IN THE NAME OF ALLAH, THE MOST BENEFICIENT, THE MOST MERCIFUL

Pakistan Paper Products Limited

Corporate Briefing Session For the Year Ended June 30, 2019

November 08,2019
Karachi

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Mr. Hashim Bin Sayeed
December 24, 1927 – August 07, 2013
Founder and Former Chairman

He was the Pillar of Strength for our Company and will always be our guiding light.
May Allah shower His choicest blessing on him.
Ameen!

Sequence of Presentation

- Company Profile
- Historical Financial Performance
- Financial Results FY 2019 vs. FY 2018
- Future Outlook
- Questions & Answers

Company Profile

Pakistan Paper Products Limited

Company Profile

- Pakistan Paper Products Ltd came into existence in 1951. At that time, our newly founded country had to import all its paper products which were resulting in the drain of valuable foreign Exchange. Realizing the need of the times, Mr. Hashim B. Sayeed (Late), founder and former Chairman of Pakistan Paper Products Limited, armed with machinery and technical know how from Germany decided to set up a paper converting unit in Pakistan.

- In 1962, Pakistan Paper Products became a Private Limited Company. In 1964, it became a Public Limited company and was quoted on the Karachi Stock exchange and till today it is one of the oldest listed companies at Pakistan Stock Exchange (PSX).

- From the very start, the company has strived to modernize, expand, and diversify to meet the challenges of the changing times and today is one of the largest and most modern paper converting company in the country.

Historical Milestones

1951
- Foundation of Pakistan Paper Products was laid by Our Former Chairman (Late) Mr. Hashim B. Sayeed
- Started segment of Exercise Books

1957
- Started segment of Ammonia Sensitized Paper

1962
- Incorporated as Private Limited Company

1964
- Listed on the Karachi Stock Exchange (now Pakistan Stock Exchange - PSX)

1997
- Started segment of Self Adhesive Pro Labels

2016
- Major Capacity Expansion of Self Adhesive Pro Label Segment was undertaken.

Vision and Mission Statement

- ***The Company's vision is :***

  To transform the company into a modern and dynamic paper converting company by utilizing experience of the team of professionals to play a meaningful role on sustainable basis in the economy of Pakistan

- ***The Company's mission is :***

  To provide quality products to customers and explore new clients to promote sales of the company through good governance and encourage a sound and dynamic team, so as to achieve best practice of products of the company for sustainable growth and prosperity of the company

Products

Exercise Books

Ammonia Sensitized Papers

Photocopy paper & Plotter Paper

Self Adhesive Labels

Exercise Books Segment

"Serving the cause of education for more then 50 years"

Pakistan Paper Products Ltd started its operations in 1951 with the production of exercise books, and had the distinction of being the first company in Pakistan to produce exercise books on automatic machinery and after more than 6 decades of its existence, it still remains the only such company in the industry. For six decades PPP Brand exercise books, journals, registers, writing Pads, College Note books, etc. have been recognized for their superior quality, and have become a household name amongst all school and college going students. Constant modernization and up-gradation has been the hallmark of our company’s progress and even today our exercise books production line boasts of machines which are unmatched by any other producer in Pakistan. Our client list boasts of more than 100 private schools in Pakistan who get their exercise book made in their own cover, including the nationwide branches of The City School. In addition many government organizations like POF, Pakistan Navy, DGDP, CSD also get their stationary items from PPP Ltd.

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Ammonia Sensitized paper Segment

In 1957, Pakistan Paper Products ltd also had the distinction of being the first company in Pakistan to start producing ammonia sensitized paper and till today remains the market leader of this product. This product which is used in Architect and Engineer Drawings amongst various other uses played a pivotal role in the development of our beloved nation. Since the inception we have been regularly supplying this product to Government organizations like WAPDA, KESC, POF, DGDP, NESPAK, HMC, Pakistan Army, Pakistan Navy, Pakistan Steel, along with private printers nationwide.

Pro Labels Self Adhesive Labels in Roll Form Segment

In 1997 to mark the 50th Anniversary of Pakistan and 46 Years of its dynamic operations in the country, Pakistan Paper Products Ltd brought out yet another innovation in the market; **Pro Labels –Self Adhesive Labels in Roll Form**. These labels which are applied using automatic labeling machinery has introduced a new facet in the packaging industry of Pakistan, revolutionizing the packaging and supply chain for companies requiring high speed and accurate labeling solution. Once again, the company came out with an innovative and unique product which was not yet being produced in the country and valuable foreign exchange was being spent in importing the product.

Since that time, this division of the company has shown very impressive growth on year on year basis, and the company has kept pace with the increasing demand by consistently investing in brand new state of the art printing machines from Europe and USA, with our latest and biggest machine imported and installed in December 2016. From a very humble beginning of one 3 color machine in 1997, we have now expanded to two 6 color machines, three 8 color machines and one 10 color machines. We are capable of doing full UV printing in combination with screen printing and cold foil. In 2010 we built a brand new purpose built facility for Pro Labels and have positioned ourselves to fully meet the challenges and rising demand of our ever growing client base of top multinational and local companies.

Some of our distinguished clients are:

Chevron Lubricants Pakistan, Shell Pakistan Ltd, Total Parco Pakistan Ltd, Castrol Pakistan (Pvt.) Ltd, Atlas Honda, Highnoon Pharmaceuticals Ltd, Reckitt Benckiser, Unilever Pakistan, Engro Foods, ICI Pakistan Ltd. , Getz Pharma (Pvt.) Ltd. , Asian Consumer Products (makers of Dabur & Vatika products), and many more.

Major Customers/ Clients

LUCERNA MEIS PEDIBUS
INDOCTI 1847 DISCANT

I AM - TO LEARN
Since 1978
The City School

PAKISTAN
PAKISTAN NAVY

PAKISTAN ORDNANCE FACTORIES

CSD
The Caring Store

THE EDUCATORS
Commitment, Quality Dedication

THE CITIZENS FOUNDATION

Generation's School

Atlas Honda

Reckitt Benckiser

Getz pharma

HIGHNOON LABORATORIES LIMITED

NATIONAL ENGINEERING SERVICES PAKISTAN

Shell Pakistan

ICI PAKISTAN LTD.

Dabur
Asian Consumer Care (Pvt.) Ltd.

