

Sitara Chemical Industries Limited
1st Quarter Report
2011



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

سورة مائدة ١٤



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Company Information

Board of Directors

Chairman	Haji Bashir Ahmed
Chief Executive	Mr. Muhammad Adrees
Directors	Mr. Javed Iqbal
	Mr. Muhammad Anis
	Mr. Imran Ghafoor
	Mr. Haseeb Ahmed
	Mr. Muhammad Khalil

Company Secretary Mr. Mazhar Ali Khan

Chief Financial Officer Mr. Anwar-ul-Haq (FCA)

Audit Committee

Chairman	Mr. Muhammad Anis
Members	Mr. Haji Bashir Ahmed
	Mr. Javed Iqbal
Head of Internal Audit	Mr. Zakir Hussain (ACA)

Auditors M/s M. Yousuf Adil Saleem & Co.
Chartered Accountants

Legal Advisor Mr. Sahibzada Muhammad Arif

Bankers

Meezan Bank Limited
National Bank of Pakistan
Allied Bank Limited
United Bank Limited
Bank Alfalah Limited
Dubai Islamic Bank Pakistan Limited
The Bank of Punjab
MCB Bank Limited
Standard Chartered Bank
First Habib Bank Modaraba
Saudi Pak Industrial and Agricultural
Investment Co. (Pvt.) Limited
Al-Baraka Islamic Bank B.S.C. (E.C.)
Askari Commercial Bank Limited
Faysal Bank Limited
Habib Bank Limited
Dawood Islamic Bank Limited
Bank Islami Pakistan Limited
Royal Bank of Scotland
Barclays Bank PLC Pakistan
Pak Oman Investment Company Limited
Silk Bank Limited
Summit Bank Ltd. (formerly Arif Habib Bank Ltd.)
Habib Metropolitan Bank Ltd.
My Bank Limited
Bank Al-Habib Limited
Soneri Bank Ltd.

Registered Office 601-602 Business Centre, Mumtaz Hasan Road, Karachi- 74000

Factories 28/32 KM, Faisalabad - Sheikhpura Road,
Faisalabad.

Directors' Review on Unaudited Condensed Interim Financial Statements

"On behalf of the Board of Directors of Sitara Chemical Industries Limited, we are pleased to present the un-audited Condensed Interim Financial Statements for the first quarter ended September 30, 2011."

During the 1st quarter, operating business conditions were comparatively more favourable than the previous year corresponding quarter. Although, recurring undesirable factors like increase in costs of electricity, gas, oil, and rising inflation remained present putting pressure on the costs and profitability of the Company.

Despite these discouraging factors, your Company's turnover registered a growth for the quarter Rs. 309 million representing 22% increase over previous year corresponding quarter. The profitability of the first quarter has also improved tremendously over the corresponding period of last year leading to earning per share of Rs.4.64 (September 30, 2010 Rs. 2.90). Major drivers to this achievement were aggressive sales and marketing efforts especially in developing export market for Caustic Soda, efficient management of working capital and high productivity at plants.

Alhamdulillah, by the grace of Almighty Allah, your Company has successfully transformed the entire IT architecture of the Company by implementing SAP systems ERP) which will simplify our internal procedures thereby reducing the transactional cost and standardization of business processes resulting in improved productivity, cost savings, and a much better internal controls. Cut off date for live data entry in new system, SAP is planned on November 1, 2011.

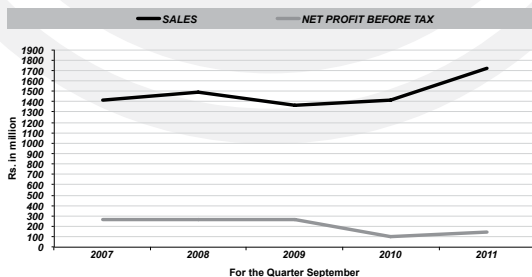
Future Outlook

Different options for renewable energy resources are being actively under consideration. We strongly hope that best option will be sorted out in a short span of time. Letter of credit for multi fuel boiler has been established and it is hoped that boiler will be in operation in the start of third quarter.

