Otsuka-People Creating New Products
For Better Health Worldwide

Quarterly Accounts

For the Nine Months Ended
March 31, 2023

Otsuka

Otsuka Pakistan Limited

(A Company of Otsuka Group Japan)

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COMPANY INFORMATION

BOARD OF DIRECTORS	:	Mr. Mikio Bando (Chairman) (Alternate: Mr. Muhammad Taufiq Feroz) Mr. Hanif Sattar (Director and Chief Executive Officer) Mr. Koichi Okada Mr. Mehtabuddin Feroz Mr. Suhari Mukti (Alternate: Mr. Sajid Ali Khan) Mr. Abid Hussain (Independent Director) Mrs. Navin Salim Merchant (Independent Director)
COMPANY SECRETARY	:	Mr. Muhammad Amin Bashir
AUDIT COMMITTEE	:	Mr. Abid Hussain (Chairman) Mr. Koichi Okada (Member) Mr. Mehtabuddin Feroz (Member)
HEAD OF INTERNAL AUDIT	:	Mr. Jawaid Noor (Secretary)
RISK MANAGEMENT COMMITTEE	:	Mr. Abid Hussain (Chairman) Mr. Koichi Okada (Member) Mr. Hanif Sattar (Member) Mr. Sajid Ali Khan (Secretary)
HUMAN RESOURCES REMUNERATION & NOMINATION COMMITTEE	:	Mrs. Navin Salim Merchant (Chairperson) Mr. Koichi Okada (Member) Mr. Mehtabuddin Feroz (Member) Mr. Hanif Sattar (Member)
AUDITORS (EXTERNAL)	:	Yousuf Adil Chartered Accountants (An Independent Correspondent Firm to Deloitte Touche Tohmatsu Limited)
AUDITORS (INTERNAL)	:	Saud Tariq & Co. Chartered Accountants
LEGAL ADVISORS	:	Dr. Moneeba Hamid
BANKERS	:	Citibank N.A., Habib Bank Limited, The Bank of Punjab, MCB Bank Limited, Bank Alfalah Limited Habib Metropolitan Bank Limited Bank Al-Habib Limited Allied Bank Limited National Bank of Pakistan
REGISTERED OFFICE	:	**Head Office:** 30-B, Sindhi Muslim Co-operative, Housing Society, Karachi-74400 Tel.: 34528651 – 4, **E-mail:** secretarialcompliance@otsuka.pk **Web site:** www.otsuka.pk **Factory:** Plot No. F/4-9, Hub Industrial Trading Estate, Distt. Lasbella (Balochistan) Tel.: (0853) 303517-8, Fax: (0853) 303519
SHARE REGISTRAR	:	CDC Share Registrar Services Limited – (CDCSRSL) CDC House, 99-B, Block B, S.M.C.H.S., Main Shahra-e-Faisal, Karachi 74400, Pakistan. Tel: (92-21) 111-111-500, Fax: (92-21) 34326053 Email: info@cdcsrsl.com

Directors' Report

The Directors are pleased to present accounts of the Company for the nine months ended March 31, 2023.

Board of Directors

The composition of Board of Directors ("the Board") and its sub-committees are as follows:

CATEGORY	NAMES	GENDER
Executive Director	Mr. Hanif Sattar (CEO)	Male
Non-Executive Directors	Mr. Mikio Bando (Chairman)	
	Mr. Mehtabuddin Feroz	
	Mr. Koichi Okada	
	Mr. Suhari Mukti	
Independent Directors	Mr. Abid Hussain	
	Mrs. Navin Salim Merchant	Female

Board Sub-Committees

NAME OF BOARD SUB-COMMITTEE	NAME OF MEMBER
Audit Committee	Mr. Abid Hussain (Chairman) Mr. Koichi Okada Mr. Mehtabuddin Feroz
Human Resource, Remuneration & Nomination Committee	Mrs. Navin Salim Merchant (Chairperson) Mr. Koichi Okada Mr. Mehtabuddin Feroz Mr. Hanif Sattar (Secretary)
Risk Management Committee	Mr. Abid Hussain (Chairman) Mr. Koichi Okada Mr. Hanif Sattar Mr. Sajid Ali Khan (Secretary)

The Board has a formal policy and transparent procedures for the remuneration of its Directors in accordance with the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations 2019. Currently, the two independent directors and a non-working alternate director are getting fixed fees for attending the Board and its committee meetings. The aggregate amount of remuneration paid to each director of the Company during the period is given below:

