



# Corporate Briefing Session - 2019

26<sup>th</sup> November, 2019

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# Company Overview



**Two manufacturing facilities**



**1,579 Employees**

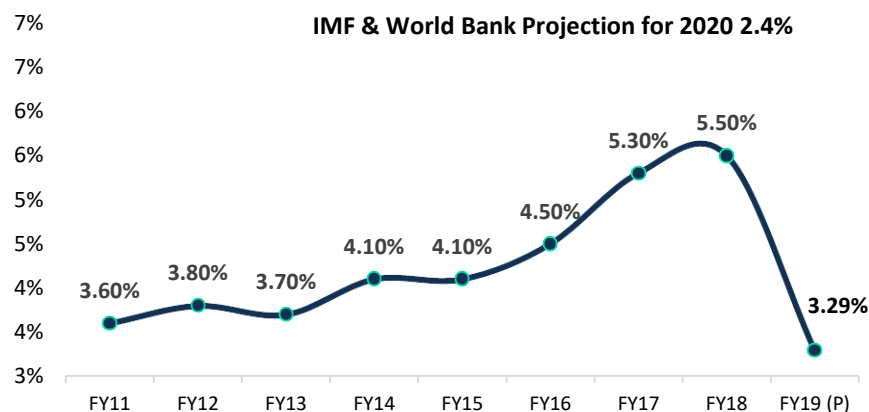


**> 150 Products**

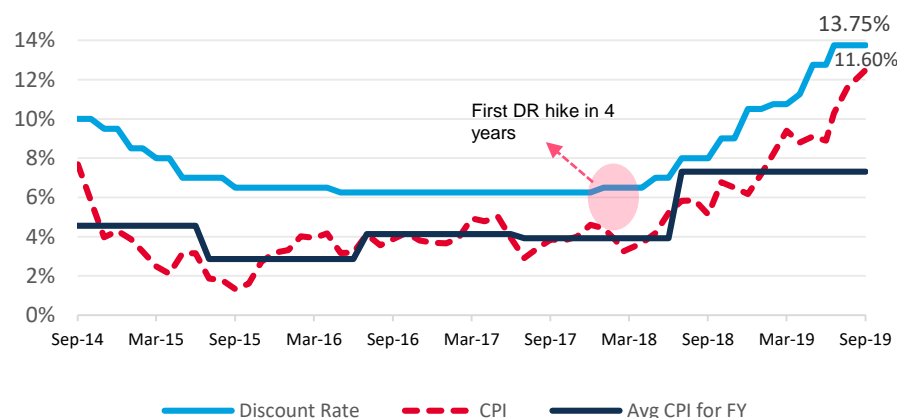


# Pakistan – Macro Economic Overview

## Gross Domestic Product Growth (GDP%)



## Interest Rate vs. Inflation



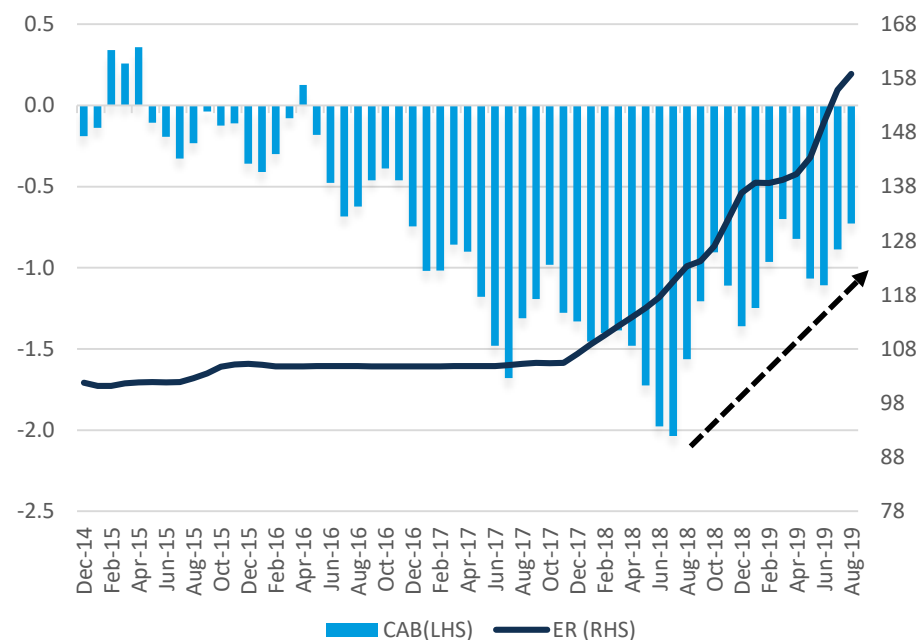
## Pakistan Economy – Retrospective Keystones

