



## 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



Ghulam Faruque  
Group

CPPL/ASF/001  
August 23, 2017

The General Manager  
Pakistan Stock Exchange Limited  
Stock Exchange Building  
Stock Exchange Road, Karachi.  
Fax no. 111-573-329

Securities & Exchange Commission of Pakistan  
7<sup>th</sup> Floor, NIC Building  
63-Jinnah Avenue, Blue Area  
Islamabad.  
Fax no. 051-9100440 - 9218595

Dear Sir,

### FINANCIAL RESULTS FOR THE YEAR ENDED JUNE 30, 2017

We have to inform you that the Board of Directors of the Company in its meeting held on Wednesday, August 23, 2017 at 9:30 a.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. 7.00 per share i.e. 70%  
(This is in addition to interim cash dividend already paid @ Rs. 2.50 per share i.e. 25%)

ii) **BONUS SHARES** : NIL

iii) **RIGHT SHARES**

The Board has recommended to issue 13.50% Right Shares (in proportion of 13.50 shares for every 100 shares held) at a price of Rs. 125 per share i.e. a premium of Rs. 115 per share over the par value of Rs. 10/-. 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, associated risk, price and quantum of issue and financial projection for five years along with Board Resolution are also enclosed. Right Shares being issued shall not be eligible for the above cash dividend.

The financial results of the Company for the year ended June 30, 2017 are annexed herewith.

The Annual General Meeting of the Company will be held on Tuesday, October 24, 2017 at 9:00 a.m. at the Registered Office of the Company at 1st Floor, Betani Arcade, Jamrud Road, Peshawar.





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### Book Closure for Right Shares

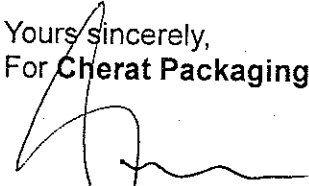
The share transfer books of the company will be closed from Wednesday, September 20, 2017 to Tuesday, September 26, 2017 (both days inclusive). Transfers received at the office of the share registrar of the company M/s. Central Depository Company of Pakistan, CDC House, 99-B, Block "B" S.M.C.H.S. Main Shahrah-e-Faisal, Karachi on Tuesday, September 19, 2017 will be treated in time for the purpose of the entitlement of Right shares.

### Book Closure for Cash Dividend

The share transfer books of the Company will be closed from Tuesday, October 10, 2017 to Tuesday, October 24, 2017 (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 Monday, October 09, 2017 will be treated in time for the purpose of above entitlement. The above Cash dividend will be paid on the existing paid up capital of Rs. 296,055,000.

We will be sending you copies of printed accounts for distribution amongst the TRE Certificate Holders of the Exchange.

Yours sincerely,  
For **Cherat Packaging Limited**



**Aslam Faruque**  
Director

### ANNEXURES:

- A. Financial Results for the year ended June 30, 2017
- B. Announcement of Right Shares
- C. Certified True Copy of Board Resolution



**CHERAT PACKAGING LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2017**

(Annexure – A)

	2017 ----- (Rupees `000) -----	2016 -----
Turnover – net	6,443,932	6,888,605
Cost of sales	(5,187,454)	(5,306,538)
<b>Gross profit</b>	<b>1,256,478</b>	<b>1,582,067</b>
Distribution costs	(117,198)	(84,536)
Administrative expenses	(62,145)	(48,477)
Other expenses	(60,582)	(97,677)
	(239,925)	(230,690)
Other income	20,508	29,018
<b>Operating profit</b>	<b>1,037,061</b>	<b>1,380,395</b>
Finance costs	(64,118)	(72,404)
<b>Profit before taxation</b>	<b>972,943</b>	<b>1,307,991</b>
Taxation		
Current	(265,069)	(325,505)
Prior	(22,715)	-
Deferred	16,890	(64,247)
	(270,894)	(389,752)
<b>Net profit for the year</b>	<b>702,049</b>	<b>918,239</b>
<b>Earnings per share – basic and diluted</b>	<b>Rs. 23.71</b>	<b>Rs. 31.02</b>

Aslam Faruque  
 Director





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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 23, 2017 has decided to issue 13.50% right shares on the existing paid-up capital of the Company in the ratio 13.50 shares for every 100 shares held. The right shares will be issued at an issue price of Rs. 125/- per share including a premium of Rs. 115/- 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 Pakistan Stock Exchange. With its annual production capacity of 265 million paper bags and 195 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. During the last few years, the company has expanded and enhanced the production capacities of both its paper bag plant as well as PP plant. It is the leading supplier in Pakistan, which is providing single window solution to its customers by producing and supplying both paper and PP bags. At present, the company is in the process of installing a Universal Papersack line, which will increase the production capacity of the papersack line to 400 million bags per annum. Besides conventional cement bags, it will also allow the company to make smaller sized bags for other products. The management is confident of gaining further market share and achieving greater economies of scale, which will add value to its operations. The plant is expected to be operational by October 2017. These regular expansions in production capacities have provided both financial and 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. To cater to a wider customer base, the company, in addition to cement, has also started producing bags for packing sugar, chemicals, fertilizer and other similar products. Further, it is also exporting its bags abroad.

