



Service Industries Limited

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SIL/PSX/CS/129
May 19, 2023

BY PUCARS & T.C.S

The General Manager,
Pakistan Stock Exchange Limited,
Stock Exchange Building,
Stock Exchange Road,
Karachi.

SUBJECT: CORPORATE BRIEFING SESSION OF SERVICE INDUSTRIES LIMITED

Dear Sir,

This is to inform you that Corporate Briefing Session ("CBS") of Service Industries Limited in respect of Annual Audited Accounts for the year ended December 31, 2022 will be held as per below schedule:

Date: May 26, 2023 (Friday)
Time: 04:00 p.m.
Venue: Shalimar Tower Hotel, Adjacent Servis House, 2 - Main Gulberg, Lahore.

Video link facility will also be available for the analysts and shareholders who wish to attend the CBS electronically. The interested participants are required to email their following credentials at shareholders@servis.com by or before 5:00 p.m. on May 25, 2023. The video link and login credentials will be shared with the registered participants.

Name	Institution represent or Shareholder	Subject matter	Contact Number
		Registration for Corporate Briefing Session - SRVI	

You may please inform the TRE Certificate Holders of the Exchange and all concerned accordingly.

Thanking You.

Yours truly,

For **SERVICE INDUSTRIES LIMITED**


Waheed Ashraf
Company Secretary





SERVICE INDUSTRIES LIMITED

CORPORATE BRIEFING SESSION

FOR THE YEAR ENDED DECEMBER 31, 2022

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GROUP PROFILE

Servis Group comprises of **Service Industries Limited**, the flagship company of the group with five subsidiary companies including three foreign subsidiaries, and associated companies, engaged in diversified segments. The group structure is as follow:

Company	Status	Group Shareholding
Service Industries Limited	Holding Company	-
Service Global Footwear Limited	Subsidiary Company	79.75%
Service Long March Tyres (Private) Limited	Subsidiary Company	51%
Service Industries Capital (Private) Limited	Subsidiary Company	100%
Service Shoes Lanka (Private) Limited	Foreign Subsidiary Company	60%
SIL Gulf FZE	Foreign Subsidiary Company	100%
Dongguan Service Global Limited	Foreign Subsidiary Company	79.75%
Speed (Private) Limited	Associated Company	35.97%
JOMO Technologies (Private) Limited	Associated Company	16.49%
Servis Foundation	Associated Company	-

GROUP PROFILE (CONT.)

- Two of the group companies, Service Industries Limited and Service Global Footwear Limited are **listed on Pakistan Stock Exchange**.
- Having local and international presence in **Footwear, Tyres, Tubes and Motorcycle spare parts and Technical Rubber Products**.
- Exporting to countries in **Asia, Europe, Africa, North America, South America and Australia** amounting to **Rs. 19 billion (US \$ 94 million)** in 2022.

GROUP PROFILE (CONT.)

GEOGRAPHICAL SPREAD OF GROUP

<u>Location</u>	<u>Product</u>	<u>Business Orientation</u>
▪ Gujrat, Punjab	Tyre, Tube & Footwear	Manufacturing
▪ Muridke, Punjab	Footwear	Manufacturing
▪ Muridke, Punjab	Motorcycle Chain Kit	Manufacturing
▪ Nooriabad, Sindh	Tyre	Manufacturing
▪ Sri Lanka	Footwear	Manufacturing (Discontinued)
▪ China	Footwear	Product Development/ Marketing
▪ UAE	Tyre	Trading

GROUP PROFILE (CONT.)

- The **largest exporter of Footwear** from Pakistan exporting more than **PKR 13 Billion (US\$ 64 M)** in FY 2022. More than 40% of total leather footwear exports of Pakistan are driven by Servis Group.
- The **leading manufacturer of Tyres and Tubes** in Pakistan having combined capacity of more than **24 million tyres** and around **63 million tubes**.
- The **largest exporter of Tyres and Tubes** from Pakistan exporting more than **PKR 6 Billion (US\$ 30 M)** which constitutes around **67%** of total exports of Tyres and Tubes from Pakistan.
- Total assets worth over **PKR 73 Billion**.
- Provider of direct employment to more than 15,000 workforce.
- The Group contributed more than PKR 70 million for CSR activities in various sectors in FY 2022.
- Has played an important role in the industrial development of Pakistan.