- **FY19 GDP growth** estimated at 3.29 (decline of 2.2% from prior year).
- **Future outlook for growth bleak** – estimated at 2.4% by IMF and WB.
- **Foreign exchange reserves** stands at USD 15.4bn (SBP USD 8.4bn and USD 7bn commercial banks) as of 15<sup>th</sup> November 2019 against USD 13.7bn (SBP USD 7.3bn and USD 6.4bn commercial banks) same period last year.
- **Policy rate** hike witnessed in July'19 by 100 bps to 13.25%, resulting in cumulative increase of 750 bps over 22 months.
- **Inflation** clocked in at 11.1% (Oct'19 YoY) - Average CPI for 4MFY20 stands at 11.40%.
- **Outlook for Inflation** in FY20 is expected to remain within the band of 11% to 12%.
- **Workers remittance** posted negative growth of -1.82% (USD 7.4bln) in 4MFY20 versus same period last year (USD 7.6bln) – 16.81 growth in 4MFY19 (USD 6.5bln in 4MFY18).
- **USD/PKR at 155.40** – Pakistani Rupee devalued by 47% against USD over past 23 months.



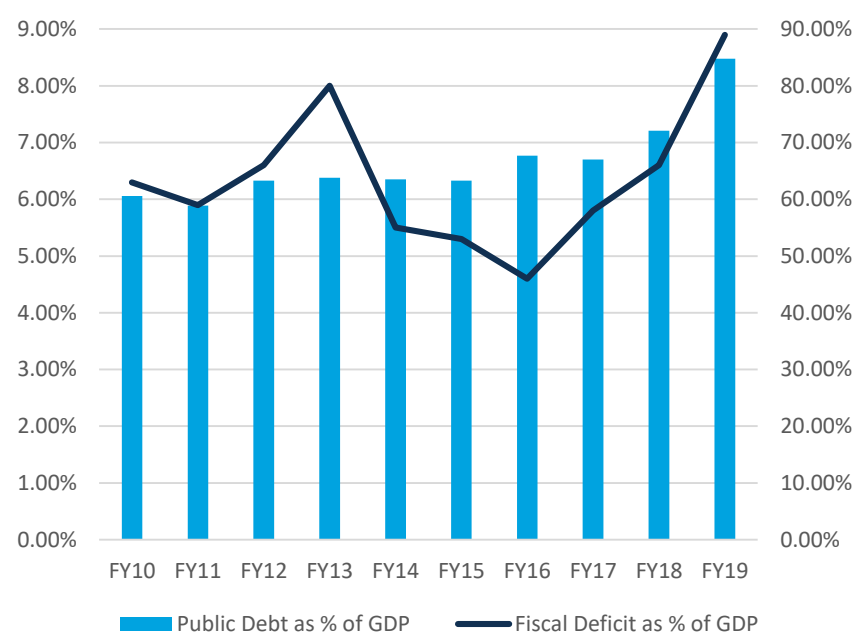
# Twin Deficit

## Current Account Deficit vs. Exchange rate



- **Quasi-pegged exchange rate** led to overvalued PKR for a long period in the past.
- **Overvalued PKR** thereby led to mounting CAD at the expense of depleting foreign exchange reserves.

