

DIRECTORS' REPORT

The Directors are pleased to present the accounts of the company for the quarter and nine months ended March 31, 2012.

Business Review

Sales for the quarter at Rs. 265.6 million were 13.4% lower compared with the same period last year. Reduction in sales was on account of extended winter during the current year. Since infusion solutions are seasonal products, sales are normally lower during the winter. Sales were also impacted to some extent due to delay in registration of stents. Because of delay in formation of Drug Regulatory Authority, no progress could be made on this front. Sales for the nine months at Rs. 1,117.5 million were 11.3% higher compared with the same period last year. As we are operating at 100% of our capacity since the last few years, sales increases are limited to improvement in sales mix and price increases.

As a result of increase in prices of infusion solutions, Gross Profit % for the quarter ended March 31 improved to 27.7% compared with 21.7% last year. Similarly, Gross profit % for the nine months improved from 23.8% last year to 26.0% during the current year. As a result of improved GP%, Profit before taxation for the quarter increased from Rs. 1.8 million last year to Rs. 4.7 million during the current year. Profit before tax for the nine months also improved from Rs. 33.8 million last year to Rs. 58.9 million during the current year.

Future Outlook

The recently approved price increases for infusion solutions has given some relief to this important segment of the pharmaceutical industry. However, it needs to be kept in mind that major cost component of infusion solutions unlike other pharmaceutical products are related directly to international oil prices. We are therefore working with the authorities to find a way out by which prices of infusion solutions could be adjusted periodically based on local inflation, devaluation of Pak Rupee and increase in raw and packaging material cost. Without such a formula, it is becoming increasingly difficult for infusion solutions industry to continue its operations and expand its capacities for meeting future requirements of the country. Your company is operating at 100% of its capacity since the last few years and because of low profitability it is unable to expand its capacity. We are confident that the newly formed Drug regulatory Authority will understand the severity of the issue and devise a mechanism which protects the interests of the consumer and at the same time allow manufacturers to generate sufficient funds for future growth and expansion of its operations.

On behalf of the Board

Abid Hussain
Chief Executive Officer

Karachi

Dated: April 18, 2012

OTSUKA PAKISTAN LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2012

	Nine Months Ended March 31,		Quarter ended March 31,	
	July-March 2012	July-March 2011	Jan- March 2012	Jan- March 2011
	------(Rupees in '000)-----			
Net sales	1,117,471	1,003,575	265,622	306,547
Cost of sales	(826,698)	(764,842)	(191,986)	(239,933)
Gross profit	290,773	238,733	73,636	66,614
Selling and distribution expenses	(149,610)	(137,827)	(44,844)	(44,201)
Administrative and general expenses	(57,793)	(43,992)	(18,719)	(14,308)
	83,370	56,914	10,073	8,105
Other operating income	13,297	7,864	5,043	3,413
	96,667	64,778	15,116	11,518
Other operating charges	(16,951)	(12,610)	(1,483)	(2,659)
Operating profit	79,716	52,168	13,633	8,859
Finance cost	(20,861)	(18,385)	(8,955)	(7,038)
Profit for the period before taxation	58,855	33,783	4,678	1,821
Taxation - net	(24,016)	(11,784)	(2,923)	(183)
Profit for the period after taxation	34,839	21,999	1,755	1,637
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>34,839</u>	<u>21,999</u>	<u>1,755</u>	<u>1,637</u>
	------(Rupees)-----			
Earnings per share	<u>3.48</u>	<u>2.20</u>	<u>0.18</u>	<u>0.16</u>

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

Chief Executive

Director

OTSUKA PAKISTAN LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT MARCH 31, 2012

