



Democratic Socialist Republic of Sri Lanka

**STATEMENT OF CORPORATE INTENT
LANKA SATHOSA LIMITED**

**Agreement between Ministry of Finance,
Ministry of Industry & Commerce, Resettlement of Protracted Displaced
Persons, Co- operative Development and Vocational Training & Skills
Development
and
Lanka Sathosa Limited**

10th June 2019

Ministry of Finance

Colombo 01

Statement of Corporate Intent
between
Ministry of Finance, Ministry of Industry and Commerce, Resettlement of
Protracted Displaced Persons, Co- operative Development and Vocational
Training & Skills Development
and
Lanka Sathosa Limited
2019-2021

The Statement of Corporate Intent is agreed between the Ministry responsible for the subject of Finance (hereinafter referred to as "Ministry of Finance") and the Ministry of Industry and Commerce, Resettlement of Protracted Displaced Persons, Co- operative Development and Vocational Training & Skills Development (hereinafter referred to as "Line Ministry") as one party, and the Board of Directors of Lanka Sathosa Limited (hereinafter referred to as "the Board"), a State Owned Enterprise (SOE), as the other party.

WHEREAS

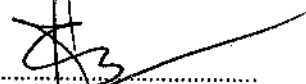
The Ministry of Finance and the Line Ministry are committed to clearly defining the working relationship between themselves and the Lanka Sathosa Limited (LSL) with a focus on performance;

The parties recognize the need for adequate and reasonable managerial and operational autonomy to facilitate achievement by the Board and management of the LSL of the agreed and freely negotiated performance targets set out in this Agreement with a shared objective to improve performance, efficiency and the quality of public service;

The parties are committed to improve the corporate governance of the LSL and are desirous of enhancing transparency in the management of public resources and accountability for results;


The Board and LSL management have indicated its capacity and competence to perform duties and undertake functions specified under this Agreement.

SCI shall be updated annually with the agreement of all the signing parties, to reflect the performance achieved in the past year and the updated performance targets for the next three years, making it a rolling and agile management tool for the SOEs as well as for the shareholders.



.....
Chairman
Lanka Sathosa Limited

M. Tariq Kaleel
Chairman
Lanka Sathosa Limited

Colombo 01


.....
Asst. Secretary
Ministry of Industry and
Commerce, Resettlement of Protracted
Displaced Persons, Co- operative Development
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K. D. CHITHRAPALA
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.....
Secretary
Ministry of Finance

DR. R. H. S. SAMARATUNGA
Secretary
Ministry of Finance
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10.06.2019

LANKA SATHOSA LIMITED
STATEMENT OF CORPORATE INTENT

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EXECUTIVE SUMMARY

"Lanka Sathosa Limited" (LSL), owner of the largest retail network in the Fast Moving Consumer Goods (FMCG) sector with over 400 outlets covering entire country, is leading the market in terms of price control, and quality assurance in the industry.

Though LSL is in the commercial trade, as a State owned business enterprise, it intends to reach out to the extreme niche markets in the rural areas even though it may not be financially viable. With this objective, LSL intends to expand its own retail network up to 520 outlets by the end of 2021 and also should need to convert 25 outlets into Mega outlets for convenient shopping in order to face the emerging competition.

Industry best practices which are being followed by private sector competitors are being adopted by the LSL in order to improve the revenue through other sources of income, in order to turnaround the company in to a profitable venture, due to very small mark up on our main business of provisional items (which constitutes 60% of the turnover).

One of the key factor which leads to poor decision making at LSL, is the absence of MIS (Management Information System) as currently only 117 outlets are operated through a system. The issue has been addressed and adaptation of new oracle based Enterprise Resource Planning (ERP) system is in progress whilst the entire outlet network will be linked through the Point of Sale (POS) system.

LSL has made continuous losses during the couple years, owing to rice importation, we intend to generate reasonable profits in the coming years as shown in the financial forecasts annexed herewith with the deployment of right strategies detailed in this document.

