



For The Nine Months Period Ended
March 31, 2019

3rd Quarterly Report



Khyber Tobacco Company Limited

Contents

02	Corporate Information
03	Directors' Review
05	Directors' Review in Urdu
06	Independent Auditor's Review Report
08	Condensed Interim Balance Sheet (Un-Audited)
10	Condensed Interim Profit and Loss Account (Un-Audited)
11	Condensed Interim Statement of Comprehensive Income (Un-Audited)
12	Condensed Interim Cash Flow Statement (Un-Audited)
13	Condensed Interim Changes in Equity (Un-Audited)
14	Notes to the Condensed Interim Financial Information

CORPORATE INFORMATION

Board of Directors

Mr. Waseem Ur Rehman
Mr. Pir Waris Shah
Mr. Pir Farhan Shah
Mr. Rahat Ullah
Mr. Shafiq Afzal Khan
Mr. Hazrat Bilal
Mr. Khalil Ur Rehman

Chief Executive/ Executive Director
Non-Executive Director
Executive Director
Non-Executive Director
Non-Executive Director
Non-Executive Director
Non-Executive Director

Audit Committee

Mr. Shafiq Afzal Khan
Mr. Rahat Ullah
Mr. Khalil Ur Rehman

Chairman
Member
Member

Human Resource Committee

Mr. Pir Waris Shah
Mr. Pir Farhan Shah
Mr. Shafiq Afzal Khan

Chairman
Member
Member

Senior Management

Mr. Waseem Ur Rehman

Chief Executive

Company Secretary

Mr. Pir Farhan Shah

Bankers

National Bank of Pakistan
MCB Bank Limited
Askari Bank Limited
Habib Bank Limited

Share Registrar

Central Depository Company
of Pakistan Limited
CDC House, 99-B, Block B
S.M.C.H.S., Main Shahreh e Faisal
Karachi

External Auditors

Deloitte Yousaf Adil & Co.
Chartered Accountants

Registered Office

Khyber Tobacco Company Limited
Nowshera Road, Mardan
Telephone: +92-937-844668,844639
Fax: +92-937-843329

Internal Auditors

Shahid Ahmad & Co.
Chartered Accountants

DIRECTORS' REVIEW

Dear Members,

The Directors of the Company are pleased to present the condensed Interim Financial Information (unaudited) of the company for the nine months period ended 31 March 2019.

Key financial indicators for the nine months under review are as below:

Financial Highlights	Jul-March 2019	Jul-March 2018	Difference
	Rs. in Millions		
Turnover – gross	1397	2,208	(811)
Turnover – net	588	997	(409)
Cost of sales	527	542	(15)
Gross profit/(loss)	60	455	(395)
Profit/(loss) before taxation	(104)	321	(425)
Profit/(loss) for the period	(72)	238	(310)
Earnings per share - basic and diluted	(15)	49	(64)

The above results indicate an overall revenue decline of 37% as compared to the corresponding period of the last year. The gross profit has decreased by 87 % i.e. from Rs.455.47 million profit to a profit of Rs.60 million as compared to the corresponding period and profit before taxation has decreased by 132% i.e. from Rs.321.13 million profit to loss before taxation of Rs.104 million as compared to the corresponding period, the decrease in overall turnover is mainly due to adverse market conditions during the first half of the year resulting into the decrease in local cigarette sales. The situation has adversely affected the EPS and the loss per share is Rs 15 as compared to earnings per share of Rs 49 as reported in the corresponding period.

During the first six months the company faced extensive loss due to drastic legal changes in the cigarette manufacturing sector. The rate of Federal Excise Duty has increased by 56.25% on cigarettes and by 2900% in the case of tobacco. The operations have also been partially affected due to the installation of a new line for Primary Production Department (PPD), which was successfully installed and is fully operational. The installation of new line of PPD is now providing improved quality of tobacco for cigarettes manufacturing. Now the situation has improved because of increase in sale of both cigarette and tobacco that has resulted to improvement against in the first six months trends. We are hopeful that during the last quarter of the financial year the situation will considerably improve as the market condition has improved favorably and export sales are also expected to improve the financial outlook.

Future Outlook:

The management is certain that the situation will turn around in the near future. Local cigarette and tobacco sales in conjunction with exports has improved significantly prior to period end and I am confident that the results of the next quarter will show visible improvement. It is also important to mention that the company does not face any liquidity problems due to the current period loss and does not require any external financing.

