the year ended June 30, 2019, the Company has recorded tax credit under section 65B of ITO, 2001 @ 10% on commissioning and installation of plant and machinery as per law. Through Finance Act, 2019, the government has reduced tax credit under section 65B of ITO, 2001 from 10% to 5% retrospectively for the tax year 2019 and abolished the same for subsequent years. However, the management is hopeful that retrospective change may not be maintainable in the eyes of law and has challenged this amendment and got stay from the Peshawar High Court (PHC). However, the Company has claimed full tax credit in the income tax return for the tax year 2019. Last year, the case has been decided against the Company by PHC in respect of reduced tax credit under section 65B of ITO, 2001 from 10% to 5% retrospectively. However, review petition has been filed against the judgement of PHC where the Court has set aside the earlier judgement dated March 8, 2022 and accepted the writ petition for hearing on merit. Therefore, the same accounting treatment has been maintained in these annual financial statements.

# Notes to the Financial Statements

For the year ended June 30, 2023

33.4 Reconciliation between tax expense and accounting profit	Note	2023	2022
		----- (Rupees in `000) -----	
Accounting profit for the year before taxation		1,668,338	1,395,385
Tax at applicable rates		650,652	460,477
<b>Tax effects of:</b>			
Tax effect of items in final tax regime or taxable at lower rates		(15,974)	(29,167)
Tax effect of super tax		133,459	80,851
Prior year tax adjustments		(24,553)	613
Others		16,504	(2,898)
		760,088	509,876
Effective %		46%	37%

34. EARNINGS PER SHARE	Note	2023	2022
Net profit for the year (Rupees in `000)		908,250	885,509
Weighted average number of ordinary shares in issue	34.1	49,095,393	49,095,393 <b>(Restated)</b>
Basic earnings per share	34.2	Rs. 18.50	Rs. 18.04

## 34.1 Weighted average number of ordinary shares

Issued ordinary shares at the beginning of the year	42,506,835	42,506,835
Effect of bonus shares	6,588,558	6,588,558
Weighted average number of ordinary shares at the end of the year	49,095,393	49,095,393

34.2 There is no dilutive effect on basic earnings per share of the Company.

## 35. SEGMENT REPORTING

For management purposes, the activities of the Company are organized into two operating segments as shown below. The Company operates in the said reportable operating segments based on the nature of the products, risks and returns, organizational and management structure, and internal financial reporting systems.

### Type of Segments

Bags manufacturing division  
Flexible packaging division

### Nature of business

Kraft paper and polypropylene bags manufacturing  
Extrusion, Flexo Graphic and Rotogravure printing

# Notes to the Financial Statements

For the year ended June 30, 2023

## 35.1 Segment analysis and reconciliation for the year ended June 30, 2023

	Bags manufacturing division		Flexible packaging division		Total	
	2023	2022	2023	2022	2023	2022
----- (Rupees in `000) -----						
<b>Sales</b>						
External sales	11,210,164	10,316,914	5,344,098	3,185,605	16,554,262	13,502,519
Inter-segment sales	-	-	-	-	-	-
<b>Total Revenue</b>	<b>11,210,164</b>	<b>10,316,914</b>	<b>5,344,098</b>	<b>3,185,605</b>	<b>16,554,262</b>	<b>13,502,519</b>
Depreciation and amortization	231,920	198,295	159,696	157,468	391,616	355,763
Finance cost	93,029	61,039	233,222	154,614	326,251	215,653
<b>Profit / (loss) before tax and before unallocated expenses</b>	<b>2,335,163</b>	<b>2,136,893</b>	<b>190,026</b>	<b>(435,645)</b>	<b>2,525,189</b>	<b>1,701,248</b>
<b>Unallocated corporate expenses</b>						
Finance cost	-	-	-	-	(875,653)	(269,650)
Other expenses	-	-	-	-	(77,182)	(75,881)
Other income	-	-	-	-	95,984	39,668
Taxation	-	-	-	-	(760,088)	(509,876)
<b>Profit after taxation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>908,250</b>	<b>885,509</b>
Segment assets	7,917,999	8,221,944	7,109,043	5,297,205	15,027,042	13,519,149
Unallocated assets	-	-	-	-	1,406,753	1,402,508
<b>Total assets</b>	<b>7,917,999</b>	<b>8,221,944</b>	<b>7,109,043</b>	<b>5,297,205</b>	<b>16,433,795</b>	<b>14,921,657</b>
Segment liabilities	916,008	1,115,883	2,284,035	1,567,813	3,200,043	2,683,696
Unallocated liabilities	-	-	-	-	6,033,226	5,982,404
<b>Total liabilities</b>	<b>916,008</b>	<b>1,115,883</b>	<b>2,284,035</b>	<b>1,567,813</b>	<b>9,233,269</b>	<b>8,666,100</b>
<b>Segment capital expenditure</b>	<b>99,073</b>	<b>848,150</b>	<b>1,210,647</b>	<b>61,793</b>	<b>1,309,720</b>	<b>909,943</b>

**35.1.1** Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Certain assets and liabilities of the Company cannot be allocated to a specific segment. Accordingly, these amounts have been classified as unallocated.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

## 35.2 Reconciliation of segment assets and liabilities to total assets and liabilities

### 35.2.1 Segment assets

	2023	2022
----- (Rupees in `000) -----		
Allocated segment assets	15,027,042	13,519,149
Long-term investments	645,701	500,418
Other receivables	99,033	263,260
Taxation – net	333,893	544,069
Other unallocated assets	328,126	94,761
	<b>16,433,795</b>	<b>14,921,657</b>

### 35.2.2 Segment liabilities

Allocated liabilities	3,200,043	2,683,696
Deferred taxation	1,047,602	732,555
Trade and other payables	2,026,821	1,772,086
Accrued mark-up	162,883	77,094
Short-term borrowings – secured	2,785,631	3,269,026
Other unallocated liabilities	10,289	131,643
	<b>9,233,269</b>	<b>8,666,100</b>

# Notes to the Financial Statements

For the year ended June 30, 2023

## 35.3 Geographical segments

Sales are made by the Company in the following countries:

	2023	2022
	----- (Rupees in `000) -----	
Pakistan	16,478,024	12,997,455
Congo	-	483,066
Saudi Arabia	69,369	-
Other countries	6,869	21,998
	<u>16,554,262</u>	<u>13,502,519</u>

**35.4** All non-current assets of the Company at the end of the current and preceding year were located in Pakistan.

## 35.5 Information about major customers

Sales to two (2022: one) customer(s) of the Company from the bags manufacturing division represent approximately Rs. 4,566.23 million (2022: Rs. 2,263.80 million) of the Company's total revenue. These customers represent 10% or more revenue individually in the total revenue of the Company.

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks i.e. market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

The Company's senior management oversees the management of these risks. The Company's senior management provides policies for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk and credit risk, use of financial derivatives, financial instruments and investment of excess liquidity. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors review and agree policies for managing each of these risks which are summarized below:

### 36.1 Market risk

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk, and other price risk, such as equity risk.

#### 36.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in the market interest rates. The Company's interest rate risk arises from long-term borrowings, short-term borrowings and short-term investment obtained with floating rates. Borrowings of the Company are substantially obtained in the functional currency. The following figures demonstrate the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Company's profit before tax:

# Notes to the Financial Statements

For the year ended June 30, 2023

	(Increase) / decrease in basis points	effect on profit before tax  (Rupees in `000)
<b>2023</b>		
KIBOR	+ 100	(55,032)
KIBOR	- 100	55,032
<b>2022</b>		
KIBOR	+ 100	(57,267)
KIBOR	- 100	57,267

## 36.1.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expenses are denominated in a different currency from the Company's functional currency).

		<b>2023</b>	<b>2022</b>
		----- (`000) -----	
Bills payable	- Euro	-	(1,580)
	- US Dollar	(1,685)	(846)
Trade debts	- US Dollar	-	1,498

The following significant exchange rates have been applied at reporting dates:

		<b>2023</b>	<b>2022</b>
		----- (Rupees) -----	
Exchange rates	- Euro	314.27	215.75
	- US Dollar	287.10	206.00

The management keeps on evaluating different options available for hedging purposes. The following table demonstrates the sensitivity to a reasonably possible change in the Euro and US dollar exchange rates, with all other variables held constant, of the Company's equity.

	Change in rate (%)	(Rupees in `000)
<b>30 June 2023-Euro</b>	+ 10	-
	- 10	-
<b>30 June 2023-US Dollar</b>	+ 10	(48,376)
	- 10	48,376
30 June 2022-Euro	+ 10	(34,089)
	- 10	34,089
30 June 2022-US Dollar	+ 10	13,431
	- 10	(13,431)

# Notes to the Financial Statements

For the year ended June 30, 2023

## 36.1.3 Equity price risk

The Company's investment in listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities.

At the date of statement of financial position, the exposure to listed equity securities was Rs. 640.82 million. A decrease of 10% in the share price of these securities would have an impact of approximately Rs. 64.08 million on the statement of comprehensive income. An increase of 10% in the share price of the listed security would impact the statement of comprehensive income with the similar amount.

## 36.2 Credit Risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company seeks to minimize the credit risk exposure through having exposures only to parties considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date with no defaults in the past one year is:

	Note	2023	2022
----- (Rupees in `000) -----			
Long-term investments	6	640,816	495,689
Long-term security deposits	7	721	721
Trade debts	10	2,546,377	2,840,738
Loans and advances	11	8,459	6,378
Trade deposits	12	105,079	31,080
Other receivables	13	4,486	63,038
Bank balances	15	36,817	27,934
		<u>3,342,755</u>	<u>3,465,578</u>

Set out below is the information about the credit risk exposure on the Company's trade debts:

	2023		2022	
	Neither past due nor impaired	Within 270 days	Neither past due nor impaired	Within 270 days
----- ( Rupees in `000) -----				
Estimated total gross carrying amount	1,981,075	608,972	1,254,523	1,629,885
Expected credit loss	-	43,670	-	43,670

# Notes to the Financial Statements

For the year ended June 30, 2023

## 36.2.1 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

	2023	2022
	----- (Rupees in `000) -----	
<b>Long-term investment</b>		
A+	640,816	495,689
<b>Trade debts</b>		
Customers with no defaults in the past one year	2,590,047	2,884,408
<b>Short-term Investment</b>		
A1	83,963	-
A1 +	40,000	-
	123,963	-
<b>Bank balances</b>		
A1+	33,829	24,276
A1	2,988	3,658
	36,817	27,934

All other financial assets are not exposed to any material credit risk.

