

*Otsuka-People Creating New Products
For Better Health Worldwide*

QUARTERLY REPORT MARCH, 2021



Otsuka

Otsuka Pakistan Limited

(A Company of Otsuka Group Japan)

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COMPANY INFORMATION

BOARD OF DIRECTORS :	Mr. Mikio Bando (Chairman) (Alternate: Mr. Muhammad Taufiq Feroz) Mr. Hanif Sattar (Director and Chief Executive Officer) Mr. Koichi Okada Mr. Mehtabuddin Feroz Mr. Suhari Mukti (Alternate: Mr. Sajid Ali Khan) Mr. Noor Muhammad (Independent Director) Mrs. Navin Salim Merchant (Independent Director)
COMPANY SECRETARY :	Mr. Muhammad Amin Bashir
AUDIT SUB COMMITTEE OF THE BOARD :	Mr. Noor Muhammad (Chairman) Mr. Koichi Okada (Member) Mr. Mehtabuddin Feroz (Member)
HEAD OF INTERNAL AUDIT:	Mr. Jawaid Noor (Secretary)
RISK MANAGEMENT COMMITTEE :	Senior Executive Committee Members
HUMAN RESOURCES, REMUNERATION AND NOMINATION SUB-COMMITTEES OF THE BOARD :	Mr. Noor Muhammad (Chairman) Mr. Koichi Okada (Member) Mr. Mehtabuddin Feroz (Member) Mr. Hanif Sattar (Member)
AUDITORS (EXTERNAL) :	Yousuf Adil (Chartered Accountants)
AUDITORS (INTERNAL) :	Saud Tariq & Co. (Chartered Accountants)
LEGAL ADVISOR :	Dr. Moneeba Hamid
BANKERS :	Citibank N.A., Bank Alfalah Limited The Bank of Punjab Habib Metropolitan Bank Habib Bank Limited Allied Bank Limited MCB Bank Limited National Bank of Pakistan
REGISTERED OFFICE :	30-B, Sindhi Muslim Co-operative, Housing Society, Karachi-74400 Tel.: 34528651 – 4, Fax: 34549857 E-mail: secretarialcompliance@otsuka.pk Web site: www.otsuka.pk
FACTORY :	Plot No. F/4-9, Hub Industrial Trading Estate, Distt. Lasbella (Balochistan) Tel.: (0853) 303517-8 Fax: (0853) 303519
SHARE REGISTRAR :	CDC Share Registrar Services Limited – (CDCSRSL) CDC House, 99-B, Block B, S.M.C.H.S., Main Shahra-e-Faisal, Karachi 74400. Pakistan. Tel: (92-21) 111-111-500, Fax: (92-21) 34326053 Email: info@cdcsrsl.com

Directors' Report

The Directors are pleased to present accounts of the Company for the nine months ended March 31, 2021.

Board of Directors

The composition of Board of Directors ("the Board") and its sub-committees are as follows:

CATEGORY	NAMES	GENDER
Executive Director	Mr. Hanif Sattar (CEO)	Male
Non-Executive Directors	Mr. Mikio Bando (Chairman)*	
	Mr. Mehtabuddin Feroz	
	Mr. Koichi Okada	
	Mr. Suhari Mukti **	
Independent Directors	Mr. Noor Muhammad	Female
	Mrs. Navin Salim Merchant	

* Mr. Taufiq Feroz is the alternate director of Mr. Mikio Bando.

** Mr. Sajid Ali Khan is the alternate director of Mr. Suhari Mukti.

Board Sub-Committees:

NAME OF BOARD SUB-COMMITTEE	NAME OF MEMBER
Audit Committee	Mr. Noor Muhammad (Chairman) Mr. Koichi Okada Mr. Mehtabuddin Feroz
Human Resource, Remuneration and Nomination Committee	Mr. Noor Muhammad (Chairman) Mr. Koichi Okada Mr. Mehtabuddin Feroz Mr. Hanif Sattar
Risk Management Committee	Delegated to Senior Executive Management Committee

The Board has a formal policy and transparent procedures for the remuneration of its Directors in accordance with the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations 2017. Currently, the two independent directors and a non-working alternate director are getting fixed fees for attending the board meetings while other non-executive directors have waived their meeting fees.

Business Review

During the 3rd quarter ended March 31, 2021, sales have shown a decent growth of 16.5% as compared to the corresponding quarter of 2020. The cost of sales for the quarter has also increased in line with the sales by 16.8%. Further with the continuation of the last year policies of channelizing sales discount to the end customers and strict cost controls, your company has maintained the gross profit margin of 31% similar to the corresponding quarter.