## Rising Fiscal Deficit & Public Debt



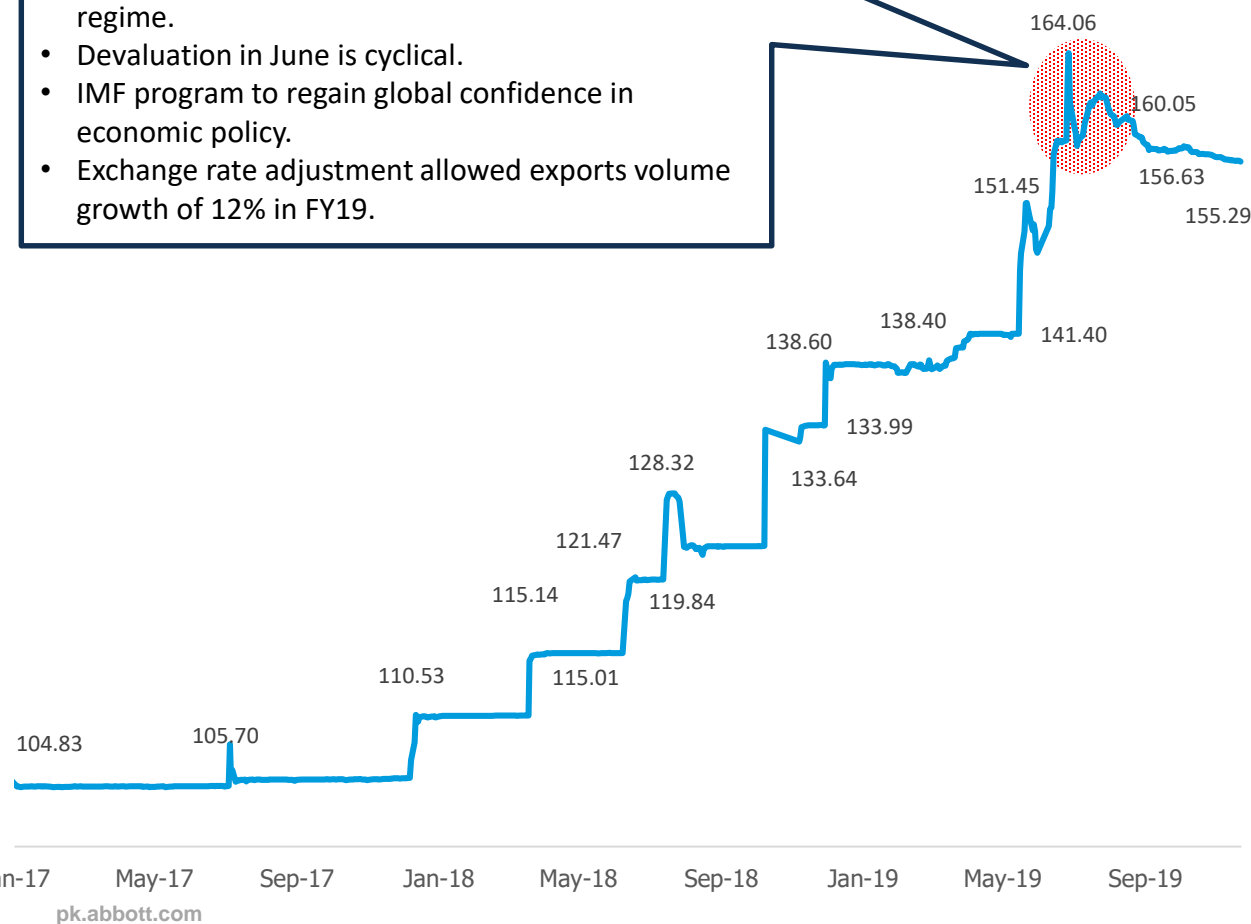
- **Fiscal deficit** via poor tax collection.
- **Increased foreign currency loans** to support depleting foreign exchange reserves through CAD led to increased public debt.



# Foreign Exchange Parity

## USD/PKR Movement – 47% devaluation over past 23 months

- Two way movement in USD/PKR signifying market driven flexible regime instead of controlled float regime.
- Devaluation in June is cyclical.
- IMF program to regain global confidence in economic policy.
- Exchange rate adjustment allowed exports volume growth of 12% in FY19.



## Policy Reforms by SBP

- 1 Reinstating Central Bank's Autonomy
- 2 Free Float USD/PKR (two way movement observed)
- 3 Government Borrowing from SBP to Block
- 4 Devaluation has Improved Trade Deficit
- 5 Deficit Financing at Lower Rate – IMF Borrowing; 1<sup>st</sup> tranche of \$1 bn received in July 2019.
- 6 USD 500 million received from ADB in August 2019 for budgetary support.
- 7 IMF 2<sup>nd</sup> tranche of USD 450 million due next month.