## 36.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company applies prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The table below summarizes the maturity profile of the Company's financial liabilities at the following reporting dates based on contractual payments.

	2023					2022				
	INTEREST BEARING			NON-INTEREST BEARING	TOTAL	INTEREST BEARING			NON-INTEREST BEARING	TOTAL
	Less than one year	One to five years	Total			Less than one year	One to five years	Total		
	----- (Rupees in `000) -----					----- (Rupees in `000) -----				
Long-term financing	665,896	2,378,681	3,044,577	-	3,044,577	710,835	2,024,955	2,735,790	-	2,735,790
Trade & other payables	-	-	-	1,564,981	1,564,981	-	-	-	1,420,010	1,420,010
Unpaid dividend	-	-	-	2,155	2,155	-	-	-	2,350	2,350
Unclaimed dividend	-	-	-	8,134	8,134	-	-	-	8,310	8,310
Accrued mark-up	-	-	-	318,349	318,349	-	-	-	145,983	145,983
Short-term borrowings	2,785,631	-	2,785,631	-	2,785,631	3,269,026	-	3,269,026	-	3,269,026
	3,451,527	2,378,681	5,830,208	1,893,619	7,723,827	3,979,861	2,024,955	6,004,816	1,576,653	7,581,469

Effective interest / yield rates for the monetary liabilities are mentioned in the respective notes to the financial statements.

# Notes to the Financial Statements

For the year ended June 30, 2023

## 36.4 Capital risk management

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximize shareholders value and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, less cash and cash equivalents.

The gearing ratios as at June 30, 2023 and 2022 are as follows:

	2023	2022
	----- (Rupees in `000) -----	
Long-term financing	3,044,577	2,735,790
Accrued mark-up	318,349	145,983
Short-term borrowings	2,785,631	3,269,026
Total debt	6,148,557	6,150,799
Cash and bank balances	(37,279)	(29,125)
<b>Net debt</b>	<b>6,111,278</b>	<b>6,121,674</b>
Share capital	490,954	425,069
Reserves	6,709,572	5,830,488
<b>Total capital</b>	<b>7,200,526</b>	<b>6,255,557</b>
<b>Capital and net debt</b>	<b>13,311,804</b>	<b>12,377,231</b>
<b>Gearing ratio</b>	<b>45.91%</b>	<b>49.46%</b>

The Company finances its expansion projects through equity, borrowings and management of its working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk.

## 36.5 Fair value measurement

Fair value is the price 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.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate fair values.

The following table shows assets recognized at fair value, analyzed between those whose fair value is based on:

**Level 1:** Quoted prices in active markets for identical assets or liabilities,

**Level 2:** Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

**Level 3:** Those whose inputs for the asset or liability that are not based on observable market data (unobservable inputs).



# Notes to the Financial Statements

For the year ended June 30, 2023

The table below categorized fair value measurement of financial instruments by the level in the fair value hierarchy into which the fair value measurement is categorized:

	2023			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in `000) -----			
Listed equity investment	640,816	-	-	640,816
	2022			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in `000) -----			
Listed equity investment	495,689	-	-	495,689

During the year, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurement.

**36.5.1** Financial instruments which are tradable in an open market are revalued at the market prices prevailing on the statement of financial position date.

## 37. SHARIAH COMPLIANCE DISCLOSURES

In compliance of the fourth schedule to the Companies Act, 2017, Shariah compliant companies and companies listed on the Islamic Index shall disclose the following:

	Note	2023	2022
		----- (Rupees in `000) -----	
Long-term loans obtained as per Islamic mode	19	1,282,633	515,268
Short-term borrowings as per Islamic mode	23	762,967	826,435
Shariah compliant bank balances	15	12,798	16,024
Dividend earned from shariah compliant investment	31	23,975	6,660
Finance costs on Islamic mode of financing	32	358,645	126,559
Profit earned from any conventional loan or advances	31	6,335	1,046
Finance costs on conventional mode of financing	32	831,514	350,072

Relationships with Islamic banks are disclosed in note 19 and note 23 to these financial statements.

## 38. CASH AND CASH EQUIVALENTS

	Note	2023	2022
		----- (Rupees in `000) -----	
Cash and bank balances	15	37,279	29,125
Short-term borrowings	23	(2,785,631)	(3,269,026)
		<u>(2,748,352)</u>	<u>(3,239,901)</u>

# Notes to the Financial Statements

For the year ended June 30, 2023

## 39. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2023	2022
	Executives / Key Employees	
	----- (Rupees in `000) -----	
Managerial remuneration	123,523	104,086
Bonus	50,449	45,486
Housing allowance	53,304	40,617
Retirement benefits	15,769	11,177
Utilities	11,715	8,922
Leave fare assistance	7,630	7,581
	<u>262,390</u>	<u>217,869</u>
Number	<u>45</u>	<u>35</u>

**39.1** No remuneration was paid to the Chief Executive Officer and any of the directors. However, Chief Executive Officer and a director are provided with the Company maintained cars. In addition, certain executives are provided with the Company maintained cars, telephone facility, utilities and some other facilities, which are reimbursed at actual to the extent of their entitlements.

**39.2** The aggregate amount charged in the financial statements for meeting fee to 9 Directors (including 7 non – executive Directors) amounted to Rs. 4.08 million (2022: 9 Directors – Rs. 3.48 million).

## 40. TRANSACTIONS WITH RELATED PARTIES

**40.1** The related parties of the Company comprise of associated companies, directors, executives, retirement funds, companies with common directorship and key management personnel of the Company. Amounts due from / to related parties are disclosed in respective notes to these financial statements. The Company enters into transactions with related parties on agreed terms as approved by the Board of Directors. Transactions with related parties other than those disclosed elsewhere in the financial statements, are as follows:

Relationship	Nature of transactions	2023	2022
		----- (Rupees in `000) -----	
Associates / related parties	Sale of goods	4,609,506	2,885,194
	Purchase of goods	1,873	31,076
	Purchase of fixed asset	14,618	32,668
	Services received	50,702	53,999
	IT support charges	15,994	15,994
	Dividends paid	45,857	88,184
	Dividends received	23,975	6,660
	Insurance premium	34,683	27,303

In addition, certain actual administrative expenses are being shared amongst the group companies.

# Notes to the Financial Statements

For the year ended June 30, 2023

**40.2** Following are the related parties with whom the Company had entered into transactions or have arrangement / agreement in place:

S.No.	Company name	Basis of association	Aggregate % of shareholding	Name of interested directors
1	Faruque (Pvt.) Limited	Common Directorship	10.25	Mr. Shehryar Faruque Mr. Amer Faruque Mr. Arif Faruque
2	Atlas Insurance Limited	Common Directorship	9.20	Mr. Ali H. Shirazi
3	Atlas Asset Management Limited	Common Directorship	-	Mr. Ali H. Shirazi
4	Cherat Cement Company Limited	Common Directorship	7.35	Mr. Akbarali Pesnani Mr. Arif Faruque
5	Mirpurkhas Sugar Mills Limited	Common Directorship	4.97	Mr. Aslam Faruque Mr. Arif Faruque Mr. Amer Faruque
6	Greaves Pakistan (Pvt.) Limited	Common Directorship	5.02	Mr. Amer Faruque
7	Greaves Airconditioning (Pvt.) Limited	Common Directorship	-	Mr. Aslam Faruque Mr. Abid Vazir
8	Zensoft (Pvt.) Limited	Common Directorship	-	Mr. Shehryar Faruque
9	Unicol Limited	Common Directorship	-	Mr. Aslam Faruque
10	UniEnergy Limited	Common Directorship	-	Mr. Aslam Faruque
11	Jubilee General Insurance Company Limited	Common Directorship	-	Mr. Akbarali Pesnani
12	Cherat Packaging Limited – Employees' Provident fund	Retirement benefit fund	0.17	Mr. Abid Vazir
13	Cherat Packaging Limited – Employees' Gratuity Fund	Retirement benefit fund	-	Mr. Abid Vazir
14	National Foods Limited	Common Directorship	-	Mr. Ali H. Shirazi
15	Pakistan Cables Limited	Common Directorship	-	Mr. Ali H. Shirazi Mr. Akbarali Pesnani
16	Fauji Cement Company Limited	Common Directorship	-	Ms. Maleeha Humayun Bangash
17	Management Association of Pakistan	Common Directorship	-	Mr. Abid Vazir

**40.3** None of the key management personnel had any arrangement with the Company other than the employment contract.

**40.4** Investment out of provident fund has been made in accordance with the provisions of section 218 of the companies Act, 2017 and the rules formulated for this purpose.

# Notes to the Financial Statements

For the year ended June 30, 2023

## 41. NUMBER OF EMPLOYEES

The total number of employees and average number of employees at year end and during the year respectively are as follows:

	2023		2022	
	Total	Factory	Total	Factory
	----- (Number) -----			
Total number of employees as at June 30,	327	296	304	271
Average number of employees during the year	316	284	277	247

41.1 During the year, the Company made an expenditure of Rs. 11.86 million (2022: Rs. 5.15 million) in respect of staff recruitment, selection, hiring, rewarding, utilization, training and development of the human assets.

