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

Pakistan Paper Products Limited

Corporate Briefing Session For the Year Ended June 30, 2020

November 19,2020
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 2020 vs. FY 2019
- 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.

2020
- 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

Self Adhesive Labels

Exercise Books

Ammonia Sensitized Papers

Photocopy paper & Plotter Paper

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.

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 machine installed in May 2020. From a very humble beginning of one 3 color machine in 1997, we have now expanded to one 6 color machine, four 8 color machines and one 10 color machine. 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

Unilever

TOTAL | PARCO

Reckitt Benckiser

ICI PAKISTAN LTD.

Atlas Honda

Getz pharma

Dabur
Asian Consumer Care (Pvt.) Ltd.

THE EDUCATORS
Commitment, Quality Dedication

THE CITIZENS FOUNDATION

HIGHNOON LABORATORIES LIMITED

Chevron Lubricants

Castrol

RafhanMaize PRODUCTS CO LTD

engro

Generation's School

TAPAL

Shell Pakistan

NESPAK
NATIONAL ENGINEERING SERVICES PAKISTAN

PAKISTAN ORDNANCE FACTORIES

PAKISTAN NAVY

CSD
The Caring Store

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

Ms. Ayesha Fariel Salahuddin
Independent

Mr. Shoaib Ahmed Khan
Non Executive (NIT Nominee)

Pattern of Share holdings as on June 30, 2020

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 spouses and Minor Children	2,884,184	36.05%
4.	Executives	Nil	0%
5.	Individuals	2,689.086	33.61%
6.	Public Sector Companies and Corporation	268,512	3.36%
7.	Banks, DFIS, NBFIS, Insurance Companies, Modarabas Joint Stock Companies, Mutual Funds and Others	621,234	7.77%
	Total	8,000,000	100%

Historical Financial Performance

Pakistan Paper Products Limited

OPERATING HIGHLIGHTS

Rupees in Thousands (‘000)

HISTORICAL TREDNDS	2020	2019	2018	2017	2016	2015
Trading results						
Turnover	1,021,263	969,478	868,871	724,393	676,554	631,584
Sales -Net	913,310	875,439	788,229	659,935	613,672	576,333
Gross Profit	96,911	99,271	129,719	124,258	125,342	116,911
Profit before Tax	21,616	23,968	64,459	73,059	62,572	73,455
Taxation	6,045	5,994	14,391	12,227	24,206	16,276
Profit after Tax	15,570	17,975	50,068	60,832	38,365	57,177
Dividend						
Cash Dividend	12.5%	10%	25%	55%	30%	40%
Stock Dividend	-	-	33.33%	-	-	-
Cash Dividend Value	10,000	8,000	15,000	33,000	18,000	24,000
Stock Dividend Value	-	-	20,000	-	-	-
Dividend Payout	64.22%	44.51%	69.90%	54.24%	46.92%	41.97%

OPERATING HIGHLIGHTS

Rupees in Thousands (‘000)

HISTORICAL TREDNDS	2020	2019	2018	2017	2016	2015
Financial Position						
Total Assets	1,376,352	1,234,181	870,670	843,795	723,186	723,766
Paid up Capital	80,000	80,000	60,000	60,000	60,000	60,000
Reserves (including Capital reserves from FY-2017)	955,050	947,258	634,269	597,018	284,545	262,820
Working Capital	207,876	247,273	247,727	223,235	225,123	188,694
Current Ratio	1.61	2.22	2.93	3.03	3.77	3.39

OPERATING HIGHLIGHTS

KEY INDICATORS	2020	2019	2018	2017	2016	2015
Operating						
Gross Profit	10.61%	11.34%	16.46%	18.83%	20.42%	20.29%
Profit before Tax	2.37%	2.74%	8.18%	11.07%	10.20%	12.75%
Profit after Tax	1.70%	2.05%	6.35%	9.22%	6.25%	9.92%
Return on Equity	1.50%	1.75%	7.21%	9.26%	11.13%	17.71%
Return on Assets	1.13%	1.46%	5.75%	7.21%	5.30%	7.90%
Valuation						
Earning per share (pre tax)	2.70	3.00	10.74	12.18	10.43	12.24
Earning per share (post tax)	1.95	2.25	8.34	10.14	6.39	9.53
Breakup value per share	129.38	128.41	115.71	109.50	57.42	53.80
Asset Utilization						
Inventory turnover ratio	3.96	4.62	4.48	4.21	4.33	4.57
Total assets turnover ratio	0.66	0.71	0.91	0.78	0.85	0.80

OPERATING HIGHLIGHTS

KEY INDICATORS	2020	2019	2018	2017	2016	2015
Turnover Ratios in Days						
Inventory Turnover Days	90	77	79	85	82	78
Receivable Turnover Days	78	63	57	63	62	58
Payable Turnover Days	54	34	31	35	21	18
Operating Cycle Days (Net)	**114**	**106**	**106**	**112**	**123**	**118**

