

3RD QUARTERLY REPORT
2021

Our Ladder of Growth



First Treet
Manufacturing Modaraba

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COMPANY INFORMATION

BOARD OF DIRECTORS:	Syed Shahid Ali Syed Sheharyar Ali Muhammad Shafique Anjum Mr. Imran Azim Dr. Salman Faridi Ms. Sidra Fatima Sheikh Mr. Munir K. Bana	Chief Executive Officer Non-Executive Director Non-Executive Director Non-Executive Director/Chairman Independent Director Independent Director Non-Executive Director
AUDIT COMMITTEE:	Dr. Salman Faridi Mr. Imran Azim Mr. Munir K. Bana	Chairman/Member Member Member
CHIEF ACCOUNTANTS:	Mr. Sajjad Haider Khan Mr. Muhammad Zubair	Modaraba Modaraba Company
COMPANY SECRETARY:	Zunaira Dar	
EXTERNAL AUDITORS OF MODARABA COMPANY:	Kreston Hyder Bhimji & Co	Chartered Accountants
EXTERNAL AUDITORS OF MODARABA'S MANAGEMENT COMPANY:	KPMG Taseer Hadi & Co.	Chartered Accountants
LEGAL ADVISORS:	Syed Ali Rizvi	Advocates
CORPORATE ADVISORS:	Cornelius, Lane & Mufti - Advocates	
SHARIAH ADVISOR:	Mufti Muhammad Javed Hassan	
BANKERS:	AL-Baraka Bank Pakistan Limited 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
REGISTERED OFFICE/ PLACE OF BUSINESS:	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	
SHARES REGISTRAR:	Corplink (Private) Limited Winges Arcade, 1-K, Commercial Model Town, Lahore	
PACKAGING SOLUTIONS - CORRUGATION:	Kacha Tiba Rohi Nala, 22-KM Ferozepur Road, Lahore	
SOAP PLANT:	Ghakkar 80 KM, G.T. Road, Ghakkar Mandi, Gujranwala	
BATTERY PROJECT:	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 financial statements for the nine months and third quarter ending March 31, 2021.

SUMMARY OF COMPARATIVE FINANCIAL RESULTS

(Rupees in millions)

	Nine Months Ended			Quarter Ended		
	31-Mar-21	31-Mar-20	% Change	31-Mar-21	31-Mar-20	% Change
	(1)	(2)	(1) over (2)	(3)	(4)	(3) over (4)
Sales (net)	4,319	3,594	20.17%	1,357	896	51.45%
Gross Profit/(Loss)	(106)	(539)	80.33%	(44)	(166)	73.49%
Net Profit/(Loss)	(959)	(2,230)	57.00%	(235)	(753)	68.79%
Profit/(Loss) per Certificate	(4.90)	(11.40)	57.02%	(1.20)	(3.85)	68.83%
Transfer to Statutory Reserve	Nil	Nil		Nil	Nil	
Book Value per Certificate	(10.10)	(0.96)		(10.10)	(0.96)	

BUSINESS REVIEW

For the nine months period, the turnover was Rs. 4,319 million, registering an increase of Rs. 725 million (20.17%) over the same period of previous year. The increase in turnover is mainly attributable to increase in soap and battery sales, partially offset by lesser sales in corrugation segment.

Segment wise sales is as follows:

(Rupees in millions)

	Sales					
	Nine Months Ended			Quarter Ended		
	31-Mar-21	31-Mar-20	% Change	31-Mar-21	31-Mar-20	% Change
	(1)	(2)	(1) over (2)	(3)	(4)	(3) over (4)
Corrugation	1,261	1,281	-1.56%	492	356	38.20%
Soap	603	564	6.91%	104	110	-5.45%
Battery	2,467	1,758	40.33%	763	432	76.62%
Inter-segment sales	-12	-9	33.33%	-2	-2	0.00%
Total	4,319	3,594	20.17%	1,357	896	51.45%

For the nine months period under consideration, Net Loss is Rs. 959 million which shows an improvement by 57% over last year's corresponding period (March 2020: Rs. (2,230) million). The improvement is attributable to increased sales volumes which resulted in better absorption of fixed overheads, local sourcing of Lead for battery, rationalization of costs through rigorous cost controlling measures, saving in fuel and power due to grid installation at battery site and decrease in financial charges due to lower policy rate. The reduction in Net Loss is also attributable to management fee not being charged by the parent company, subsequent to members' approval in the annual general meeting of the company dated 31 October 2020 to convert the loan into equity. This level of loss has delivered a Loss per Certificate of Rs. 4.90 compared to a loss of Rs. 11.40 per Certificate last year same period.