Selling and Administrative expenses have also increased in line with the increase in sales and due to the higher inflation rate by 10.8% and 11.7% respectively. Other income of the company has shown a surprising surge of 213% due to the net exchange gain of Rs. 72 million through appreciation of Pak Rupee after a period of 24 months. Other expenses have also gone down by 85% due to no exchange loss during the current quarter. The finance cost of the Company has also gone down by 72% as the liquidity position of the Company has improved during the quarter besides availing SBP concessional loan scheme.

The Company has closed this quarter on earning per share of Rs. 7.55 against Rs. 0.09 in the corresponding quarter of 2020. The cumulative earning per share for the nine months ended March 31, 2021 is Rs. 15.97 against the earning per share of Rs. 4.09 during the corresponding period of nine months ended March 31, 2020.

Future Outlook

Pakistan economy is progressing at a decent pace in the post COVID-19 era and with the continuous inflow of foreign currency from International Monetary Fund as well as from other alliance partner the short term risk for Pak Rupee depreciation has subsided till the end of June 30, 2021. However, forthcoming budget, increase in oil prices, the general inflation and the emergence of third wave of COVID-19 may adversely impact future results of the Company. However, the directors are confident on the performance of the Company and foresee good business opportunities with the introduction of new value added products.

On behalf of the Board



Hanif Sattar
Chief Executive Officer



Mehtabuddin Feroz
Director

Karachi

Dated: April 27, 2021

ڈائریکٹرز جائزہ رپورٹ

ڈائریکٹرز تیسری مالی سہ ماہی جو 31 مارچ 2021 پر اختتام پذیر ہوئی، اس دورانیے کے کمپنی اکاؤنٹ پیش کرنے پر خوشی محسوس کرتے ہیں۔

بورڈ آف ڈائریکٹرز

بورڈ آف ڈائریکٹرز ("بورڈ") اور اس کی ذیلی کمیٹیوں کی تشکیل مندرجہ ذیل ہے:-

کیٹگری	نام	جنس
ایگزیکٹو ڈائریکٹر	حنیف ستار صاحب (چیف ایگزیکٹو آفیسر)	مرد
نان-ایگزیکٹو ڈائریکٹر	مکیو بانڈو صاحب (چیئر مین) ☆	
	مہتاب الدین فیروز صاحب	
	کوچھی اوکاڈا صاحب	
	سُوہاری مکتی صاحب ☆☆	
	نور محمد صاحب	
آزاد ڈائریکٹر	نوین سلیم مرچنٹ صاحبہ	عورت

☆ جناب توفیق فیروز صاحب متبادل ڈائریکٹر ہیں جناب مکیو بانڈو صاحب کے۔

☆☆ جناب ساجد علی خان صاحب متبادل ڈائریکٹر ہیں جناب سُوہاری مکتی صاحب کے۔

بورڈ کی سب-کمیٹیاں:

بورڈ کی سب-کمیٹیوں کے نام	ممبران کے نام
آڈٹ کمیٹی	- نور محمد صاحب - کوچھی اوکاڈا صاحب - مہتاب الدین فیروز صاحب
ہیومن ریسورس، ریمونیریشن اور نو مینیشن کمیٹی	- نور محمد صاحب (چیئر مین) - کوچھی اوکاڈا صاحب - مہتاب الدین فیروز صاحب - حنیف ستار صاحب
رسک مینجمنٹ کمیٹی	- تفویض شدہ: ایگزیکٹو مینجمنٹ کمیٹی

بورڈ کے پاس کمپنیز ایکٹ 2017 اور لسڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 کے مطابق اپنے ڈائریکٹرز کے معاوضے کے لئے باضابطہ پالیسی اور شفاف طریقہ کار موجود ہے۔ فی الحال، دو آزاد ڈائریکٹر اور غیر رکنگ متبادل ڈائریکٹر ہیں جو بورڈ کے اجلاسوں میں شرکت کے لئے مقررہ فیس وصول کرتے ہیں جبکہ دوسرے نان ایگزیکٹو ڈائریکٹرز نے اپنی مینٹنگ کی فیسیں معاف کر دی ہیں

کاروباری جائزہ:

31 مارچ 2021 کو ختم ہونے والی تیسری سہ ماہی کے دوران 2020 کی اسی سہ ماہی کی فروخت کے مقابلے میں 16 اعشاریہ 5 فیصد اچھی نمود کی گئی ہے۔ تیسری سہ ماہی میں فروخت کے ساتھ ساتھ فروخت کی لاگت میں بھی 16.8 فیصد اضافہ ہوا ہے۔ مزید برآں، پچھلے سال کی پالیسیوں کا تسلسل برقرار رکھتے ہوئے وئے گئے ڈسکاؤنٹ کو حقیقی صارفین تک پہنچانے اور لاگت پر سختی کے ساتھ قابو پانے کی وجہ سے آپ کی کمپنی نے پچھلے سال کی اسی سہ ماہی کی طرح مجموعی منافع کا 31 فیصد برقرار رکھا ہے۔