1. INTRODUCTION

1.1 Establishment

Lanka Sathosa Limited (LSL) has been incorporated under the Companies Act No. 07 of 2007. General Treasury has 97.5% stake of the company whilst other 2.5% belongs to the Corporate Wholesale Establishment (CWE). The LSL is under the Ministry of Industry and Commerce, Resettlement of Protracted Displaced Persons, Co-operative Development and Vocational Training & Skills Development.

1.2 Vision

“Be the Price setter to the nation that reflects the real cost of living in Sri Lanka.”

1.3 Mission

“Our Mission is to reduce the Cost of living, Link the corporate community to the masses of the country, grant an opportunity for the SMEs to link to the demand chain of the country and offer efficient high quality customer service through expanding the island wide retail network.”

1.4 Core Business/ Principal Activities

- Offering high quality product at reasonable prices through island wide retail network.
- Price Stabilization of Consumer goods.

1.5 Market Share

Lanka Sathosa Limited owns a market share of 20% (2017) in terms of revenue.

1.6 Performance of Past 10 Years and Cadre Information

Table 1: Performance of Past 10 Years & Cadre Information

Rs. Mn

Description	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total Revenue	5,806	13,034	16,564	20,567	25,097	29,940	27,976	28,923	29,663	29,171
Profit/Loss before Taxation	8	72	251	91	1,156	(3,460)	(1,945)	(4,445)	(2,782)	(1,962)
Total Assets	1,376	2,206	2,741	4,433	4,598	8,690	11,144	9,391	9,015	11,075
Total Equity	465	723	1,032	1,147	2,334	(1,067)	(3,034)	(7,479)	(10,929)	(12,892)
Total Liability	911	1,483	1,709	3,286	2,264	9,757	14,178	16,870	19,945	23,967
Net Profit Margin %	0.14	0.55	1.52	0.44	4.61	(11.56)	(6.95)	(15.37)	(9.37)	(6.72)
Net Asset per Share (Rs.)	5	8	12	13	26	(12)	(34)	(83)	(122)	(144)
Liquidity Ratio	1.4:1	1.3:1	1.4:1	1.2:1	1.3:1	0.78:1	0.73:1	0.5:1	0.4:1	0.4:1
Earnings per share (Rs.)	3	5	35	12	165	(87)	(22)	(50)	(25)	(21.96)

Executive Cadre	81	84	80	82	115	116	152	169	192	277
Non – Executive Cadre	215	261	348	324	300	364	326	356	395	406
Primary Level Cadre	944	1,927	2,291	2,447	2,566	2,649	2,709	3,119	3,196	3,167
Total Cadre	1,240	2,272	2,719	2853	2,981	3,129	3,187	3,644	3,783	3,850

Source: Lanka Sathosa Limited

2. MACRO-ECONOMIC POLICY OF THE SECTOR

As the Fast Moving Consumer Goods (FMCG) sector is highly correlates to the cost of living of people in the country, the government concentration on this LSL is to be a price maker in this segment with an aim to control the price level of essential FMGC. In this backdrop, all measures by the government to secure the price stability are executed through LSL.

Further, LSL is used as a means of ensuring fair competition by regulating the market by having a state involvement in the market segment.

3. GOALS OF LANKA SATHOSA LIMITED

- Goal 1 : Expand the island wide retail network.
- Goal 2 : Improve the profitability.
- Goal 3 : Improve customer service.
- Goal 4 : Be the price setter in the market.

4. OBJECTIVES OF LANKA SATHOSA LIMITED

- Goal 1 : Expand the island wide retail network.**
 - To expand the retail network up to 520 outlets by 2021.
- Goal 2 : Improve the profitability.**
 - To turnaround LSL in to a profitable venture by 2020 and grow the profit thereafter.
- Goal 3 : Improve customer service.**
 - To strengthen the customer service and thereby create a more customer oriented staff.
- Goal 4 : Be the price setter in the market.**
 - To penetrate the market on cost leadership.