Castrol

RafhanMaize PRODUCTS CO LTD

Unilever

engro

Chevron
Lubricants

TOTAL | PARCO

Board of Directors

Mr. Abbas Sayeed
Chairman/ Non Executive

Mr. Abid Sayeed
Chief Executive/ Executive

Mrs. Muleika Sayeed
Non Executive

Mr. Asadullah Sayeed
Non Executive

Mr. Sayeed Imran
Non Executive

Mr. Zahid Dada
Independent

Mr. Shoaib Ahmed Khan
Non Executive (NIT Nominee)

Pattern of Share holdings as on June 30, 2019

S.No.	Categories Shareholders	Shares Held	% Age
1.	Associated Companies	907,026	11.34%
2.	NIT & ICP	629,958	7.87%
3.	Directors, CEO, their spouse and Minor Children	2,725,785	34.07%
4.	Executives	Nil	0%
5.	Individuals	2,853,036	35.66%
6.	Public Sector Companies and Corporation	268,512	3.36%
7.	Banks, DFIS, NBFIS, Insurance Companies, Modarabas Joint Stock Companies, Mutual Funds and Others	615,683	7.70%
	Total	8,000,000	100%

Historical Financial Performance

Pakistan Paper Products Limited

Historical Financial Performance

Historical Trends	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
Financial Results						
Turnover	969,478	868,871	724,393	676,554	631,584	527,020
Sales -Net	875,439	788,229	659,935	613,672	576,333	504,312
Gross Profit	99,271	129,719	124,258	125,342	116,911	110,076
Profit before Tax	23,968	64,459	73,059	62,572	73,455	73,404
Taxation	5,994	14,391	12,227	24,206	16,276	25,164
Profit after Tax	17,975	50,068	60,832	38,365	57,177	48,239
Dividends						
Cash Dividend	10%	25%	55%	30%	40%	30%
Stock Dividend	-	33.33%	-	-	-	-
Cash Dividend Value	8,000	15,000	33,000	18,000	24,000	18,000
Stock Dividend Value	-	20,000	-	-	-	-
Dividend Payout	44.51%	69.90%	54.24%	46.92%	41.97%	37.31%

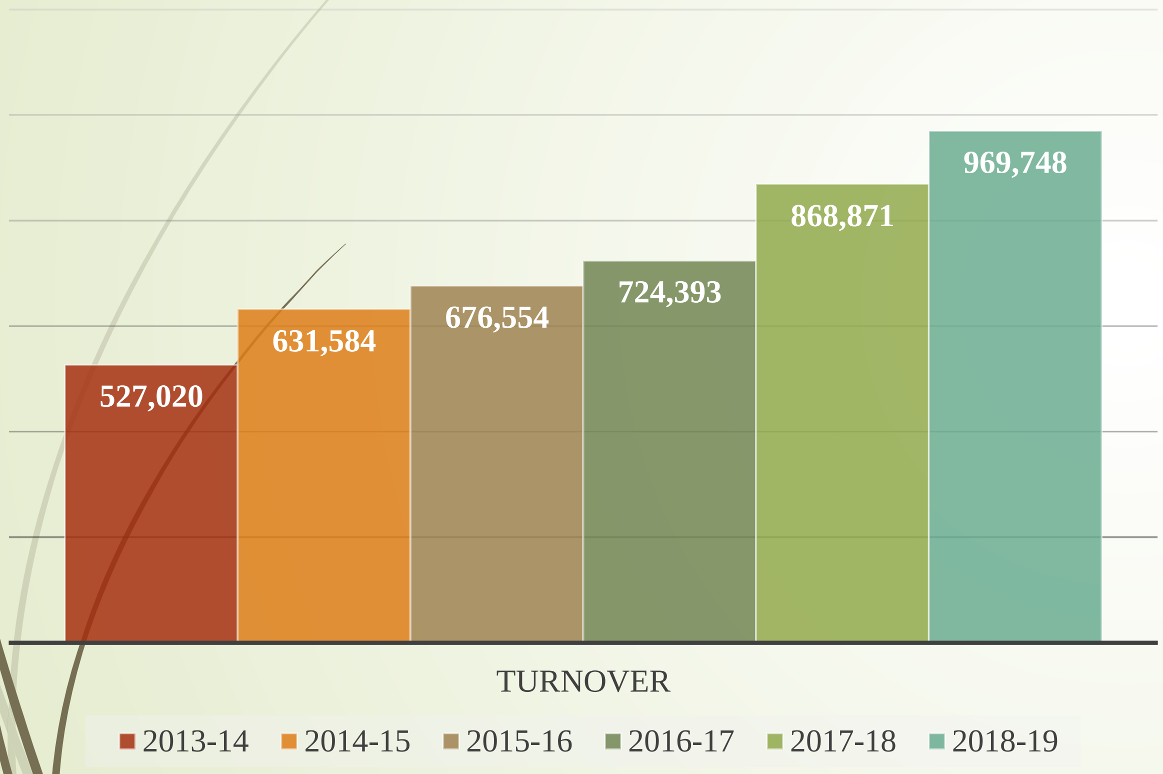
Historical Financial Performance

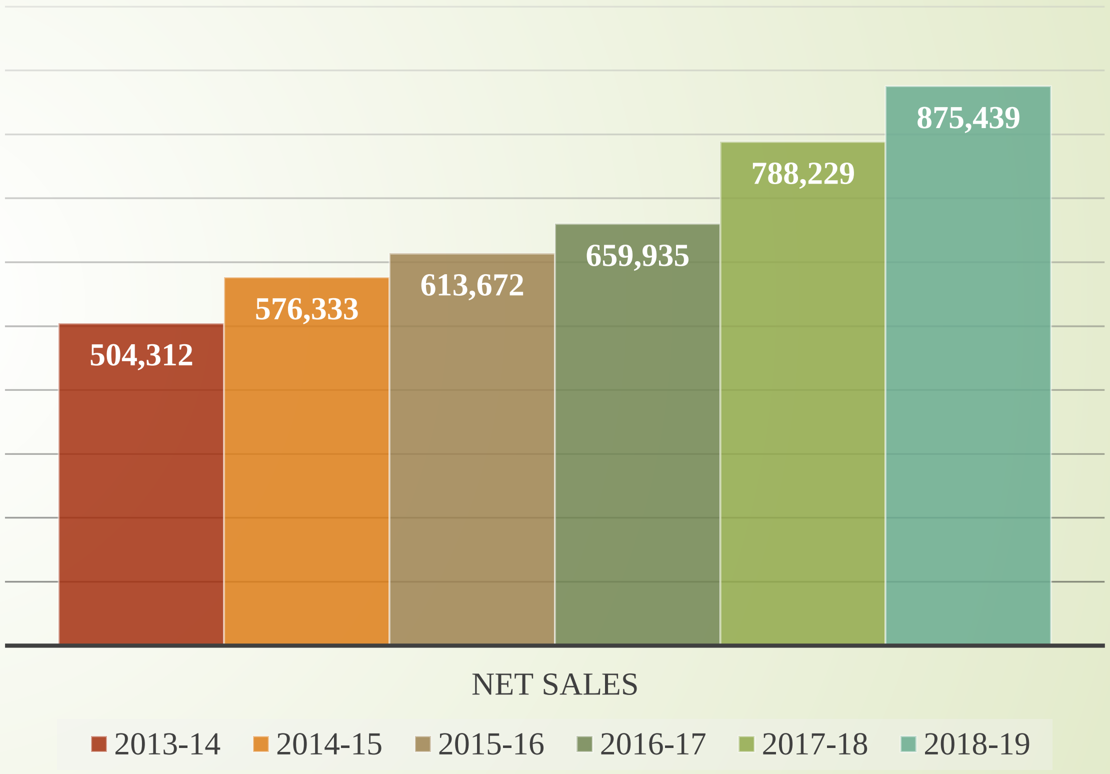
Historical Trends	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
Financial Position						
Total Assets	1,234,181	870,670	843,795	723,186	723,766	637,770
Paid up Capital	80,000	60,000	60,000	60,000	60,000	60,000
Reserves (including Capital reserves from FY-2017)	947,258	634,269	597,018	284,545	262,820	226,649
Working Capital	247,273	247,727	223,235	225,123	188,694	181,396
Current Ratio	2.22	2.93	3.03	3.77	3.39	3.99
Total Assets	1,234,181	870,670	843,795	723,186	723,766	637,770