CATEGORY	NAMES	NATURE OF REMUNERATION	Amount (Rs. In '000)
Executive Director	Mr. Hanif Sattar (CEO)	Salaries and benefits *	15,401
Non-Executive Directors	Mr. Mikio Bando (Chairman) **	Not applicable	NIL
	Mr. Mehtabuddin Feroz	Consultancy fees	2,880
	Mr. Koichi Okada	Not applicable	NIL
	Mr. Suhari Mukti	Not applicable	NIL
Independent Directors	Mr. Abid Hussain	Meeting fees	120
	Mrs. Navin Salim Merchant	Meeting fees	120

* *CEO is entitled to full time working salaries and company benefits as recommended by the board of directors which was duly approved by the shareholders of the Company.*

** *Meeting fees of Rs. 60,000 paid to Mr. Taufiq Feroz for attending meeting as an alternate director of Mr. Mikio Bando.*

Business Review

During the 3rd quarter ended March 31, 2023, sales have shown a growth of 12% as compared to the corresponding period of 2022. The cost of sales for the nine months have significantly increased by 31.7% in line with rising inflation levels due to which the Company's gross profit margins have declined from 34% to 23%.

The Company has taken measures to control the operating expenses of the Company which has resulted in 7% and 5% increase in the Selling expenses and the administrative expenses respectively. Other income of the company has increased by 159% due to the gain on disposal of fixed assets and increase in scrap sales during the period. The other expenses have gone up by 202% particularly due to the net exchange loss of Rs. 208 million as compared to the net exchange loss of Rs. 48 million during the same period last year. The finance cost has significantly increased by Rs. 42 million due to the increase in bank rates up to 22% as well as the increase in running finance requirements of the Company due to the planned renovation of Line-II facility.

During the quarter, the Company has made functional its nutraceutical unit and first product ORTIE (ORS) will be launched in May 2023. Further, the Company has managed to complete the significant part of the Line-II renovation and is hopeful to re-start the production in Line-II facility from the month of May 2023. The Company has closed these nine months ended with a loss per share of Rs. 5.63 against positive earnings per share of Rs. 16.86 during the same period last year.

Future outlook

In near future, the Company can foresee further hurdles in importing its raw materials and finished products which may hamper the business operations of the Company. Further the persistent dearth of foreign reserves in the country may bring devaluation of Pak-rupee causing an escalation in the cost of production of the Company. We also look forward to government's support for processing the outstanding sales tax refunds. Further the government must realize the hardships being faced by the industry and a reasonable price increase must be allowed on ad-hoc basis urgently.

Notwithstanding, your Company remains cognizant of the challenges and would continue to make all efforts to mitigate adverse impacts through productivity and cost containment initiatives. The directors are confident on the future performance of the Company and new products will be introduced during the year considering the circumstances prevailing at that time.

On behalf of the Board

Hanif Sattar
Chief Executive Office

Abid Hussain
Director

Karachi

Dated: April 26, 2023

عہدے	نام	معاوضے کی تفصیلات	پاکستانی روپے '000
ایگزیکٹو ڈائریکٹر	حنیف ستار (سی ای او)	تنخواہیں اور مراعات *	15,401
نان ایگزیکٹو ڈائریکٹر	میکیو باندو چیئرمین**	قابل اطلاق نہیں	NIL
	مہتاب الدین فیروز	کنسلٹنسی فیس	2,880
	کوچی اوکاڈا	قابل اطلاق نہیں	NIL
	سوہاری مکتی	قابل اطلاق نہیں	NIL
آزاد ڈائریکٹر	جناب عابد حسین	میٹنگ فیس	120
	مسز نوین سلیم مرچنٹ	میٹنگ فیس	120

* چیف ایگزیکٹو آفیسر کمپنی کی کل وقتی کام کرنے والی تنخواہوں اور فوائد کا حقدار ہے۔ اس کی سفارش بورڈ آف ڈائریکٹرز نے بھی کی ہے جس کی کمپنی کے شیئر ہولڈرز نے باقاعدہ منظوری دی تھی۔

** مسٹر توفیق فیروز نے مسٹر میکیو بندو کے متبادل ڈائریکٹر کے طور پر میٹنگ میں شرکت کے لیے میٹنگ فیس کے طور پر 60,000 روپے وصول کیے ہیں۔

کاروباری جائزہ

31 مارچ 2023 کو ختم ہونے والی تیسری سہ ماہی کے دوران، ہماری فروخت میں 2022 کی اسی مدت کے مقابلے میں 12 فیصد اضافہ ہوا ہے۔ مہنگائی کی بڑھتی ہوئی سطح کی وجہ سے نو ماہ کے لیے فروخت کی لاگت میں نمایاں طور پر 31.7 فیصد اضافہ ہوا ہے۔ کمپنی کے مجموعی منافع کا مارجن 34% سے کم ہو کر 23% ہو گیا ہے۔

