

1st Quarterly Report  
**2020**

# Our Ladder of Growth



First Treet  
Manufacturing Modaraba



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## COMPANY INFORMATION

<b>BOARD OF DIRECTORS:</b>	Dr. Mrs. Niloufer Qasim Mahdi Syed Shahid Ali Syed Sheharyar Ali Mr. Imran Azim Mr. Munir Karim Bana Mr. Saulat Said Muhammad Shafique Anjum Dr. Salman Faridi	Chairperson/Non-Executive Director Chief Executive Officer Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Independent Director
<b>AUDIT COMMITTEE:</b>	Dr. Salman Faridi Syed Sheharyar Ali Mr. Imran Azim Mr. Munir K. Bana	Chairman/Member Member Member Member
<b>CHIEF ACCOUNTANTS:</b>	Mr. Sajjad Haider Khan Mr. Muhammad Zubair	Modaraba Modaraba Company
<b>COMPANY SECRETARY:</b>	Zunaira Dar	
<b>EXTERNAL AUDITORS: MODARABA COMPANY:</b>	Kreston Hyder Bhimji & Co	Chartered Accountants
<b>EXTERNAL AUDITORS OF MODARABA'S MANAGEMENT COMPANY:</b>	KPMG Taseer Hadi & Co.	Chartered Accountants
<b>LEGAL ADVISORS:</b>	Syed Ali Rizvi	Advocates
<b>CORPORATE ADVISORS:</b>	Cornelius, Lane & Mufti – Advocates	
<b>SHARIAH ADVISOR:</b>	Mufti Muhammad Javed Hassan	
<b>BANKERS:</b>	Allied Bank Limited Askari Bank Limited Bank Alfalah Limited BankIslami Pakistan Limited Bank Al Habib Limited Dubai Islamic Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited Faysal Bank Limited	JS Bank Limited MCB Bank Limited MCB Islamic Bank Limited Meezan Bank Limited National Bank of Pakistan Soneri Bank Limited United Bank Limited
<b>REGISTERED OFFICE/ PLACE OF BUSINESS:</b>	72-B, Industrial Area, Kot Lakhpat, Lahore. Tel: 042-35830881, 35156567 & 35122296 Fax: 042-35114127 & 35215825 E-mail: info@treetonline.com Website: www.ftmm.com.pk	
<b>SHARES REGISTRAR:</b>	Corplink (Private ) Limited Winges Arcade, 1-K, Commercial Model Town, Lahore	
<b>PACKAGING SOLUTIONS - CORRUGATION:</b>	Kacha Tiba Rohi Nala, 22-KM Ferozpur Road, Lahore	
<b>SOAP PLANT:</b>	Ghakkar 80 KM, G.T. Road, Ghakkar Mandi, Gujranwala	
<b>BATTERY PROJECT:</b>	Faisalabad Industrial City, (FIEDMC) M-3, Motorway, Faisalabad	

## DIRECTORS' REVIEW

Board of Directors of Treet Holdings Limited (THL), the Management Company of First Treet Manufacturing Modaraba (FTMM), is pleased to present the un-audited Financial Statements for the 1<sup>st</sup> Quarter ending on September 30, 2020.

### SUMMARY OF COMPARATIVE FINANCIAL RESULTS

(Rupees in million)

	2020-21	2019-20	% Change
	(1)	(2)	(1) over (2)
Sales (net)	1,566	1,486	5.38%
Gross Profit/(Loss)	(115)	(194)	-40.72%
Net Profit/(Loss)	(480)	(388)	23.71%
Profit/(Loss) per Certificate	(2.45)	(1.98)	23.74%
Transfer to Statutory Reserve	Nil	Nil	Nil
Book Value per Certificate	(7.60)	8.46	-189.83%

### BUSINESS REVIEW

For the three months period, the turnover was Rs. 1,566 million, registering an increase of Rs. 80 million (5.38%) over the same period of previous year. The increase in turnover is mainly attributable to increase in battery sales partially offset by lesser sales in corrugation. For the three months period under consideration, Net Loss is Rs. 480 million which shows increase in loss by 23.71% over last year corresponding period. This level of loss has delivered a Loss per Certificate of Rs. 2.45 compared to a loss of Rs. 1.98 per Certificate last year same period.