FINANCIAL PLAN

SECP Modaraba Division has issued No Objection Certificate to convert Treet's payable into Modaraba Fund (Equity) through Issuance of Modaraba Certificates Other than Right. Currently, approval for increase in Authorized Capital of FTMM and other regulatory approvals are awaited. It is expected that conversion will be completed before the end of current financial year. The conversion will eventually increase the holding of Treet in FTMM by 9.85%. This conversion will make the equity of FTMM to positive.

As already communicated, spin off the Battery segment from its subsidiary (First Treet Manufacturing Modaraba) to separate Company (Treet Battery Limited) is in progress. Execution of demerger plan is underway. Currently, regulatory and legal approvals are being sought from Financial Institutions and Regulators. Efforts are being made to improve the cost structure of the Battery project for better absorption of fixed cost along with plans to reduce the leveraging of the project.

Directors' Review

COVID-19 IMPACT

World Health Organization declared the Novel strain of Corona virus (Covid-19) a global pandemic and recommended containment and mitigation measures worldwide. The federal and provincial governments of Pakistan also took various measures, including imposition of lockdown to contain the spread of Covid-19. This caused an overall economic slowdown and varying degree of disruption to the Company including the suspension of production, sales and operations. However, the Government's initiative to subsequently relax the lockdown along with various other incentives to businesses helped in reviving the demand from June 2020 onwards. The management of the Company has been regularly conducting in depth analysis and has assessed that there is no material impact of COVID - 19 on the carrying amounts of assets and liabilities as at March 31, 2021. Going forward, the management is taking all the required actions and will continue to monitor the potential impact and take all steps possible to mitigate any effects.

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 Exchange Limited 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

April 27, 2021
LAHORE

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

As At March 31, 2021

	<i>Note</i>	March 2021 UN-AUDITED Rupees in '000	June 2020 AUDITED Rupees in '000
NON-CURRENT ASSETS			
Property, plant and equipment		8,154,467	8,496,636
Long term loans and deposits		44,995	43,251
		<u>8,199,462</u>	<u>8,539,887</u>
CURRENT ASSETS			
Stores and spares		86,784	105,671
Stock-in-trade		1,032,106	1,216,573
Trade debts - unsecured considered good		814,846	543,371
Loans, advances, deposits, prepayments and other receivables		911,243	976,787
Cash and bank balances		204,483	169,137
		<u>3,049,462</u>	<u>3,011,539</u>
CURRENT LIABILITIES			
Current portion of long term liabilities		15,159	15,980
Short term borrowings		12,026,214	11,602,841
Trade and other payables		1,043,361	874,838
Provision for taxation		65,086	361
		<u>13,149,820</u>	<u>12,494,020</u>
NET CURRENT ASSETS		<u>(10,100,358)</u>	<u>(9,482,481)</u>
NON-CURRENT LIABILITIES			
Liability against assets subject to finance lease		55,332	54,511
Deferred liabilities		9,272	9,272
Contingencies and commitments	5	-	-
NET ASSETS		<u>(1,965,500)</u>	<u>(1,006,377)</u>
FINANCED BY:			
Issued, subscribed and paid-up capital		1,956,000	1,956,000
Capital reserve		2,464,811	2,464,811
Unappropriated loss		(6,769,999)	(5,812,547)
Surplus on revaluation of fixed assets		383,688	385,359
		<u>(1,965,500)</u>	<u>(1,006,377)</u>

The attached notes 1 to 11 form an integral part of these condensed interim financial statements.