Historical Financial Performance

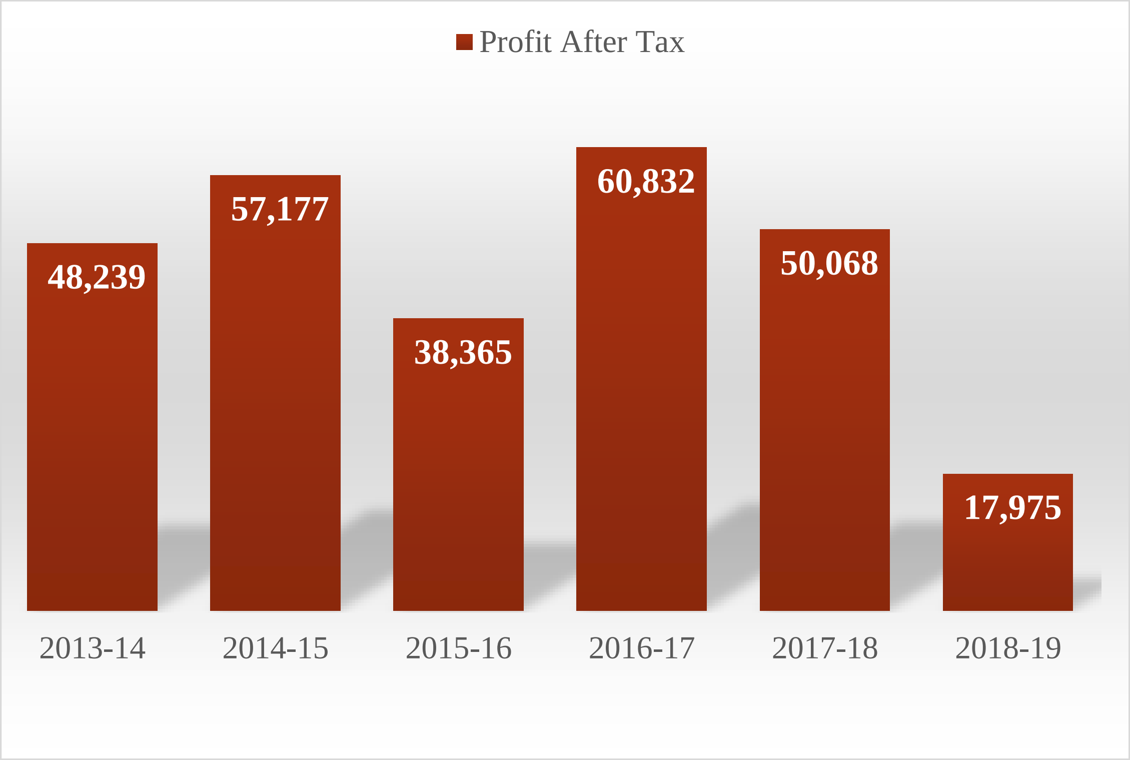
Key Indicators	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
Operating						
Gross Profit	11.34%	16.46%	18.83%	20.42%	20.29%	21.83%
Profit before Tax	2.74%	8.18%	11.07%	10.20%	12.75%	14.56%
Profit after Tax	2.05%	6.35%	9.22%	6.25%	9.92%	9.57%
Return on Equity	1.75%	7.21%	9.26%	11.13%	17.71%	16.83%
Return on Assets	1.46%	5.75%	7.21%	5.30%	7.90%	7.56%
Valuation						
Earning per share (pre tax)	3.00	10.74	12.18	10.43	12.24	12.23
Earning per share (post tax)	2.25	8.34	10.14	6.39	9.53	8.04
Breakup value per share	128.41	115.71	109.50	57.42	53.80	47.77
Asset Utilization						
Inventory turnover ratio	4.62	4.48	4.21	4.33	4.57	4.39
Total assets turnover ratio	0.71	0.91	0.78	0.85	0.80	0.79

