

Making the cut.

Un-Audited Accounts
March 31, 2018



Cherat Packaging Limited
A Ghulam Faruque Group Company

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Company Information

Board of Directors

Mr. Akbarali Pesnani
Mr. Amer Faruque
Mr. Aslam Faruque
Mr. Shehryar Faruque
Mr. Arif Faruque
Mr. Tariq Faruque
Mr. Abrar Hasan
Mr. Abid Naqvi

Chairman
Chief Executive
Director
Director
Director
Director
Director
Director

Audit Committee

Mr. Abid Naqvi
Mr. Arif Faruque
Mr. Tariq Faruque

Chairman
Member
Member

Human Resource and Remuneration Committee

Mr. Abid Naqvi
Mr. Amer Faruque
Mr. Aslam Faruque
Mr. Abrar Hasan

Chairman
Member
Member
Member

Chief Operating Officer & CFO

Mr. Yasir Masood

Executive Director & Company Secretary

Mr. Abid Vazir

Auditors

EY Ford Rhodes
Chartered Accountants

Legal Advisor

K.M.S. Law Associates

Bankers

Allied Bank Ltd.
Bank Al Habib Ltd.
Faysal Bank Ltd.
Habib Bank Ltd.
Habib Metropolitan Bank Ltd.
MCB Bank Ltd.
National Bank of Pakistan
Samba Bank Ltd.
Soneri Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.
The Bank of Punjab
United Bank Ltd.

Bankers (Islamic)
Al Baraka Bank (Pakistan) Ltd.
Askari Bank Ltd.
Bank Alfalah Ltd.
Bank Al Habib Ltd.
Bankislami Pakistan Ltd.
Dubai Islamic Bank Pakistan Ltd.
Meezan Bank Ltd.

Registered Office

1st Floor, Betani Arcade, Jamrud Road
Peshawar

Factory

Plot No. 26
Gadoon Amazai Industrial Estate
District Swabi
Khyber Pakhtunkhwa

Head Office

Modern Motors House
Beaumont Road
Karachi-75530

Regional Office

3, Sunder Das Road
Lahore

Islamabad Office

1st Floor,
Razia Sharif Plaza
Jinnah Avenue, 91-Blue Area

Share Registrar

Central Depository Company
of Pakistan Limited (CDC)
CDC House, 99-B, Block 'B'
S.M.C.H.S., Main Shahrah-e-Faisal
Karachi-74400

Directors' Review

The Board of Directors is pleased to present the financial results of the company for the nine months period ended March 31, 2018.

Overview

Amid challenging business circumstances because of significant escalation in cost of key raw materials like kraft paper and PP granules together with depreciation of Pak rupee vis-à-vis US dollar and Euro, the company has continued to maintain its market leadership position. Besides meeting the requirements of the cement industry for high quality paper and PP bags, the company is also making successful entry into new markets segments by launching fresh variety of packaging products and exporting PP bags to various destinations.

Operating performance

During the nine months under review, sales revenues of the company increased by 4% over the corresponding period last year. This was mainly due to adjustment in selling prices of bags in line with the market conditions. In a period of rising input costs due to increase in price of kraft paper and PP granules together with depreciation, the company tried to optimize and efficiently manage its inventory and other resources to rationalize its production costs. During the period under review, there was an increase in finance cost due to arrangements made by the company to finance its operations together with expansion and diversification projects initiated by it. The company incorporated tax credit under section 65-B of Income Tax Ordinance against the recently commissioned Universal Papersack Line. For the nine months period ended March 31, 2018 the company posted an after tax profit of Rs. 438 million.

Flexible Packaging Project

As informed earlier, with an eye on fast evolving consumer market and emerging trends in packaging industry, the company decided to enhance its business horizons by venturing into the field of flexible packaging. We are pleased to update that some of ordered equipment including printers have arrived at the factory and installation work has started. CPL will be the first company in Pakistan to come up with the Extrusion, Roto/Flexo printers and cylinder making machines all at the same time. Work on civil and mechanical sections is nearing completion and the project is expected to be completed within the scheduled time. The flexible packaging project is being financed through a combination of debt and equity including issuance of right shares.

