

DIRECTOR'S REVIEW

We are delighted to present the Directors' Report together with the audited Financial Statements for the year ended June 30, 2023.

OUTLOOK

During the fiscal year 2022/23, withstanding the prevailing economic adversities, the Corporation has exhibited a commendable performance, manifesting an overall enhancement across all business segments. The consolidated top-line revenue has displayed a robust growth of 48% when compared to the preceding year. We effectively managed the significant impact of inflation by implementing regular price adjustments throughout the year, thereby contributing to the preservation of our profit margins. Nonetheless, the substantial escalation in financial costs has presented a notable challenge. Our unwavering commitment to reduce the group's reliance on excessive

borrowing is steadfast, and we are in the process of carrying out a rights issue for TCL. The proceeds from this rights issue will substantially be allocated towards the repayment of outstanding bank loans.

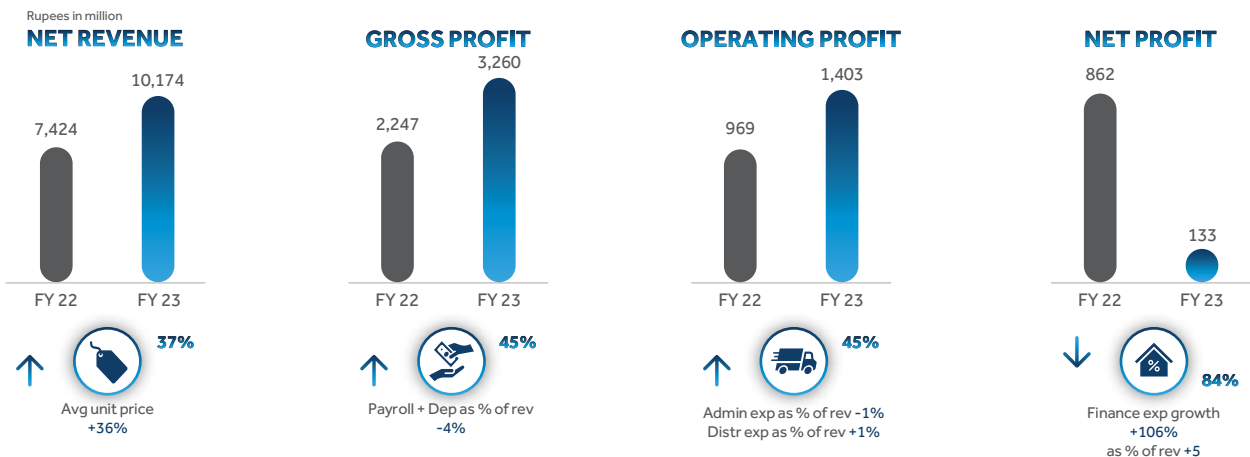
In addition to our financial strategies, we are continuously dedicated to elevating the quality of our existing product portfolio and introducing new and improved offerings. As part of this endeavor, we are poised to launch two novel products: the Rubberized Handle Razor and Treet Shaving Foam. Both of these products are anticipated to be introduced to the market during the fiscal year 2024.

BUSINESS REVIEW – TREET CORPORATION LIMITED (TCL)

During this period, TCL's top-line revenue has witnessed a

remarkable surge, with net sales increasing by an impressive 37% compared to the same period last year, soaring from Rs. 7,424 million to a staggering Rs. 10,174 million. This significant growth is primarily attributed to a 53% increase in export sales and a 30% rise in domestic sales when compared to the figures from the previous year. The gross profit, standing at Rs. 3,260 million, reflects a 45% increase compared to the same period last year (FY 2022: Rs. 2,247 million). This improvement stems from enhanced cost management practices and the sale of high-margin products to both our export and local customers. Furthermore, the impact of inflation was somewhat managed through regular price adjustments throughout the year, contributing to the preservation of profit margins.

