

1<sup>ST</sup> QUARTER REPORT

KHYBER TOBACCO  
COMPANY LIMITED



Pursuance of  
Belief



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## CORPORATE INFORMATION

### Board of Directors

Mr. Waseem Ur Rehman	Chief Executive/ Executive Director
Mr. Pir Waris Shah	Non-Executive Director
Mr. Pir Farhan Shah	Executive Director
Mr. Rahat Ullah	Non-Executive Director
Mr. Shafiq Afzal Khan	Non-Executive Director
Mr. Hazrat Bilal	Non-Executive Director
Mr. Khalil Ur Rehman	Non-Executive Director

### Audit Committee

Mr. Shafiq Afzal Khan	Chairman
Mr. Rahat Ullah	Member
Mr. Khalil Ur Rehman	Member

### Human Resource Committee

Mr. Pir Waris Shah	Chairman
Mr. Pir Farhan Shah	Member
Mr. Shafiq Afzal Khan	Member

### Senior Management

Mr. Waseem Ur Rehman	Chief Executive
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### Company Secretary

Mr. Pir Farhan Shah
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### Bankers

National Bank of Pakistan  
MCB Bank Limited  
Askari Bank Limited  
Habib Bank Limited  
Samba Bank Limited

### Share Registrar

CDC Share  
Registrar Services Limited  
CDC House, 99-B, Block B  
S.M.C.H.S., Main Shahreh e Faisal  
Karachi

### External Auditors

Deloitte Yousaf Adil & Co.  
Chartered Accountants

### Registered Office

Khyber Tobacco Company Limited  
Nowshera Road, Mardan  
Telephone: +92-937-844668,844639  
Fax: +92-937-843329

### Internal Auditors

Shahid Ahmad & Co.  
Chartered Accountants

## DIRECTORS' REVIEW

### Dear Members,

The Directors of the Company are pleased to present the condensed Interim Financial Information (unaudited) of the company for the First Quarter ended 30 September 2019.

Key financial indicators for the period under review are as below:

Financial Highlights	Jul-Sep 2019	Jul-Sep 2018
	Rs. in Millions	
Turnover – gross	824.00	231.4
Turnover – net	380.41	86.54
Cost of sales	260.39	(83.44)
Gross profit/(loss)	120.02	3.10
Profit/(loss) before taxation	57.99	(36.49)
Profit/(loss) for the period	46.78	(34.06)
Earnings per share - basic and diluted	9.73	28.34

During the period under review, the company continued its recovery momentum and maintained its market leadership of the legitimate industry. However, the operating environment remained challenging with significant pressure on cost due to accelerated devaluation of Rupee since Dec'17 and two excise increases during the last year. The company earned a Net Profit of Rs. 46.78 Million as compared to a loss of Rs. (34.06) Million in the same period of the last year. Sales revenue net stood at Rs 380.41 Million as compared to Rs 86.54 Million in corresponding period of last year showing growth of 339.57%. Cost of sales increased by 212% due to higher sales and the company has earned a gross profit of 120.02 Million as compared to 3.10 Million of corresponding period of last year. The improvement in profitability is mainly attributable to the fact that the last year the operations have been affected due to the installation of a new line for Primary Production Department (PPD), which was successfully installed and is fully operational and withdrawal of drastic legal changes in the cigarette manufacturing sector. The rate of Federal Excise Duty has decreased by 2900% in the case of tobacco. Now the situation has improved because of increase in tobacco export and local sale of both cigarette and tobacco.

### Future Outlook:

The management is certain that the situation will turn around in the near future. Local cigarette and tobacco sales have improved significantly prior to period end and I am confident that the results of the next quarter will show visible improvement. It is also important to mention that the company does not face any liquidity problems due to the current period loss and does not require any external financing.

### Acknowledgement

The board would like to thank and appreciate its employees, customers and strategic partners for their dedication, commitment and contribution in these challenging times. The board also extends its gratitude to our suppliers, banks and shareholders for their unwavering support and cooperation.