## 42. CAPACITY

	2023		2022	
	Bags manufacturing division Bags'000	Flexible packaging division (Note 42.2) KGs '000	Bags manufacturing division Bags'000	Flexible packaging division KGs '000
Annual installed capacity as of June 30,	660,000	16,200	660,000	12,600
Actual production for the year	238,617	8,801	312,945	7,647

42.1 Capacity utilization is in line with the market demand during the year.

42.2 Includes 3,600 tons per annum capacity of Roto line 2 commissioned in June, 2023.

## 43. DATE OF AUTHORIZATION

These financial statements were authorized for issue on August 28, 2023 by the Board of Directors of the Company.

## 44. DIVIDEND AND APPROPRIATIONS

44.1 Subsequent to year ended June 30, 2023, the Board of Directors in its meeting held on August 28, 2023 has proposed final cash dividend @ Rs. 2.00 per share amounting Rs. 98.19 million (2022: Rs. 1.50 per share amounting to Rs. 63.77 million) for approval of the members at the Annual General Meeting. This is in addition to the interim cash dividend @ Re. 1.00 per share amounting to Rs. 46.76 million (2022: Re. 1.00 per share amounting to Rs. 42.51 million) and bonus share @ 5% (2,337,875 shares) approved by the Board of Directors for the year ended June 30, 2023.

# Notes to the Financial Statements

For the year ended June 30, 2023

## 45. GENERAL

**45.1** Figures have been reclassified wherever necessary for better presentation.

**45.2** Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.



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**Amer Faruque**  
Chief Executive Officer



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**Aslam Faruque**  
Director



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**Syed Waqar Haider Kazmi**  
Chief Financial Officer  
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# Pattern of Shareholding

As of June 30, 2023

No. of Shareholders	Shareholdings			Total Shares Held
	From		To	
288	1	to	100	8,522
380	101	to	500	94,676
215	501	to	1000	150,094
443	1001	to	5000	1,009,221
139	5001	to	10000	958,467
45	10001	to	15000	527,648
28	15001	to	20000	480,188
30	20001	to	25000	655,326
13	25001	to	30000	352,682
13	30001	to	35000	425,956
13	35001	to	40000	487,761
6	40001	to	45000	258,053
3	45001	to	50000	145,595
5	50001	to	55000	262,045
3	55001	to	60000	169,216
4	60001	to	65000	248,183
2	65001	to	70000	132,229
6	70001	to	75000	431,996
1	75001	to	80000	79,680
2	80001	to	85000	163,485
1	85001	to	90000	89,189
3	90001	to	95000	272,300
1	95001	to	100000	98,030
1	100001	to	105000	104,898
1	105001	to	110000	106,260
1	115001	to	120000	115,500
1	120001	to	125000	121,857
1	125001	to	130000	128,100
1	130001	to	135000	131,204
1	140001	to	145000	144,952
1	145001	to	150000	149,784
1	150001	to	155000	150,409
1	165001	to	170000	166,156
1	170001	to	175000	173,530
2	185001	to	190000	374,691
1	190001	to	195000	190,575
1	225001	to	230000	229,000
2	240001	to	245000	485,062
1	290001	to	295000	292,908
1	295001	to	300000	295,033
1	305001	to	310000	306,272
1	330001	to	335000	331,205
1	335001	to	340000	337,044
1	340001	to	345000	343,752
1	380001	to	385000	381,801
2	390001	to	395000	788,586
2	415001	to	420000	834,043
1	425001	to	430000	427,016
1	435001	to	440000	438,721

# Pattern of Shareholding

As of June 30, 2023

No. of Shareholders	Shareholdings			Total Shares Held
	From		To	
1	455001	to	460000	455,996
1	505001	to	510000	506,520
1	560001	to	565000	563,981
1	635001	to	640000	638,788
1	740001	to	745000	743,295
1	755001	to	760000	757,311
1	865001	to	870000	865,973
1	890001	to	895000	891,620
1	975001	to	980000	978,285
1	995001	to	1000000	1,000,000
1	1130001	to	1135000	1,134,017
1	1705001	to	1710000	1,706,501
1	1910001	to	1915000	1,910,874
1	2435001	to	2440000	2,437,615
1	2465001	to	2470000	2,465,963
1	3605001	to	3610000	3,606,524
1	3830001	to	3835000	3,832,489
1	4515001	to	4520000	4,518,526
1	5030001	to	5035000	5,032,214
<b>1693</b>				<b>49,095,393</b>

# Pattern of Shareholding

As of June 30, 2023

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
<b>Directors, Chief Executive Officer and their spouse(s) and minor children</b>			
MR. AKBARALI PESNANI	1	131,204	0.27
MRS. SAKINA PESNANI W/O MR. AKBARALI PESNANI	1	14,260	0.03
MR. AMER FARUQUE	1	240,881	0.49
MRS. AMINA FARUQUE W/O MR. AMER FARUQUE	1	381,801	0.78
MR. ASLAM FARUQUE	1	438,721	0.89
MR. SHEHRYAR FARUQUE	1	343,752	0.70
MR. ARIF DINO FARUQUE	1	757,311	1.54
MR. ABID AKBER VAZIR	1	127	0.00
MR. ALI H.SHIRAZI	1	1,752	0.00
MR. SHER AFZAL KHAN MAZARI	1	10	0.00
MS. MALEEHA HUMAYUN BANGASH	1	1	0.00
<b>Associated Companies, undertakings and related parties</b>			
FARUQUE (PRIVATE) LIMITED	1	5,032,214	10.25
CHERAT CEMENT COMPANY LIMITED	1	3,606,524	7.35
MIRPURKHAS SUGAR MILLS LIMITED	1	2,437,615	4.97
GREAVES PAKISTAN (PRIVATE) LIMITED	1	2,465,963	5.02
ATLAS INSURANCE LIMITED	1	4,518,526	9.20
<b>NIT &amp; ICP</b>	-	-	-
<b>Banks, Development Financial Institutions, Non Banking Financial Institutions.</b>			
	2	871,361	1.77
<b>Insurance Companies</b>			
	4	5,041,135	10.27
<b>Modarabas and Mutual Funds</b>			
	5	190,733	0.39
<b>General Public</b>			
a. Local	1,589	19,200,769	39.12
b. Foreign	38	711,926	1.45
<b>Foreign Companies</b>			
	1	2,310	0.00
<b>Others</b>			
	38	2,706,497	5.51
<b>Total</b>		<b>49,095,393</b>	<b>100.00</b>

Shareholders holding 10% or more	Shares Held	Percentage
FARUQUE (PRIVATE) LIMITED	5,032,214	10.25



ڈائریکٹران کا مفاد متعلقہ فریقین میں صرف ان کی حصص داری اور/یا مشترکہ ڈائریکٹرشپ کی حد تک ہے۔ مشترکہ ڈائریکٹرز کے نام مذکورہ مالیاتی گوشواروں کے نوٹ نمبر 40 میں بیان کئے گئے ہیں۔

8- سالانہ آڈٹ شدہ مالیاتی گوشواروں سے متعلق معلومات حصص یافتگان کو بذریعہ QR سے چلنے والے کوڈ اور ویب لنک کے ذریعے ارسال کرنا۔

SECP کے نوٹیفکیشن کے تحت CD/DVD/USB کے بجائے معلومات جیسے کہ سالانہ آڈٹ شدہ مالیاتی گوشواروں کی QR سے چلنے والے کوڈ اور ویب لنک کے ذریعے فراہم کی جائے۔ آپ انہیں اپنے ای میل ایڈریس پر وصول کر سکتے ہیں۔ حصص یافتہ کا غذائی نقل کی درخواست کرتا ہے کہ تو اسے کسی لاگت کے بغیر تحریری درخواست موصول ہونے کے سات (7) دن کے دن فراہم کر دی جائے گی۔ حصص یافتگان کی آسانی کے لئے کمپنی کی ویب سائٹ پر معیاری درخواست فارم دستیاب ہے۔

ڈائریکٹران کا مندرجہ بالا امور سے کوئی مفاد وابستہ نہیں ہے سوائے کمپنی کے ان کے حصص کی حد تک جو ان کی ملکیت میں ہیں۔

122,927	پیکنگ کے سامان کی فروخت	میرپور خاص شوگر ملز لمیٹڈ
5,487	منافع منقسمہ کی ادائیگی	
1,376	خدمات کی وصولی	گریوز پاکستان پرائیویٹ لمیٹڈ
5,551	منافع منقسمہ کی ادائیگی	
1,865	سامان کی خرید	
1,248	خدمات کی وصولی	گریوز ایئر کنڈیشننگ (پرائیویٹ) لمیٹڈ
8	سامان کی خرید	
13,876	جامد اثاثوں کی خرید	
15,994	سافٹ ویئر کنسلٹنسی چارجز	زین سوفٹ (پرائیویٹ) لمیٹڈ
1,486	پیکنگ کے سامان کی فروخت	یونی کول لمیٹڈ
28,008	انشورنس پرییم	جوبلی جنرل انشورنس کمپنی لمیٹڈ
271	خدمات کی وصولی	اٹلس ایسیٹ مینجمنٹ کمپنی لمیٹڈ
6,675	انشورنس پرییم	اٹلس انشورنس لمیٹڈ
10,172	منافع منقسمہ کی ادائیگی	
383,435	پیکنگ کے سامان کی فروخت	نیشنل فوڈز لمیٹڈ
742	جامد اثاثوں کی خرید	پاکستان کیبلز لمیٹڈ
864,340	پیکنگ کے سامان کی فروخت	فوجی سیمنٹ کمپنی لمیٹڈ
30	موصولہ خدمات	مینجمنٹ ایسوسی ایشن آف پاکستان
42,105	فڈ میں معاونت	CPL - ایمپلائز فنڈ اینڈ گریجویٹ فنڈ