Acknowledgment

In the end we would like to express our gratitude to all our stakeholders for their trust and continued support.

A comparison of quarterly Sales & net profit before tax with corresponding four previous quarters



HAJI BASHIR AHMED

Chairman

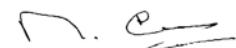
Faisalabad: October 25, 2011

Condensed Interim Balance Sheet (Un-Audited)

As at September 30, 2011

	Note	September 30, 2011 Un-Audited (Rupees in thousands)	June 30 2011 Audited
NON-CURRENT ASSETS			
Property, plant and equipment	4	6,147,332	6,195,031
Investment Property	5	1,577,857	1,576,856
Long term investment		98,412	96,480
Long term loan and advances		37,331	24,533
Long term deposits		108,263	108,129
		<u>7,969,195</u>	<u>8,001,029</u>
CURRENT ASSETS			
Stores, spares and loose tools		278,291	279,948
Stock in trade		698,123	885,083
Trade debts		445,832	512,398
Loans and advances		209,345	93,284
Trade deposits and short term prepayments		18,056	16,811
Other receivables		4,809	7,773
Other financial asset		143,949	148,643
Tax refundable from government		-	-
Cash and bank balance		409,701	140,777
		<u>2,208,106</u>	<u>2,084,717</u>
Non -Current assets classified as held for sale		1,178,000	1,178,000
CURRENT LIABILITIES			
Trade and other payable		1,410,066	1,356,248
Profit / finance charges payable		116,226	120,376
Short term borrowing		1,388,000	1,269,000
Current portion of non-current liabilities		958,434	954,034
Taxation		-	-
Sales Tax		31,919	32,243
		<u>3,904,645</u>	<u>3,731,901</u>
WORKING CAPITAL		<u>(518,539)</u>	<u>(469,184)</u>
TOTAL CAPITAL EMPLOYED		<u>7,450,656</u>	<u>7,531,845</u>
NON-CURRENT LIABILITIES			
Long term fianancing	6	1,567,334	1,810,243
Long term deposits		28,377	10,519
Deferred Liabilities		1,048,558	1,004,051
		<u>2,644,269</u>	<u>2,824,813</u>
CONTINGENCIES AND COMMITMENTS			
	7	-	-
		<u>2,644,269</u>	<u>2,824,813</u>
		<u>4,806,387</u>	<u>4,707,032</u>
REPRESENTED BY:			
SHARE CAPITAL AND RESERVES			
Authorised			
40,000,000 "A" class ordinary share of Rs. 10 each		400,000	400,000
20,000,000 "B" class ordinary share of Rs. 10 each		200,000	200,000
Issued, subscribed and paid up		214,294	214,294
Rreserves		1,332,534	1,332,211
Unappropriated profit		2,352,387	2,239,905
		<u>3,899,215</u>	<u>3,786,410</u>
Surplus on revaluation of property plant and equipment		907,172	920,622
		<u>4,806,387</u>	<u>4,707,032</u>

The annexed notes from 1 to 17 form an integral part of the interim financial information.



MUHAMMAD ADREES
(CHIEF EXECUTIVE OFFICER)



HASEEB AHMED
(DIRECTOR)


Condensed Interim Profit and Loss Account (Un-Audited)

For the Quarter ended September 30, 2011

	Note	For The Quarter	
		September 30, 2011	September 30, 2010
		(Rupees in thousands)	
Sales	8	1,718,697	1,409,818
Cost of goods sold	9	(1,302,058)	(1,095,411)
Gross profit		416,639	314,407
Other operating income		8,201	13,292
		424,840	327,699
Distribution cost		(28,666)	(13,504)
Administrative expenses		(54,500)	(49,127)
Other operating expenses		(15,364)	(7,477)
Share of profit of associates		2,321	-
Operating profit		328,631	257,591
Finance cost		(185,386)	(156,702)
Net profit for the period before taxation		143,245	100,889
Taxation	10	(43,860)	(38,691)
Net profit for the period after taxation		99,385	62,198
Earnings per share - Basic (Rupees)	11	4.64	2.90

The annexed notes from 1 to 17 form an integral part of the interim financial information.