	Note	(Un-Audited) March 31, 2012 ------(Rupees in '000)-----	(Audited) June 30, 2011
ASSETS			
Non-current assets			
Property, plant and equipment	4	279,389	282,959
Long-term loans - considered good		6,119	5,205
Long-term deposits		743	743
		<u>286,251</u>	<u>288,907</u>
Current assets			
Stores and spares		49,832	45,704
Stock-in-trade		552,196	267,400
Trade debts - unsecured		153,498	165,661
Loans and advances - considered good		32,715	23,998
Trade deposits, short-term prepayments and other receivables		28,044	14,362
Taxation		42,429	25,448
Cash and bank balances		2,197	7,940
		<u>860,911</u>	<u>550,513</u>
Total assets		<u><u>1,147,162</u></u>	<u><u>839,420</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital			
Authorised Capital			
10,000,000 (June 30, 2011: 10,000,000) ordinary shares of Rs 10 each		<u>100,000</u>	<u>100,000</u>
Issued, subscribed and paid up capital			
10,000,000 (June 30, 2011: 10,000,000) ordinary shares of Rs 10 each issued as fully paid-up in cash		100,000	100,000
Revenue reserves		346,161	323,822
Shareholders' equity		<u>446,161</u>	<u>423,822</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liability - net		20,084	23,425
Current liabilities			
Trade and other payables		326,550	254,594
Short-term borrowings - secured		346,376	130,424
Mark-up accrued		7,991	7,155
		<u>680,917</u>	<u>392,173</u>
Total equity and liabilities		<u><u>1,147,162</u></u>	<u><u>839,420</u></u>

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

Chief Executive

Director

OTSUKA PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2012

	Issued, subscribed and paid-up capital	Revenue reserves			Total
		General reserve	Unappro- priated profit	Sub total	
----- (Rupees in '000) -----					
Balance as at June 30, 2010	100,000	227,500	67,318	294,818	394,818
First Interim dividend for the year ending June 30, 2011 at 1.5 per share (Date of distribution: October 13, 2010)	-	-	(15,000)	(15,000)	(15,000)
Transfer to general reserve made subsequent to the year end	-	40,000	(40,000)	-	-
Profit after taxation for the period ended March 31, 2011	-	-	21,999	21,999	21,999
Balance as at March 31, 2011	<u>100,000</u>	<u>267,500</u>	<u>34,317</u>	<u>301,817</u>	<u>401,817</u>
Balance as at June 30, 2011	100,000	267,500	56,322	323,822	423,822
First interim dividend for the year ending June 30, 2012 at Rs 1.25 per share (Date of distribution: October 14, 2011)	-	-	(12,500)	(12,500)	(12,500)
Transfer to general reserve made subsequent to the year end	-	30,000	(30,000)	-	-
Profit after taxation for the period ended March 31, 2012	-	-	34,839	34,839	34,839
Balance as at March 31, 2012	<u>100,000</u>	<u>297,500</u>	<u>48,661</u>	<u>346,161</u>	<u>446,161</u>

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Chief Executive

Director

OTSUKA PAKISTAN LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2012

Note	Nine months ended	
	March 31,	
	2012	2011
	-----(Rupees in '000)----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	58,855	33,783
Adjustment for non-cash and other items		
Depreciation	48,702	44,997
Profit on disposal of property, plant and equipment	(3,657)	(1,107)
Provision for slow moving and obsolete stock-in-trade	1,032	1,449
Provision for stents	1,427	-
Provision for impairment of trade debts	(6,461)	1,091
Mark-up expense	20,861	18,385
	61,904	64,815
Operating surplus before working capital changes	120,759	98,598
Movement in working capital		
(Increase) / decrease in current assets		
Stores and spares	(4,128)	2,893
Stock-in-trade	(287,256)	(48,145)
Trade debts	18,623	(2,511)
Loans and advances	(8,717)	(3,368)
Trade deposits, short-term prepayments and other receivables	(13,682)	(8,126)
	(295,160)	(59,257)
(Decrease) / Increase in current liabilities		
Trade and other payables	71,892	(18,436)
Taxes paid	(44,337)	(31,171)
Decrease / (increase) in long-term loans	(914)	1,036
	(45,251)	(30,135)
Net cash (used in) / generated from operating activities	(147,759)	(9,231)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure incurred	(46,747)	(25,628)
Proceeds from disposal of property, plant and equipment	5,272	1,722
Net cash used in investing activities	(41,475)	(23,906)
CASH FLOWS FROM FINANCING ACTIVITIES		
Finance cost paid	(20,025)	(17,609)
Dividends paid	(12,436)	(14,972)
Net cash used in financing activities	(32,461)	(32,581)
Net decrease in cash and cash equivalents	(221,695)	(65,718)
Cash and cash equivalents at the beginning of the period	(122,484)	(129,136)
Cash and cash equivalents at the end of the period	7 (344,179)	(194,854)

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Chief Executive

Director