



First Quarterly Report
January - March
2021



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Company Information

Board of Directors

Mrs. Feriel Ali-Mehdi
Chairman, Non-Executive Director

Mr. Mubashir Hasan Ansari
Executive Director & Chief Executive Officer

Mr. Saad Amanullah Khan
Independent, Non-Executive Director

Mr. Syed Hasnain Ali
Non-Executive Director

Mr. Mir Muhammad Ali
Independent, Non-Executive Director

Mr. Muhammad Salman H. Chawala
Independent, Non-Executive Director
(Representing NIT)

Mr. Ahsan Rashid
Non-Executive Director

Board Audit Committee

Mr. Muhammad Salman H. Chawala
Chairman
(Representing NIT)

Mrs. Feriel Ali-Mehdi
Member

Mr. Saad Amanullah Khan
Member

Human Resource and Remuneration Committee

Mr. Saad Amanullah Khan
Chairman

Mrs. Feriel Ali-Mehdi
Member

Mr. Syed Hasnain Ali
Member

Mr. Mubashir Hasan Ansari
Member

Statutory Auditors

EY Ford Rhodes
Chartered Accountants

Chief Financial Officer

Mr. Ata-ur-Rehman Shaikh

Company Secretary

Mr. Muhammad Shahid

Head of Internal Audit

Mr. Syed Abid Raza Rizvi

Legal Advisors

Pinjani & Vadria Lawyers

Registered Office

Ground Floor, Bahria Complex III,
M. T. Khan Road, Karachi - Pakistan.
Tel: +9221 35630251-60
Fax: +9221 35630266
Website: www.zil.com.pk
Email: Info@zil.com.pk

Factory

Link Hali Road, Hyderabad - 71000

Bankers

Habib Bank Limited
MCB Bank Limited
National Bank of Pakistan Limited
Standard Chartered Bank
Soneri Bank Limited

Shares Registrar

THK Associates (Pvt) Limited
Plot No. 32, Jami Commercial Street 2,
D.H.A., Phase VII,
Karachi.
Ph: (021) 111-000-322

Directors' Review

The directors of the company are pleased to present the unaudited financial results of the company for the first quarter ended March 31, 2021.

Summary of Business Review

The company showed sustained growth in the topline during the period under review. Despite the negative impact of COVID-19 on skin beauty products on account of change in consumer preference towards hygiene segment, the perseverance and commitment of our employees delivered 3% growth in gross sales.

The management maintained stringent measures to ensure business continuity, as unlike last year work from office policy was continued with implementation and strict compliance to the SOPs. Human Resources regularly monitored compliance to the SOPs and took all necessary actions which were required to safeguard employee safety and sustainability of the commercial activities, as employee well-being and safety has always been an important part of ZILs corporate culture.

The presence of the on-going pandemic has had substantial impacts on the business dynamics across the globe. Considerable changes have occurred in the economies from where major raw materials are sourced, which have caused the raw material prices to soar significantly. Given the local market circumstances this increase in raw material prices could not be transferred to the consumer fully in these difficult times thus causing gross margins to erode abnormally. Although PKR improved nominally against the USD, but the increase in raw material prices is far more than this improvement.

Due to the decreasing margins, management took significant measures to minimize overheads, therefore selling and distribution expenses reduced by 8%, while 6% reduction was witnessed in administrative expenses as compared to same period last year. Financial cost increased by 1Mn consequent to higher investment in working capital.

Financial Position at a Glance:

	Three month period from January to March		
	2021	2020	Growth %
Gross Sales	664M	643M	3%
Net Sales	501M	488M	3%
Gross Profit	68.6M	138.9M	-51%
Gross Profit %	13.7%	28.5%	-1,475 bps
Profit/(Loss) after taxation	-60.6M	3.2M	-2008%

Future Outlook:

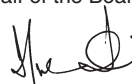
The existence and progression of the pandemic continues to place significant uncertainty on the economic horizon. Business performance has been widely impacted and is expected to continue in the foreseeable future. Raw material prices are expected to remain high, thus margins and profitability shall be the main challenge in the ongoing financial year.

Responding to the change in consumer behavior, the management has strong plans to ensure topline growth and maintain market share. Management has revised its plans for the balance of the year and has developed strategies to improve product mix and manage costs without compromising on quality and efficiency. Management is poised to deliver improved financial performance and value to the shareholders.