کمپنی نے آپریٹنگ اخراجات کو کنٹرول کرنے کے لیے اقدامات کیے ہیں جس کے نتیجے میں فروخت کے اخراجات اور انتظامی اخراجات میں بالترتیب 7% اور 5% اضافہ ہوا ہے۔ کمپنی کی دیگر آمدنی میں 159% کا اضافہ ہوا ہے جس کی وجہ فکسڈ اثاثوں کے تصرف اور فروخت پر حاصل ہونے والے فائدہ اور اس مدت کے دوران سکریپ کی فروخت میں اضافہ ہے۔ دیگر اخراجات میں 202% کا اضافہ ہوا ہے خاص طور پر زیر جائزہ مدت کے لیے 208 ملین روپے کے زرمبادلہ کے نقصانات کی وجہ سے۔ گزشتہ سال اسی عرصے کے دوران زرمبادلہ کا نقصان 48 ملین روپے تھا۔ بینک کی مانیٹری پالیسی کی شرحوں میں 22% تک اضافے کی وجہ سے سود کی لاگت میں نمایاں اضافہ ہوا ہے۔ یہ اضافہ لائن ٹو سہولت کی منصوبہ بندی کے مطابق تزئین و آرائش اور بحالی کے لیے کمپنی کے 42 ملین روپے کے اوور ڈرافٹ (رننگ فنانس) کے زیادہ استعمال کی وجہ سے بھی ہے۔

زیر نظر سہ ماہی کے دوران، کمپنی نے اپنے نیوٹراسیوٹیکل یونٹ کا افتتاح کیا اور اسے فعال کر دیا ہے جس کا پہلا پروڈکٹ **ORTIE (ORS)** مئی 2023 تک فروخت کے لیے پیش کیا جائے گا۔اس کے علاوہ، کمپنی نے لائن ٹو کی تزئین و آرائش اور بحالی کا انتظام مکمل کیا ہے۔ ہم مئی 2023 کے مہینے سے لائن ٹو سہولت میں پیداواری سہولت کو دوبارہ شروع کرنے کے لیے پرامید ہیں۔ کمپنی نے 5.63 روپے فی شیئر کے نقصان کے ساتھ ختم ہونے والے نو مہینوں کے لیے اپنے اکاؤنٹس بند کر دیے ہیں۔ جبکہ پچھلے سال کی اسی مدت میں یہ 16.86 روپے فی حصص کے حساب سے مثبت آمدنی میں تھا۔

مستقبل کا جائزہ

مستقبل قریب میں، کمپنی اپنے خام مال اور تیار مصنوعات کی درآمد میں مسلسل رکاوٹیں دیکھ رہی ہے جو کمپنی کی مصنوعات کی تیاری اور فروخت کو کم کر سکتی ہے۔ مزید یہ کہ ملک میں غیر ملکی ذخائر کی مسلسل کمی مقامی کرنسی کی قدر میں کمی لا سکتی ہے جس سے کمپنی کی پیداواری لاگت میں اضافہ ہو سکتا ہے۔ ہم بقایا سیلز ٹیکس ریفنڈز پر کارروائی کے لیے حکومت کے تعاون کے بھی منتظر ہیں۔ مزید یہ کہ حکومت کو دواسازی کی صنعت کو درپیش مشکلات کا ادراک کرنا چاہیے اور مجموعی مصنوعات کی قیمتوں میں مناسب اضافے کی فوری طور پر ایڈہاک بنیادوں پر اجازت ہونی چاہیے۔

اس کے باوجود، آپ کی کمپنی چیلنجوں سے بخوبی واقف ہے اور پیداواریت اور لاگت پر قابو پانے کے اقدامات کے ذریعے منفی اثرات کو کم کرنے کی تمام کوششیں جاری رکھے گی۔ بورڈ آف ڈائریکٹرز کمپنی کی مستقبل کی کارکردگی پر پراعتماد ہیں اور سازگار حالات اور مثبت صورتحال کو مدنظر رکھتے ہوئے مارکیٹ میں نئی مصنوعات متعارف کروانا چاہیں گے۔

کراچی:

26 اپریل 2023

بورڈ کی جانب سے

عابد حسین
ڈائریکٹر

حنیف ستار
چیف ایگزیکٹو آفیسر

ڈائریکٹرز رپورٹ

ڈائریکٹرز 31 مارچ 2023 کو ختم ہونے والے نو ماہ کے لیے کمپنی کے اکاؤنٹس پیش کرنے پر خوش ہیں۔

بورڈ آف ڈائریکٹرز

بورڈ آف ڈائریکٹرز ("بورڈ") اور اس کی ذیلی کمیٹیوں کی تشکیل حسب ذیل ہے:

درجہ بندی	نام	جنس
ایگزیکٹیو ڈائریکٹر	جناب حنیف ستار (سی ای او)	مرد
نان ایگزیکٹیو ڈائریکٹرز	جناب میکیو بانڈو (چیئرمین) جناب مہتاب الدین فیروز جناب کوچی او کاڈا جناب سوہاری مکتی	مرد
آزاد ڈائریکٹرز	جناب عابد حسین مسز نوین سلیم مرچنٹ	مرد خاتون

مسٹر توفیق فیروز مسٹر میکیو بانڈو کے متبادل ڈائریکٹر ہیں۔
مسٹر ساجد علی خان مسٹر سوہاری مکتی کے متبادل ڈائریکٹر ہیں۔

بورڈ کمیٹی:

بورڈ کی ذیلی کمیٹیاں	ممبر کا نام
آڈٹ کمیٹی	جناب عابد حسین (چیئرمین) جناب کوچی او کاڈا جناب مہتاب الدین فیروز
ہیومن ریسورسس ومعاوضہ اور نامزدگی کمیٹی	مسز نوین سلیم مرچنٹ (چیئرپرسن) جناب کوچی او کاڈا جناب مہتاب الدین فیروز جناب حنیف ستار
رسک مینجمنٹ کمیٹی	جناب عابد حسین (چیئرمین) جناب کوچی او کاڈا جناب ساجد علی خان جناب حنیف ستار

بورڈ کے پاس کمپنیز ایکٹ 2017 اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کے مطابق اپنے ڈائریکٹرز کے معاوضے کے لیے ایک باضابطہ پالیسی اور شفاف طریقہ کار ہے۔ فی الحال، دو آزاد ڈائریکٹرز اور ایک غیر ایگزیکٹو متبادل ڈائریکٹر ہیں۔ وہ پالیسی کے مطابق میٹنگز میں شرکت کے لیے ایک مقررہ فیس وصول کر رہے ہیں۔ اس مدت کے دوران کمپنی کے ہر ڈائریکٹر کو معاوضے کی مجموعی رقم ذیل میں دی گئی ہے:

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT MARCH 31, 2023

	Note	(Unaudited) March 31, 2023	(Audited) June 30, 2022
		-----Rupees in '000-----	
ASSETS			
Non-current assets			
Property, plant and equipment	4	331,927	270,910
Intangibles		1,051	1,876
Long-term loans - considered good		7,581	8,186
Long-term deposits		3,691	2,335
Deferred tax asset - net	5	87,727	80,700
		431,977	364,007
Current assets			
Stores and spares		59,364	40,852
Stock-in-trade - net		1,011,404	928,446
Trade debts - unsecured - net		414,765	216,177
Loans and advances - considered good		81,235	116,152
Trade deposits, short-term prepayments & other receivables		50,916	29,232
Taxation - net		38,498	-
Sales Tax Refundable		90,263	97,831
Bank balances		1,782	53,211
		1,748,227	1,481,901
Total assets		2,180,204	1,845,908
EQUITY AND LIABILITIES			
EQUITY			
Share capital			
Authorised share capital			
20,000,000 (June 30, 2022: 20,000,000) ordinary shares of Rs 10 each		200,000	200,000
Issued, subscribed and paid-up share capital			
12,100,000 (June 30, 2022: 12,100,000) ordinary shares of Rs 10 each		121,000	121,000
Revenue reserves		505,706	591,994
Shareholders' equity		626,706	712,994
LIABILITIES			
Non-current liabilities			
Lease liability		7,341	3,092
Current liabilities			
Short-term loan from a related party - unsecured	6	533,150	376,150
Current portion of long-term finance		-	24,661
Current portion of deferred Government grant		-	612
Accrued Mark-up		19,168	1,223
Trade and other payables		569,510	619,922
Current portion of lease liability		870	534
Provision for taxation-net		-	9,069
Short-term running finance - secured	7	421,694	96,062
Unclaimed Dividend		1,765	1,589
		1,546,157	1,129,822
Total equity and liabilities		2,180,204	1,845,908
CONTINGENCIES AND COMMITMENTS	8		

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Hanif Sattar
Chief Executive Officer