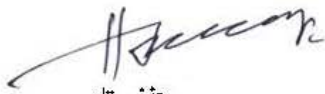
فروخت میں اضافے کے ساتھ ساتھ اسکے انتظامی اخراجات میں بھی اضافہ ہوا ہے جسکی وجہ افراط زر کی شرح میں بالترتیب 10.8 فیصد اور 11.7 فیصد اضافہ ہے۔ روپے کی قدر میں اضافے کی وجہ سے کمپنی کی دیگر آمدنی میں 213 فیصد کا حیرت انگیز اضافہ ہوا ہے، 24 ماہ کی مدت کے بعد پاک روپیہ کی قدر میں اضافے کے باعث 72 بلین زر مبادلہ کی مد میں کماے۔ اسی طرح موجودہ سہ ماہی میں زر مبادلہ کی مد میں کوئی نقصان نہ ہونے کی وجہ سے دوسرے اخراجات بھی 85 فیصد کم ہو گئے ہیں۔ کمپنی کی فنانس لاگت میں بھی 72 فیصد کی کمی واقع ہوئی ہے کیونکہ سہ ماہی کے دوران کمپنی کی لیکویڈیٹی پوزیشن میں بہتری آئی ہے اور اس کے علاوہ اسٹیٹ بینک مراعاتی قرضہ اسکیم کا فائدہ بھی اٹھایا گیا ہے۔

کمپنی سہ ماہی مکمل ہونے پر فی حصص 7 روپے 55 پیسے کماے ہیں جو پچھلے سال کی اسی سہ ماہی میں فی حصص صرف 9 پیسے تھی۔ 31 مارچ 2021 پر مکمل ہونے والی تیسری سہ ماہی کے اختتام پر مجموعی فی حصص پیداوار 15 روپے 97 پیسے ہے جب کہ پچھلے سال تیسری سہ ماہی کے مکمل ہونے پر پیداوار فی حصص 4 روپے 9 پیسے تھی۔

مستقبل کی پیش بندی:

کوویڈ 19 کے بعد کے دور میں پاکستان کی معیشت ایک اچھی رفتار سے ترقی کر رہی ہے۔ بین الاقوامی مالیاتی فنڈ کے علاوہ دیگر اتحادی ساتھیوں کی طرف سے غیر ملکی کرنسی کی امداد کی وجہ سے پاک روپے کی قدر میں کمی کا خطرہ 30 جون 2021 تک جزوقتی کم ہو گیا ہے۔ تاہم، آئندہ بجٹ، تیل کی قیمتوں میں اضافہ، عام افراط زر کے ساتھ کورونا کی تیسری لہر کی شدت کمپنی کے مستقبل کے نتائج پر منفی اثر ڈال سکتے ہیں۔ تاہم ڈائریکٹرز، کمپنی کی کارکردگی پر مطمئن ہیں اور پر امید ہیں کہ نئی ویلیو ایڈڈ مصنوعات متعارف کرتے ہوئے ہم اچھے کاروباری مواقع حاصل کریں گے۔

منجانب بورڈ



حنیف ستار

چیف ایگزیکٹو آفیسر



مہتاب الدین فیروز

ڈائریکٹر

کراچی

مورخہ 27 اپریل 2021

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2021

	Note	(Unaudited) March 31, 2021 -----Rupees in '000-----	(Audited) June 30, 2020
ASSETS			
Non-current assets			
Property, plant and equipment	4	285,962	335,043
Intangibles		1,501	1,781
Long-term loans - considered good		7,534	8,743
Long-term deposits		1,330	1,309
Deferred tax asset - net	5	78,052	173,634
		374,379	520,510
Current assets			
Stores and spares		40,634	47,822
Stock-in-trade - net		721,120	680,918
Trade debts - unsecured - net		220,026	283,707
Loans and advances - considered good		23,094	61,532
Trade deposits, short-term prepayments & other receivables		52,211	38,124
Taxation - net		59,701	24,843
Bank balances		10,708	22,825
		1,127,494	1,159,771
Total assets		1,501,873	1,680,281
EQUITY AND LIABILITIES			
EQUITY			
Share capital			
Authorised share capital			
20,000,000 (June 30, 2020: 20,000,000) ordinary shares of Rs 10 each		200,000	200,000
Issued, subscribed and paid-up share capital			
12,100,000 (June 30, 2020: 12,100,000) ordinary shares of Rs 10 each		121,000	121,000
Revenue reserves		189,051	(4,213)
Shareholders' equity		310,051	116,787
LIABILITIES			
Non-current liabilities			
Long-term finance Deferred		23,927	-
Government grant		613	-
		24,540	-
Current liabilities			
Short-term loan from a related party - unsecured	6	518,100	585,262
Current portion of long-term finance		40,680	-
Current portion of deferred Government grant		2,174	-
Accrued Mark-up		3,850	14,783
Trade and other payables		510,318	530,407
Short-term running finance - secured	7	88,974	429,854
Unclaimed Dividend		3,186	3,188
		1,167,282	1,563,494
Total equity and liabilities		1,501,873	1,680,281
CONTINGENCIES AND COMMITMENTS			
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The annexed notes 1 to 15 form an integral part of this condensed interim financial information.