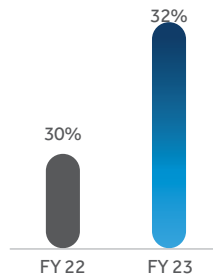
"The company has delivered stellar performance despite operating in a very challenging environment"



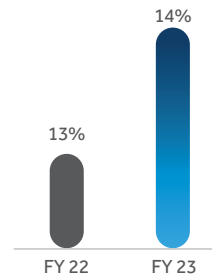
“Operating margin holding steady despite inflationary environment though net margin has been hit by increase in financing costs”

Operating profit reached Rs. 1,403 million, marking a significant improvement of 45% compared to the corresponding period last year (FY 2022: Rs. 969 million). It's worth noting that administration, and selling and distribution expenses increased by 36% and 53%, respectively, in comparison to the previous year, primarily driven by the impact of inflation

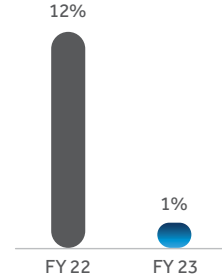
GROSS MARGIN



OPERATING MARGIN



NET MARGIN

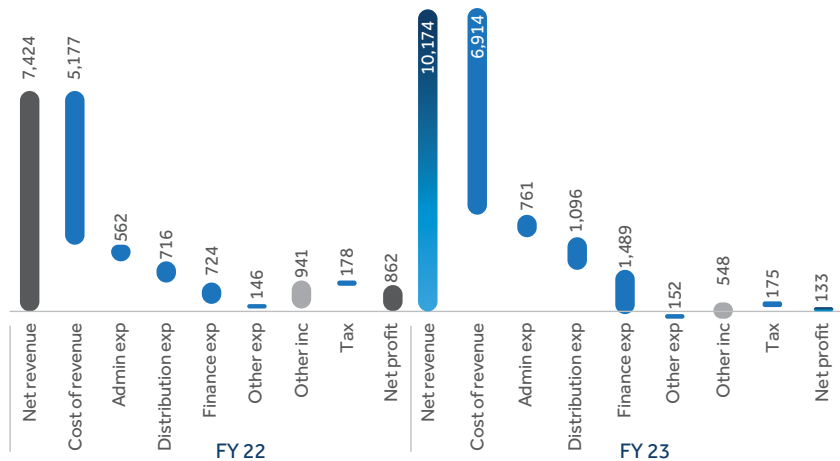


The adverse impact of financing costs has been notable, primarily due to the substantial increase in borrowing rates as a result of domestic economic challenges. While partial repayments were made to the banks, the reduction in borrowing was offset by the impact of higher borrowing costs, which surged by 106% compared to the previous year, amounting to Rs. 1,489 million (FY 2022: Rs. 724 million). Additionally, impairment testing was conducted for THL, resulting in an impairment provision of Rs. 90 million. In contrast, during the corresponding period, there was an impairment reversal related to the investment in FTMM, amounting to Rs. 656 million. Consequently, the Profit After Tax has declined to Rs. 133 million compared to the same period last year (FY 2022: Rs. 862 million).

“High cost of leverage is the primary culprit behind the fall in profitability in TCL”

Resultantly, the Profit after tax has declined to Rs. 133 million compared to last year same period (FY 2022: Rs. 862 million).

TCL - PROFIT BUILDUP (PKR M)

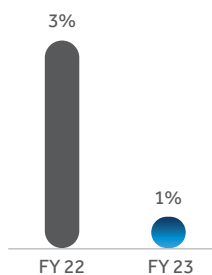


“Company planning to reduce leverage through rights issue to partially offset the high leverage cost which has dampened profitability”

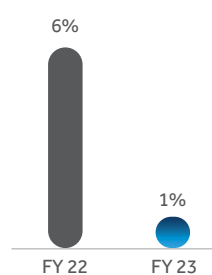
RIGHT ISSUE

Treet Corporation Ltd (TCL) has unveiled its strategy to raise Rs. 2.5 billion through a rights issue of shares. The principal objective behind this capital-raising move is to bolster the financial strength of TCL's balance sheet by clearing its current short-term debt. Consequently, the newfound liquidity generated through this undertaking will serve a dual