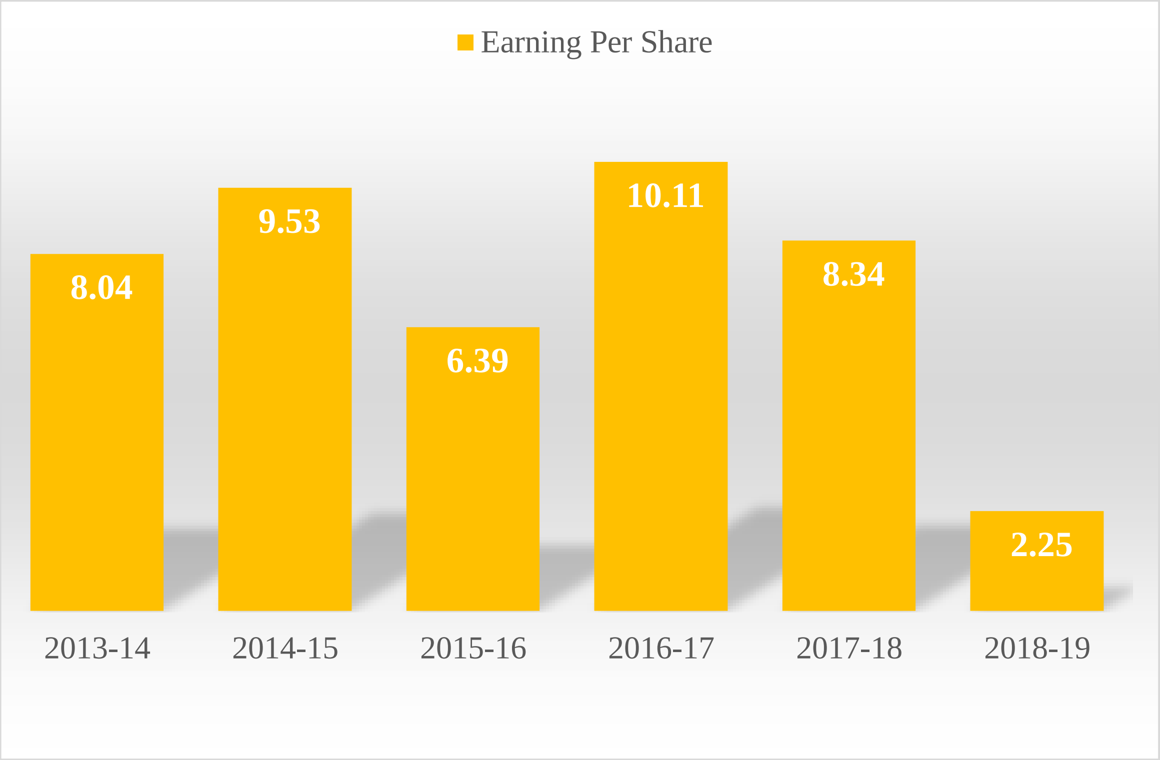
Turnover and Net Sales (PKR '000)





Profit and Earnings Per Share





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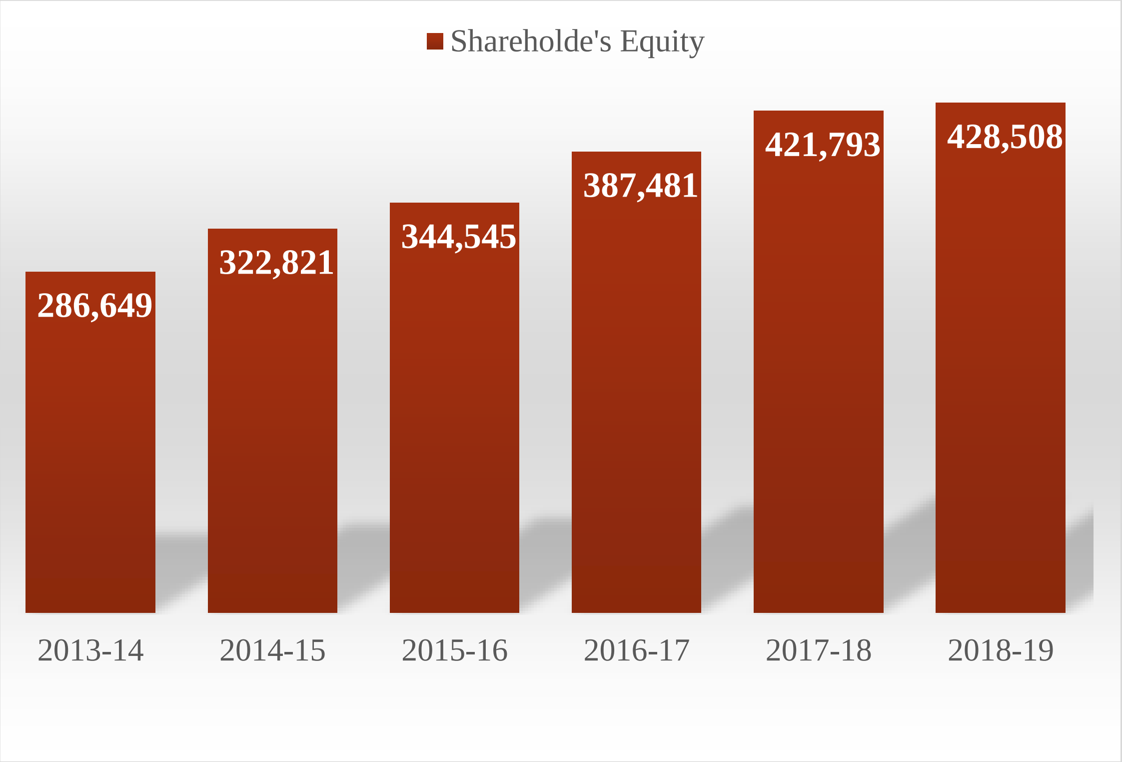
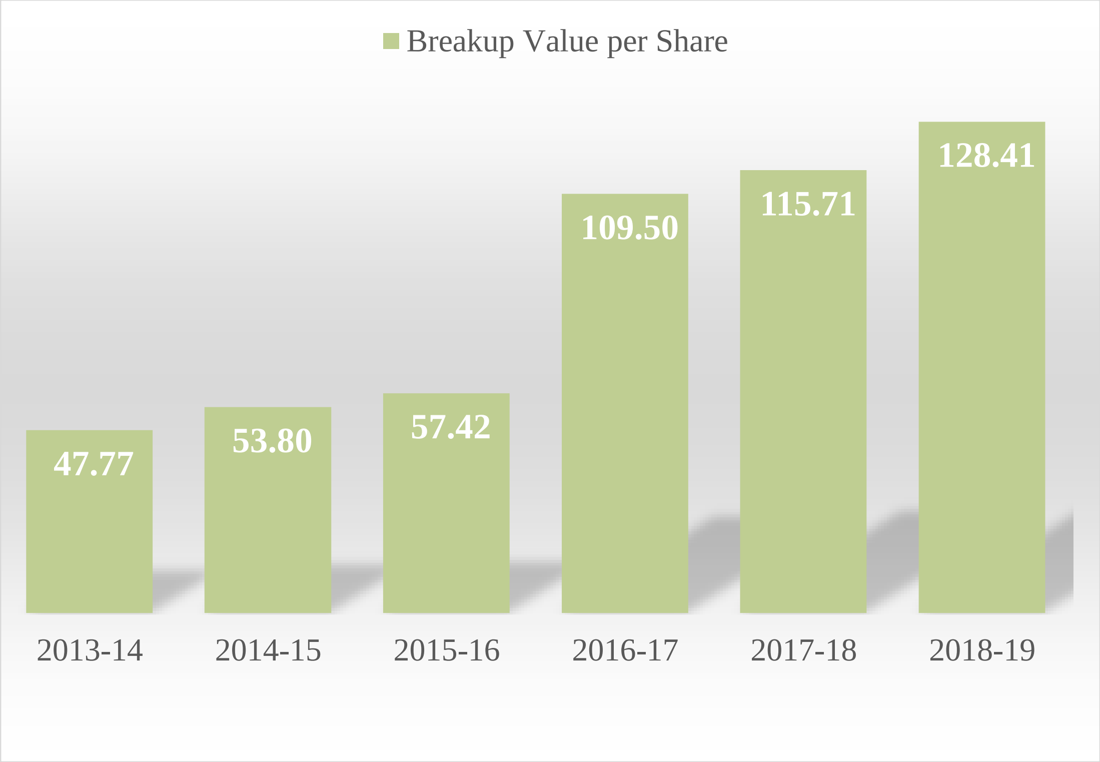
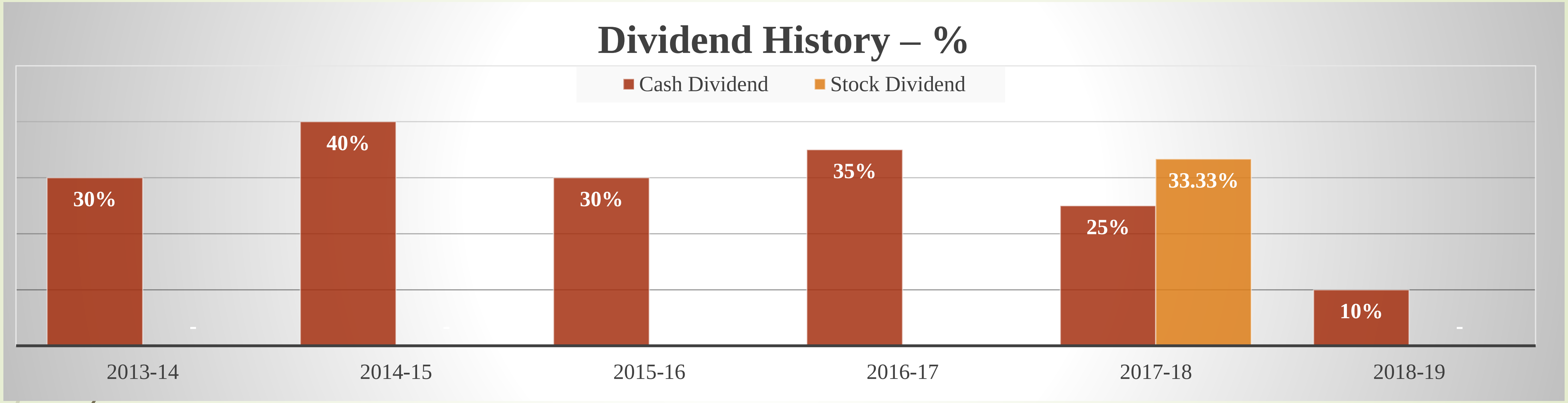
Shareholder’s Equity and Breakup Value per Share