Hanif Sattar
Chief Executive Officer


Mehtabuddin Feroz
Director


Sajid Ali Khan
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2021**

	Note	Nine Month ended March 31,		Quarter ended March 31,	
		2021	2020	2021	2020
		----- Rupees in '000 -----		----- Rupees in '000 -----	
Net sales	9	1,747,778	1,582,596	589,817	506,080
Cost of sales		(1,194,752)	(1,108,640)	(404,973)	(346,800)
Gross profit		<u>553,026</u>	<u>473,956</u>	<u>184,844</u>	<u>159,280</u>
Selling and distribution expenses		(205,002)	(206,730)	(69,685)	(62,917)
Administrative and general expenses		(80,648)	(74,043)	(25,738)	(23,051)
		<u>267,376</u>	<u>193,183</u>	<u>89,421</u>	<u>73,312</u>
Other income		98,467	31,468	69,796	7,738
		<u>365,843</u>	<u>224,651</u>	<u>159,217</u>	<u>81,050</u>
Other expenses		(54,135)	(56,605)	(6,374)	(43,625)
Operating income		<u>311,708</u>	<u>168,046</u>	<u>152,843</u>	<u>37,425</u>
Finance cost		(17,343)	(58,555)	(4,038)	(17,948)
Profit for the period before taxation		<u>294,365</u>	<u>109,491</u>	<u>148,805</u>	<u>19,477</u>
Taxation - net		(101,101)	(59,962)	(57,500)	(18,415)
Profit for the period after taxation		<u><u>193,264</u></u>	<u><u>49,529</u></u>	<u><u>91,305</u></u>	<u><u>1,062</u></u>
----- Rupees -----					
Earnings per share - basic and diluted		<u>15.97</u>	<u>4.09</u>	<u>7.55</u>	<u>0.09</u>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.



Hanif Sattar
Chief Executive Officer



Mehtabuddin Feroz
Director



Sajid Ali Khan
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME
(UNAUDIT FOR THE NINE MONTHS ENDED MARCH 31, 2021)**

	Nine Month ended March 31,		Quarter ended March 31,	
	2021	2020	2021	2020
	----- Rupees in '000 -----		----- Rupees in '000 -----	
Profit for the period after taxation	193,264	49,529	91,305	1,062
Other comprehensive loss:				
<i>Items that will not be reclassified to profit or loss</i>				
Remeasurements of defined benefit plan	-	-	-	-
Deferred tax on remeasurements of defined benefit plan	-	-	-	-
	-	-	-	-
Total comprehensive income for the period	<u>193,264</u>	<u>49,529</u>	<u>91,305</u>	<u>1,062</u>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.



Hanif Sattar
Chief Executive Officer



Mehtabuddin Feroz
Director



Sajid Ali Khan
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2021

Note	Nine Month ended Mar-31	
	2021	2020
	----- Rupees in '000 -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period before taxation	294,365	109,491
Adjustment for non-cash charges and other items:		
Depreciation & Amortisation	71,811	65,367
Impairment on plant and machinery	6,738	-
Gain on disposal of Fixed Asset - net	(3,812)	(1,281)
Provision/(Reversal of provision) for slow moving and obsolete stock-in-trade - net	25,317	(3,253)
Workers' Profits Participant Fund	15,883	5,531
Workers' Welfare Fund	3,350	-
Central Research Fund	2,985	1,096
Exchange (gain) / loss - net	(74,520)	22,778
(Reversal of provision) / Provision for stents held with hospitals - net	(4,283)	2,958
Loss allowance	238	11,938
Mark-up on finance	17,343	58,555
Operating Surplus before working capital changes	355,415	273,180
(Increase) / decrease in current assets		
Stores and spares	7,188	7,283
Stock-in-trade	(61,236)	(108,459)
Trade debts - unsecured	63,443	(92,898)
Loans and advances	38,438	(3,715)
Trade deposits, short-term prepayments & other receivables	(14,087)	(2,046)
	33,746	(199,835)
Increase/ (Decrease) in current liabilities		
Trade and other payables	(40,469)	146,871
Cash generated from / (used in) operations	348,692	220,216
Interest paid	(28,276)	(60,125)
Taxes paid	(34,858)	(25,123)
Increase in long-term deposits	(21)	-
Decrease/(Increase) in long-term loans	1,209	(1,376)
Net cash generated from / (used in) operations	286,746	133,592
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(30,072)	(46,068)
Proceeds from disposal of property, plant and equipment	4,696	4,256
Net cash used in investing activities	(25,376)	(41,812)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend Paid	(2)	(6,016)
Proceeds from long term finance	67,395	-
Net cash used in financing activities	67,393	(6,016)
Net decrease in cash and cash equivalents	328,763	85,763
Cash and cash equivalents at the beginning of the period	(407,029)	(572,694)
Cash and cash equivalents at the end of the period	(78,266)	(486,931)