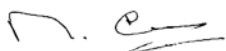

MUHAMMAD ADREES
(CHIEF EXECUTIVE OFFICER)


HASEEB AHMED
(DIRECTOR)

Condensed Interim Statement of Comprehensive Income (Un-Audited)
For the Quarter ended September 30, 2011

	For The Quarter	
	September 30, 2011	September 30, 2010
	(Rupees in thousands)	
Profit after taxation	99,385	62,198
Other comprehensive income for the period - net of tax		
Gain / (loss) on re-measurement of available for sale financial assets	133	1,566
Gain realized on sale of available for sale financial assets during the period	208	-
Share of other comprehensive income / (loss) of associate	(18)	-
Incremental depreciation - net of deferred tax	-	13,858
	322	15,424
	<u>99,708</u>	<u>77,622</u>

The annexed notes from 1 to 17 form an integral part of the interim financial information.



MUHAMMAD ADREES
(CHIEF EXECUTIVE OFFICER)



HASEEB AHMED
(DIRECTOR)


Condensed Interim Cash Flow Statement (Un-Audited)

For the Quarter ended September 30, 2011

		For The Quarter	
	Note	September 30, 2011	September 30, 2010
		(Rupees in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating cash flows before changes in working capital	14	448,281	382,614
Changes in working capital			
Decrease/ (Increase)			
Stores, spare parts and loose tools		1,657	5,624
Stock-in-trade		186,960	(273)
Trade debts		66,566	(11,069)
Loans and advances		(75,365)	(8,725)
Trade deposits and prepayments		(1,245)	8,578
Other receivables		2,964	(12,332)
Trade and other payables		29,623	(34,847)
Sales Tax payable		(323)	
		210,837	(53,045)
Cash generated from operations		659,118	329,569
Finance cost paid		(189,537)	(148,937)
Employee benefits paid			(477)
Income Taxes paid		(40,049)	(33,872)
Profit received on bank deposits		1,957	-
		(228,058)	(183,287)
Net cash flows from operating activities		429,103	146,282
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		1,716	1,454
Proceeds from disposal of available for sale investments		669	-
Proceeds from term deposit		4,573	-
Purchases of property, plant and equipment		(76,396)	(52,797)
Purchase of investment property		(1,125)	-
Long-term loans and advances		(12,798)	(56,333)
Long-term deposits		(134)	(1,125)
Dividend received		771	(6,487)
Long term deposits		(82,724)	(115,288)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term financing		-	(206,733)
Proceeds from Short term borrowing		143,197	111,662
Payment of long-term financing		(238,508)	357,070
Long term deposits		17,858	(990)
Dividend paid		(2)	(12,036)
Net cash from financing activities		(77,455)	248,972
Net increase / (decrease) in cash and cash equivalents		269,353	279,967
Cash and cash equivalents at beginning of period		140,777	142,970
Cash and cash equivalents at end of the period		410,130	422,936

The annexed notes from 1 to 17 form an integral part of the interim financial information.


MUHAMMAD ADREES
 (CHIEF EXECUTIVE OFFICER)


HASEEB AHMED
 (DIRECTOR)

Condensed Interim Statement of Changes In Equity (Un-Audited)