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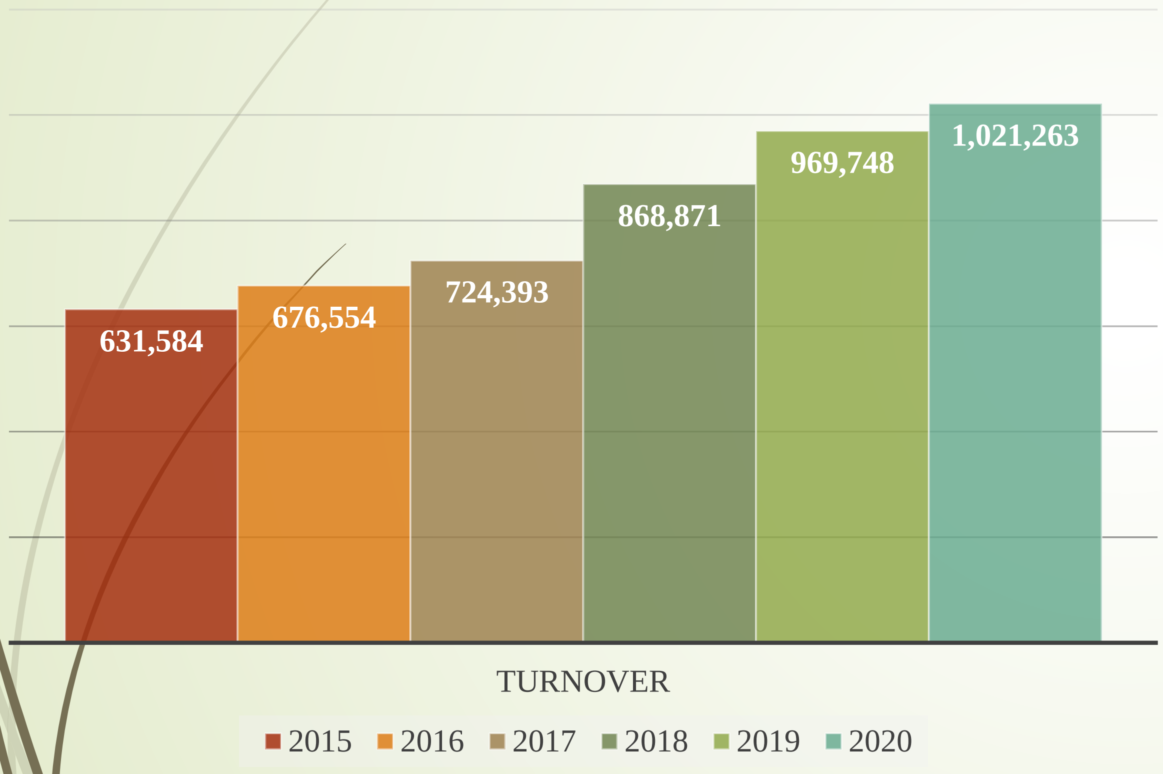
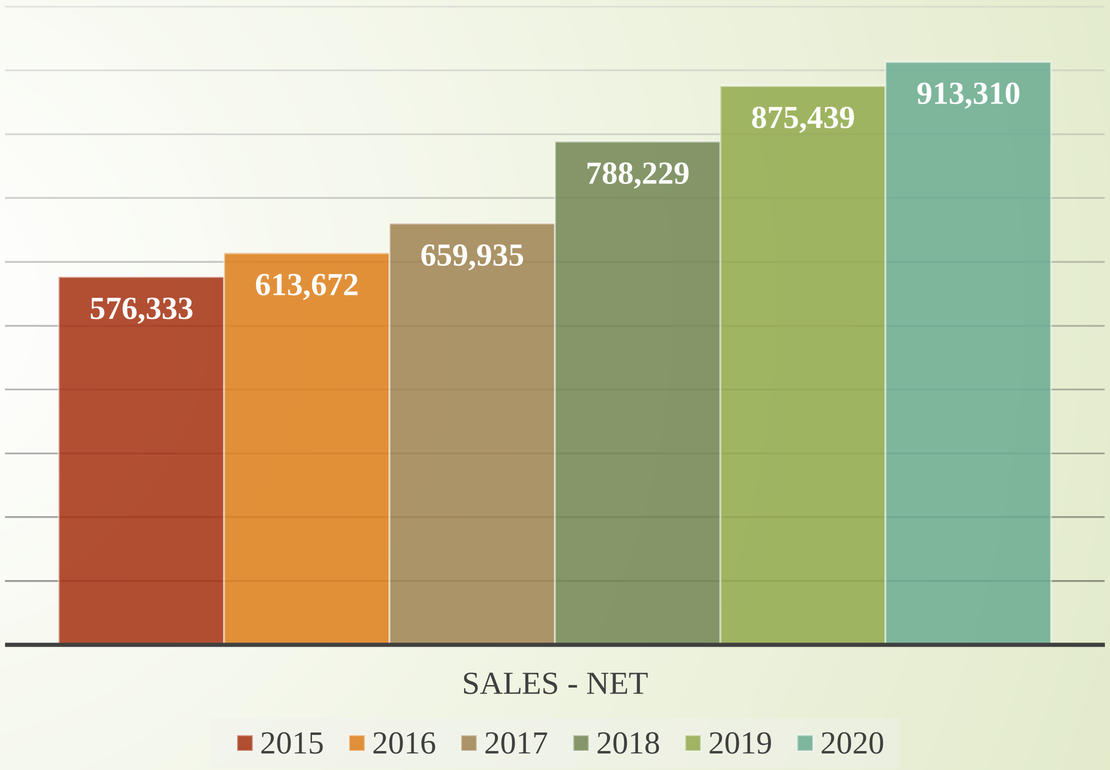
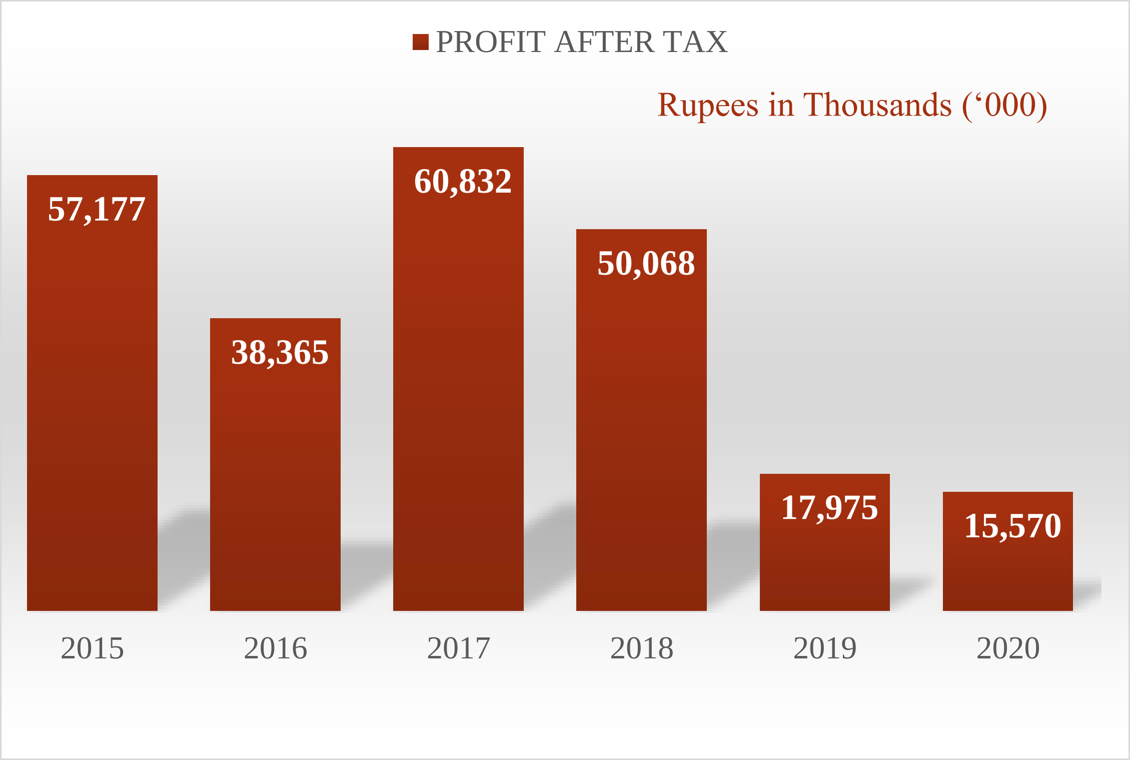
TURNOVER & SALES - NET