Future Prospects

Cherat Packaging has always been at the forefront of innovation as it continues to introduce new and cost effective packaging solutions for its loyal customers. Furthermore, it is always exploring new markets including exports for sales of its bags. With encouraging growth in the demand for cement in the country due to CPEC projects and other infrastructure developments, the company has positioned itself to meet the additional demand for cement bags through timely enhancement in production capacities of both Papersack and PP plants, which provide a strategic advantage to the Company in meeting the rising requirement of cement bags. Additionally, this would also allow the company to explore new market segments including export of PP bags and packaging material for other products like sugar, fertilizer, chemicals etc. including smaller bags. Meanwhile, considering the growing consumer packaging market, addition of flexible packaging division will enable the company to diversify into new market segments to further grow its business.

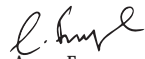
Acknowledgment

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. It would like to particularly thank Mondi Packaging and Windmoller & Holscher for their cooperation and support to the company.

On behalf of the Board of Directors



Akbarali Pesnani
Chairman



Amer Faruque
Chief Executive

Karachi: April 26, 2018

Condensed Interim Statement of Financial Position

as at March 31, 2018

	Note	March 31, 2018 (Unaudited)	June 30, 2017 (Audited)
----- (Rupees `000) -----			
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	4	3,646,474	1,816,165
Intangible assets		6,280	7,301
		3,652,754	1,823,466
Long-term investments	5	626,023	870,516
Long-term loan		269	325
Long-term security deposits		9,378	8,928
		4,288,424	2,703,235
CURRENT ASSETS			
Stores, spare parts and loose tools		127,827	94,530
Stock-in-trade		1,873,119	1,494,637
Trade debts		907,556	898,551
Loans and advances		8,508	4,884
Trade deposits and short-term prepayments		20,810	9,166
Other receivables		430,657	256,752
Taxation - net		214,383	89,211
Cash and bank balances		14,467	15,428
		3,597,327	2,863,159
TOTAL ASSETS		7,885,751	5,566,394
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital		400,000	400,000
Issued, subscribed and paid-up capital	6	336,022	296,055
Reserves		4,093,100	3,720,822
		4,429,122	4,016,877
NON-CURRENT LIABILITIES			
Long-term financings	7	1,685,000	570,000
Deferred taxation		256,050	204,085
		1,941,050	774,085
CURRENT LIABILITIES			
Trade and other payables		540,894	546,806
Unpaid dividend		4,010	-
Unclaimed dividend		6,626	5,511
Accrued mark-up		31,025	21,746
Short-term borrowings		848,024	161,369
Current maturity of long-term financings	7	85,000	40,000
		1,515,579	775,432
CONTINGENCIES AND COMMITMENTS			
	8		
TOTAL EQUITY AND LIABILITIES		7,885,751	5,566,394

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.


Amer Faruque
 Chief Executive


Shehryar Faruque
 Director


Yasir Masood
 Chief Financial Officer

Condensed Interim Profit and Loss Account (Unaudited) for the period ended March 31, 2018

Note	Period ended		Quarter ended	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
	----- (Rupees `000) -----		----- (Rupees `000) -----	
Turnover - net	5,075,854	4,890,748	1,852,104	1,597,945
Cost of sales	(4,357,539)	(3,931,091)	(1,592,358)	(1,284,820)
Gross profit	718,315	959,657	259,746	313,125
Distribution costs	(77,268)	(90,984)	(26,163)	(31,557)
Administrative expenses	(55,961)	(47,430)	(19,165)	(14,408)
Other expenses	(34,716)	(55,937)	(13,425)	(17,934)
	(167,945)	(194,351)	(58,753)	(63,899)
Other income	27,348	18,563	6,289	6,033
Operating profit	577,718	783,869	207,282	255,259
Finance costs	(85,163)	(50,416)	(32,119)	(15,065)
Profit before taxation	492,555	733,453	175,163	240,194
Taxation				
Current - For the period	(7,729)	(181,216)	(5,756)	(61,322)
- Prior year	5,040	(22,715)	-	-
Deferred	(51,965)	23,036	(49,581)	(6,126)
	(54,654)	(180,895)	(55,337)	(67,448)
Net profit for the period	437,901	552,558	119,826	172,746
Earnings per share - basic and diluted		(Restated)		(Restated)
9	Rs. 13.55	Rs. 17.95	Rs. 3.71	Rs. 5.61

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.