Acknowledgement

The board would like to thank and appreciate its employees, customers and strategic partners for their dedication, commitment and contribution in these challenging times. The board also extends its gratitude to our suppliers, banks and shareholders for their unwavering support and cooperation.

29 April 2019

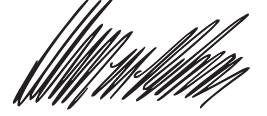
On behalf of the Board


Waseem Ur Rehman
Chief Executive

شکر گزار:
بورڈ شکر گزار ہے اور اپنے ملازمین، گاہکوں اور اسٹریٹجک پارٹنرز کی لگن، عزم اور مشکل اوقات میں شراکت کی تعریف کرنا چاہے گا۔ بورڈ سپلائرز، بینکوں اور حصص دار کی منزلزل حمایت اور تعاون پر شکر گزار ہے

29 اپریل 2019

بورڈ کی جانب سے



وسیم الرحمٰن
چیف ایگزیکٹو آفیسر

کمپنی کے ڈائریکٹر 31 مارچ 2019 کو ختم ہونے والے نو ماہ کے عرصے کے دوران کمپنی کے انٹرم مالی معلومات (غیر مجاز شدہ) پیش کرتے ہیں:

جائزہ لینے کے تحت نو ماہی کے لئے اہم مالی اشارے ذیل میں ہیں:-

مالیاتی اعداد و شمار	Jul-March 2019	Jul-March 2018	فرق
	ملین روپے		
فروخت - مجموعی	1397	2,208	(811)
فروخت - نیٹ	588	997	(409)
فروخت کی قیمت	527	542	(15)
کل منافع	60	455	(395)
ٹیکس سے پہلے منافع	(104)	321	(425)
مدت کے لئے منافع	(72)	238	(310)
فی شیئر کمائی - بنیادی اور پتلی	(15)	49	(64)

گزشتہ سال کے مقابلے میں مندرجہ بالا نتائج 37% مجموعی فروخت میں کمی کی نشاندہی کرتے ہیں۔ مجموعی منافع میں 87 فیصد کمی ہوئی ہے یعنی گزشتہ سال اسی مدت کے مقابلے میں منافع 455.47 ملین سے کم ہو کر 60 ملین منافع ہوا ہے۔ اور ٹیکس سے پہلے منافع میں 132 فیصد کمی ہوئی ہے۔ یعنی گزشتہ سال اسی مدت کے مقابلے میں منافع 321.13 ملین سے کم ہو کر 104 ملین نقصان ہوا ہے۔ سال کے پہلے آدھ حصے میں مارکیٹ کی نامناسب حالات کی وجہ سے آمدنی میں کمی ہوئی جس کے نتیجے میں مقامی سگریٹ کی فروخت میں کمی ہوئی ہے۔ اسی صورت حال نے فی حصص آمدنی کو بہت سخت متاثر کیا اسی مدت میں رپورٹ کے مطابق 49 روپے کی آمدنی کے مقابلے میں فی حصص نقصان 15 روپے ہے

پہلے چھ ماہ کے دوران، سگریٹ مینوفیکچرنگ سیکٹر میں سخت قانونی تبدیلیوں کی وجہ سے کمپنی نے وسیع نقصان کا سامنا کیا۔ فیڈرل ایکسائز ڈیوٹی کی شرح سگریٹ پر 56.25 فیصد اور تمباکو کے معاملے میں 2900 فیصد سے اضافہ ہوا ہے۔ ابتدائی پروڈکشن ڈیبارٹمنٹ (پی ڈی) کے لئے ایک نئی لائن کی تنصیب کی وجہ سے آپریشنز جزوی طور پر بھی متاثر ہوئے ہیں، جو کامیابی سے نصب اور مکمل طور پر آپریشنل ہے۔ پی ڈی کی نئی لائن کی تنصیب اب سگریٹ مینوفیکچررز کے لئے تمباکو کی بہتر معیار فراہم کرتی ہے۔ سگریٹ اور تمباکو دونوں کی فروخت میں اضافہ کی وجہ سے صورتحال بہتر ہو گئی ہے جو پہلے چھ ماہ کے رجحانات میں کمی کے نتیجے میں ہے۔ ہم امید پُر ہیں کہ مالی سال کے آخری سہ ماہی کے دوران صورت حال بہت بہتر ہوگی کیونکہ مارکیٹ کی حالت بہتر ہے اور برآمد کی فروخت بھی مالیاتی نقطہ نظر کو بہتر بنانے کی توقع کی جاتی ہے