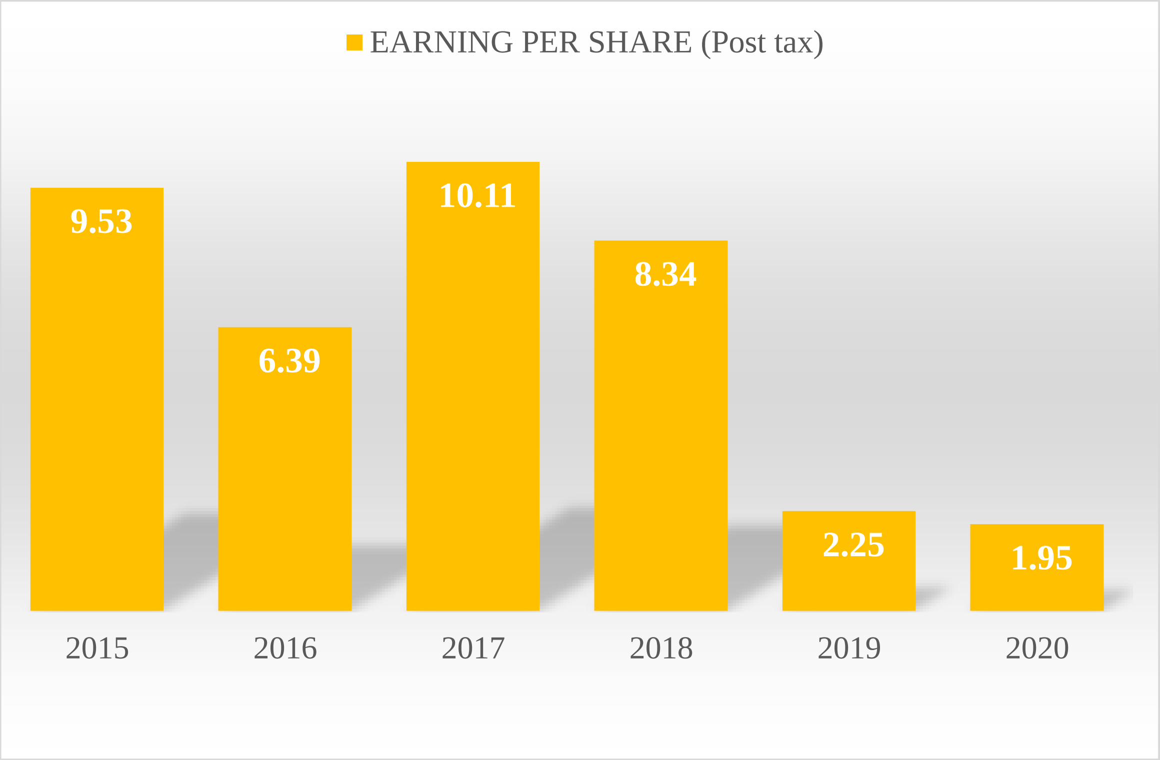
Rupees in Thousands (‘000)