# Financial Results - 2018



# Key Highlights – FY2018

- *Overall revenue of the Company increased by **13.9%** reaching **Rs. 29.72 bn.***
- *Pharma remains the biggest segment of the Company followed by Nutrition.*
- *Decline in profitability mainly on account of devaluation of rupee and inflation.*

**Rs. 29.72bn**  
Sales Revenue

**13.9%**  
Sales Growth

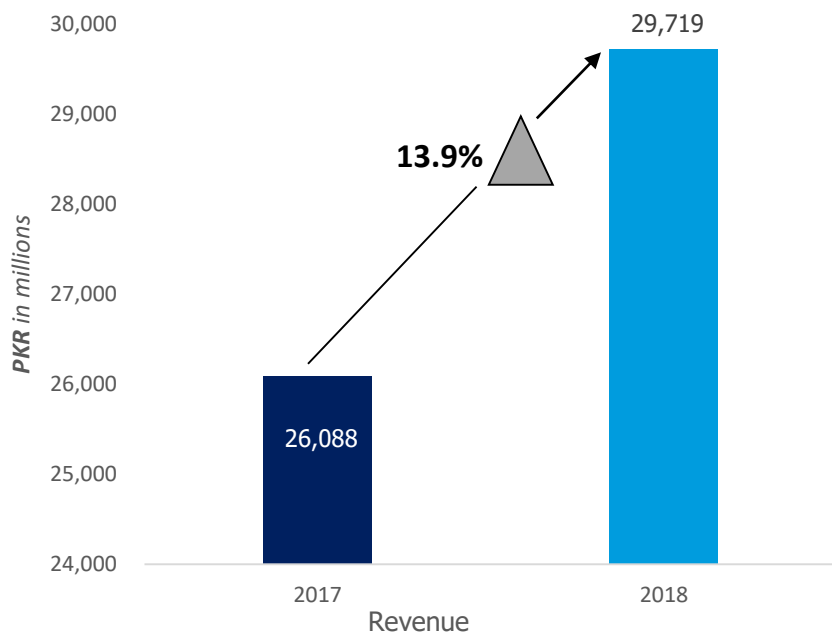
**32.9%**  
Gross Profit  
Margin

**9.1%**  
Net Profit  
Margin





# Revenue Analysis – FY18



- *Pharmaceutical sales increased by **12.0%** mainly due to higher volumes*
- *Sales for Nutrition driven mainly by volume growth in **PediaSure** and **Ensure**.*
- *Exports increased by **12%** over last year.*
- *Abbott market share as per IQVIA (formerly IMS) was **6.1%** for December 2018.*

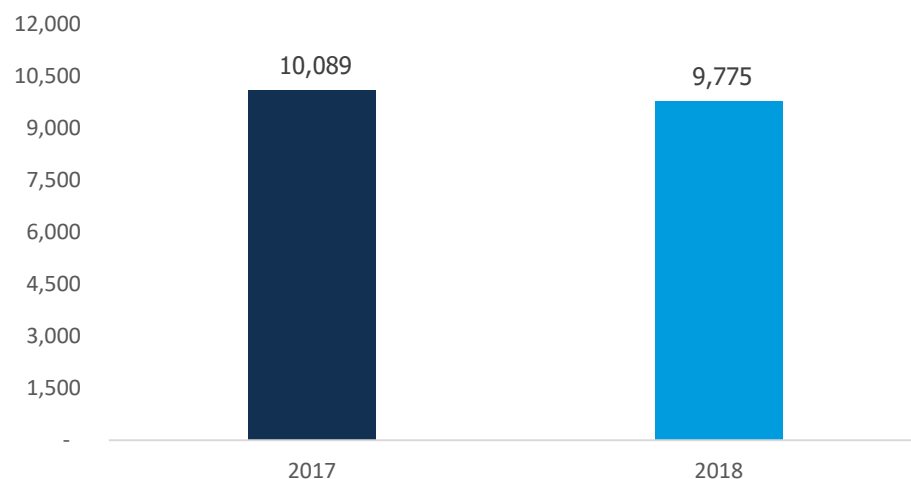
## Segment wise Revenue (PKR in millions)

Segment	2018	2017	% growth
Pharmaceutical	21,879	19,537	12.0%
Nutritional	5,349	4,329	23.6%
Others	2,491	2,222	12.1%
<b>Total</b>	<b>29,719</b>	<b>26,088</b>	<b>13.9%</b>



# Segment Gross Profit analysis – FY18

Segment GP



Segment profitability has been adversely affected on account of the following:

- ❑ Rupee devaluation;
- ❑ Increase in prices of raw materials; and
- ❑ General inflation.