مستقبل آؤٹ لک:

انتظامیہ کو اس بات کا یقین ہے کہ مستقبل قریب میں حالات بدل جائیں گے برآمدات کے ساتھ مل کر مقامی سگریٹ اور تمباکو کی فروخت میں مدت ختم ہونے کے بعد نمایاں طور پر بہتری ہوئی ہے اور ہمیں یقین ہے کہ اگلے سہ ماہی کے نتائج میں نمایاں بہتری نظر آئے گی۔ یہ ذکر کرنا بھی اہم ہے کہ کمپنی کو موجودہ مدت کے نقصان کے باعث کسی بھی مالی استحکام کے مسائل کا سامنا نہیں ہے اور بیرونی فنانس کی ضرورت بھی نہیں ہے

FINANCIAL STATEMENTS

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

AS AT MARCH 31, 2019

	Unaudited 31 March 2019	Audited 30 June 2018
Note	Rupees	Rupees
ordinary shares of Rs. 10 each		
Issued, subscribed and paid up share capital	48,073,640	48,073,640
Revenue reserves	894,497,071	969,924,404
surplus on revaluation of property	288,973,119	325,910,651
Plant and Equipment-net of tax	1,231,543,830	1,343,908,695
NON CURRENT LIABILITIES		
Employee benefits	28,258,862	28,155,977
Deferred tax liabilities-net	120,225,550	135,312,711
	148,484,412	163,468,688
CURRENT LIABILITIES		
Trade and other payables	532,648,169	328,271,859
Unclaimed dividend	33,006,307	23,164,922
Provision for Taxation	-	75,764,462
	565,654,476	427,201,243
	1,945,682,718	1,934,578,626

CONTINGENCIES AND COMMITMENTS

4

The annexed notes 1 to 8 form an integral part of this condensed interim financial information

		Unaudited 31 March 2019	Audited 30 June 2018
	Note	Rupees	Rupees
NON CURRENT ASSETS			
Property, plant and equipment	5	657,476,185	674,436,714
Intangible assets		504,535	262,741
Long term deposits		4,647,411	4,467,411
		662,628,131	679,166,866
CURRENT ASSETS			
Stock in trade		851,066,599	743,022,089
Trade debts		215,776,744	302,296,951
Advances and Prepayments		75,231,238	25,581,633
Advance duty and sales tax		37,471,374	107,468,221
Cash and bank balances		103,508,632	77,042,866
		1,283,054,587	1,255,411,760
		1,945,682,718	1,934,578,626



Chief Executive



Director

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2019

	Note	Three months ended 31 March		Nine months ended 31 March	
		2019 Rupees	2018 Rupees	2019 Rupees	2018 Rupees
Turnover - net	6	293,836,459	309,487,569	588,115,559	997,236,001
Cost of sales	7	(214,343,943)	(195,852,844)	(527,551,188)	(541,761,624)
Gross profit		79,492,516	113,634,725	60,564,371	455,474,377
Administrative expenses		(37,201,695)	(26,883,565)	(103,320,863)	(88,884,877)
Other Operating expenses		(2,932,873)	(40,144,950)	(25,596,535)	(45,200,425)
Distribution cost		(30,149,433)	(297,825)	(48,009,869)	(19,932,645)
Finance cost		(163,732)	(199,960)	(583,564)	(622,996)
Other operating income		1,369,771	20,298,400	12,508,293	20,298,400
Profit (Loss) before taxation		10,414,554	66,406,825	(104,438,167)	321,131,834
Taxation		(3,465,288)	4,405,193	32,022,497	(83,450,251)
Profit (Loss) for the period		6,949,266	70,812,018	(72,415,670)	237,681,583
Earnings (Loss) per share - basic and diluted		1.45	14.73	(15.06)	49.44

The annexed notes 1 to 8 form an integral part of this condensed interim financial information



