Chairman’s Review

I am pleased to present on behalf of the Board of Directors un-audited Accounts of the Company for 1st Quarter ended June 30, 2019.

The Economy

Pakistan GDP growth rate plunged from 5.8 per cent last year to 3.5 per cent against target of 6.2 per cent in the current year. Agricultural sector grew 0.85 per cent against target of 3.8 per cent, Industrial sector grew 1.4 cent against target of 4.6 per cent and service sector grew 4.7 per cent against target of 6.5 per cent. The growth momentum of the Pakistan economy became unsustainable due to rising macroeconomic imbalances i.e. high and increasing fiscal and current account deficits. Pakistan trade deficit shrank 11.3 per cent from US $ 51,824 to US $ 28.219 billion during the financial year 2019 compared with corresponding period of last year. Parliamentary period stood at US $ 52,436 billion compared with US $ 56.6 billion last year. Decline 7.5 per cent decline. Exports declined by 2.2 per cent to US $ 24.218 billion. Pakistan current account deficit narrowed to US $ 11,587 billion in July to June FY19 compared to US $ 19.108 billion in the same period of last year depicting decline of 32 per cent. The contraction comes on the back of a reduction in trade deficit coupled with 9% increase in foreign remittances to US $ 2.841 billion. The SBP foreign exchange reserves are US $ 8.8 billion as on July 12, 2019 compared to US $ 9.1 billion a year back. Foreign Direct Investment dropped by 50 per cent to US $ 1.737 billion in the FY19 compared to US $ 3.471 billion in the same period last year. Inflation during July – June, 19 in the country was as high as 7.8 per cent compared to 3.52 per cent in the previous year and 4.16 per cent earlier.

The Industry

Growth of automotive sector in the preceding years was instrumental in better capacity utilization for the battery industry. Sales of locally produced cars, LTV and Jeeps declined by 7% to 24.664 units in July – June 30, 2019 as compared to 258.782 sold during corresponding period of last year. Sales of Buses and Trucks declined by 3.3% from 10,093 to 9,783 units. Farm tractors sale declined by 29% to 50,405 from 70,807 units. Sale of motorcycles and three wheelers declined by 9% from 1,929,853 to 1,764,954 units. Local car industry sale declined from July-2018 onward due to restrictions on non-tax filer to buy new cars and frequent increase in prices. Sale of motorcycles and three wheelers declined by 7% to 240,856 units in July – Jun-19 as compared to 258,792 sold during corresponding period of last year.

Future Prospects

It is anticipated that indigenous organized battery industry will face tough competition due to capacity expansion of existing battery plants, new entrants and changing market dynamics. Profitability in future will be also adversely impacted due to increase in prices of basic raw materials and devaluation of Pak Rupee. In order to improve operating performance in future, the management your Company is considering. Furthermore, 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 in competitiveness.

Chairman

Karachi – July 30, 2019

Production

Production activities were effectively planned and adjusted to cater to the market demand in quantity and quality. Stress on quality control at all stages of production process was implemented with great vigor for further strengthening quality standards of the products of your Company.

Sales

Net Sale Value of the Company during the quarter under review decreased by 9% from Rs.3,196 million to Rs. 2,880 million. On account of extra discount allowed to the trade in Battery Division to market Solar Energy equipment and achieved sale of Rs. 50.558 million in the quarter under review.

Profitability

Gross profit for the quarter under review decreased from Rs. 336.3 million to Rs. 233.76 million down by 39% due to reduced margins on account of increase in prices and sales revenue. Selling and distribution expenses increased by 9.01% from 244.4 million to 266.4 million. Administration and general expenses increased by 7.46% from Rs. 35.1 million to Rs. 37.7 million. Operating Loss of Rs. 100.2 million recorded against profit of Rs. 56.5 achieved in the corresponding period of last year. Loss from operation reduced by 125% from Rs. 38.4 million to Rs. 14.6 million in the quarter under review.

Net currents

Net current assets decreased from Rs. 481.0 million to Rs. 303.9 million down by 37% due to reduction in inventory levels and increase in mark up rate. Loss before tax for the period under review was Rs. 187.1 million compared to profit before tax of Rs. 0.1 million in the Corresponding period of last year.

Financial Statements

Altashwani

Chairman – July 30, 2019

Cash Flow Statement

For the Quarter ended June 30, 2019

Cash generated from operations 367,649 (522,428)
Financial charges paid (97,400) (29,067)
Tax paid (156,386) (297,857)
Decrease (Increase) in long-term deposits 2,908 (6,821)
Decrease (Increase) in long-term loans 13,537 8,621
Net cash inflow/(outflow)from operating activities 126,689 1,107,005

Cash Flow from Investing Activities

Payment for capital expenditure (2,245) (59,780)
Proceeds from sale of fixed assets (379) (45,102)
Net cash used in investing activities (2,624) (104,882)

Cash Flow from Financing Activities

Dividends paid (null) (null)
Bank loans from directors (null) (null)
Net increase (decrease) in cash and cash equivalents (2,624) (104,882)
Cash and cash equivalents at the beginning of the period (160,510) (891,081)
Cash and cash equivalents at end of the period (163,134) (995,963)

The annexed notes form an integral part of these financial statements.

Schedule of cash flow statement

Net change in inventories 367,649 522,428
Interest paid 44,653 93,227
Income tax paid (156,386) (297,857)
Amortization and depreciation (null) (null)
Loss before extraordinary items 13,537 8,621
Gain/(loss) on foreign exchange (null) (null)
Extraordinary items (null) (null)
Net profit (null) (null)
Income tax expense (null) (null)
Net income (null) (null)
Net income attributable to owners of the parent (null) (null)
Preferred stock dividends (null) (null)
Common stock dividends (null) (null)
Net income per share 0.4675 0.4675
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED) FOR THE QUARTER ENDED JUNE 30, 2019 (UNAUDITED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED JUNE 30, 2019 (UNAUDITED)

1. These financial statements are classified and are intended to be in accordance with the recommendations of Section 227 of the Companies Act, 2017.

2. These financial statements have been prepared in accordance with the requirements of Financial Accounting Standard 21 (FAS 21) "Financial Reporting Framework for Smaller Entities (FRFSE)".

3. The accounting policies adopted in preparation of these financial statements are the same as those applied in the preparation of the preceding annual published financial statements of the Company.

4. PROPERTY, PLANT AND EQUIPMENT

5. TRANSACTIONS WITH RELATED PARTIES

6. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

7. ESTIMATES

8. GENERAL

9. DATE OF AUTHORIZATION FOR ISSUE

FIRST QUARTERLY REPORT JUNE 30, 2019

CORPORATE PROFILE

BOARD OF DIRECTORS
Altaf Hashwani - Chairman
Annad Shershenta - MD/CEO
Afri Hashwani - Director
Hussain Hashwani - Director
S. Hasher Mehdi - Director
S.M. Faeq - Director
Ayub Harnead - Director
Saira Soomro Najmi - Director

CHIEF FINANCIAL OFFICER
S. Haider Mehdi

AUDIT COMMITTEE
Ayub Harnead - Chairman
Altaf Hashwani - Member
S.M. Faeq - Member
Sakim Abdul Ali - Secretary

HUMAN RESOURCES AND REMUNERATION COMMITTEE
Ayub Harnead - Chairman
Afri Hashwani - Member
Altaf Hashwani - Member
Syed Zulquarnain Shah - Secretary

BANKERS
Allied Bank Limited
Bank Al-Falah Limited
BankIslami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

AUDITORS
A. F. Ferguson & Co.

SOLICITORS
Orr Dignam & Co.

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