Segment-wise GP (PKR in millions)

Segment	2018	GP %	2017	GP %
Pharmaceutical	7,588	34.7%	7,808	40.0%
Nutritional	1,386	25.9%	1,467	33.9%
Others	801	32.2%	814	36.6%
<b>Total</b>	<b>9,775</b>	<b>32.9%</b>	<b>10,089</b>	<b>38.7%</b>

# Financial Results – Q3 2019



# Key Highlights – Q3 2019

- *Overall revenue of the Company increased by **3.2%** reaching **Rs. 22.28 bn.***
- *Sales growth of the Company has slowed on the back of overall challenging economic and regulatory environment.*
- *Decline in profitability mainly on account of devaluation of rupee and inflation.*

**Rs. 22.28bn**  
Sales Revenue

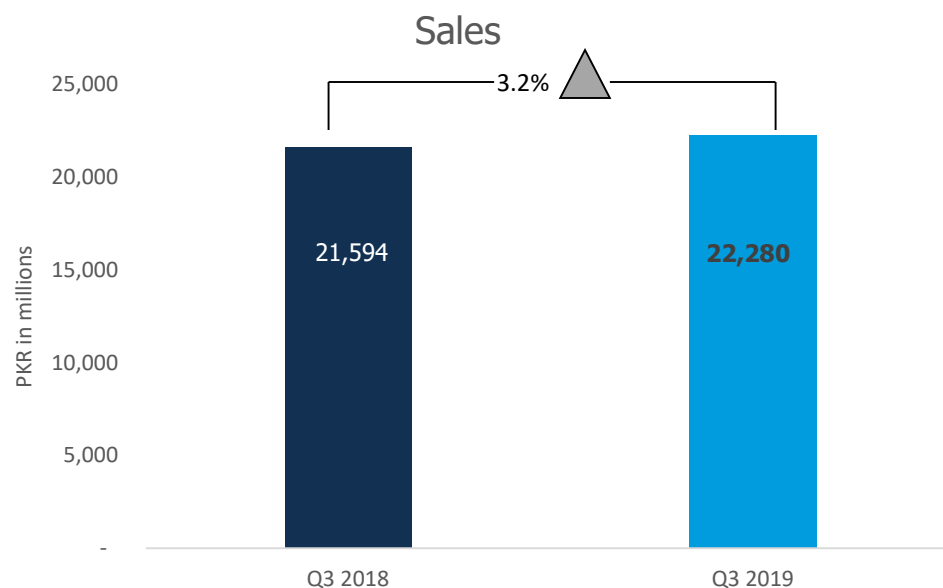
**3.2%**  
Sales Growth

**28.3%**  
Gross Profit  
Margin

**3.5%**  
Net Profit  
Margin



# Revenue Analysis – Q3 2019



## Segment wise Revenue (PKR in millions)

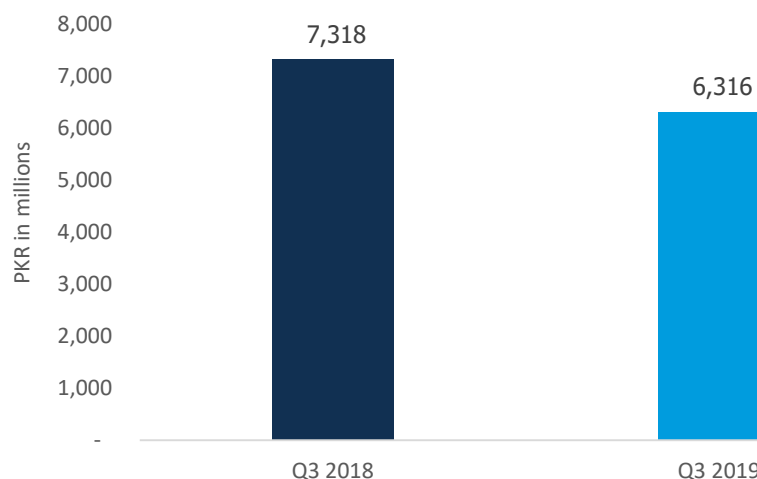
Segment	Jan - Sep 2019	Jan - Sep 2018	% Inc / (Dec)
Pharmaceutical	15,674	15,834	(1.0%)
Nutritional	4,545	3,941	15.3%
Others	2,061	1,819	13.3%
<b>Total</b>	<b>22,280</b>	<b>21,594</b>	<b>3.2%</b>