30 October 2019



Rahat Ullah  
Director

On behalf of the Board



Pir Farhan Shah  
Director

میں اضافہ کی وجہ سے اب حالات سازگار ہیں۔

### مستقبل کا نقطہ نظر

انتظامیہ پر امید ہے کہ مستقبل قریب میں حالات یکسر بدل جائیں گے۔ مقامی سگریٹ اور ٹوبیکو سیلز اس مدت کے اختتام سے قبل نمایاں طور پر بہتر ہوئی ہے اور میں پر امید ہوں کہ اگلی سہ ماہی کے نتائج میں نمایاں پیش رفت سامنے آئے گی۔ یہ بیان کرنا اہم ہے کہ کمپنی نے موجود مدت میں نقصان کی وجہ سے کمپنی کو کسی قسم کے لیکویڈٹی خسارہ کا سامنا نہ ہے اور اس بیرونی قرضوں کی ضرورت بھی نہ ہے۔

### اعتراف

بورڈ اس مشکل وقت میں اپنے ملازمین، صارفین اور سٹریٹجک پارٹنرز کے جذبہ، عزم اور کردار کا شکریہ اور حوصلہ افزائی کرتا ہے۔ بورڈ ہمارے سپلائرز، بینکنگ اور شیئر ہولڈرز کی مسلسل حمایت اور تعاون کو بھی قدر کی نگاہ سے دیکھتا ہے۔

منجانب بورڈ



Rahat Ullah  
Director

30 October 2019



Pir Farhan Shah  
Director

معزز اراکین!

کمپنی کے ڈائریکٹرز 30 ستمبر 2019ء کو اختتام پذیر پہلی سہ ماہی کے لئے کمپنی کی متحد عبوری مالیاتی معلومات (غیر پڑتال شدہ) ازراہ مسرت پیش کرتے ہیں۔

زیر جائزہ مدت کے دوران اہم مالیاتی اشاروں کا خلاصہ حسب ذیل ہے:

ملین روپوں میں

مالیاتی جھلکیاں	جولائی-ستمبر 2019ء	جولائی-ستمبر 2018ء
ٹرن اوور-مجموعی	824.12	231.41
ٹرن اوور-خالص	380.14	86.54
سیلز کی لاگت	(260.39)	(83.44)
مجموعی منافع/(نقصان)	120.02	3.10
نفع/(نقصان) علاوہ ٹیکسیشن	57.99	(36.49)
نفع/(نقصان) دوری	46.78	(34.06)
فی حصص آمدنی-بنیادی اور ڈائی لیونڈ	9.73	28.34

زیر جائزہ مدت کے دوران کمپنی نے اپنی بحالی کی رفتار جاری رکھی اور اس صنعت میں اپنا غلبہ برقرار رکھا۔ تاہم، دسمبر 2017ء سے روپے کی قدر میں مسلسل کمی اور ایک سال میں دو ایکسائز اضافوں کی وجہ سے لاگت پر نمایاں دباؤ کے باعث فعالی ماحول مشکلات کا شکار رہا۔ کمپنی نے گذشتہ برس کی اسی مدت میں (34.06) ملین روپے خسارہ کے مقابلہ میں 46.78 ملین روپے کا خالص منافع حاصل کیا۔ گذشتہ برس اسی مدت میں 86.54 ملین روپے خالص سیلز ریونیو کے مقابلہ میں 380.41 ملین روپے رہا جو 339.57 فی صد کی نمایاں نمو ظاہر کرتا ہے۔ زیادہ فروخت کی وجہ سے سیلز کی لاگت میں 212 فی صد اضافہ ہوا اور کمپنی نے گذشتہ برس اسی مدت میں 3.10 ملین روپے مجموعی منافع کے مقابلہ میں رواں برس 120.02 ملین روپے منافع حاصل کیا۔ منافع میں یہ پیش رفت گذشتہ برس نئے پرائمری پروڈکشن ڈیپارٹمنٹ (PPD) کی تنصیب کی وجہ سے کمپنی کے آپریشنز متاثر ہوئے جو کامیابی سے نصب ہو گیا اور کئی طور پر فعال ہے اور سگریٹ کی صنعت میں غیر معمولی قانونی تبدیلیوں کی وجہ سے ہے۔ ٹو بیکو کے لئے 2900 فی صد تک فیڈرل ایکسائز ڈیوٹی میں کمی کی گئی ہے۔ سگریٹ اور ٹو بیکو دونوں کی فروخت