Amer Faruque
Chief Executive


Shehryar Faruque
Director


Yasir Masood
Chief Financial Officer

Condensed Interim Statement of Comprehensive Income (Unaudited) for the period ended March 31, 2018

	Period ended		Quarter ended	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
	----- (Rupees `000) -----		----- (Rupees `000) -----	
Net profit for the period	437,901	552,558	119,826	172,746
Other comprehensive income that may be reclassified subsequently to profit and loss account:				
Unrealized (loss) / gain on available-for-sale securities - net	(244,493)	322,268	84,226	83,160
Total comprehensive income for the period	<u>193,408</u>	<u>874,826</u>	<u>204,052</u>	<u>255,906</u>

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.


Amer Faruque
Chief Executive


Shehryar Faruque
Director


Yasir Masood
Chief Financial Officer

Condensed Interim Cash Flow Statement (Unaudited)

for the period ended March 31, 2018

	March 31, 2018	March 31, 2017
	----- (Rupees `000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	492,555	733,453
Adjustments for:		
Depreciation	136,743	105,613
Amortization	1,021	712
Dividend income	(21,795)	(14,391)
(Gain) / loss on disposal of property, plant and equipment	(179)	1,379
Finance costs	85,163	50,416
	<u>200,953</u>	<u>143,729</u>
	693,508	877,182
Decrease / (increase) in current assets		
Stores, spare parts and loose tools	(33,297)	(8,565)
Stock-in-trade	(378,482)	278,039
Trade debts	(9,005)	(220,598)
Loans & advances	(3,624)	(458)
Trade deposits and short-term prepayments	(11,644)	2,148
Other receivables	(173,905)	37,458
	<u>(609,957)</u>	<u>88,024</u>
	83,551	965,206
Decrease in current liabilities		
Trade and other payables	(5,912)	(285,259)
Cash generated from operations	<u>77,639</u>	<u>679,947</u>
Income tax paid	(127,861)	(267,947)
Net cash (used in) / generated from operating activities	<u>(50,222)</u>	<u>412,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(1,968,453)	(266,478)
Addition to intangible assets	-	(3,000)
Proceeds from disposal of property, plant and equipment	1,580	869
Long-term investments made during the period	-	(96,452)
Long-term loans	56	(344)
Long-term security deposits	(450)	(12)
Dividend received	21,795	14,391
Net cash used in investing activities	<u>(1,945,472)</u>	<u>(351,026)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of right shares - net	493,281	-
Long-term financings - net	1,160,000	330,000
Short-term borrowings - net	686,655	(69,792)
Finance costs paid	(75,884)	(47,411)
Dividend paid	(269,319)	(277,799)
Net cash generated from / (used in) financing activities	<u>1,994,733</u>	<u>(65,002)</u>
Net decrease in cash and cash equivalents	(961)	(4,028)
Cash and cash equivalents at the beginning of the period	15,428	17,515
Cash and cash equivalents at the end of the period	<u>14,467</u>	<u>13,487</u>

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.


Amer Faruque
 Chief Executive


Shehryar Faruque
 Director


Yasir Masood
 Chief Financial Officer

Condensed Interim Statement of Changes in Equity (Unaudited) for the period ended March 31, 2018

Issued, Subscribed and Paid-up Capital	Reserves					Total Reserves	Total	
	Capital Reserve	Revenue Reserves						
	Share premium	General Reserve	Unappro- priated profit	Actuarial gain on gratuity fund	Unrealised gain / (loss) on available for-sale securities			
(Rupees `000)								
Balance as at July 01, 2016	296,055	545,314	180,000	1,866,330	25,310	403,282	3,020,236	3,316,291
Final cash dividend for the year ended June 30, 2016 @ Rs. 7 per share	-	-	-	(207,240)	-	-	(207,240)	(207,240)
Interim cash dividend for the year ended June 30, 2017 @ Rs. 2.5 per share	-	-	-	(74,014)	-	-	(74,014)	(74,014)
Net profit for the period	-	-	-	552,558	-	-	552,558	552,558
Other comprehensive income for the period	-	-	-	-	-	322,268	322,268	322,268
Total comprehensive income for the period	-	-	-	552,558	-	322,268	874,826	874,826
Balance as at March 31, 2017	296,055	545,314	180,000	2,137,634	25,310	725,550	3,613,808	3,909,863
Balance as at July 01, 2017	296,055	545,314	180,000	2,287,125	43,036	665,347	3,720,822	4,016,877
Final cash dividend for the year ended June 30, 2017 @ Rs. 7 per share	-	-	-	(207,240)	-	-	(207,240)	(207,240)
Issuance of right shares @ 13.5% (i.e. 13.5 shares for every 100 shares held)	39,967	459,625	-	-	-	-	459,625	499,592
Share issuance cost	-	(6,311)	-	-	-	-	(6,311)	(6,311)
Interim cash dividend for the year ending June 30, 2018 @ Rs. 2 per share	-	-	-	(67,204)	-	-	(67,204)	(67,204)
Net profit for the period	-	-	-	437,901	-	-	437,901	437,901
Other comprehensive income for the period	-	-	-	-	-	(244,493)	(244,493)	(244,493)
Total comprehensive income for the period	-	-	-	437,901	-	(244,493)	193,408	193,408
Balance as at March 31, 2018	336,022	998,628	180,000	2,450,582	43,036	420,854	4,093,100	4,429,122