5. KEY PERFORMANCE INDICATORS (KPIs)

Table 2 : Goal 1 - Expand the island wide retail network

Objective	KPIs	Unit of Measurement	Base year 2018	Target			
				2019	2020	2021	
To expand the retail network up to 520 outlets by 2021.	Input	No. of new outlets for which rent agreements entered	No.	25	97	10	10
		No. of new outlets for which layout plan is finalized	No.	25	97	10	10
	Process	No. of new outlets that are fully equipped with Fixed Assets according to the lay out plan	No.		97	10	10
		No. of new outlets of which basic requirements are fulfilled	No.		97	10	10
		No. of new outlets in which gondolas in place	No.		97	10	10
		No. of new outlets that are fixed with Name Boards, Banners, and Shelf Labels etc.	No.		97	10	10
		No. of new outlets opened	No.	19	97	10	10
	Outcome	Growth in customer footfall	%	0.4	5.0	10	5
		Revenue contribution of new outlets to the total revenue	%	1.46	9	1	1
		Growth in gross profit	%	31.5	10.2	50.2	23.2
	Impact	Contribution to GDP					

Table 3 : Goal 2 - Improve the Profitability

Objective	KPIs		Unit of Measurement	Base Year 2018	Target			
					2019	2020	2021	
To turnaround LSL in to a profitable venture by 2020 and grow the profit thereafter	Input	Sales Mix-Ratio of Grocery: Provision	Ratio	0.44 : 0.56	0.475 : 0.525	0.5 : 0.5	0.53 : 0.48	
		Growth in Gondola Income YOY	%	0.42	0.44	0.33	0.31	
		Stock shortage as a % of Turnover	%	0.43	0.38	0.35	0.31	
		No. of own label products	No.	5	10	15	20	
	Process	No. of mega promotion campaigns carried out on grocery products	No.	1	10	16	20	
		Average other income generated per outlet	Rs.Mn	2.36	2.15	2.38	2.58	
		Salvage income as a % of Turnover	%	0.02	0.03	0.03	0.02	
		Overhead cost as a % of Turnover	%	21.44	18.73	12.51	11.47	
		Employee Turnover	%	3.4	3.3	3.2	3.1	
		No. of outlets that are linked to the HRIS (Human Resource Information System)	No.	0	400	500	520	
		No. of outlets installed with CCTV Cameras	No.	200	317	500	520	
		No. of outlets integrated with back end ERP	No.	0	200	500	520	
		No. of system based promotions carried out	No.		200	All	All	
		No. of outlets in which procurement is done through the system	No.	0	200	400	520	
		Output	Sales growth	%	-1.66%	9.66%	45.15%	15.53%
			No. of loss making outlets	No.	292	263	237	213
	Gross Profit		Rs.Mn	3,369	3,711	5,572	6,866	
	Outcome	EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization)	Rs.Mn	(398)	(199)	1,288	2,334	
	Impact	Contribution to GDP						

Table 4 : Goal 3 - Improve Customer Service

Objective	KPIs		Unit of Measurement	Base Year 2018	Target		
					2019	2020	2021
To strengthen the customer service and thereby create a more customer oriented staff.	Input	No. of outlets face lifted during the year	No.		20	16	25
		No. of outlets equipped with air conditioners	No.	112	200	400	500
		Training budget per employee	Rs.	1,830	940	1,042	1,166
		Training budget as a % of Revenue	%	0.02	0.01	0.01	0.01
	Process	No. of training programs	No.	15	14	20	25
		Employee Absenteeism	%	11.3	11	10.5	10
		No. of outlets installed with POS	No.	200	400	500	520
	Output	Avg. monthly customer Footfall	No.- Mn	3.08	3.24	3.56	3.74
	Outcome	Basket Value	Rs.	788	1,000	1,100	1,210
	Impact	No. of CSR Projects	No.	2	3	4	5
Customer satisfaction and thereby uplifting the living standards							

6. FACTORS AFFECTING THE SCI

6.1 Government Policy Decisions

Changes in government policy decisions from time to time will have a major impact on the achievement of SCI outcomes.

6.2 Delay in the reimbursement of capital expenses

Though funds have been allocated for capital expenses through the National Budget, delay in the reimbursement of such expenses leads to cash flow problems at the end of LSL, which affects to down the progress of capital projects. Timely reimbursements will ensure timely completion of capital projects and thereby the achievement of ultimate objective.