DETAILS OF SUBSIDIARIES

SERVICE GLOBAL FOOTWEAR LIMITED - SGFL

- SGFL was operating as an integrated unit of Service Industries Limited (“SIL”) since 1988 which was demerged in 2019 into a separate entity.
- Listed on Pakistan Stock Exchange in 2021.
- Export oriented unit.
- First solar powered shoe manufacturer in Asia with a total solar electricity generation capacity of 2 MW.
- Manufacturing facility located in Muridke, Punjab.
- **Largest footwear exporter** of Pakistan. **SGFL exports more than 98%** of its total production to 20+ countries over 5 continents.
- Exported around **3.6 million pairs** in 2022 having value of more than **PKR 11 billion (US\$ 56 million)**

DETAILS OF SUBSIDIARIES (CONT.)

SERVICE LONG MARCH TYRES (PRIVATE) LIMITED - SLM

- First manufacturing facility in Pakistan for manufacturing and sale of **All Steel Radial Truck and Bus Tyres (TBR tyres)** with Chinese stake of 44% who brought in the technical expertise.
- Manufacturing facility located in Nooriabad, Jamshoro District, Sindh set up on a land of 50 acres.
- Commenced commercial production in March 2022 with annual capacity of 740,000 tyres in Phase – I which will increase to 2.4 million tyres on completion of third phase.
- In its first year of operation, the company generated **revenue of Rs. 8 billion**, including exports of more than Rs. 2.6 billion (US \$ 13 million) to USA ,Brazil and UAE.
- First Company in Pakistan to be awarded the status of **Sole Enterprise Special Economic Zone** by the Board of Investment.
- First Company in Pakistan to be awarded the status of **Green Field Industrial Undertaking** by Federal Board of Revenue.
- Produced more than **430,000 TBR tyres** to date.

DETAILS OF SUBSIDIARIES (CONT.)

DONGGUAN SERVICE GLOBAL LIMITED (DSGL)

- A **wholly-owned subsidiary** of Service Global Footwear Limited ,has been set up to undertake procurement, marketing and product development activities for footwear products.
- China, being the hub of the global footwear industry, presents an opportunity both for expanding customer base and sourcing directly at optimum prices with maximum efficiency.
- Expected **reduction in average procurement prices by 3% to 4%**. Efficiency in supply chain would lead to shipments being delivered on time.
- On site, closer coordination with customers for sample development would result in **reduction of lead time by 3-4 weeks**.
- Engagement and on-boarding of prospective customers through direct liaison due to physical presence in China, expansion of customer base and tapping of new export markets for SGFL
- R&D opportunities, learning new production techniques and assessing latest market trends enabling marketing and production teams to be more effective and responsive to industry dynamics

DETAILS OF SUBSIDIARIES (CONT.)

SIL Gulf (FZE)

- A wholly owned subsidiary of Service Industries Limited, set up in SAIF Zone, UAE.
- Opportunity to tap export markets of tyres.
- This trading arm is the first venture of Servis Group in the Middle East and provides a platform for promotion of exports of tyres and tubes to Non Traditional Markets.

DETAILS OF SUBSIDIARIES (CONT.)

Service Shoes Lanka (Private) Limited

- A partially owned subsidiary of Service Industries Capital (Private) Limited, established in partnership with a local investor in 2015 and based in Katunayake BOI Zone, Sri Lanka.
- The Company was established to enhance export footprints of Servis Group globally through manufacturing of leather footwear products in Sri Lanka and afterwards exports to European and Australian Markets.
- The management of the Company decided to closedown the operations owing to deplorable economic situation in Sri Lanka post its default on foreign debt obligations and dwindling business conditions.
- Business activities were suspended from January 15, 2023.
- Management is considering various available options to dispose off the shareholding in the company in compliance with local laws and regulations, while safeguarding its investments and receivable balances.

COMPANY PROFILE

- **Flagship company** of the Servis Group.
- The story of 'Servis' begins in late 1930s when a group of three young graduates from college, started exploring the possibility of doing business.
- Incorporated as a Private Limited Company in 1957.
- Became Public Limited Company in 1959.
- Listed on stock exchange in 1970.
- Total market capitalization as on May 18, 2023 is around PKR 13 Billion.

