

DIRECTOR'S REPORT

We are pleased to present the Directors' Report together with the Financial Statements (Audited) for the year ended 30 June 2020.

COVID-19 IMPACT

The Financial Year 2020, has witnessed an unprecedented pandemic of COVID 19 that has played havoc on the world economy and our economy has been no exception to it. As a result of lock down, our blade production remained closed for almost seven (7) weeks which resulted in loss of sales of Rs. 882 million and at group level the total revenue loss is Rs. 1,522 million.

It pleases us to inform you that during the time of this crisis, we retrenched neither our permanent nor any contractual employees. Furthermore, we also did not cut down any emoluments of both permanent and contractual employees.

IMPAIRMENT PROVISIONING – International Accounting Standard (IAS) 36.

Management has carried out an impairment testing in accordance with IAS 36 of the carrying amount of investment in THL and FTMM, against the value in use which has been calculated based on present value of the projected future cashflows. As a result, a provision of Rs. 1 billion has been recorded in Treet's books. For details, please refer to notes 9.1.1.2 and 9.1.2.2 to the accounts.

SUMMARY OF COMPARATIVE FINANCIAL RESULTS

(Rupees in million)

	Financial Year June , 2020		Financial Year June , 2019		% Change	
	Treet	Consolidated	Treet	Consolidated	Treet	Consolidated
Sales (net)	6,040	11,112	6,760	11,972	-10.65%	-7.18%
Gross Profit	1,983	1,245	2,218	1,247	-10.60%	-0.16%
Operating Profit/(Loss)	1,144	(430)	747	(793)	53.15 %	-45.78%
Profit/(Loss) before Taxation from Continuing Operations	(105)	(2,249)	423	(1,949)	-124.82%	15.39%
Net Profit/(Loss) after taxation from Continuing Operations	(190)	(2,350)	283	(2,125)	-167.14%	10.59%
Net Profit/(Loss) after taxation	(190)	(2,720)	283	(2,125)	-167.14%	28.00%
EPS (in Rupees)	(1.14)	(15.84)	1.73	(12.69)	-165.90%	24.82%

BUSINESS REVIEW – TREET CORPORATION LIMITED (TCL)

The financial year 2019-20 posted a total revenue of Rs. 6,040 million compared to Rs. 6,760 million last year. The decrease in revenue is mainly attributable to COVID 19, due to which sales of your company declined by Rs. 720 million.

Gross profit at Rs. 1,983 million shows decrease of 10.60% over last year (2019: Rs. 2,218 million). Operating profit shows an improvement of 53.15% over the last year.

The increase in other operating expenses is mainly due to provision for impairment loss on investment in THL and FTMM, amounting to Rs. 1 billion. This has resulted in net loss after tax of Rs. 190 million against Net profit after tax for last year Rs. 283 million. This has resulted in negative EPS of Rs. 1.14 per share.

Segment wise sales is as follows:

(Rupees in million)

Segment	Sales		
	Financial Year June , 2020	Financial Year June , 2019	+/- %
Blades	5,926	6,665	-11.09%
Soap	770	900	-14.44%
Corrugation*	1,534	1,929	-20.48%
Trading	114	97	17.53%
Pharmaceutical	522	417	25.18%
Bike	104	264	-60.61%
Battery	2,187	1,760	24.26%
Total	11,157	12,032	-7.45%

* The sales of corrugation segment includes intercompany sales of Rs. 45 million (2019: Rs 60 million)

BUSINESS REVIEW – GROUP RESULTS

For the year, the Group's turnover was Rs. 11,112 million, registering a decrease of 7.18%, amounting to Rs. 860 million as compared to previous year. The decrease is mainly attributable to COVID-19 which resulted in a marked decline in the sales of bikes, corrugated boxes, soaps and blades. However, gross profit registered a decrease of Rs. 2 million during the year over the corresponding period last year.

Operating Loss is Rs. 430 million which shows reduction in loss by 45.78% as compared to last year. Loss after tax is Rs. 2,720 million which is 28% higher compared to last year same period. The increase in loss is primarily due to higher financial charges attributable to increase in policy rate along with increased level of borrowing. This level of loss has delivered a negative EPS of Rs. 15.84 per share compared to Rs. 12.69 per share last year same period.