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The annexed notes 1 to 15 form an integral part of this condensed interim financial information.


Hanif Sattar
Chief Executive Officer


Mehtabuddin Feroz
Director


Sajid Ali Khan
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2021

	Issued, subscribed and paid-up capital	Revenue reserves			Total
		General reserve	Accumulated losses	Sub-total	
		Rupees in '000			
Balance as at June 30, 2019 (audited)	121,000	341,980	(439,525)	(97,545)	23,455
Total comprehensive income for the period ended March 31, 2020	-	-	49,529	49,529	49,529
Balance as at March 31, 2020	<u>121,000</u>	<u>341,980</u>	<u>(389,996)</u>	<u>(48,016)</u>	<u>72,984</u>
Balance as at June 30, 2020 (audited)	121,000	341,980	(346,193)	(4,213)	116,787
Total comprehensive income for the period ended March 31, 2021	-	-	193,264	193,264	193,264
Balance as at March 31, 2021	<u>121,000</u>	<u>341,980</u>	<u>(152,929)</u>	<u>189,051</u>	<u>310,051</u>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.



Hanif Sattar
 Chief Executive Officer



Mehtabuddin Feroz
 Director



Sajid Ali Khan
 Chief Financial Officer

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2021

1. THE COMPANY AND ITS OPERATIONS

- 1.1** Otsuka Pakistan Limited (the Company) was incorporated in Pakistan as a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and is listed on the Pakistan Stock Exchange Limited. The registered office of the Company is situated at 30-B, S.M.C.H. Society, Karachi in the province of Sindh, Pakistan. The Company is engaged in the manufacturing, marketing and distribution of intravenous infusions and trading in pharmaceutical products, nutritional foods and medical equipment. The Company is an indirect subsidiary of Otsuka Pharmaceutical Company Limited, Japan.

The geographical location and address of the Company's business units, including mill / plants, is as under:

Karachi	Purpose	Hub	Purpose
30-B, S.M.C.H. Society, Karachi	Head office	F/4-9, H.I.T.E., Hub, Balochistan, Hub Industrial And Trading Estates, Hub, Las Bela, Balochistan	Factory

2 BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of :

- International Accounting Standard 34: 'Interim Financial Reporting' (IAS - 34), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ from the requirements of IAS-34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of IAS-34. These condensed interim financial statements do not include all the information and disclosures which are required in a full set of financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended June 30, 2020. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the financial position and performance since the last financial statements of the Company.

These condensed interim financial statements are unaudited. However, a limited scope review has been performed by the external auditors in accordance with the requirements of the section 237 of Companies Act, 2017.

The comparatives in the condensed interim statement of financial position as at March 31, 2020 have been extracted from the audited financial statements of the Company for the year ended June 30, 2020, whereas, the comparatives in the condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been extracted from the unaudited condensed interim financial statements of the Company for the Nine month ended March 31, 2020.

2.2 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention except that obligations in respect of certain staff retirement benefits are carried at present value of defined benefit obligation less fair value of plan assets.

2.3 Functional and presentation currency

These condensed interim financial statements have been presented in Pak Rupees which is the functional and presentation currency of the Company.

3. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ESTIMATES AND JUDGMENTS

3.1 Significant accounting policies

- 3.1.1** The significant accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended June 30, 2020.

3.1.2 Adoption of certain standards, interpretations and amendments

There are certain standards, interpretations on accounting and reporting standards as applicable in Pakistan and amendments to certain existing standards which have been published and are mandatory for the accounting period beginning on or after July 01, 2020. These standards, interpretations and amendments are either not relevant to the Company's operations or are not expected to have a significant impact on the accounting policies of the Company and therefore not disclosed in these condensed interim financial statements.

