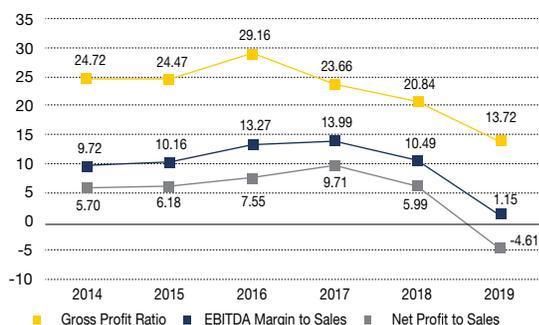


ANALYSIS OF FINANCIAL STATEMENTS

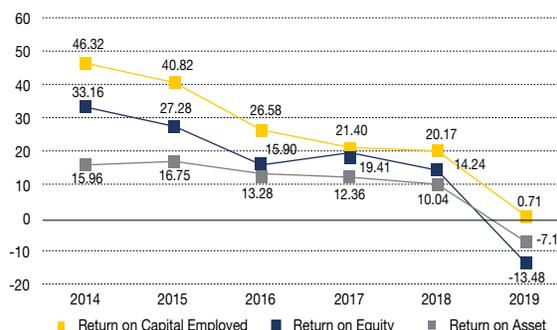
FOR THE CURRENT AND LAST FIVE YEARS

| Key Performance Indicators | UOM | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|------------------------------------|-------|---------|---------|---------|--------|--------|--------|
| PROFITABILITY RATIOS | | | | | | | |
| Gross Profit Ratio | % | 13.72 | 20.84 | 23.66 | 29.16 | 24.47 | 24.72 |
| Net Profit to Sales | % | -4.61 | 5.99 | 9.71 | 7.55 | 6.18 | 5.70 |
| EBITDA Margin to Sales | % | 1.15 | 10.49 | 13.99 | 13.27 | 10.16 | 9.72 |
| Return on Equity | % | -13.48 | 14.24 | 19.41 | 15.90 | 27.28 | 33.16 |
| Return on Capital Employed | % | 0.71 | 20.17 | 21.40 | 26.58 | 40.82 | 46.32 |
| EBIT Margin | % | 0.40 | 10.36 | 14.25 | 12.76 | 9.63 | 8.74 |
| Working Capital | Rs. | 1525.38 | 1243.22 | 1712.63 | 491.29 | 315.84 | 647.74 |
| Return on Asset | % | -7.11 | 10.04 | 12.36 | 13.28 | 16.75 | 15.96 |
| LIQUIDITY RATIOS | | | | | | | |
| Current Ratio | Times | 1.10 | 1.84 | 1.75 | 3.96 | 1.35 | 1.46 |
| Quick Ratio | Times | 0.82 | 1.20 | 1.02 | 2.92 | 0.66 | 0.63 |
| Cash to Current Liabilities | Times | 0.06 | 0.31 | 0.04 | 0.29 | 0.12 | 0.34 |
| Cash Flow from Operations to Sales | Times | -0.06 | 0.16 | -0.01 | 0.12 | 0.11 | 0.14 |

PROFITABILITY RATIOS



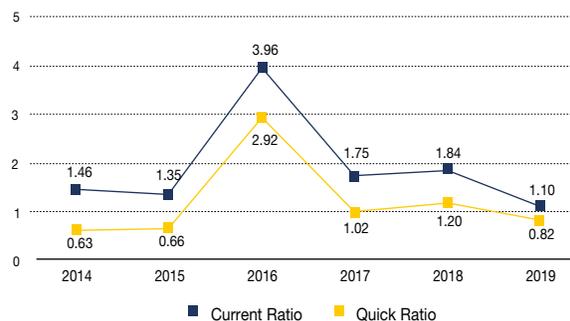
PROFITABILITY RATIOS



PROFITABILITY RATIOS



LIQUIDITY RATIOS



PROFITABILITY RATIOS

Unfavorable fluctuation in International lubricant prices coupled with market volatility in terms of uncertain global / local economic conditions and abrupt devaluation in rupee against dollar put upward pressure causing the cost of sales to dramatically increase. With a fiercely competitive market that did not allow proportionate sales price increases, the company continued retaining its market share by ensuring that customers receive high quality products and services at affordable prices which in turn cost to company's margins.

LIQUIDITY RATIOS

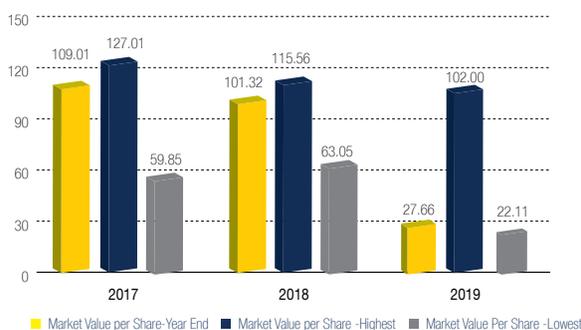
Combined with a slower-than-expected economy which has put a pressure on the automobile sector, it had a drastic impact on automobile sales in the country as well as the frequency of engine oil change, and because of reduction in both these factors, our estimates of increase in demand for engine oil were not fulfilled which reflected in our high borrowings and as such current ratio deteriorated from 1.8 to 1.1 as well as quick ratio. Cash to current liabilities ratio showed downward trend, 0.056 times, compared to 0.31 times of previous year because of decrease in cash inflows. Company's average ratio for the last 6 years is .19 times.

| Key Performance Indicators | UOM | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---------|--------|--------|--------|--------|--------|-------|
| INVESTMENT/MARKET RATIOS | | | | | | | |
| Earning per Share | Rs. | -3.75 | 4.78 | 6.27 | 5.43 | 3.88 | 3.46 |
| Price Earnings Ratio | % | -7.38 | 21.20 | 17.40 | 10.91 | * | * |
| Price to Book Ratio | % | 1.00 | 3.02 | 3.38 | 1.74 | * | * |
| Dividend Yield Ratio | Times | 0.06 | 0.03 | 0.02 | 0.03 | * | * |
| Dividend Payout Ratio | % | - | 73.23 | 43.09 | 27.65 | 34.74 | 26.04 |
| Cash Dividend per Share | Rs. | - | 3.50 | 2.70 | 1.50 | 1.35 | 0.90 |
| Market Value per Share (Year End) | Rs. | 27.66 | 101.32 | 109.01 | 59.17 | * | * |
| Market Value per Share (Highest) | Rs. | 102.00 | 115.56 | 127.01 | 64.31 | * | * |
| Market Value per Share (Lowest) | Rs. | 22.11 | 63.05 | 59.85 | 55.09 | * | * |
| Breakup Value/Book Value per Share | Rs. | 27.82 | 33.56 | 32.28 | 34.12 | 14.22 | 12.09 |
| No. of Shares (mn) - based on par value of 10 | Nos. | 116.00 | 116.00 | 116.00 | 97.62 | 87.00 | 75.00 |
| Total Dividend Paid (mn) | Rs.(mn) | 203.01 | 406.01 | 313.21 | 146.43 | 117.30 | 67.50 |

SHARE PRICE SENSITIVITY ANALYSIS

Share price in the stock market moves due to various factors such as company performance, general market sentiment, economic events and interest rates, etc. Being a responsible and law-compliant company, HTL circulates price sensitive information to stock exchanges in accordance with the requirements of listing regulations in a timely manner. During the year 2019, HTL's share price touched the peak of Rs.102 while the lowest recorded price was Rs.22.11 with a closing price of Rs.27.66 at the end of the year.

SHARE PRICE SENSITIVITY ANALYSIS



INVESTMENT / MARKET SHARE RATIOS

Stock market has witnessed continuous historic downfall. All the market ratios of HTL have been decreased due to macro and micro challenges faced by Pakistan. Further, Company has not paid dividend in 2019.

INVESTMENT / MARKET SHARE RATIOS



SEGMENTAL REVIEW

SEGMENTAL REVIEW

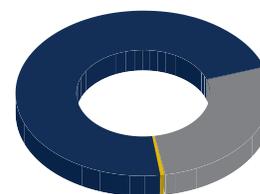
LUBE SEGMENT

In volume terms, ZIC top tier diesel segment suffered with 20% downward trend. On the other hand Passenger car motor oils sustained its volume.

Diesel volumes in ZIC mid Tier also suffered by 6% downwards. The motorcycle oils volumes on the other hand grew by 16% as compared to last year.

HI-TECH BLENDING (PVT.) LIMITED (HTBL)

HTBL continued its impressive growth in revenues (26%). The Company added new products to its portfolio and invested in additional Extrusion Blow Molding (EBM) and Injection Molding Machines to handle growing sales volumes. HTBL is now a significant contributor to HTL's overall profitability. HTBL has also commenced its blending operations during the year.