Dividends



Historical Trends	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
Cash Dividend	10%	25%	55%	30%	40%	30%
Stock Dividend	-	33.33%	-	-	-	-
Cash Dividend Value (‘000)	8,000	15,000	33,000	18,000	24,000	18,000
Stock Dividend Value (‘000)	-	20,000	-	-	-	-
Dividend Payout	44.51%	69.90%	54.24%	46.92%	41.97%	37.31%

Capacity & Production (Segments)

Segments	Units	Capacity/ Production	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
Exercise Books	Groose	Capacity	58,632	58,632	58,632	58,632	58,632	58,632
		Production	55,708	57,990	56,176	66,390	66,542	55,842
Pro Label	Sq. Mtr.	Capacity	3000,000	3000,000	2,750,000	2000,000	2000,000	2000,000
		Production	5,276,473	5,104,755	4,336,380	3,482,032	2,944,592	2,792,742
Ammonia Paper	Rolls	Capacity	216,000	216,000	216,000	216,000	216,000	216,000
		Production	26,939	32,461	33,187	36,856	56,486	48,989

Note: The Capacity is determined on single shift basis.

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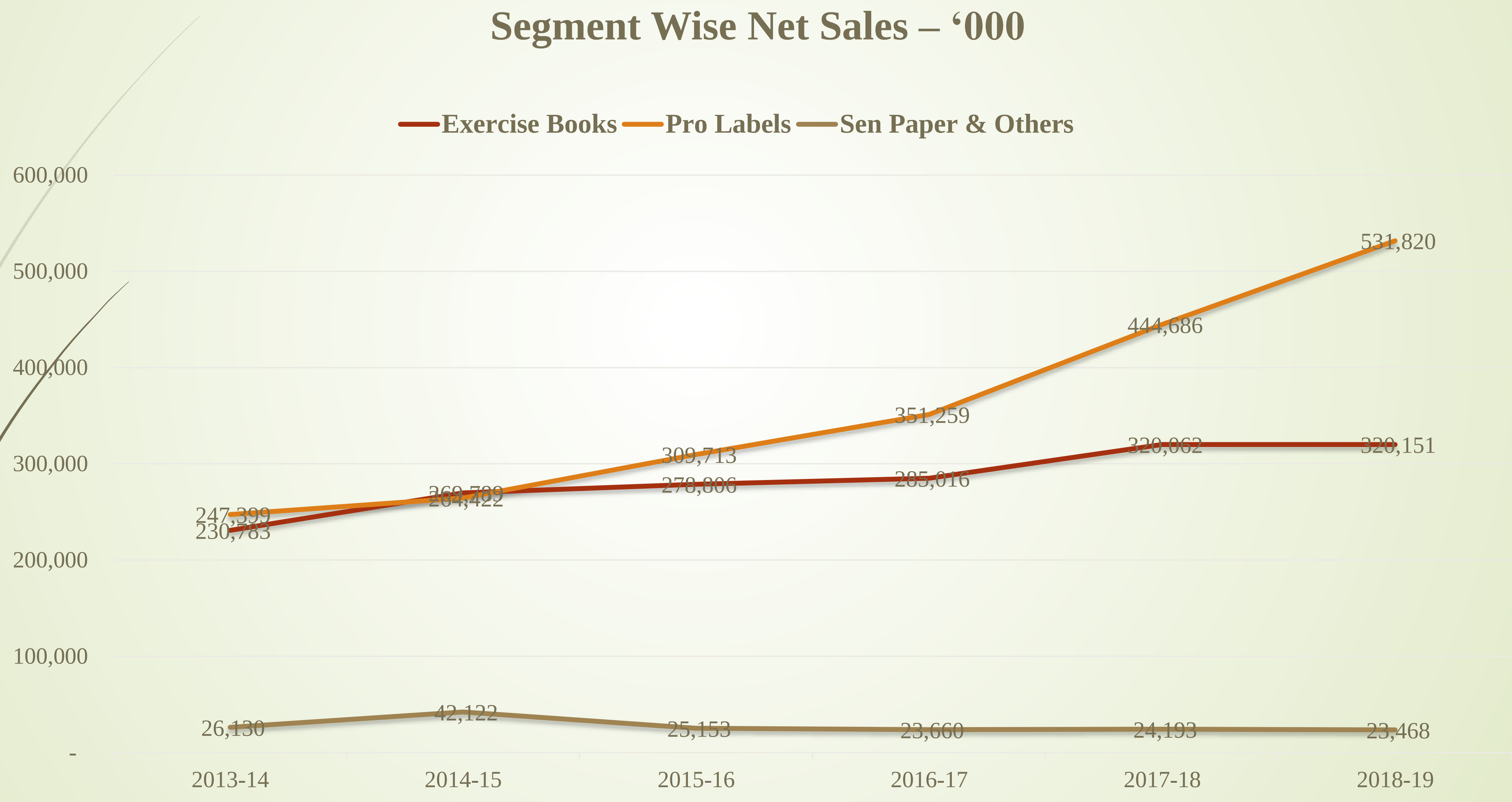
Segment wise Net Sales