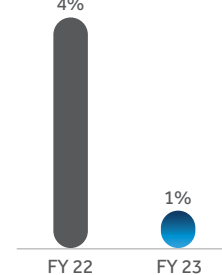
ROA



ROE



ROIC



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purpose: firstly, it will contribute to reducing excessive leverage, and secondly, it will offer flexibility to support TCL's expansion initiatives while alleviating the burden of borrowing costs.

CAPACITY ENHANCEMENT PROJECTS

Treet Razors have emerged as the top-selling commodity in both domestic and international markets. The soaring demand for this product has surpassed the capabilities of our current manufacturing facility. In order to address this capacity limitation, the management has devised a strategy to augment the enhancement of production capacity.

BUSINESS REVIEW – GROUP RESULTS

In the fiscal year 2022-2023, the

Corporation achieved a total turnover of Rs. 23,353 million, marking a substantial increase of Rs. 7,563 million (48%) compared to the corresponding period in the preceding year. This notable rise signifies robust sales growth in terms of both value and volume across all business segments. Throughout the review period, the cost of sales amounted to Rs. 18,227 million, reflecting a 39% increase compared to the corresponding period in the prior year (June 2022: Rs. 13,121 million), a trend in line with the elevated sales figures. Gross profit reached Rs. 5,126 million, showcasing a significant improvement of 92% over the same period in the previous year (June 2022: Rs. 2,669 million). This enhancement can be mainly attributed to heightened sales volumes and effective price optimization strategies. The impact of inflation was effectively managed through consistent price adjustments throughout the year, thereby contributing to the preservation of profit margins. Stringent cost control

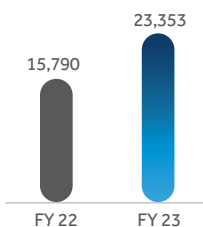
measures also played a pivotal role in achieving an operating profit of Rs. 2,415 million, representing a remarkable improvement of 204% over the corresponding period in the prior year (FY 2022: Rs. 794 million).

Despite a substantial increase in interest rates within monetary policies during the year, which had an adverse impact, the net profit exhibited significant improvement, rising by 110% compared to the corresponding period in the previous year. The prevailing decline in the automotive sector has had an adverse impact on our associated company, Loads Limited, resulting in recording a loss of Rs. 196 million in our financial statements. The Corporation maintained profitability, securing a net profit of Rs. 28 million, in contrast to a loss of Rs. 303 million in the same period of the preceding year. This level of profit translates to an Loss Per Share (EPS) of Rs. 0.004 per share, as opposed to a loss of Rs. 1.77 per share in the corresponding period of the prior year.

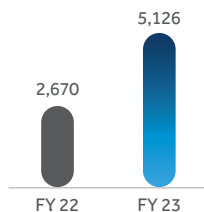
"Despite challenging year, TCL managed to report consolidated net profit of PKR 28m due to price increases and cost controls allowing margins to expand"

Rupees in million

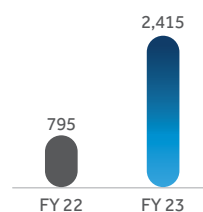
REVENUE-NET



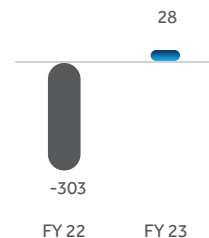
GROSS PROFIT



OP PROFIT



NET PROFIT



SUMMARY OF COMPARATIVE FINANCIAL RESULTS

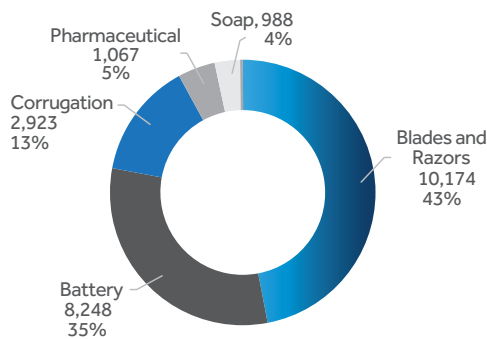
(Rupees in million)