■ Zic Top-Tier ■ Zic Mid-Tier ■ HTL Express

HTL EXPRESS

Though HTL Express Centers contributes very less in total revenue but with 4 new HTL Express centers, its gross revenue growth remained 143 % during the last year. Company is focused on increasing the brand's customer base in the vehicle preventive maintenance by attracting corporate clients to provide fleet maintenance services in addition to catering to the consumer segment of the vehicle maintenance industry.

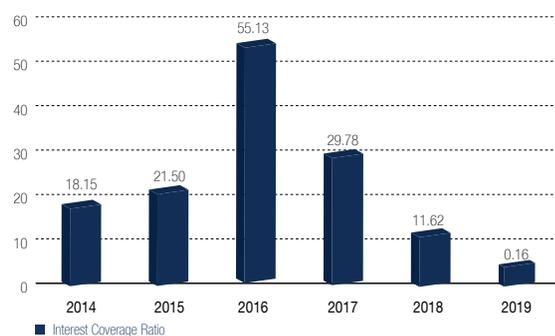
* Not applicable due to being unlisted organization

ANALYSIS OF FINANCIAL STATEMENTS

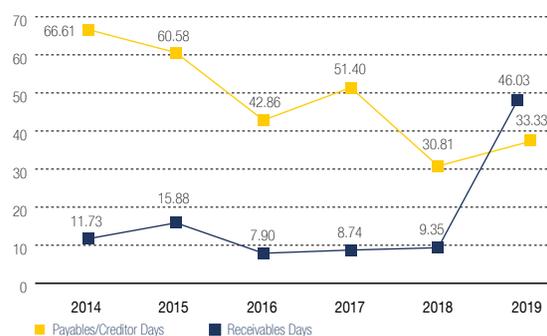
FOR THE CURRENT AND LAST FIVE YEARS

| Key Performance Indicators | UOM | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|-------|--------|--------|--------|--------|--------|--------|
| CAPITAL STRUCTURE | | | | | | | |
| Financial Leverage Ratio | Times | 0.3392 | 0.1562 | 0.2111 | 0.0095 | 0.0256 | 0.0467 |
| Debt to Equity Ratio (as per Book Value) | % | 39.13 | 18.14 | 24.90 | 1.13 | 4.01 | 8.85 |
| Debt to Equity Ratio (as per Market Value) | % | 39.26 | 6.84 | 8.94 | 0.65 | - | - |
| Interest Coverage Ratio | Times | 0.16 | 11.62 | 29.78 | 55.13 | 21.50 | 18.15 |
| ACTIVITY/TURNOVER RATIOS | | | | | | | |
| Total Assets Turnover Ratio | Times | 1.54 | 1.68 | 1.27 | 1.76 | 2.71 | 2.80 |
| Fixed Assets Turnover | Times | 5.92 | 6.66 | 7.90 | 20.88 | 24.63 | 22.01 |
| No. of Days in Inventory | Days | 35.98 | 47.89 | 96.11 | 48.71 | 44.95 | 71.97 |
| No. of Days in Receivables | Days | 46.03 | 9.35 | 8.74 | 7.90 | 15.88 | 11.73 |
| No. of Days in Payables | Days | 33.33 | 30.81 | 51.40 | 42.86 | 60.58 | 66.61 |
| Operating Cycle | Days | 48.67 | 26.43 | 53.45 | 13.75 | 0.25 | 17.09 |

CAPITAL STRUCTURE RATIO



ACTIVITY/TURNOVER RATIOS



CAPITAL STRUCTURE RATIOS

Interest cover has significantly decreased to 0.16 times from last year 11.6 times. Debt to equity ratio is 39.61 as compared to 18.82 of last year. Increase in cost of sales, finance cost, distribution expenses are the key factors for such downward ratios.

ACTIVITY / TURNOVER RATIOS

Operating cycle of the company has increased to 49 days as compared to last year's 27 days. This is mainly because of increased receivable days, as company allowed its loyal customers one time credit of 30 days due to changes made by Govt. in the Finance Act, 2020. Subsequent to the year end, our customers have cleared their outstanding balances. Total assets turnover is 1.54 times as compared to 1.68 of last year.

* Not applicable due to being unlisted organization

VERTICAL ANALYSIS

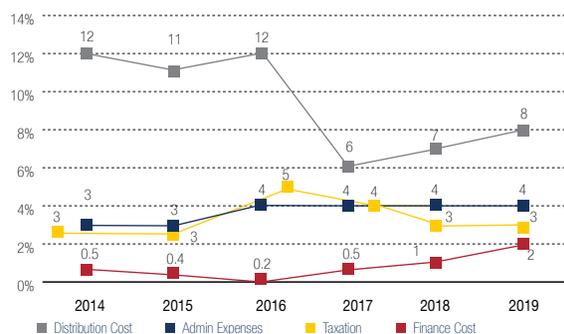
FOR THE CURRENT AND LAST FIVE YEARS

| Profit & Loss | 2019 | | 2018 | | 2017 | | 2016 | | 2015 | | 2014 | |
|---------------------------------|---------|------|----------|------|---------|------|---------|------|---------|------|---------|------|
| | in Mn | %age | in Mn | %age | in Mn | %age | in Mn | %age | in Mn | %age | in Mn | %age |
| Total Revenue | 9,431 | 100% | 9,254 | 100% | 7,489 | 100% | 7,015 | 100% | 5,467 | 100% | 5,274 | 100% |
| COGS | (8,137) | 86% | (7,325) | 79% | (5,717) | 76% | (4,970) | 71% | (4,129) | 76% | (3,970) | 75% |
| Gross Profit | 1,294 | 14% | 1,928 | 21% | 1,772 | 24% | 2,046 | 29% | 1,338 | 24% | 1,304 | 25% |
| Admin Expenses | (391) | 4% | (351.09) | 3% | (279) | 3% | (264) | 4% | (171) | 3% | (163) | 3% |
| Distribution Cost | (795) | 8% | (606.71) | 6% | (445) | 6% | (851) | 12% | (605) | 11% | (628) | 12% |
| EBITDA | 108 | 1% | 971 | 10% | 1,048 | 14% | 931 | 13% | 555 | 10% | 513 | 10% |
| Depreciation | (81) | 1% | (57) | 1% | (45) | 1% | (38) | 1% | (35) | 1% | (28) | 1% |
| Other Operating Expenses | (104) | 1% | (63) | 1% | (32) | 0.4% | (43) | 1% | (47) | 1% | (34) | 1% |
| Other Income | 114 | 1% | 108 | 1% | 96 | 1% | 46 | 1% | 53 | 1% | 9 | 0.2% |
| EBIT | 38 | 0.4% | 959 | 10% | 1,067 | 14% | 895 | 13% | 526 | 10% | 461 | 9% |
| Share of income from subsidiary | - | 0% | - | 0% | - | 0% | - | 0% | - | 0% | - | 0% |
| Finance Cost | (235) | 2% | (83) | 1% | (36) | 0.5% | (16) | 0.2% | (24) | 0.4% | (25) | 0.5% |
| Profit Before Tax | (197) | -2% | 877 | 9% | 1,031 | 14% | 879 | 13% | 502 | 9% | 435 | 8% |
| Taxation | (237) | 3% | (322) | 3% | (304) | 4% | (349) | 5% | (164) | 3% | (135) | 3% |
| Profit After Tax | (435) | -5% | 554 | 6% | 727 | 10% | 530 | 8% | 338 | 6% | 301 | 6% |

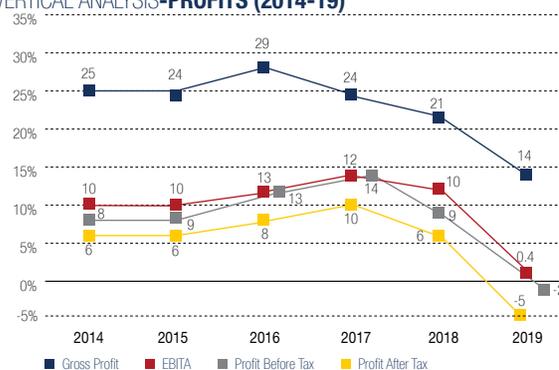
PROFIT AND LOSS VERTICAL ANALYSIS

Sales revenue of the company has increased by 2% as compared to 2018. This increase is due to the increase price of lubricants. On the other hand, the cost of goods sold also increased by 11% in comparison to 2018 and is 86% of the total revenue. Distribution cost is 8.4% and is the major constituent of the total period cost. Admin expenses are 4% of the total sales revenue. This implies that company is able to leaven its expenses despite the fact that the company has perused growth strategy. Due to the abrupt changes in cost of sales and operating expenses, HTL posted net loss of Rs.435 million in 2019.

