

DIRECTOR'S REPORT

We are pleased to present the Directors' Report together with the Financial Statements (Audited) for the year ended June 30, 2022.

ECONOMIC UNCERTAINTY IMPACT

The business environment during FY 2022 was generally unfavorable due to political and economic challenges faced by Pakistan adding more fuel to the miseries of our economy which has adversely effected businesses across the industries. The staggering increase in the prices of raw material, currency depreciation in the past 12 months, unprecedented increase in the policy rates, for the economy that is majorly "Import Dependent" for all basic to specialized raw material along with the uncertain political situation has made very hard for the businesses to survive.

Our business is no exception to these challenges, however, the dedication and hard work of our teams has somewhat restricted the above adverse economic impact. Despite the turbulent economic conditions, the company managed to perform efficiently to yield better results. Going forward, due to continuous improvements in our sale and marketing strategy, operational planning and cost management, we expect further improvement in sales volume, profitability and liquidity management. Provided this uncertain political economic conditions, our main objective continuous to be deleveraging the group from excessive leveraging.

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 subsidiaries/associated company(s): Treet Holdings Limited (THL) and First Treet Manufacturing Modaraba (FTMM), against the value in use, which has been calculated based on present value of the projected future cashflows of THL and FTMM. As a result, a provision of Rs. 30.4 million has been recorded in Treet's books for THL, while Rs. 655.75 million of provisions has been reversed in case of investment in FTMM. For details, please refer to notes 9.1.1.2 and 9.1.2.2 to the accounts

BUSINESS REVIEW – TREET CORPORATION LIMITED (TCL)

During the year under review, TCL reported Net Sales of Rs. 7,424 million compared to Rs. 7,574 million, registering a decrease of 1.98% YOY basis. The topline accounts for 69% of local sales whereas 31% comprise of export sales. Export sales of the company decrease by 7.98% whereas domestic sales took a jump of 1% compared to previous year. Gross profit at Rs. 2,238 million shows a decrease of 13.22% compared to previous year (Gross profit FY 2021 Rs. 2,579 million). Administration, operating and distribution expenses have decrease by 14.11% mainly due overheads control and value chain cost optimization initiatives. The operating profit stood at Rs. 969 million showing a decline of 12% over the last year (Rs. 1,101 million FY 2021). Other income at Rs. 941 million, played a pivotal role in improving the profitability of the company, which includes reversal of impairment loss on investment in FTMM of Rs. 655 Million.

The financial cost has posted an increase of 4.12%, to Rs. 724 million as compared to Rs. 696 million in the preceding year, mainly due increase in policy rates during the reporting period. The PAT stands at Rs. 862 million (FY21: PKR 1,539 million) posting decline of 43.99%.

BUSINESS REVIEW – GROUP RESULTS

For FY 2022, the Group's turnover was Rs. 15,790 million, registering an increase of 11.24%, as compared to previous year (Rs. 14,195 Million: FY 2021). The increase is primarily due to higher volumes in corrugation, battery and pharma business and is slightly offset by reduced volumes in soap business.

For the Financial year under review, Gross Profit registered an increase of 4.79% at Rs. 2,669 million over the corresponding period last year (Rs. 2,547 Million: FY 2021). This is mainly due to higher volumes - mostly in all business segments and better cost controlling measures, which resulted in better absorption of fixed overheads.

Operating profit for FY 2022 is Rs. 794 million compared to an operating profit of Rs. 401 million in previous financial year. Loss after tax is Rs. 303 million which has decreased by 155.29% compared to last year same period. This level of results has delivered a negative EPS of Rs. 1.77 per share compared to an EPS of Rs. 3.24 per share last year same period.