Flexible packaging is a growing field of business worldwide and offers a great future potential to the company to further grow its business. Recognizing the opportunity, the company as part of its diversification strategy, has decided to enter into the Flexible Packaging. With an eye on this fast evolving consumer market, the company has decided to invest in a top-end equipment to ensure it can keep pace with the best of the established players right from the start. The company has placed the order to acquire the plant from leading European suppliers with main equipment being procured from M/s. Windmoller & Holscher, which is a leading machine supplier of this industry. CPL will be the first company in Pakistan to come up with the roto, flexo, extrusion and cylinder making machines all at the same time. The plant will be installed at Gadoon Amazai, Khyber Pakhtunkhwa Province for which the company has already acquired 8 acre land close to the existing factory. The total cost of the project is around Rs. 1.7 billion and it is expected to be completed by July 2018. By utilizing its available financial and operational leverage, the company will be able to gain the market share and establish itself in the market. This will provide an edge to the company over its competitors. Additionally, by virtue of this project, the company will be better able to further diversify its operations and better allocate its fixed costs.

#### BENEFITS TO THE COMPANY

The project will add value to the company by allowing it to pursue new packaging product categories along with market segments 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 flexible packaging division, which will further strengthen its strategic position in the market.





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### USE OF FUNDS

In order to finance the project, a combination of debt and equity will be used. The company plans to raise approximately Rs. 500 million for the project by way of a rights issue. These right shares will be offered at a price of Rs. 125 per share, which includes a premium of Rs. 115 per share. The balance amount will be arranged by obtaining a long term loan from commercial banks, which has been arranged at competitive rates. The funds so raised will be used to finance the flexible packaging project of the company.

### ASSOCIATED RISK FACTORS

- Investment Risk: The company is offering the right shares at a price of Rs. 125 per share, which is much less than the prevailing market price. Hence, there is no major investment risk involved.
- Operational & Market Risk: The company has the financial and strategic depth to make this project a success. It enjoys a strong reputation in the market. Furthermore, it is acquiring the most modern equipment from the best European manufacturers to provide its potential customers the most latest and cost effective packaging solutions. With increasing size of the population, the demand for packaging material is also on rise. Therefore, the overall packaging industry is expected to grow in the future.

### PRICE AND QUANTUM OF ISSUE

The company intends to issue 13.50% right shares on the existing paid-up capital of the Company in the ratio 13.50 shares for every 100 shares held. The company will issue 3,996,742 right shares at a price of Rs. 125/- per share including a premium of Rs. 115/- per share. These right shares rank pari passu with the existing shares in all respects.

### FINANCIAL PROJECTIONS

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

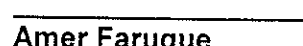
(Rs. in '000')

	2017/18	2018/19	2019/20	2020/21	2021/22
Revenue	7,303,750	9,826,955	10,621,297	11,500,583	12,408,697
Profit after tax	608,929	752,230	763,117	894,289	1,028,628

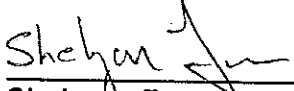
- The information given above reflects bona fide current business perceptions of the Directors as to costs and future performance of the Company's business, trading policies and government policies. Neither the Company nor the Directors accept any responsibility for conclusions drawn or investment decisions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

  
Akbarali Pesnani

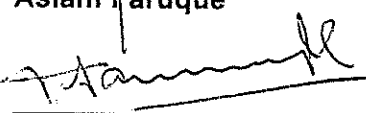
Approved Via Videocon

  
Amer Faruque

  
Aslam Faruque

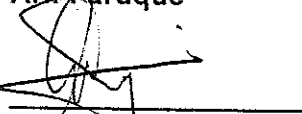
  
Shehryar Faruque

  
Arif Faruque

  
Tariq Faruque

Absent

Abrrar Hasan

  
Abid Naqvi





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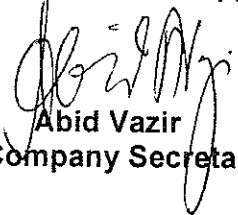
Resolution passed by the  
Board of Directors of the Company at the meeting held on Wednesday  
August 23, 2017 at the Head Office of the Company at  
Modern Motors House, Beaumont Road, Karachi

### ISSUE OF RIGHT SHARES

### RESOLUTION

*It is hereby resolved that the issued capital of the Company be and is hereby increased from Rs. 296,055,000 to Rs. 336,022,420 divided into 33,602,242 shares of Rs. 10/- each; that 3,996,742 shares of Rs. 10/- be issued as right shares for cash at a price of Rs. 125 per share (including a premium of Rs.115/-) each payable in full; that the said shares shall be offered to those shareholders whose names appear on the register of members at the close of business on Tuesday, September 19, 2017 in proportion of 13.50 shares for every 100 shares held; that the Board of Directors and the Company Secretary be and are hereby authorized to deal with all such matters arising in respect thereof; that any two Directors of the Company be and are hereby authorized to sign the new share certificates and to affix common seal of the Company thereon.*

Certified true copy

  
Abid Vazir  
Company Secretary