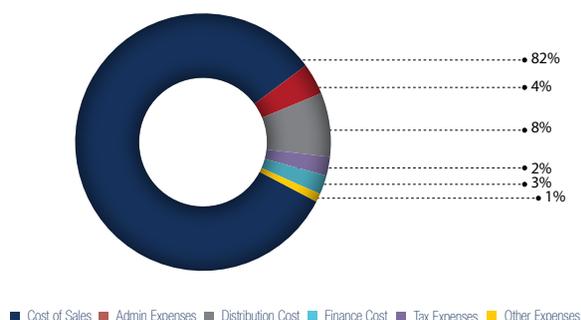
VERTICAL ANALYSIS-EXPENSES (2014-19)



VERTICAL ANALYSIS-PROFITS (2014-19)



VERTICAL ANALYSIS-STATEMENT OF PROFIT & LOSS (2019)



VERTICAL ANALYSIS

FOR THE CURRENT AND LAST FIVE YEARS

| Statement of Financial Position | 2019 | | 2018 | | 2017 | | 2016 | | 2015 | | 2014 | |
|--|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
| | in Mn | %age |
| Non current assets | | | | | | | | | | | | |
| Fixed assets | 1,592 | 26.0% | 1,389 | 25.2% | 948 | 16.1% | 336 | 8.4% | 222 | 11.0% | 240 | 12.7% |
| Investment in subsidiary company | 1,300 | 21.3% | 1,300 | 23.5% | 1,300 | 22.1% | 1,103 | 27.6% | 776 | 38.5% | 255 | 13.5% |
| Long term loans to employees | - | 0.0% | - | 0.0% | 1 | 0.02% | 3 | 0.1% | 3 | 0.1% | 1 | 0.1% |
| Long term security deposits | 26 | 0.4% | 39 | 0.7% | 33 | 0.6% | 14 | 0.3% | 14 | 0.7% | 16 | 0.8% |
| Deferred income tax asset | 39 | 0.6% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% |
| Total non current assets | 2,957 | 48.4% | 2,728 | 49.4% | 2,282 | 38.8% | 1,456 | 36.5% | 1,015 | 50.3% | 512 | 27.2% |
| Current assets | | | | | | | | | | | | |
| Stock-in-trade | 802 | 13.1% | 961 | 17.4% | 1,505 | 25.6% | 663 | 16.6% | 508 | 25.2% | 783 | 41.6% |
| Trade debts | 1,189 | 19.4% | 237 | 4.3% | 179 | 3.1% | 152 | 3.8% | 238 | 11.8% | 170 | 9.0% |
| Loans and advances | 37 | 0.6% | 146 | 2.7% | 664 | 11.3% | 59 | 1.5% | 108 | 5.4% | 83 | 4.4% |
| Short term deposits and prepayments | 49 | 0.8% | 28 | 0.5% | 15 | 0.2% | 14 | 0.3% | 15 | 0.8% | 14 | 0.7% |
| Accrued Interest | 33 | 0.5% | 15 | 0.3% | 0.4 | 0.01% | - | 0.0% | - | 0.0% | - | 0.0% |
| Other receivables | 8 | 0.1% | 17 | 0.3% | 80 | 1.4% | 1 | 0.01% | 44 | 2.2% | 2 | 0.1% |
| Short term investment | 882 | 14.4% | 917 | 16.6% | 1,081 | 18.4% | 1,459 | 36.6% | - | 0.0% | - | 0.0% |
| Cash and bank balances | 159 | 2.6% | 472 | 8.5% | 75 | 1.3% | 187 | 4.7% | 87 | 4.3% | 322 | 17.1% |
| Total current assets | 3,159 | 51.6% | 2,794 | 50.6% | 3,599 | 61.2% | 2,533 | 63.5% | 1,001 | 49.7% | 1,372 | 72.8% |
| Total assets | 6,116 | 100.0% | 5,522 | 100.0% | 5,881 | 100.0% | 3,989 | 100.0% | 2,016 | 100.0% | 1,884 | 100.0% |
| Capital and reserves | | | | | | | | | | | | |
| Issued, subscribed and paid up capital | 1,160 | 19.0% | 1,160 | 21.0% | 1,160 | 19.7% | 1,160 | 29.1% | 870 | 43.2% | 750 | 39.8% |
| Share premium | 1,442 | 23.6% | 1,442 | 26.1% | 1,442 | 24.5% | 1,442 | 36.1% | - | 0.0% | - | 0.0% |
| Accumulated profit / (loss) | 625 | 10.2% | 1,291 | 23.4% | 1,143 | 19.4% | 729 | 18.3% | 368 | 18.2% | 157 | 8.3% |
| Total capital and reserves | 3,227 | 52.8% | 3,893 | 70.5% | 3,744 | 63.7% | 3,331 | 83.5% | 1,238 | 61.4% | 907 | 48.1% |
| Non current liabilities | | | | | | | | | | | | |
| Liabilities against assets subject to finance lease | 27 | 0.4% | 79 | 1.4% | 66 | 1.1% | 15 | 0.4% | 25 | 1.3% | 29 | 1.6% |
| Long term deposits | 1 | 0.02% | 2 | 0.03% | 2 | 0.03% | 2 | 0.1% | 3 | 0.1% | 2 | 0.1% |
| Deferred liabilities | - | 0.0% | 12 | 0.2% | 3 | 0.1% | - | 0.0% | 9 | 0.4% | 8 | 0.4% |
| Long term financing | 2 | 0.03% | 15 | 0.3% | 13 | 0.2% | 1 | 0.03% | - | 0.0% | - | 0.0% |
| Total non current liabilities | 29 | 0.5% | 108 | 1.9% | 85 | 1.4% | 18 | 0.5% | 37 | 1.8% | 39 | 2.1% |
| Current liabilities | | | | | | | | | | | | |
| Trade and other payables | 743 | 12.1% | 618 | 11.2% | 805 | 13.7% | 584 | 14.6% | 685 | 34.0% | 725 | 38.5% |
| Accrued mark-up | 70 | 1.1% | 18 | 0.3% | 10 | 0.2% | 1 | 0.01% | - | 0.0% | 5 | 0.3% |
| Loans from directors | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | 141 | 7.5% |
| Current portion of liabilities against assets subject to finance lease | 71 | 1.2% | 61 | 1.1% | 43 | 0.7% | 22 | 0.5% | 27 | 1.3% | 21 | 1.1% |
| Short term borrowing | 1,975 | 32.3% | 708 | 12.8% | 1,119 | 19.0% | - | 0.0% | - | 0.0% | 38 | 2.0% |
| Taxation - net | 1 | 0.02% | 117 | 2.1% | 75 | 1.3% | 34 | 0.9% | 29 | 1.5% | 9 | 0.5% |
| Total current liabilities | 2,860 | 46.8% | 1,522 | 27.6% | 2,052 | 34.9% | 640 | 16.0% | 741 | 36.8% | 938 | 49.8% |
| Total liabilities and equity | 6,116 | 100.0% | 5,522 | 100.0% | 5,881 | 100.0% | 3,989 | 100.0% | 2,016 | 100.0% | 1,884 | 100.0% |

FINANCIAL POSITION'S VERTICAL ANALYSIS

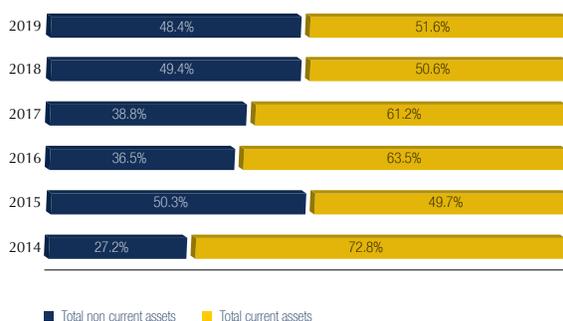
Total assets comprises of current and non-current assets. Position at 30th June, 2019 depicts that out of the total assets, current assets are 51.6% and non-current assets are 48.4%.

On the other side, equity and liabilities constitute of share capital and reserves of 52.8%, non-current liabilities of 0.5% and current liabilities of 46.8%. Capital and reserves mainly constitutes paid up capital (19%), share premium (23.6) and accumulated profits/loss (10.2%).

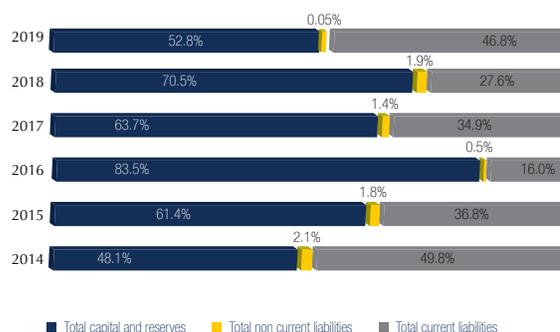
Non-current liabilities mainly constitute liabilities against assets subject to finance lease (0.4%) and long term financing (0.03%).

Current liabilities mainly constitute short term financing of 32.3% and trade and other payables with 12.1%.

