

KONNECT VOL. VI

October 2019 - March 2020

Editorial

DEAR ALL,

We're honoured to present you with GTML's newsletter, Konnect vol. VI. Our aim is to strengthen the connection of the Gadoon family, specially during these challenging times.

Based on your feedback, we've kept this copy short and crisp, whilst ensuring you remain informed and inspired.

Your feedback holds immense value for us; therefore, we've included a feedback form towards the end of the newsletter. We request you to kindly spare some time and share your thoughts to help us improve further.

Lastly, I'd like to extend my gratitude to each individual that contributed towards the publication of Konnect Vol. VI.



Muhammad Imran Moten
Editor-in-Chief

Meet the Team

Muhammad Umair
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(For the nine months Ended March 31st, 2020)

Financials

-Ali Saleem

Economic Prospects

The Pakistan Economy, which has started fencing its way towards stability on account of strict policy measures being adopted by the government, it seems to be in burden again mainly on account of the COVID-19 pandemic which is on the urge of impacting almost all the global giants including the Country's Economy.

The inflation rate, which was on the increasing trend since the start of this financial year, has witnessed the decline in the last two months of this financial year, wherein the general inflation for the month of March 2020 was recorded at 10.2%. The inflation rate has reduced primarily on account of recent deceleration in domestic food prices, a significant decline in consumer price expectations, a sharp fall in global oil prices, and a slowdown in external and domestic demand due to the COVID19 pandemic.

In light of the reduction in growth and inflation expectations, the State Bank of Pakistan has recently, within a span of one month, has reduced the discount rate by 4.25%, thereby bringing the discount rate to 9% from 13.25% (being effective from July 2019 till March 2020), which might prove helpful in the reviving the economy.

Further, during the period under review, the Country witnessed the growth of 2.23% in exports and reduction of 14.42% in import bill in USD term as compared to SPLY, which resultantly reduce the current account deficit by 26.45%. Moreover, inflows from remittance have also increased by 5.99% in USD term, thereby adding a positive impact on the Country's foreign reserves.

Financial Performance

If we look at the Company's performance during the period, your Company recorded a consolidated turnover of Rs. 24.72 billion against Rs. 22.25 billion for the Same Period Last Year (SPLY); there is an increase of 11.09% during these nine-month when compared to SPLY. Despite the fact that during this period, the conversion costs were on a higher side on account of inflationary impact, including the gas prices, which also increased from Rs. 600 per MMBTU to Rs. 786 per MMBTU, w.e.f July 01, 2019, which resultantly increased the power cost. However, the Company still able to increase its gross profit margins from 7.65% to 9.82% from SPLY mainly on account of better product mix, increased quantity, and better sales price.

After the stability of foreign currency on account better current account balance, the Company has been managing its working capital requirements using foreign exchange borrowing. There is an abrupt devaluation in the Pak Rupees in the month of March 2020, which affected the Company's profitability by Rs. 911 million, out of which Rs. 830 million is unrealized. The net profit margin of the Company has accordingly reduced from 2.54% to 1.29% as compared to SPLY.

Before the ongoing COVID-19 pandemic, the Company has increased its sales both in terms of Value and Units during this period as compared to SPLY. The effects of COVID-19 were being witnessed on Pakistan's economy since the start of March 2020, after which the Company's operations were being planned and then curtailed accordingly.

