

CHAIRMAN'S REVIEW

It is a pleasure for me to present financial statements of your Company for the half year ended September 30, 2007 duly reviewed by the auditors and my review on operating performance of the Company.

THE ECONOMY

Pakistan economy recorded one of the fastest growth rates in Asia during the 2007 fiscal year by achieving 7% GDP growth mainly due to bumper wheat crop and improved performance of services sector. The foreign investment remained encouraging despite political uncertainty. As a result, the economy looks well-poised to continue on a high growth trajectory in coming years.

The government projects 7.2% GDP growth, 6.7% inflation \$ 8.1 billion current account deficit and \$ 17.7 billion foreign exchange reserves for 2008 fiscal year. Trade deficit swelled to \$ 5.58 billion during the first four months of the current fiscal year from \$ 4.04 billion over the same period last year on account of unprecedented increase in oil prices and expanding list of food items despite being an agricultural country.

THE INDUSTRY

In view of overall improvement in the national economy operating performance of the automotive battery industry in the organized sector also improved during the period under review. However, prices of major raw materials used by the battery industry such as virgin lead and recycled lead have increased to all time high level. Export of recycled lead on highly under invoiced value continued unabated during the period under report as a result of which prices of recycled lead in the local market increased to Rs. 130 per Kg in October 2007 from Rs. 95 per Kg recorded in March 2007.

The sharp increase in the raw material prices forced the battery manufacturers to increase their selling prices in May 2007, July 2007, August 2007 and September 2007. The unorganized sector which comprises of re-platers and importers at under invoiced value are still enjoying sizeable share in the battery market which in turn is posing threat to the organized sector and revenue loss to national exchequer.

OPERATING RESULTS

Net sales revenue for the half year under review increased by 34% to Rs.1,317 million as compared with Rs.978.7 million booked during the corresponding period of the last year. Cost of sales increased by 34% to Rs.1,138 million from Rs.844.2 million mainly due to increase in prices of virgin and recycled lead. Gross profit for the half year under report increased by 33% to Rs.179.2 million from Rs.134.5 million. Financial charges increased from Rs.16.7 million to Rs.20.9 million mainly due to increase in working capital requirement on account of soaring prices of raw materials. Selling and distribution expenses increased on account of volume growth.

Profit before tax for the half year ended 30 September 2007 was 79.4 million as compared to Rs 44.2 million achieved in the corresponding period of the preceding year.

FUTURE PROSPECTS

It is hoped that indigenous organized battery industry will continue to perform satisfactorily, but the profitability will remain under pressure on account of increase in raw material prices i.e. virgin lead, which hit a all time high since it started trading on the London Metal Exchange and market competition, more particularly after the entry of two new manufacturers namely, Millat Battery Limited and Century Engineering Industry (Private) Limited. However, your management is determined to avail full benefits of the opportunities by continued focus on quality, productivity, cost control and after sale service to improve its competitiveness.

ARIF HASHWANI
Chairman

Karachi: November 29, 2007