

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, 2024 together with Directors' Review thereon.

Pakistan's economy is indicating positive developments during the first two months of FY2025 as most of the economic indicators have shown improvement. Inflation dropped to single digit 6.9% in September from 12.6% in June 24, industrial output has increased, and large export sectors have witnessed growth, reflecting an optimistic outlook for exports. The current account deficit contracted, while the fiscal sector remained resilient. This, along with the revival of financial inflows, helped build the SBP's FX reserves.

In September 2024, State Bank of Pakistan (SBP) reduced the policy rate by 200 basis points to 17.5. Pakistani rupee, which had lost more than 60 percent of its value against the United States dollar in the past two years, has now stabilized at 278 rupees against a dollar, on the back of improving macro fundamentals, and is likely to remain rangebound during remainder of 2024.

In August 2024, the KSE-100 index hovered around 78,000 points and closed at 78,488 points at month end. During the month, the KSE-100 index gained 601 points, while Market Capitalization increased by Rs 117 billion and settled at Rs.10,485 billion. Following a phase of decline, LSM is now regaining its footing and major export sectors show readiness to scale up production. This recovery is expected to be bolstered by a favorable external environment, a stable exchange rate, and declining inflationary pressures.

Salient features of financial statements for the period ended Sept 30, 2024 are as under:

	<u>Period ended Sept 30,</u>			
	<u>Actual</u>			
	<u>2024</u>	<u>2023</u>	<u>Variance</u>	<u>%Change</u>
	<u>Rupees in Million</u>			
Net mark up/interest Income	375.100	111.137	263.963	238%
Non markup interest income	545.883	644.758	(98.875)	-15%




ECL / provisions	(230.450)	(79.952)	(150.498)	-188%
Profit before tax	717.234	467.814	249.420	53%
Profit after tax	654.236	321.200	333.036	104%

Net interest margin increased by 238% mainly due to net increase in advances, short term investments and effective management of funding cost in comparison to previous period. Non markup interest income decreased by 15% mainly due to decrease in dividend income upon reduction in quoted shares portfolio as part of strategy. There was a healthy ECL/provisions reversal upon recovery from NPL accounts. PBT & PAT increased by 53% & 104% respectively due to the factors stated above.

The company plans to remain focused on the core business activities and capitalize on available business opportunities which satisfy risk and reward criteria, while maintaining concerted efforts on SAM recoveries and process improvements. Reduction of funding cost remains a key priority to increase the income spreads.

On behalf of the Board, I would like to express our gratitude to the Governments of 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 the staff for their achievements despite the challenges and urge the management to continue with the same positive intent.


 Chairman