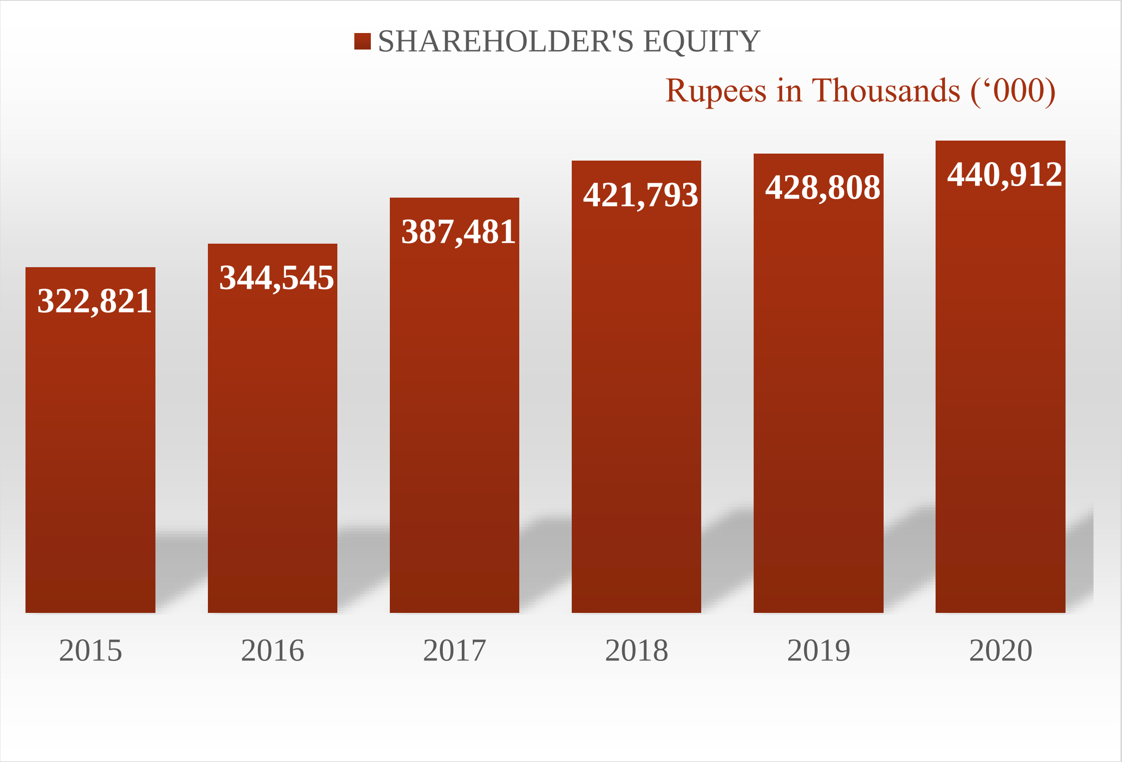


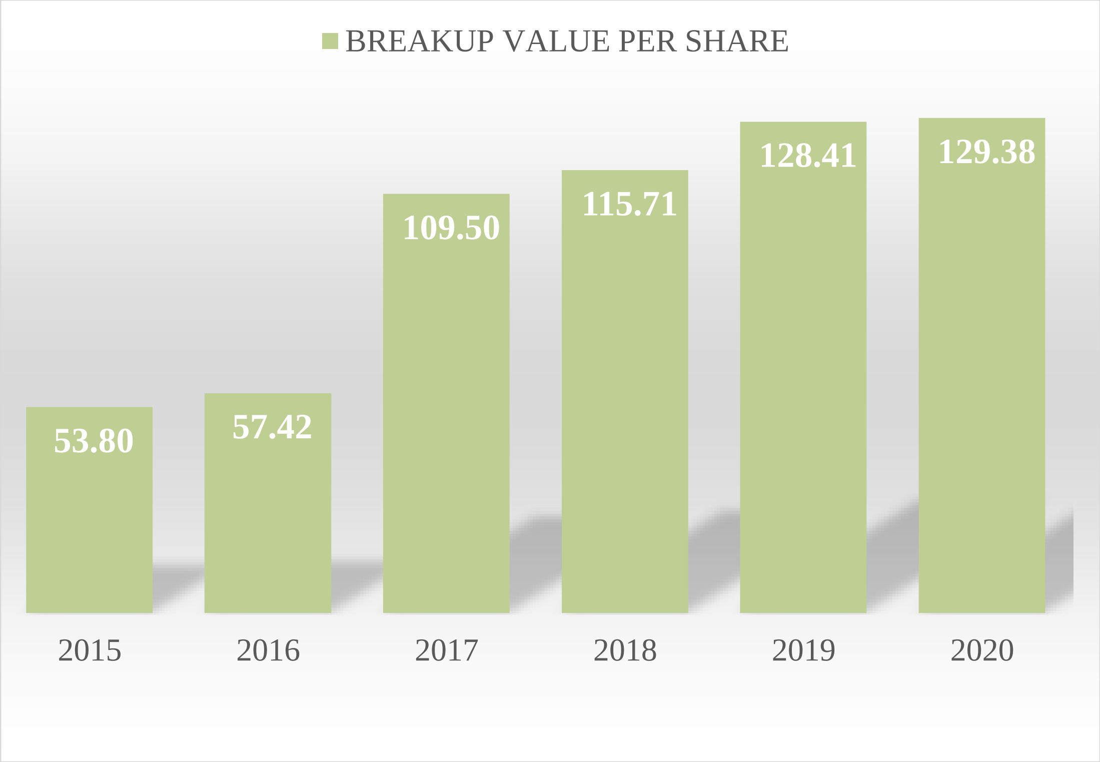
PROFIT AFTER TAX & EARNING PER SHARE (Post tax)





SHAREHOLDER’S EQUITY & BREAKUP VALUE PER SHARE





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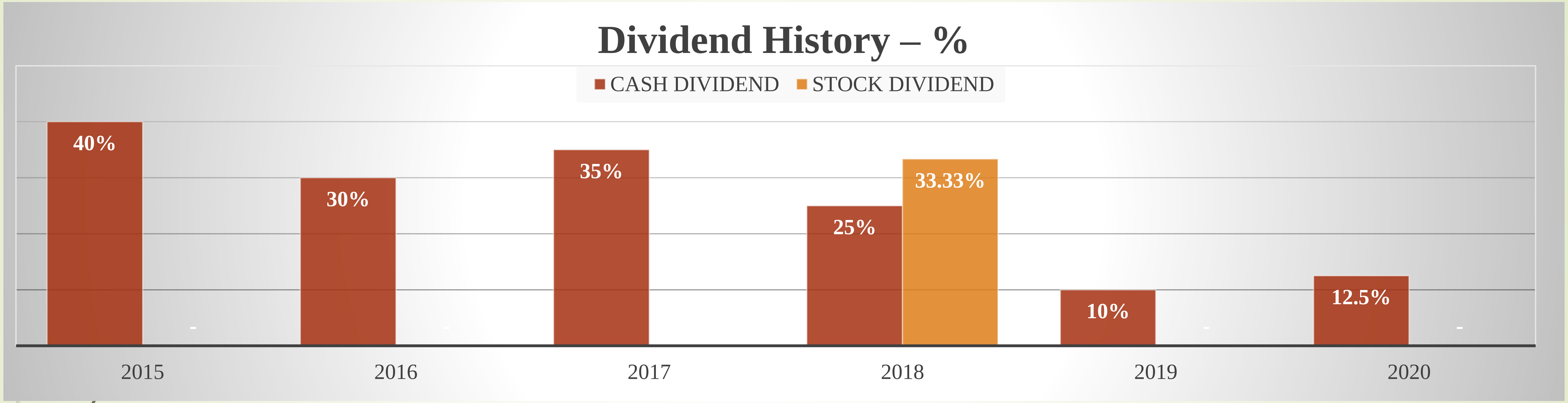
DIVIDENDS



HISTORICAL TREDNDS	2020	2019	2018	2017	2016	2015
Cash Dividend	12.5%	10%	25%	55%	30%	40%
Stock Dividend	-	-	33.33%	-	-	-
Cash Dividend Value (‘000)	10,000	8,000	15,000	33,000	18,000	24,000
Stock Dividend Value(‘000)	-	-	20,000	-	-	-
Dividend Payout	64.22%	44.51%	69.90%	54.24%	46.92%	41.97%