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.


Amer Faruque
Chief Executive


Shehryar Faruque
Director


Yasir Masood
Chief Financial Officer

Notes to the Condensed Interim Financial Statements (Unaudited) for the period ended March 31, 2018

1. THE COMPANY AND ITS OPERATIONS

Cherat Packaging Limited (the Company) was incorporated in Pakistan as a public company limited by shares in the year 1989. Its main business activity is manufacturing, marketing and sale of paper sacks and polypropylene bags. The Company is listed on Pakistan Stock Exchange Limited. The registered office of the Company is situated at 1st Floor, Betani Arcade, Jamrud Road, Peshawar, Pakistan.

2. STATEMENT OF COMPLIANCE

2.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 These condensed interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended June 30, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended June 30, 2017 except that the Company has adopted the following standards which became effective during the period:

- IAS 7 - Statement of Cash flows: Disclosures - Disclosure Initiative (Amendment)
- IAS 12 - Income Taxes - Recognition of Deferred Tax Assets for Unrealized losses (Amendments)
- IFRS 12 - Disclosure of interests in Other Entities: Clarification of the scope of disclosure requirements (Improvements)

The adoption of the above amendments and improvements did not have any material effect on these condensed interim financial statements.

	Note	March 31, 2018 (Unaudited)	June 30, 2017 (Audited)
----- (Rupees `000) -----			
4. PROPERTY, PLANT AND EQUIPMENT			
Opening net book value (NBV)		1,777,012	1,616,160
Additions during the period / year (cost)	4.1	765,727	306,683
		2,542,739	1,922,843
Disposals during the period / year (NBV)		(1,401)	(932)
Depreciation charged during the period / year		(136,743)	(144,899)
Closing NBV		2,404,595	1,777,012
Capital work-in-progress	4.2	1,241,879	39,153
		<u>3,646,474</u>	<u>1,816,165</u>
4.1 Additions during the period / year			
Leasehold land		-	21,332
Building on leasehold land		4,830	84,627
Plant and machinery		734,625	158,417
Power and other Installations		6,958	3,965
Furniture and fittings		503	1,073
Vehicles		14,870	21,612
Equipment		1,770	10,868
Computers		2,171	4,789
		<u>765,727</u>	<u>306,683</u>

	Note	March 31, 2018 (Unaudited)	June 30, 2017 (Audited)
----- (Rupees `000) -----			
4.2	Capital work-in-progress		
	Building on leasehold land	399,597	22,268
	Plant and machinery	754,609	-
	Power and other installations	35,803	14,643
	Furniture and fittings	156	-
	Vehicles	6,682	2,242
	Equipment	38,789	-
	Computers	6,243	-
		<u>1,241,879</u>	<u>39,153</u>
5.	LONG-TERM INVESTMENTS		
	Investment in related parties		
	Available-for-sale securities	5.1	621,403
	Interest in a Joint Venture - UniEnergy Limited		865,896
		<u>4,620</u>	<u>4,620</u>
		<u>626,023</u>	<u>870,516</u>
5.1	Available-for-sale securities		
	Cherat Cement Company Limited		
	4,843,362 (June 30, 2017: 4,843,362)		
	Ordinary shares of Rs. 10/- each	621,403	865,896

6. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

During the period, the Company has issued 3,996,742 shares having face value of Rs. 10/- each at a premium of Rs. 115/- per share amounting to Rs. 499.59 million.