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FINANCIAL PLAN

Spin off Battery segment from its subsidiary (First Treet Manufacturing Modaraba) to separate a Company (Treet Battery Limited) is in progress. Execution of demerger plan is underway. Currently, regulatory and legal approvals are being sought from Financial Institutions and Regulators.

The current receivables from FTMM upto PKR 7.4 billion will be converted into equity of FTMM after approval from shareholders in their upcoming meeting, and subsequent approval from the regulator.

The group plans to divest some of its assets to generate liquidity which will subsequently be used to reduce the level of bank borrowings.

Some of the major improvement and capacity enhancement projects undertaken to increase the efficiency and capacity of our current blades operations includes:

CAPACITY ENHANCEMENT PROJECTS

- Hygiene Razor is one of our fast-growing products whose market demand is increasing very rapidly. Keeping this factor in mind, a production enhancement project is being evaluated which will increase the capacity of Hygiene Razors by 24 million razors per annum.
- Inhouse/local development of plant and equipment was initiated during the year which will enhance the production of double edge stainless steel blade by 120 million per annum and carbon steel blade by 60 million per annum. This project is expected to be completed in October/ November, 2020. This will provide greater opportunity to our Local Sales and Export Marketing Departments to cater for their future market demand.

Improvement in blade yield per Kg:

- Rejection on production processes was further reduced through process improvement, training and vigilance. As a result, yield (No. of

blades/ Kg. raw strip) of double edge stainless steel blades increased by 19 blades per kg as compared to the last year. This yielded 8.3 million more blades from the steel consumed during the year 2019-20 as compared to the last year's yield, valuing approximately Rs. 28 million

CORPORATE AND FINANCIAL REPORTING FRAMEWORK:

In compliance with the Code, the Board of Directors of the Company states that:

- The financial statements, prepared by the management, fairly present its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the company have been maintained.
- Appropriate accounting policies are consistently applied by the Company in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of these financial statements and any departure therefrom, if any, has been adequately disclosed.
- The system of Internal Controls, has been further strengthened and has effectively persisted throughout the year.
- Keeping in view the financial position of Group and the Company, we do not have any significant doubt upon its continuance as a going concern.
- There has not been any material departure from the best practices of corporate governance, as detailed in the listing regulations, during the year under review.

MEETINGS OF THE BOARD OF DIRECTORS:

During the year, the Board of Directors of the company have met **06** times and the attendance at each of these meetings is as follows:

Name	Designation	17-Jul-19	4-Oct-19	30-Oct-19	26-Feb-20	01-Mar-20	27-Apr-20	2019-2020
Dr. Salman Faridi	Independent Director	P	P	P	P	P	P	6/6
Mr. Imran Azim	Non-Executive Director	P	P	P	P	P	P	6/6
Mr. Munir Karim Bana	Non-Executive Director	P	P	P	P	P	P	6/6
Mr. Saulat Said	Non-Executive Director	P	P	P	P	P	P	6/6
Dr. Mrs. Niloufer Qasim Mahdi	Chairperson/Non-Executive Director	A	A	A	A	A	A	0/6
Mr. Syed Shahid Ali	Chief Executive Officer	P	P	P	P	A	P	5/6
Mr. Syed Sheharyar Ali	Executive Director	A	P	P	P	P	P	5/6
Mr. M. Shafique Anjum	Executive Director	A	P	P	P	P	P	5/6

AUDIT COMMITTEE:

During the year, the Audit Committee of the Board have met **04** times and the attendance at each of these meetings is as follows.

Name	Designation	04-Oct-19	30-Oct-19	26-Feb-20	27-Apr-20	2019-2020
Dr. Salman Faridi	Chairman/Independent Director	P	P	P	P	4/4
Mr. Imran Azim	Non-Executive Director	P	P	P	P	4/4
Mr. Munir Karim Bana	Non-Executive Director	P	P	P	P	4/4

ACKNOWLEDGEMENTS

We place on record our gratitude to our valued customers for their confidence in our products and pledge to provide them the best quality by continually improving our products. We would also like to thank all our colleagues, management and factory staff who are strongly committed to their work as the success of your Company is built around their efforts. We also thank our shareholders for their confidence in our Company and assure them that we are committed to do our best to ensure best rewards for their investment in the Company.

Lahore

October 05, 2020



Syed Shahid Ali