Acknowledgement

On behalf of the Board of Directors, we would like to express our gratitude and appreciation to all our employees, shareholders, business partners and other institutions for their continued trust and support.

For and on behalf of the Board of Directors



Mubashir Hasan Ansari
Director and CEO

Karachi: April 27, 2021



Condensed Interim Statement of Financial Position (Un-audited) As at 31 March 2021

		31 March 2021 (Un-audited)	31 December 2020 (Audited)
	Note	(Rs. in '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	724,966	716,717
Intangible assets		6,755	7,489
Long term deposits		5,042	5,042
Long term loans to employees		660	497
Total non-current assets		737,423	729,745
CURRENT ASSETS			
Stores and spares		7,077	7,132
Stock-in-trade	6	287,116	205,426
Trade debts	7	46,204	41,028
Advances, prepayments and other receivables	8	125,690	120,742
Short term investment		-	60,000
Cash and bank balances	9	62,878	103,230
Total current assets		528,965	537,558
TOTAL ASSETS		1,266,388	1,267,303
EQUITY AND LIABILITIES			
EQUITY			
Authorised capital 40,000,000 (31 December 2020: 40,000,000) ordinary shares of Rs. 10 each		400,000	400,000
Issued, subscribed and paid up capital		61,226	61,226
Capital reserves			
Surplus on revaluation of property, plant and equipment - net of tax		352,581	354,672
Revenue reserves			
General Reserves		6,000	6,000
Un-appropriated profits		125,929	184,390
		545,736	606,288
LIABILITIES			
NON-CURRENT LIABILITIES			
Long Term Loan	10	35,817	44,034
Deferred Govt Grant		1,417	2,115
Deferred tax liability - net		24,376	27,287
Deferred staff liabilities		103,854	106,034
Lease liabilities		39,208	43,009
		204,672	222,479
CURRENT LIABILITIES			
Current maturity of non-current liabilities		57,157	56,126
Trade and other payables	11	250,004	254,681
Contract liabilities		28,798	55,225
Short term borrowings	12	100,000	-
Taxation		78,635	71,118
Unclaimed dividends		1,386	1,386
		515,980	438,536
TOTAL LIABILITIES		720,652	661,015
CONTINGENCIES AND COMMITMENTS	13		
TOTAL EQUITY AND LIABILITIES		1,266,388	1,267,303

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.

Chief Financial Officer

Chief Executive Officer

Director

**Condensed Interim Statement of
Profit and Loss (Un-audited)**
For the three months period ended 31 March 2021

		Three months period ended	
		31 March 2021	31 March 2020
		(Rs. in '000)	
	Note		
Sales - net	14	500,958	488,328
Cost of sales	15	(432,335)	(349,414)
Gross profit		68,623	138,914
Selling and distribution expenses	16	(81,081)	(88,367)
Administrative expenses		(39,741)	(42,490)
		(120,822)	(130,857)
		(52,199)	8,057
Other income		1,010	626
Other charges		(662)	(450)
		(51,851)	8,233
Finance cost		(4,098)	(3,159)
Profit/(loss) before taxation		(55,949)	5,074
Taxation		(4,603)	(1,900)
Profit/(loss) for the period		(60,552)	3,174
		----- (Rupees) -----	
Profit/(loss) per share - basic and diluted		(9.89)	0.52

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.


Chief Financial Officer


Chief Executive Officer


Director



**Condensed Interim Statement of
Comprehensive Income (Un-audited)**
For the three months period ended 31 March 2021

	Three months period ended	
	31 March 2021	31 March 2020
	(Rs. in '000)	
Profit/(Loss) for the period after taxation	(60,552)	3,174
Other comprehensive income for the period	-	-
Total comprehensive income/(loss) for the period	<u>(60,552)</u>	<u>3,174</u>

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.