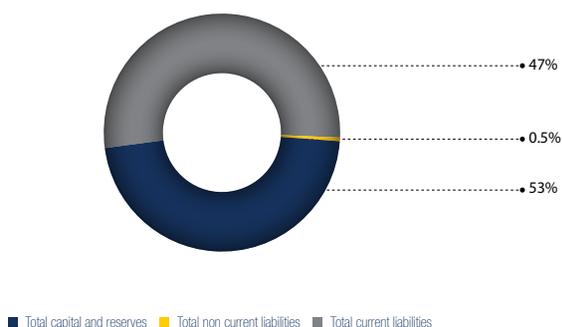
VERTICAL ANALYSIS-TOTAL ASSETS



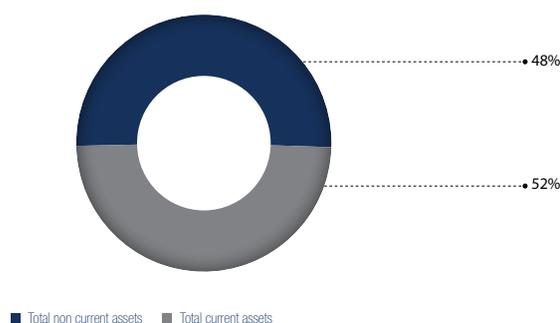
VERTICAL ANALYSIS-TOTAL EQUITY & LIABILITIES



VERTICAL ANALYSIS-TOTAL EQUITY & LIABILITIES (2019)



VERTICAL ANALYSIS-TOTAL ASSETS (2019)



HORIZONTAL ANALYSIS

FOR THE CURRENT AND LAST FIVE YEARS

| Statement of Financial Position | 2019 | 2019 vs 2018 | 2018 | 2018 vs 2017 | 2017 | 2017 vs 2016 | 2016 | 2016 vs 2015 | 2015 | 2015 vs 2014 | 2014 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | in Mn | %age | in Mn |
| Non current assets | | | | | | | | | | | |
| Fixed assets | 1,592 | 15% | 1,389 | 47% | 948 | 182% | 336 | 51% | 222 | -7% | 240 |
| Investment in subsidiary company | 1,300 | 0% | 1,300 | 0% | 1,300 | 18% | 1,103 | 42% | 776 | 204% | 255 |
| Long term loans to employees | - | -100% | 0 | -73% | 1 | -68% | 3 | 25% | 3 | 78% | 1 |
| Long term security deposits | 26 | -32% | 39 | 18% | 33 | 142% | 14 | -1% | 14 | -13% | 16 |
| Deferred income tax asset | 39 | 0% | - | 0% | - | 0% | - | 0% | - | 0% | - |
| Total non current assets | 2,957 | 8.4% | 2,728 | 19.6% | 2,282 | 56.8% | 1,456 | 43.5% | 1,015 | 98.2% | 512 |
| Current assets | | | | | | | | | | | |
| Stock-in-trade | 802 | -17% | 961 | -36% | 1,505 | 127% | 663 | 30% | 508 | -35% | 783 |
| Trade debts | 1,189 | 402% | 237 | 32% | 179 | 18% | 152 | -36% | 238 | 40% | 170 |
| Loans and advances | 37 | -75% | 146 | -78% | 664 | 1029% | 59 | -46% | 108 | 31% | 83 |
| Short term deposits and prepayments | 49 | 75% | 28 | 91% | 15 | 7% | 14 | -11% | 15 | 13% | 14 |
| Accrued Interest | 33 | 112% | 15 | 4268% | 0.4 | 0% | - | 0% | - | 0% | - |
| Other receivables | 8 | -55% | 17 | -78% | 80 | 15579% | 1 | -99% | 44 | 2466% | 2 |
| Short term investment | 882 | -4% | 917 | -15% | 1,081 | -26% | 1,459 | 0% | - | 0% | - |
| Cash and bank balances | 159 | -66% | 472 | 528% | 75 | -60% | 187 | 115% | 87 | -73% | 322 |
| Total current assets | 3,159 | 13% | 2,794 | -22% | 3,599 | 42% | 2,533 | 153% | 1,001 | -27% | 1,372 |
| Total assets | 6,116 | 11% | 5,522 | -6% | 5,881 | 47% | 3,989 | 98% | 2,016 | 7% | 1,884 |
| Capital and reserves | | | | | | | | | | | |
| Issued, subscribed and paid up capital | 1,160 | 0% | 1,160 | 0% | 1,160 | 0% | 1,160 | 33% | 870 | 16% | 750 |
| Share premium | 1,442 | 0% | 1,442 | 0% | 1,442 | 0% | 1,442 | 0% | - | 0% | - |
| Accumulated profit / (loss) | 625 | -52% | 1,291 | 13% | 1,143 | 57% | 729 | 98% | 368 | 134% | 157 |
| Total capital and reserves | 3,227 | -17% | 3,893 | 4% | 3,744 | 12% | 3,331 | 169% | 1,238 | 36% | 907 |
| Non current liabilities | | | | | | | | | | | |
| Liabilities against assets subject to finance lease | 27 | -66% | 79 | 20% | 66 | 334% | 15 | -40% | 25 | -15% | 29 |
| Long term deposits | 1 | -33% | 2 | -25% | 2 | 0% | 2 | -33% | 3 | 50% | 2 |
| Deferred liabilities | - | -100% | 12 | 276% | 3 | 0% | - | -100% | 9 | 15% | 8 |
| Long term financing | 2 | -88% | 15 | 10% | 13 | 1210% | 1 | 0% | - | 0% | - |
| Total non current liabilities | 29 | -73% | 108 | 27% | 85 | 364% | 18 | -51% | 37 | -5% | 39 |
| Current liabilities | | | | | | | | | | | |
| Trade and other payables | 743 | 20% | 618 | -23% | 805 | 38% | 584 | -15% | 685 | -5% | 725 |
| Accrued mark-up | 70 | 282% | 18 | 91% | 10 | 1662% | 1 | 0% | - | -100% | 5 |
| Loans from directors | - | 0% | - | 0% | - | 0% | - | 0% | - | -100% | 141 |
| Current portion of liabilities against assets subject to finance lease | 71 | 16% | 61 | 40% | 43 | 100% | 22 | -18% | 27 | 26% | 21 |
| Short term borrowing | 1,975 | 179% | 708 | -37% | 1,119 | 0% | - | 0% | - | -100% | 38 |
| Taxation - net | 1 | -99% | 117 | 55% | 75 | 120% | 34 | 17% | 29 | 209% | 9 |
| Total current liabilities | 2,860 | 88% | 1,522 | -26% | 2,052 | 221% | 640 | -14% | 741 | -21% | 938 |
| Total liabilities and equity | 6,116 | 11% | 5,522 | -6% | 5,881 | 47% | 3,989 | 98% | 2,016 | 7% | 1,884 |
| Profit & Loss | | | | | | | | | | | |
| Total Revenue | 9,431 | 2% | 9,254 | 24% | 7,489 | 7% | 7,015 | 28% | 5,467 | 4% | 5,274 |
| COGS | (8,137) | 11% | (7,325) | 28% | (5,717) | 15% | (4,970) | 20% | (4,129) | 4% | (3,970) |
| Gross Profit | 1,294 | -33% | 1,928 | 9% | 1,772 | -13% | 2,046 | 53% | 1,338 | 3% | 1,304 |
| Admin Expenses | (391) | 11% | (351) | 26% | (279) | 6% | (264) | 49% | (177) | 9% | (163) |
| Distribution Cost | (795) | 31% | (606) | 36% | (445) | -48% | (851) | 41% | (605) | -4% | (628) |
| EBITDA | 108 | -89% | 971 | -7% | 1,048 | 13% | 931 | 68% | 555 | 8% | 513 |
| Depreciation | (81) | 41% | (57) | 28% | (45) | 17% | (38) | 10% | (35) | 25% | (28) |
| Other Operating Expenses | (104) | 64% | (63) | 97% | (32) | -26% | (43) | -8% | (47) | 41% | (34) |
| Other Income | 114 | 5% | 108 | 13% | 96 | 107% | 46 | -12% | 53 | 463% | 9 |
| EBIT | 38 | -96% | 959 | -10% | 1,067 | 19% | 895 | 70% | 526 | 14% | 461 |
| Share of income from subsidiary | - | 0% | - | 0% | - | 0% | - | 0% | - | 0% | - |
| Finance Cost | (235) | 185% | (83) | 130% | (36) | 121% | (16) | -34% | (24) | -4% | (25) |
| Profit Before Tax | (197) | -123% | 877 | -15% | 1,031 | 17% | 879 | 75% | 502 | 15% | 435 |
| Taxation | (237) | -26% | (322) | 6% | (304) | -13% | (349) | 113% | (164) | 22% | (135) |
| Profit After Tax | (435) | -178% | 554 | -24% | 727 | 37% | 530 | 57% | 338 | 12% | 301 |

FINANCIAL POSITION HORIZONTAL ANALYSIS

Non-current assets have increased by Rs.229 million (8.4%) from the last year. This increase was mainly due to investments made in expansion projects that support HTL's growth strategy.