6.3 Trade Unionization

This disturbs the achievement of objectives due to unforeseen trade union actions.

6.4 Frequently changing consumer behavior

Increased customer preference for convenient shopping and flexibility and freedom over choice and purchase quantity is shifting customers from boutique based purchasing to the convenient stores. Though our target market is lower and middle income segment, customer demographics are changing rapidly, creating a more enabling environment for convenient stores. As such, LSL also should focus on modernizing its business strategies in line with the rapidly changing customer preference

7. ASSUMPTIONS UNDERLYING THE SCI

7.1. Assumptions on Revenue

- Following states the mode of sales during the period

Table 5 : Assumption on the mode of sales during the period

Mode of Sales	2019	2020	2021
Cash	85%	82%	78%
Card	10%	15%	20%
Credit	5%	3%	2%

- It is assumed that contribution of grocery sales to total sales will be in an increasing trend and thereby it is expected to improve margins. Following shows expected sales mix during the period.

Table 6 : Assumption on the expected sales mix during the period

Description	2019	2020	2021
Provisions	42%	40%	38%
Grocery	38%	40%	42%
Liquor	20%	20%	20%

As such, a change in the above sales mix might have a significant impact on the expected GP (Gross Profit) ratio.

- Further it is assumed that the GP ratio of Provision, Grocery and Liquor will be 8%, 8.5% and 15% respectively.
- Sales revenue of existing outlets have been derived based on the increased foot fall and basket value.

7.2. Assumptions on Capital Expenditure

- Budgetary allocation will be made for capital projects as shown below.

Table 7: Assumption on the Budgetary allocation for Capital projects

Year	Rs. (Mn)
2019	500
2020	450
2021	400

7.3. Assumptions on Financing

- Loan obtained for the rice importation will be taken over by General Treasury by mid-2019 and it will be treated as equity infusions. Further this loans will be repaid by the General Treasury in 5 years.
- Interest rate on Working Capital Loan (WCL) will remain static at 14% p.a. throughout the period.

7.4. Assumptions on Overheads

- It is assumed that strict overhead control mechanisms will be followed to bring down the overhead cost.

7.5. General Assumptions

- Entire network will be computerized by 2019.
- It is assumed that the present policies and regulatory framework will persist up to 2021, and any change in same could lead to a major impact on financials.

8. MAJOR RISKS TO DELIVER THE SCI OUTCOMES AND MITIGATION STRATEGIES

Table 8 : Major Risks to Deliver the SCI outcomes and Mitigation Strategies

No.	Anticipated Risk	Mitigation Strategy
1.	<p><i>Threat of New Entry</i></p> <ul style="list-style-type: none"> ▪ Entry of local players More players entering in to retail business (Eg: Soft logic and Nawaloka) will have a hit on LSL market share thereby reducing revenue and profits. ▪ Entry of Foreign Supermarkets Many multinational supermarkets (Eg: Spa, Lulu) have set their initial steps to enter in to Sri Lankan market which will result in reducing the market share of local players. Strategy of such companies in order to grab the customer base would be to sell products at a price even below the cost in the short run. Thereby they will leverage the market and local players (including LSL) who cannot afford to match such prices will fade away. This is considered as a greater threat on the SCI outcomes and even on the survival of the company in the long term. 	<p><i>Strong brand positioning</i></p> <p>Strong positioning of the LSL brand in the minds of the customer and thereby creating brand loyalty will enable LSL to retain its customer base amidst such threats.</p> <p>Positioning LSL in the light of state ownership and contribution to the society will rather enable LSL to gain a unique space in the customers' mind.</p>