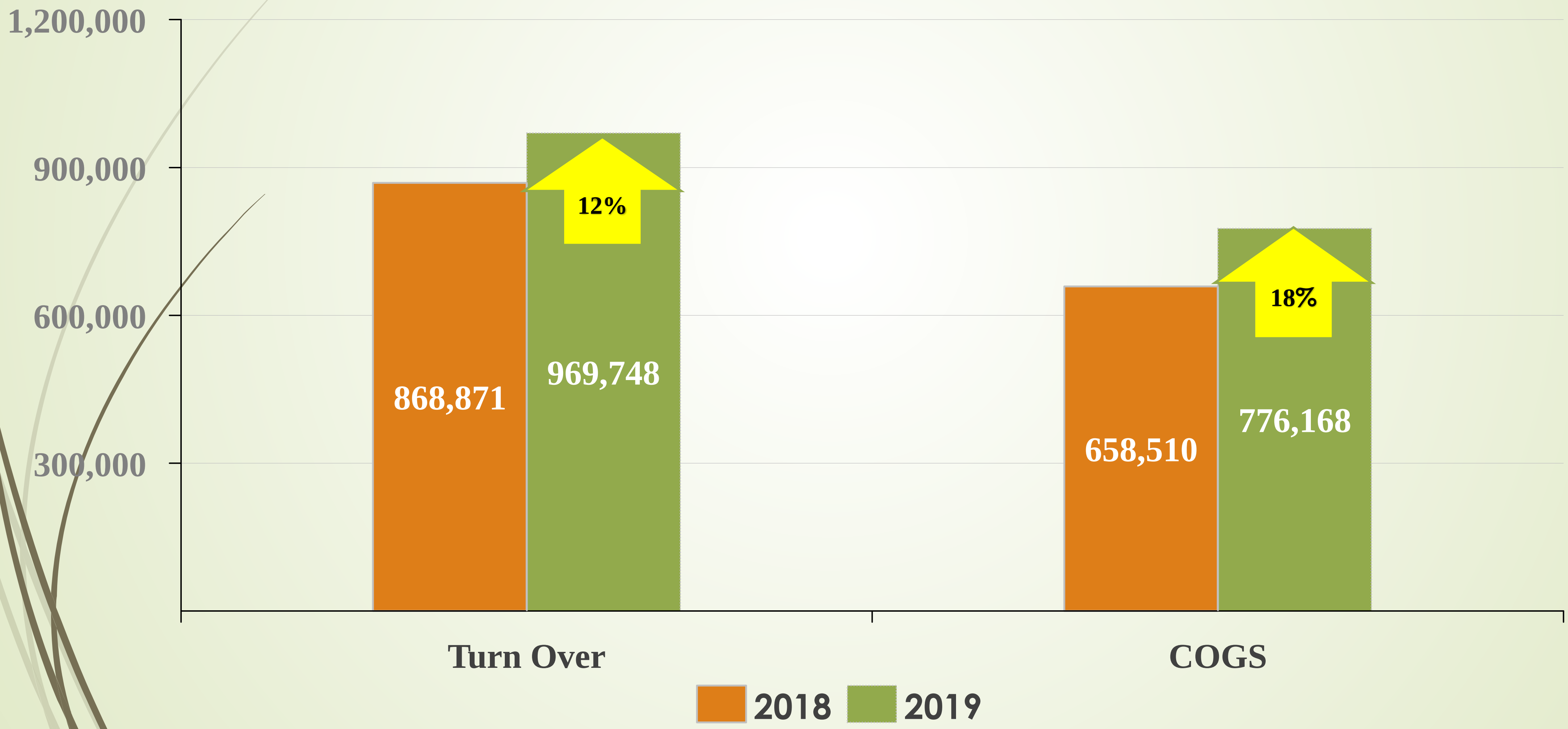
Financial Results (FY2019 vs FY2018)