اگر ہر کیٹگری میں اپنے آپ کو پیش کرنے والے ممبران کی تعداد اس کیٹگری میں منتخب ہونے والے ڈائریکٹرز کی تعداد سے زیادہ نہ ہو تو ایسے ممبران ووٹنگ کے عمل میں بلا مقابلہ منتخب ہو جائیں گے۔

آزاد ڈائریکٹرز کے حوالے سے کمپنیز ایکٹ 2017 کی دفعہ 166 کے تحت بیان -

آزاد ڈائریکٹران کا انتخاب کمپنیز ایکٹ 2017 کے دفعہ 166 اور کمپنیز (میزز اینڈ سلیکشن آف انڈیپنڈنٹ ڈائریکٹرز) ریگولیشنز 2018 کے تحت آزادی کے لیے وضع کردہ قابل اطلاق معیار کے مطابق کیا جائے گا۔ مزید برآں جاری کردہ ضوابط کے تحت ان کے نام پاکستان انسٹی ٹیوٹ آف کارپوریٹ گورننس کے زیر انتظام آزاد ڈائریکٹرز کے ڈیٹا بینک پر درج ہونے چاہئیں۔ تاہم امیدوار کا انتخاب اسی طرح کیا جائے گا جس طرح کمپنیز ایکٹ، 2017 کے سیکشن 159 کے مطابق دوسرے ڈائریکٹرز کا انتخاب کیا جاتا ہے۔

کمپنیز ایکٹ 2017 کی دفعہ 134 کے تحت بیان

7- متعلقہ فریقین کے ساتھ لین دین۔

اس بیان میں 24 اکتوبر 2023 کو منعقد ہونے والے سالانہ اجلاس عام منعقدہ کے ”خصوصی امور“ سے متعلق اہم حقائق بیان کئے گئے ہیں۔ کمپنی کے ممبران سے اس بارے میں منظوری لی جائے گی:

مالیاتی سال ختمہ 30 جون 2023 کے دوران کمپنی نے متعلقہ کمپنیوں اور متعلقہ فریقین کے ساتھ لین دین اپنی پالیسیوں میں لاگو قوانین و ضوابط کے تحت کئے۔ متعلقہ فریقین کے ساتھ لین دین کے لئے کمپنیز ایکٹ 2017 کی دفعہ 207 اور 208 کے تحت حصص یافتگان کی منظوری لینا ضروری ہوتی ہے۔ ان سودوں کو حصص یافتگان کے روبرو خصوصی قرارداد کے ذریعے پیش کرنا ہے جسے سالانہ اجلاس عام میں منظور کیا جائے گا۔

حصص یافتگان سے درخواست ہے کہ سال ختمہ 30 جون 2023 کے مالیاتی گوشواروں کے نوٹ نمبر 40 میں منکشف کئے گئے لین دین کی توثیق کریں اور مزید یہ کہ آنے والے سال 30 جون 2024 کے لئے بورڈ آف ڈائریکٹرز کو مجاز بنائیں کہ وہ متعلقہ فریقین یا متعلقہ کمپنیوں کے ساتھ لین دین کریں۔

ہر فریق کے ساتھ کئے گئے لین دین کی علیحدہ علیحدہ تفصیل جو کہ مالیاتی گوشواروں برائے ختمہ سال 30 جون 2023 کے نوٹ نمبر 40 میں منکشف کی گئی ہے، درج ذیل ہے:

متعلقہ فریق کا نام	لین دین کی نوعیت	رقم (روپے 000)
فاروق (پرائیویٹ) لمیٹڈ	موصولہ خدمات	47,777
	منافع منقسمہ کی ادائیگی	11,328
چیراٹ سیمنٹ کمپنی لمیٹڈ	پیکلنگ کے سامان کی فروخت	3,237,318
	منافع منقسمہ کی ادائیگی	8,119
	منافع منقسمہ کی وصولی	23,975

گوشواروں کی کاغذی کاپی حاصل کرنا چاہیں تو ان کی تحریری درخواست کی وصولی پر انہیں (7) دن کے اندر فراہم کر دی جائے گی۔

14- ممبران وڈیو کانفرنس کی سہولت سے بھی استفادہ کر سکتے ہیں۔ اس سلسلے میں برائے مہربانی مندرجہ ذیل کو بھریں اور کمپنی کے ہیڈ آفس کو سات (7) دن کے اندر سالانہ اجلاس عام سے پہلے بھیج دیں۔ اگر کمپنی کو ایسے ممبران سے رضامندی حاصل ہو جن کی حصص داری 10 فیصد یا زیادہ ہو اور وہ بعد محل وقوع پر رہائش پذیر ہوں، وہ اجلاس میں بذریعہ وڈیو کانفرنس شرکت کرنا چاہتے ہوں تو اجلاس سے کم از کم سات (7) دن قبل مطلع کر دیں، کمپنی ان کے لئے وڈیو کانفرنس کا اہتمام کرے گی بشرطیکہ یہ سہولت ان کے شہر میں دستیاب ہو۔

”میں/ہم..... ساکن، چیراٹ پیکیجنگ لمیٹڈ کے ممبر ہونے کے ناطے فولیو نمبر..... کے تحت..... عمومی حصص رکھتے ہیں، وڈیو کانفرنس کی سہولت سے..... استفادہ کرنا چاہتا/چاہتے ہیں۔“

15- کمپنیز ایکٹ 2017 کے سیکشن 143 اور 144 کے تقاضوں کے مطابق کمپنیز (پوسٹل بیلٹ) ریگولیشنز کے تحت ڈائریکٹر کے انتخاب کے مقصد کیلئے ممبران اپنے ووٹ کا حق پوسٹل بیلٹ یعنی ڈاک کے ذریعے یا الیکٹرونک موڈ کے ذریعے استعمال کر سکتے ہیں۔ (پوسٹل بیلٹ) ریگولیشنز 2018 کے مطابق اگر، خصوصی امور اور مقرر کردہ ڈائریکٹر کی تعداد سے زیادہ افراد کو منتخب ہونے کی پیشکش کرتے ہیں، تو ممبران کو مذکورہ بالا ضابطوں میں موجود ضرورت اور طریقہ کار کے مطابق اپنے ووٹ کے حق کو بذریعہ پوسٹل بیلٹ / الیکٹرونک موڈ استعمال کرنے کی اجازت ہوگی۔ پوسٹل بیلٹ / الیکٹرونک ووٹنگ کا شیڈول اور طریقہ کار مینٹنگ سے سات (7) دن پہلے کمپنی کی ویب سائٹ یعنی: [www.gfg.com.pk](http://www.gfg.com.pk) پر شیئر کر دیا جائے گا۔

16- تمام حصص یافتگان کو مشورہ دیا جاتا ہے کہ FBR کی ویب سائٹ پر فعال ٹیکس دہندہ کی فہرست (ATL) میں اپنی نوعیت چیک کر لیں اور اگر ضروری ہو تو ATL میں نام شامل کرنے کے لئے ضروری اقدامات کریں۔ اگر کسی فرد کا نام ATL میں موجود نہ ہو تو عام ٹیکس کے نرخ میں 100 فیصد اضافہ ہو جائے گا۔

17- مشترکہ اکاؤنٹ کی صورت میں برائے مہربانی ہر کھاتے دار کی حصص داری کے حصہ کے ساتھ ATL میں انفرادی حیثیت سے مطلع کریں۔

18- منافع منقسمہ کی آمدنی سے تھو ہولڈنگ ٹیکس استثناء کی اجازت صرف اس صورت میں ہوگی جب درست استثنائی سٹوفیکٹ کی کاپی CDC شیئر رجسٹرار سرورسز لمیٹڈ کو کتاب بند ہونے کے پہلے دن فراہم کر دی جائے۔

19- زکوٰۃ کی لازمی کٹوتی سے استثناء کے لئے حصص یافتگان سے درخواست ہے کہ زکوٰۃ ڈیکلریشن (فارم CZ-50) یا اس کی مصدقہ نقل CDC شیئر رجسٹرار سرورسز لمیٹڈ کو فوری طور پر فراہم کر دیں تاکہ تمام مستقبل کے منافع منقسمہ سے زکوٰۃ کی کٹوتی سے بچا جاسکے۔

20- کوئی بھی ممبر جو ڈائریکٹرز یا دوسری عہدے کے لیے الیکشن لڑنے کا ارادہ رکھتا ہو، وہ کمپنی کے ہیڈ آفس میں سالانہ اجلاس عام کی تاریخ سے کم از کم چودہ (14) دن پہلے کمپنیز ایکٹ، 2017 کے سیکشن 159 (3) کے تحت بطور ڈائریکٹر انتخاب کے لیے خود کو پیش کرنے کا ارادہ رکھتا ہے اور اس کے ساتھ (a) فارم 28 پر بطور ڈائریکٹر کام کرنے کی رضامندی، جو کہ مکمل پر شدہ ہو اور اس پر امیدوار کے دستخط کیے گئے ہوں؛ (b) اپنا ایک تفصیلی پروفائل (بشمول دیگر کوئی ڈائریکٹر شپ) بمعہ دفتری پتہ جو کہ کمپنی کی ویب سائٹ پر AGM کی تاریخ سے سات (7) دن پہلے اپ لوڈ کیا جائے گا؛ اور (c) لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 اور کمپنیز ایکٹ 2017 میں بیان کی گئی اہلیت کے معیار پورا اترنے کا حلف نامہ / اقرار نامہ داخل کرے گا۔

21- ڈائریکٹرز کو منتخب کرنے کے مقصد کے لئے ووٹنگ درج ذیل تین (3) زمروں میں منعقد کی جائے گی۔