Abid Hussain
Director

Sajid Ali Khan
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2023

	Note	Nine Month ended March 31,		Quarter ended March 31,	
		2023	2022	2023	2022
		----- Rupees in '000 -----		----- Rupees in '000 -----	
Net sales	9	2,347,599	2,095,649	752,693	661,857
Cost of sales		(1,810,502)	(1,374,280)	(570,984)	(439,825)
Gross profit		537,097	721,369	181,709	222,032
Selling and distribution expenses		(266,517)	(250,140)	(92,738)	(84,055)
Administrative and general expenses		(94,242)	(89,727)	(30,533)	(30,590)
		176,338	381,502	58,438	107,387
Other income		62,975	24,254	3,869	5,677
		239,313	405,756	62,307	113,064
Other expenses		(246,657)	(81,562)	(101,716)	(2,674)
Operating (loss) / income		(7,344)	324,194	(39,409)	110,390
Finance cost		(47,131)	(4,497)	(19,667)	(248)
(Loss) / Profit for the period before taxation		(54,475)	319,697	(59,076)	110,142
Taxation - net		(13,663)	(115,686)	(2,831)	(44,827)
(Loss) / Profit for the period after taxation		(68,138)	204,011	(61,907)	65,315
		---------- Rupees ----------			
Earnings per share - basic and diluted		(5.63)	16.86	(5.12)	5.40

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Hanif Sattar
Chief Executive Officer

Abid Hussain
Director

Sajid Ali Khan
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2023

	Nine Month ended March 31,		Quarter ended March 31,	
	2023	2022	2023	2022
	----- Rupees in '000 -----		----- Rupees in '000 -----	
(Loss) / Profit for the period after taxation	(68,138)	204,011	(61,907)	65,315
Other comprehensive loss:				
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit plan	-	-	-	-
Deferred tax on remeasurements of defined benefit plan	-	-	-	-
	-	-	-	-
Total comprehensive income for the period	(68,138)	204,011	(61,907)	65,315

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Hanif Sattar
Chief Executive Officer

Abid Hussain
Director

Sajid Ali Khan
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2023

	Note	Nine Month ended Mar-31	
		2023	2022
		----- Rupees in '000 -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / Profit for the period before taxation		(54,475)	319,697
Adjustment for non-cash charges and other items:			
Depreciation & Amortisation		72,788	69,891
Gain on disposal of Fixed Asset - net		(17,936)	(3,184)
Provision for slow moving and obsolete stock-in-trade - net		201	2,251
Reversal against Orthopedic Knee Implants		(19,542)	-
Workers' Profits Participant Fund		302	16,648
Workers' Welfare Fund		785	3,718
Central Research Fund		417	2,881
Unrealized exchange loss - net		157,000	21,025
Reversal of Provision for slow moving and obsolete stores and spares		-	(154)
Provision/(reversal) for stents held with hospitals - net		18,856	(1,577)
Loss allowance		27,464	1,757
Mark-up on finance		47,131	4,497
Operating Surplus before working capital changes		232,991	437,450
(Increase) / decrease in current assets			
Stores and spares		(18,512)	(1,994)
Stock-in-trade		(82,433)	(263,842)
Trade debts - unsecured		(225,739)	18,904
Loans and advances		34,917	851
Sales Tax Refundable		7,568	-
Trade deposits, short-term prepayments & other receivables		(21,684)	(60,073)
		(305,883)	(306,154)
Increase/ (Decrease) in current liabilities			
Trade and other payables		(65,937)	(53,830)
Cash (used in) / generated from operations		(138,829)	77,466
Interest paid		(29,186)	(3,608)
Taxes paid		(68,257)	(55,401)
Increase in long-term deposits		(1,356)	(150)
Decrease / (Increase) in long-term loans		605	(1,056)
Net cash (used in) / generated from operations		(237,023)	17,251
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(125,762)	(44,652)
Proceeds from disposal of property, plant and equipment		30,140	3,675
Net cash used in investing activities		(95,622)	(40,977)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend Paid		(17,974)	(19,747)
Lease Rentals Paid		(1,169)	-
Repayment for long term finance		(25,273)	(25,273)
Net cash used in financing activities		(44,416)	(45,020)
Net decrease in cash and cash equivalents		(377,061)	(68,746)
Cash and cash equivalents at the beginning of the period		(42,851)	44,504
Cash and cash equivalents at the end of the period	11	(419,912)	(24,242)

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Hanif Sattar
Chief Executive Officer

Abid Hussain
Director

Sajid Ali Khan
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2023

	Issued, subscribed and paid-up capital	Revenue reserves			Total
		General reserve	Accumulated losses	Sub-total	
	---------- Rupees in '000 ----------				
Balance as at June 30, 2021 (audited)	121,000	341,980	37,997	379,977	500,977
Final dividend for the year ended June 30, 2021 @ 1.50 per share	-	-	(18,150)	(18,150)	(18,150)
Total comprehensive income for the period ended March 31, 2022	-	-	204,011	204,011	204,011
Balance as at March 31, 2022	121,000	341,980	223,858	565,838	686,838
Balance as at June 30, 2022 (audited)	121,000	341,980	250,014	591,994	712,994
Final dividend for the year ended June 30, 2022 @ 1.50 per share	-	-	(18,150)	(18,150)	(18,150)
Transfer to general reserve	-	150,000	(150,000)	-	-
Total comprehensive income for the period ended March 31, 2023	-	-	(68,138)	(68,138)	(68,138)
Balance as at March 31, 2023	121,000	491,980	13,726	505,706	626,706