Description	Financial Year June , 2023		Financial Year June , 2022		% Change	
	Treet	Consolidated	Treet	Consolidated	Treet	Consolidated
Sales (net)	10,174	23,353	7,424	15,790	37%	48%
Gross Profit	3,260	5,126	2,247	2,669	45%	92%
Operating Profit/(Loss)	1,402	2,415	969	794	45%	204%
Profit/(Loss) before Taxation	308	281	1,040	(56)	-71%	752%
Net Profit/(Loss) after taxation	133	28	862	(303)	-84%	110%
EPS (in Rupees)	0.75	(0.004)	4.88	-1.77		

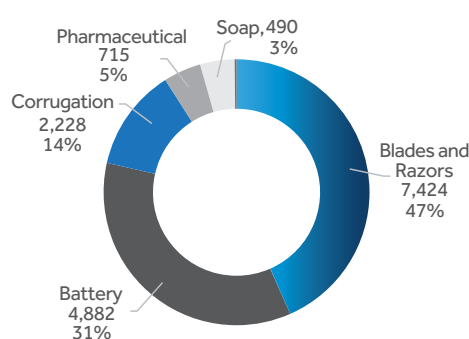
SEGMENT WISE SALES IS AS FOLLOWS:

Rupees in million

FY 23 SEGMENTWISE REVENUE



FY 22 SEGMENTWISE REVENUE



“Striving the headwinds with overall positive revenue growth”

DIVIDEND

In view of financial performance of the Company, the Board of Directors have recommended to pay the final cash dividend of PKR --- per share (2022: PKR ---per share).

TREET BATTERY LIMITED (TBL)

Following a court order, the Battery Segment has been successfully demerged from First Treet Manufacturing Modaraba (FTMM). All assets, liabilities, and the associated business, in the state they existed immediately before the sanction date, have been seamlessly transferred from FTMM to Treet Battery Limited (TBL). TBL's financial results comprise three months of operations from

the battery segment, starting on April 1, 2023.

During the period on three months, for the year ending in June 2023, Treet Battery Limited achieved revenue of Rs. 2.04 billion. The company also successfully generated a gross profit of Rs. 484.6 million, signifying a substantial improvement. This improvement can be attributed to effective cost management, enhanced plant operations, and the company's initiatives in price rationalization. TBL's advanced manufacturing plant continues to operate at peak efficiency levels, optimizing working capital and inventory while minimizing rejections and process wastages to enhance overall efficiency and output. Focused cost-saving initiatives produced positive results, alongside the

implementation of robust quality improvements. The introduction of the TPM (Total Productive Maintenance) management methodology has played a crucial role in reducing losses associated with our manufacturing system, ultimately increasing overall production effectiveness.

As a result, the company achieved an impressive operating profit of Rs. 308 million. However, due to significant increase in financial costs, which had an adverse impact, largely offsetting profits by Rs. 301 million, mainly due to the high leverage in the battery segment. Overall, TBL recorded a net profit of Rs. 57.9 million.

While reviewing the full year performance of battery segment, it is noteworthy that the topline revenue amounted to Rs. 8,248

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million, indicating a remarkable increase of 69% compared to the corresponding period in the previous year. This marks a significant milestone as the segment has achieved its first-ever operating profit of Rs. 610 million, a substantial improvement over Rs. 274 million loss incurred in the same period last year.

It is important to acknowledge that the escalation in financial charges, driven by domestic economic challenges, has led to a significant increase in financial expenditures. Consequently, the segment recorded a net loss of Rs. 234 million. It is worth noting that this loss is considerably less when compared to the corresponding period in the prior year (Net Loss 2022: Rs. 771 million).