(i) خاتون ڈائریکٹر (ii) آزاد ڈائریکٹرز (iii) دیگر ڈائریکٹرز

- 6- ممبران جن کے حصص سینٹرل ڈپازٹری سسٹم (CDS) کے ساتھ ان کے اکاؤنٹ / ذیلی اکاؤنٹ میں رجسٹر ہیں ان سے درخواست ہے کہ اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ جمع CDS میں اپنا اکاؤنٹ نمبر اور شرکاء کا ID نمبر برائے شناخت ساتھ لائیں۔
- 7- وہ ممبران جن کے فزیکل حصص ہیں ان سے درخواست ہے کہ کمپنی کے شیئرز رجسٹر کو اپنے پتوں میں تبدیلی سے مطلع کر دیں۔ جبکہ جن حصص یافتگان کے CDC اکاؤنٹس ہیں، ان سے درخواست ہے کہ فوری طور پر اپنے پتے میں تبدیلی سے اپنے CDC شرکاء / بروکر / CDC انویسٹر اکاؤنٹ سروسز کو مطلع کر دیں۔
- 8- کمپنیز ایکٹ 2017 کے سیکشن 119 اور کمپنیز (جنرل پروویزنز اینڈ فارمز) ریگولیشنز 2018 کے ریگولیشن 119 کے تحت تمام فزیکل حصص یافتگان کو مشورہ دیا جاتا ہے کہ وہ لازمی طور پر اپنا CNIC نمبر، پتہ، ای میل ایڈریس، رابطہ موبائل / ٹیلیفون نمبر، پیشہ وغیرہ CDC شیئرز رجسٹر سروسز لمیٹڈ کو فوری فراہم کر دیں تاکہ مستقبل میں کسی قانونی خلاف ورزی سے بچا جاسکے نہ ہی کوئی تکلیف اٹھانی پڑے۔
- 9 وہ حصص یافتگان جنہوں نے اپنے درست کمپیوٹرائزڈ قومی شناختی کارڈ کی کاپی ابھی تک فراہم نہیں کی ان سے درخواست ہے کہ کمپنی کے شیئرز رجسٹر کو فراہم کر دیں۔
- 10- کمپنیز ایکٹ 2017 کی دفعہ 72 کے تحت ہر لسٹڈ کمپنی کو اپنے فزیکل حصص کو بک انٹری کی شکل میں تبدیل کرنا ضروری ہے جس کا طریقہ کار اور وضاحت SECP نے اپنے نوٹیفیکیشن میں کی ہے۔ حصص یافتگان جو کہ فزیکل حصص رکھتے ہیں ان کے لئے ضروری ہے کہ CDC سروسز کے سرمایہ کار اکاؤنٹ یا کسی بروکر کے ساتھ ذیلی اکاؤنٹ کھولیں اور اپنے فزیکل حصص کو بک انٹری کی شکل میں تبدیل کروالیں۔ اس سے حصص یافتہ کو کوئی انداز سے سہولت ملے گی بشمول شیئرز محفوظ تحویل میں رہیں گے اور شیئرز کو کسی بھی وقت فروخت کیا جاسکتا ہے کیونکہ پاکستان اسٹاک ایکسچینج کے موجودہ ریگولیشنز کے تحت فزیکل حصص کی خرید و فروخت کی اجازت نہیں ہے۔
- 11- حصص یافتگان کو یاد دہانی کرائی جاتی ہے کہ کمپنیز ایکٹ 2017 کی دفعہ 242 کے تحت لسٹڈ کمپنی کی صورت میں کوئی بھی نقد منافع منقسمہ جس کو ادا کرنے کا اعلان کمپنی نے کیا ہو، اسے لازمی طور پر براہ راست برقی طریقے سے حصص یافتگان کے بینک اکاؤنٹس میں منتقل کیا جائے گا، لہذا جن حصص یافتگان کے پاس فزیکل حصص ہیں ان سے درخواست ہے کہ اپنا ای ڈویڈنڈ مینڈیٹ فارم جو کہ کمپنی کی ویب سائٹ [www.gfg.com.pk](http://www.gfg.com.pk) پر دستیاب ہے، اسے بھریں اور اس پر دستخط کر کے اپنی CNIC کی نقل کے ساتھ کمپنی کے رجسٹر / CDC شیئرز رجسٹر سروسز لمیٹڈ کو بھیج دیں۔ IBAN فراہم نہ کرنے کی صورت میں کمپنیز (ڈسٹری بیوشن آف ڈویڈنڈز) ریگولیشنز 2017 کے تحت کمپنی منافع منقسمہ کی ادائیگی روک دے گی۔ مزید برآں منافع منقسمہ کی خام رقم، ٹیکس / زکوٰۃ کٹوتی اور منافع منقسمہ کی خالص رقم سے متعلق معلومات سینٹرلائزڈ کیش ڈویڈنڈ رجسٹر (CCDR) کے ذریعے فراہم کی جائیں گی، لہذا حصص یافتگان کو چاہئے کہ اپنے آپ کو CDC کے پورٹل <https://eservices.cdcaccess.com.pk> پر رجسٹر کروالیں۔
- 12- کمپنیز ایکٹ 2017 کی دفعہ 244 پر عمل کرتے ہوئے کمپنی جیسے ہی مشروط ضابطے مکمل کر لے گی تو کوئی غیر دعویٰ شدہ اور / یا حصص جو کہ اپنے واجب الادا ہونے کی تاریخ سے تین سال یا زیادہ عرصے تک واجب الادا رہا ہو اسے وفاقی حکومت (منافع منقسمہ کی صورت میں) یا SECP (فزیکل حصص کی صورت میں) کو منتقل کر دیا جائے گا۔ حصص یافتگان اگر کسی بھی وجہ سے اپنا بقایا غیر دعویٰ شدہ منافع منقسمہ / حصص موصول نہ کر سکے ہوں ان کو مشورہ دیا جاتا ہے کہ وہ اپنے غیر دعویٰ شدہ منافع یا حصص کی وصولی / استفسار کے لئے کمپنی کے شیئرز رجسٹر سے رابطہ کریں۔
- 13- حصص یافتگان کے پاس اختیار ہے کہ وہ سالانہ آڈٹ شدہ مالیاتی گوشوارے اور سالانہ اجلاس عام کانوٹس بذریعہ ای میل وصول کریں۔ کمپنی کے حصص یافتگان سے درخواست ہے کہ وہ اس بارے میں اپنی منظوری کو کمپنی کے شیئرز رجسٹر کے پاس ریکارڈ کو اپ ڈیٹ کرنے کے لئے بھیج دیں کہ وہ سالانہ آڈٹ شدہ گوشوارے اور اجلاس عام کے نوٹس بذریعہ ای میل وصول کرنا چاہتے ہیں۔ تاہم اگر حصص یافتگان اس کے علاوہ آڈٹ شدہ مالیاتی



## اطلاع برائے سالانہ اجلاس عام

مطلع کیا جاتا ہے کہ چیراٹ پکیجنگ لمیٹڈ کا 34 واں سالانہ اجلاس عام بروز منگل 24 اکتوبر 2023 صبح 11:00 بجے کمپنی کے رجسٹرڈ آفس واقع بیٹانی آرکیڈ، جمروڈ، پشاور پر مندرجہ ذیل امور کی انجام دہی کے لئے منعقد ہوگا۔

### عمومی امور

- 1- سالانہ اجلاس عام مورخہ 11 اکتوبر 2022 کی روئیداد کی توثیق
- 2- کمپنی کے مالیاتی گوشوارے برائے مختتمہ سال 30 جون 2023 مع پڑاؤ ایکٹرز اور آڈیٹرز رپورٹ کی وصولی اور غور و خاص کرنا۔
- 3- حتمی نقد منافع منقسمہ بحساب 20 فیصد (2.00 روپے فی حصص) پر غور اور ادائیگی کی منظوری۔ یہ ایک عبوری نقد منافع منقسمہ بشرح 10 فیصد (1 روپے فی حصص) کے اور ہر سو حصص کے لئے 5 حصص کے تناسب سے بونس حصص جاری کرنے کے علاوہ ہے جو کہ بورڈ آف ڈائریکٹرز کی سفارش پر مالیاتی سال مختتمہ 30 جون 2023 کو پہلے ہی ادا کیا جا چکا ہے۔
- 4- سال 2023/24 کے لئے آڈیٹرز کی تقرری اور ان کے معاوضہ کا تعین۔
- 5- کمپنی ایکٹ 2017 کے 159(1) کے تحت بورڈ آف ڈائریکٹرز کے ذریعے طے شدہ نو (9) ڈائریکٹرز کو منتخب کرنا۔ ریٹائر ہونے والے ڈائریکٹرز کے نام یہ ہیں: (1) جناب اکبر علی پستانی (2) جناب عامر فاروق (3) جناب اسلم فاروق (4) جناب شہر یار فاروق (5) جناب عارف فاروق (6) جناب علی ایچ شیرازی (7) جناب عابد وزیر (8) جناب شیر افضل خان مزاری (9) محترمہ ملیحہ ہمایوں بگش۔
- 6- صدر مجلس کی اجازت سے دیگر کسی دوسرے امور کی انجام دہی۔

