

- Devaluation of Pak Rs. during the financial year has +ve impact on exports [both on volume and price];
- Improved production yield;
- Increase in sales volume;
- Economies of scale due to increase in production;
- Better inventory management;
- Hedging the foreign exchange risk on imports during volatility period [till the restrictions are placed on Forward Cover on imports by the State Bank of Pakistan];
- Reduction in international prices of raw materials including oil [particularly petro-chemical related products];

Other factors that have major impact [+ve or -ve] on net profitability :

Factors having -ve Impact on **Net Profit:**

- Impairment loss of Rs. 94.90 million in value of investments of IGI Investment Bank and TRG Pakistan Limited [as indicated above] Increased Financial Charges due to borrowing incurred for various projects & increased working capital requirements;
- FTMM sustained loss due to its initial set-up cost/running costs in the early period of its operations;
- Increase in depreciation due to addition in fixed assets;
- Inflationary pressure in the economy squeezed the margin per unit and your Company strategically opted not to pass-through the inflationary pressure to the end-user;
- Exchange Loss on FE-25 Loan*;
*It was hedged transaction. Import forward on equivalent amount [FE-Loan + interest] of imports in US\$ was taken to restore the natural hedging i.e. export less imports in the same currency. Thus exchange loss on FE Loan was off-set by gain on forward on imports [**improving Gross Profit Margins**] and net gain was considerable reduction in borrowing costs [US\$ interest rate *plus* forward premium was much lower than PKRs. Interest rate].

Factors having +ve Impact on **Net Profit:**

- Share of Profits of Associated Company (i.e. ZIL Limited) is increased due to higher profitability;
- Decrease in WPPF & WWF [due to impairment loss]