Chief Financial Officer


Chief Executive Officer

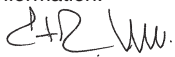

Director

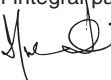
Condensed Interim Statement of Cash Flows (Un-audited)

For the three months period ended 31 March 2021

	Three months period ended	
	31 March 2021	31 March 2020
	(Rs. in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit /(Loss) before taxation	(55,949)	5,074
Adjustments for:		
Finance Costs	4,098	3,159
Depreciation and amortization	15,460	15,728
Provision against staff gratuity	4,310	4,623
Provision against other staff retirement benefits	324	591
Amortization of Government grant	(697)	-
Profit on short term Investment	(405)	(68)
Reversal against liability no longer payable	1,327	-
Impairment expense	1,000	-
(Gain)/Loss on disposal of operating fixed assets	308	1
	25,725	24,034
	(30,224)	29,108
Decrease / (Increase) in assets:		
Stores and spares	55	(313)
Stock-in-trade	(83,017)	(106,073)
Trade debts	(5,176)	(1,601)
Loans to employees	(601)	(191)
Advances, prepayments and other receivables	(2,191)	(2,602)
	(90,930)	(110,780)
(Decrease) / increase in current liabilities:		
Trade and other payables	(33,568)	(2,654)
	(154,722)	(84,326)
Income tax paid	(1,918)	(4,809)
Staff gratuity paid	(3,979)	(6,850)
Other staff retirement benefits paid	(2,834)	(6,897)
Return received on bank deposits - under markup arrangements	405	68
Finance costs paid	(2,664)	(835)
	(10,990)	(19,323)
	(165,712)	(103,649)
Net cash flows from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(26,350)	(2,167)
Short term investment	60,000	-
Proceeds from disposal of operating fixed assets	2,062	-
Net cash flows from investing activities	35,712	(2,167)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	-
Lease repayment	(5,112)	(4,742)
Long term loan	(5,240)	-
Short term borrowings - Karobar and Salam finances	100,000	61,593
Net cash generated from financing activities	89,648	56,851
Net increase / (decrease) in cash and cash equivalents during the period	(40,352)	(48,965)
Cash and cash equivalents at beginning of the period	103,230	23,640
Cash and cash equivalents at end of the period	62,878	(25,325)
Cash and cash equivalents at end of the period comprises of:		
- Cash and bank balances	62,878	16,268
- Short term borrowing - running finance	-	(41,593)
	62,878	(25,325)

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.


Chief Financial Officer


Chief Executive Officer


Director

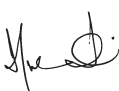


Condensed Interim Statement of Changes in Equity (Un-audited) For the three months period ended 31 March 2021

	Capital Reserves					Total
	Issued, subscribed and paid up capital	Surplus on Revaluation of assets - net of tax	Reserves		Total Reserves	
			General reserve	Un-appro- riated profit		
	(Rs. in '000)					
Balance as at 1 January 2020	61,226	363,711	6,000	180,157	186,157	611,094
Total comprehensive income for the period						
Profit after taxation	-		-	3,174	3,174	3,174
Transferred from surplus on revaluation of property, plant and equipment - net of tax (incremental depreciation)	-	(2,251)	-	2,251	2,251	-
Balance as at 31 March 2020	61,226	361,460	6,000	185,583	191,583	614,268
Balance as at 1 January 2021	61,226	354,672	6,000	184,390	190,390	606,288
Total comprehensive income/(loss) for the period						
Loss after taxation	-		-	(60,552)	(60,552)	(60,552)
Transferred from surplus on revaluation of property, plant and equipment - net of tax (incremental depreciation)	-	(2,091)	-	2,091	2,091	-
Balance as at 31 March 2021	61,226	352,581	6,000	125,929	131,929	545,736

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.


Chief Financial Officer


Chief Executive Officer


Director

Notes to the Condensed Interim Financial Information (Un-audited) For the three months period ended 31 March 2021

1. STATUS AND NATURE OF BUSINESS

ZIL Limited ("the Company") was incorporated as a private limited company in February 1960 under the Companies Act, 1913 (now the Companies Act, 2017) and was subsequently converted into a public limited company in November 1986. Its shares are listed on the Pakistan Stock Exchange Limited (formerly Karachi and Lahore Stock Exchanges). The principal activity of the Company is manufacture and sale of home and personal care products.

The registered office of the Company is situated at Ground Floor, Bahria Complex III, M.T. Khan Road, Karachi.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These condensed interim statement 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 applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, 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 Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 This condensed interim financial information is unaudited and is being submitted to the shareholders as required under section 237 of the Companies Act, 2017 and the listing regulations of Pakistan Stock Exchange Limited.