Chief Executive



Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2019

	Three months ended 31 March		Nine months ended 31 March	
	2019 Rupees	2018 Rupees	2019 Rupees	2018 Rupees
Profit / (Loss) for the period	6,949,266	70,812,018	(72,415,670)	237,681,583
Other comprehensive income for the period				-
Total comprehensive income for the period	6,949,266	70,812,018	(72,415,670)	237,681,583

The annexed notes 1 to 8 form an integral part of this condensed interim financial information



Chief Executive



Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2019

	Nine months ended 31 March	
	2019 Rupees	2018 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	(104,438,167)	321,131,834
Adjustments for:		
Depreciation	77,506,153	52,318,153
Amortization	750,246	676,670
Provision for doubtful debts	-	11,407,272
Provision for staff retirement benefits	5,171,299	4,565,126
Finance cost	583,564	622,996
	84,011,262	69,590,217
	(20,426,905)	390,722,051
Working capital changes (Increase) / decrease in current assets		
Stock in trade	(108,044,510)	(248,311,015)
Trade debts - considered good	86,520,207	(184,431,250)
Advances and Prepayments	20,347,242	(874,742)
Trade and other payables	128,611,848	111,406,110
	127,434,787	(322,210,897)
Cash generated from operations	107,007,882	68,511,154
Gratuity paid	(5,068,414)	-
Income tax paid	16,935,336	(71,066,457)
Income tax refund	-	-
Finance cost paid	(583,564)	(622,996)
WWF	-	-
Dividend paid	(30,107,810)	(25,497,625)
Net cash generated from operating activities	88,183,430	(28,675,924)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(60,545,624)	(7,043,843)
Additions to Intangible Assets	(992,040)	-
Security deposits	(180,000)	(50,000)
Proceeds from sale of machinery held for sale	-	-
Net cash used in investing activities	(61,717,664)	(7,093,843)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term loan-Unsecured	-	-
Repayment of short term loan	-	-
	-	-
Net increase (decrease) in cash and cash equivalents	26,465,766	(35,769,767)
Cash and cash equivalents at beginning of the period	77,042,866	82,946,732
Cash and cash equivalents at end of the period	103,508,632	47,176,965

The annexed notes 1 to 8 form an integral part of this condensed interim financial information



Chief Executive



Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2019

	Capital Reserves				Total
	Share capital	General reserve	Revaluation surplus	Reserves for issuance of bonus shares	
	Rupees				
Balance at 01 July 2017	12,018,410	3,312,465	343,404,204	804,336,406	1,163,071,485
Total comprehensive income/(loss) for the period					
Profit/(loss) for the period	-	-	-	237,681,583	237,681,583
Transfer from surplus on revaluation of property, plant and equipment - net of tax	-	-	-	23,662,810	23,662,810
Total comprehensive income/(loss) for the period	-	-	-	261,344,392	261,344,392
Transactions with owners, recorded directly in equity					
Increase in paid up Capital				36,055,230	36,055,230
Final dividend 2017 @ Rs. 33.21 per share	36,055,230	-	-	(36,055,230)	(39,913,140)
Transactions with owners, recorded directly in equity	36,055,230	-	-	(75,968,370)	(39,913,140)
Balance at 31 March 2018	48,073,640	3,312,465	343,404,204	-	989,712,428
Balance at 01 July 2018	48,073,640	3,312,465	325,910,651	-	966,611,939
Total comprehensive income/(loss) for the period					
Profit/(loss) for the period	-	-	-	(72,415,670)	(72,415,670)
Other comprehensive income for the period	-	-	-	-	-
Transfer from surplus on revaluation of property, plant and equipment - net of tax	-	-	(36,937,532)	-	36,937,532
Total comprehensive income/(loss) for the period	-	-	(36,937,532)	-	(35,478,138)
Transactions with owners, recorded directly in equity					
Final dividend 2018 @ Rs.8.31 per share	-	-	-	-	(39,949,195)
Transactions with owners, recorded directly in equity	-	-	-	-	(39,949,195)
Balance at 31 March 2019	48,073,640	3,312,465	288,973,119	-	891,184,606
					1,231,543,830

The annexed notes 1 to 8 form an integral part of this condensed interim financial information



Chief Executive



Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2019

1. THE COMPANY AND ITS OPERATIONS

Khyber Tobacco Company Limited ("the Company") is a public limited company incorporated in Pakistan on October 15, 1954 under the Companies Act, 1913 since repealed and replaced by the Companies Ordinance, 1984 and is listed on the Pakistan Stock Exchange formerly the Karachi and Lahore stock exchanges. The Company is engaged in the manufacture and sale of cigarettes and redrying of tobacco. The Company's registered office is situated at Nowshera Road, Mardan.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

This condensed interim financial information of the Company for the nine months period ended 31 March 2019 has been prepared in accordance with approved accounting standards as applicable in Pakistan. The disclosures in this condensed interim financial information do not include those reported for full audited annual financial statements and should therefore be read in conjunction with the audited annual financial statements for the year ended 30 June 2018.