Segment wise sales is as follows:

(Rupees in million)

	Sales		
	Quarter Ended		% Change
	September 30, 2020	September 30, 2019	
	(1)	(2)	(1) over (2)
Battery	934	718	30.08%
Corrugation	342	500	-31.60%
Soap	296	271	9.23%
Inter-segment sales	(6)	(3)	100.00%
Total	1,566	1,486	5.38%

## DIRECTORS' REVIEW

### SEGMENT-WISE ANALYSIS

#### a) BATTERY

The battery segment has shown healthy increase in the volume which is approximately 17% higher compared to last year same period. Furthermore, the estimated market share of our battery has increased over 7% during the current period. This is mainly due to increase in level of customer satisfaction.

The net revenue for the period is Rs. 934 million, which is 30% higher compared to last period. The business has posted gross loss of Rs. 115 million which has improved by 55% compared to last year same period.

#### b) CORRUGATION

The net revenue for the period is Rs. 342 million which has decreased by 31.60% as compared to last comparable period. The decrease in revenue is attributable to low economic activity which is due to COVID-19. The business has posted a gross loss of Rs. 11 million compared to a gross profit of Rs. 22 million. The loss is mainly due to increase in raw material cost, higher freight charges and limited pass through impact (i.e. increased cost is not passed on to the customer due to intense competition).

Efforts are being made to broaden the customer base through market diversification. Moreover, prices are also being rationalized in tandem with the increased costs (raw material, salaries etc.) however, with time lagged impact.

#### c) SOAPS

The net revenue for the period is Rs. 296 million, which is 9% higher compared to last period. The business has posted gross profit of Rs. 11 million which has declined by 72% compared to last period.

### ACKNOWLEDGEMENTS

The Board would like to take this opportunity to express gratitude and thanks to our valuable customers for their patronage and support, the Securities and Exchange Commission of Pakistan, the Pakistan Stock Exchange and Modaraba Association of Pakistan for their continuous support and guidance.

Special thanks to our certificate holders for the trust and confidence reposed in us.

For and on behalf of the Board.



Syed Shahid Ali  
Chief Executive Officer

LAHORE  
October 27, 2020


CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

As At September 30, 2020

	Note	(Un-audited) September 2020 (Rupees in thousand)	(Audited) June 2020
Property, plant and equipment		8,353,636	8,496,636
Long term loans and deposits		45,012	43,251
		8,398,648	8,539,887
<b>Current assets</b>			
Stores and spares		106,951	105,671
Stock-in-trade		894,026	1,216,573
Trade debts - unsecured considered good		491,674	543,371
Loans, advances, deposits, prepayments and other receivables		977,342	976,787
Cash and bank balance		374,575	169,137
		2,844,568	3,011,539
<b>Current liabilities</b>			
Current portion of long term liabilities		15,980	15,980
Short term borrowings		11,805,467	11,602,841
Trade and other payables		826,724	874,838
Provision for taxation		17,162	361
		12,665,333	12,494,020
<b>Net current assets</b>		(9,820,765)	(9,482,481)
<b>Non-current liabilities</b>			
Liability against assets subject to finance lease		54,511	54,511
Deffered liabilities		9,272	9,272
Contingencies and commitments	5	-	-
<b>Net assets</b>		(1,485,900)	(1,006,377)
<b>FINANCED BY:</b>			
Issued, subscribed and paid-up capital		1,956,000	1,956,000
Capital reserve		2,464,811	2,464,811
Unappropriated loss		(6,291,373)	(5,812,547)
Surplus on revaluation of fixed assets		384,662	385,359
		(1,485,900)	(1,006,377)

The attached notes 1 to 10 form an integral part of these condensed interim financial statements.