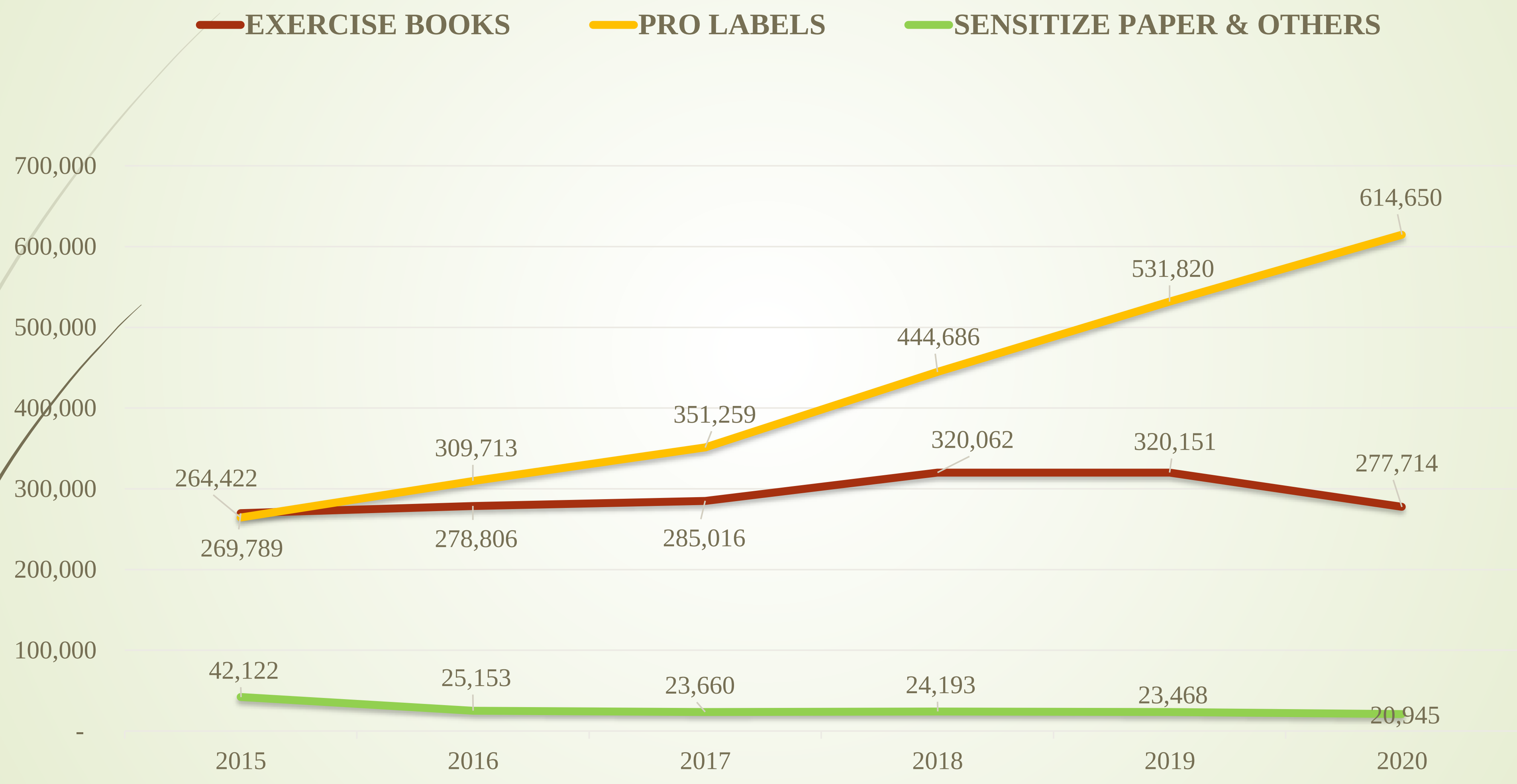
CAPACITY & PRODUCTION - Segment wise

Segments	Units	Capacity/ Production	2020	2019	2018	2017	2016	2015
Exercise Books	Groose	Capacity	58,632	58,632	58,632	58,632	58,632	58,632
		Production	50,466	55,708	57,990	56,176	66,390	66,542
Pro Labels	Sq. Mtr.	Capacity	3,500,000	3,000,000	3,000,000	2,750,000	2000,000	2000,000
		Production	5,421,736	5,276,473	5,104,755	4,336,380	3,482,032	2,944,592
Ammonia Paper	Rolls	Capacity	216,000	216,000	216,000	216,000	216,000	216,000
		Production	17,093	26,939	32,461	33,187	36,856	56,486

Note: The Capacity is determined on single shift basis.

SEGMENT WISE SALES – NET

Rupees in Thousands (‘000)



Financial Results (FY2020 vs FY2019)

Pakistan Paper Products Limited

Key Financial Data

Rupees in Thousands (‘000)

	2020	% to Sales	2019	% to sales	Change %
Turnover	**1,021,263**		969,748		5.31%
Exercise Books	**277,714**	30.41%	320,151	36.57%	-13.26%
Pro-Labels	**614,650**	67.30%	531,820	60.75%	15.57%
Sensitized & Others	**20,946**	2.29%	23,468	2.68%	-9.76%
Sales Net	**913,310**	100.00%	875,439	100.00%	4.33%
Cost of Sales	**816,398**	89.39%	776,168	88.66%	5.18%
Gross Profit	**96,911**	10.61%	99,271	11.34%	-2.38%
Operating Expenses	**52,630**	5.76%	48,563	5.55%	8.37%
Operating Profit	**44,441**	4.87%	50,985	5.82%	-12.83%
Finance Cost	**22,825**	2.50%	27,016	3.08%	-15.51%
Net Profit before Tax	**21,616**	2.37%	23,968	2.74%	-9.82%
Taxation - Net	**6,045**	0.66%	5,994	0.68%	0.86%
Net Profit after Tax	**15,570**	1.70%	17,975	2.05%	-13.38%
Earning Per Share	**1.95**		2.25		

Operating Performance

- This was another very tough year for the company. We were expecting a good turnaround and revival from the difficult and tough economic situation that we faced last year and we were going well with this plan until the third quarter when the country went into lockdown due to Covid-19.While the Pro Labels business did not suffer at all but the Exercise Books Business hit a complete wall with sales plummeting due to shut down of all educational institutions in Pakistan. This hurt us severely in terms of sale and high buildup of inventory which could not be sold. You will be pleased to known that your company did not shutdown for even one single day during the lockdown as we were declared ‘supplier of essential services’ allowing us to continue production. We took maximum safety precautions for the safety of our staff and workers and I owe a huge gratitude to the workers who showed up for work every day in spite of major hindrances. The staff worked on a rotation basis but the workers continued to work on regular single shift 6 days a week. This was essential for Pro Labels especially as the demand for home care and pharmaceutical labels increased exponentially during this period but we were still restrained as we could only run a single shift. There was a lot of support from State Bank of Pakistan in terms of providing to avail this cheaper financing for salaries and we were also able to finance our new Pro Labels Machine under this Temporary Economic Refinance facility (TERF). Therefore, in many ways I see this last year as a case of glass half full rather than half empty. The Covid-19 situation provided us with great challenges and I feel that we tackled them very well and have come out stronger in many ways. The turnover of the company hit the coveted Rs. 1 Billion mark for the first time in our history as Turnover was recorded at Rs. 1.02 Billion compared to 969.75 million last year which is an increase of 5.31%.