SUMMARY OF COMPARATIVE FINANCIAL RESULTS

(Rupees in million)

| | Financial Year June , 2022 | | Financial Year June , 2021 | | % Change | |
|----------------------------------|----------------------------|--------------|----------------------------|--------------|----------|--------------|
| | Treet | Consolidated | Treet | Consolidated | Treet | Consolidated |
| Sales (net) | 7,424 | 15,790 | 7,574 | 14,195 | -1.98% | 11.24% |
| Gross Profit | 2,238 | 2,669 | 2,579 | 2,547 | -13.22% | 4.79% |
| Operating Profit/(Loss) | 969 | 794 | 1,101 | 401 | -12% | 98.01% |
| Profit/(Loss) before Tax | 1,040 | (56) | 1,990 | 524 | -47.74% | -110.69% |
| Net Profit/(Loss) after taxation | 862 | (303) | 1,539 | 548 | -43.99% | -155.29% |
| EPS (in Rupees) – basic | 4.88 | (1.77) | 8.93 | 3.24 | -45.35% | -154.63% |
| EPS (in Rupees) - diluted | 4.85 | (1.76) | 8.86 | 3.22 | -45.25% | -154.66% |

Segment wise sales is as follows:

(Rupees in millions)

| Segment | Sales | | |
|--------------------|----------------|----------------|---------|
| | Financial Year | Financial Year | +/- |
| | June , 2022 | June , 2021 | % |
| Blades and Trading | 7,424 | 7,574 | -1.98% |
| Soap | 490 | 745 | -34.23% |
| Corrugation | 2,228 | 1,740 | 28.05% |
| Pharmaceutical | 715 | 544 | 31.43% |
| Bike | 51 | 30 | 70.00% |
| Battery | 4,882 | 3,562 | 37.06% |
| Total | 15,790 | 14,195 | 11.24% |

DIVIDEND

In view of financial performance of the Company, the Board of Directors have recommended to pay the final cash dividend of Rs. --- per share (2021: Rs. 1 per share).

FINANCIAL PLAN

The biggest challenge that our group currently face is the excessive leveraging on our balance sheet which make us unsustainable from both cost and balance sheet structure point of view. Deleveraging the group has still been the top most priority, and the current macroeconomic fundamentals – locally and internationally, has caused serious challenges on the sustainability of the businesses. These includes, but not limited to:

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- Increase in policy Rates
- Increase in Fuel and utility prices
- Increase in regulatory duties
- Political and economic instability
- Logistical constraints
- Foreign inflation
- Ukraine Russia war

Significant reduction has already been made in the borrowings, along with reprofiling of part of Short Term financing into long term, (impact in subsequent period), but still the current outstanding Short term Borrowing at Rs. 10.05 billion is far more than the business can sustain. The survival of our businesses under these tough economic conditions is only based on the fact that we must reduce our borrowing to the level that is sustainable with our business models. In order to do so, an aggressive financial strategy was developed and presented to the board of directors for deleveraging the group. The board of Directors has approved the strategy and it is expected that major portion of ST borrowing will be repaid in FY 2022/23, provided that the capital market shows positivity in the ensuing year.

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, the demerger case is pending adjudication at Lahore High court. It is expected that the Honourable Lahore High Court will approve the scheme in FY 2022/23.

REPROFILING OF SHORT TERM BORROWING.

As planned, the short term borrowing was reprofiled to long term loan amounting to Rs 1.5 billion, however due to certain regulatory approvals pending at the reporting date, the disbursement of long term loan and repayment of short term loan was carried out in the subsequent period.

CODE OF CORPORATE GOVERNANCE:

The Directors of the Company are aware of their responsibilities under the Listed Companies (Code of Corporate Governance) Regulations, 2019 and the Rule book of Pakistan Stock Exchange. The Company has taken all necessary steps to ensure good corporate governance and full compliance of the Code and we confirm the following:

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- Proper books of account of the Company have been maintained;
- Chief Executive and Chief Financial Officer duly endorsed the financial statements before approval of the Board;
- 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 there from has been adequately disclosed and explained;
- The system of internal control 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;
- Statement of pattern of shareholding has been included as part of this Annual Report; and
- Statement of shares held by associated undertakings and related persons have also been disclosed separately.