2.	<p>Increased bargaining power of suppliers</p> <p>With the entrance of more players in to the market, suppliers will be in a position to set the terms thereby posing less bargaining power at the end of LSL.</p>	<p>Entering in to Joint Business partnerships(JBP) with key suppliers</p> <p>JBP with key suppliers will ensure better trading conditions with more stability on the pricing. This will enable to combat the possible disadvantage that may occur with increased bargaining power of suppliers.</p> <p>LSL has already entered in to a JBP with Unilevers, which are not only to offers better terms, but also generates an additional income to the company.</p> <p>Wholesale Operation</p> <p>Wholesale operation of LSL will place LSL in a more bargaining position due to bulk purchasing.</p>
3.	<p>Increased bargaining power of customers</p> <p>More players in the market will necessarily lead to more price competition, which will put customers in a more bargaining power.</p> <p>Further ever increasing demands and behavior of customers will also place risk on delivering SCI outcomes.</p>	<p>Strong brand positioning</p> <p>Strong positioning of the LSL brand in the minds of the customers and thereby creating brand loyalty will enable LSL to retain its customer base.</p> <p>Positioning LSL in the light of state ownership and contribution to the society will rather enable LSL to gain a unique space in the customers' mind.</p> <p>Positioning the company as the cost leader</p> <p>Establishing a competitive advantage as the cost leader in the market will enable LSL to survive amidst ever changing demands and behavior of the customer.</p> <p>LSL is target group being the low and middle income group, cost leadership strategy will bring the best solution to mitigate such risk.</p>
4.	<p>Possible Failures of the Information System</p> <p>Crashes or failures in the Information system will put LSL in to a mess as information flow and the security of information is critical for LSL as it operation is necessarily depend on automated system in almost 400 outlets.</p>	<p>Building a strong IT infrastructure</p> <p>Building a strong IT infrastructure with adequate server capacities and frequent back up of data coupled with seamless connectivity will ensure continuous information flow and secure minimum loss of data.</p>

5.	<p>Challenges on leakages</p> <p>Substantial leakages in terms of stock shortages and other malpractices of the staff of LSL will pose a great risk on the achievement of SCI outcomes.</p>	<p>Outsourcing logistics operation and Imposition of better controls to minimize leakages</p> <p>Main initiative towards minimizing leakages would be outsourcing logistic operation.</p> <p>Installation of POS and ERP System</p> <p>Leakages can be better traced and controlled through timely and accurate information flow which could be ensured with the installation of POS at all the outlets and warehouses.</p> <p>Further, a system should be in place in order to monitor such leakages and to take stern actions against those who are liable for stock shortages and other malpractices.</p> <p>In overall application, general control to be used as preventive measures of stock outage.</p>
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9. COMPETITIVE NEUTRALITY

9.1. Extension of Treasury Guarantee over Rs.3 Bn Working Capital Loan (WCL)

LSL has been given a Treasury Guarantee for the WCL obtained from People's bank. The Guarantee was originally issued for Rs.3 Bn which has been extended up to 2022. Value of the Guarantee will be reduced based on settlement pattern over the period extended up to 2022.

9.2. Taking over the Import Loans by the General Treasury

LSL has obtained two loans from Bank of Ceylon (BOC) and People's Bank (PB) to finance the rice import operation in 2014. The original value of the loans Rs.14.1 Bn has been reduced by Rs.6.6 Bn due to LSL's continuous servicing. General Treasury has agreed to repay the balance loan amount along with the interest outstanding. A Cabinet approval has been obtained for the same, under the decision of cabinet of ministers made on 20/02/2018.

This decision has been made due to the inability of LSL to meet such obligations (though LSL services the interest on PB loan) happen due to government decision.

9.3. Funding for Capital Projects

Capital projects of the company is financed through the capital provided by the General Treasury for last couple of years. These capital projects include expenditure on opening up new outlets, Installation of CCTV cameras, Installation and commissioning of POS system and implementation of ERP system, renovation of outlets, implementation of HRIS, etc.

9.4. Brand Equity built based on Government Ownership

LSL being an SOE, state ownership provides a competitive advantage to LSL based on the brand equity built on it. Government employees (including pensioners) prefer LSL due to the state ownership, and it is evident through significant increase in sales on government salary dates and pension dates. However, the LSL target market is not only that segment and should have proper marketing strategies to face increasing competition.

9.5. Support on Reimbursement of Losses

As per the Government directive, LSL had to reduce the prices of essential provisional items from time to time, leading to selling them below the cost. But the government has provided required undertaking under such kind of situations.