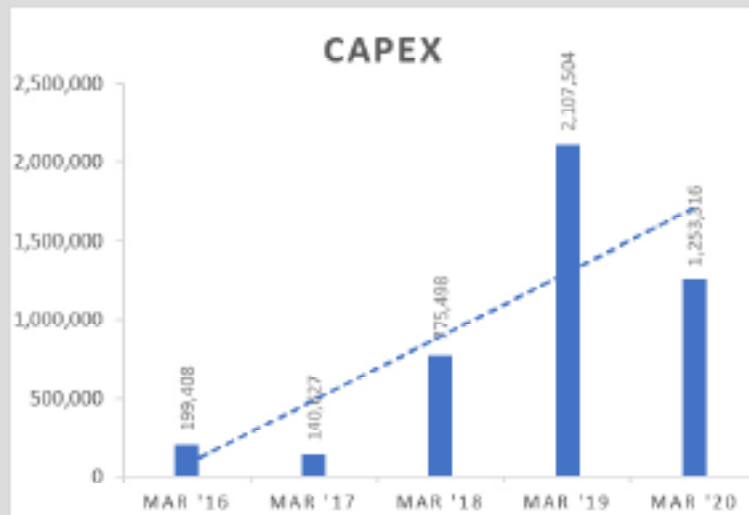
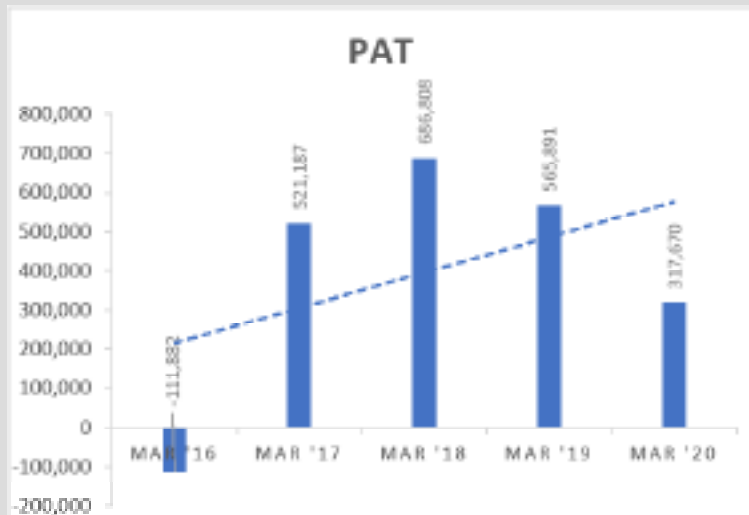
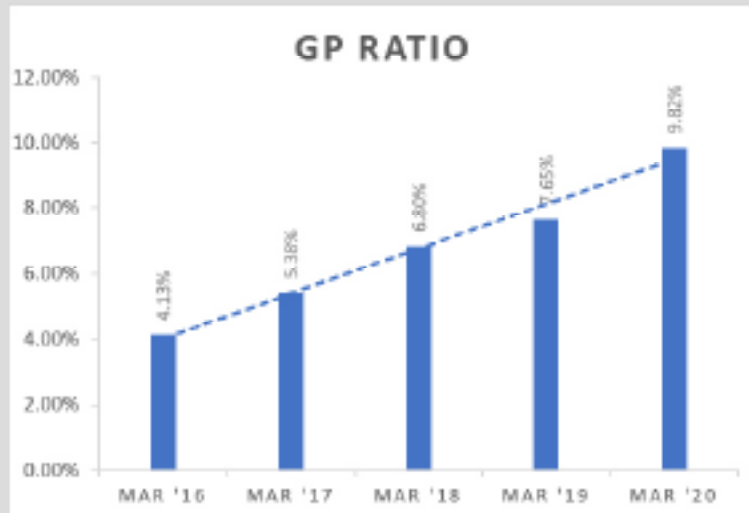
During this period, export sales have seen a significant improvement with an increase of almost 42.63% in values term from SPLY despite the ongoing trade war among world economies, increased competition at national/international levels, and global impact of COVID-19 pandemic. However, the local sales remain similar, with a slight increase of 1.22% when compared to SPLY. The local sales could have been increased if the government and the businessmen (mainly traders) could have reached a consensus on certain

policy measures, including the resolution of CNIC matter. Further, the withdrawal of SRO 1125(1) of 2011, w.e.f July 01, 2019, have also negatively impacted the local sales in this period.

During the period the Company in order to outweigh the higher KIBOR rates has shifted its working capital and Capex requirements to other cheaper source of financing including foreign exchange loans and was able to keep its finance cost at a quite manageable level with the decrease in finance cost by 8.47% in this period as compared to SPLY. However, the benefits of saving in finance cost was outweighed by a larger extent from the abrupt devaluation in Pakistan Rupees in the month of March 2020, which resulted in an exchange loss of Rs. 911 million (realized: Rs. 81 million, unrealized: Rs. 830 million) to the Company on the foreign exchange loans and accordingly was the significant contributor for a decrease in net profits of the Company for this period as compared to SPLY.

Below are key Graphs for your better understanding of the Company's progress:

Performance Over 5 Years
(For the Year Ended March 31st)



Future Outlook

The COVID19 pandemic has surely placed a great challenge for the global community by reducing global economic activities. It may take more than expected time when global economies start to normalize. The government targets for the current year will also get impacted as not only the economic activities have been slowed down, but this has also resulted in increased expenditures of government in health and social sectors to curb the impacts of this pandemic. The recent debt relief measures by G20 Countries, IMF, and World Bank for the developing countries, including for Pakistan, will help the Country to provide financing for targeted and temporary spending increases aimed at containing this pandemic and mitigating its economic impact.

