



CHERAT PACKAGING LIMITED

MODERN MOTORS HOUSE, BEAUMONT ROAD, KARACHI-75530, PAKISTAN.

UAN : (9221) 111-000-009
TEL : (9221) 35683566-35683567-35688348-35689538
FAX : (9221) 35683425
E-MAIL : cherat@gfg.com.pk
WEB : www.gfg.com.pk



CPL/AMF/107
August 19, 2015

- i) The General Manager
Karachi Stock Exchange Limited
Fax: 111-573-329
- ii) The Secretary
Lahore Stock Exchange Limited
Fax: 042 – 3636-8485

Dear Sir,

FINANCIAL RESULTS FOR THE YEAR ENDED JUNE 30, 2015

We have to inform you that the Board of Directors of the Company in its meeting held on Wednesday, August 19, 2015 at 2:30 p.m. at the Head Office of the Company at Modern Motors House, Beaumont Road, Karachi, has recommended the following:

- i) **CASH DIVIDEND** : Cash Dividend @ Rs. 5.00 per share i.e. 50%
(This is in addition to interim cash dividend already paid @ Rs. 2.00 per share i.e. 20%)
- ii) **BONUS SHARES** : NIL
- iii) **RIGHT SHARES** :
The Board has recommended to issue 7.50% Right Shares (in proportion of 7.50 shares for every 100 shares held) at a price of Rs. 140 per share i.e. a premium of Rs. 130 per share over the par value of Rs. 10/-. A copy of the certificate from our Auditors on the free reserves is enclosed herewith. The aforesaid premium is being charged in accordance with the provision contained in Rule 5 of the Companies (Issue of Capital) Rules, 1996. A statement setting out the purpose of the Right Issue, benefits to the company, use of funds and financial projections for five years is also enclosed.
- iv) **MATERIAL INFORMATION**
In view of rising demand for polypropylene bags produced by the company and the near full capacity utilization in Polypropylene Division, Cherat Packaging has decided to enhance its production capacity by installing another Polypropylene plant for manufacturing woven bags. The company has once again decided to acquire plant from M/s. BSW – Windmoller & Holscher having a total capacity of approximately 100 million bags per annum. The plant, which is the fastest and most efficient of its type, will be installed at the existing site in Gadoon Amazai, Khyber Pakhtunkhwa Province. In the first phase 50 million bag capacity will be added to our present annual production capacity of 145 million PP bags by June 2016 and in the second phase, additional 50 million bags will be added by June 2017. The total cost of the project for first phase is approximately Rs. 550 million. The total cost of the project is approximately Rs. 750 million.

The financial results of the Company for the year ended June 30, 2015 are annexed herewith.

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Ghulam Faruque
Group

The Annual General Meeting of the Company will be held on Thursday, October 15, 2015 at 3:30 p.m. at the Registered Office of the Company at 1st Floor, Betani Arcade, Jamrud Road, Peshawar. The share transfer books of the Company will be closed from Friday, October 2, 2015 to Thursday, October 15, 2015 (both days inclusive). Transfers received at the office of the share registrar of the company M/s. Central Depository Company of Pakistan, CDC House, 99-B, Block "B" S.M.C.H.S. Main Shahrah-e-Faisal, Karachi at the close of business on Thursday, October 1, 2015 will be treated in time for the purpose of above entitlements. The above Cash dividend will be paid on the existing paid up capital of Rs. 275,400,000.

We will be sending copies of printed accounts for distribution amongst the members of the Exchange.

Yours sincerely,
For Cherat Packaging Limited

AMER FARUQUE
Chief Executive

Encl: As stated above

Copy to :

Securities & Exchange Commission of Pakistan
7th Floor, NIC Building
63-Jinnah Avenue, Blue Area
Islamabad.
Fax no. 051-9218592 - 9218595

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CHERAT PACKAGING LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2015

	2015	2014
	----- (Rupees '000) -----	
Turnover – net	6,223,832	5,355,792
Cost of sales	(4,916,581)	(4,749,192)
Gross profit	1,307,251	606,600
Distribution costs	(72,739)	(57,840)
Administrative expenses	(40,980)	(36,752)
Other expenses	(67,572)	(21,722)
	(181,291)	(116,314)
Other income	6,828	4,524
Operating profit	1,132,788	494,810
Finance costs	(210,153)	(226,009)
Profit before taxation	922,635	268,801
Taxation		
Current - for the year	(88,256)	(3,788)
- prior year	-	21,285
Deferred	(182,968)	(34,812)
	(271,224)	(17,315)
Net profit for the year	651,411	251,486
Earnings per share – basic and diluted	Rs. 23.65	Rs. 9.13



AMER FARUQUE
Chief Executive

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Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

Tel: +9221 3565 0007-11
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ey.com/pk

AB2/294/2015
19 August 2015

Mr. Yasir Masood
Chief Financial Officer
Cherat Packaging Limited (the Company)
Karachi

Dear Sir

FREE RESERVES

As requested by you, we have reviewed the annexed computation of free reserves for the issue of right shares at premium prepared by the Company on the basis of audited financial statements for the year ended 30 June 2015. Based on our review, we confirm that the "free reserves" of the Company, in terms of the meaning given to "free reserves" in the Companies (Issue of Capital) Rules, 1996 amounts to Rs. 63.53 per share.

This letter is being issued at the request of the Company for the purpose of issue of right shares in accordance with Rule 5 of the Companies (Issue of Capital) Rules, 1996.