# FINANCIAL STATEMENTS

# CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

AS AT 30 SEPTEMBER 2019

	Un-audited 30 September 2019	Audited 30 June 2019
Note	Rupees	
<b>SHARE CAPITAL AND RESERVES</b>		
Authorised share capital 200,000,000 (30 June 2018: 200,000,000)	<b>200,000,000</b>	200,000,000
<b>SHARE CAPITAL AND RESERVES</b>		
Share Capital	<b>48,073,640</b>	48,073,640
Unappropriated Profit	<b>986,146,572</b>	927,091,669
Revenue Reserve	<b>3,312,465</b>	3,312,465
Revaluation surplus on property, plant and equipment - net of tax	<b>272,239,191</b>	284,514,803
	<b>1,309,771,868</b>	1,262,992,577
<b>NON CURRENT LIABILITIES</b>		
Employee benefits	<b>23,108,908</b>	23,434,868
Deferred tax liability - net	<b>107,109,307</b>	107,875,977
	<b>130,218,215</b>	131,310,845
<b>CURRENT LIABILITIES</b>		
Trade and other payables	<b>1,007,008,787</b>	440,373,858
Unclaimed dividend	<b>31,347,582</b>	31,888,217
Provision for taxation - net	<b>-</b>	-
	<b>1,038,356,369</b>	472,262,075
	<b>2,478,346,452</b>	1,866,565,497

## CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 7 form an integral part of this condensed interim financial information

		<b>Un-audited</b>	Audited
		<b>30 September</b>	30 June
		<b>2019</b>	2019
	<b>Note</b>	<b>Rupees</b>	
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	5	<b>589,081,332</b>	610,790,354
Intangible assets		<b>6,212,042</b>	6,212,042
Long term deposits		<b>4,647,411</b>	4,647,411
		<b>599,940,785</b>	621,649,807
<b>CURRENT ASSETS</b>			
Inventories		<b>1,213,103,416</b>	604,935,796
Trade debts		<b>180,444,341</b>	244,380,880
Advances and prepayments		<b>108,428,859</b>	10,034,396
Advance tax - net		<b>38,366,224</b>	38,257,454
Advance duty and sales tax		<b>102,846,238</b>	69,385,879
Cash and bank balances		<b>235,216,589</b>	277,921,285
		<b>1,878,405,667</b>	1,244,915,689
		<b>2,478,346,452</b>	1,866,565,496



**Director**



**Director**

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)**  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

	Note	Three months ended 30 September	
		2019	2018
		Rupees	
<b>Turnover - net</b>	<b>6</b>	<b>380,408,201</b>	86,540,375
Cost of sales	<b>7</b>	<b>(260,385,771)</b>	(83,453,107)
<b>Gross profit</b>		<b>120,022,430</b>	3,087,268
Administrative expenses		<b>(34,932,491)</b>	(38,902,109)
Other operating expenses		<b>(2,962,369)</b>	-
Distribution cost		<b>(20,855,153)</b>	(552,643)
Finance cost		<b>(3,279,955)</b>	(132,153)
Other operating income		-	-
<b>Profit (Loss) before taxation</b>		<b>57,992,462</b>	(36,499,637)
Taxation		<b>(11,213,171)</b>	2,430,693
<b>Profit (Loss) for the period</b>		<b>46,779,291</b>	(34,068,944)
Earnings (Loss) per share - basic and diluted		<b>9.73</b>	(28.35)

The annexed notes 1 to 7 form an integral part of this condensed interim financial information