It is also expected that on account of the above debt relief measures, declining global oil prices, diminishing inflationary pressure on the economy, there would be a positive impact on the Country's Current Account balance and resultantly on the exchange rate, which might result in an appreciation of Pak Rupees.

Further, the recent steps taken by the government and State Bank of Pakistan to revive the economy and boost the confidence of investors including billions of Rupees relief package and rescheduling of loans / concessional financing, etc. will work out in true essence, only if the government is able to control the spread of this pandemic at its earliest and businesses are re-started to operate at their normal levels, which once resumed, will surely have a positive impact on the Country's Economy.

As regards to the Company's operations are concerned, the management of

the Company has always placed strong efforts to sustain its cost through maximum capacity utilization, cost rationalization, effective procurement strategy, etc. Accordingly, the Company is following its footprint to ensure that maximum wealth can be generated for the wellbeing of the Company's shareholders.

In response to the increasing global demand of textile products in the medical field, i.e., face mask, gowns, gloves, bed sheets, etc., the sales and marketing team of the Company are also exploring avenues to cater the demand of this sector as well which will accordingly support Company's bottom line and will generate positive cash flows. Further, it is also expected that significant CAPEX incurred by the Company in this period, including over the last couple of years, will help Company to sustain its cost and provide a competitive edge.

PSX Top 25 Companies Award – 2018

Awarded for meeting PSX's criteria of Capital Efficiency, Profitability, Free-Float of shares, Transparency, Corporate Governance & Investor Relations and Compliance with Listing of Companies & Securities Regulations.



TRAVEL

-M. Imran Moten



What a better way to welcome a new year than to travel, and what a better way to travel than a road trip. With a tank full of fuel and packed bags loaded with our favourite snacks, my family and I headed to the highway in the early afternoon of 31st December. With the city of lights in the rear-view mirror, the chilly breeze greeted us to aesthetic landscapes.



Enroute, we stopped by a roadside dhaba to revel in sizzling and spicy chicken tikka, followed by a strong cup of tea to warm us up. Driving up north, alongside the River Indus, we were completely awestruck with the beauty of the majestic Sukkur Barrage. We felt lost in time, wandering the streets of the Walled City, living the culture it beheld. The capital city offered pleasant weather to explore mosques, monuments, lakes, and the serene Margalla Hills, ending the journey on a perfect note.



Success Story: Mr. Tahir Saleem

At times, by the decree of Allah, the things we say, later become a reality. Mr. Tahir Saleem quoted the words delivered by Mr. Sohail Tabba to his father on his day of joining, “Mr. Chaudhary, make sure you give Tahir a tour of all four units so that once you retire, Tahir can take them over.”

“Passion.”, said Mr. Tahir Saleem, revealing the secret to his success.

An adolescence spent wandering around in textile mills, inspired by his father, his intention to become a textile engineer was strengthened. Despite having different career plans for him, his father was eventually convinced by his unbounded enthusiasm, to allow him to tread on the same path as he once did himself.

Time invested at the mills allowed him to gain practical experience, which, as a fresher, gave him an edge over even the final year students. Hence receiving acceptance from the National Textile University, Faisalabad, in 1988, was only the first step of the staircase leading to the hall of fame.

It was after two years following his graduation, when he had served one year each in two different companies, in 1994 when he was offered the position of Technical Manager in Mohib Textile, Multan, a well-renowned company in the market at the time.

Upon sharing this news with his father, he was presented with a counteroffer to join him at Fazal Textile, Karachi. In a fix, while listing down the numerous perks of staying in Karachi, he could only work out one demerit, having his father as his boss. Disregarding it, the journey began in April 1994.

However, roads that lead to the top are often peppered with bumps. The year 1996 brought along a cotton crisis. The management planned to switch production of two units to man-made yarns. Entrusting him for the task to master the entire process within a week, under the guidance of Mr. Azam Akbar(late), his father sent him off to Gadoon Amazai.

By effectively handling two units and producing fancy yarns in vast quantities that the world bore witness to, he proved his mettle. Yet, he longed to hear words of appreciation from his father. Eventually, planting the seeds in his mind that his hard work and effort is taken for granted.

And so it came, his moment of truth, when he stranded the office in the middle of the day on being rebuked by his father regarding an issue that arose in one of the units he was handling. But the instant didn't translate into a moment of impact, and so he returned the next day realizing that jobs don't come overnight.

Subsequently, he decided to step back from the responsibility of one of the two units, to reduce his workload. Only a quarter had passed when his father presented him with a handwritten note from Mr. Sohail Tabba after a problem emerged in the unit he had let go of. The note read, “I want Tahir to be the Mills Manager of unit 1 & 4”.