3.2 Financial risk management

The Company's financial risk management objective and policies are consistent with those disclosed in the annual audited financial statements of the Company for the year ended June 30, 2020.

3.3 Fair value of financial asset and liabilities

The carrying value of financial assets and financial liabilities reported in these condensed interim financial statements approximates their fair values.

3.4 Estimates and Judgements

Estimates and judgments made by management in the preparation of these condensed interim financial statements are same as those applied in the preparation of the annual audited financial statements of the Company for the year ended June 30, 2020.

	Note	(Unaudited) March 31, 2021	(Audited) June 30, 2020
		-----Rupees in '000-----	
4 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets		263,597	304,687
Capital work-in-progress	4.2	22,365	30,356
		<u>285,962</u>	<u>335,043</u>

4.1 The following additions to and disposals of operating fixed assets have been made during the period:

	----- Nine month ended March 31, 2021 -----					
	Building on leasehold land	Plant and machinery	Furniture, fixtures and equipment	Vehicles	Fork Lifter	Total
	----- Rupees in '000 -----					
Additions	-	25,947	1,689	10,427	-	38,063
Disposals:						
Cost	-	3,880	1,355	4,415	-	9,650
Accumulated depreciation	-	(3,880)	(1,354)	(3,532)	-	(8,766)
	-	-	1	883	-	884
Impairment (note 4.2)	-	6,738	-	-	-	6,738

4.2 Orthopedic kits, power tool sets and femoral holders having book value of Rs. 6.196 million, Rs. 0.613 million and Rs. 0.273 million (June 30, 2020: Rs. 8.055 million, Rs. 0.754 million and Rs. 0.329 million) respectively have been impaired by Rs. 6.738 million due to the decision by management to liquidate the orthopedic implants business at recoverable prices in the market and to minimize the business closure loss. These assets have been acquired with the funds of the Company but are not in the possession of the Company.

	----- Nine month ended March 31, 2020 -----					
	Building on leasehold land	Plant and machinery	Furniture, fixtures and equipment	Vehicles	Fork Lifter	Total
	----- Rupees in '000 -----					
Additions	-	21,989	4,134	4,217	-	30,340
Disposals:						
Cost	351	1,370	186	4,934	-	6,841
Accumulated depreciation	(269)	(1,370)	(184)	(2,042)	-	(3,865)
	82	-	2	2,892	-	2,976

	Note	(Unaudited) March 31, 2021	(Audited) June 30, 2020
-----Rupees in '000-----			
4.2 Capital work-in-progress			
Stores and spares held for capital expenditure		4,302	4,769
Others		18,063	25,587
		<u>22,365</u>	<u>30,356</u>

5 DEFERRED TAX ASSET - NET

Deferred tax asset - net		<u>78,052</u>	<u>173,634</u>
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Based on pattern of utilisation from future expected taxable profit, the Company has not recognised deferred tax on minimum tax amounting to Rs. 68.366 million (June 30, 2020: Rs. 78.325 million).

	Note	(Unaudited) March 31, 2021	(Audited) June 30, 2020
-----Rupees in '000-----			
6 SHORT-TERM LOAN FROM A RELATED PARTY - UNSECURED			

In foreign currency

Loan from Otsuka Pharmaceutical Factory, Inc.	6.1	<u>518,100</u>	<u>585,262</u>
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- 6.1** This represents foreign currency denominated loan obtained in three tranches of JPY 125 million each, drawn down on February 26, 2015, April 27, 2015 and July 27, 2015, repayable on or before February 25, 2016, April 26, 2016 and July 26, 2016 respectively. These were roll forwarded annually multiple times and are now repayable on or before February 25, 2022, April 26, 2021 and July 26, 2021 respectively.

Mark-up is being charged on the outstanding amount at LIBOR + 0.40% (June 30, 2020: LIBOR + 0.40%) per annum and is payable semi-annually in arrears.

	Note	(Unaudited) March 31, 2021	(Audited) June 30, 2020
-----Rupees in '000-----			
7 SHORT-TERM RUNNING FINANCE - SECURED			
From banking companies			
Short-term running finances utilised under mark-up arrangements - secured	7.1	<u>88,974</u>	<u>429,854</u>
		<u>88,974</u>	<u>429,854</u>