COMPANY PROFILE (CONT.)

- Annual turnover in financial year 2022 of around **PKR 43 Billion PKR (US\$ 210M)** with exports amounting to more than **PKR 5 Billion (US \$ 26M)**.
- Main Segments of revenue are **Footwear (26%), Tyre & Tube (66%), Service Genuine Parts (7%) and Technical Rubber Products (1%)**.
- Leading share in motorcycle Tyre and Tube market in Pakistan.
- **Largest exporter of Tyres and Tubes** from Pakistan.
- **Third (3rd) largest market share in Motorcycle spare parts.**
- Working relationship with top brands of the world.
- The Company has achieved significant geographical presence in export sales over the years.

COMPANY PROFILE (CONT.)

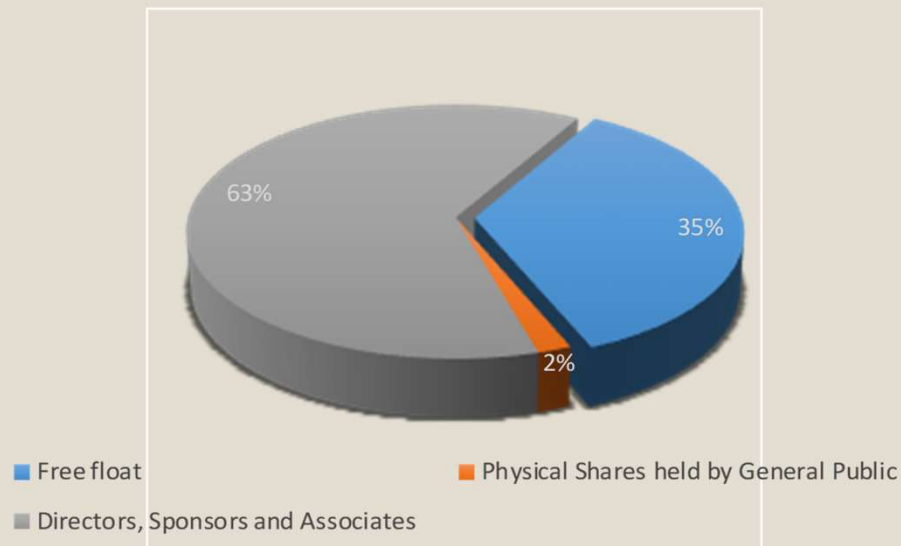
- Sales mix of exports and local sales for the FY 2022 can be seen in the pie chart.
 - Export sales – Rs. 5 Billion
 - Local sales – Rs. 38 Billion



COMPANY PROFILE (CONT.)

FREE FLOAT AS AT DECEMBER 31, 2022

Free float shares are 16,623,342 out of total paid up share capital of 46,987,454 which make up to 35%.



BUSINESS SEGMENT

TYRE AND TUBE SEGMENT

Tyre & Tube Segment revenue comes from the following streams:

- Exports
- Local – OEMs (Original equipment Manufacturer)
- Local – Replacement Market

The main Products included in Tyre & Tube segment are:

- Motorcycle Tyre & Tube
- Cycle Tyre & Tube
- Rickshaw Tyre & Tube
- Tractor Tyre and Tube
- Four wheel Tyre and Tube



BUSINESS SEGMENT (CONT.)



TYRE AND TUBE SEGMENT

- Total Tyre & Tube segment revenue is around of **PKR 28 billion (US\$ 138 M)** in the year 2022. In the motorcycle tyre & tube business, SIL is leading in market share. Almost all major OEMs are customers of SIL. SIL has almost **49% market share in Pakistan OEMs market**.
- SIL is the largest exporter of tyres and tubes in Pakistan exporting goods valuing **PKR 3.5 billion (US\$ 17 M)** to 30+ countries in the Europe, Asia, Africa, South America and North America. SIL tyres and tubes' exports constitutes around **53% of the total export of tyres** and tubes of Pakistan, other than TBR tyres.
- State of the art mixing plant was installed in the year 2022 resulting in increase in mixing capacity by 72 tons per day.