Yours faithfully

KJ/MFI:aa.

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**COMPUTATION OF FREE RESERVES IN TERMS OF RULE 5 OF THE COMPANIES (ISSUE OF CAPITAL) RULES, 1996
AS OF JUNE 30, 2015**

	Amount in Rupees
Capital	
Paidup capital	<u>275,400,000</u>
Reserves	
General reserves	180,000,000
Capital reserves	283,174,000
Unrealised gain on available-for-sale securities	265,203,000
Actuarial gain on gratuity fund	20,580,000
Unappropriated profit	1,174,608,000
	1,923,565,000
Less: Proposed cash dividend @ 50% (i.e. Rs. 5 per share)	(137,700,000)
Less: Intangible Assets (NBV)	(4,775,000)
Less: Contingencies	(31,600,000)
Free reserves	<u>1,749,490,000</u>
Free reserves per share	<u>63.53</u>


Chief Executive


Chief Financial Officer



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ANNOUNCEMENT OF RIGHT SHARES

This is to inform you that the Board of Directors of Cherat Packaging Limited in its meeting held on August 19, 2015 has decided to issue 7.50% right shares on the existing paid-up capital of the Company in the ratio 7.50 shares for every 100 shares held. The right shares will be issued at an issue price of Rs. 140/- per share including a premium of Rs. 130/- per share. These right shares rank pari passu with the existing shares in all respects.

PURPOSE OF THE RIGHTS ISSUE

Cherat Packaging Limited (CPL) is the leading manufacturer and supplier of sack kraft paper and polypropylene (PP) bags. The company started commercial operations in 1991 and is listed on Karachi and Lahore Stock Exchanges. With its annual production capacity of 265 million paper bags and 145 million PP bags, CPL is the largest producer and supplier of bags to the cement industry in Pakistan.

CPL has a history of consistent growth – the latest being in the year 2013 when the company installed its second PP bags making plant. This expansion provided strategic depth to the company as it was able to target export markets and other sectors also. The company has been able to capture significant market share and is acknowledged for the quality of its bags. It has now become a supplier of choice. To cater to a wider customer base, the company, in addition to cement, has also started producing bags for packing sugar, chemicals and other similar products. Further, it is also exporting its bags abroad. Considering the company is already operating at near full capacity in PP division and in peak months at full capacity, it now intends to enhance its production capacity by installing another Polypropylene plant for manufacturing woven bags at the existing location.

Approximately 40% of local cement packaging and almost all cement export packaging is being done in PP bags. The markets for both paper and PP bags are well defined in Pakistan. Currently, there are 4 major cement PP bag players in the market. An analysis of the future demand and supply scenario situation reveals that with local cement demand growing at around 8% per annum, there is a potential for further expansion. Constructive economic measures taken by the government is having positive impact on the macroeconomic indicators of the country, which is fueling the demand for cement. By utilizing its available financial and operational leverage, the company will be able to gain further market share and establish itself as a true market leader in cement packaging. This will provide an edge to the company over its competitors. Additionally, by virtue of this expansion, the company will be better able to allocate its fixed costs. The future strategy of the company is based on producing best quality bags for various product categories and capitalizing on its strong relationship with the existing clientele. Further, export markets offer a great potential. Export of empty PP bags to other countries and manufacturing of PP bags for packing other products like sugar, chemicals, rice, fertilizer and other similar products shall further improve the position of the company.

Following successful experiences, the company has once again decided to acquire a European plant from M/s. BSW – Windmoller & Holscher having a total capacity of approximately 100 million bags per annum. The plant, which is the fastest and most efficient of its type, will be installed at the existing site in Gadoon Amazai, Khyber Pakhtunkhwa Province. In the first phase 50 million bag capacity will be added to our present capacity by June 2016 and in the second phase additional 50 million bags will be added by June 2017. The total cost of the project for first phase is approximately Rs. 550 million. The total cost of the project is approximately Rs. 750 million.



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BENEFITS TO THE COMPANY

The project will add value to the company by allowing it to pursue local and export markets and further diversify its operations. The benefits to CPL and its shareholders will come in the form of additional revenues together with profitability from the new Polypropylene plant, which will further strengthen its strategic position in the market.

USE OF FUNDS

In order to finance the project, a combination of debt and equity will be used. The company plans to raise around Rs. 289 million for the project by way of a rights issue. These right shares will be offered at a price of Rs. 140 per share, which includes a premium of Rs. 130 per share. The balance amount will be arranged by obtaining a long term loan from commercial banks. The funds so raised will be used to finance the new Polypropylene plant of the company.

FINANCIAL PROJECTIONS

The project has a positive NPV. The 5 years financial projections of the combined operations are as follows:

(Rs. in '000')

	2015/16	2016/17	2017/18	2018/19	2019/20
Revenue	6,469,455	7,422,563	8,537,803	9,820,608	11,296,155
Profit after tax	526,715	583,981	743,367	944,543	1,169,304

- The information given above reflects bona fide current business perceptions of the Directors as to costs and future performance of the Company's business, trading policies and government policies. Neither the Company nor the Directors accept any responsibility for conclusions drawn or investment decisions made by any member or any other person based on above information.*


Akbarali Pesnani



Amer Faruque


Aslam Faruque


Shehryar Faruque


Arif Faruque


Tariq Faruque


Abrar Hasan


Abid Naqvi

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