### خصوصی امور

- 7- مندرجہ ذیل قرارداد پر بطور خصوصی قرارداد پر غور اور منظوری:
  - (a) ”ختم شدہ سال 30 جون 2023 کے دوران متعلقہ فریقین اور کمپنیوں کے ساتھ لین دین عمومی طریقہ کار کے مطابق انجام پائے جنہیں مالیاتی گوشواروں کے نوٹ نمبر 40 میں منکشف کیا گیا ہے، متفقہ طور پر ان کی توثیق اور منظوری دی جاتی ہے۔“
  - (b) ”مزید برآں کمپنی کے بورڈ آف ڈائریکٹرز کو سال 30 جون 2024 کے دوران متعلقہ فریقین اور کمپنیوں کے ساتھ عمومی طریقہ کار کے مطابق انجام پائے جانے والے تمام لین دین کی منظوری کے لئے متفقہ طور پر مجاز بنایا جاتا ہے۔“
- 8- CD/DVD/USB کے ذریعے ترسیل کے بجائے حصص یافتگان کو QR سے چلنے والے کوڈ اور ویب لنک کے ذریعے آڈٹ شدہ مالیاتی گوشوارے تقسیم کرنے پر غور اور منظوری کے لئے درج ذیل قرارداد:
  - (a) ”سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے S.R.O.389(I)/2023 مورخہ 21 مارچ 2023 کے مطابق کمپنیز ایکٹ 2017 کے تحت حصص یافتگان کو سالانہ آڈٹ شدہ مالیاتی گوشواروں کے ساتھ منسلک رپورٹوں اور دستاویزات کی ترسیل کی متفقہ طور پر منظوری دی جاتی ہے جبکہ ٹیکنالوجی میں ترقی کی بنا پر اور پرانی ٹیکنالوجی کے متروک ہونے سے سالانہ گوشواروں کی بذریعہ CD/DVD/USB ترسیل کو منقطع کیا جاتا ہے“

کے تھیلوں سے پولی پروپائیلین تھیلوں پر منتقل ہو رہی ہے۔ سیمنٹ کو پیک کرنے کے لئے مارکیٹ کا ایک بڑا حصہ پروپائیلین تھیلوں پر منتقل ہو چکا ہے۔ طلب کی ساخت میں تبدیلیوں کو مد نظر رکھتے ہوئے کمپنی نے پہلے ہی لائن ۷ اور ۱۱، ۱ کو فروخت کرنے کے ضروری اقدامات کئے ہیں۔ کمپنی کاغذ کے تھیلوں کی محدود طلب کو اپنے لائن ۱۷ اور ۱۱ سے پوری کرنے کے لئے کافی ہے جن کی مجموعی پیداواری گنجائش 160 ملین تھیلے سالانہ ہے۔

اگرچہ کہ معاشی صورتحال دشوار گزار رہے گی لیکن کمپنی مسلسل نمو کے لئے مارکیٹ میں دستیاب مواقعوں کے استفادہ کرنے کی بہتر پوزیشن میں ہے۔ کمپنی نے کئی مرتبہ ناموافق ماحول سے نمٹنے کا مظاہرہ کرتے ہوئے طویل مدتی کاروباری تجاویز قائم کر کے متعلقین کی قدر میں اضافہ کیا ہے۔ کمپنی تسلسل کے ساتھ اپنے مالیاتی استحکام اور پیداواری استعداد کے ذریعے بیرونی دشواریوں کو کم کرے گی۔ کمپنی کی انتظامیہ باریک بینی سے معاشی صورتحال کا جائزہ لے رہی ہے اور متعلقین کے مفادات کے تحفظ کے لئے مسلسل ضروری اقدامات کرے گی۔


## آڈیٹرز کی تقرری:


موجودہ آڈیٹرز EY فورڈر ہوڈز، چارٹرڈ اکاؤنٹنٹس سبڈوش ہو چکے ہیں اور اہلیت کے باعث انہوں نے دوبارہ تقرری کی پیشکش کی ہے۔

## اعتراف

ہم اپنے گاہکوں، مالیاتی اداروں، عملہ کے ممبران، سپلائرز اور حصص یافتگان کے لئے ستائش کا اظہار کرنا چاہتے ہیں جنہوں نے کمپنی وابستہ رہ کر مسلسل مدد اور تعاون فراہم کیا۔

منجانب بورڈ آف ڈائریکٹرز

  
عامر فاروق  
چیف ایگزیکٹو

  
اکبر علی پسنانی  
چیرمین

کراچی: 28 اگست 2023



بورڈ آف ڈائریکٹرز نے امکانی خطرات اور ان کے کمپنی پر اثرات کی تشخیص کی ہے اور کاروبار کے لئے قابل پیشینگوئی خطرات کو کم کرنے کے لئے حکمت عملیاں مرتب کی ہیں۔ ان حکمت عملیوں کو آڈٹ کمیٹی نے اوپر سے نیچے تک کمپنی میں نافذ کرنے کے لئے تمام ممکنہ اقدامات کئے ہیں تاکہ خطرات کو کم جاسکے۔

## ☆ خطرات کی تشخیص

کاروبار کو متعدد غیر یقینی صورتحال کا سامنا ہے جو کہ اس کے مقاصد کے لئے خطرہ بن سکتی ہیں اور اگر ان کا ازالہ نہ کیا گیا تو قابل ذکر نقصان پہنچا سکتی ہیں۔ بورڈ آف ڈائریکٹرز نے کمپنی کو لاحق اندرونی اور بیرونی خطرات کی مکمل تشخیص کی ہے۔ خام مال کی بڑھتی ہوئی قیمتیں سب سے اہم خطرہ ہے جو کمپنی کو لاحق ہے۔ پاکستانی روپے کی قدر میں کمی نے اس خطرہ کو مزید بڑھا دیا ہے۔ ان کے منفی اثرات سے نمٹنے کے لئے کمپنی نے اپنے اہم عالمی سپلائرز سے کلیدی تعلقات قائم کئے ہیں اور بروقت گفت و شنید، پیشگی آرڈرز اور بروقت ترسیل کو یقینی بنایا ہے۔ خام مال کی دستیابی ایک اور خطرہ ہے جس کا کمپنی کو سامنا ہے۔

چیراٹ پیکیجنگ نے SAP سولیشن مکمل طور پر 2009 پر نافذ کیا۔ اس کے ذریعے تمام کاروباری سرگرمیوں بشمول SAP مالیات، رسد کی زنجیر اور ذخیرہ کے انتظام کو درست انداز میں مربوط کیا گیا ہے۔ استعمال کنندگان کو اس سسٹم کی مکمل تربیت فراہم کی گئی ہے۔ سال کے دوران کمپنی نے کامیابی کے ساتھ SAP ECC 6.0 کو S4/HANA میں اپ گریڈ کر لیا ہے اور SAP Success Factor کے HR کے کچھ ماڈیول کو نافذ عمل کیا ہے۔

بورڈ انفارمیشن کے تحفظ کے لئے ابھرتے ہوئے خطرات کے پیش نظر سائبر سیکیورٹی کی اہمیت کو تسلیم کرتا ہے جو کہ براہ راست آپ کے کاروباری آپریشنز کو متاثر کر سکتے ہوں۔ کمپنی نے ایک اندرونی IT ڈیپارٹمنٹ قائم کیا ہے جو کہ IT سے متعلق مسائل کو تحفظ فراہم کرتا ہے۔ گزشتہ سال کے دوران بورڈ کے مشورے پر بیرونی مشاورت کارنے سائبر سیکیورٹی کا آڈٹ انجام دیا اور ان کی سفارشات کو مناسب انداز سے نافذ کیا گیا ہے۔ سال کے دوران ان کی کوئی خلاف ورزی نہیں ہوئی۔

## ☆ قرضوں کی واپس ادائیگی

کمپنی ہمیشہ اپنے تمام مالیاتی ذمہ داریوں کو پورا کرتی ہے اور اپنے واجبات کو بروقت ادا کرتی ہے۔ سال کے دوران کمپنی نے 681 ملین روپے کے قرضے بینکوں کو واپس کئے۔

## ☆ سرمائے کی ساخت

کمپنی کی موجودہ قرضہ بمقابلہ حصص داری کی شرح فیصد تقریباً 30:70 ہے۔ چونکہ کمپنی کو باقاعدگی سے منافع ہوتا ہے اس لئے گیریٹنگ ریشو بہتر ہو رہی ہے۔ مکمل پیداواری گنجائش کے استعمال سے اس میں مزید بہتری آئے گی۔

## ☆ مستقبل کے امکانات:

معاشی اصلاحات کے ایجنڈے کو برقرار رکھنے اور پائیدار نمو کو یقینی بنانے کے لئے یہ ضروری ہے کہ حکومت معاشی درستگی کے اقدامات جیسے کہ مالیاتی اشنمالیت کرے تاکہ مالیاتی سختی میں کمی آئے اور برآمدات پر توجہ مرکوز ہو، جس سے پاکستانی روپے پر دباؤ میں کمی آئے۔ سیاسی استحکام اور معاشی اصلاحات کے مسلسل نفاذ سے عالمی قرض دہندگان کا اعتماد بحال ہوگا۔

مسلحہ توسیع، تنوع اور موجودہ کاروباروں کے ساتھ اپنی مطابقت کے ذریعے کمپنی پیکیجنگ کے شعبے میں سرفہرست پیکیجنگ بننے کے لئے جدوجہد کر رہی ہے۔ اس سے نہ صرف سیمنٹ کے شعبے میں بلکہ دیگر صنعتوں جیسے FMCG سیکٹر کے سامان کی طلب میں اضافہ ہوگا۔ بڑھتی ہوئی مسابقت کے دور میں کمپنی پر اعتماد ہے کہ وہ مارکیٹ میں اپنا حصہ برقرار رکھے گی اور اعلیٰ پائے کے گاہکوں کو کشش کرے گی۔ گزشتہ چند سالوں میں بڑھتی ہوئی قیمتوں کے فرق کی وجہ سے سیمنٹ کی صنعت کا غنڈ

2	مسٹر اسلم فاروق	*
2	مسٹر عامر فاروق	*

- ☆ حصص داری کی ساخت اس رپورٹ کے ساتھ منسلک کی گئی ہے۔
- ☆ سال کے دوران فی حصص آمدنی 18.50 روپے رہی جبکہ گزشتہ سال 18.04 روپے تھی۔