2.3 This condensed interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 December 2020.



Notes to the Condensed Interim Financial Information (Un-audited) For the three months period ended 31 March 2021

2.4 The comparative balance sheet presented in this condensed interim financial information as at 31 December 2020 has been extracted from the audited financial statements of the Company for the year ended 31 December 2020, whereas the comparative profit and loss account, statement of comprehensive income, statement of changes in equity and the cash flow statement have been extracted from the unaudited condensed interim financial information for the three months period ended 31 March 2020 (as applicable).

2.5 Functional and presentation currency

This condensed interim financial information is presented in Pak Rupees which is the functional and presentation currency of the Company. Figures have been rounded off to the nearest thousand rupees.

2.6 Use of judgments and estimates

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reporting amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgements made by the management in the preparation of this condensed interim financial information are the same as those that were applied to the audited financial statements of the Company for the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial report are the same as those applied in the preparation of the financial statements for the year ended 31 December 2020.

4. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31 December 2020.

**Notes to the Condensed Interim
Financial Information (Un-audited)
For the three months period ended 31 March 2021**

	Note	31 March 2021 (Un-audited)	31 December 2020 (Audited)
		(Rs. in '000)	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	697,324	706,633
Capital work-in-progress	5.2	27,642	10,084
		<u>724,966</u>	<u>716,717</u>

5.1 Operating fixed assets

Following are the details of the additions and disposals of operating fixed assets during the period:

	Additions	Disposals	
		Cost	Accumulated depreciation
		(Rs. in '000)	
Plant, machinery and equipment	421	104	48
Furniture and Fixtures	206	-	-
Dies & change parts	3,914	-	-
Vehicles	2,975	3,624	1,582
Computers	221	-	-
Capital Spares	1,055	570	298
	<u>8,792</u>	<u>4,298</u>	<u>1,928</u>

	Note	31 March 2021 (Un-audited)	31 December 2020 (Audited)
		(Rs. in '000)	
5.2 Capital work-in-progress			
Opening balance		10,084	6,963
Additions during the period		<u>26,350</u>	<u>28,096</u>
		<u>36,434</u>	<u>35,059</u>
Transfers during the period		<u>(8,792)</u>	<u>(24,975)</u>
	5.2.1	<u>27,642</u>	<u>10,084</u>

5.2.1 This represents building ,plant ,machinery & equipment, dies and vehicle.



**Notes to the Condensed Interim
Financial Information (Un-audited)
For the three months period ended 31 March 2021**

	Note	31 March 2021 (Un-audited)	31 December 2020 (Audited)
(Rs. in '000)			
6. STOCK-IN-TRADE			
Raw material - in hand		152,634	61,355
- in transit		249	17,876
		<u>152,883</u>	<u>79,231</u>
Packing material		37,292	42,583
Work-in-progress		13,383	9,554
Finished goods		<u>119,374</u>	<u>108,548</u>
		<u>322,932</u>	<u>239,916</u>
Provision against slow moving items of stock-in-trade		<u>(35,816)</u>	<u>(34,490)</u>
		<u>287,116</u>	<u>205,426</u>
7. TRADE DEBTS			
Considered good		46,204	41,028
Considered doubtful		9,397	9,397
		<u>55,601</u>	<u>50,425</u>
Provision against doubtful debts		<u>(9,397)</u>	<u>(9,397)</u>
		<u>46,204</u>	<u>41,028</u>
8. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Considered good			
Advance			
- for taxation		113,688	111,770
Advances to suppliers and contractors		2,129	2,697
Prepayments		7,096	3,655
Current maturity of loans to employees		2,253	1,815
Other receivables		524	805
		<u>125,690</u>	<u>120,742</u>
Considered doubtful			
Advances to suppliers and contractors		803	803
Less: Provision held		(803)	(803)
		-	-
Advances, prepayments and other receivables - net		<u>125,690</u>	<u>120,742</u>

**Notes to the Condensed Interim
Financial Information (Un-audited)
For the three months period ended 31 March 2021**

	Note	31 March 2021 (Un-audited)	31 December 2020 (Audited)
		(Rs. in '000)	
9. CASH AND BANK BALANCES			
Cash in hand		355	235
Cash at banks			
- Current / collection accounts		61,081	101,545
- Profit & loss sharing accounts	9.1	1,442	1,450
		<u>62,523</u>	<u>102,995</u>
		<u>62,878</u>	<u>103,230</u>

