

Cipla Quality Chemical Industries Limited H1 FY23 Interim Results Announcement

The Directors of Cipla Quality Chemical Industries Limited ("CiplaQCIL" or "the Company") present the unaudited summary interim financial statements for the six months period ended 30 September 2022.

SUMMARY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	6 months period ended 30 Sep 2022 (Unaudited) UShs'000	6 months period ended 30 Sep 2021 (Unaudited) UShs'000
Revenue	120,047,208	124,319,438
Cost of sales	(83,539,725)	(95,334,510)
Gross profit	36,507,483	28,984,928
Other income	136,688	63,685
Reversal of Impairment allowance on trade receivables	9,445,709	1,997,353
General and administrative expenses	(27,188,044)	(24,012,218)
Operating profit	18,901,836	7,033,748
Finance income and finance costs - net	3,220,746	(1,546,839)
Profit before tax	22,122,582	5,486,909
Taxation	(8,263,857)	(2,676,597)
Profit for the period	13,858,725	2,810,312
Other comprehensive income	-	-
Total comprehensive income for the period	13,858,725	2,810,312
Basic and diluted profit per share (UShs)	3.79	0.77

SUMMARY STATEMENT OF FINANCIAL POSITION

	At 30 Sep 2022 (Unaudited) UShs'000	At 31 Mar 2022 (Audited) UShs'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant, equipment and right-of-use assets	63,572,142	65,055,052
Capital work-in-progress	6,057,558	3,715,964
Intangible assets	1,092,621	1,332,567
Deferred tax asset	1,852,439	5,139,094
	72,574,760	75,242,677
CURRENT ASSETS		
Inventories	66,434,631	80,391,616
Trade and other receivables	72,732,623	80,488,303
Current tax receivable	-	58,595
Cash in hand and at bank	8,189,954	8,486,203
	147,357,208	169,424,717
TOTAL ASSETS	219,931,968	244,667,394
EQUITY AND LIABILITIES		
EQUITY		
Share capital	45,648,865	45,648,865
Capital reserves	2,275,000	2,275,000
Proposed dividends	-	7,303,818
Retained earnings	118,360,607	104,501,882
	166,284,472	159,729,565
NON-CURRENT LIABILITIES		
Term loan	5,678,750	18,888,375
Lease liabilities	133,968	137,536
	5,812,718	19,025,911
CURRENT LIABILITIES		
Term loan	7,315,000	6,868,500
Lease liabilities	72,479	109,850
Trade and other payables	40,447,299	58,933,568
	47,834,778	65,911,918
TOTAL EQUITY AND LIABILITIES	219,931,968	244,667,394

SUMMARY STATEMENT OF CHANGES IN EQUITY

	Share capital UShs'000	Capital reserves UShs'000	Proposed dividend UShs'000	Retained earnings UShs'000	Total equity UShs'000
6 months' period ended 30 Sep 2021					
As at 1 Apr 2021 (Audited)	45,648,865	2,275,000	-	87,755,099	135,678,964
Profit for the period	-	-	-	2,810,312	2,810,312
As at 30 Sep 2021 (Unaudited)	45,648,865	2,275,000	-	90,565,411	138,489,276
6 months' period ended 30 Sep 2022					
At 1 Apr 2022 (Audited)	45,648,865	2,275,000	7,303,818	104,501,882	159,729,565
Dividend paid	-	-	(7,303,818)	-	(7,303,818)
Profit for the period	-	-	-	13,858,725	13,858,725
At 30 Sep 2022 (Unaudited)	45,648,865	2,275,000	-	118,360,607	166,284,472

SUMMARY STATEMENT OF CASH FLOWS

	6 months period ended 30 Sep 2022 (Unaudited) UShs '000	6 months period ended 30 Sep 2021 (Unaudited) UShs '000
OPERATING ACTIVITIES		
Profit before tax	22,122,582	5,486,909
Adjustment for:		
Impairment allowance	(9,445,709)	(1,997,353)
Depreciation and amortisation	4,531,191	4,376,599
Amortisation	239,945	208,845
Provision for obsolete inventories	245,956	6,104,546
Gain on disposal of property and equipment	(101,738)	-
Interest expense	599,998	795,732
Interest income	(350,409)	-
	17,841,816	14,975,278
Less: Interest paid	(449,210)	(804,554)
Tax paid	(2,023,794)	(58,737)
Changes in working capital		
- in inventories	13,711,030	(19,720,644)
- in trade and other receivables	21,336,091	1,622,924
- in trade and other payables	(24,154,460)	(11,512,620)
Net cash generated from/(used in) operating activities	26,261,473	(15,498,353)
INVESTING ACTIVITIES		
Interest received	200,795	-
Proceeds from sale of property, plant and equipment	101,738	-
Purchase of property, plant and equipment	(3,048,278)	(943,711)
Additions to capital work-in-progress	(2,341,595)	(958,759)
Purchase of intangible assets	-	(555,968)
Net cash used in investing activities	(5,087,340)	(2,458,438)
FINANCING ACTIVITIES		
Repayment of term loan	(14,063,875)	(3,443,750)
Dividend paid	(7,303,818)	-
Payment of lease liabilities	(102,689)	(113,121)
Net cash used in financing activities	(21,470,382)	(3,556,871)
Net change in cash and cash equivalents	(296,249)	(21,513,662)
Cash and Cash equivalents at 1 Apr	8,486,203	7,636,533
Cash and Cash equivalents at 30 Sep	8,189,954	(13,877,129)