LAHORE  
October 27, 2020

  
Syed Shahid Ali  
Chief Executive Officer

  
Mohtashim Aftab  
Group Chief Financial Officer

  
Imran Azim  
Director


CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)

For the period ended September 30, 2020

	Note	3 months ended	
		July to September 2020	July to September 2019
(Rupees in thousand)			
Net sales	6	1,565,749	1,486,165
Cost of revenue	7	(1,680,779)	(1,680,292)
Gross loss		(115,030)	(194,127)
Operating expenses :			
- Administrative expenses		(175,933)	(13,129)
- Distribution cost		(117,444)	(144,413)
		(293,377)	(157,542)
Operating loss		(408,407)	(351,669)
Other income		34,716	(3,507)
		(373,691)	(355,176)
Financial expenses		(89,024)	(32,720)
		(462,715)	(387,896)
Workers' Profit Participation Fund		-	-
Workers' Welfare Fund		-	-
		-	-
Loss before taxation		(462,715)	(387,896)
Taxation		(16,808)	-
Loss after taxation		(479,523)	(387,896)
Loss per certificate from continuing operation		(2.45)	(1.98)

The attached notes 1 to 10 form an integral part of these condensed interim financial statements.

LAHORE  
October 27, 2020

  
Syed Shahid Ali  
Chief Executive Officer

  
Mohtashim Aftab  
Group Chief Financial Officer

  
Imran Azim  
Director



## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

For the period ended September 30, 2020

	3 months ended	
	July to September 2020	July to September 2019
Loss after taxation	(479,523)	(387,896)
Other comprehensive income	-	-
<b>Total comprehensive income / (loss) for the period</b>	<b>(479,523)</b>	<b>(387,896)</b>

Appropriations have been reflected in the statement of changes in equity.

The attached notes 1 to 10 form an integral part of these condensed interim financial statements.

LAHORE  
October 27, 2020



Syed Shahid Ali  
Chief Executive Officer



Mohtashim Aftab  
Group Chief Financial Officer



Imran Azim  
Director


## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

For the period ended September 30, 2020

	Certificate Capital	Certificate premium	Statutory Reserve	Surplus on revaluation of fixed assets	Un- appropriated Profit/(Loss)	Total
(Rupees in thousand)						
Balance as on June 30, 2019	1,956,000	1,952,870	511,941	387,476	(2,765,445)	2,042,842
Total comprehensive income / (loss) for the period	-	-	-	-	(387,896)	(387,896)
Transfer from surplus on revaluation of property, plant and equipment	-	-	-	(303)	303	-
Balance as on September 30, 2019	1,956,000	1,952,870	511,941	387,173	(3,153,038)	1,654,946
Balance as on June 30, 2020	1,956,000	1,952,870	511,941	385,359	(5,812,547)	(1,006,377)
Transfer from surplus on revaluation of property, plant and equipment	-	-	-	(697)	697	-
Total comprehensive income / (loss) for the period	-	-	-	-	(479,523)	(479,523)
Balance as on September 30, 2020	1,956,000	1,952,870	511,941	384,662	(6,291,373)	(1,485,900)

The attached notes 1 to 10 form an integral part of these condensed interim financial statements.

LAHORE  
October 27, 2020

  
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Group Chief Financial Officer