FIRST TREET MANUFACTURING MODARABA (FTMM)

FTMM operates primarily in three segments: Battery, Corrugated Boxes, and Soaps. As per a court order, the Battery segment was demerged from FTMM, effective from April 1, 2023. The financial results encompass nine months of the battery segment's performance and the full year results for the corrugated boxes and soaps segments. FY 2023 demonstrated impressive growth and financial performance for FTMM, with substantial increases in revenue, gross profit, operating profit, resulting in improved profitability, and a reduced net loss

compared to the previous year.

The battery segment experienced robust growth, with revenue increasing from Rs. 4,881 million to Rs. 6,207 million, marking a substantial 27% rise. Similarly, the corrugated boxes and soaps segments also witnessed impressive revenue growth, reaching Rs. 3,911 million, a 40% increase from Rs. 2,796 million the previous year.

Notably, the company achieved a gross profit of Rs. 303.2 million, a significant improvement compared to the Rs. 129.5 million in the previous year. This achievement can be attributed to enhanced cost management and the company's efforts in price rationalization, effectively passing on the impact of inflation through regular price adjustments throughout the year. Furthermore, the company's operating profit surged to Rs. 126.87 million, a substantial leap from Rs. 16.9 million reported in the previous year. This outstanding performance resulted from effective cost management.

However, financing costs had an adverse impact, primarily due to the significant increase in borrowing rates. Although partial repayments were made to the banks, the reduction in borrowing was offset by the impact of higher borrowing costs, significantly affecting our bottom line. Consequently, the net loss for the year amounted to Rs. 126 million, compared to a loss of Rs. 542 million in the previous year.

RENACON PHARMA LIMITED (RPL)

The net revenue for the period stands at Rs. 1,066 million, reflecting a notable increase of 49% compared to the previous year (FY 2022: Rs. 715 million). Gross profit has seen a substantial improvement, reaching Rs. 223 million, which represents an impressive 88% increase over the corresponding period in the previous year (FY 2022: Rs. 118 million). This improvement can be primarily attributed to increased sales volumes and effective price rationalization efforts. Profit After Tax has reached Rs. 67 million, a notable improvement compared to the Rs. 31 million reported during the same period last year.

IMPAIRMENT PROVISIONING – International Accounting Standard (IAS) 36.

Management has carried out an impairment testing in accordance with IAS 36 of the carrying amount of investment in subsidiaries/ associated company(s): Treet Holdings Limited (THL) and First Treet Manufacturing Modaraba (FTMM), against the value in use, which has been calculated based on present value of the projected future cashflows of THL and FTMM. As a result, a provision of Rs. 90 million has been recorded in Treet's books for THL.

CODE OF CORPORATE GOVERNANCE:

The Directors of the Company are aware of their responsibilities under the Listed Companies (Code of Corporate Governance) Regulations, 2019 and the Rule Book of Pakistan Stock Exchange. The Company has taken all necessary steps to ensure good corporate governance and full compliance of the Code and we confirm the following:

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- Proper books of account of the Company have been maintained;
- Chief Executive and Chief Financial Officer duly endorsed the financial statements before approval of the Board;
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained;
- The system of internal control is sound in design and has been effectively implemented and monitored;

- There are no significant doubts upon the company's ability to continue as a going concern;
- Statement of pattern of shareholding has been included as part of this Annual Report; and
- Statement of shares held by associated undertakings and related persons have also been disclosed separately.

Statements regarding the following are annexed or disclosed in the notes to the accounts:

- Pattern of Shareholding
- Trading in shares of the Company by its Directors, CEO, CFO and Company Secretary

CORPORATE SOCIAL RESPONSIBILITY

The Company is committed to giving back to the Society and Company has contributed in the form of donations and charity to a number of organizations; including but not limited to Gulab Devi Chest Hospital.