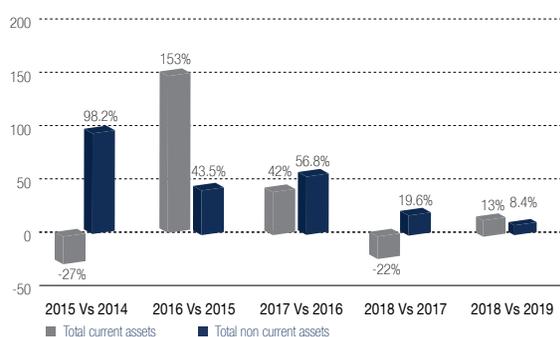
Current assets primarily comprises of inventory, trade debts, short-term investments and cash & bank balances. On an aggregate basis, current assets increased by Rs.365 million (13%) mainly due to increase in trade debts (402%) and accrued interest (112%) as compared to last year.

Shareholders' equity has been decreased by Rs.666 million (17%) mainly due to decrease in accumulated profit by 52% as compared to 2018.

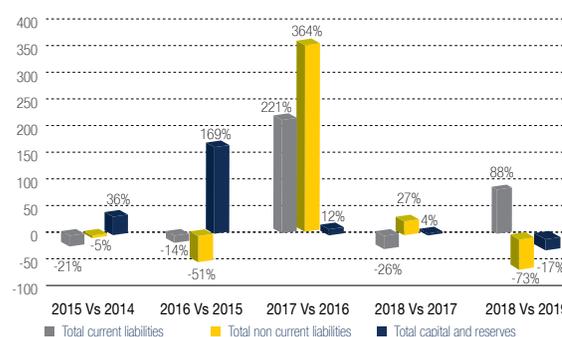
Non-current liabilities for the year have been decreased by 73% with an amount of Rs.78million. The main reason behind this decrease in non-current liabilities is the decrease in liabilities against assets subject to finance lease (66%), long term deposits (33%) and long term financing (88%).

Whereas the HTL's current liabilities have increased by Rs.1,338 million. Increase in trade payables (20%), accrued markup (282%) and short term borrowings (179%) caused this massive increase in current liabilities.

HORIZONTAL ANALYSIS-TOTAL ASSETS



HORIZONTAL ANALYSIS-TOTAL EQUITY & LIABILITIES



PROFIT & LOSS HORIZONTAL ANALYSIS

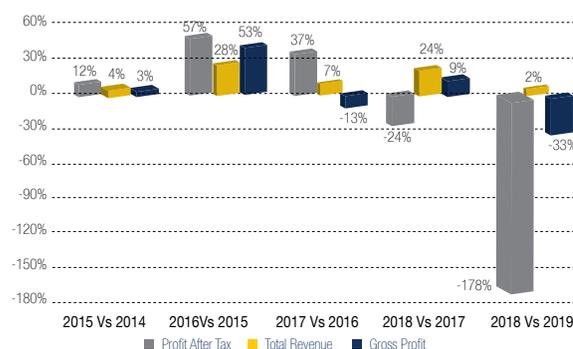
Net sales increased to Rs. 9.4 billion as compared to last year's Rs. 9.2 billion. Growth in revenue is 2 % and is mainly due to price increase. Gross profit reduced by 33 % from last year due to depreciation of rupee against dollar price. Total Distribution cost includes salaries, admin expenses and marketing cost. Distribution cost increased by Rs. 198 million (31 %) as compared to the last year. Sales promotion and advertisements contributed an increase of Rs. 98 million (49%) in increased portion of distribution cost.

Other income increased by Rs. 5.4 million (5 %). This return is due to dividend income, interest income earned on IPO funds and certain credit balances written back.

Finance cost has increased by Rs. 152 million from the last year balance due to low sales in first two quarters of the year.

FY 2019 remained a challenging year for HTL and above variations from the last year resulted into a loss after tax of Rs. 434 million.

HORIZONTAL ANALYSIS - PROFIT & LOSS

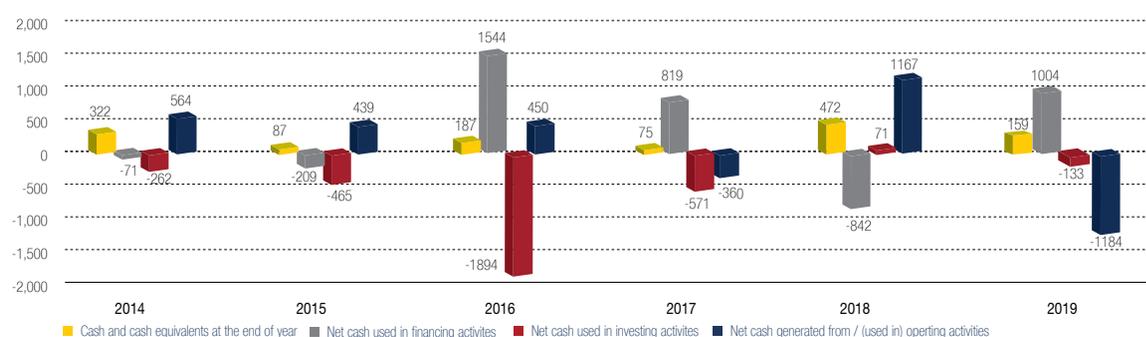


CASH FLOWS ANALYSIS

FOR THE CURRENT AND LAST FIVE YEARS

| Summary of Cash Flow Statement | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|-------------------------|----------|----------|------------|----------|----------|
| | Amounts in PKR'Millions | | | | | |
| Cash flow from operating activities | | | | | | |
| Cash generated from operations | (596) | 1,512.47 | (72.86) | 819.06 | 610.72 | 713.88 |
| Payment for: | | | | | | |
| Finance charges | (184) | (73.84) | (26.86) | (15.70) | (29.19) | (25.58) |
| Taxes | (404) | (271.70) | (260.30) | (353.14) | (142.91) | (124.78) |
| Net cash generated from / (used in) operating activities | (1,184) | 1,166.93 | (360.03) | 450.22 | 438.62 | 563.52 |
| Cash flow from investing activities | | | | | | |
| Capital Expenditure on fixed assets | (283) | (440.94) | (652.80) | (144.68) | (10.94) | (52.36) |
| Proceeds from disposal of fixed assets | 8 | 9.54 | 74.72 | 2.80 | 61.08 | 17.56 |
| Investment in subsidiary company | - | - | (197.24) | (326.35) | (521.41) | (255.00) |
| Work in progress | (549) | (296.50) | (261.00) | - | - | - |
| Repayment of loans from subsidiary company | 549 | 557.50 | - | - | - | - |
| Short term investment | 31 | 155.00 | 378.66 | (1,453.25) | - | 20.00 |
| Long term deposits | 1.1 | 0.27 | 1.15 | 27.39 | - | - |
| Interest received on loans to subsidiary company | 41.2 | 28.95 | - | - | - | - |
| Profit on bank deposits received | 69 | 57.62 | 85.35 | - | 6.32 | 8.04 |
| Investment in TDRs | - | - | - | - | - | - |
| Net cash used in investing activities | (133) | 71.43 | (571.16) | (1,894.08) | (464.94) | (261.76) |
| Cash flow from financing activities | | | | | | |
| Proceeds/repayment of long term financing | (15) | 8.69 | 18.81 | 2.39 | - | - |
| Repayment of liability against asset subject to finance lease | (45) | (35.97) | (5.80) | (22.83) | (21.77) | (17.13) |
| Loan from directors | - | - | - | - | (140.76) | (6.60) |
| Dividend paid | (203) | (403.24) | (312.55) | (167.34) | (128.76) | (85.00) |
| Short term borrowings | 1,267 | (411.33) | 1,118.97 | - | (37.53) | 37.53 |
| Capital injected | - | - | - | 1,731.71 | 120.00 | - |
| Net cash used in financing activities | 1,004 | (841.86) | 819.43 | 1,543.93 | (208.81) | (71.21) |
| Net increase / (decrease) in cash and cash equivalents | (313) | 396.49 | (111.75) | 100.08 | (235.14) | 230.55 |
| Cash and cash equivalents transferred from Hi -Tech Lubricants | | | | | | |
| Cash and cash equivalents at the start of year | 472 | 75.11 | 186.86 | 86.78 | 321.93 | 91.33 |
| Cash and cash equivalents at the end of year | 159 | 471.60 | 75.11 | 186.86 | 86.79 | 321.89 |

ANALYSIS OF CASH FLOWS



CASH FLOWS ANALYSIS

HTL makes, execute and monitor its plans for operating, financing and investing cash flows activities. Analysis of its cash flow cycle is explained below:

OPERATING ACTIVITIES

As company incurred losses in this financial year, this resulted into net outflows in operating activities. Further, company has paid more cash for financing and income tax expenses from last year. Company operating activities reflects net outflow of Rs. 1.18 billion this year.

INVESTING ACTIVITIES

HTL witnessed decrease of Rs. 204.2 million in its cash inflows from investing activities as compared to last year. In the last year, HTL collected loan amount from its subsidiary company, this difference contributed in such decrease. Remaining decrease is mainly due to increased receipts of other incomes.

FINANCING ACTIVITIES

Company extended its running finance facilities with banks this year that resulted in an increase of Rs. 1.8 billion in its financing activities as compared to last year.