For the Quarter ended September 30, 2011

	Share Capital	Share Premium	General Reserve	Un-appropriated Profit	Reserve on remeasurement of available for sale investment	Share of other comprehensive income of associates	Total
Rupees in thousands							
Balance as at June 30, 2010	204,090	97,490	1,225,000	1,817,709	(9,097)	-	3,335,192
Total comprehensive income	-	-	-	-	-	-	-
Profit for the quarter ended September 30, 2010	-	-	-	62,198	-	-	62,198
Other comprehensive income for the three months ended September 30, 2010	-	-	-	13,857	1,565	-	15,422
Balance as at September 30, 2010	204,090	97,490	1,225,000	1,893,764	(7,532)	-	3,412,812
Profit for the nine months ended June 30 2011	-	-	-	365,793	-	-	365,793
Other comprehensive income for the nine months ended June 30, 2011	-	-	-	-	17,249	4	17,254
Transfer to un-appropriated profit on account of incremental depreciation	-	-	-	-	-	-	-
Final dividend for the year ended June 30, 2010 @ Rs. 2.50 per share	-	-	-	41,575	-	-	41,575
Issue of bonus shares 1,020,448 ordinary shares of Rs. 10 each	10,204	-	-	(51,022)	-	-	(51,022)
Balance as at June 30, 2011	214,294	97,490	1,225,000	2,239,906	9,717	4	3,786,412
Total comprehensive income	-	-	-	99,385	-	-	99,385
Profit for the three months ended September 30, 2011	-	-	-	-	-	-	-
Surplus / (deficit) on re-measurement of investments available for sale on fair value	-	-	-	-	133	-	133
Deficit / (surplus) realized on sale of investments available for sale on fair value	-	-	-	-	208	-	208
Share of other comprehensive income of associate	-	-	-	-	-	(18)	(18)
Transfer to un-appropriated profit on account of incremental depreciation	-	-	-	13,096	-	-	13,096
Balance as at September 30, 2011	214,294	97,490	1,225,000	2,352,387	10,058	(14)	3,899,215

The annexed notes from 1 to 17 form an integral part of the interim financial information.



MUHAMMAD ADREES
(CHIEF EXECUTIVE OFFICER)



HASEEB AHMED
(DIRECTOR)

Selected Explanatory Notes to the Financial Information (Unaudited)

For the Quarter ended September 30, 2011

1 Legal status operations

- 1.1 The condensed interim financial information is un-audited. This interim financial information is being submitted to the share holder Sitara Chemical Industries Limited ("the Company") was incorporated in Pakistan on September 08, 1981 as a public limited company under Companies Act, 1913 (now Companies Ordinance, 1984). The company is currently listed on all Stock Exchanges in Pakistan. The principal activities of the Company are operation of Chlor Alkali plant and yarn spinning unit. The registered office of the Company is situated at 601-602, Business Centre, Mumtaz Hasan Road, Karachi, in the province of Sindh and the manufacturing facilities are located at 28/32 K.M., Faisalabad - Sheikhpura Road, Faisalabad, in the province of Punjab.

The Company is currently organized into two operating divisions and these divisions are the basis on which the Company reports its primary segment information.

Chemical Division: Manufacturing of caustic soda and allied products

Textile Division: Manufacturing of yarn

- 1.2 This condensed interim financial information is presented in Pak Rupee, which is the Company's functional and presentation currency.

2 Basis Of Preparation

- 2.1 This condensed interim financial information has been prepared in accordance with the directives issued by the Securities and Exchange Commission of Pakistan and is in compliance with the International Accounting Standard - 34 "Interim Financial Reporting" and is being submitted to shareholders as required by section 245 of the Companies Ordinance, 1984.
- 2.2 This condensed interim financial information should be read in conjunction with annual audited financial statements for the year ended June 30, 2011. Comparative balance sheet is extracted from annual audited financial statements for the year ended June 30, 2011 whereas comparative profit and loss account, comparative statement of changes in equity and comparative cash flow statement are stated from un-audited condensed interim financial information for the three months ended September 30, 2010.

3 Accounting Policies and estimate

The accounting policies adopted in preparation of condensed interim financial statements are the same as those applied in preparation of Audited Annual published financial statements of the Company for the year ended June 30, 2011.

Selected Explanatory Notes to the Financial Information (Unaudited)