Operating Performance

- This increase in sales was primarily driven by another robust performance of Pro Labels section which enjoyed a healthy rise of 15.57% increase in sales. The brisk demand continued to outpace our capacity and we were push our production to maximum limits in spite of the severe challenges of Covid-19 in the last quarter. Our capacity expansion project also continued as plans with the new machine arriving end of April 2020. The foreign engineers declined to come to Pakistan to install the machine so we hired a local team which under their guidance installed the machine and we started trial production in May and June the machine was fully operational. This has enhanced our capacity by 500,000 sqm to 3.5 million sqm on a single shift basis. In spite of this expansion we are continuing to face capacity pressures and back log of orders is growing. This is due to the very nascent stage in this line of packaging and it will continue to grow at a very high rate in the future years. Our company continues to be the leader and we have maintained our position as the largest producer of self –adhesive labels in roll form in Pakistan.

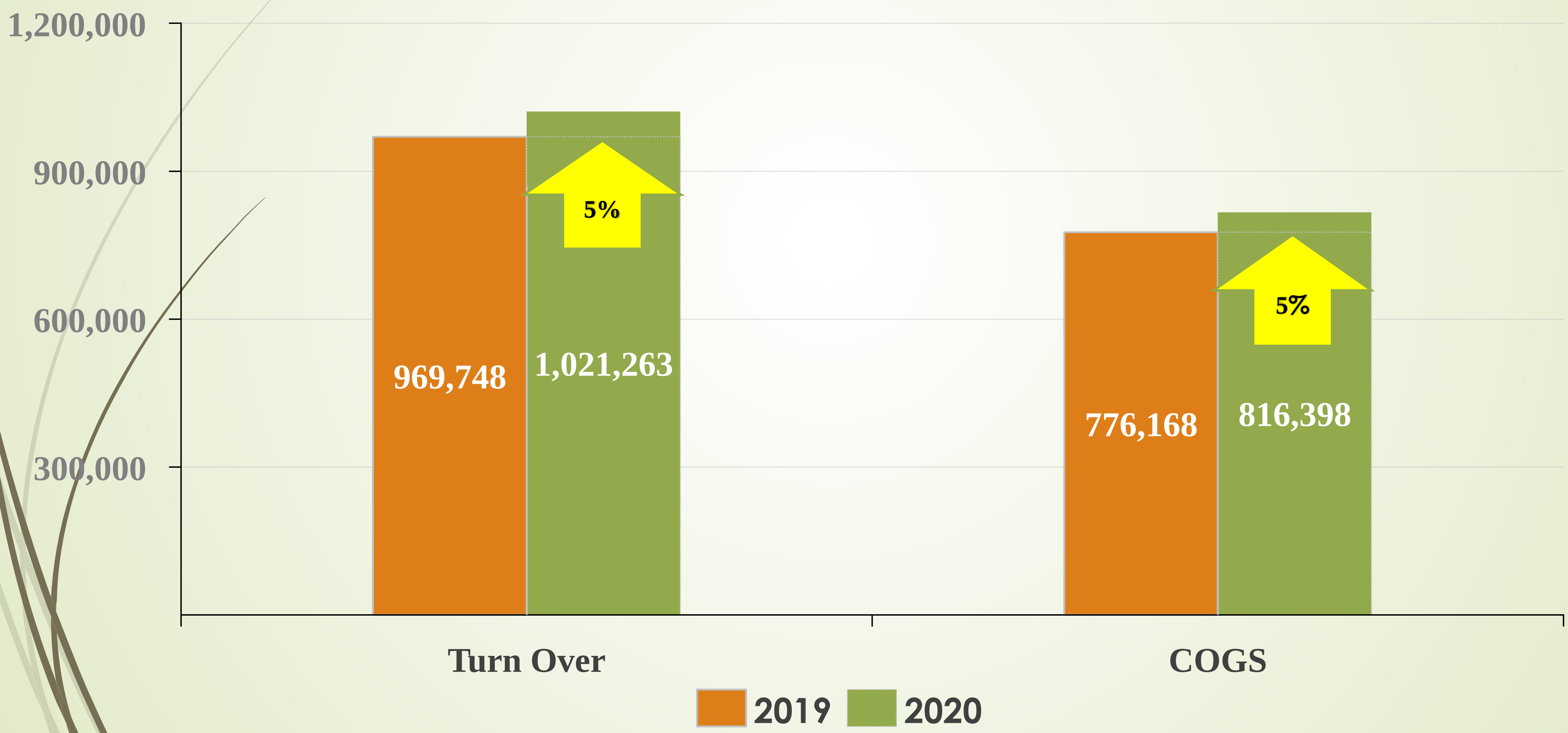
Operating Performance

- Exercise Books had a very difficult year with sales falling by 13.26% and GP and NP Margins eroding to 8.14% and -1.14% for this segment. We had started off the year on a very promising note with record high sales to July-August 2019 due to the change of school season to August from March. This year after going back and forth the Sind government finally decided to revert to the old school season starting from March but before this could be implemented Covid 19 struck the country closing all schools from the start of March and they have not opened since. We had managed to book some institutional orders in the first half of the season which we managed to produce and sell but these are traditionally low margin orders which is normal course and they get offset by the high margin institutional orders and open market sales that we manage to during the regular school season. The latter high margin sales never materialized and we were also stuck with high inventory leading to a major loss in this segment. Fortunately, this loss was fully compensated by the profit in Pro Labels but of course dragged down the profitability of the company as a whole.