CASH AND CASH EQUIVALENTS

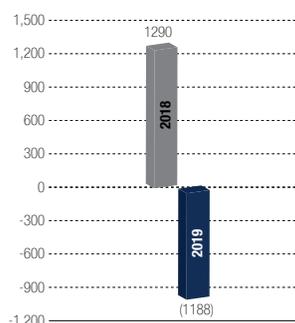
Cash and cash equivalents are Rs. 158 million that are Rs. 412 million less than the last year. Such reduction is mainly due to the losses incurred by the company during the year.

ANALYSIS OF FREE CASH FLOWS

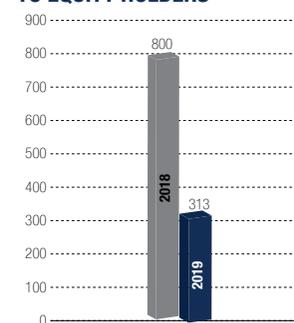
| Free Cash Flows to Firm | 2019 | 2018 |
|--------------------------------------|------------------------|----------------------|
| Cash Flows From operating Activities | (1,183,716,883) | 1,166,925,085 |
| Finance Cost Paid | 183,712,464 | 73,840,862 |
| Cash Flows From Investing Activities | (132,811,576) | 71,429,045 |
| Tax Savings on Finance Cost | (55,113,739) | (22,152,259) |
| Free Cash Flows to Firm | (1,187,929,734) | 1,290,042,733 |

| Free Cash Flows to Equity Holders | 2019 | 2018 |
|--|----------------------|--------------------|
| Cash Flows From operating Activities | (1,183,716,883) | 1,166,925,085 |
| Cash Flows From Financing Activities | 1,003,849,162 | (841,862,155) |
| Cash Flows From Investing Activities | (132,811,576) | 71,429,045 |
| Cash Paid to Equity Holders (Dividend) | - | 403,243,100 |
| Free Cash Flows to Equity Holders | (312,679,297) | 799,735,075 |

FREE CASH FLOWS TO FIRM



FREE CASH FLOWS TO EQUITY HOLDERS



FREE CASH FLOWS ANALYSIS

Free Cash Flows to the Company (FCFC) is essentially a measurement of a company's profitability after all expenses and reinvestments. Free cash flows to equity holders and overall company both showed negative balance due to substantial net outflows in operating activities. Company was also unable to pay dividend to its shareholders in the year 2019.

DIRECT METHOD CASH FLOWS

| | 2019 | 2018 |
|--|------------------------|----------------------|
| Cash Flows From Operating Activities | | |
| Cash Flows From Operating Activities | | |
| Cash Received From Customers (including sales tax) | 10,383,438,441 | 10,330,034,173 |
| Cash Paid to Employees as Remuneration | (484,096,196) | (404,135,874) |
| Cash Paid to the Vendors | (8,580,619,806) | (8,146,985,814) |
| Income Tax Paid | (404,278,887) | (73,840,862) |
| Sales Tax Paid | (1,914,140,374) | (265,481,337) |
| Finance Cost Paid | (183,712,464) | (271,703,030) |
| Zakat Paid | 307,597 | (962,171) |
| Net Cash Flows From Operating Activities | (1,183,716,883) | 1,166,925,085 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditure on operating fixed assets | (278,643,203) | (440,267,182) |
| Capital expenditure on intangible assets | (4,720,367) | (676,234) |
| Proceeds from disposal of operating fixed assets | 8,024,425 | 9,537,134 |
| Investment in subsidiary company | - | - |
| Loans to subsidiary company | (548,900,000) | (296,500,000) |
| Repayment of loans by subsidiary company | 548,900,000 | 557,500,000 |
| Short term investments - net | 30,869,260 | 154,999,999 |
| Dividend received | 1,132,225 | 272,250 |
| Interest received on loans to subsidiary company | 41,195,974 | 28,947,816 |
| Profit on bank deposits and term deposit receipts received | 69,330,110 | 57,615,262 |
| Net cash from / (used in) investing activities | (132,811,576) | 71,429,045 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of liabilities against assets subject to finance lease | (45,152,757) | (35,972,579) |
| Dividend paid | (203,278,160) | (403,243,100) |
| Proceeds from long term financing | - | 21,865,000 |
| Repayment of long term financing | (15,000,007) | (13,177,918) |
| Short term borrowings - net | 1,267,280,086 | (411,333,558) |
| Net cash from / (used in) financing activities | 1,003,849,162 | (841,862,155) |
| Net (decrease) / increase in cash and cash equivalents | (312,679,297) | 396,491,975 |
| Cash and cash equivalents at the beginning of the year | 471,604,750 | 75,112,775 |
| Cash and cash equivalents at the end of the year | 158,925,453 | 471,604,750 |

QUARTERLY ANALYSIS

FOR THE **CURRENT YEAR**

| Profit & Loss | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|-------------------------------|-------------------------|-------------|-------------|-------------|
| | Amounts in PKR'Millions | | | |
| SALES | 2,147.44 | 3,383.38 | 1,831.89 | 4,488.85 |
| DISCOUNTS | (43.34) | (343.29) | 4.45 | (133.50) |
| | 2,104.10 | 3,040.09 | 1,836.34 | 4,355.34 |
| SALES TAX | (355.39) | (553.98) | (249.24) | (746.11) |
| NET SALES | 1,748.72 | 2,486.11 | 1,587.10 | 3,609.23 |
| COST OF SALES | (1,447.37) | (2,376.35) | (1,305.09) | (3,007.99) |
| GROSS PROFIT | 301.35 | 109.76 | 282.02 | 601.24 |
| DISTRIBUTION COST | (290.43) | (78.63) | (149.53) | (315.97) |
| ADMINISTRATIVE EXPENSES | (132.68) | (123.02) | (87.61) | (89.09) |
| OTHER EXPENSES | (22.25) | (44.52) | (9.08) | (27.72) |
| | (445.36) | (246.17) | (246.22) | (432.78) |
| OTHER INCOME | 17.62 | 27.55 | 37.13 | 31.60 |
| PROFIT FROM OPERATIONS | (126.39) | (108.86) | 72.93 | 200.06 |
| FINANCE COST | (23.56) | (59.30) | (83.02) | (69.19) |
| PROFIT BEFORE TAXATION | (149.95) | (168.16) | (10.09) | 130.86 |
| TAXATION | (54.06) | (52.14) | (38.27) | (93.01) |
| PROFIT AFTER TAXATION | (204.01) | (220.30) | (48.36) | 37.85 |

| Statement of Financial Position | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|---|-------------------------|-------------|-------------|-------------|
| | Amounts in PKR'Millions | | | |
| EQUITY AND LIABILITIES | | | | |
| SHARE CAPITAL AND RESERVES | | | | |
| Authorized share capital 150,000,000 (2017: 150,000,000) | | | | |
| ordinary shares of Rupees 10 each | 1,500.00 | 1,500.00 | 1,500.00 | 1,500.00 |
| Issued, subscribed and paid-up share capital | 1,160.04 | 1,160.04 | 1,160.04 | 1,160.04 |
| Share deposit money | | | | |
| Reserves | 2,528.67 | 2,085.57 | 2,037.21 | 2,066.74 |
| Total Equity | 3,688.71 | 3,245.61 | 3,197.25 | 3,226.78 |
| LIABILITIES | | | | |
| NON-CURRENT LIABILITIES | | | | |
| Liabilities against assets subject to finance lease | 70.37 | 59.35 | 46.95 | 26.62 |
| Long term deposits | 1.50 | 1.00 | 1.00 | 1.00 |
| Deferred income tax liability | 12.07 | - | - | - |
| Long term financing | 11.14 | 7.39 | 3.64 | 1.82 |
| | 95.09 | 67.75 | 51.59 | 29.45 |
| CURRENT LIABILITIES | | | | |
| Trade and other payables | 825.05 | 944.31 | 942.41 | 739.06 |
| Accrued mark-up | 19.24 | 54.60 | 71.34 | 69.58 |
| Current portion of non-current liabilities | 61.94 | 64.08 | 63.73 | 70.94 |
| Unclaimed dividend | 3.66 | 6.35 | 3.37 | 4.03 |
| Short term borrowings | 1,652.87 | 3,296.48 | 2,364.73 | 1,974.92 |
| Taxation - net | 108.35 | 93.52 | 69.41 | 1.22 |
| | 2,671.11 | 4,459.33 | 3,514.99 | 2,859.74 |
| Total liabilities | 2,766.20 | 4,527.08 | 3,566.58 | 2,889.18 |
| Contingencies and Commitments | - | - | - | - |
| TOTAL EQUITY AND LIABILITIES | 6,454.91 | 7,772.69 | 6,763.83 | 6,115.97 |