9.1 This carries interest rate ranging from 2.75% to 3% (31 December 2020: 2.75 % to 5 %) per annum.

10. LONG TERM LOAN

Diminishing musharaka		3,265	3,539
Refinance scheme for the payment			
of salaries and wages	10.1	72,516	80,211
		<u>75,781</u>	<u>83,750</u>
Less: current maturity shown under current liability		<u>(39,964)</u>	<u>(39,716)</u>
		<u>35,817</u>	<u>44,034</u>

10.1 Represents long term financing obtained from commercial banks under the refinance scheme for payment of salaries and wages by State Bank of Pakistan. These facilities carry flat rate of 2.75% & 3% per annum, however, the effective interest rate ranged from 8.25%-8.92% per annum and the loan has been recognized at present value, the loan is repayable in 8 equal quarterly installments commencing from Jan 2021 discounted at the effective rate of interest. The differential mark up recognized as government grant which will be amortized to other income over the period of the facility. The financing is secured against first Pari Passu charge over plant and machinery of the Company amounting to Rs. 66 million and Rs. 113 million respectively.

11. TRADE AND OTHER PAYABLES

Trade creditors	150,412	164,033
Accrued expenses	87,548	71,828
Sales tax payable	1,520	8,326
Deposit from employees against vehicles	1,367	1,306
Accrued mark-up on short term borrowings	2,152	83
Workers' welfare fund	4,838	4,839
Workers' profit participation fund	-	2,767
Other liabilities	2,167	1,499
	<u>250,004</u>	<u>254,681</u>



**Notes to the Condensed Interim
Financial Information (Un-audited)
For the three months period ended 31 March 2021**

Note	31 March 2021 (Un-audited)	31 December 2020 (Audited)
	(Rs. in '000)	

12. SHORT TERM BORROWINGS

Istisna financing - under shariah arrangements	12.1	100,000	-
Running finance - under mark-up arrangements	12.2	-	-
		<u>100,000</u>	<u>-</u>

12.1 These facilities, representing Salam, Istisna and Karobar financing facilities, are available from certain commercial banks up to Rs. 245 million (2020: Rs. 245 million) and carries mark-up of 6 Months' KIBOR+0.5% - 1% (2020: 6 Months KIBOR+0.5% - 1%) per annum. The facilities are secured by way of first pari passu charge over present and future current assets of the Company. At 31 March 2021, unutilised facilities aggregated to Rs. 145 million (2020: Rs. 245 million) and utilised portion of Salam and Istisna facilities amounted to Rs. 50 million from Soneri bank (2020: Rs. 150 million) and Istisna, Murabah and Mucharaka financing of Rs. 95 million from MCB Islamic Bank (2020: Rs. 95 million from MCB Islamic). These facilities, being sub limit of the above available facility of Rs. 245 million, include Salam, Istisna, Karobar finance of Rs. 150 million from Soneri bank and Rs. 95 million from MCB Islamic. Above facilities are valid upto 30 June 2021 and are generally renewable.

12.2 The facility for running finance available from a commercial bank of Rs. 200 million (2020: Rs. 200 million) carries mark-up at 1 month KIBOR+1% (2020: 1 month KIBOR+1%) per annum valid until 30 April 2021 and is generally renewable. The facility is secured by first pari passu charge by way of hypothecation over all present and future current assets of the Company of Rs. 400 million and first pari passu charge of Rs. 113.33 million over all plant and machinery of the Company. At 31 March 2021, unutilised facility for running finance aggregated to Rs. 200 million (2020: Rs. 200 million). At 31 March 2021, LC sight and usance facility available amounted to Rs. 200 million (31 December 2020: Rs. 200 million).

12.3 At 31 March 2021, unutilised letter of credit facilities from certain banks amounted to Rs. 286 million (31 December 2020: Rs. 258.58 million). These are secured against the import bills of the Company. Total facilities sanctioned to the Company amounted to Rs. 350 million (31 December 2020: Rs. 350 million).