10. NON-COMMERCIAL GOODS OR SERVICES

10.1. Selling essential items at lower prices , even below the cost

As experience, LSL happened to sell essential food items at lower prices and sometime even at prices below the cost on the instructions of the government. The loss normally gets reimbursed subsequently nevertheless, delaying on getting loss reimbursement has greater impact to LSL's working capital management.

10.2. Credit sales for government aid programs at the times of natural disasters

In the event of natural disasters (Eg: Flood, Drought) in order to support government aid process, LSL has to sell products on credit basis which again affect to create working capital constraint due to the time gap in recoveries.

11. FINANCING POLICY

LSL will not utilize banking facilities instead will make use of extended supplier credit in order to finance the working capital gap much as possible. However capital projects are funded solely through budgetary allocations.

LSL will continue to pay off the existing loans and will not increase the borrowings further.

12. DIVIDEND POLICY

Contribute to the consolidated fund by way of annual dividend of 30% of the equity capital (Capital + reserves) or 30% of the profit after tax, whichever is higher.

13. RESPONSIBILITIES OF TRI-PARTIES

13.1 Secretary, Ministry of Finance

- As the trustee of the public property, signs the tripartite agreement. Moreover, the Ministry of Finance will make policy directives affecting the SOEs and ensure the compliance of the SCI process.
- Submit progress reports on SOEs progress to the Cabinet of Ministers bi-annually.
- Arrange meetings and discussions as and when required.

13.2 Secretary, Line Ministry

- Supervise and provide policy directives to the SOEs at all stages of SCI process through the audit and management committee of the ministry.
- Appoint a liaison officer to coordinate the SCI process with the respective agencies.
- Ensure timely submission of the monthly, quarterly and annual progress reports of the SCI with his/her recommendations to the Department of Public Enterprises.

13.3 Chairman and Board of Directors of the Lanka Sathosa Limited

- Should ensure the implementation of the SCI process efficiently and effectively and ensure sub-agreements have been signed with the management to implement the SCI and to achieve the stipulated targets.
- Should actively negotiate the targets and expectations of SCI, Corporate Plan to be achieved and other limitations.
- Should empower the SOE management to ensure the achievement of the objectives and targets stipulated in the SCI and hold it accountable for results.
- Should introduce proper risk management strategies to identify, assess and mitigate the potential risks of SOEs.
- Should submit a board memorandum to discuss the progress and monitor the achievements against KPIs as stipulated in SCI at monthly Board meetings and provide directives to the management.
- Should establish a proper mechanism to ensure the timely submission of relevant information and progress reports of SCI to the relevant Line Ministry and to the Ministry of Finance.
- Should appoint a liaison officer to coordinate the SCI process with the respective ministries - line ministry and MOF.
- Should report and actively participate at the audit and management committee meeting of the line ministry.

14. FINANCIAL INFORMATION

14.1 Forecasted Financial Statement

Table 9: Forecasted Comprehensive Income Statement

Description	Unaudited	Forecasted		
	2018	2019	2020	2021
Revenue	29,171,434,560	31,990,195,982	46,432,415,441	53,642,235,559
Cost of Sales	(25,802,923,590)	(28,279,333,248)	(40,860,525,588)	(46,776,029,407)
Gross Profit	3,368,510,970	3,710,862,734	5,571,889,853	6,866,206,152
Gross Profit Margin	11.5%	11.6%	12.0%	12.8%
Stock Shortage	(124,441,220)	(121,562,745)	(162,513,454)	(166,290,930)
Other Income	951,063,005	1,077,100,580	1,189,752,490	1,292,187,264
Administrative Expenses	(1,550,528,523)	(1,612,100,776)	(1,813,279,134)	(1,927,642,261)
Selling and Distribution Expenses	(2,990,947,525)	(3,206,006,986)	(3,448,405,796)	(3,677,984,880)
Other Operating Expenses	(51,449,236)	(47,181,852)	(49,540,945)	(52,017,992)
Provisions for Impairment	-	-	-	-
Earnings Before Interest Tax Depreciation and Amortization (EBITDA)	(397,792,529)	(198,889,046)	1,287,903,014	2,334,457,351
Depreciation	(114,971,863)	(214,971,863)	(304,971,863)	(384,971,863)
Amortization	-	(29,981,832)	(49,799,410)	(49,799,410)
Earnings Before Interest & Tax (EBIT)	(512,764,392)	(443,842,740)	933,131,741	1,899,686,079
Interest Expenses	(1,547,037,515)	(880,103,564)	(143,500,000)	(59,500,000)
Interest Income	97,275,864	88,150,000	88,150,000	88,150,000
Profit / (Loss) before Taxation	(1,962,526,043)	(1,235,796,304)	877,781,741	1,928,336,079
Income Tax Expense	-	-	-	-
Profit / (Loss) for the Year	(1,962,526,043)	(1,235,796,304)	877,781,741	1,928,336,079
Other Comprehensive Income / (Expense)	-	-	-	-
Actuarial Gain / (Loss) on Retirement Benefits Obligation	-	-	-	-
Total Other Comprehensive Income / (Expense) for the Year	(1,962,526,043)	(1,235,796,304)	877,781,741	1,928,336,079
Basic Earnings / (Loss) Per Share (Rs.)	(21.96)	(13.83)	9.82	21.58

