Directors' Review

I am pleased to present on behalf of the Board of Directors, the unaudited unconsolidated condensed interim financial information of Saudi Pak Industrial and Agricultural Investment Company Limited for the period ended June 30, 2021 together with Directors' Review thereon.

The period ended June 30, 2021 saw a continuation in Pakistan's economic recovery, spearheaded by Large Scale Manufacturing that clocked in significant YoY growth of 14.85% during FY21. The State Bank of Pakistan maintained an accommodative monetary stance with policy rate unchanged at 7% in its latest monetary policy announcement of July 2021, and projected an improved GDP growth rate of 4-5% for FY22. The budget for FY22 has been acknowledged by industry as expansionary / growth-oriented and business-friendly. Strong growth in tax and non-tax revenue has been projected on the back of higher economic growth and targeted administrative measures. The State Bank of Pakistan has projected inflation to remain within the 7-9 percent band during FY22.

However, growing current account deficit from May'21 onwards as an outcome of increased imports resulting from economic revival and higher global commodity prices has pressured the market-based exchange rate which, from its peak in the first week of May, has depreciated by 7% by end of Jul'21. Furthermore, the COVID-19 pandemic witnessed resurgence during Jul'21, as a fourth wave hit the country driven by the more virulent Delta variant. Despite an acceleration in vaccination drive, the fourth wave resulted in lockdown in key business centre of Sindh and enhanced restrictions in other parts of the country. Capital markets remain volatile. Security concerns have escalated due to fast-evolving situation across the border. With the continued threat posed by COVID-19 accentuated by mounting external pressures with possible inflationary repercussions, Pakistan's economic revival remains in the balance.

Under the prevailing macro environment, the Company maintained its strategy as per the approved business plan. Capital market positions in high dividend yielding equities were actively managed to optimize risk and book gains opportunistically. The government securities portfolio was reconfigured and rationalized where possible. Company prudently made necessary provisions against non-performing loans and mark to market revaluation deficits. Selective approach was ensured in project finance business by targeting diversification through top and mid tier clients that meet our 'Risk & Reward' standards. Non performing loans were reduced by 2.0%, and net non-performing loans were brought down by 13.4%.

The salient features of financial statements for the period ended June 30, 2021 are as under:

	Period ended June 30,			
	Actual			
	2021	**2020**	**Variance**	**%Change**
	Rupees in Million			
Net mark up/interest Income	376.846	482.445	(105.599)	(21.9)
Dividend income	142.392	72.654	69.738	96.0
Other income	173.093	110.328	62.765	56.9
Net provisions / (reversals)	82.556	283.420	(200.864)	(70.9)
Profit before tax	301.034	330.919	(29.884)	(9.0)
Profit after tax	234.008	235.142	(1.134)	(0.5)

Despite a very challenging operating environment and strategic decision to book a loss of Rs. 112 million on long term PIBs to reduce interest rate risk, Profit after Tax of Rs. 234.008 million was more or less at par with previous year. Dividend income increased by 96.0% to Rs. 142.392 million. Other income increased by 56.9% to Rs. 173.093 million due to gain on sale of non-banking assets. At the same time, Company prudently booked provisions of Rs. 170.048 million against credit portfolio. Net provisioning charge of Rs. 82.556 million was lower by Rs. 200.864 million compared to same period last year due to net reversals of provisions charge amounting to Rs. 88.052 million on the equity portfolio. Administrative expenses remained well within budgeted limits.

Going forward, Company plans to remain focused on the core business activities and capitalize on available business opportunities while maintaining concerted efforts on recoveries and process improvement.

On behalf of the Board, I would like to express our gratitude to the Governments of the Islamic Republic of Pakistan and the Kingdom of Saudi Arabia for their support and State Bank of Pakistan for professional guidance. I thank the management and staff for an excellent achievement made by them despite the considerable challenges and urge the management to continue with the same positive intent.

Chairman