**Notes to the Condensed Interim
Financial Information (Un-audited)
For the three months period ended 31 March 2021**

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

13.1.1 Bank guarantees aggregating to Rs. 7.02 million (31 December 2020: Rs. 7.02 million) have been issued in favour of Sui Southern Gas Company Limited for the supply of natural gas. A bank guarantee has also been issued in favour of Pakistan State Oil for issuance of PSO fleet cards aggregating to Rs. 1.3 million (31 December 2020: Rs. 1.3 million).

13.1.2 In view of loss for the financial year ended 31 December 2015, provision for tax for the then year ended 31 December 2015, including the minimum tax under the Income Tax Ordinance, 2001, was not made in the financial statements for the year ended 31 December 2015. The Company had obtained an opinion from a tax advisor based on which it believes that it is not required to pay tax under section 113 of the Income Tax Ordinance, 2001, in view of gross loss for the year ended 31 December 2015, before the set off of depreciation and other inadmissible expenses under the Income Tax Ordinance, 2001 (as under the above section minimum tax is not payable in case of gross loss before the set off of depreciation and other inadmissible expenses). However, Finance Act 2016 has deleted the said proviso of gross loss. The management, believes that the minimum tax for the year ended 31 December 2015 is not payable as the amendment to the said proviso is applicable for tax year 2017 and onwards and accordingly provision for minimum tax amounting to Rs. 14.23 million has not been made. However, CIR had levied minimum tax on the Company vide an amended assessment order, against which the Company has filed an appeal with the CIR Appeals. The Company filed appeal before ITR(A) who vide an order dated 5 October 2018 has confirmed the levy of minimum tax. Disagreeing with this, the Company has filed an appeal with the Appellate Tribunal Inland Revenue, since the management believes that the minimum tax for the year ended 31 December 2015 is not payable due to the reason given above.

13.1.3 Income Tax Assessments of the Company have been completed up to and including the financial year ended 31 December 2019 with the exception of accounting years 2007, 2011, 2012, 2014, 2015, and 2016. For financial year ended 2011, audit proceedings were initiated and completed vide order passed under section 122(1)(5) of the Income Tax Ordinance, 2001 in which certain disallowances were made amounting to Rs. 12.289 million against which appeal was filed by the Company. The appeal was heard and then subsequently the CIR Appeals passed a revised order in which certain expenses earlier disallowed were allowed amounting to Rs. 4.66 million while expenses amounting to Rs. 6.65 million were remanded back by CIR Appeals to Deputy Commissioner Inland Revenue (DCIR). In respect of the remaining amount, the Company has already filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) which is pending decision. Based on the Company's tax advisor's view, a favourable decision is expected and therefore the subject demand is expected to be quashed.



Notes to the Condensed Interim Financial Information (Un-audited) For the three months period ended 31 March 2021

Furthermore, on 21 April 2015, an order under sub-section (5A) of section 122 of the Income Tax Ordinance, 2001 was passed by the Additional Commissioner Inland Revenue for the financial year 2012, in which tax demand of Rs. 0.75 million was raised against certain disallowances. The Company has filed an appeal against the alleged order before the Commissioner Inland Revenue Appeals who vide its order dated 8 September 2016 has allowed certain expenses of Rs. 1.82 million which were earlier disallowed (tax effect being Rs. 0.65 million). In respect of the remaining amount, the Company has already filed an appeal before the ATIR which is pending decision. Based on the Company's tax advisor's view, a favourable decision is expected and therefore the subject demand is expected to be quashed.

13.1.4 Return for the tax year 2007 was selected for audit under section 177 of Income Tax Ordinance 2001 and an amended assessment order dated 30 March 2009 was passed in which certain disallowances were made by the taxation authorities. Disagreeing to the above, the Company filed an appeal before the Commissioner Inland Revenue, Appeal (CIR-A) and also filed an appeal before the CIR-A against the refusal of the Taxation Officer to rectify certain mistakes. The CIR-A vide his order No. 15 and 16 dated 25 October 2011 deleted all the additions except for the alleged unreconciled production of manufactured goods amounting to Rs. 3.3 million. The Company filed an appeal before Appellate Tribunal Inland Revenue (ATIR) for not allowing relief in respect of disallowance of Rs. 3.3 million on account of alleged unreconciled production of manufactured goods. Further, the tax department has also filed an appeal before ATIR on certain reliefs of Rs. 4.8 million earlier decided in favour of the Company. In the Appellate Order (AO) dated 8 October 2013 passed by the ATIR, the issue of unreconciled production was deleted (decided in favour of the Company) simultaneously setting aside the same for reverification. In response to it the department filed MA in response to which, ATIR passed AO dated 5 May 2015 by remanding back the issue for reverification of unreconciled difference, strictly in the light of history of the case and subsequent years. Following the judgement of ATIR, department has initiated set-aside proceedings. The Company has submitted the response and details regarding unreconciled production. No order has been passed by the department in relation to the set-aside proceedings. The management believes that there is no merit in above demands.