7.1 Particulars of short-term running finance - secured

Bank	Limit in Rs '000'	Mark-up rate	Security	Frequency of mark-up payment	Facility expiry date	(Unaudited) March 31, 2021	(Audited) June 30, 2020
-----Rupees in '000-----							
Bank Alfalah Limited	185,000	3 months KIBOR + 2% p.a.	(a) SECP Registered Joint pari passu charge over stocks and receivables of Rs. 147 million (b) SECP Registered Mortgage charge over land and building for Rs. 51million (c) SECP Registered Joint pari passu charge over plant and machinery of Rs. 21million.	Quarterly	May 31, 2021	-	143,956
The Bank of Punjab	41,000	3 months KIBOR + 1.00% p.a.	(a) SECP Registered Joint pari passu charge over stocks and receivables of Rs. 24 million (b) SECP Registered Mortgage charge over land and building for Rs. 15 million (c) SECP Registered Joint pari passu charge over plant and machinery of Rs. 17 million.	Quarterly	March 31, 2020*	41,000	41,000
Citi Bank N.A Karachi branch	765,000	1 months KIBOR + 0.5% p.a.	(a) SECP Registered Joint Pari-passu Charge on Fixed Assets of Plant & Machinery for Rs. 432 million (b) SECP Registered Joint Pari-passu Charge on Current Assets for Rs. 778 million.	Quarterly	March 31, 2021	47,974	398,713
	<u>991,000</u>					<u>88,974</u>	<u>583,669</u>

*The Company has applied for the renewal of the working capital for further twelve months and expects that the facility would get renewed soon.

8 CONTINGENCIES AND COMMITMENTS

	Note	(Unaudited) March 31, 2021	(Audited) June 30, 2020
		-----Rupees in '000-----	
8.1 Commitments in respect of:			
Capital expenditure contracted for but not incurred		5,506	-
Letters of credit		8,311	19,106
Letters of guarantee		44,188	47,442

During the year ended June, 30 2020, electricity charges were increased by Rs. 6.8 million through the imposition of Industrial Support Package Adjustment (ISPA) for the off peak hours with retrospective application from July 01, 2019. The case was filed through a joint Constitutional Petition no. 2581 of 2020 before the Hon'ble High Court of Sindh, at Karachi through the association of M/s. Lasbela Chamber of Commerce and Industry (LCCI) located in LIEDA to challenge the above-said charges. As an interim relief, the Hon'ble High Court of Sindh had ordered to furnish the post dated cheque or bank guarantee of the ISPA charges in order to accept the electricity bills without such charges. During the period, the Company has issued undated cheque amounting to Rs. 6.8 million in favour of Nazir of Sindh High Court as per the interim directives. The opposing party had filed an appeal in Supreme Court of Pakistan against the decision of High Court. Management has assessed favorable outcome of the case, however, as a matter of abundant caution a provision of Rs. 6.8 million has been made in the interim financial statements.

8.2 There has been no significant change in contingencies disclosed in notes 20.2 & 20.3 to the annual audited financial statements of the Company for the year ended June 30, 2020.

8.3 There were no other contingencies and commitments outstanding as on March 31, 2021.

	Note	(Unaudited) March 31, 2021	(Unaudited) March 30, 2020
		-----Rupees in '000-----	
9 NET SALES			
Sales (net of returns of Rs. 0.333 million; March 31, 2020: Rs. 5.45 million)	9.1	1,952,634	1,767,278
Less: sales tax		(12,089)	(17,783)
		1,940,545	1,749,495
Less: discounts		(192,767)	(166,899)
		1,747,778	1,582,596

10. TRANSACTIONS WITH RELATED PARTIES

Related parties include Otsuka Pharmaceutical Company Limited the holding company, associated companies / undertakings (namely Otsuka Pharmaceutical Factory Incorporation, Japan, Thai Otsuka Pharmaceutical Company Limited, Thailand, P.T. Otsuka Indonesia, Otsuka Pharmaceutical Company, Shanghai Micro port Medical (Group) Company Limited etc.), entities under common directorship [namely Hospital Supply Corporation, Idrees Plastic, Danish Enterprises, Syed Ejazuddin & Co.] staff retirement funds and the key management personnel. Details of the transactions with the related parties and the balances with them as at period end other than those which have been disclosed else where are as follows:

Name of related party	Relationship with the Company	Nature of transaction	(Unaudited) March 31, 2021	(Unaudited) March 31, 2020
			----- Rupees in '000 -----	
Otsuka Pharmaceutical Factory Inc.	Ultimate Parent	Purchase of raw material	-	362
		Markup expense	2,976	2,780
Otsuka Pharmaceutical Co. Ltd.	Parent Company	Purchase of finished goods	67,595	62,803
Hospital Supply Corporation	Common Directorship	Sale of finished goods	971,527	897,053
		Late payment surcharge on receivables	2,579	17,949
		Purchase of Vinyl examination glove	-	582
		Sales Discount	118,858	120,567
		Sales Return	53	3,715
Microport Medical (Shanghai) Co., Ltd.	Associated undertaking	Purchase of Stents/EP Devices	29,935	53,110
Thai Otsuka Pharmaceutical Co. Ltd.	Associated undertaking	Purchase of Aminoleban	27,551	17,040
PT. Otsuka Indonesia	Associated Undertaking	Purchase of Proten & used machines	11,725	2,794
Shanghai Microport EPMED Tech Co. Limited	Associated Undertaking	Purchase of devices	4,814	15,002
Danish	Brother to CEO	Purchase of packing material	3,132	178
Idrees Plastics	Brother to CEO	Purchase of polybags	-	3,478
Otsuka staff provident fund	Provident fund	Contribution during the period to the fund	9,765	9,097
Otsuka staff gratuity fund	Gratuity fund	Contribution during the period to the fund	4,719	-
Key Management Personnel	Key Management Personnel	Remuneration paid	39,933	37,705
Mehtabuddin Feroze	Director	Consultancy charges	2,375	2,250

Name of related party	Relationship with the Company	Nature of account balance	Note	(Unaudited) March 31, 2021	(Audited) June 30, 2021
				----- Rupees in '000 -----	
Otsuka Pharmaceutical Factory Inc.	Ultimate Parent	Markup accrued on short term loan Short term loan payable		699 518,100	- 585,262
Otsuka Pharmaceutical Co, Ltd.	Parent company	Payable against purchase of finished goods		23,830	14,022
Hospital Supply Corporation	Common Directorship	Receivable against sale of goods Payable against purchases		182,397 -	190,319 45
PT. Otsuka Indonesia	Associated undertaking	Payable against purchase of finished goods and used machines		6,444	4,537
Thai Otsuka Pharmaceutical Co. Ltd.	Associated undertaking	Payable against purchase of finished goods		12,121	15,829
Shanghai Microport Medical (Group) Co., Ltd.	Associated undertaking	Payable against purchase of stents		17,003	10,083
Shanghai Microport EPMed Tech Co., Limited	Associated undertaking	Payable against purchase of medical devices		4,799	7,028
Shareholders	Shareholders	Payable to shareholders		1,999	2,134
Key Management Personnel	Key Management Personnel	Advance from key management personnel		512	1,226
Otsuka staff gratuity fund	Gratuity fund	Payable to gratuity fund Receivable from gratuity fund		2,499 -	- 5,612
Otsuka staff provident fund	Provident fund	Payable to provident fund		3,187	2,821

The Company enters into transactions with related parties for the sale of its products, purchase of raw materials, finished goods and spare parts for rendering of certain services. In addition, the Company has also entered into financing arrangement with the group company. Sales to related parties represent sales made to Hospital Supply Corporation which is the sole distributor of the Company's products in the southern region. The Company allows discount to the distributor on trade price based on the agreed terms. Purchases from related parties primarily represent purchase of raw materials and finished goods from Otsuka group companies.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company considers all members of their management team, including the Chief Executive Officer and working directors to be its key management personnel.

11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the condensed interim cash flow statement comprise the following items included in the condensed interim balance sheet:

	(Unaudited) March 31, 2021	(Unaudited) March 31, 2020
	----Rupees in '000----	
Bank balances	10,708	14,322
Short-term running finance utilised under mark-up arrangements	(88,974)	(501,253)
	<u>(78,266)</u>	<u>(486,931)</u>

12 SEGMENT INFORMATION

12.1 This condensed interim financial information has been prepared on the basis of a single reportable segment.

12.2 Sales from Intravenous Solutions represent 83.06 percent while sales from others represent 16.94 percent (March 31, 2020: 83.92 percent and 16.08 percent) respectively of the total sales of the Company.

	(Unaudited) March 31, 2021	(Unaudited) March 31, 2020
	----- In percent -----	

12.3 The geographic segmentation of sales is as follows:

Pakistan	98%	97%
Outside Pakistan (Exports)	2%	3%

12.4 Sales to Hospital Supply Corporation (a related party of the Company) which is the sole distributor in the southern region was around 47.5 percent during the nine months ended March 31, 2020 (March 31, 2020: 46.76 percent).

12.5 All non-current assets of the Company as at March 31, 2021 are located in Pakistan.

13 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified wherever necessary for the purpose of comparison and better presentation. There were no major reclassifications in this condensed interim financial information during the current period.

14 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on **April 27, 2021** by the Board of Directors of the Company.

15 GENERAL

- Figures in this condensed interim financial information have been rounded off to the nearest thousand rupees unless otherwise stated.



Hanif Sattar
Chief Executive Officer



Mehtabuddin Feroz
Director










Sajid Ali Khan
Chief Financial Officer










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