

Pakistan Papersack Corporation Limited

DIRECTORS' REVIEW

The Directors are pleased to present to the shareholders, the un-audited financial statements of the company for the nine months and quarter ended March 31, 2005.

During the period under review the operating results as compared to the corresponding period last year remained as follows:

	<u>For the nine months</u>		<u>For the Quarter</u>	
	July 04 -Mar 05	July 03 -Mar 04	Jan.-Mar. 2005	Jan.-Mar. 2004
	Rs. in '000'			
Sales	638,929	604,530	219,787	207,625
Operating profit	53,748	53,306	7,491	15,139
Profit before taxation	47,395	47,888	5,749	13,132

The company's sales during the period under review have increased by 5.69% while the profit before taxation of the company has shown slight deterioration by 1.03% as compared to last year.

STEPPED END DIVISION

Sales have shown a decline of 9.24% during the period under review from Rs. 255.845 million last year to Rs.232.200 million in the current year primarily due to decrease in selling prices because of intense competition from other Papersack suppliers. Cost of sales has shown decrease by 6.87% from Rs. 199.981 million to Rs. 186.246 million. This has resulted in deterioration in gross profit ratio from 21.84% to 19.79% and decline of 17.74% in gross profit value being Rs. 45.954 million during the period as compared to Rs. 55.864 million during the same period last year.

Segment result has shown a large decline of 57.32% being Rs. 11.487 million during the period from Rs. 26.912 million last year. The decrease is due to decline in selling prices and resulting reduced contribution margin.

During the period 720,000 bags were exported as compared to 360,000 bags during the corresponding period last year showing an increase of 100%.

Future Out look

The continued high prices of Sack Kraft paper our primary raw material and high rate of import duty of 15% is putting pressure on the profitability of the company. The company's management has been making strenuous efforts to have the duty structure rationalized and if such rationalization is made in the budget as expected, the profitability of the company should improve. Selling prices are also expected to increase in the future in line with increasing trend in paper prices in international markets which should give some breathing space to the industry.

BALUCHISTAN LAMINATES DIVISION

The Baluchistan Laminates Division achieved a net sales of Rs.406.729 million during the nine months ended March 31, 2005 as compared to Rs.348.685 million for the corresponding period last year, an increase of 16.7%, which is mainly due to increase in sales volume. For the same reason cost of sales increased by 12.8% from Rs.314.048 million to Rs.354.156 million. The segment result improved significantly from Rs. 7.690 million to Rs.20.586 million as a result of increase in sales of high margin products and increased volume of sales.

EXPORT:

During the period export increased to Rs. 51.898 million from Rs. 40.408 million as compared to corresponding period of last year.

FUTURE OUTLOOK:

To overcome shortage of local chipboard, management has booked sufficient quantity of imported chipboards. Result of the remaining period depends on external factors such as price of Phenol Crystal and other inputs in international market.

MERGER

The detailed scheme of the proposed merger of the Company and Khyber Papers (Private) Ltd with Thal Limited is in process.

On behalf of the
Board of Directors

S. Z. Kazmi
Chief Executive

Karachi: April 14, 2005