Table 10: Forecasted Statement of Financial Position

Rs.

Description	Unaudited	Forecasted		
	2018	2019	2020	2021
Non-Current Assets				
Property, Plant and Equipment	1,965,298,230	2,089,908,959	2,234,935,877	2,249,962,796
Intangible Assets	10,195,809	178,389,762	128,590,352	78,790,942
Fixed Deposits	866,942,312	806,839,505	806,839,505	806,839,505
Total Non-Current Assets	2,842,436,351	3,075,138,225	3,170,365,734	3,135,593,242
Current Assets				
Inventories	5,926,697,678	3,728,019,120	4,650,136,440	5,734,647,429
Trade and Other Receivables	841,621,761	537,281,980	508,871,862	464,887,471
Deposit and Advances	605,563,103	620,185,170	513,042,931	413,803,391
Pre-Paid Expenses and Statutory Receivables	8,980,453	21,702,335	22,678,940	23,359,308
Cash and Cash Equivalents	850,192,790	404,962,357	549,475,883	626,156,334
Total Current Assets	8,233,055,784	5,312,150,961	6,244,206,056	7,262,853,932
Total Assets	11,075,492,136	8,387,289,187	9,414,571,790	10,398,447,175
Equity And Liabilities				
Equity				
Stated Capital	893,752,720	1,880,331,241	3,853,488,282	5,826,645,323
Retained Earnings (at Debit)	(13,786,069,020)	(15,021,865,324)	(14,144,083,582)	(12,215,747,504)
Total Equity	(12,892,316,300)	(13,141,534,083)	(10,290,595,301)	(6,389,102,181)
Non-Current Liabilities				
Retirement Benefits Obligation	124,442,333	124,442,333	124,442,333	124,442,333
Government Grants - (Non - Current Portion)	1,481,706,863	1,199,540,307	1,101,715,124	899,889,940
Total Non-Current Liabilities	1,606,149,196	1,323,982,640	1,226,157,456	1,024,332,273
Current Liabilities				
Trade and Other Payables	7,871,273,814	6,489,440,294	4,908,880,720	3,403,713,156
Government Grants - (Current Portion)	-	299,885,077	275,428,781	224,972,485
Short Term Borrowings	12,919,526,118	12,434,229,042	12,919,526,118	11,905,933,127
Accrued Expenses	268,970,010	218,077,058	113,642,368	100,109,200
Bank Overdrafts	1,301,889,297	763,209,159	261,531,646	128,489,114
Total Current Liabilities	22,361,659,239	20,204,840,630	18,479,009,634	15,763,217,083
TOTAL EQUITY AND LIABILITIES	11,075,492,136	8,387,289,187	9,414,571,790	10,398,447,175

Table 11: Forecasted Statement of Cash Flow

Rs.