13.1.5 Returns for the financial years ended 31 December 2014 and 31 December 2015 were amended under section 122(9) of Income Tax Ordinance 2001 and amended assessment orders dated 22 September 2017 and 18 April 2017 respectively were passed in which certain disallowances were made by the taxation authorities. Disagreeing to the above, the Company had filed appeals before the CIR Appeals. During the year 2018, these appeals were partly decided in favour of the Company by the CIR(A), allowing the Company expenses amounting to Rs. 15.70 million (for year ended 31 December 2014) and Rs. 36.6 million (for year ended 31 December 2015). The tax authorities have filed appeals before the ATIR against the CIR(A)'s order to allow relief to the Company. The management believes that there is no merit in above demands.

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13.1.6 During the year ended 31 December 2019, on 25 September 2019 an order under sub section (1) of section 122 of the Income Tax Ordinance, 2001 was passed by the Deputy Commissioner Inland Revenue (DCIR) for the financial year 2016 in which certain disallowances amounting to Rs. 9.83 million were made. Disagreeing to the above, the company has filed an appeal before the Commissioner Inland Revenue - Appeals against the alleged order of DCIR, which is pending decision. However, adequate provision is being held by the Company.

13.1.7 During the year 2015, a show cause notice was issued by the Office Inland Revenue, Large Taxpayers' Unit, Karachi (OIR) for seeking information for the purposes of monitoring of withholding taxes for the tax year 2014. The Company submitted all the requisite details and explanations. However, the OIR had passed order under section 161/205 of the Income Tax Ordinance, 2001 vide order No. 11/77 dated 25 March 2015 and raised the demand in aggregate of Rs. 2.675 million including default surcharge and penalty.

The Company has filed an appeal before the Commissioner Inland Revenue - Appeals (CIRA) against the above-mentioned order dated 25 March 2015. The CIRA has passed order dated 10 September 2015 through which he had deleted aforesaid tax demand. However, the tax department had filed an appeal dated 23 February 2016 in Appellate Tribunal Inland Revenue (ATIR) against the aforesaid order, which is still pending. The management believes that there is no merit in above demands.

13.1.8 On 8 January 2019, the Company received a show cause notice from Additional Commissioner - I (AC-I) Punjab Revenue Authority (PRA) for failure to deduct and deposit withholding tax in full for the period 01 January 2015 to 31 December 2017 amounting to Rs. 70.401 million. The above show cause notice was converted into demand on 03 September 2019, creating demand of Rs. 60.241 million (including penalty of Rs. 2.869 million) and default surcharge to be calculated at the time of payment.

Being aggrieved, the Company filed an appeal before Commission Appeals-PRA who modified the above order of AC-I by reducing the amount of sales tax to Rs. 45.551 million along with default surcharge to be calculated at the time of payment.

The Company filed appeal before Appellate Tribunal - PRA against the above order of Commissioner Appeals which is pending adjudication. The Company, based on the opinion of tax advisor expects a favourable outcome on legal grounds which were not addressed by the Commissioner Appeals.



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13.1.9 During the year ended December 31, 2020, orders under sub section (1) of section 122(5A) of the Income Tax Ordinance, 2001 were passed by Additional Commissioner Inland Revenue (ACIR) for the tax year 2018 and 2019 (corresponding financial year 2017 and 2018) in which certain disallowances amounting to Rs. 7.463 million and Rs. 5.91million respectively were made. Being aggrieved, the Company filed appeals before the Commissioner Inland Revenue - Appeals (CIR-A) against the alleged order of ACIR, which is pending for adjudication. Based on the Company's tax advisor's view, reasonable grounds are available to contest the issues raised before CIR-A. Being prudent, provision of Rs. 1.01 million is being held by the Company.

13.2 Commitment

Commitment under letters of credit for the import of stock-in-trade items amounted to Rs. 19.0 million (31 December 2020: Rs 36.6 million).