  
Imran Azim  
Director


CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

For the period ended September 30, 2020

	July to September 2020	July to September 2019
	(Rupees in thousand)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before taxation	(462,715)	(387,896)
Adjustments for non-cash items:		
Financial charges for the period	89,024	32,720
Depreciation on property, plant and equipment	145,088	132,058
Profit on bank deposits	(1,531)	(910)
(Gain)/Loss on sale of fixed assets	34	-
	232,615	163,868
<b>Operating profit / (loss) before working capital changes</b>	<b>(230,100)</b>	<b>(224,028)</b>
(Increase)/decrease in operating assets:		
Stores and spares	(1,280)	-
Stock-in-trade	322,547	(181,949)
Trade debts	51,697	(6,700)
Loans, advances, deposits, prepayments and other receivables	6,828	301,223
	379,792	112,574
<b>Increase / (decrease) in operating liabilities</b>		
Trade and other payables	106,863	(111,902)
<b>Cash generated from / (used in) from operations</b>	<b>256,555</b>	<b>(223,356)</b>
Financial charges paid	(244,008)	(80,529)
Taxes paid	(7,383)	(9,559)
	(251,391)	(90,088)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>5,164</b>	<b>(313,444)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure incurred	(2,122)	32,527
Long term deposits	(1,761)	(6,638)
Profit received on bank deposits	1,531	910
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(2,352)</b>	<b>26,799</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long Term Deposits	-	2,139
Dividend paid	-	(20)
<b>Net cash from financing activities</b>	<b>-</b>	<b>2,119</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,812</b>	<b>(284,526)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>(11,433,704)</b>	<b>(10,287,658)</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>(11,430,892)</b>	<b>(10,572,184)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	374,575	132,197
Finance under mark-up arrangements	(11,805,467)	(10,704,381)
	(11,430,892)	(10,572,184)

The attached notes 1 to 10 form an integral part of these condensed interim financial statements.

LAHORE  
October 27, 2020

  
Syed Shahid Ali  
Chief Executive Officer

  
Mohtashim Aftab  
Group Chief Financial Officer

  
Imran Azim  
Director

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

For the period ended September 30, 2020

### 1. LEGAL STATUS AND NATURE OF BUSINESS

First Treet Manufacturing Modaraba ("the Modaraba") is a multipurpose, perpetual and multi dimensional Modaraba formed on 27 July 2005 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and rules framed there-under and is managed by Treet Holdings Limited (a wholly owned subsidiary of Treet Corporation Limited), incorporated in Pakistan under the Companies Ordinance, 1984 and registered with the Registrar of Modaraba Companies. The registered office of the Modaraba is situated at 72 - B, Kot Lakhpat, Industrial Area, Lahore. The Modaraba is listed on Pakistan Stock Exchange Limited (Formerly Lahore Stock Exchange (Guarantee) Limited). The Modaraba is engaged in the manufacture and sale of corrugated boxes, soaps and batteries.

### 2. BASIS OF PREPARATION

These condensed interim financial statements are un-audited and have been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan (the Modaraba Regulations). In cases where the requirements differ, the provisions of or directives issued under the Ordinance or Regulations shall prevail. The disclosures in the condensed interim financial statements do not include all the information reported in audited annual financial statements and should therefore be read in conjunction with the financial statements for the year ended June 30, 2020.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the Modaraba's annual financial statements for the year ended June 30, 2020.

### 4. SIGNIFICANT 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 reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by management in applying the Modaraba's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited and published financial statements for the year ended June 30, 2020.

### 5. CONTINGENCIES AND COMMITMENTS

There is no material change in the position of contingent liabilities since the last annual balance sheet.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

For the period ended September 30, 2020

		3 months ended	
		July to September 2020	July to September 2019
		(Rupees in thousand)	
6.	SALES		
	Packaging products	335,489	497,237
	Soaps	296,042	270,745
	Batteries	934,218	718,183
		1,565,749	1,486,165
7.	COST OF SALES		
	Packaging products	353,578	477,884
	Soaps	278,162	227,961
	Batteries	1,049,039	974,447
		1,680,779	1,680,292
8.	TRANSACTIONS WITH RELATED PARTIES		
	Purchases and services received	206,300	49,675
	Goods sold and services rendered	34,360	7,863


The Company enters into transactions with related parties in the normal course of business on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods.

9. These condensed interim financial statements were authorized for issue by the board of directors of the Modaraba Company on October 27, 2020.

10. GENERAL

Amounts have been rounded off to thousand rupees.

LAHORE  
October 27, 2020

  
Syed Shahid Ali  
Chief Executive Officer

  
Mohtashim Aftab  
Group Chief Financial Officer

  
Imran Azim  
Director







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