

DIRECTOR'S REPORT

On behalf of the Board of Directors we are pleased to present the Standalone and Consolidated Financial Statements for the six months ended 30th June 2021.

FINANCIAL RESULTS

Unconsolidated:

During period under review, standalone revenue grew by 47% over same period last year from Rs. 3,388.59 million to Rs. 4,992.56 million. Gross profit and operating profit increased by 53% and 61% respectively, delivering a leveraged operating performance for the company. However, as a consequence of currency fluctuations, net profit for the period has been diluted by an exchange loss of Rs 32.59 million with the net increase of 31% achieved from 1,029.35 million to Rs. 1,349.60 million. Basic and diluted earnings per share both increased by 30% in line with profit for the period.

The increase in revenue has been contributed by all regions. Cost optimization and efficient working capital management translated into higher operating profits.

Key Financial Highlights - Unconsolidated			
Particulars	June-21 (unaudited)	June-20 (unaudited)	Change
	Rs.	Rs.	%
Revenue	4,992,569,613	3,388,593,868	47%
Gross Profit	1,768,117,233	1,158,233,418	53%
Operating profit	1,322,380,598	819,158,438	61%
Profit for the period	1,349,600,262	1,029,356,666	31%
Earnings per share (basic)	9.83	7.55	30%
Earnings per share (diluted)	9.72	7.50	30%

Other Income - Unconsolidated		
Particulars	June-21 (unaudited)	June-20 (unaudited)
	Rs.	Rs.
Other Income	126,679,308	82,380,877
Exchange Gain / (Loss)	(32,592,781)	169,798,056
	94,086,527	252,178,933

Consolidated:

During the six months for the period ended 30th June 2021, consolidated revenue grew by 44% from Rs. 4,559.37 million to Rs. 6,458.07 million. Gross profit and operating profit increased by 57% and 74% respectively. Net profit for the period increased by 42% from 1,067.66 million to Rs. 1,514.70 million with Rs. 41.67 million in exchange loss. Basic and diluted earnings per share increased by 43% and 42% respectively, in line with profit for the period.

Key Financial Highlights - Consolidated			
Particulars	June-21 (unaudited)	June-20 (unaudited)	Change
	Rs.	Rs.	%
Revenue	6,548,070,790	4,559,370,645	44%
Gross Profit	2,244,488,960	1,428,370,576	57%
Operating profit	1,532,439,617	879,947,380	74%
Profit for the period	1,514,702,776	1,067,663,846	42%
Earnings per share (basic)	11.34	7.92	43%
Earnings per share (diluted)	11.21	7.87	42%

Other Income - Consolidated		
Particulars	June-21 (unaudited)	June-20 (unaudited)
	Rs.	Rs.
Other Income	116,708,600	67,603,991
Exchange Gain / (Loss)	(41,670,694)	168,129,097
	75,037,906	235,733,088

Performance by Segment (Standalone):

The segment analysis shows robust growth across all four segments, with the North American and European Regions leading the trend. Export sales of the Company are roughly 80% of total sales, with the Company's target being to further increase the exports component in coming years. Diversification into new regions and new markets will support this objective.

	North America		Europe		Middle East		Pakistan		Total	
	Un-audited Six Months Ended 30 June		Un-audited Six Months Ended 30 June		Un-audited Six Months Ended 30 June		Un-audited Six Months Ended 30 June		Un-audited Six Months Ended 30 June	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	(Rupees)									
Revenue from contracts with customers - net	2,828,930,612	1,901,489,749	488,806,166	446,304,271	638,723,437	302,064,113	1,036,109,398	738,735,735	4,992,569,613	3,388,593,868
Cost of revenue	(1,719,834,781)	(1,111,716,776)	(306,213,395)	(262,573,237)	(399,313,821)	(243,321,075)	(799,090,383)	(612,749,362)	(3,224,452,380)	(2,230,360,450)
Gross profit	1,109,095,831	789,772,973	182,592,771	183,731,034	239,409,616	58,743,038	237,019,015	125,986,373	1,768,117,233	1,158,233,418
Distribution expenses	(8,494,499)	(7,006,601)	(1,467,750)	(1,644,540)	(4,576,635)	(3,501,136)	(62,620,042)	(46,153,535)	(77,158,926)	(58,305,812)
Administrative expenses	(253,366,755)	(170,762,335)	(43,778,816)	(40,080,132)	(52,791,938)	(28,007,633)	(35,092,944)	(25,037,543)	(385,030,453)	(263,887,643)
Profit before taxation and	(261,861,254)	(177,768,936)	(45,246,566)	(41,724,672)	(57,368,573)	(31,508,769)	(97,712,986)	(71,191,078)	(462,189,379)	(322,193,455)
Unallocated income and expenses	847,234,577	612,004,037	137,346,205	142,006,362	182,041,043	27,234,269	139,306,029	54,795,295	1,305,927,854	836,039,963
Unallocated income and expenses:										
Other operating expenses									16,452,744	(16,881,525)
Other income									94,086,527	252,178,933
Finance costs									(35,783,430)	(20,875,977)
Profit before taxation									74,755,841	214,421,431
Taxation									1,380,683,695	1,050,461,139
Profit for the period									(31,083,433)	(21,104,728)
									1,349,600,262	1,029,356,666

Key Financial Ratios:

There has been positive movement in the Company's key financial ratios. All profitability ratios are showing a positive trend for both the standalone and consolidated financials. The high current and quick ratio is reflective of strong liquidity position of the Company, which can be directly linked with improved debtor management.