Description	Unaudited	Forecasted		
	2018	2019	2020	2021
Cash Flows from Operating Activities				
Profit / (Loss) for the Year	(1,962,526,043)	(1,235,796,304)	877,781,741	1,928,336,079
<i>Adjustments for;</i>				
Depreciation	114,973,082	214,973,082	304,973,082	384,973,082
Amortization of Intangible Assets	-	29,981,832	49,799,410	49,799,410
Amortization of Government Grant	(382,281,479)	(482,281,479)	(572,281,479)	(652,281,479)
Provision for Gratuity	-	-	-	-
Adjustment of De-recognition of Property, Plant and Equipment				
Interest Income	(97,275,864)	(88,150,000)	(88,150,000)	(88,150,000)
Interest Expenses	1,547,037,515	880,103,564	143,500,000	59,500,000
Operating Loss Before Changes in Working Capital	(780,072,789)	(681,169,306)	715,622,754	1,682,177,091
Changes in Working Capital				
Inventories	(1,631,324,324)	2,045,552,910	(947,117,320)	(1,109,510,989)
Trade and Other Receivables	286,889,356	304,339,781	28,410,117	43,984,392
Deposit and Advances	8,707,086	(14,622,067)	107,142,240	99,239,540
Statutory Receivables	(4,839,022)	(12,721,882)	(976,605)	(680,368)
Trade and Other Payables	2,515,134,706	(1,381,833,520)	(1,580,559,573)	(1,505,167,564)
Accrued Expenses	50,892,952	(50,892,952)	(104,434,690)	(13,533,168)
Cash used in Operations	445,387,965	208,652,964	(1,781,913,078)	(803,491,067)
Gratuity Paid	(6,004,797)	-	-	-
Interest Paid	(409,192,110)	(311,180,861)	(143,500,000)	(59,500,000)
Net Cash used in Operating Activities	30,191,059	(102,527,897)	(1,925,413,078)	(862,991,067)
Cash Flows from Investing Activities				
Acquisition of Property, Plant and Equipment / Incurred on CWIP	(456,142,986)	(339,583,810)	(450,000,000)	(400,000,000)
Acquisition of Intangible Assets	(2,402,049)	(158,575,784)	-	-
Net Proceeds from in Fixed Deposit (Long Term)	(565,085,815)	60,102,807	-	-
Interest Received	97,275,864	88,150,000	88,150,000	88,150,000
Net Cash Flow from / (used in) Investing Activities	(926,354,987)	(349,906,787)	(361,850,000)	(311,850,000)
Cash Flows from Financing Activities				
Accrued Interest	(3,548,329)	532,358,742	3,058,454,117	1,559,564,050
Repayment of Loans	(649,000,000)	(1,586,578,521)	(2,573,157,041)	(2,573,157,041)
Government Grant Received	438,646,542	613,525,648	475,000,000	425,000,000
Share Issue	-	986,578,521	1,973,157,041	1,973,157,041
Net Cash Flow from Financing Activities	(213,901,787)	545,884,390	2,933,454,117	1,384,564,050
Net Changes in Cash and Cash Equivalents During the Year	(1,110,065,715)	93,449,705	646,191,039	209,722,983
Cash and Cash Equivalents at Beginning of the Year	658,369,208	451,696,507	(358,246,802)	287,944,237
Cash and Cash Equivalents at End of the Year	(451,696,507)	(358,246,802)	287,944,237	497,667,219

Table 12: Capital Investment Plan

Rs.

Description	Forecasted		
	2019	2020	2021
New Outlets	310,000,000		
Fixing Fire Extinguishers	5,000,000		
ERP	159,000,000	19,817,578	
CCTV	24,000,000	80,736,809	
POS	-	55,000,000	
Head office firewall purgation.	2,000,000		
Computer Soft ware	42,991,886		
Equipment		319,445,613	425,000,000
Total	542,991,886	475,000,000	425,000,000
Sources of Finance			
Equity	613,525,648	475,000,000	425,000,000
Total	613,525,648	475,000,000	425,000,000

Assumptions

- Receivable of Rs.68 Mn for 2017 and Rs.6Mn of 2018 will be received in 2019
- Further 50% of the allocation will be received during the year, whilst balance 50% will be received in the following year.