**Director**



**Director**

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

	<b>Three months ended</b>	
	<b>30 September</b>	
	<b>2019</b>	<b>2018</b>
	<b>Rupees</b>	
Profit for the period	<b>46,779,291</b>	74,122,956
Other comprehensive income for the period	-	-
<b>Total comprehensive income for the period</b>	<b>46,779,291</b>	<b>74,122,956</b>

The annexed notes 1 to 7 form an integral part of this condensed interim financial information



**Director**



**Director**

# CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

## FOR THE PERIOD ENDED 30 SEPTEMBER 2019

	Rupees			Total	
	Share capital	Capital Reserve	Revenue reserves		
	Revaluation surplus on property, plant and equipment - net of tax	General reserve	Unappropriated profit		
<b>Balance at 01 July 2018</b>	48,073,640	325,910,651	3,312,465	966,611,939	1,343,908,695
<i>Changes in equity for the period ended 30 September 2017</i>					
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	(34,068,944)	(34,068,944)
Transfer from surplus on revaluation of property, plant and equipment - net of tax	-	-	-	8,069,754	8,069,754
<b>Total comprehensive income for the period</b>	-	-	-	(25,999,190)	(25,999,190)
<b>Balance at 30 September 2018</b>	48,073,640	325,910,651	3,312,465	940,612,749	1,317,909,505
<b>Balance at 01 July 2019</b>	<b>48,073,640</b>	<b>284,514,803</b>	<b>3,312,465</b>	<b>927,091,669</b>	<b>1,262,992,577</b>
<i>Changes in equity for the period ended 30 September 2018</i>					
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	46,779,291	46,779,291
Transfer from surplus on revaluation of property, plant and equipment - net of tax	-	(12,275,612)	-	12,275,612	-
<b>Total comprehensive income for the period</b>	-	(12,275,612)	-	59,054,903	46,779,291
<b>Total transactions with owners, recorded directly in equity</b>	-	-	-	-	-
<b>Balance at 30 September 2019</b>	<b>48,073,640</b>	<b>272,239,191</b>	<b>3,312,465</b>	<b>986,146,572</b>	<b>1,309,771,868</b>

The annexed notes 1 to 7 form an integral part of this condensed interim financial information



**Director**



**Director**

# CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

## FOR THE PERIOD ENDED 30 SEPTEMBER 2019

	Three months ended 30 September	
	2019	2018
	Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	57,992,462	(36,499,637)
<b>Adjustments for:</b>		
Depreciation	21,870,947	19,683,104
Amortization	-	225,557
Provision for staff retirement benefits	-	272,247
Finance cost	3,279,955	132,153
	25,150,902	20,313,061
	83,143,364	(16,186,576)
<b>Changes in:</b>		
Long term deposits	-	(90,000)
Stock in trade	(608,167,620)	(367,951,051)
Trade debts - considered good	63,936,539	96,111,842
Advance duty and sales tax	(98,503,233)	86,827,822
Advances to suppliers		(46,801,096)
Trade and other payables	566,634,930	233,161,034
	(76,099,384)	1,258,551
<b>Cash generated from operations</b>	7,043,980	(14,928,025)
Income tax paid	(47,023,833)	(26,224,330)
Finance cost paid	(472,679)	(132,153)
Gratuity paid	(1,549,604)	
Dividend paid	(540,635)	(1,426,067)
<b>Net cash generated from operating activities</b>	(42,542,771)	(42,710,575)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(161,925)	(456,633)
Addition to Intangible Assets	-	-
<b>Net cash used in investing activities</b>	(161,925)	(456,633)
<b>Net increase (decrease) in cash and cash equivalents</b>	(42,704,696)	(43,167,208)
<b>Cash and cash equivalents at beginning of the period</b>	277,921,285	77,042,866
<b>Cash and cash equivalents at end of the period</b>	235,216,589	33,875,658

The annexed notes 1 to 7 form an integral part of this condensed interim financial information



Director



Director

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE PERIOD ENDED 30 SEPTEMBER 2019

## 1. THE COMPANY AND ITS OPERATIONS

Khyber Tobacco Company Limited (" the Company ") is a public limited company incorporated in Pakistan on October 15, 1954 under the Companies Act, 1913 since repealed and replaced by the Companies Ordinance, 1984 and is listed on the Pakistan Stock Exchange formerly the Karachi and Lahore stock exchanges. The Company is engaged in the manufacture and sale of cigarettes and redrying of tobacco. The Company's registered office is situated at Nowshera Road, Mardan.