Contrary to the public's belief, his promotions were never due to his father but instead were the result of his performance and in the year 1998, he was promoted to the position of General Manager, in charge of all four units.

Despite struggling with the trauma of his father's bypass in 2000, he responsibly shouldered the burden of his father's work, instilling confidence in himself. In 2003, DS Textiles, Lahore, offered him the post of Technical Director. His father recognizing his growth potential requested Mr. Sohail Tabba to let him go.



Reluctant to make that decision, he was promoted to Technical Director.

After his father's retirement in 2005, a rumour broke into the market, questioning his capabilities. Claiming that without the assistance of his father, it would only be a matter of time till he's replaced. But as he continued to make progress, in due course, the rumors died down, making him realize that it was the stringent and rigid training of 11 years of working under his father that was paying off.

Rumors came up once again in 2011, when the plant was shifted from FB Area to Superhighway, outside of the industry area. But despite moving to a new location with an increase in spindles from 60,000 to 138,000, it was successfully executed to kill the rumours.

Today as he reminisces his journey to the position of Executive Director, he attributes his godfather, Mr. Sohail Tabba, as the reason he served the company for 26 long years. Cherishing the blind trust, which he had once laid in him by trusting his word for making an investment decision that introduced automation in the company.

As it is said that the darkest hour comes just before the dawn, and so did his career's biggest challenge. When the same automated unit experienced a technical glitch, it was extremely hard to trace the fault. However, being able to resolve it was one of the proudest moments of his life.

Being a part of Gadoon, he ensured his complete devotion and perfection at work at all times, which paid off for him, as he said, “Gadoon has given me everything, without Gadoon, I'm an ordinary Tahir Saleem. Tahir Saleem is Tahir Saleem in the market because he's the Executive Director of Gadoon. Tahir Saleem itself is nothing. All I am, I owe to this company.”

Mr. Tahir Saleem advises, “The only word is passion, whatever you do, do it with passion that will lead you to success.”

EMPLOYEE TESTIMONIAL



Muhammad Ismail Rafique
Software Developer
I have found that GTML is the place where I can do my best. With a friendly environment, Gadoon truly feels like a family.



Sadaf Zaheer
MTO - Main Acc. & Finance
I am having a great experience at GTML as I am exploring new things in the field of accounting and finance by taking day to day challenges.



Waleed Ahmed
AM - Internal Audit
The best thing I witnessed here is the positive, robust, and brotherly environment. People are really helpful, especially my team, who encourage and value new ideas. Looking forward to healthy professional growth in Gadoon.

REMOTE WORKING



should ensure that they have a fast, stable, secure internet connection, an ergonomic home office environment, and expanding VPN access and bandwidth to access systems, and to work effectively. Better to dedicate a workspace to avoid distractions.

• **Trusting Employees:** Research claims that remote working increases employee productivity, as stress from commuting and office distractions are eliminated. Have faith that they will continue to put in their best work regardless of the distractions.

The coronavirus pandemic has brought along several changes in our environment and lifestyle. As recommended by the experts, social distancing is said to be the most crucial step to prevent infection. Hence, organizations around the world have adopted remote working as their new way of operation.

In an attempt to stem the spread of COVID-19, work from home (WFH) has become the new norm. Although this term seems novel to many, this concept has been around for a long time. People who are referred to as digital nomads love to work remotely while continually being on the move. Even before the pandemic took over, companies had introduced positions that allowed the employees the liberty of remote working. However, the current unprecedented scenario poses several challenges to both the employees and the employers. Here are some tips that will help to get through,

• **Adequate Infrastructure:** Employees

• **Communication:** Staying connected is more critical than ever. Video conferencing for maintaining face-to-face interactions and follow-ups through multiple touchpoints can prove to be effective.

• **Social Interaction:** Missing out on the light conversations with colleagues over tea may seem insignificant, but these small interactions can have a psychological impact. Keep in touch, and do all you can to make yourself feel comfortable.

• **Develop Rituals:** Eat, exercise, shower, dress up, or do anything that gets you into the rhythm of working.

Amidst all the chaos, some positives of this situation are that it has allowed us to equip ourselves with skills that would prove useful in the future. Organizations were also able to experience virtual work, which could help them to expand their reach and labour force. In addition, test their abilities to deal with crises.

EMPLOYEE UNDER THE SPOTLIGHT



Thank You, Mr. Anees Memon, for your 32 years of hard work and dedication!

rate us

name: _____
comments & suggestions _____