TRADING UPDATE – FIRST QUARTER 2023

INTRODUCTION

- The just-ended quarter was marred by serious power cuts which significantly compromised production throughput and efficiencies. Production was largely run on a high-cost diesel-powered generator, thereby impacting on the price of the final product.
- Electricity supply remains the biggest challenge for the business going forward.
- On the economic front, the local currency continued to weaken against all the major currencies as we began the year.
- The market continued to show inclination to settle transactions in United States Dollars as opposed to the use of the local currency.
- The business continues to participate on the foreign currency auction floor with allocations amounting to USD600K having been received for the quarter with USD400K already disbursed.
- Certain fiscal and monetary changes had a bearing on the business, among them the reduction in interest rates to 150% from 200%, reduction in local USD transactional tax to 2% from 4% as well as the upward review of USD retention to 85% of locally earned dollars and 75% for export earnings.
- On the downside, the scrapping of the 100% retention of proceeds for corporates who have USD loans means all funds into the domestic nostro accounts are now subject to retention.
- In addition, the incremental exports incentive scheme was annulled effective 1st of February 2023. Before this pronouncement, only export proceeds of up to a certain threshold were liquidated at 40% with any excess qualifying for 100% retention.
- However, the business remains alive to any opportunity that may arise in the environment.

PERFORMANCE

- Sales volumes for the quarter grew by 10% compared to the same period last year.
- Revenue remained flat compared to the previous year as our selling price retreated due to reduction in global prices of major raw materials.
- Exports' contribution was 15% to the total sales revenue, representing a 91% growth compared to the same period last year.
- The revenue inflow was mainly skewed towards United States Dollars.
- Production volumes grew by 10% compared to the previous period despite production interruptions related to power cuts which also affected the sales product mix.
- The raw material supply was consistent throughout the quarter.

OUTLOOK

- Demand is expected to improve driven by public and private sector-initiated projects.
- Transactions are likely to continue being skewed towards United States Dollars.
- Raw Material availability is likely to remain stable with the opening of world trade after removal of COVID19 restrictions and the Ukrainian conflict not having a huge negative impact on supply.
- Despite the drawback of the power challenges, the factory remains capacitated to convert all orders in time as a result of modern investments into the new factory.

G Sebborn
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5 Spurn Road Ardbennie, Harare, Zimbabwe
www.proplastics.co.zw