| Statement of Financial Position | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Amounts in PKR'Millions | | | | |
| ASSETS | | | | |
| NON-CURRENT ASSETS | | | | |
| Fixed assets | 1,438.42 | 1,529.96 | 1,556.95 | 1,583.89 |
| Intangible assets | - | 4.71 | 4.07 | 8.04 |
| Investment in subsidiary company | 1,300.00 | 1,300.00 | 1,300.00 | 1,300.00 |
| Long term loans to employees | 0.18 | 0.07 | - | - |
| Long term security deposits | 39.94 | 38.93 | 24.15 | 26.15 |
| Deffered income tax asset - net | - | 26.03 | 26.03 | 39.18 |
| | 2,778.54 | 2,899.70 | 2,911.19 | 2,957.27 |
| CURRENT ASSETS | | | | |
| Stock-in-trade | 1,900.47 | 2,421.28 | 1,899.72 | 801.99 |
| Trade debts | 171.33 | 235.99 | 207.31 | 1,189.38 |
| Loans and advances | 449.90 | 1,022.63 | 625.48 | 36.75 |
| Short term deposits and prepayments | 34.32 | 35.65 | 48.59 | 48.89 |
| Other receivables | 38.77 | 168.18 | 103.80 | 32.52 |
| Accrued interest | 3.29 | 10.06 | 16.85 | 7.77 |
| Short term investments | 946.05 | 865.75 | 920.73 | 882.47 |
| Cash and bank balances | 132.25 | 113.44 | 30.17 | 158.93 |
| | 3,676.37 | 4,872.99 | 3,852.64 | 3,158.70 |
| TOTAL ASSETS | 6,454.91 | 7,772.69 | 6,763.83 | 6,115.97 |

QUARTERLY ANALYSIS REVENUE

Sales of the company grew by 2% in FY 2019 as compared to the previous year. The sales of lubricants are seasonal and accordingly the sales were low in the 1st and 2nd quarters of 2019 as compared to the 1st and 2nd quarters of last year. Whereas, the considerable increase in sales were witnessed in the 3rd and 4th quarters of the FY 2019 in comparison to the sales of 3rd and 4th quarter of FY 2018. Company earned lowest revenue (i.e. 15%) in the 3rd quarter out of the total revenue earned by the company in FY 2019. The company achieved sales revenue of Rs. 4,489 million in the 4th quarter of FY 2019 that is the highest sales revenue achieved in any quarter during the last two financial years i.e. 2018 and 2019. This variation in the quarterly results is due to the seasonal impact on the products of HTL.

COST OF SALES

The cost of sales showed an increasing trend in FY 2019 i.e. cost of sales is at lowest level in 1st quarter of 2019, whereas it is highest in the 4th quarter of the reporting year.

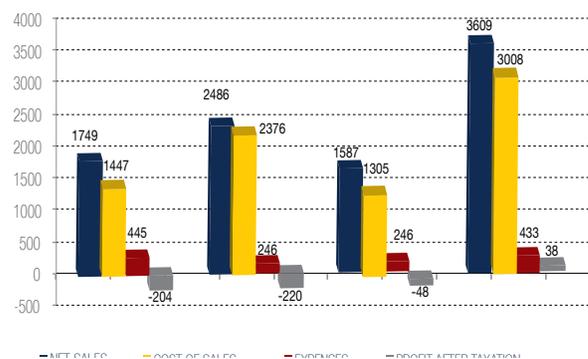
PROFIT FROM OPERATIONS

The company reported operating losses in the 1st and 2nd quarters of the FY 2019, the company then struggled hard to get back in track and reported operating profits in the 3rd and 4th quarter of the reporting year.

ECONOMIC VALUE ADDED

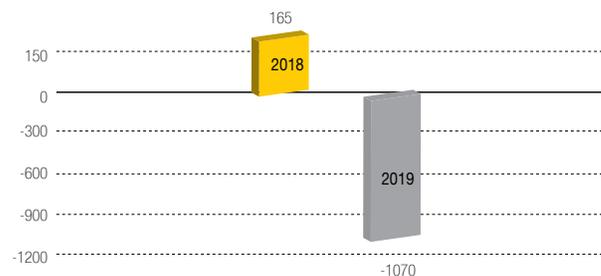
Economic value added (EVA) is used to measure the value a company generates from funds invested into its business. In 2019, HTL's EVA has declined to Rs. 1,070 million that was Rs. 165 million in FY 2018.

QUARTERLY ANALYSIS

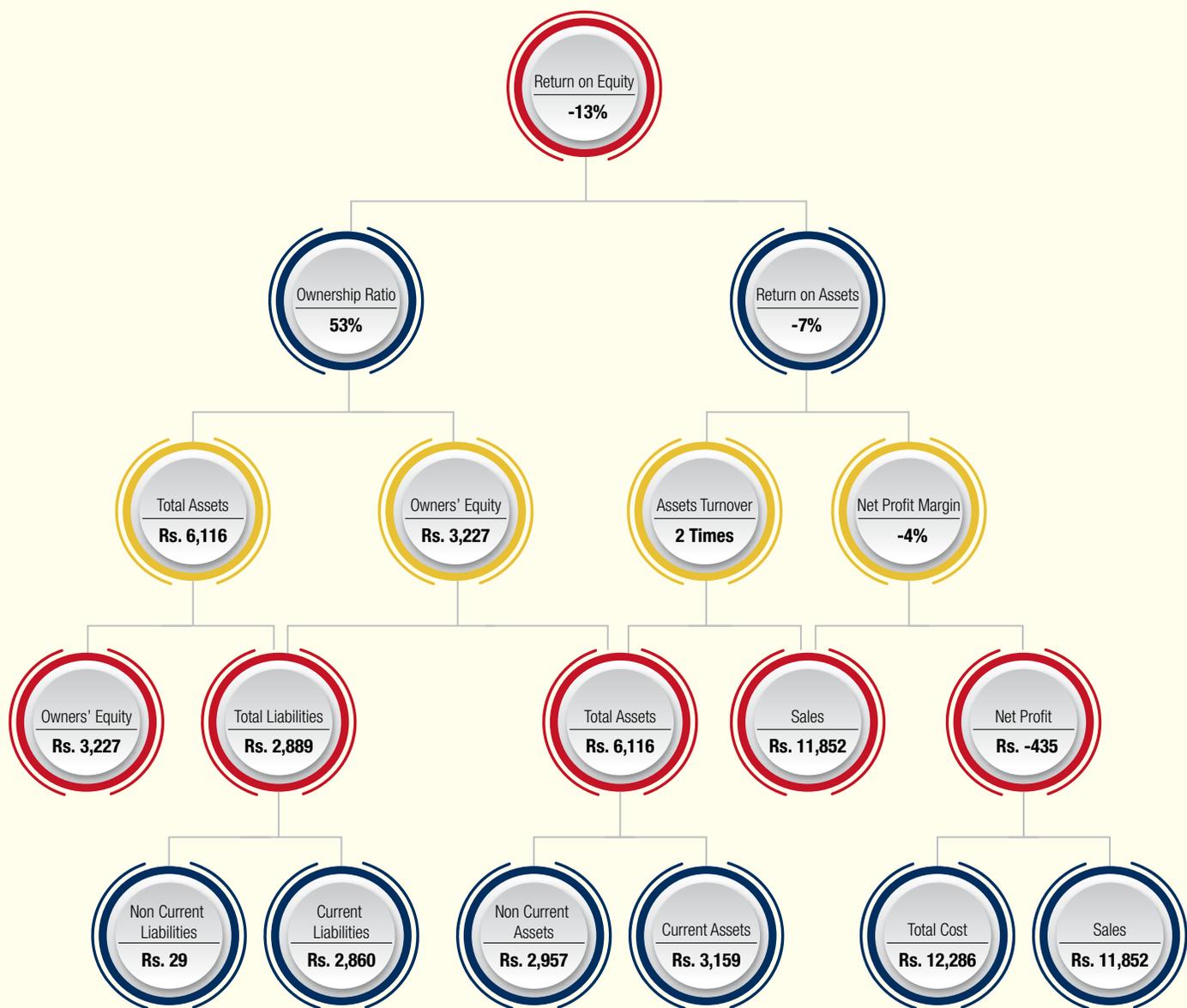


ECONOMIC VALUE ADDED (EVA)

Rs. in million



DUPONT ANALYSIS



The gross sales of HTL increased by 8.6% and the cost of sales also increased by 11.8%. The period cost for the year 2019 also increased that is mainly due to increase in finance and distribution expenses. All these factors contributed in overall decrease in net profit margin from 5% in 2018 to -4% in 2019. This decrease in net profit margin also resulted in Return on Asset to be decreased to -7% with respect to 10% in the previous year. On the other hand the increase in total assets by 11% and decrease in owners equity by 17% as compared to the last year. This increase in total assets and decrease in equity caused the company's ownership ratio to decrease from 70% in 2018 to 53% in 2019. On the other hand the current liabilities for the year 2019 has been increased by Rs.1,338 million that is mainly due to the increase in short term borrowings by Rs.1,267 million as compare to the previous year. These increase in short term borrowings resultantly increased the finance cost of the company by Rs.153 million. Consequently the ROE, that is the ultimate interest factor of the equity providers is in negative.