BUSINESS SEGMENT (CONT.)

FOOTWEAR SEGMENT

Footwear Segment revenue of around **PKR 12 Billion (US\$ 56M)** comes from the following streams:

- Exports
- Local – institutional & Wholesale
- Retail

The company's export sales of footwear amounted to **PKR 2 billion (US\$ 9 million)** in the year 2022. The company's exports are spread across various regions, including **Europe, Asia, Australia, Russia, and the USA.**

In the year 2022, the company's domestic institutional and wholesale revenue amounted to **PKR 5 billion (US\$ 24M)**. The concentration of institutional sales remained on government agencies and other footwear retailers in Pakistan. The wholesale segment also performed phenomenal as sales increased by three times to **PKR 1,700 million from PKR 560 million** as compared to last year.



BUSINESS SEGMENT (CONT.)

FOOTWEAR SEGMENT

The Company's retail segment achieved phenomenal results in the year 2022 as sales revenue crossed **PKR 5 billion mark (US \$ 24 million)**. The number of stores which were **91 in December 2021 touched 152 in December 2022, showing an increase of 61 retail outlets over the year. The number of stores as of May 2023 stand at 184.** Return of "**Servis**" Brand and rebranding of retail network from "Shoe Box" to "Servis" have been instrumental in sales increase. Online sales option and coverage of key markets led to enhancement in topline and bottom-line.



BUSINESS SEGMENT (CONT.)

SERVICE GENUINE PARTS SEGMENT

- Started in Jan-15.
- Own manufacturing of motorcycle chains and sprockets commenced in 2022.
- Third (3rd) party manufacturing was done earlier.
- The basic idea is to leverage existing distribution network, which already has access to around 11,000 retailers.
- Service Genuine Parts segment of SIL did a business of **PKR 3 Billion (US\$ 15 M)** in the year 2022.



BUSINESS SEGMENT (CONT.)

SERVICE GENUINE PARTS SEGMENT

- Own manufacturing of motorcycle chains started from July 2022 and sprockets from November 2022. The annual capacity of the project stands at **3 million for chains** and **2.4 million for sprockets**.
- Projected to sell goods worth more than **PKR 2 billion** in the year 2023 from manufacturing of chains and sprockets.
- **Improvement in margins** expected due to in-house manufacturing in comparison to trading business.
- Raw Material to be imported at lower duty rates on the basis of **quota allocated by EDB**.
- The segment expects to tap Export markets on international scale and OEMs in the domestic arena.
- Inward supply chain to be streamlined as there would be no dependency on external vendors.

FINANCIAL PERFORMANCE HIGHLIGHTS : OVERALL SNAPSHOT

Description		2017	2018	2019	2020	2021	2022
Export Sales	Rs. (million)	5,058	7,472	6,353	3,049	4,009	5,258
Local Sales	Rs. (million)	15,840	16,608	19,803	21,394	28,716	37,341
Revenue (Separate)	Rs. (million)	20,898	24,080	26,156	24,442	32,725	42,599
Gross profit (Separate)	Rs. (million)	3,563	4,333	4,884	4,921	5,267	7,973
Gross profit (Consolidated)	Rs. (million)	3,550	4,157	5,731	6,308	6,473	10,262
Net Profit (Separate)	Rs. (million)	897	1,061	886	690	357	354
Net Profit (Consolidated)	Rs. (million)	870	1,030	1,359	1,324	585	(1,225)
Shareholder's equity	Rs. (million)	4,747	5,516	5,741	7,283	7,308	7,271
Total Assets	Rs. (million)	15,885	18,121	19,150	24,451	33,345	40,250

SGFL was incorporated in July 2019 and figures of 2019 represents first six-month results of Muridke Unit.

FINANCIAL PERFORMANCE HIGHLIGHTS- DIVIDEND DECLARED, YEILDS & BONUS SHARES

Description		2017	2018	2019	2020	2021	2022
Dividend	Rs. Per share	30.50	30.00	20.00	15.00	7.50	5.00
Paid up Share Capital	No.	12,028,789	12,028,789	18,794,982	23,493,727	46,987,454	46,987,454
Bonus Issue	%	-	25.00	50.00	100.00	-	-
Dividend payout	%	47	25	61	20	98	99
Dividend Yield	%	4.07	4.14	2.57	1.80	1.60	1.47
Market price per share as at December 31 2022	Rs.	750	725	777	834	469	340

SGFL was incorporated in July 2019 and figures of 2019 represents first six-month results of Muridke Unit.