For the Quarter ended September 30, 2011

	SEPTEMBER 30, 2011 Un-Audited (Rupees in thousands)	JUNE 30, 2011 Audited
4 PROPERTY PLANT AND EQUIPMENT		
Operating assets	5,169,758	5,210,179
Capital work in progress	977,574	984,852
	<u>6,147,332</u>	<u>6,195,031</u>
4.1 Operating assets		
Opening written down value	5,210,179	5,489,389
Additions during the period / year:		
Freehold land	-	-
Building on freehold land - Mills	160	24,453
Head office	-	-
Plant and machinery	77,624	190,759
Grid station and electric installation	-	776
Containers and cylinders	-	-
Factory equipment	5,012	2,242
Electric equipment	479	2,374
Office equipment	290	1,119
Furniture and fittings	59	472
Vehicles	49	2,007
	83,673	224,202
Written down value of operating assets disposed off	(6,463)	(3,524)
Depreciation charged during the period / year	<u>(117,631)</u>	<u>(499,888)</u>
	<u>5,169,758</u>	<u>5,210,179</u>
5 INVESTMENT PROPERTY		
Land	1,573,084	1,571,960
Building	4,773	4,896
	<u>1,577,857</u>	<u>1,576,856</u>
5.1 Land - at cost		
Balance at beginning of period	1,571,959	2,719,147
Add: Acquisitions	1,125	30,812
Less: Classified as held for sale	-	(1,178,000)
Balance at end of period	<u>1,573,084</u>	<u>1,571,960</u>
5.2 Building - at cost		
Cost	13,035	13,035
Accumulated Depreciation:		
At the beginning of the period	8,139	7,595
For the period	123	544
At the end of the period	8,262	8,139
Written down value at the end of the period	<u>4,773</u>	<u>4,896</u>
6 LONG-TERM FINANCING		
Opening balance	2,764,277	3,521,048
Obtained during the period / year	-	111,662
	2,764,277	3,632,710
Less: paid during the period / year	<u>(238,509)</u>	<u>(868,433)</u>
	2,525,768	2,764,277
Less: current portion	<u>(958,434)</u>	<u>(954,034)</u>
	<u>1,567,334</u>	<u>1,810,243</u>

Selected Explanatory Notes to the Financial Information (Unaudited)

For the Quarter ended September 30, 2011

		For The Quarter	
		SEPTEMBER 30, 2011	JUNE 30, 2011
		(Rupees in thousands)	
7	CONTINGENCIES AND COMMITMENTS		
	Contingencies		
	Sales tax demand not acknowledged in view of pending appeals	3,398	3,398
	Suppliers' claim not acknowledged in view of pending case in Civil Court	890	890
	Guarantees issued by banks and outstanding	113,297	289,745
	Commitments		
	Outstanding letters of credit for: Raw material and spares	57,323	41,633
		Sept 30, 2011	Sept 30, 2010
		(Rupees in thousands)	
8	SALES - NET		
	Local	1,886,370	1,571,986
	Export	89,560	11,896
		1,975,930	1,583,882
	Less: Commission and discount	41,334	43,263
	Sales tax	215,899	130,801
		257,233	174,064
		<u>1,718,697</u>	<u>1,409,818</u>
9	COST OF GOODS SOLD		
	Raw material consumed	342,529	352,180
	Fuel and power	539,576	501,588
	Salaries, wages and benefits	60,618	59,473
	Stores and spares	33,467	48,365
	Repairs and maintenance	16,863	18,738
	Vehicle running and maintenance	6,133	5,562
	Travelling and conveyance	5,009	4,130
	Insurance	4,864	3,631
	Depreciation	114,776	121,817
	Others	1,317	2,643
		<u>1,125,152</u>	<u>1,118,127</u>
	Work in process		
	Opening stock	72,439	22,219
	Closing stock	(66,027)	(24,177)
		6,412	(1,958)
	Cost of goods manufactured	1,131,564	1,116,169
	Finished stocks		
	Opening stock	432,162	211,500
	Closing stock	(261,668)	(232,258)
		170,494	(20,758)
		<u>1,302,058</u>	<u>1,095,411</u>
10	PROVISION FOR TAXATION		
	Current		
	- For the period	61,591	57,640
	- Deferred	(17,731)	(18,949)
		<u>43,860</u>	<u>38,691</u>

Selected Explanatory Notes to the Financial Information (Unaudited)

For the Quarter ended September 30, 2011

	For The Quarter	
	SEPTEMBER 30, 2011 (Rupees in thousands)	JUNE 30, 2011
11 EARNINGS PER SHARE - BASIC AND DILUTED		
Profit for the period	99,385	62,198
Weighted average number of ordinary shares outstanding during the period	214,294	214,294
Earnings per share (Rupees)	4.64	2.90

12 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated companies, staff retirement benefit plans, directors and key management personnel. Nature and description of significant related party transactions along with monetary values are as follows:

	For The Quarter	
	SEPTEMBER 30, 2011 (Rupees in thousands)	JUNE 30, 2011
Sales	9,405	12,940
Purchases	1	876
Organizational expenses recovered	240	854
Organizational expenses paid	1,050	1,001
Power charges paid	341,334	282,741
Donation	3,527	2,131
Dividend	771	-
Remuneration to executive	14,443	11,054

13 SEGMENT REPORTING

The Company has two reportable segments, which offer different products and are managed separately. The following summary describes the operations in each of the reportable segment of the Company.