## 2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

This condensed interim financial information of the Company for the three months period ended 30 September 2019 has been prepared in accordance with approved accounting standards as applicable in Pakistan. The disclosures in this condensed interim financial information do not include those reported for full audited annual financial statements and should therefore be read in conjunction with the audited annual financial statements for the year ended 30 June 2019.

Comparative balance sheet is extracted from the audited annual financial statements as of 30 June 2019, whereas comparative profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity are stated from unaudited condensed interim financial information for the three months months period ended 30 September 2018.

This condensed interim financial information is unaudited and is being submitted to the members as required under Section 237 of the Companies Act, 2017 and the Listing Regulations of the Pakistan Stock Exchange.

## 3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The accounting policies, significant judgements, estimates and assumptions used by the management in preparation of this condensed interim financial information are the same as those applied in preparation of audited annual financial statements for the year ended 30 June 2019.

## 4. CONTINGENCIES AND COMMITMENTS

Contingencies and commitments are the same as disclosed in the annual financial statements for the year ended 30 June 2019.

## 5. PROPERTY, PLANT AND EQUIPMENT

Break up of property, plant and equipment is as follows:

	<b>Un-audited 30 September 2019 Rupees</b>	Audited 30 June 2019 Rupees
Property, plant and equipment	<b>589,081,332</b>	610,790,354
Intangible assets-In Progress	<b>6,212,042</b>	-
	<b>595,293,374</b>	610,790,354



**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

		<b>Three months ended 30 September</b>	
		<b>2019</b>	<b>2018</b>
		<b>Rupees</b>	<b>Rupees</b>
<b>6</b>	<b>TURNOVER - net</b>		
	Gross turnover		
	- Local	<b>618,710,027</b>	231,410,661
	- Export	<b>205,414,821</b>	-
		<b>824,124,848</b>	231,410,661
	Government levies		
	Excise duty	<b>287,308,070</b>	92,839,700
	Sales tax	<b>78,978,096</b>	33,136,586
		<b>366,286,166</b>	125,976,286
	Discounts	<b>77,430,481</b>	(18,894,000)
		<b>380,408,201</b>	86,540,375
<b>7.</b>	<b>Cost of sales</b>		
	Raw and packing material consumed	<b>197,984,500</b>	30,274,283
	Salaries, wages and benefits	<b>18,927,186</b>	9,015,399
	Fuel and power	<b>11,979,175</b>	5,813,198
	Stores and spares consumed	<b>10,677,064</b>	9,633,951
	Repair and maintenance	<b>605,431</b>	1,069,923
	Royalty	<b>777,900</b>	493,480
	Depreciation	<b>17,934,177</b>	15,943,314
	Amortization	-	180,445
	Insurance expense	<b>423,356</b>	346,974
	Cigarette blend test	-	389,760
		<b>259,308,789</b>	73,160,728
	Work in process at 1 July	<b>310,361</b>	-
	Work in process at 30 September	<b>(1,072,676)</b>	-
	<i>Cost of goods manufactured</i>	<b>258,546,474</b>	73,160,728
	Finished stock at 1 July	<b>8,673,572</b>	13,470,844
	Finished stock at 30 September	<b>(6,834,275)</b>	(3,178,465)
		<b>260,385,771</b>	83,453,107
<b>8</b>	<b>DATE OF AUTHORIZATION FOR ISSUE</b>		

This unaudited condensed interim financial information was authorized for issue by the Board of Directors of the Company in their meeting held on October 30, 2019.



**Director**



**Director**





## **Khyber Tobacco Company Limited**

Nowshera Road, Mardan

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Fax: +92-937-843329