FINANCIAL PERFORMANCE HIGHLIGHTS- PROFITABILITY RATIOS AND RETURNS

Description		2017	2018	2019	2020	2021	2022
Gross profit Ratio	%	17.05%	17.99%	18.67%	20.13%	16.09%	18.72%
Net Profit Ratio	%	4.29%	4.41%	3.39%	2.82%	1.09%	0.83%
Earning per share	Rs.	19.09	22.59	18.86	14.69	7.59	7.54
Return on equity	%	18.89%	19.24%	15.43%	9.47%	4.88%	4.87%

SGFL was incorporated in July 2019 and figures of 2019 represents first six-month results of Muridke Unit.

FINANCIAL PERFORMANCE HIGHLIGHTS- LIQUIDITY RATIOS AND FINANCIAL COVERAGE

Description		2017	2018	2019	2020	2021	2022
Interest Cover	Times	4.05	3.06	2.54	2.84	2.18	1.73
Current Ratio	Times	1.14	1.11	0.98	0.97	0.96	0.84
Gearing Ratio	%	38:62	38:62	38:62	40:60	52:48	58:42
Break-up value	Rs.	395	459	305	310	156	155

SGFL was incorporated in July 2019 and figures of 2019 represents first six-month results of Muridke Unit.

SHAREHOLDERS' WEALTH (Based on 100 shares)

Particulars	Rupees		
	No of Shares	Market Price	Market Value
Number of Shares held by a shareholder Jan 01 2019	100	725	72,500
Bonus Shares Issued in:			
CY 2019 50%	50		
CY 2020 25%	38		
CY 2020 100%	188	275	
Number of Shares held by a shareholder Dec 31 2022	375	340	127,500
Increase in investment value of shareholder			<u>55,000</u>
Dividend earned from 2017 to 2022			<u>16,550</u>
Net Increase in total return for the shareholder			<u><u>71,550</u></u>

FINANCIAL PERFORMANCE HIGHLIGHTS

SEPARATE FINANCIALS

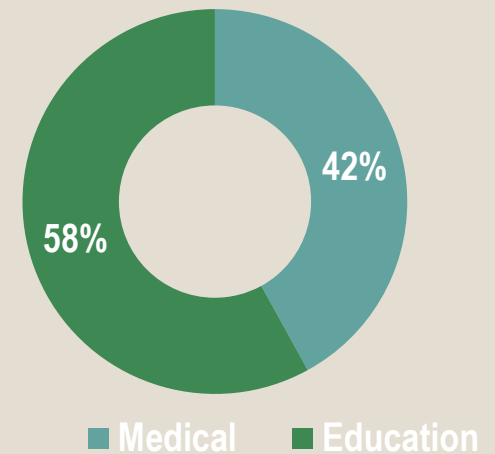
	December 31, 2022	December 31, 2021	Variance	Percentage
(Rupees in thousands)				
Revenue	42,599,481	32,724,924	9,874,557	30.17
Cost of Sales	(34,626,020)	(27,458,310)	(7,167,710)	26.10
Gross Profit	7,973,461	5,266,614	2,706,847	51.40
Distribution Cost	(3,218,564)	(2,309,860)	(908,704)	39.34
Administrative Expenses	(1,505,313)	(1,276,251)	(229,062)	17.95
Other Expenses	(300,384)	(112,389)	(187,995)	167.27
Other Income	1,073,620	282,457	791,163	280.10
	(3,950,641)	(3,416,043)	(534,598)	15.65
Profit from Operations	4,022,820	1,850,571	2,172,249	117.38
Finance Cost	(3,075,387)	(1,314,456)	(1,760,931)	133.97
Share of Profit from Associate	28,588	34,727	(6,139)	(17.68)
Profit before Taxation	976,021	570,842	405,179	70.98
Provision for Taxation	(621,594)	(214,016)	(407,578)	190.44
Profit after Taxation	354,427	356,826	(2,399)	(0.67)
Earnings per Share	7.54	7.59		