Comparative balance sheet is extracted from the audited annual financial statements as of 30 June 2018, whereas comparative profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity are stated from unaudited condensed interim financial information for the nine months period ended 31 March 2018.

This condensed interim financial information is unaudited and is being submitted to the members as required under Section 237 of the Companies Act, 2017 and the Listing Regulations of the Pakistan Stock Exchange.

3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The accounting policies, significant judgements, estimates and assumptions used by the management in preparation of this condensed interim financial information are the same as those applied in preparation of audited annual financial statements for the year ended 30 June 2018.

4. CONTINGENCIES AND COMMITMENTS

Contingencies and commitments are the same as disclosed in the annual financial statements for the year ended 30 June 2018.

5. PROPERTY, PLANT AND EQUIPMENT

Break up of property, plant and equipment is as follows:

	Un-audited 31 March 2019 Rupees	Audited 30 June 2018 Rupees
Operating fixed assets	657,476,185	674,436,714
Intangible Assets	504,535	262,741
	<u>657,980,720</u>	<u>674,699,455</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT [UNAUDITED]

FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2019

	Three month ended 31 March		Nine month ended 31 March	
	2019 Rupees	2018 Rupees	2019 Rupees	2018 Rupees
6 TURNOVER - NET				
Gross turnover				
- Local	760,899,120	864,022,402	1,397,722,200	2,207,768,235
- Export	384,505	-	384,505	5,434,000
	761,283,625	864,022,402	1,398,106,705	2,213,202,235
Government levies				
- Excise duty	363,556,990	286,383,740	592,358,420	723,111,908
- Sales tax	86,856,680	122,453,877	158,018,030	310,338,882
	450,413,670	408,837,617	750,376,450	1,033,450,790
Discounts	(17,033,496)	(219,333,672)	(59,614,696)	(182,515,444)
	293,836,459	235,851,113	588,115,559	997,236,001
7 COST OF SALES				
Raw and packing material consumed	183,122,749	141,451,648	370,927,090	387,990,937
Federal excise duty		-		-
Salaries, wages and benefits	4,838,582	16,446,184	25,745,919	43,033,226
Fuel and power	3,608,264	7,900,979	24,573,715	30,820,182
Stores and spares consumed	5,330,192	10,595,539	30,099,989	34,748,373
Repair and maintenance	1,059,164	334,140	2,750,485	1,797,978
Royalty	1,210,560	1,889,322	2,382,040	5,414,680
Rent expense				-
Depreciation	33,396,190	14,413,565	63,730,552	43,160,851
Amortization	390,004	-	600,197	-
Insurance expense	515,070	200,655	1,209,018	901,378
Cigarette blend test	35,100	-	424,860	-
Machine hiring charges	-	105,000	-	360,000
	233,505,875	193,337,032	522,443,865	548,227,605
Work in process at beginning of period	3,503,387	5,353,439	8,648,674	963,992
Work in process at end of the period	(8,645,508)	(2,268,152)	(8,645,508)	(2,268,152)
Cost of goods manufactured	228,363,754	196,422,319	522,447,030	546,923,445
Finished stock at beginning of period	14,666,475	22,402,634	13,470,844	5,107,511
Finished stock at end of the period	(8,645,508)	(10,269,333)	(8,366,686)	(10,269,333)
	234,384,720	208,555,621	527,551,188	541,761,624

8 Date of authorization for issue

This unaudited condensed interim financial information was authorized for issue by the Board of Directors of the Company in their meeting held on 29 April 2019.



Chief Executive



Director

NOTES

[illegible]

BOOK POST

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(Nowshera Road-Mardan, Khyber Pakhtunkhwa, Pakistan)