- *Pharmaceutical sales declined on account of overall challenging economic and regulatory environment.*
- *Sales for Nutrition driven mainly by increase in sales for child nutrition supplements.*
- *Exports increased by **56%** over the same period last year.*



# Segment Gross Profit analysis – Q3 2019

Segment GP



Segment-wise GP (PKR in millions)

Segment	Jan - Sep 2019	GP %	Jan - Sep 2018	GP %
Pharmaceutical	4,787	30.5%	5,632	35.6%
Nutritional	791	17.4%	1,105	28.0%
Others	738	35.8%	581	31.9%
<b>Total</b>	<b>6,316</b>	<b>28.3%</b>	<b>7,318</b>	<b>33.9%</b>

Segment profitability has been adversely affected on account of the following:

- ❑ Rupee devaluation;
- ❑ Increase in prices of raw materials; and
- ❑ General inflation.

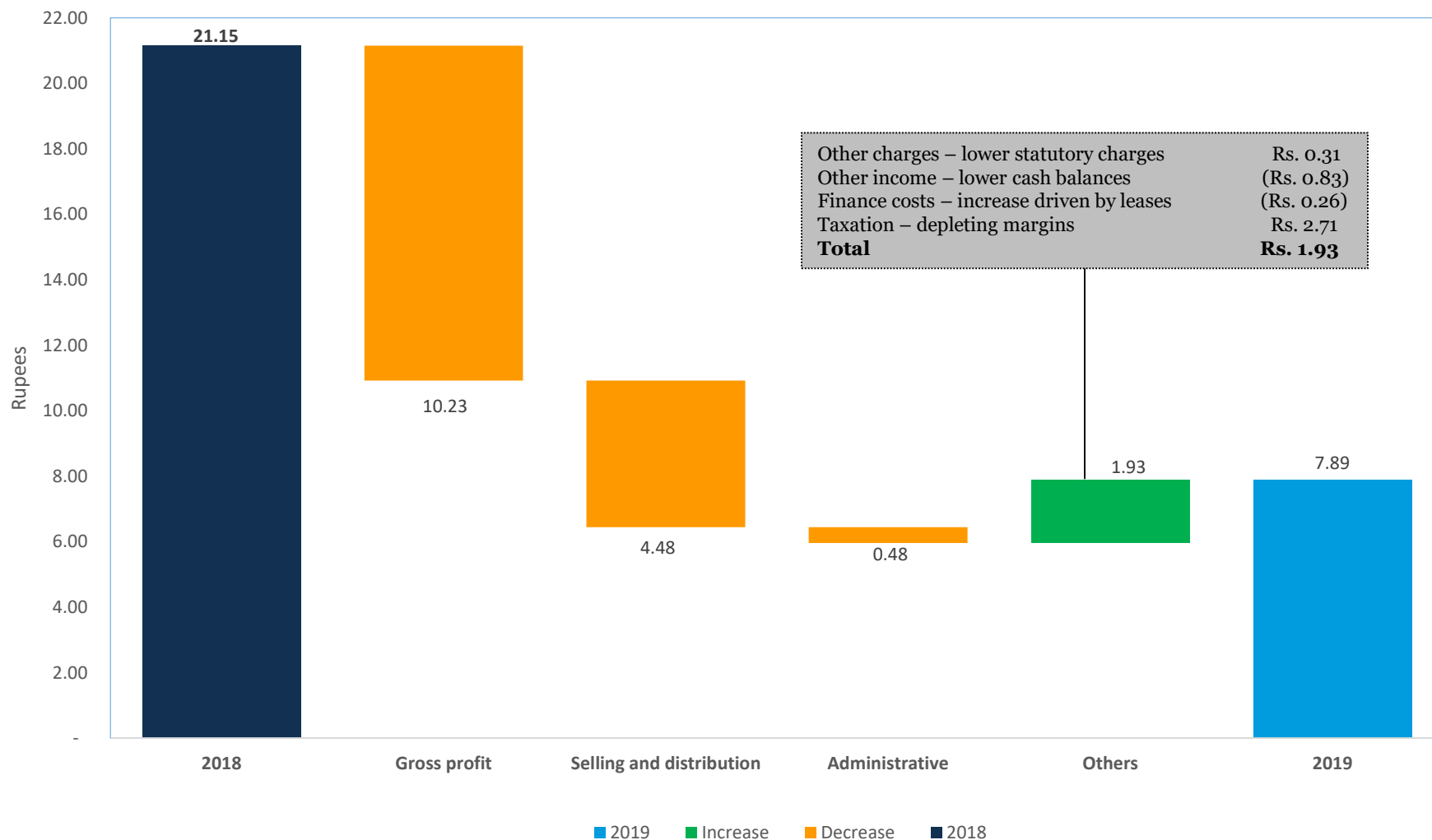


# Statement of Profit or Loss – Q3 2019

Description	%	Jan - Sep 2019	%	Jan - Sep 2018	Variance – Favorable / (Unfavorable)	
		<i>Rupees in millions</i>				%