### ڈائریکٹران کا معاوضہ

کمپنی کے آرٹیکلز کے تحت بورڈ آف ڈائریکٹرز نان ایگزیکٹو اور آزاد ڈائریکٹران کے معاوضہ کو وقتاً فوقتاً طے کرنے کا مجاز ہے۔ اس سلسلے میں کمپنی کے بورڈ آف ڈائریکٹرز نے معاوضہ کی ایک پالیسی کمپنی کے نان ایگزیکٹو ڈائریکٹران اور آزاد ڈائریکٹران کے لئے ترویج کی ہے۔ ڈائریکٹران کے معاوضہ کی تفصیل تختہ سال 30 جون 2023 کے مالیاتی گوشواروں کے نوٹ 39 میں منکشف کی گئی ہے۔

### بورڈ آف ڈائریکٹرز اور بورڈ کی کمیٹیوں کی کارکردگی کی تشخیص:

ادارتی نظم و نسق کے ضابطے کے تحت کمپنی بورڈ آف ڈائریکٹرز، اس کی کمیٹیوں اور انفرادی ڈائریکٹران کی کارکردگی کی سالانہ تشخیص کرتی ہے۔ پرشدہ سوالناموں کی کمپنی سیکریٹری کی وصولی پر انتہائی درجہ کی رازداری برقرار رکھی جاتی ہے۔ اس عمل میں شفافیت کو یقینی بنانے کے لئے کمپنی نے میسرز گرانٹ تھورنٹن انجمن رجمن، چارٹرڈ اکاؤنٹنٹس کونٹانج کو مرتب کرنے اور بورڈ آف ڈائریکٹرز کے لئے رپورٹ کو تیار کرنے کے لئے ان کی خدمات حاصل کی ہیں۔ اس رپورٹ کے مندرجات کا تجزیہ کیا گیا ہے اور جن شعبوں میں بہتری کی ضرورت ہے انہیں شناخت کیا گیا ہے۔

### متعلقہ فریقین کے ساتھ لین دین:

متعلقہ فریقین کے ساتھ لین دین عمومی طریقہ کار کے مطابق انجام پائے اور انہیں مالیاتی گوشواروں میں درست انداز میں منکشف کیا گیا ہے۔

### ادارتی نظم و نسق کے ضابطے کی پاسداری:

کمپنی مکمل طور پر سٹیٹ بینک (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کی پاسداری کرتی ہے۔ پاسداری کا بیان رپورٹ کے متعلقہ حصہ میں بیان کیا گیا ہے۔

### یونی انرجی لمیٹڈ:

یونی انرجی - ونڈ پاور پراجیکٹ کی ایک مشترکہ کاروباری مہم ہے، جس کو لیٹر آف انٹینٹ عطا کیا گیا ہے اور پراجیکٹ کے سیٹ اپ کے لئے جھمپیر، ضلع ٹھٹھہ میں باقاعدہ زمین الاٹ کی گئی ہے۔ مشترکہ مہم کے پارٹنرز نے پراجیکٹ کی جاری مالیاتی ضروریات پوری کرنے کے لئے کمپنی میں ابتدائی ایکویٹی سرمایہ کاری کی ہے۔ اس سلسلے میں چیراٹ پیکیجنگ نے اپنے شیئر ہولڈرز کی منظور حاصل کر کے 4.62 ملین روپے کی ایکویٹی سرمایہ کاری کی۔ حکومت نے پراجیکٹ کے لئے اب تک کسی نرخ نامے کا اعلان نہیں کیا ہے۔

### خدشات اور مواقع:

#### ☆ خدشات کا انتظام

بورڈ آف ڈائریکٹرز نے سماجی معاشی ماحول اور ضمنی اندرونی اور بیرونی خطرات پر باریک بینی سے نظر رکھی ہوئی ہے جو کہ کمپنی کے محفوظ اور ہموار انداز میں کاموں پر اثرات ڈال سکتے ہوں۔ تمام متعلقین کے مفادات کے نگہبان کی حیثیت سے ڈائریکٹران سال بھر خطرات سے باخبر رہنے اور ان کو کم کرنے کی کوشش کرتے رہے۔

4	نان ایگزیکٹو ڈائریکٹران	-b
	مسٹر اکبر علی پستانانی	i
	مسٹر اسلم فاروق	ii
	مسٹر شہر یار فاروق	iii
	مسٹر عارف فاروق	iv
2	ایگزیکٹو ڈائریکٹران	-c
	مسٹر عامر فاروق	-i
	مسٹر عابدوزیر	-ii
1	خاتون ڈائریکٹر	-d
	مس ملیحہ ہمایوں بنگلش	-i
	☆ سال کے دوران بورڈ آف ڈائریکٹرز کے چھ اجلاس ہوئے۔ ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے:	

#### حاضر اجلاس کی تعداد

حاضر اجلاس کی تعداد	ڈائریکٹر کا نام	
6	مسٹر اکبر علی پستانانی	*
6	مسٹر عامر فاروق	*
5	مسٹر اسلم فاروق	*
5	مسٹر شہر یار فاروق	*
6	مسٹر عارف فاروق	*
4	مسٹر علی ایچ شیرازی	*
6	مسٹر عابدوزیر	*
6	مسٹر شیر افضل خان مزاری	*
6	مس ملیحہ ہمایوں بنگلش	*

☆ سال کے دوران آڈٹ کمیٹی کے چار اجلاس ہوئے۔ ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے:

#### حاضر اجلاس کی تعداد

حاضر اجلاس کی تعداد	ڈائریکٹر کا نام	
4	مسٹر علی ایچ شیرازی	*
4	مسٹر عارف فاروق	*
4	مسٹر شہر یار فاروق	*

☆ سال کے دوران انسانی وسائل و معاوضہ کمیٹی کے دو اجلاس ہوئے۔ ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے:

#### حاضر اجلاس کی تعداد

حاضر اجلاس کی تعداد	ڈائریکٹر کا نام	
2	مسٹر شیر افضل خان مزاری	*

پاسداری کے مضبوط عزم کی وجہ سے سال کے دوران کوئی بڑا حادثہ نہیں ہوا۔

## قومی خزانے میں معاونت

کمپنی نے ٹیکسوں، ایکسائز ڈیوٹی، انکم ٹیکس اور سیلز ٹیکس کی مدد میں سال کے دوران 5 (پانچ) بلین روپے سے زیادہ کی سرکاری خزانے میں معاونت کی ہے۔

## ادارتی اور مالیاتی رپورٹنگ کے نظام پر بیان

- ☆ کمپنی کی انتظامیہ کے تیار کردہ مالیاتی گوشوارے کمپنی کے معاملات، اس کے کاروباری نتائج، نقدی کے بہاؤ اور ایکویٹی میں تبدیلیوں کو شفافیت کے ساتھ پیش کرتے ہیں۔
- ☆ کمپنی میں حسابات کی کتابیں مناسب انداز میں مرتب کی گئی ہیں۔
- ☆ درست حساباتی پالیسیوں کو تسلسل کے ساتھ مالیاتی گوشواروں کی تیاری کے دوران ملحوظ خاطر رکھا گیا ہے اور کسی بھی انحراف کو مناسب انداز میں منکشف اور وضاحت کی گئی ہے۔
- ☆ مالیاتی گوشواروں کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیار پر عمل کیا گیا ہے اور اس سے کسی بھی قسم کے انحراف کے موضوع نشاندہی اور وضاحت کر دی گئی ہے۔
- ☆ اندرونی گرفت کے نظام کی شکل مضبوط ہے اور موثر انداز میں نافذ العمل ہے اور اس کی نگرانی کی جاتی ہے۔
- ☆ کمپنی کی چلتے ہوئے ادارے کی صلاحیت میں کوئی قابل ذکر شک و شبہ نہیں ہے۔
- ☆ ادارتی نظم و ضبط کے بہترین طریقوں سے کوئی اہم انحراف نہیں کیا گیا ہے۔
- ☆ گزشتہ 6 سالوں کے کاروباری اور مالیاتی اعداد و شمار رپورٹ کے ساتھ منسلک ہیں۔
- ☆ ٹیکسوں، ڈیوٹیوں، لگان اور چارجز کی مدد کوئی رقم واجب الادا نہیں ہے سوائے ان کے جو کہ عمومی کاروباری عمل کے دوران رونما ہوں۔
- ☆ کمپنی نے پروویڈنٹ اور گریجویٹ فنڈ اکاؤنٹس کو اپنے ملازمین کے لئے برقرار رکھا ہے۔ مختتمہ سال 30 جون 2023 میں فنڈ سے کی گئی سرمایہ کاری کی مالیت بیان درج ذیل میں بیان کی گئی ہے:

پروویڈنٹ فنڈ 327.56 ملین

گریجویٹ فنڈ 145.17 ملین

## بورڈ آف ڈائریکٹرز

ڈائریکٹران کی کل تعداد 9 ہے اور اس کی تشکیل بندی درج ذیل ہے:

مرد ڈائریکٹران 8

خاتون ڈائریکٹر 1

-a آزاد ڈائریکٹران 3

i مسٹر علی ایچ شیرازی

ii مسٹر شیر افضل خان مزاری

iii مس ملیحہ ہمایوں بنگش

اضافہ کی وجہ سے بلند قرضہ جاتی سہولیات کے بلند استعمال اور رعایتی نرخ میں اضافہ کے نتیجے میں سال کے دوران مالیاتی لاگت میں اضافہ ہوا۔ ٹیکس وصولی اقدامات میں حالیہ تبدیلیوں کے نتیجے میں کمپنی پر ٹیکس کے بوجھ میں اضافہ ہوا۔ تمام لاگتوں کو نکالنے کے بعد سال مختتمہ 30 جون 2023 کا بعد از ٹیکس منافع 908 ملین روپے رہا۔