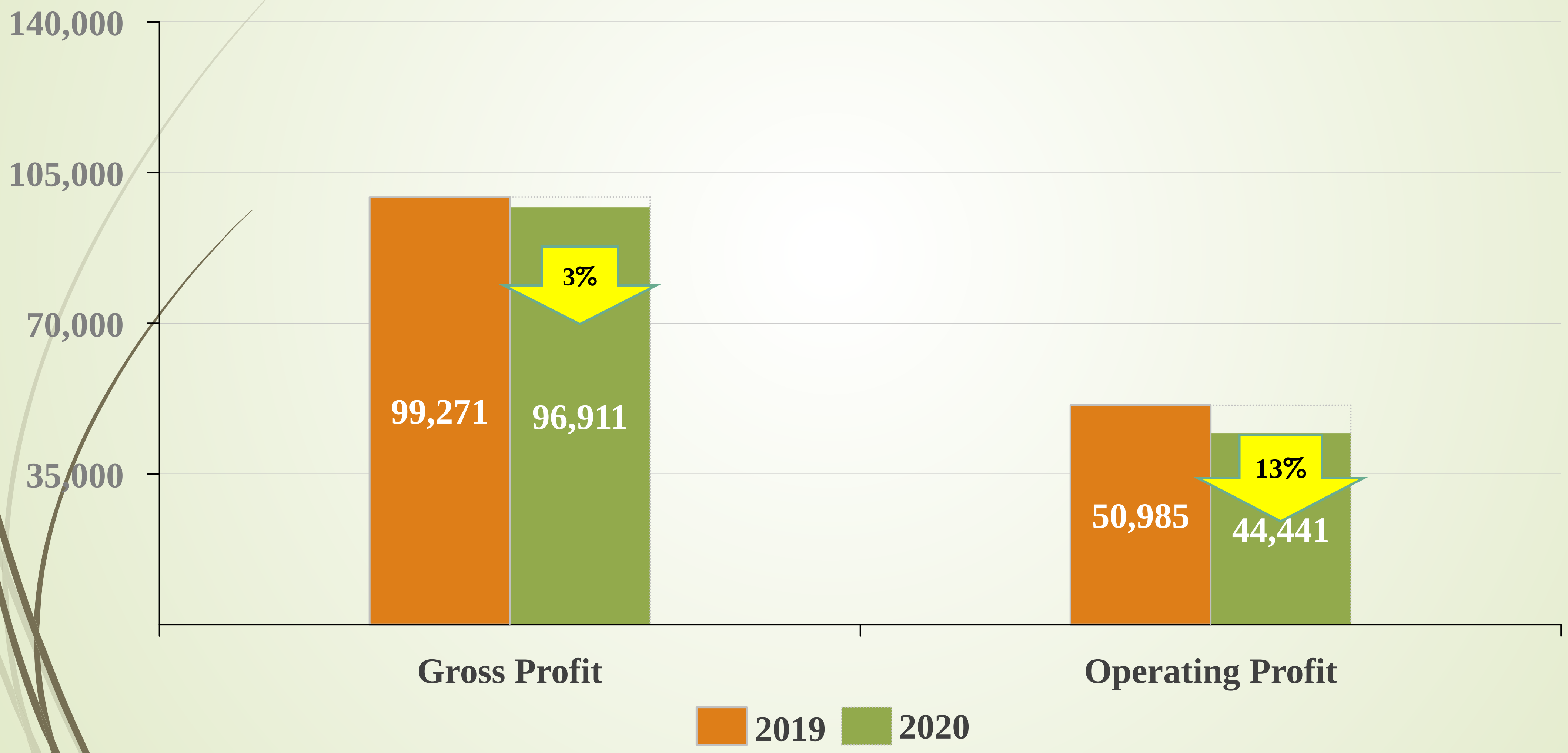
Operating Performance

- Sensitized paper had another disappointing year with sales falling by 17.19% which was partly due to fall in demand and partly due to the shortage of raw material, i.e. base paper which is becoming very difficult to procure as only a handful of paper mills all over the world to produce this paper as it is a completely dying product line. In fact, Pakistan is one of the few countries left in the world where this product is still being used because as per law all government organizations require all official drawings in blue print paper. Very soon we will probably have to shutdown this line completely as procuring raw material for this line is becoming a major challenge due to lack of suppliers.
- Plotter paper sales fell by 3.99% due to lower market demand and we increased our prices. This is the alternative to Sensitized paper and for us it is a commodity trading item as we cannot do any value addition to it other than slitting jumbo rolls into smaller rolls which can run on the plotter machines.