Pakistan Paper Products Limited

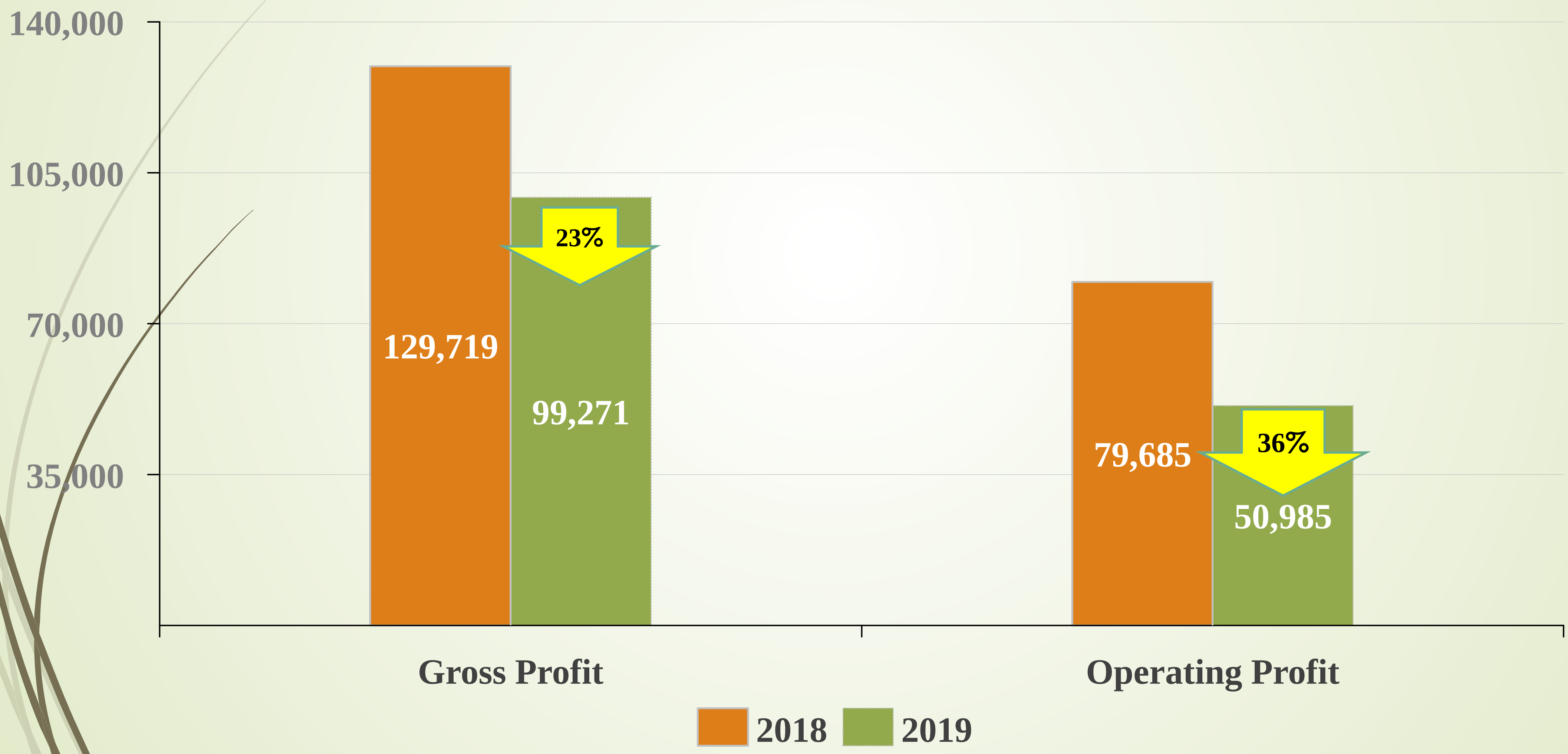
Key Financial Data (PKR- '000)

	2019	% to Sales	2018	% to sales	Change %
Turnover	*969,748*		*868,871*		*11.61%*
Exercise Books	**320,151**	36.57%	320,062	40.61%	0.03%
Pro-Labels	**531,820**	60.75%	443,974	56.33%	19.79%
Sensitized & Others	**23,468**	2.68%	24,193	3.06%	-2.99%
Sales Net	**875,439**	100.00%	788,229	100.00%	11.06%
Cost of Sales	**776,168**	88.66%	658,510	83.54%	17.87%
Gross Profit	**99,271**	11.34%	129,719	16.46%	-23.47%
Operating Expenses	**48,563**	5.55%	50,403	6.39%	-3.65%
Operating Profit	**50,985**	5.82%	79,685	10.11%	-36.02%
Finance Cost	**27,016**	3.08%	15,226	1.93%	77.44%
Net Profit before Tax	**23,968**	2.74%	15,226	8.18%	-62.82%
Taxation	**5,994**	0.68%	14,391	1.82%	-58.35%
Net Profit after Tax	**17,975**	2.05%	50,068	6.35%	-64.10%
Earning Per Share	**2.25**		8.34		

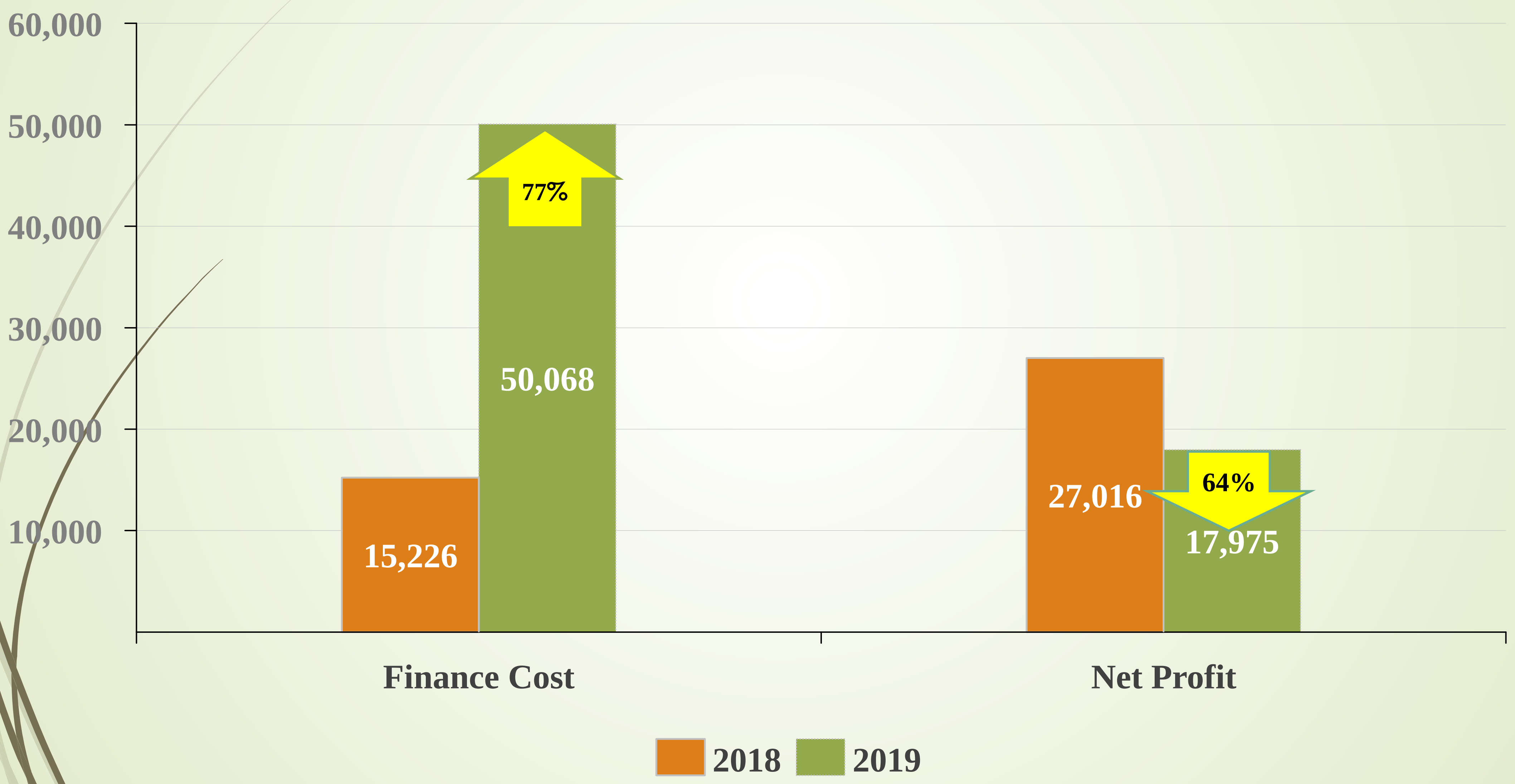
Turnover and COGS (PKR- '000)