Basis of preparation

The unaudited summary interim financial statements of the Company for the six months' period ended 30 September 2022 were prepared in accordance with IAS 34 Interim Financial Reporting. The interim summary financial statements do not include all the information and disclosures required in audited annual financial statements and should be read in conjunction with the Company's annual audited financial statements for the year ended 31 March 2022.

Revenue

Revenue in H1 FY23 declined slightly by 3.4% compared to H1 FY22.

Most of the customer segments recorded growth in H1 FY23 compared to H1 FY22 with biggest leap of about 75.5% seen in the institutional customers orders. Local sales also grew by 3.9%, however, the benefit was reduced by a drop in contract manufacturing sales of 37.3%.

Gross Profit

Gross profit margin increased from 23.3% in H1 FY22 to 30.4% mainly due to reduced cost of production. The benefit of successful raw material price negotiations together with improved factory efficiencies in the previous periods contributed to the gross profit margin improvement.

The improvement was further boosted by a change in product mix and customer mix. The proportion of local orders in total revenue increased to 78.3% in H1 FY 23 from 64.7% in H1 FY 22.

Operating profit

Operating profit for H1 FY23 grew by 168.7% from UShs 7.0 billion in H1 FY22 to UShs 18.9 billion in H1 FY23.

Efforts to collect the long outstanding amounts from GoZ continued to yield positive results and the outstanding balance was reduced to UShs 12.2 billion in H1 FY23 from UShs 40.4 billion in H1 FY22. In line with IFRS 9, this resulted in a net release in provisions of UShs 9.4 billion during H1 FY23 after providing for some potential risks on existing receivables. Efforts to collect the remaining balance are in advanced stages.

The benefit from previous operations reorganization initiatives were reduced by the inflation and the impact of geopolitical factors during the period.

Profit for the period

Profit before tax for H1 FY23 grew to UShs 22.1 billion from UShs 5.5 billion in H1 FY22 largely because of growth in gross profit and successful part collection of GoZ debt. Early repayment of loan resulted in a significant reduction in finance costs. A net foreign exchange gain of UShs 3.5 billion more than offset the finance costs leading to a net finance income position of UShs 3.2 billion. The United States Dollar progressively

strengthened against the Uganda Shilling during the period.

Profit for the period for H1FY 23 was UShs 13.9 billion (H1 FY22: UShs 2.8 billion).

Excluding the impact of GoZ collection, profit for the period would have been UShs 7.1 billion (H1 FY22: UShs 1.5 billion) representing a growth of 373.3%.

Cash flows

Net cash generated from operating activities increased from a deficit of UShs 15.5 billion in H1 FY22 to a surplus of UShs 26.2 billion in H1 FY 23 mainly due to profitable operations and part collection of the GoZ debt.

Net cash used in investing activities of UShs 5.1 billion (H1 FY22: UShs 2.5 billion) was to equip the new store to boost the company's storage capacity of raw materials and finished goods. Other capital expenditure was mainly to maintain factory capacity.

Net cash used in financing activities of UShs 21.4 billion (H1 FY22: UShs 3.6 billion) resulted from reduction of the loan balance following the collection of the GoZ debt and payment of the approved dividend.

Abbreviations

CiplaQCIL	Cipla Quality Chemical Industries Limited
FY22	Financial year ended 31 March 2022
FY23	Financial year ending 31 March 2023
GoZ	Government of the Republic of Zambia
H1	Period between 1 April to 30 September
H2	Period between 1 October to 31 March
Mar	March
Apr	April
Sep	September

A copy of the summary unaudited financial statements can be obtained from CiplaQCIL's registrars; M/s Uganda Securities Exchange Nominees Ltd located at 4th Floor, Block A, UAP Nakawa Business Park, Plot 3-4 New Port Bell Road and website: www.ciplaqcil.co.ug

The summary interim financial statements were approved by the Board of Directors on 2 November 2022.



Emmanuel Katongole
Executive Chairman



Ajay Kumar Pal
Chief Executive Officer