



Quality Chemical Industries Limited

QUALITY CHEMICAL INDUSTRIES LIMITED

SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 MARCH 2024

The Directors of Quality Chemical Industries Limited are pleased to present the summary audited financial statements for the year ended 31 March 2024.

Independent auditor's report to members of Quality Chemical Industries Limited (formerly Cipla Quality Chemical Industries Limited)

Opinion

The summary financial statements of Quality Chemical Industries Limited ("the Company" or "Qcil"), which comprise the statement of financial position as at 31 March 2024, the summary statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and other disclosures are derived from the audited financial statements of Qcil for the year ended 31 March 2024.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements of the Company for the year ended 31 March 2024 on the basis described in the Basis of Preparation section of the summary financial statements.

Summary financial statements

The summary financial statements do not contain all the disclosures as required by International Financial Reporting Standards ("IFRS") and the Companies Act, 2012. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 9 May 2024. That report also includes the communication of Key Audit Matters. Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period.

Directors' responsibility for the summary financial statements

The Directors are responsible for the preparation of the summary financial statements as described in the basis of preparation section of the summary financial statements.

Auditor's responsibilities for the summary financial statements

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material aspects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing ("ISA") 810 (Revised), Engagements to Report on Summary Financial Statements.

Grant Thornton
Certified Public Accountants
3rd Floor, Lugogo One
Plot 23, Lugogo Bypass
PO Box 7158, Kampala, Uganda
9 May 2024

SUMMARY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2024 UShs '000	2023 UShs '000
Revenue	265,339,800	221,466,376
Cost of sales	(162,417,501)	(154,457,788)
Gross profit	102,922,299	67,008,588
Other income	72,864	333,096
General and administrative expenses	(59,293,734)	(53,995,292)
Impairment/(Reversal of impairment) allowance	(542,168)	15,661,237
Operating profit	43,159,261	29,007,629
Finance income	5,119,076	3,843,980
Finance costs	(432,848)	(1,068,230)
Profit before tax	47,845,489	31,783,379
Taxation	(16,085,164)	(12,796,661)
Profit for the year	31,760,325	18,986,718
Other comprehensive income	-	-
Total comprehensive income for the year	31,760,325	18,986,718
Basic and diluted earnings per share (UShs)	8.70	5.20

SUMMARY STATEMENT OF FINANCIAL POSITION

	2024 UShs '000	2023 UShs '000
ASSETS		
Non-current assets		
Property, plant, equipment and right-of-use assets	61,317,371	67,339,505
Capital work-in-progress	3,059,294	3,022,079
Intangible assets	451,018	901,412
	64,827,683	71,262,996
Current assets		
Inventories	86,319,714	66,335,779
Trade and other receivables	27,098,634	62,951,599
Current tax recoverable	287,392	2,104,114
Cash in hand and at bank	53,451,182	10,812,571
	167,156,922	142,204,063
TOTAL ASSETS	231,984,605	213,467,059
EQUITY AND LIABILITIES		
EQUITY		
Share capital	45,648,865	45,648,865
Reserve	2,275,000	2,275,000
Proposed dividend	14,972,828	9,129,773
Retained earnings	125,303,269	114,358,827
	188,199,962	171,412,465
LIABILITIES		
Non-current liabilities		
Deferred tax liability	155,083	1,074,232
Lease liabilities	168,398	67,462
	323,481	1,141,694
Current liabilities		
Term loan	-	5,400,750
Lease liabilities	109,328	49,816
Trade and other payables	43,351,834	35,462,334
	43,461,162	40,912,900
TOTAL LIABILITIES	43,784,643	42,054,594
TOTAL EQUITY AND LIABILITIES	231,984,605	213,467,059

SUMMARY STATEMENT OF CHANGES IN EQUITY

	Share capital UShs '000	Reserve UShs '000	Proposed dividend UShs '000	Retained earnings UShs '000	Total equity UShs '000
Balance as at 1 April 2022	45,648,865	2,275,000	7,303,818	104,501,882	159,729,565
Profit for the year	-	-	-	18,986,718	18,986,718
Other comprehensive income	-	-	-	-	-
	45,648,865	2,275,000	7,303,818	123,488,600	178,716,283
Proposed dividend	-	-	9,129,773	(9,129,773)	-
Dividend paid	-	-	(7,303,818)	-	(7,303,818)
Transaction with owners of the Company	-	-	1,825,955	(9,129,773)	(7,303,818)
Balance as at 31 March 2023	45,648,865	2,275,000	9,129,773	114,358,827	171,412,465
Balance as at 1 April 2023	45,648,865	2,275,000	9,129,773	114,358,827	171,412,465
Profit for the year	-	-	-	31,760,325	31,760,325
Other comprehensive income	-	-	-	-	-
	45,648,865	2,275,000	9,129,773	146,119,152	203,172,790
Proposed dividend	-	-	20,815,883	(20,815,883)	-
Dividend paid	-	-	(14,972,828)	-	(14,972,828)
Transaction with owners of the Company	-	-	5,843,055	(20,815,883)	(14,972,828)
Balance as at 31 March 2024	45,648,865	2,275,000	14,972,828	125,303,269	188,199,962

