CHAIRMAN’S REVIEW:
I am pleased to present on behalf of the Board of Directors, un-audited Account of the Company for the 3rd Quarter ended December 31, 2016.

The Economy:
Pakistan economy maintained its momentum towards a higher growth trajectory in the year 2015-16, as higher infrastructure spending by the government and decade low interest rates provided a boost to domestic demand. Side by side, improvement in energy supply, security situation and progress on CPEC also supported this momentum. Real GDP growth of 4.71 percent during FY 16 was below the target, but nevertheless higher than last year growth of 4.24 percent. All major macro-economic indicators are moving in the right direction and primed for high growth in future. Pakistan’s external debt stands at US$47 billion in 2013 when country’s foreign exchange reserves were US$6 billion and presently external debt stands at US$ 57 billion and foreign exchange reserves at US$23 billion. The government envisages a GDP growth of 5.7 percent for FY 17.

Trade deficit of the Country surged to US$14.8 billion in the first half of the current fiscal year compared to US$13.4 billion in the same period of last fiscal year. The Country’s current account deficit continued to deteriorate and rose sharply by 92 percent to US$3.6 billion during the first half of current fiscal year mainly due to higher trade deficit, fall in home remittances and absence of Coalition Support Fund.

The Industry:
Growth of automotive sector in the preceding few years was instrumental to better capacity utilization for the battery industry. Sale of locally produced cars declined 4 percent to 85,901 units in July-Dec 2016 as compared to 89,824 units sold during corresponding period of last year. Trucks and Busses sales improved by 47 percent. Farm tractors sales improved by 69 percent to 20,933 units sold in July-Dec 2016 against 12,375 units sold in the same period a year ago. Sales of motorcycles and three wheelers improved by 21 percent from 651,338 units to 787,879 units.

Sales
Net Sales revenue of the Company for the Quarter under review improved to Rs.2.759 billion up by 43 percent as compared to Rs.1.924 billion during the same period of last year. Cumulative sale for the nine months improved from Rs.8.89 billion to Rs.10.10 billion up by 14 percent as compared to corresponding period of the last year.

Profitability
Gross profit for the quarter under review improved from Rs.466.0 million to Rs.554.6 million up by 37 percent due to improved sales.

Selling and distribution expenses of Battery Division increased by 31 percent as against increase in net sale revenue by 46 percent. Operating profit increased by 108 percent to Rs.109.1 million from Rs.52.4 million recorded in the corresponding period of last year. Financial charges decreased to Rs.7.48 million from Rs.42.29 million on account of lower borrowings.

Profit before tax for the nine months under review increased to Rs.778.2 million form Rs.560.3 million during the same period of last year - up by 39 percent. Earnings per share increased to Rs.66.02 up by 37.7 percent.

Future Prospects
It is anticipated that indigenous organized battery industry will face tough competition due to capacity expansion of existing battery plants and new entrants. Profit margin will also be under pressure on account of increase in raw material prices. Your management is determined to avail full benefits of the opportunities by continued focus on quality, productivity, cost control and after sales service to improve its competitiveness.

ARIF HASHWANI
Chairman
Karachi - January 30, 2017