FINANCIAL PERFORMANCE HIGHLIGHTS

CONSOLIDATED FINANCIALS	December 31, 2022	December 31, 2021	Variance	Percentage
	(Rupees in thousands)			
Revenue	61,668,669	39,385,032	22,283,637	56.58
Cost of Sales	(51,406,625)	(32,911,184)	(18,495,441)	56.20
Gross Profit	10,262,044	6,473,848	3,788,196	58.52
Distribution Cost	(4,321,758)	(2,872,120)	(1,449,638)	50.47
Administrative Expenses	(2,387,286)	(1,717,542)	(669,744)	38.99
Other Expenses	(387,385)	(147,594)	(239,791)	162.47
Other Income	831,105	943,055	(111,950)	(11.87)
	(6,265,324)	(3,794,201)	(2,471,123)	65.13
Profit from Operations	3,996,720	2,679,647	1,317,073	49.15
Finance Cost	(4,013,679)	(1,524,966)	(2,488,713)	163.20
Share of Profit/(Loss) from Associate	7,580	(15,898)	23,478	(147.68)
Profit before Taxation	(9,379)	1,138,783	(1,148,162)	(100.82)
Provision for Taxation	(1,157,143)	(433,194)	(723,949)	167.12
Loss from Discontinued Operations	(58,296)	(120,855)	62,559	(51.76)
Profit after Taxation	(1,224,818)	584,734	(1,809,552)	(309.47)
Earnings per Share	(13.56)	11.38		

CORPORATE SOCIAL RESPONSIBILITY

- SIL contributed over **PKR 70 million** for CSR activities in various sectors in FY 2022. Major focus being **healthcare** and **education**.
- Servis Group has a strong commitment to social responsibility, with a long-standing tradition of charity and giving dating back to society. Over the past six decades, the Group has undertaken numerous philanthropic initiatives which had considerable impact on the society.
- Establishment of **Servis Foundation (SF)** in late 2018 as the group's philanthropic arm.
- In 2020, Servis Foundation (SF) employed a targeted and programmatic approach to achieve the group's corporate social responsibility objectives.



CORPORATE SOCIAL RESPONSIBILITY (CONT.)

INTERNAL COMPANY INITIATIVES & RESPONSIBLE OPERATIONS

- Industrial Relations
- Employment of females and persons with disability
- Occupational Safety and Health
- Consumer Protection Measures
- Gujrat Workers' Children Schooling Programme
- Business Ethics and Anti-Corruption Measures
- Covid – 19 Support & Steps

INSTITUTIONAL CONTRIBUTIONS THROUGH SERVIS FOUNDATION

- Shalamar Institute of Health Sciences
- Kidney Center Gujrat (KCG)
- The Citizens Foundation (TCF)
- The Pakistan Society for the Rehabilitation of the Disabled (PSRD)

DIRECT COMMUNITY WELFARE PROJECTS

- Chaudhry Nazar Muhammad, Muhammad Hussain Memorial Society Clinic
- Servis-TCF High School for Boys
- Servis-Sunbeams School, Muridke, Sheikhpura
- Service Charitable Trust
- Shalamar Institute of Health Science

FUTURE OUTLOOK



- Pakistan is going through a period of economic turmoil with rising inflation, increasing interest rates, aggressive devaluation, political instability and worsening macro-economic indicators battering the industry on all fronts. The company management's is actively tracking the latest developments, making efforts to take benefit of every opportunity and managing all known risks that may pose threat to profitability. Following leads are planned to realize for long term future growth:
- More focus on exports in Service Industries Limited with special emphasis on **export of tyres and tubes**;
- Capitalizing on the return of Servis Brand in 2022, number of stores are planned to cross **300 by 2025**;
- Motor cycle chain kits project is in its infancy which we expect to expand and consolidate in coming years;
- Enhanced capacity of **4.2 million pairs** in SGFL is planned to be fully utilized in the calendar year 2023, Saving in sample lead times, efficient procurement and cheaper price through Dongguan Service Global Limited would result in increased profitability for SGFL and **better dividends for Service Industries Limited**; and
- 2023 will be first year of profits in SLM.



THANK YOU
QUESTIONS & ANSWERS