SUMMARY STATEMENT OF CASH FLOWS

	2024 UShs '000	2023 UShs '000
Operating activities		
Profit before tax	47,845,489	31,783,379
Adjustment for:		
- Impairment/(Reversal of impairment) allowance	542,168	(15,661,237)
- Depreciation	10,113,645	9,268,639
- Amortisation	477,086	474,448
- Provision/(Reversal of provision) for obsolete stock	926,405	(1,209,486)
- Gain on sale of property, plant, equipment and right-of-use assets	-	(265,812)
- Interest expense	432,848	1,068,230
	60,337,641	25,458,161
Changes in working capital:		
- Inventories	(20,910,340)	15,265,323
- Trade and other receivables	35,310,797	34,503,378
- Trade and other payables	8,138,412	(23,690,439)
Cash generated from operating activities	82,876,510	51,536,423
Interest paid on bank overdraft	(272,139)	(293,227)
Interest paid on term loan	(131,841)	(744,359)
Payment of interest on lease liabilities	(28,868)	(30,644)
Tax paid	(15,373,933)	(8,628,854)
Net cash generated from operating activities	67,069,729	41,839,339
Cash flows from investing activities		
Proceeds from sale of property, plant, equipment and right-of-use assets	-	303,434
Purchase of property, plant, equipment and right-of-use assets	(1,395,309)	(7,884,021)
Additions to capital work-in-progress	(2,462,337)	(3,012,808)
Purchase of intangible assets	(26,692)	(43,293)
Net cash used in investing activities	(3,884,338)	(10,636,688)
Cash flows from financing activities		
Dividends paid	(14,972,828)	(7,303,818)
Repayment of term loan	(5,400,750)	(21,424,375)
Repayment of lease liability	(173,202)	(148,090)
Net cash used in financing activities	(20,546,780)	(28,876,283)
Net change in cash in hand and at bank	42,638,611	2,326,368
Cash in hand and at bank at start of year	10,812,571	8,486,203
Cash in hand and at bank at end of year	53,451,182	10,812,571

Basis of preparation

The summary financial statements of the Company for the year ended 31 March 2024 were prepared in accordance with the criteria established by management under which the Company discloses the summary statements of financial position, profit or loss and other comprehensive income, cash flows and changes in equity. The summary financial statements are derived from the audited financial statements of the Company which are prepared in accordance with IFRS and in a manner required by the Companies Act, 2012.

Financial Performance

Revenue

Revenue in FY24 grew by 20% compared to FY23.

Strong momentum was experienced in the Company’s main customer segments in FY24. Orders from sovereign customers grew by US\$ 47.9 billion, while those from institutional bodies grew by US\$ 6.4 billion or 15%. Sales to Government of Uganda increased by US\$ 7.0 billion or 5%.

While contract manufacturing declined by US\$ 15.8 billion, owing to softening demand from Cipla Ltd, the Company entered into a three year Manufacturing and Supply Agreement with Cipla Medpro, which is now operative.

Profit for the period

Gross profit margins grew from 30% in FY23 to 39% in FY24, mainly due to improved manufacturing efficiencies and raw material cost reductions, partially offset by a change in product mix. The proportion of ACTs in total sales grew from 26% in FY23 to 38% in FY24, while that of ARVs reduced from 72% to 60% over the same period.

General and administrative expenses increased from US\$ 54.0 billion in FY23 to US\$

59.3 billion in FY24 mainly due to increased selling costs, resulting from growth in sales and inflationary headwinds during the year.

The term loan was repaid in FY24, reducing interest expense by 60% from US\$ 1.1 billion in FY23 to US\$ 0.4 billion in FY24.

Finance income was generated from short-term investments and movements in foreign currency exchange rates. Income from short-term investments grew from US\$ 0.6 billion in FY23 to US\$ 2.6 billion, mainly because of the improved cash position resulting from the strong operating performance.

At US\$ 47.8 billion, the Company’s FY24 profit before tax was the highest in Qcil’s history. In FY23, the Company earned profit before tax of US\$ 31.8 billion, which included the once-off collection of an impaired trade receivable of US\$ 14.7 billion from the Government of the Republic of Zambia.

Cash flow

Net cash from operating activities increased from US\$ 41.8 billion in FY23 to US\$ 67.0 billion in FY24, mainly due to the strong operating performance.

Net cash used in investing activities of US\$ 3.8 billion (FY23: US\$ 10.6 billion) was largely relating to maintenance.

Net cash used in financing activities of US\$ 20.5 billion (FY23: US\$ 28.9 billion) resulted from settlement of the loan and payment of the final dividend of US\$ 2.5 per share for FY23 and an interim dividend of US\$ 2.5 per share for FY24. The interim dividend was the first one paid in the Company’s history.

Dividend

The Company is pleased to announce that the Board has recommended the payment of a final dividend of US\$ 5.7 per share. This dividend reflects the Company’s strong financial performance and prospects, while noting that shareholders should not necessarily consider this dividend to be a precedent for future dividend payments. In particular, the Company is in a growth phase and can be expected to reinvest in its operations and capacity, expand its product portfolio and market presence to drive long-term value creation.

The final dividend is subject to approval by shareholders at the Annual General Meeting to be held on 4 July 2024. Shareholders registered in the books of the Company at the close of business on 25 July 2024 will be eligible to receive the final dividend, which, if approved by shareholders, will be paid on 31 July 2024.

Message from the Directors

The above summary financial statements are derived from the Company’s financial statements which were audited by Grant Thornton Certified Public Accountants, who issued an unqualified opinion. A copy of the audited financial statements can be obtained from Qcil’s Registrar; M/s Uganda Securities Exchange Nominees Ltd located at 4th Floor, Block A, UAP Nakawa Business Park, Plot 3-4 New Port Bell Road, Kampala, Uganda.

The financial statements can also be viewed on our website: www.qcil.com

Abbreviations

Qcil	Quality Chemical Industries Limited
Cipla Ltd	Cipla Limited
ACTs	Artemisinin-based Combination Therapies
ARVs	Antiretroviral treatments
FY23	Financial year ended 31 March 2023
FY24	Financial year ending 31 March 2024

The financial statements were approved by the Board of Directors on 8 May 2024.



Emmanuel Katongole
Board Chairman



Ajay Kumar Pal
Chief Executive Officer