Ratio Description	Standalone		Consolidated	
	Six months ended 30 June	2021	Six months ended 30 June	2020
Gross Profit Margin (%)	35%	34%	34%	31%
EBITDA Margin (%)	31%	38%	27%	29%
Pre-tax Margin (%)	28%	31%	24%	24%
Operating Profit Margin (%)	26%	24%	23%	19%
Net Profit Margin (%)	27%	30%	23%	23%
Assets turnover (%)	42%	34%	60%	40%
Equity multiplier (%)	112%	136%	146%	144%
Return on Equity (%)	13%	14%	20%	13%
Current ratio	2.78	3.49	2.78	3.06
Quick Ratio	2.42	3.09	2.32	2.66
Debtor Turnover (Days)	104	158	90	119
Debt to Equity (Ratio)	26:74	17:83	26:74	20:80
Interest Cover (Times)	43	62	36	55

FUTURE OUTLOOK

- Robust demand and opportunity continue to be in the digital space globally in line with company's strategic expansion in the areas of Digital and Business transformation (largely Digital Commerce, Enterprise Resource Planning (ERP), Customer Relationship Management (CRM)) along with Cloud and Data. The Company is continuing to heavily invest and expand in these core competencies.
- The Company started a new business unit, Digital Infrastructure Services (DIS), earlier this year to address the heavy demand in Infrastructure, Cloud and Security Services. Along with domestic customers, the Company has successfully added logos globally as well and sees an opportunity of growth in this segment.
- Earlier this year, the Company had entered into a partnership agreement with SAP, in view of the opportunities in the domestic, Middle East and other markets. The Company has signed customers for SAP projects locally. The Company is targeting to expand in the domestic market in the first phase. Subsequently these offerings will be taken to the regional markets.

- The company continues to see growth in all three international regions as well as the domestic market. As offshoring has become more acceptable, this has increased an overall demand in the IT industry and IT exports from Pakistan have grown by over 47% in last 12 months and the industry is targeting the same growth for the next fiscal year. In line with this, the Company's exports also grew by 49% as compared to last year. The company is expecting a further increase in exports business as it establishes presence in Saudi Arabia and Qatar to expand further in the Middle East.
- In the North American market, the company's investment in business solutions and products continues to add new clients. With the company's service offerings for defined industry verticals, the company sees lifetime value from the customers and the new customer acquisitions are expected to result in growth and expansion in this region.
- The Company continues to see more opportunity in Europe for skilled offshore resources.
- With the allocation of higher IT budget by the Government this year, the Government has approved many digital initiatives. This opens more opportunities for the company in the domestic market in public sector.
- As part of M&A strategy, the Company has invested \$3m in Retailistan (Pvt) Limited (RPL), a start-up focused on digitization of retail supply chain in Pakistan. This investment is aimed at enhancing the presence in the digital retail landscape in the country and it complements EP Systems. Combined, these will provide the Company an access to potential synergies in technologies and access to digital mapping of the retail universe. Retailistan Subsidiary Jugnu has a huge opportunity as the B2B supply chain is a hot space now. The Company is actively exploring other startups and M&A opportunities.
- To meet the increasing demand, the Company has added about 500 individuals to its resource pool in this quarter which includes 200 fresh graduates as well, who will undergo strenuous training for the next four to six months. The Company is also investing heavily in training programs to train tier 2 and tier 3 resources.
- OneLoad is now one of the most recognized ecommerce platforms for provision of digital services with 40,000 plus retailers across Pakistan. The company has embarked on building eight regional sales hubs around the country to effectively target new retail signups and scale up its distribution reach. The Company has seen exponential growth in financial services mainly cash-ins in the Q2 of 2021, other use cases like cash-out are being integrated with partners and are expected to augment the growth of financial services of the Company going forward. Further teams are engaged on the various aspects of Pilot readiness for its new e-wallet business under the State Bank of Pakistan's Electronic Money Institution (EMI) Regulations. This will open new avenues for the company.

ACKNOWLEDGEMENT

The Board takes this opportunity to thank the Company's valued customers, bankers and other stakeholders for their corporation and support. The Board greatly appreciates the hard work and dedication of all the employees of the Company.

On behalf of the Board



Asif Peer
Chief Executive Officer
Date: 25 August 2021
Lahore