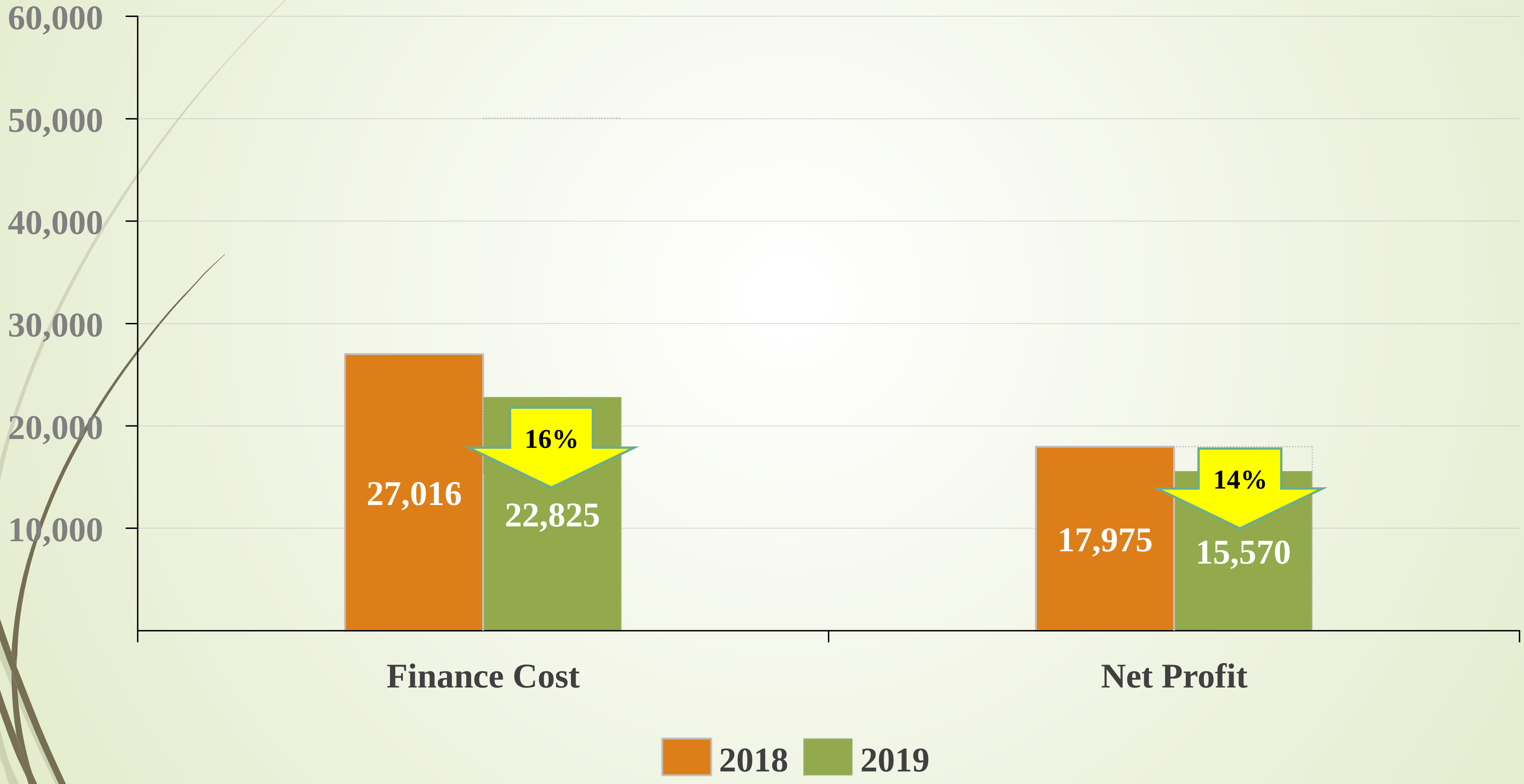
Turnover and COGS (PKR- ‘000)



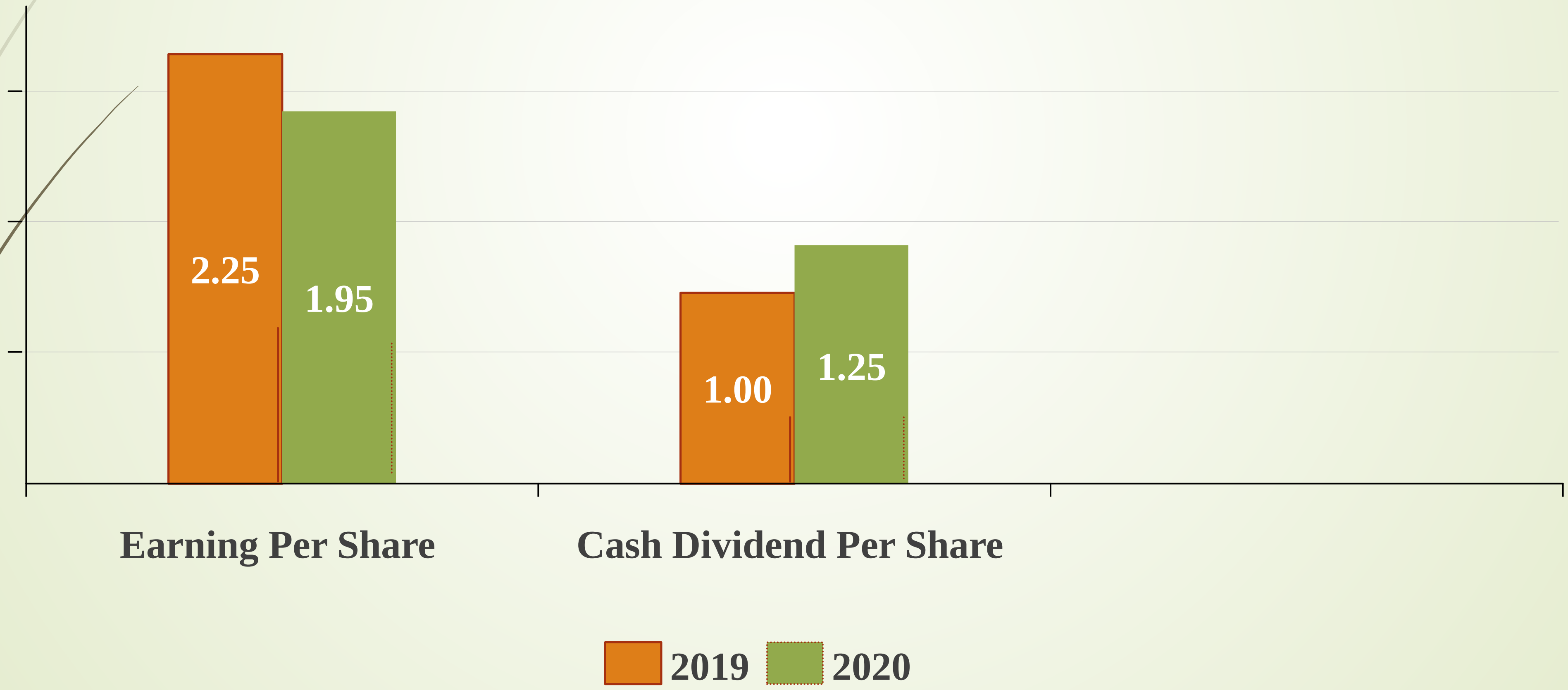
Gross Profit and Operating Profit (PKR- '000)



Finance Cost and Net Profit (PKR- '000)



Earning and Dividend (Rs./ Share)



Future Outlook

Pakistan Paper Products Limited

Future Outlook

- Company is operating at optimum 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. Covid 19 has dealt a heavy blow to this segment due to closure of schools which impacted sales severely. The recent opening of sales gave us some respite and we managed to sell all our inventory and in addition we had good stock of paper so that allowed us to cater to the unusually heavy and pent up demand. Future outlook remains uncertain in the near future due to schools being affected by Covid.

- 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. We have already expanded with an additional new machine last year and Mashallah that machine is already full also. We are keenly watching the market and if required we will continue to invest in this sector.

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

Question & Answers Session

Thanks