HEALTH, ENVIRONMENT AND SAFETY

As a testament to our commitment to a more sustainable environment, our company is firmly dedicated to the development of products and manufacturing processes that prioritize environmental friendliness. We have established a comprehensive Health, Safety, and Environment Policy aimed at reducing our environmental impact to the maximum extent feasible, taking into account economic and practical considerations.

Our company places paramount importance on safety and is dedicated to safeguarding the well-being of our employees, customers, and the wider community in all current and future endeavors. Additionally, we are resolute in our commitment to uphold strict compliance with national regulations governing environmental, health, and safety standards across all our operations.

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MEETINGS OF THE BOARD OF DIRECTORS:

During the year, the Board of Directors of the company have met 05 times and the attendance at each of these meetings is as follows:

Name	Designation	28-Sep-22	27-Oct-22	14-Feb-23	26-Apr-23	26-Jun-23	2022-2023
Mr. Imran Azim	Chairman/Non-Executive Director	P	P	P	P	P	5/5
Syed Shahid Ali	Chief Executive Officer	A	P	P	P	P	4/5
Syed Sheharyar Ali	Executive Director	P	P	P	P	P	5/5
Mr. Munir Karim Bana	Non-Executive Director	P	P	P	P	P	5/5
Dr. Salman Faridi	Independent Director	P	P	P	P	P	5/5
Ms. Sidra Fatima Sheikh	Independent Director	P	P	P	P	P	5/5
Dr. Haroon Latif Khan	Independent Director	P	P	P	P	P	5/5
Quorum of Meetings		6/7	7/7	7/7	7/7	7/7	

P Present

A Absent

BOARD COMMITTEES AND THEIR MEETINGS

AUDIT COMMITTEE:

During the year, the Audit Committee of the Board have met 04 times and the attendance at each of these meetings is as follows.

Name	Designation	28-Sep-22	27-Oct-22	14-Feb-23	26-Apr-23	2022-2023
Dr. Salman Faridi	Chairman/Member	P	P	P	P	4/4
Mr. Imran Azim	Member	P	P	P	P	4/4
Mr. Munir Karim Bana	Member	P	P	P	P	4/4
Quorum of Meetings		3/3	3/3	3/3	3/3	

P Present

A Absent

HR COMMITTEE:

During the year, the HR Committee of the Board have met 01 times and the attendance at each of these meetings is as follows.

Name	Designation	13-Feb-23	2022-2023
Ms. Sidra Fatima Sheikh	Chairperson/Member	P	1/1
Mr. Imran Azim	Member	P	1/1
Syed Shahid Ali	Member	P	1/1
Quorum of Meetings		3/3	

P Present

A Absent

REMUNERATION POLICY OF NON-EXECUTIVE DIRECTORS

The fee of the non-executive and independent directors for attending the Board and Committee Meeting(s) of the Company is determined by the Board from time to time.

EXTERNAL AUDITOR

The financial statements of the company for the current year 2022-23 were audited by M/s Yousuf Adil & Co. Chartered Accountants. The auditors will retire at the end of the Annual General Meeting.

Being eligible, they have offered themselves for re-appointment. The Board has recommended the appointment of M/s Yousuf Adil & Co. Chartered Accountants as auditors for the ensuing year, as recommended by the Audit Committee, subject to the approval of the members in the forthcoming Annual General Meeting.

ACKNOWLEDGEMENTS

We express our sincere appreciation to our esteemed customers for their trust in our products, and we are dedicated to delivering the highest quality by consistently enhancing our offerings. We extend our gratitude to all our colleagues, management,

and factory personnel who exhibit unwavering commitment to their roles, as the success of our Company is fundamentally rooted in their dedication. Additionally, we extend our thanks to our shareholders for their confidence in our Company, assuring them that we are fully committed to maximizing the returns on their investments in our Company.



Syed Sheharyar Ali
Chief Executive Officer

LAHORE

September 28, 2023