LAHORE
April 27, 2021


Syed Shahid Ali
Chief Executive Officer


Mohtashim Aftab
Group Chief Financial Officer


Imran Azim
Director


Muhammad Shafique Anjum
Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

For the period ended March 31, 2021

	<i>Note</i>	9 Months ended		Quarter ended	
		July to March 2021	July to March 2020	January to March 2021	January to March 2020
		Rupees in '000		Rupees in '000	
Net sales	6	4,318,870	3,594,312	1,357,458	896,348
Cost of revenue	7	(4,424,542)	(4,132,945)	(1,401,794)	(1,061,948)
Gross Profit / (Loss)		(105,672)	(538,633)	(44,336)	(165,600)
- Administrative expenses		(237,549)	(729,562)	(43,353)	(317,985)
- Distribution cost		(302,734)	(557,812)	(75,433)	(128,692)
		(540,283)	(1,287,374)	(118,786)	(446,677)
Operating Profit / (Loss)		(645,955)	(1,826,007)	(163,122)	(612,277)
Other income		16,396	15,886	9,918	4,566
		(629,559)	(1,810,121)	(153,204)	(607,711)
Financial expenses		(264,833)	(420,234)	(61,235)	(145,973)
		(894,392)	(2,230,355)	(214,439)	(753,684)
Workers' Profit Participation Fund		-	-	-	-
Workers' Welfare Fund		-	-	-	-
		-	-	-	-
Profit / (Loss) before taxation		(894,392)	(2,230,355)	(214,439)	(753,684)
Taxation		(64,731)	-	(20,405)	361
Profit / (Loss) after taxation		(959,123)	(2,230,355)	(234,844)	(753,323)
Earnings / (loss) per certificate continuing operations		(4.90)	(11.40)	(1.20)	(3.85)

The attached notes 1 to 11 form an integral part of these condensed interim financial statements.

LAHORE
April 27, 2021


Syed Shahid Ali
Chief Executive Officer


Mohtashim Aftab
Group Chief Financial Officer


Imran Azim
Director


Muhammad Shafique Anjum
Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

For the period ended March 31, 2021

	9 Months ended		Quarter ended	
	July to March 2021	July to March 2020	January to March 2021	January to March 2020
	Rupees in '000		Rupees in '000	
Loss after taxation	(959,123)	(2,230,355)	(234,844)	(753,323)
Other comprehensive income	-	-	-	-
Total comprehensive income / (loss) for the period	(959,123)	(2,230,355)	(234,844)	(753,323)

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

The attached notes 1 to 11 form an integral part of these condensed interim financial statements.

LAHORE
April 27, 2021



Syed Shahid Ali
Chief Executive Officer



Mohtashim Aftab
Group Chief Financial Officer



Imran Azim
Director



Muhammad Shafique Anjum
Director

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

For the period ended March 31, 2021

	Certificate Capital	Certificate premium	Statutory Reserve	Surplus on revaluation of fixed assets	Unappropriated Profit / (Loss)	Total
	<i>Rupees in '000</i>					
Balance as at 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	-	-	-	-	(2,230,355)	(2,230,355)
Transfer from surplus on revaluation of property, plant and equipment	-	-	-	(1,684)	1,684	-
Balance as on March 31, 2020	1,956,000	1,952,870	511,941	385,792	(4,994,116)	(187,513)
Balance as at 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	-	-	-	(1,671)	1,671	-
Total comprehensive income / (loss) for the period	-	-	-	-	(959,123)	(959,123)
Balance as on March 31, 2021	1,956,000	1,952,870	511,941	383,688	(6,769,999)	(1,965,500)

The attached notes 1 to 11 form an integral part of these condensed interim financial statements

