

# Pakistan Papersack Corporation Limited

## DRAFT DIRECTORS' REVIEW

The Directors of your Company are pleased to present to the shareholders, the unaudited financial statements of the Company for the first quarters ended September, 2005.

During the quarter under review the operating results as compared to the first quarter last year remained as follows:

	<b>For the first quarter July – Sept. 2005</b>	<b>For the first quarter July – Sept. 2004</b>
Sales	266,082	206,440
Operating Profit	15,810	14,556
Profit before taxation	14,021	12,939

The Company's total sales during the period under review have increased by 29%. The operating profit increased by 8.6% & profit before tax increased by 8.4% over the last quarter.

## PAPERSACK OPERATIONS

During the year under review sales have increased by 65% to Rs. 116.320 million from Rs.70.645 million in the current period primarily due to volume growth but prices of papersacks remained under severe pressure. Gross profit has decreased to Rs.17.085 million from Rs.18.290 million due to increased cost of raw materials. Operating profit has decreased to Rs.5.398 million from Rs.7.871 million from the last corresponding period. The operating profit has come under considerable pressure, mainly due to increasing raw material prices and unfavorable duty structure, coupled with tough competition amongst the local papersack & woven polypropylene (WPP) sack manufacturers.

## FUTURE OUTLOOK

Although the economic growth in the country continues to fuel the demand for cement and other construction materials; the benefits of this growth have not been passed onto the local papersack industry. With the increase in international paper prices, coupled with the anomaly in the duty structure, continuing pressure on the local papersack prices and increasing competition, we expect the coming period to bring many challenges. However, your management is hopeful that the trickle down effect of strong economic growth will materialize and yield positive results for the Company.

## LAMINATES OPERATIONS

The first quarter has started on a positive note whereby sales increased by 10% during the quarter under review from Rs.135.795 million to Rs.149.762 million as compared to corresponding quarter of last year. This is mainly due to increase in sales volume.

Cost of sales also increased by 10% from Rs.119.529 million to Rs.131.082 million as compared to corresponding period of last year. Cost of raw material increased by 8% which is mainly due to increase in sales volume.

Operating profit increased from Rs.6.257 million to Rs. 10.281 million, an increase of 64%. Increased sale volume of high margin products as well as a trading profit of Rs.3.55 million contributed towards it.

## **FUTURE OUTLOOK**

The management is hopeful that the present trend of market growth will continue. However, the impacts of the upward trend of fuel prices are a matter of concern.

## **PLANS FOR THE MERGER OF THE COMPANY**

The plan for merger of the company, as approved in principle by the Board of Directors, is under process.

**On behalf of the  
Board of Director**

**S. Z. Kazmi**  
Chief Executive

Karachi: October 19, 2005.