- Chemical division : Manufacturing of caustic soda and allied products
- Textile division: Manufacturing of yarn

Selected Explanatory Notes to the Financial Information (Unaudited)

For the Quarter ended September 30, 2011

13.1 Information about operating segments is as follows:

	Operating segments				
	Chemical Division		Textile Division For the quarter		
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010	Total
			(Rupees in thousand)		
Revenue from external customers - net	1,415,110	1,043,445	303,587	366,373	1,718,697
Depreciation on property, plant and equipment	110,289	117,385	7,465	7,751	117,754
Segment profit	331,916	213,251	3,878	38,668	335,794
Capital expenditure	5,686	1,134	77,987	9	83,673
Segment assets	7,387,596	6,788,800	1,113,437	965,165	8,501,033
Segment liabilities	417,336	321,766	68,417	67,393	485,753
					389,159

13.2 Reconciliations of reportable segments are as follows:

	For The Quarter September 30, 2011	September 30, 2010
	(Rupees in thousands)	
Revenue	<u>1,718,697</u>	<u>1,409,818</u>
Entity's revenue		
Profit for the period		
Total profit for reportable segments	335,794	251,919
Unallocated corporate income / (expenses)		
Other operating income	8,201	13,292
Administrative expenses	-	(144)
Other operating expenses	(15,364)	(7,477)
Finance cost	(185,386)	(156,702)
Profit before income tax expense	<u>143,245</u>	<u>100,888</u>

Selected Explanatory Notes to the Financial Information (Unaudited)

For the Quarter ended September 30, 2011

	SEPTEMBER 30, 2011 Un-Audited (Rupees in thousands)	JUNE 30, 2011 Audited
Assets		
Total assets for reportable segments	8,501,033	7,753,965
Other unallocated corporate assets	2,854,269	2,823,776
Entity's assets	<u>11,355,302</u>	<u>10,577,741</u>
Liabilities		
Total liabilities for reportable segments	485,753	389,159
Other unallocated corporate liabilities	10,869,549	10,188,582
Entity's liabilities	<u>11,355,302</u>	<u>10,577,741</u>
13.3 The Company has no reportable geographical segment.		
14 OPERATING CASH FLOW BEFORE WORKING CAPITAL CHANGES		
Profit before taxation	143,245	100,888
Adjustments for:		
Depreciation on property, plant and equipment	117,632	124,999
Depreciation on investment property	123	137
Impairment loss on investment in associated Company	-	-
Finance cost	185,386	156,702
Gain of sale of investment held for sale	-	-
Gain on disposal of property, plant and equipment - net	(635)	(364)
Exchange gain	(476)	(804)
Provision for gratuity	1,056	1,056
Profit on deposits	(1,957)	-
Dividend income	-	-
	<u>303,079</u>	<u>281,726</u>
	<u>446,324</u>	<u>382,614</u>

15 DATE OF AUTHORIZATION FOR ISSUE

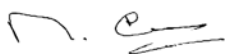
The quarterly financial statements was authorised to issue on October 25, 2011 by the Board of Directors of the Company.

16 RE-ARRANGEMENT AND RECLASSIFICATION

No significant re-arrangement and reclassification has been made in this interim financial information.

17 GENERAL

Figures have been rounded to the nearest thousand of rupees, unless otherwise stated.vv



MUHAMMAD ADREES
(CHIEF EXECUTIVE OFFICER)



HASEEB AHMED
(DIRECTOR)



Sitara Chemical Industries Limited

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Tel: 021-32420620, 32413944