LAHORE
April 27, 2021


Syed Shahid Ali
Chief Executive Officer


Mohtashim Aftab
Group Chief Financial Officer


Imran Azim
Director


Muhammad Shafique Anjum
Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

For the period ended March 31, 2021

	July to March 2021	July to March 2020
	Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	(894,392)	(2,230,355)
Adjustments for non-cash items :		
Financial charges for the period	264,833	420,234
Depreciation on property, plant and equipment	330,449	399,580
Profit on bank deposits	(5,731)	(3,249)
(Gain)/Loss on sale of fixed assets	82	-
	589,633	816,565
Operating profit / (loss) before working capital changes	(304,759)	(1,413,790)
(Increase) / decrease in operating assets :		
Stores and spares	18,887	(11,714)
Stock-in-trade	184,467	168,276
Trade debts	(271,475)	72,382
Loans, advances, deposits, prepayments and other receivables	59,297	371,657
	(8,824)	600,601
Increase / (decrease) in operating liabilities		
Trade and other payables	329,244	(135,285)
Cash generated from / (used in) from operations	15,661	(948,474)
Financial charges paid	(425,560)	(333,144)
Taxes paid	6,247	(25,147)
	(419,313)	(358,291)
Net cash inflow/(outflow) from operating activities	(403,652)	(1,306,765)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred	11,638	(132,306)
Long term deposits	(1,744)	(30,874)
Profit received on bank deposits	5,731	3,249
Net cash inflow/(outflow) from investing activities	15,625	(159,931)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(388,027)	(1,466,696)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	(11,433,704)	(10,287,658)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	(11,821,731)	(11,754,354)
CASH AND CASH EQUIVALENTS		
Cash and bank balances	204,483	104,663
Finance under mark-up arrangements	(12,026,214)	(11,859,017)
	(11,821,731)	(11,754,354)

The attached notes 1 to 11 form an integral part of these condensed interim financial statements.

LAHORE
April 27, 2021


Syed Shahid Ali
Chief Executive Officer


Mohtashim Aftab
Group Chief Financial Officer


Imran Azim
Director


Muhammad Shafique Anjum
Director

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

For the period ended March 31, 2021

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.

6. SALES

	9 Months ended		Quarter ended	
	July to March 2021	July to March 2020	January to March 2021	January to March 2020
	Rupees in '000		Rupees in '000	
Packaging products	1,248,903	1,271,858	491,080	354,202
Soaps	603,292	564,213	103,663	109,884
Batteries	2,466,675	1,758,241	762,715	432,262
	<u>4,318,870</u>	<u>3,594,312</u>	<u>1,357,458</u>	<u>896,348</u>

7. COST OF SALES

Packaging products	1,258,108	1,257,802	480,637	319,832
Soaps	589,207	502,376	111,726	107,456
Batteries	2,577,227	2,372,767	809,431	634,660
	<u>4,424,542</u>	<u>4,132,945</u>	<u>1,401,794</u>	<u>1,061,948</u>

8. TRANSACTIONS WITH RELATED PARTIES

Purchases and services received	<u>140,598</u>	<u>91,541</u>
Goods sold and services rendered	<u>38,967</u>	<u>65,270</u>

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) For the period ended March 31, 2021

9. These condensed interim financial statements were authorized for issue by the board of directors of the Modaraba Company on April 27, 2021

10. IMPACT OF COVID-19

World Health Organization declared the Novel strain of Corona virus (Covid-19) a global pandemic and recommended containment and mitigation measures worldwide. The federal and provincial governments of Pakistan also took various measures, including imposition of lockdown to contain the spread of Covid-19. This caused an overall economic slowdown and varying degree of disruption to the Company including the suspension of production, sales and operations. However, the Government's initiative to subsequently relax the lockdown along with various other incentives to businesses helped in reviving the demand from June 2020 onwards. The management of the Company has been regularly conducting in depth analysis and has assessed that there is no material impact of COVID - 19 on the carrying amounts of assets and liabilities as at 31 March 2021. Going forward, the management is taking all the required actions and will continue to monitor the potential impact and take all steps possible to mitigate any effects.

11. GENERAL

11.1 Amounts have been rounded off to thousand rupees.

LAHORE
April 27, 2021



Syed Shahid Ali
Chief Executive Officer



Mohtashim Aftab
Group Chief Financial Officer



Imran Azim
Director



Muhammad Shafique Anjum
Director



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