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Hanif Sattar
Chief Executive Officer

Abid Hussain
Director

Sajid Ali Khan
Chief Financial Officer

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2023

1. THE COMPANY AND ITS OPERATIONS

1.1 Otsuka Pakistan Limited (the Company) was incorporated in Pakistan as a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and is listed on the Pakistan Stock Exchange Limited. The registered office of the Company is situated at 30-B, S.M.C.H. Society, Karachi in the province of Sindh, Pakistan. The Company is engaged in the manufacturing, marketing and distribution of intravenous infusions and trading in pharmaceutical products, nutritional foods and medical equipment. The Company is an indirect subsidiary of Otsuka Pharmaceutical Company Limited, Japan.

The geographical location and address of the Company's business units, including mill / plants, is as under:

Karachi	Purpose	Hub	Purpose
30-B, S.M.C.H. Society, Karachi	Head office	F/4-9, H.I.T.E., Hub, Balochistan, Hub Industrial And Trading Estates, Hub, Las Bela, Balochistan	Factory

2 BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of :

- International Accounting Standard 34: 'Interim Financial Reporting' (IAS - 34), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ from the requirements of IAS-34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of IAS-34. These condensed interim financial statements do not include all the information and disclosures which are required in a full set of financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended June 30, 2022. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the financial position and performance since the last financial statements of the Company.

These condensed interim financial statements are unaudited. The comparatives in the condensed interim statement of financial position as at March 31, 2023 have been extracted from the audited financial statements of the Company for the year ended June 30, 2022, whereas, the comparatives in the condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been extracted from the unaudited condensed interim financial statements of the Company for the Nine month ended March 31, 2022.

2.2 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention except that obligations in respect of certain staff retirement benefits are carried at present value of defined benefit obligation less fair value of plan assets.

2.3 Functional and presentation currency

These condensed interim financial statements have been presented in Pak Rupees which is the functional and presentation currency of the Company.

3. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ESTIMATES AND JUDGMENTS

3.1 Significant accounting policies

3.1.1 The significant accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended June 30, 2022.

3.1.2 Adoption of certain standards, interpretations and amendments

There are certain standards, interpretations on accounting and reporting standards as applicable in Pakistan and amendments to certain existing standards which have been published and are mandatory for the accounting period beginning on or after July 01, 2022. These standards, interpretations and amendments are either not relevant to the Company's operations or are not expected to have a significant impact on the accounting policies of the Company and therefore not disclosed in these condensed interim financial statements.

3.2 Financial risk management

The Company's financial risk management objective and policies are consistent with those disclosed in the annual audited financial statements of the Company for the year ended June 30, 2022.

3.3 Fair value of financial asset and liabilities

The carrying value of financial assets and financial liabilities reported in these condensed interim financial statements approximates their fair values.

3.4 Estimates and Judgements

Estimates and judgments made by management in the preparation of these condensed interim financial statements are same as those applied in the preparation of the annual audited financial statements of the Company for the year ended June 30, 2022.

	Note	(Unaudited) March 31, 2023	(Audited) June 30, 2022
		------Rupees in '000------	
4 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets		207,295	265,400
Capital work-in-progress	4.2	124,632	5,510
		331,927	270,910

4.1 The following additions to and disposals of operating fixed assets have been made during the period:

	Nine month ended March 31, 2023					
	Right of Use Assets	Plant and machinery	Furniture, fixtures and	Vehicles	Fork Lifter	Total
	Rupees in '000					
Additions	5,401	12,950	2,529	7,557	-	28,437
Disposals:						
Cost	-	23,801	209	17,423	-	41,433
Accumulated depreciation	-	(20,529)	(209)	(8,491)	-	(29,229)
	-	3,272	-	8,932	-	12,204

	Nine month ended March 31, 2022					
	Right of Use Assets	Plant and machinery	Furniture, fixtures and equipment	Vehicles	Fork Lifter	Total
	Rupees in '000					
Additions	-	44,067	15,528	1,675	1,570	62,838
Disposals:						
Cost	2,038	15,430	6,062	2,220	131	25,881
Accumulated depreciation	2,038	(15,429)	(6,060)	(1,732)	(131)	(25,390)
	-	(1)	2	488	-	491

		(Unaudited) March 31, 2023	(Audited) June 30, 2022
		------Rupees in '000------	
4.2	**Capital work-in-progress**		
	Stores and spares held for capital expenditure	11,441	3,475
	Others	113,191	2,035
		124,632	5,510
5	**DEFERRED TAX ASSET - NET**		
	Deferred tax asset - net	87,727	80,700

Based on pattern of utilisation from future expected taxable profit, the Company has not recognised deferred tax on minimum tax amounting to Rs. 17.269 million (June 30, 2022: Rs. 17.269 million).