	Note	March 31, 2018 (Unaudited)	June 30, 2017 (Audited)
----- (Rupees `000) -----			
7.	LONG-TERM FINANCINGS - secured		
	Islamic banks		
	Fixed Assets Refinance Loan - II	450,000	450,000
	Fixed Assets Refinance Loan - III	7.1	600,000
		<u>1,050,000</u>	<u>450,000</u>
	Conventional banks		
	Fixed Assets Refinance Loan - I	120,000	160,000
	Fixed Assets Refinance Loan - IV	7.2	600,000
		<u>720,000</u>	<u>160,000</u>
		<u>1,770,000</u>	<u>610,000</u>
	Less: Current maturity	(85,000)	(40,000)
		<u>1,685,000</u>	<u>570,000</u>

7.1 Represents long-term loan obtained from an Islamic bank for the import of Universal Papersack Line. The loan carries profit at the rate of 6 months KIBOR plus 0.2% per annum. The loan is repayable in 10 equal semi-annual instalments commencing after a grace period of 30 months from the date of first disbursement i.e. from January 2020. It is secured by way of first pari-passu hypothecation charge of Rs. 800 million over plant and machinery of the Company.

7.2 Represents long-term loan obtained from a commercial bank for the import of Flexible Packaging Plant. The approved limit of the loan is Rs. 1,200 million out of which is Rs. 600 million was drawn till the reporting period. The loan carries mark-up at the rate of 6 months KIBOR plus 0.15% per annum. The loan is repayable in 10 equal semi-annual instalments commencing after a grace period of 30 months from the date of first disbursement i.e. from August 2021. It is secured by way of first pari-passu hypothecation charge of Rs. 1,600 million over plant and machinery of the Company.

	March 31, 2018 (Unaudited)	June 30, 2017 (Audited)
	----- (Rupees `000) -----	
8. CONTINGENCIES AND COMMITMENTS		
Outstanding letters of guarantee	131,071	85,515
Outstanding letters of credit	1,397,877	1,174,309

9. EARNINGS PER SHARE - basic and diluted

	Period ended		Quarter ended	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net Profit for the period (Rupees `000)	437,901	552,558	119,826	172,746
Weighted average number of ordinary shares in issue during the period	32,313,681	(Restated) 30,777,716	32,313,681	(Restated) 30,777,716
Basic earnings per share	Rs. 13.55	Rs. 17.95	Rs. 3.71	Rs. 5.61

9.1 There is no dilutive effect on basic earnings per share of the Company.

10. RELATED PARTY TRANSACTIONS

Related parties comprise of group companies, directors, executives and retirement funds. Transactions with related parties other than those disclosed elsewhere in the financial statements are as follows:

Relationship	Nature of transaction	Period ended		Quarter ended	
		March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		----- (Rupees `000) -----		----- (Rupees `000) -----	
Group companies	Purchase of goods	52,039	10,256	24,974	813
	Sale of goods	824,319	506,657	326,788	193,592
	Services received	26,521	23,143	10,188	8,330
	IT support charges	8,298	6,300	2,766	2,100
	Dividend received	21,795	14,391	4,843	4,843
	Dividend paid	75,124	76,797	18,536	20,209
	Issuance of shares	167,611	-	167,611	-
Key management personnel	Remuneration	69,153	50,969	23,204	18,922
Other related parties	Contribution to staff provident and gratuity funds	6,931	5,455	3,032	2,626
	Insurance premium	8,090	5,623	3,104	1,875
	Services received	3,692	-	515	-

11. CAPACITY

Annual installed capacity

March 31, 2018 (Unaudited)	June 30, 2017 (Audited)
----- (Bags `000) -----	
595,000	460,000

With the installation of Universal Papersack line V, production capacity of the Company has enhanced.

12. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on April 26, 2018 by the Board of Directors of the Company.

13. GENERAL

13.1 Corresponding figures have been changed wherever necessary in line with changes enacted through the Companies Act, 2017. Key management personnel remuneration figures in related party transaction note have been revised in line with the new definition of executives in the Companies Act, 2017.

13.2 Figures have been rounded off to the nearest thousand Rupees, unless otherwise stated.


Amer Faruque
Chief Executive


Shehryar Faruque
Director


Yasir Masood
Chief Financial Officer



GLOBAL
PACKAGING
GROUP

Gigamon Packaging Limited

Head Office: Modern Metals House Beaumont Road
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