

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, 2023 together with Directors' Review thereon.

During FY23, the economy faced unprecedented macroeconomic challenges of trade imbalance, monsoon floods in 2022 devastating infrastructure and crops, supply chain shocks, meager GDP growth of 0.29%, stressed balance of payments position, low levels of Foreign Currency Reserves at USD 4.47 billion, inflation level of around 30% - causing the central bank to raise policy rate above 20%, and political uncertainty. The situation however, has started showing signs of improvement since July 2023, upon receipt of USD 1.2 Billion out of USD 3 billion bailout package from IMF's standby agreement (SBA) for nine months, PKR appreciation against Foreign Currencies, major reduction in fuel prices and positive performance of KSE 100 index – enabling the central bank to persist with existing policy rate in the last Monetary Policy Session.

The net foreign currency reserves with SBP improved to USD 7.615 billion as of September 30, 2023 and interbank PKR to USD rate was closed at Rs.288 that touched all time high of Rs.307.75. Positivity was also witnessed in stock market and PSX-100 index closed at 46,252 on September 30, 2023 from 41,326 as of June 30, 2023.

Average CPI inflation closed at 31.4 % year-on year in September 30, 2023. SBP, however, maintained the policy rate at 22% on account of declining inflation outlook.

Exports closed at USD 4.5 billion during July -Aug FY23-24 i.e., 8.3% down to the comparable period. Imports during same period were USD 8.5 billion, down by 26% to July-Aug FY22-23. FDI, however, increased to USD 233.8 million in Jul-Aug FY23-24 which was 16.1% higher to previous period. Current account deficit was reduced to USD 0.900 million during July-Aug FY 23-24 which was down by 54.1% in comparable period. LSM growth contracted by 3.62% during July 23 vs July 22.

GDP target of 3.5% for FY 2024 was set by the Government. The agriculture sector is expected to recover on the back of higher production of important crops, including cotton and rice. Marginal easing of import restrictions is expected to support supply chain imbalances.

During the challenging macro-economic indicators, the Company remained focused in managing the credit risk, enhancing SAM recoveries, diversifying the treasury portfolio, increasing the non-fund-based portfolio along with cautious lending while ensuring credit quality.



The salient features of financial statements for the period ended September 30, 2023 are as under:

	<u>Period ended September 30</u>			
	<u>Actual</u>			
	<u>2023</u>	<u>2022</u>	<u>Variance</u>	<u>%Change</u>
	<u>Rupees in Million</u>			
Net markup/interest Income	111.137	272.712	-161.575	-59
Non markup interest income	644.758	521.664	123.094	24
ECL / provisions	-79.952	219.564	-299.516	-136
Profit before tax	467.814	189.62	278.194	147
Profit after tax	321.200	117.692	203.508	173

Net interest margin decreased by 59% mainly due to drag on fixed rate PIBs upon increase in interest rates. Non markup interest income increased by 24 % due to healthy dividend income, realized gain upon selling and unrealized gain on quoted shares measured at fair value through profit & loss account. Substantial increase in commission income on non-fund based business along with net increase in rental income also made positive contribution.

There was net ECL reversal of Rs.79.952 Million in comparison to net provision charge of Rs.219.564 Million as of comparable period. Administrative expenses remained below to the comparable period despite of raging inflation. Profit before tax increased by 147 % while profit after tax by 173 % due to ECL reversal & other factors mentioned above.

Going forward, Company plans to remain focused on the core business activities and capitalize on available business opportunities that satisfy the risk and reward criteria.

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 their achievement despite the considerable challenges and urge them to continue with the same positive intent.



Chairman