		Note	(Unaudited) March 31, 2023	(Audited) June 30, 2022
			------Rupees in '000------	
6	**SHORT-TERM LOAN FROM A RELATED PARTY - UNSECURED**			
	In foreign currency			
	Loan from Otsuka Pharmaceutical Factory, Inc.	6.1	533,150	376,150

6.1 This represents foreign currency denominated loan obtained in two tranches of JPY 125 million each, drawn down February 26, 2015 and April 27, 2015, repayable on or before February 25, 2016 & April 26, 2016 respectively. These were roll forwarded annually multiple times and are now repayable on or before February 25, 2023 and April 26, 2023 respectively.

Mark-up is being charged on the outstanding amount at LIBOR + 0.40% (June 30, 2022: LIBOR + 0.40%) per annum and is payable semi-annually in arrears.

		Note	(Unaudited) March 31, 2023	(Audited) June 30, 2022
			------Rupees in '000------	
7	**SHORT-TERM RUNNING FINANCE - SECURED**			
	From banking companies			
	Short-term running finances utilised under mark-up arrangements - secured	7.1	421,694	96,062

7.1 Particulars of short-term running finance - secured

Bank	Limit in Rs '000'	Mark-up Rate	Security	Frequency of mark-up payment	Facility expiry date	(Unaudited) March 31, 2023	(Audited) June 30, 2022
						-----Rupees in '000-----	
Citi Bank N.A Karachi	900,000*	One months KIBOR + 0.5% p.a.	(a) SECP Registered Joint Pari-passu Charge on Fixed Assets of Plant & Machinery for Rs. 432 million b) SECP Registered Joint Pari-passu Charge on Current Assets for Rs 778 million	Quarterly	February 28, 2023	421,694	96,062
	900,000					421,694	96,062

* The facility is interchangeable with letter of credit and letter of guarantee

8 CONTINGENCIES AND COMMITMENTS

	Note	(Unaudited) March 31, 2023	(Audited) June 30, 2022
		------Rupees in '000------	
8.1 Commitments in respect of:			
Capital expenditure contracted for but not incurred		16,500	-
Letters of credit		61,345	207,636
Letters of guarantee		42,076	42,076

8.2 There has been no significant change in contingencies disclosed in notes 23.2, 23.3, 23.4 & 23.5 to the annual audited financial statements of the Company for the year ended June 30, 2022.

8.3 There were no other contingencies and commitments outstanding as on March 31, 2023.

9 NET SALES

	Note	(Unaudited) March 31, 2023	(Unaudited) March 30, 2022
		------Rupees in '000------	
Sales (net of returns of Rs. 3.25 million; March 31, 2022: Rs. 3.78 million)	9.1	2,618,969	2,321,557
Less: sales tax		(24,233)	(2,399)
		2,594,736	2,403,466
Less: discounts		(247,136)	(223,509)
		2,347,600	2,095,649

10. TRANSACTIONS WITH RELATED PARTIES

Related parties include Otsuka Pharmaceutical Company Limited the holding company, associated companies / undertakings (namely Otsuka Pharmaceutical Factory Incorporation, Japan, Thai Otsuka Pharmaceutical Company Limited, Thailand, P.T. Otsuka Indonesia, Otsuka Pharmaceutical Company, Shanghai Micro port Medical (Group) Company Limited etc.), entities under common directorship [namely Hospital Supply Corporation, Danish Enterprises, Qubittech, Husein & Husein] staff retirement funds and the key management personnel. Details of the transactions with the related parties and the balances with them as at period end other than those which have been disclosed else where are as follows:

Name of Related Party	Relationship with the Company	Nature of Transaction	(Unaudited) March 31, 2023	(Unaudited) March 31, 2022
			------ Rupees in '000 ------	
Otsuka Pharmaceutical Factory Inc.	Ultimate Parent	Purchases	-	1,152
		Markup expense	**2,258**	1,906
Otsuka Pharmaceutical Co, Ltd.	Parent Company	Purchase of finished goods	**115,089**	56,213
		Reimbursement of PV Cost	**-**	13,172
Hospital Supply Corporation	Common Directorship	Sale of finished goods	**1,209,034**	952,177
		Late payment surcharge on receivables	**7,655**	4,242
		Sales Discount	**176,215**	156,148
		Sales Return	**78**	-
Microport Medical (Shanghai) Co.,	Associated undertaking	Purchase of Stents	**-**	38,714
Thai Otsuka Pharmaceutical Co. Ltd.	Associated undertaking	Purchase of finished goods	**66,354**	55,012
PT. Otsuka Indonesia	Associated Undertaking	Purchase of finished	**31,353**	7,111
Shanghai Microport EPMED Tech Co. Limited	Associated Undertaking	Purchase of devices	**8,307**	14,650
Danish Enterprises	Brother to CEO	Purchase of packing material	**9,363**	4,203
Qubit tech	Brother to CEO	Purchase of general and electronic itrems	**839**	268
Husein & Husein	Spouse of Director	Professional Services	**-**	116
Otsuka staff provident fund	Provident fund	Contribution during the period to the fund	**10,944**	10,824
Otsuka staff gratuity fund	Gratuity fund	Contribution during the period to the fund	**6,459**	9,179
Key Management Personnel	Key Management	Remuneration paid	**57,747**	53,668
Mehtabuddin Feroz	Director	Consultancy charges	**2,880**	2,600

Name of Related Party	Relationship with the Company	Nature of Transaction	(Unaudited) March 31, 2023	(Audited) June 30, 2022
			------ Rupees in '000 ------	
Otsuka Pharmaceutical Factory Inc.	Ultimate Parent	Markup accrued on short term loan	**586**	-
		Short term loan payable	**533,150**	376,150
Otsuka Pharmaceutical Co, Ltd.	Parent company	Payable against purchase of finished goods	**64189**	31,853
		Advance against reimbursement of Pharmacovigilance Cost	**-**	975
Hospital Supply Corporation	Common Directorship	Receivable against sale of goods	**298,590**	125,737
Thai Otsuka Pharmaceutical Co. Ltd.	Associated undertaking	Payable against purchase of finished goods	**43,088**	30,737
Shanghai Microport Medical (Group) Co.,	Associated undertaking	Payable against purchase	**170**	123
Shanghai Microport EPMed Tech Co.,	Associated undertaking	Payable against purchase of medical devices	**4,677**	7,831
Shareholders	Shareholders	Payable to shareholders	**363**	363
Key Management Personnel	Key Management Personnel	Advance from key management personnel	**1,124**	1,306
Otsuka staff gratuity fund	Gratuity fund	Payable to gratuity fund	**5,420**	3,772
Otsuka staff provident	Provident fund	Payable to provident fund	**3,874**	3,893

The Company enters into transactions with related parties for the sale of its products, purchase of raw materials, finished goods and spare parts for rendering of certain services. In addition, the Company has also entered into financing arrangement with the group company. Sales to related parties represent sales made to Hospital Supply Corporation which is the sole distributor of the Company's products in the southern region. The Company allows discount to the distributor on trade price based on the agreed terms. Purchases from related parties primarily represent purchase of raw materials and finished goods from Otsuka group companies.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company considers all members of their management team, including the Chief Executive Officer and working directors to be its key management personnel.

11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the condensed interim cash flow statement comprise the following items included in the condensed interim balance sheet:

	(Unaudited) March 31, 2023	Unaudited) March 30, 2022
	----Rupees in '000----	
Bank balances	1,782	10,214
Short-term running finance utilised under mark-up arrangements	(421,694)	(34,456)
	(419,912)	(24,242)

12 SEGMENT INFORMATION

12.1 This condensed interim financial information has been prepared on the basis of a single reportable segment.

12.2 Sales from Intravenous Solutions represent 82.62 percent while sales from others represent 17.38 percent (March 31, 2022: 83.06 percent and 16.94 percent) respectively of the total sales of the Company.

		(Unaudited) March 31, 2023	Unaudited) March 30, 2022
12.3	The geographic segmentation of sales is as follows:	------- In percent -------	
	Pakistan	100.00%	99.65%
	Outside Pakistan (Exports)	0.00%	0.35%

12.4 Sales to Hospital Supply Corporation (a related party of the Company) which is the sole distributor in the southern region was around 43.61 percent during the nine months ended March 31, 2023 (March 31, 2022: 43.43 percent).

12.5 All non-current assets of the Company as at March 31, 2023 are located in Pakistan.

13 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified wherever necessary for the purpose of comparison and better presentation. There were no major reclassifications in this condensed interim financial information during the current period.

14 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on April 26, 2023 by the Board of Directors of the Company.

15 GENERAL

- Figures in this condensed interim financial information have been rounded off to the nearest thousand rupees unless otherwise stated.

Hanif Sattar
Chief Executive Officer

Abid Hussain
Director

Sajid Ali Khan
Chief Financial Officer

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