Sales	100	22,280	100	21,594	686	3
Cost of Sales	72	15,964	66	14,275	(1,689)	(12)
<b>Gross Profit</b>	<b>28</b>	<b>6,316</b>	<b>34</b>	<b>7,319</b>	<b>(1,003)</b>	<b>(14)</b>
Selling and Distribution expenses	18	3,927	16	3,489	(438)	(13)
Administrative Expenses	2	477	2	430	(47)	(11)
Other income	1	248	2	329	(81)	(25)
Other charges	2	450	2	480	30	6
<b>Operating Profit</b>	<b>7</b>	<b>1,710</b>	<b>16</b>	<b>3,249</b>	<b>(1,539)</b>	<b>(47)</b>
Finance costs	0	35	0	10	(25)	(250)
<b>Profit before taxation</b>	<b>7</b>	<b>1,675</b>	<b>16</b>	<b>3,239</b>	<b>(1,564)</b>	<b>(48)</b>
Taxation	4	903	6	1,168	265	23
<b>Profit after taxation</b>	<b>3</b>	<b>772</b>	<b>10</b>	<b>2,071</b>	<b>(1,299)</b>	<b>(63)</b>
<i>----- Rupees -----</i>						
<b>Earnings per share</b>		<b>7.89</b>		<b>21.15</b>	<b>(13.26)</b>	<b>(63)</b>

# EPS Analysis – Q3 2019

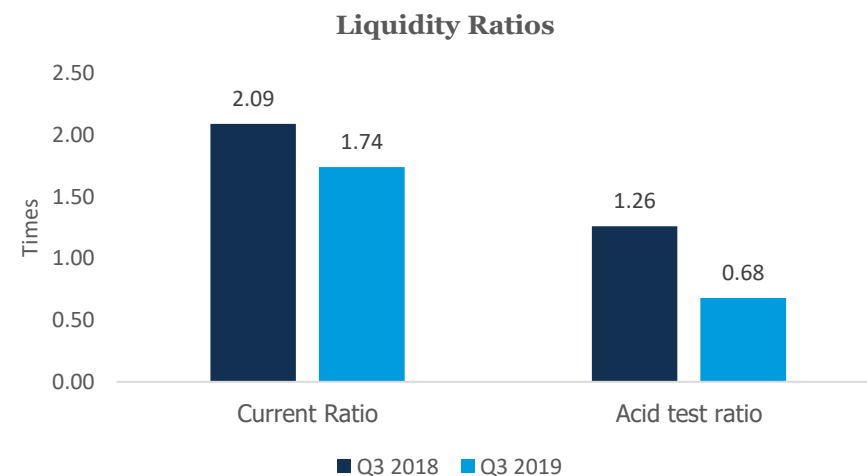
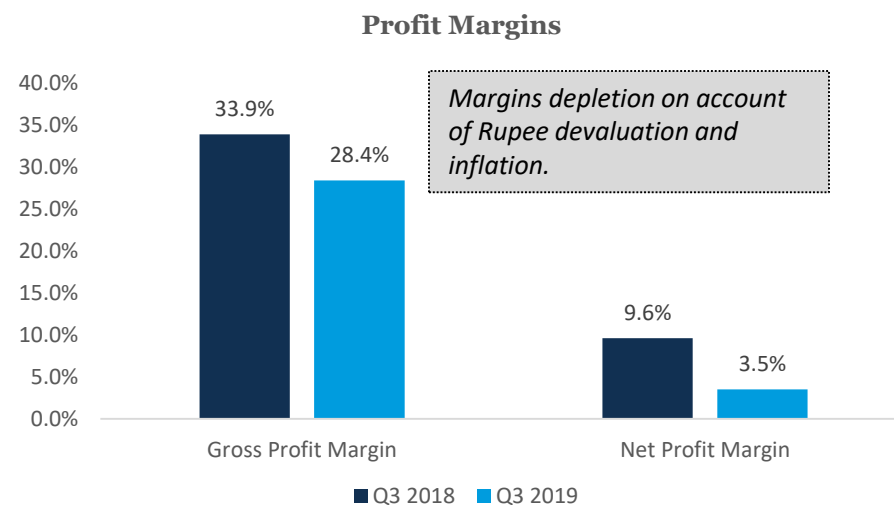
## Earnings per share