### منافع منقسمہ کی ادائیگی:

کمپنی تسلسل کے ساتھ ہمیشہ منافع جات کی تقسیم کے لئے کوشاں ہے۔ منافع منقسمہ کی ادائیگی کا فیصلہ مختلف پہلوؤں جیسے کمپنی کی مالیاتی کارکردگی، اس کی کاروباری ضروریات، نمو کے امکانات اور توسیعی منصوبوں کو مد نظر رکھتے ہوئے کیا جاتا ہے۔ زیر جائزہ سال کے لئے بورڈ آف ڈائریکٹرز نے بخوشی حتمی نقد منافع منقسمہ 2 روپے فی حصص کی سفارش کی ہے۔ یہ عبوری نقد منافع منقسمہ کے علاوہ ہے جو کہ 1 روپے فی حصص اور بونس حصص بلحاظ 5 فیصد سال کے دوران دیا جا چکا ہے۔

### پلگڈ اریٹیکٹنگ کے کاروبار میں توسیع

سال کے دوران کمپنی نے دوسرے ریٹروگریور پرنٹر کی تنصیب مکمل کی۔ اپنی اقسام میں یہ ایک انتہائی جدید اور مستعد آلہ ہے جسے میسرز ونڈمولر اور ہولشر سے درآمد کیا گیا ہے۔ مزید براں مارکیٹ سے حوصلہ افزاء جواب کو مد نظر رکھتے ہوئے کمپنی نے پلگڈ اریٹیکٹنگ ڈویژن کی پیداواری گنجائش بڑھانے کے لئے دوسرے فلیگسو پرنٹر کی خریدار کے لئے آرڈر دے دیا ہے۔ اس توسیعی منصوبہ میں سرمایہ کاری طویل مدتی قرضے سے ہوگی اور توقع ہے کہ مارچ 2024 میں مکمل ہو جائے گا۔ پیداواری گنجائش میں اضافہ سے کمپنی اپنے قابل قدر گاہکوں کی طلب کو موثر انداز میں پورا کرنے اور دستیاب وسائل کو بہتر انداز سے استعمال کرنے کے قابل ہو جائے گی۔

### ادارتی سماجی ذمہ داری

جس معاشرے اور ماحول میں کمپنی کام کرتی ہے اس نے وہاں کی بہتری میں ہمیشہ معاونت کرنے کی کوشش کی ہے۔ اپنی ادارتی سماجی ذمہ داری کی پالیسیوں کے تحت کمپنی اپنی پیداواری سہولیات کے نزدیک اور قرب و جوار میں رہنے والے لوگوں کی معیار زندگی کو بہتر بنانے کے لئے مختلف سماجی پیشقدمیوں میں مصروف عمل ہے۔ کمپنی نے ہمیشہ ضرور مند لوگوں کی مدد کی ہے اور قدرتی آفات کے بحران میں ان کے ساتھ ضروری تعاون کیا ہے۔ مختلف اچھی ساکھ کے حامل خیراتی اور سماجی مقاصد کے اداروں کو معاونت فراہم کر کے کمپنی نے ایک بہتر ماحول، ایک بہتر معیشت اور ضرورتمند لوگوں کی بہتر معیار زندگی کے لئے اپنا کردار ادا کیا ہے۔

### ESG کے کلیدی مقاصد

ESG کے بورڈ اقدامات میں مصروف عمل ہے اور مضبوطی سے ان کی تائید کرتا ہے۔ اس سے طویل مدتی نمو میں مدد ملتی ہے، خطرات کم ہوتے ہیں اور ہمارے متعلقین میں اعتماد کی فضا قائم ہوتی ہے۔ ہمارے کلیدی مقاصد میں ماحول دوستی، معاشرتی ذمہ داری اور موثر نظم و نسق شامل ہے۔ ہم کاربن کے اثرات کو کم کرنے، وسائل کو محفوظ بنانے، ماحول دوست توانائی کے استعمال کو پروان چڑھانے اور فضلہ کو ماحول دوست انداز میں ٹھکانے لگانے کے لئے پرعزم ہیں۔ ہمارے مرکزی نکات میں تنوع کو پروان چڑھانا، ملازمین کی بہبود کو یقینی بنانا اور متحرک طور پر معاشرے کے ساتھ مصروف عمل ہونا شامل ہیں۔ ہماری فیصلہ سازی کا محور اخلاقی طرز عمل، آزادی اظہار، شفافیت اور خطرات کے محتاط انتظام ہے۔ ادارتی سماجی ذمہ داری میں ہماری کلیدی توجہ کارکن تعلیم، صحت اور معاشرے کی خدمت ہے۔

### صحت، تحفظ اور ماحولیات

کمپنی اپنے عملہ کے لئے صحت اور تحفظ کے اعلیٰ معیارات قائم رکھنے پر کامل یقین رکھتی ہے، اس سلسلے میں اس نے چند اقدامات کئے ہیں۔ ان میں بدلتے ہوئے کاروباری ضروریات کے تحت صحت اور ملازمین کے تحفظ کے ضابطوں پر عملدرآمد شامل ہے۔ کمپنی اپنی پیداواری سہولیات میں ملک میں نافذ العمل ماحولیات اور تحفظ کے لاگو معیارات کی مکمل طور پر پاسداری کرتی ہے اور HSE مقاصد کی نگرانی کرتا ہے۔ کمپنی کا ایک مخصوص HSE ڈپارٹمنٹ ہے جو HSE کے مقاصد کے نفاذ کی نگرانی کرتا ہے۔ کمپنی نے ایک HSE طریقوں کی پاسداری کو یقینی بناتا ہے بلکہ عملہ کو باقاعدگی کے ساتھ آگ اور تحفظ کی تربیت فراہم کرتا ہے۔ کمپنی کے معیارات کی سختی سے

کمپنی کا بورڈ آف ڈائریکٹرز سالانہ رپورٹ کے ساتھ ختمہ سال 30 جون 2023 کے آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے اظہار مسرت کرتا ہے۔

## عمومی جائزہ

ملک کو اس وقت غیر معمولی معاشی چیلنج کا سامنا ہے جس کی بڑی وجوہات میں سیاسی غیر یقینی صورتحال، گرتے ہوئے زرمبادلہ کے ذخائر اور افراط ز میں اضافہ شامل ہیں۔ گزشتہ سالوں میں سیلاب، روپے کی قدر میں وسیع پیمانے پر کمی، توانائی کی قیمتوں میں اوپری رجحان کے ساتھ ساتھ فنڈز کی قلت اور درآمدی غذائی اشیاء کی بلند لاگت نے اس صورتحال کو مزید پیچیدہ کر دیا۔ افراط زر اور گرتے ہوئے زرمبادلہ کے ذخائر کو قابو کرنے کے لئے حکومت نے زری پالیسی میں سختی کی اور آئی ایم ایف کے ساتھ 9 ماہی اسٹاف لیول ایگریمنٹ کرنے میں کامیاب رہی لیکن ملک IMF نے درآمدی پابندیاں عائد کر دیں۔ اگرچہ حکومت کو اس وقت طویل مدتی بحالی منصوبے کی شدید ضرورت ہے تاکہ ملک موجودہ معاشی بحران سے نکل سکے۔

ملک کی دیگر صنعتوں کی طرح پیکیجنگ سیکٹر بھی کاروباری سرگرمیوں میں مجموعی معاشی سست روی کی وجہ سے متاثر ہوا ہے۔ درآمدات پر پابندیوں سے نہ صرف طلب میں قابل ذکر کمی ہوئی بلکہ خام مال کی شدید قلت پیدا ہو گئی۔ تاہم اپنے وسائل کے بہتر انتظام اور استعمال سے کمپنی بلا رکاوٹ اپنے آپریشن جاری رکھنے کے قابل رہی۔

## کاروباری جائزہ

سال کے دوران شدید معاشی غیر یقینی صورتحال کے باوجود آپ کی کمپنی نے ایک مرتبہ پھر مضبوطی مالیاتی کارکردگی دکھائی۔ کمپنی کی فروخت کے آمدنی میں قابل ذکر اضافہ ہوا جس کی بنیادی وجہ چکدار پیکیجنگ ڈویژن کے حجم فروخت میں اضافہ ہے۔ کمپنی نے سیمنٹ کی صنعت میں اپنے قابل قدر گاہکوں کے اعلیٰ معیاری تھیلوں کی طلب کو پورا کیا۔ اچھی ساکھ کے حامل گاہکوں کے ساتھ تعلقات قائم کر کے اور مارکیٹ کے غیر معروف شعبوں میں قدم جماتے ہوئے چکدار پیکیجنگ ڈویژن میں نمو میں معیار حرکت جاری رہا۔ کچھ گھریلو اشیاء کے تیار کنندگان نے کمپنی کے چکدار پیکیجنگ مواد پر اعتماد کرنا شروع کر دیا ہے جبکہ کئی ایک کے ساتھ معاملات آخری مراحل میں ہیں۔

گزشتہ سال کے مقابلے میں موجودہ سال کی مالیاتی جھلکیاں درج ذیل ہیں:

2022	2023	
13,503	16,554	خالص فروخت
2,315	3,277	خام منافع
886	908	خالص منافع

## مالیاتی کارکردگی:

فروخت کے حجم میں گزشتہ سال کی بہ نسبت 23 فیصد اضافہ ہوا۔ تاہم معاشی صورتحال اور اس کے نتیجے میں سیمٹ کی طلب میں کمی سے سیمنٹ کے تھیلوں کی فروخت شدہ مقدار گزشتہ سال کے مقابلے کم رہی۔ جیسا کہ اوپر بیان کیا گیا ہے کہ اہم خام اشیاء جیسے کہ کرافٹ پیپر، پی پی گریٹیولز اور دیگر خام مال کی قیمتوں میں پاکستانی روپے کی قدر میں بڑے پیمانے پر کمی کی وجہ سے تیز ترین اضافہ ہوا۔ مزید برآں تیل اور توانائی کی قیمتوں میں اضافہ سے پیداواری لاگت میں بھی اضافہ ہوا۔ کاروباری حجم میں











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