



Pak Leather Crafts Limited

REGULATORY NON-COMPLIANCES & MEASURES OF COMPLIANCE

Pak Leather Crafts Limited is a public limited company incorporated in Pakistan in 1987. under the repealed Companies Ordinance, 1984 and now the Companies Act,2017.

The Company is one of the leading manufacturers and exporters of finished leather of Pakistan.

The finished leather is produced in several different articles and colors in Lamb, Goat, Cow and Buffalo skins at our tannery.

Our leather is suitable for garments, shoes gloves and bags.

Company's shares are listed on Pakistan Stock Exchange Limited. Presently the Company is at the defaulters counter and trading of its shares is suspended due to non-compliances of clauses 5.11.1.(e) and 5.11.1.(g) of PSX Regulations.

Management is however pleased to inform you that up to date dues of Pakistan Stock Exchange (PSX) and Central Depository Company of Pakistan (CDC) have now been cleared and CDC eligibility has been restored as notified by PSX on its website. Some required procedural actions have also been complied and the last one was the Corporate Briefing Session (CBS) which is now being conducted. We understand that now PSX will restore trading of PAKL by shifting the Company's shares from the defaulters counter to the normal counter.

The Company has decided that annual dues of PSX and CDC shall be regularly paid to avoid the suspension of trading, in future.



ABOUT THE ECONOMY AND INDUSTRY

Rupee remained continuously under pressure and this quarter as well, where it depreciated by around 4% to close at PKR 183.47 to 1 US Dollar as on March 31, 2022. This continued pressure has resulted in a further exchange loss in the economy.

Since December 2021 to-date, the State Bank of Pakistan has increased the policy rate by 500 basis points. (100 basis points increase in December 2021, 250 basis points in April 2022 and 150 basis points in May, 2022).

The State Bank of Pakistan's (SBP) Annual Report 2020-21 shows that Pakistan's leather industry contracted significantly in FY21 which demands serious attention of the policymakers.

Although the leather industry of Pakistan has been underperforming for the past several years but the last two years have been particularly alarming for it. In these two years, a sharp decline was witnessed in the industry's output which resulted in 9.1% and 26.4% contraction in growth in FY20 and FY21, respectively.

It is ironic that leather sector's production has gone down despite a surge in large-scale manufacturing (LSM) which grew substantially despite Covid-19 related challenges. After textile, leather is the largest export oriented industry of Pakistan but it seems that policy makers has failed to exploit the true potential of the leather industry.

- The key financial figures of the Company's operations for the nine months ended March 31, 2022 along with the comparatives for the corresponding period are summarized as under:

	For the Nine Months ended March	
	31, 2022	31, 2021
Sales	104,990	77,185
Cost of sales	89,139	70,222
Gross profit/(loss)	15,851	6,963
Other Income	3,158	7,771
	19,009	14,734
Administrative expenses	8,953	9,070
Selling and distribution exp.	3,775	4,276
Bank charges and commission	626	1,369
	13,354	14,715
Profit/(loss) for the period before taxation	5,655	19
Provision for taxation	1,187	775
Profit/(loss) for the period	4,468	(756)
Earnings(loss) per share - Basic (Rupees)	1.31	(0.22)



COMPANY PERFORMANCE & STRATAGIC / FINANCIAL PLAN

Continues and rigorous efforts of directors has started fruiting in the form of positive financial results. During the period under briefing, the total sales reached to Rs.104.990 million comparing with Rs. 77.185 million for the same period, last year. Sales included export of Rs. 73.948 million whereas in the comparative same period the exports was Rs. 53.063 million.

On the expenses front, saving was exercised in general, marketing and financial expenses. These expenses incurred during this period reduced to Rs. 13.354 million from Rs. 14.715 million for same period last year.

Profit before tax is Rs.4.468 million for the nine months ended March 31,2022 comparing with the Loss of Rs.(0.756) million for the same period last year.

The company is conscious that it could not declare dividend on its shares. The reason is obvious as the Company during previous several years sustained losses and accumulated losses as on March 31, 2022 amounts to Rs. 351.929 million.

Our strategic vision is to become a reliable source of high quality dyed leathers for international and local markets. Our plan is set to manufacture leather for users who are looking quality and timely delivery. Our strategy is to deliver high quality products to cash its intrinsic value wish to benefit from it the most possible.

To materialize the strategy, during the period under review, foreign business tour was made to UAE and Indonesia. Initial trial orders have been received. It is expected that repeat bulk orders will be received in the forthcoming period. Next plan is to visit Thailand in the coming year.

Management has also decided to start participation in the world wide trade shows and plans to attend as an exhibitor in the forthcoming Asia Pacific Leather Fare.

Through these strategic plan, it is expected that an export target of Rs.15 million per month can be achieved in addition to Rs.6 million per month through local sales.



KEY FINANCIAL HIGHLIGHTS

SIX YEARS AT A GLANCE

(Rs. in ' 000)

PARTICULARS	2022 (March)	2021	2020	2019	2018	2017
Net Sales	104,990	108,363	216,633	76,580	51,688	45,286
Gross Profit / Loss	15,851	3,773	21,095	14,906	1,875	61
Net Profit/(loss) before tax	5,655	(7,940)	51,084	5,061	(4,773)	(4,790)
Gross Profit (%)	15.10	3.48	9.74	19.46	3.63	0.13
Net Profit/(loss) (%)	5.38	(7.33)	23.58	6.61	(9.23)	(10.58)
Earning/(loss) per share (after tax)	1.31	(2.56)	14.35	1.22	(1.56)	(1.54)
Current ratio	(0.32)	(0.28)	(0.26)	(0.32)	(0.30)	2.26

QUESTION & ANSWER SESSION