ANALYSIS OF FINANCIAL AND NON-FINANCIAL PERFORMANCE



HTL financials department has been entrusted the responsibility of yearly budgeting. A comprehensive exercise been carried out in last quarter of the fiscal year whereby each business unit and cost center submits its input through system based budgeting module. After careful consideration and review by company's executive management, the budgets are presented to audit committee for their review, consideration and recommendation for approval by the board. Budgets are based on forecast and assumption appropriate to business. Further budgeting department also carries out sensitivity analysis to ensure if analysis. Factors like controllable and non-controllable costs, seasonality and trends are given due importance. CEO and management teams are clearly assigned balance scorecard based on business unit's targets, profitability and other qualitative factors.

PERFORMANCE AGAINST FINANCIAL MEASURES

Company sets financial targets for business units, their liquidity and working capital against defined targets. Company was able to sustain its market share. Company also maintained its working capital and liquidity targets. As company is pursuing growth strategy as well as fierce competition in the lube sector, it thus faced severe challenges. Also, the instability in the material cost had negatively impacted our gross margins for year 2019 as compared to 2018. Increased depreciation, marketing and administration cost impacted our bottom line.

STATEMENT OF FINANCIAL POSITION

SHAREHOLDERS' EQUITY

Shareholders' equity has decreased by 17 % as compared to the previous year, due to decrease in retained earnings for the year because the company has reported net loss in 2018-19. Shareholders' equity includes share capital and reserves (i.e. capital and revenue reserves).

NON CURRENT LIABILITIES

Non-current liabilities have decreased to Rs.29.4 million from Rs.107.5 million that are 73% less than the last year. This is mainly due to decrease in deferred liabilities and long-term financing by 100% and 88% respectively. The company has also cut down its liabilities against finance lease by 66% as compared to the last year.

CURRENT LIABILITIES

Overall, current liabilities increased by 88% in 2019. This increase was witnessed due to increase in overall borrowings due to fierce competition in the market that lead to decreased level of sales in the first three quarters of the year. Trade payables including LC's bills have also been increased from the last year that helped company to maintain its finance cost to some level.

NON CURRENT ASSETS

Non-current assets have increased by Rs.229.1 million (8.4 %) from the last year. This investment is made in fixed assets in shape of property, plant and equipment. This investment supports the company's expansion and diversification strategies made by keeping in view the fierce marketing competition.

CURRENT ASSETS

Current assets primarily comprises of inventory, trade debts, short -term investments and cash & bank balances. On an aggregate basis, current assets increased by Rs. 364.5 million (13 %) as compared to the last year. This increase in current assets is mainly due to the increase in trade debts by 952.4 million in 2019. By keeping in view the proposed changes in Finance Act 2020, HTL offered 30 days credit to its distributors in June-2019 due to which HTL's distributors availed this offer effectively and purchased bulk of stock till June 30, 2019.

PROFIT AND LOSS

REVENUE, COST OF SALES AND GROSS PROFIT

Net sales of the company increased by Rs. 177.5 million (2%). This increase in revenue is mainly due to the increase in overall price of the stock that is followed by the increase in cost of sales by 11% from the last year. This price rose was in line with the economic situations triggered by International Lube prices and exchange rate fluctuations. As the increase in revenue (2%) in less than increase in cost of sales (11%), this resulted in the decline of company's gross profit by 33%.

DISTRIBUTION COST

Total Distribution cost includes salaries, admin expenses and marketing cost. Distribution cost increased by Rs. 198.5 million (31%) as compared to the last year. Out of Rs. 198.5 million, marketing cost contributed 99% mainly due to heavy advertisements made for HTL Express and HTL Stations. Company also sponsored the overall event of Pakistan Super League that proved as a big source of company advertisement and brand recognition worldwide. As the company expanded, it hired professional staff to support its new projects that lead to the increase in salaries and wages by (23%). On the other hand the increase in company's fixed assets resulted in the increase in insurance as well as depreciation expense by 51% and 31% respectively.

OTHER INCOME

Other income increased by Rs. 5.4 million (5%). This return reflects interest on IPO funds and profits on bank deposits. The company also has written back credit balances of 2.3 million that also contributed in overall increase in other income.

FINANCE COST

The company have availed short term finances from banking companies that increased by Rs. 1,267 million or 179% in 2019. This huge increase in short term borrowings resultantly increased the overall finance cost of the company by Rs. 152 million as compared to the last year.

PROFIT FOR THE YEAR

All the above mentioned factors affected the profitability of the company in negative way and the company experienced a net loss of Rs. 434 million in 2019.

LIQUIDITY POSITION

JCR-VIS Credit Rating Company Limited has revised the entity rating of HTL from A/A-1 to A/A-2 which shows good credit quality with adequate protection factors along with overall stable outlook of the company.

HTL regularly evaluated its performance against financial targets. Targets are measured against actual performance of the company and extensive variance analysis activity is carried out to investigate the reasons of these variations. Due to the unfavorable economic situation of Pakistan and fierce competition in the market the sales volumes of the company decreased, that is why HTL could not achieve its targets for revenue in FY 2019. The variance analysis activity enabled the company to get back on its track. Our ED's has also given due deliberation to the reasons for variances and suggested mitigating measures against all the controllable factors. Future austerity measures have already adopted keeping in view the economic situation of Pakistan.

PERFORMANCE AGAINST NON-FINANCIAL MEASURES

Non-financial targets are set for human resource development, growth / expansion, and succession. Process and production efficiencies at HTL and HTBL respectively, quality improvements both in product and services, automation (IT Capital), protection of intellectual capitals, health and safety, building better relationship with community (social capital), managing diversity, ensuring compliance with all the laws and regulations and paying due taxes are the hallmark of the company.

2018-19 had been wonderful year for the HTL. HR department worked on multidimensional aspects as envisaged in the targets, including, hired right person at competitive packages through internal and external sources, held trainings and conferences for employees, offered internships, employed special person, and devising succession plan at different cadre as per the need of the Company. Another milestone achievement was building towards a high performance organization nurturing the core values and emphasizing strategy, structure and culture throughout the organization. A number of team building events were arranged which created a team full of motivation.

Company opened four (04) retail outlets of HTL Express during the year that helped company to increase its overall segment sales by 143 % from last year. HTL also obtained long awaited marketing license in May 2019 and advanced its construction of KPK depot. We expect to start OMC operations by second quarter of the coming year.

We achieved a big milestone and successfully completed fieldwork of Oracle, Financial module for OMC business. We expect to go-live the Oracle module in November 2019. IT department ensured that the down time of Information systems and other tools remained zero during the whole year and it's been again major business success. Fire safety trainings and safety drills were conducted at HTBL plant site to ensure health and safety requirements. Our business intelligence department made further efforts for protection of intellectual capital in order to maintain its brand equity.

ANALYSIS OF CHANGES IN THE PERFORMANCE

2019 was challenging year for Oil and Lubricant marketing companies due to frequent dollar fluctuation, instability in material cost, tough competition and decreased purchasing power of ultimate consumers.

These factors affected negatively our bottom line. We carefully analyzed the overall situation and introduced trade schemes to sustain volumetric share in the market.

Further, Company added new products to its portfolio and invested in new machines at HTBL to handle depreciation in rupee value. Due to current economic situations and Govt. direction, we have shifted our focus towards HTBL, which continued its impressive growth in revenue by 26%.

CHANGES IN THE INDICATORS AND PERFORMANCE MEASURES

Company continued Balance Scorecard approach in the year 2019 to measure performance indicators of each division and company as a whole. Further, Company added new products to its portfolio and invested in new machines at HTBL to handle depreciation in rupee value. Due to current economic situations and Govt. direction, HTL has shifted more focus towards HTBL. As a result, HTBL showed impressive increase of 26 % from the last year.

METHODS USED IN COMPILING THE INDICATORS

- Engagement of independent professional consultant
- Customer satisfaction Index through recurring feedback and retention of old customers
- Expected return on new outlets (Return on Capital Expenditures)
- Contribution/ Value addition analysis

BUSINESS RATIONAL OF MAJOR CAPITAL EXPENDITURE/ PROJECTS

In order to support the growth and diversification strategy of the company, HTL added the assets of Rs. 590.6 million in its financial position during the year 2018-19. In FY 2019, OGRA granted the license of marketing the petroleum products that caused the company to capitalize its Sahiwal Depot project which is the main constituent of this increase in assets.

The company also invested in the extension of its retail presence and opened four (04) new retail outlets in different cities of the country.

MARKET SHARE EXTERNAL SOURCES

In year 2016-17, an external valuation of the market share of the company was conducted by an independent party "Kantar TNS", one of the largest international research agencies. According to the research report of the Kantar TNS, the usage rate for ZIC was recorded as 21% with a ranking of 3rd in terms of M/S for the year.

INTERNAL SOURCES

Hi-Tech Lubricants Ltd. (HTL) is one of the leading lubricant marketing companies of Pakistan. HTL has a sizeable market share in almost all the related market segments of the company.