14. SALES - net

	Three months period ended	
	31 March 2021	31 March 2020
	(Rs. in '000)	
Gross sales	664,141	642,645
Sales tax	(105,980)	(102,529)
Trade discount	(57,203)	(51,788)
	(163,183)	(154,317)
	<u>500,958</u>	<u>488,328</u>

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	Three months period ended	
	31 March 2021	31 March 2020
	(Rs. in '000)	
15. COST OF SALES		
Raw & packing material consumed	390,061	358,023
Stores and spares consumed	1,208	772
Salaries, wages and other benefits	28,424	27,095
Repair and maintenance	170	138
Fuel and power	2,711	2,704
Rent, rates and taxes	1,515	4,942
Insurance	501	564
Product research and development	58	20
Travelling and conveyance	863	1,023
Printing and stationery	58	104
Postage and telephones	109	130
Legal and professional charges	107	32
Subscription charges	56	12
Depreciation and amortisation	7,964	8,643
Freight and handling charges	2,147	1,620
Provision for slow moving stock in trade	1,327	-
Finished Goods purchased for resale	9,531	22,140
Others	181	162
	446,991	428,124
Opening stock of work-in-process	9,554	5,050
Closing stock of work-in-process	(13,384)	(4,301)
Cost of good manufactured	443,161	428,873
Opening stock of finished goods	108,548	101,838
Closing stock of finished goods	(119,374)	(181,297)
	(10,826)	(79,459)
	432,335	349,414

15.1 Salaries, wages and other benefits include Rs.2.134 million (31 March 2020: Rs.3.158 million) in respect of the accrual for defined benefit obligations of the Company and contribution of Rs.0.615million (31 March,2020: Rs. 0.646 million) to the provident fund.



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	Three months period ended	
	31 March 2021	31 March 2020
	(Rs. in '000)	
16. SELLING AND DISTRIBUTION EXPENSES		
Salaries, wages and other benefits	42,152	43,259
Utility charges	170	148
Repair and maintenance	72	80
Rent, rates and taxes	40	17
Depreciation and amortisation	2,989	3,162
Legal and Professional fee	428	330
Postage, telegram and telephone	421	560
Printing and stationery	86	233
Travelling and conveyance	5,659	6,068
Insurance expense	559	542
Advertising expense	10,678	14,082
Freight and handling charges	16,852	17,327
Product research and development	710	1,956
Meeting expenses	145	436
Others	120	167
	81,081	88,367

- 16.1** Salaries, wages and other benefits include Rs. 0.711 million (31 March 2020: Rs. 0.615million) in respect of the accrual for defined benefit obligations of the Company and contribution of Rs. 0.978 million (31 March,2020: Rs. 0.982 million).

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17. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of associated companies, companies with common directors, major shareholders, staff retirement funds, directors and key management personnel. Details of transactions with the related parties are as follows:

	Three months period ended	
	31 March 2021	31 March 2020
	(Rs. in '000)	
Other related parties		
Contribution to the employees' provident fund	2,314	2,317
Directors and chief executive officer (key management personnel)		
Remuneration	7,360	12,481
Other directors remuneration -meeting fees	420	270
Other key management personnel		
Managerial remuneration (excluding directors and chief executive officer)	17,203	18,029

- 17.1** Contribution to the provident fund is made in accordance with the requirements of staff service rules.
- 17.2** Remuneration of the key management personnel is in accordance with the terms of their employment.
Directors' meeting fee is as approved by the board of directors.
- 17.3** Other transactions with the related parties are at the agreed terms.

18. GENERAL

- 18.1** The Board of Directors in their meeting held on 27-02-2021 for the year ended 31 December 2020, proposed final cash dividend of Rs. 1.25 per share (2019: Rs. 3.50 per share) amounting to Rs.7.563 million (2019: Rs. 21.429 million) for approval by the members of the Company in the Annual General Meeting to be held on 31 March 2021. The condensed interim financial information for the period ended 31 March 2021 do not include the effect of the proposed cash dividend, which will be recognised in the condensed interim financial information for the period ending 30 June 2021.
- 18.2** This condensed interim financial information was authorised for issue on 27th April 2021 by the board of directors of the Company.



Chief Financial Officer



Chief Executive Officer



Director



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