# Key Financial Ratios

Ratio	Unit	Sep – 2019	Sep – 2018
<b>Profitability Ratios</b>			
Gross profit margin	%	28.4	33.9
Net profit margin	%	3.5	9.6
Return on Equity	%	5.9	16.5
Return on assets	%	3.6	11.0
<b>Liquidity Ratios</b>			
Current ratio	Times	1.74	2.09
Acid test ratio	Times	0.68	1.26
Operating cycle	Days	45.41	22.48
Inventory Turnover	Times	2.79	4.05
<b>Investment Ratios</b>			
Earning per share	Rupees	7.89	21.15
Price earnings ratio	Times	14.87	9.72
Dividend per share	Rupees	10.0	40.0
Market value per share	Rupees	351.88	617.05
Market Capitalization	Rs. in Mn	34,449	60,409



# Statement of Financial Position – Sep 30, 2019



Description	Sep 2019	Dec 2018	Variance	
	<i>Rupees in Millions</i>		%	
<b><u>Non-current assets</u></b>				
Property, plant and equipment	8,016	7,192	824	12
Intangible assets	19	25	(6)	(24)
Long-term loans and advances	54	55	(1)	(2)
Long-term deposits	8	8	-	-
Long-term prepayments	5	4	1	25
<b><u>Total non-current assets</u></b>	<b>8,102</b>	<b>7,284</b>	<b>818</b>	<b>11</b>
Stores and Spares	240	179	61	34
Stock-in-trade	7,722	4,429	3,293	74
Trade debts	869	1,143	(274)	(24)
Loans and advances	294	147	147	100
Trade deposits and short-term prepayments	616	621	(5)	(1)
Interest accrued	2	8	(6)	(75)
Other receivables	555	383	172	45
Taxation – net	889	410	479	117
Cash and bank Balances	1,927	5,678	(3,751)	(66)
<b><u>Total current assets</u></b>	<b>13,114</b>	<b>12,998</b>	<b>116</b>	<b>1</b>
<b><u>Total Assets</u></b>	<b>21,216</b>	<b>20,282</b>	<b>934</b>	<b>5</b>

Description	Sep 2019	Dec 2018	Variance	
	<i>Rupees in Millions</i>		%	
<b><u>Share capital and reserves</u></b>				
Issued, subscribed and paid-up capital	979	979	-	-
Reserves – Capital	620	534	86	16
Reserves – Revenue	11,520	11,722	(202)	(2)
<b><u>Total share capital and reserves</u></b>	<b>13,119</b>	<b>13,235</b>	<b>(116)</b>	<b>(1)</b>
Deferred taxation	242	255	(13)	(5)
Long-term lease liabilities	313	174	139	80
Trade and other payables	7,403	6,511	892	14
Unclaimed dividend	51	66	(15)	(23)
Current maturity of lease liabilities	88	41	47	115
<b><u>Total liabilities</u></b>	<b>8,097</b>	<b>7,047</b>	<b>1,050</b>	<b>15</b>
<b><u>Total Equity and Liabilities</u></b>	<b>21,216</b>	<b>20,282</b>	<b>934</b>	<b>5</b>

Q & A

Thank you