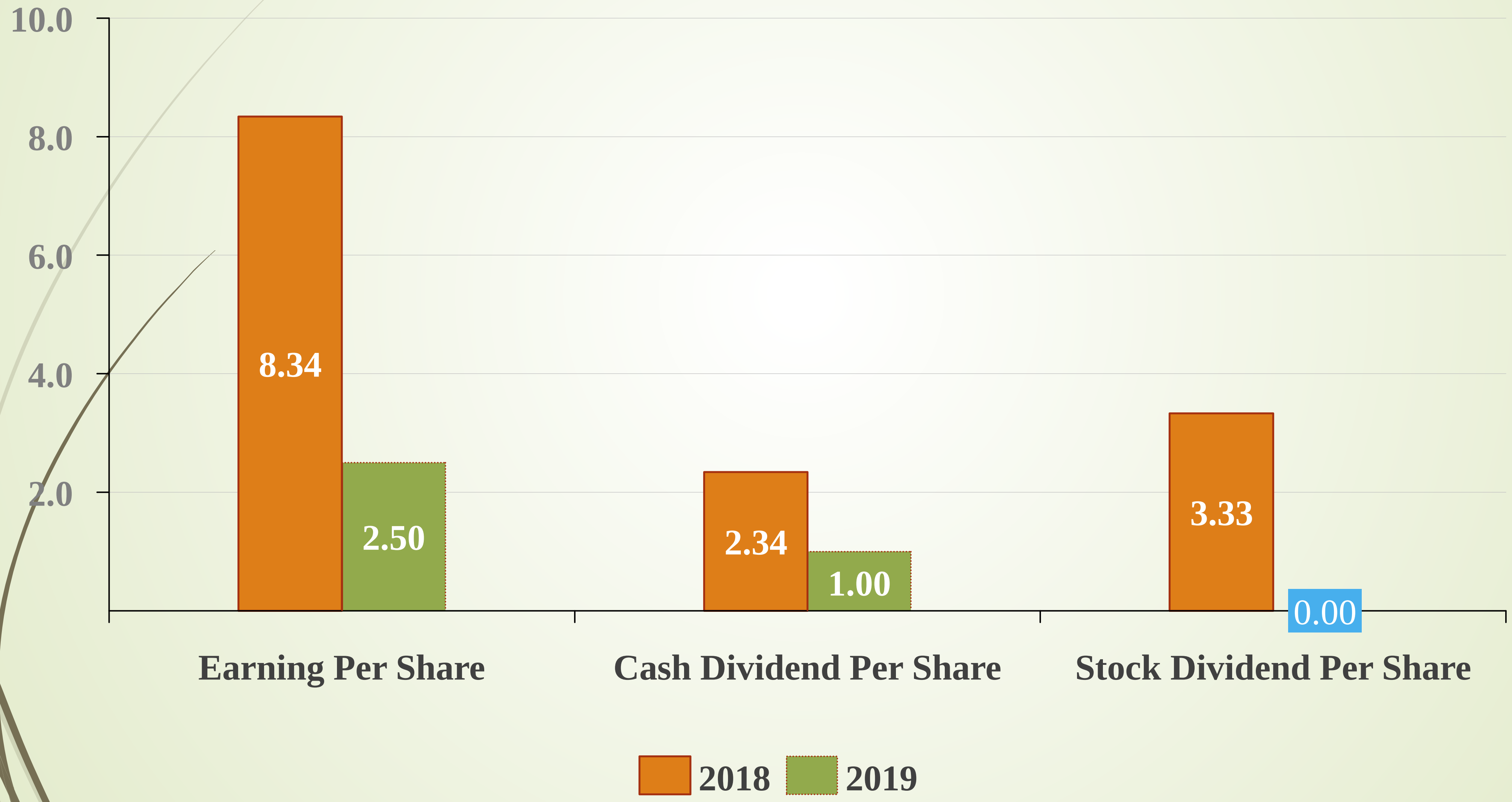
Gross Profit and Operating Profit (PKR- '000)



Finance Cost and Net Profit (PKR- '000)



Earning and Dividend (Rs./ Share)



Future Outlook

Pakistan Paper Products Limited

Future Outlook

- Company is operating at its maximum capacity while the demand for our products is steadily growing.

- Exercise Books Segment has seen consistent growth in the last few years especially since we were given the Sales Tax Zero rating status as that allowed us to compete with the undocumented sector on an even footing. However, the recent decision of provincial government to change the start of school season to July instead of April has far reaching impacts on our future orders and working capital management with which we will have to deal with this year. The full effect of this will be seen next year as many schools this year did not change their starting month due to the sudden and abrupt announcement by the government. Furthermore, the condition of CNIC by the government for purchases also make the future of this segment very healthy for us, as many producers in the undocumented sector have closed shops and disappeared.

- The segment of Sensitized Paper is a dying product line due to the fact that it is a very old technology. Raw Material for this product like paper and chemicals are becoming very difficult to procure as only a handful of paper mills all over the world produce this paper and for the chemicals also there is one supplier in the USA which is presently bankrupt. Plotter paper is the alternative to Sensitized paper and we import it and sell it but for us it is a commodity trading item.

Future Outlook

- The self-adhesive label industry in Pakistan is still in a very nascent stage and will continue to show solid growth in the future also. That is the main reason that in spite of such economic slowdown in the country, Pro Labels continued to enjoy healthy growth. So we have plans for investing in one more machine during this year as we expect some stability in the short to medium term and reduction in interest rates to benefit our plan for addition of machine. The discussion on the procurement of machine is going on internally and once decided the expansion of this segment with the addition of one more printing machine to further optimize our production of Pro Labels and increase our sales due to rising demand for the product., we will inform our shareholders instantly.

- Rupee depreciation, rising interest rates, and inflationary conditions are the major challenges that impact our cost of production

Question & Answers Session

Thanks