Statements regarding the following are annexed or disclosed in the notes to the accounts:

- Pattern of Shareholding
- Trading in shares of the Company by its Directors, CEO, CFO and Company Secretary
- Employee stock option scheme

CORPORATE SOCIAL RESPONSIBILITY

The Company is committed to giving back to the Society and therefore with the Company has given Rs. 3.39 million in the form of donations and charity to a number of organizations; including but not limited Gulab Devi Chest Hospital and Society for Cultural Education.

HEALTH, ENVIRONMENT AND SAFETY

Reflecting our commitment to a cleaner world, the Company aims to develop products and manufacturing processes which are friendly to the environment

The Company has developed a Health, Safety and Environment Policy minimize its environmental impact, as is economically and practically possible. The Company ensures that all its present and future activities are conducted safely without endangering the health of its employees, its customers and the public. Furthermore, the Company is committed to ensuring that all its activities comply with national environmental, health and safety regulations.

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 | 26-Oct-21 | 27-Oct-21 | 24-Feb-22 | 26-Apr-22 | 03-Jun-22 | 28-Jun-22 | 2021-2022 |
|---------------------|---------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Imran Azim | Chairman/Non-Executive Director | P | P | P | P | P | P | 6/6 |
| Munir Karim Bana | Non-Executive Director | P | P | P | P | P | P | 6/6 |
| Dr. Salman Faridi | Independent Director | P | P | P | P | P | P | 6/6 |
| Sidra Fatima Sheikh | Independent Director | P | P | P | P | P | P | 6/6 |
| Syed Shahid Ali | Chief Executive Officer | A | P | A | A | P | P | 3/6 |
| Syed Sheharyar Ali | Executive Director | P | P | P | P | P | P | 6/6 |
| M. Shafique Anjum | Executive Director | P | P | A | P | A | P | 4/6 |

P Present

A Absent

BOARD COMMITTEES AND THEIR MEETINGS

AUDIT COMMITTEE:

During the year, the Audit Committee of the Board have met 05 times and the attendance at each of these meetings is as follows.

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| Name | Designation | 26-Oct-21 | 27-Oct-21 | 23-Nov21 | 24-Feb-22 | 26-Apr-22 | 2021-22 |
|-------------------|-------------------------------|-----------|-----------|----------|-----------|-----------|---------|
| Dr. Salman Faridi | Chairman/Independent Director | P | P | P | P | P | 5/5 |
| Munir Karim Bana | Non-Executive Director | P | P | P | P | P | 5/5 |
| Imran Azim | Non-Executive Director | P | P | P | P | P | 5/5 |

| | |
|---|---------|
| P | Present |
| A | Absent |

HR COMMITTEE:

During the year, the HR Committee of the Board have met 03 times and the attendance at each of these meetings is as follows.

| Name | Designation | 25-Oct-21 | 22-Feb-22 | 24-Feb-22 | 2021-22 |
|---------------------|-------------------------|-----------|-----------|-----------|---------|
| Sidra Fatima Sheikh | Independent Director | P | P | P | 3/3 |
| Imran Azim | Non-Executive Director | P | P | P | 3/3 |
| Syed Shahid Ali | Chief Executive Officer | P | P | P | 3/3 |

| | |
|---|---------|
| P | Present |
| A | Absent |

REMUNERATION POLICY OF NON-EXECUTIVE DIRECTORS

The fee of the non-executive and independent directors for attending the Board and Committee Meeting(s) of the Company is determined by the Board from time to time.

EXTERNAL AUDITOR

The financial statements of the company for the current year 2021-22 were audited by M/s Yousuf Adil & Co. Chartered Accountants. The auditors will retire at the end of the Annual General Meeting. Being eligible, they have offered themselves for re-appointment. The Board has recommended the appointment of M/s Yousuf Adil & Co. Chartered Accountants as auditors for the ensuing year, as recommended by the Audit Committee, subject to the approval of the members in the forthcoming Annual General Meeting.

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 **Syed Shahid Ali**

28th September 2022