

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 September 30, 2021 together with Directors' Review thereon.

The period ended September 30, 2021 saw significant headwinds to Pakistan's nascent economic recovery. The third quarter witnessed an escalation in external deficits and a return to macroeconomic stabilization measures. The currency depreciated by 8% during the quarter and annual inflation closed at 9% due to the impact of higher international oil and commodity prices. The State Bank of Pakistan increased the policy rate by 0.25% to 7.25% in its latest Monetary Policy Announcement. It introduced curbs on dollar purchases, restrictions on consumer financing, and also imposed 100pc cash margin requirement in an effort to contain non-essential imports. Economic uncertainty was compounded by the evolving geopolitical situation and ongoing negotiations regarding terms of the IMF program. This had a negative effect on the capital markets, as KSE-100 index saw a decline of 5% over the quarter.

Although the fourth Covid wave subsided, risk remains of a fifth wave in the coming season. Furthermore, in the wake of coordinated fiscal and monetary stabilization measures, Pakistan's GDP growth may moderate to a slower pace than earlier anticipated, as the ongoing balancing act between growth and stabilization continues.

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 also reconfigured and rationalized where possible to mitigate interest rate risk. Company prudently made necessary provisions against non-performing loans and mark to market revaluation deficits. As a result of recoveries, including sizable amount from a large classified account, non performing loans were brought down by 18.91%, and net non-performing loans were brought down by 50.68%. Selective approach was ensured in our project finance business by targeting diversification through top and mid tier clients that meet our 'Risk & Reward' standards.

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

	<u>Period ended September 30,</u>			
	<u>Actual</u>			
	<u>2021</u>	<u>2020</u>	<u>Variance</u>	<u>%Change</u>
	<u>Rupees in Million</u>			
Net mark up/interest Income	802.508	796.382	6.126	0.769
Dividend income	235.113	100.411	134.702	134.151
Other income	221.946	167.330	54.616	32.64
Net provisions / (reversals)	(47.324)	260.942	(308.266)	(118.136)
Profit before tax	919.574	709.874	209.700	29.540
Profit after tax	689.591	539.350	150.241	27.856

Despite a very challenging operating environment, Profit before Tax increased by 29.5% to Rs. 919.6 million while Profit after Tax increased by 28% to Rs. 689.6 million. Major factors contributing to higher profitability were 134% increase in dividend income from the equity portfolio, 33% increase in other income due to gain on sale of non-banking assets, and net provisioning reversal of Rs. 47.3 million compared to net provisioning expense of Rs. 260.9 million last year. Administrative expenses remained well within the budgeted limits. These are excellent results given a very difficult operating environment.

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

