

Sitara Chemical Industries Limited
1st Quarter Report
2012



bringing chemicals for

Life

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



Mosque at Sitara Chemicals Industries Limited

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COMPANY INFORMATION

Board of Directors

Chairman	Haji Bashir Ahmed
Chief Executive Officer	Mr. Muhammad Adrees
Directors	Mr. Imran Ghafoor
	Mr. Haseeb Ahmed
	Mr. Muhammad Khalil
	Mr. Ijaz Hussain
	Mr. Mazhar Ali Khan

Company Secretary Mr. Mazhar Ali Khan

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

Audit Committee

Chairman	Mr. Imran Ghafoor
Members	Mr. Haji Bashir Ahmed
	Mr. Muhammad Khalil

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 Pakistan Limited
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
Burj Bank Limited
Bank Islami Pakistan Limited
Barclays Bank PLC Pakistan
Pak Oman Investment Company Limited
Silk Bank Limited
Summit Bank Ltd. (formally Arif Habib Bank Ltd)
Habib Metropolitan Bank Limited
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 - Sheikupura Road, Faisalabad.

DIRECTORS' REVIEW ON UN-AUDITED 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, 2012.

During the 1st quarter, your company continued its growth in line with same the pattern as seen in the year ended June 30, 2012 and resulted in highest ever quarterly performance. Company turnover registered an increase of Rs. 421 million over the same quarter of last year and net profit after tax also shows an increase of Rs. 201 million of compared to same quarter of previous year. Earning per share increased and reported at Rs. 14.04 from 4.64 of corresponding quarter.

Upward surge in export contribution during the period under review was quite significant that made possible to sustain financial performance. Caustic Soda liquid and flakes export to India through Wagha Border continued during 1st quarter establishing our quality and brand name.

For sequential growth of your company we pay tribute to Almighty Allah, the most Beneficent, Who made the management of the company able to plan and implement strategies for continuous growth and cost control.

Future Outlook

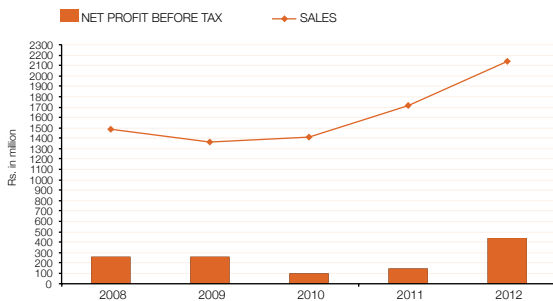
To ensure sequential performance and growth, we strongly feel that our Company should develop some alternate energy resources. In this regard management of the Company is considering for setting up coal based power plant. Techno commercial activities has been initiated and major power plant manufacturers of China has been invited to quote their prices. We hope that by the end of this calendar year 2012, we will be able to finalize this process.

Acknowledgment

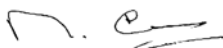
We, once again, would like to express our gratitude to Almighty Allah and wish to thank all our stakeholders for their confidence in the management of the company, while, acknowledging the contribution of our employees, who are the key drivers in our achievements.

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

	Sep,08	Sep,09	Sep,10	Sep,11	Sep,12
SALES	1,492	1,365	1,410	1,719	2,140
NET PROFIT BEFORE TAX	261	261	101	143	436



For the Quarter September


MUHAMMAD ADREES
(CHIEF EXECUTIVE OFFICER)


Faisalabad: October 15, 2012



HASEEB AHMED
(DIRECTOR)

**CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT SEPTEMBER 30, 2012**

	Note	September 30, 2012 Un-Audited (Rupees in thousand)	June 30 2012 Audited
NON-CURRENT ASSETS			
Property, plant and equipment	4	6,205,170	6,339,937
Investment Property	5	2,821,050	2,820,036
Long term investment		67,365	67,608
Long term loan and advances		827,475	827,493
Long term deposits		110,310	110,297
		10,031,370	10,165,371
CURRENT ASSETS			
Stores, spares and loose tools		320,158	366,962
Stock in trade		818,235	902,721
Trade debts		948,093	796,203
Loans and advances		560,439	437,603
Trade deposits and short term prepayments		11,536	6,680
Other receivables		56,434	9,079
Other financial asset		147,444	116,179
Cash and bank balance		244,615	79,862
		3,106,954	2,715,289
CURRENT LIABILITIES			
Trade and other payable		1,641,166	1,522,591
Profit / finance charges payable		95,139	92,938
Short term borrowing		1,448,999	1,544,904
Current portion of non-current liabilities		826,313	862,779
Provision for taxation		362,419	240,421
Sales tax		4,510	16,069
		4,378,546	4,279,702
WORKING CAPITAL		(1,271,592)	(1,564,413)
TOTAL CAPITAL EMPLOYED		8,759,777	8,600,958
NON-CURRENT LIABILITIES			
Long term financing	6	1,158,721	1,334,776
Long term deposits		44,688	12,200
Deferred Liabilities		1,386,770	1,385,030
		2,590,179	2,732,006
CONTINGENCIES AND COMMITMENTS			
	7	2,590,179	2,732,006
		6,169,598	5,868,952
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
Reserves		1,338,860	1,338,984
Unappropriated profit		3,162,325	2,849,608
		4,715,479	4,402,886
Surplus on revaluation of property plant and equipment		1,454,119	1,466,066
		6,169,598	5,868,952

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, 2012

		<u>For The Quarter</u>	
		September 30, 2012	September 30, 2011
		(Rupees in thousand)	
	Note		
Sales	8	2,139,901	1,718,697
Cost of goods sold	9	(1,444,924)	(1,302,058)
Gross profit		694,977	416,639
Other operating income		3,950	8,201
		698,927	424,840
Distribution cost		(35,441)	(28,666)
Administrative expenses		(49,036)	(54,500)
Other operating expenses		(32,692)	(15,364)
Share of profit of associates		(243)	2,321
Operating profit		581,515	328,631
Finance cost		(145,739)	(185,386)
Net profit for the period before taxation		435,776	143,245
Taxation	10	(135,006)	(43,860)
Net profit for the period after taxation		300,770	99,385
Earnings per share - Basic (Rupees)	11	14.04	4.64

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, 2012

	For The Quarter	
	September 30, 2012	September 30, 2011
	(Rupees in thousand)	
Profit after taxation	300,770	99,385
Other comprehensive income for the period - net of tax		
(loss) / Gain on re-measurement of available for sale financial assets	(124)	133
Gain realized on sale of available for sale financial assets during the period	-	208
Share of other comprehensive income / loss of associate	-	(18)
	(124)	323
	<u>300,646</u>	<u>99,708</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, 2012

	Note	For The Quarter September 30, 2012 September 30, 2011 (Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating cash flows before changes in working capital	14	714,266	446,324
Changes in working capital			
Decrease/ (Increase)			
Stores, spare parts and loose tools		46,804	1,657
Stock-in-trade		84,486	186,960
Trade debts		(151,890)	66,566
Loans and advances		(72,233)	(75,365)
Trade deposits and prepayments		(4,856)	(1,245)
Other financial Assets		(31,389)	
Other receivables		(47,355)	2,964
(Decrease)/ Increase in Current Liabilities			
Trade and other payables		27,108	29,623
Sales tax payable		(11,559)	(323)
		(160,884)	210,837
Cash generated from operation		553,382	657,161
Finance cost paid		(143,538)	(189,537)
Employees benefits paid		(444)	(408)
Income Taxes paid		(50,603)	(40,697)
Profit received on bank deposits		1,167	1,957
		(193,418)	(228,685)
Net cash flows from operating activities		359,964	428,476
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		1,405	1,716
Proceeds from disposal of available for sale investment		-	820
Proceeds from term deposit		-	5,049
Purchase of property, plant and equipment		(14,043)	(76,396)
Purchase of investment property		(1,125)	(1,125)
Long-term loans and advances		18	(12,798)
Long term deposit		(13)	(134)
Dividend received		1,075	771
Long term deposits		(12,681)	(82,097)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of long-term financing		(212,521)	(238,508)
Short term financing - net		(2,497)	143,197
Long term deposits		32,488	17,858
Dividend paid		-	(2)
Net cash from financing activities		(182,529)	(77,455)
Net increase / (decrease) in cash and cash equivalents		164,753	268,924
Cash and cash equivalents at beginning of period		79,862	140,777
Cash and cash equivalents at end of the period		244,615	409,701

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, 2012**

	Share Capital	Share Premium	General Reserve	Un-ap-propriated Profit	Reserve on re-measurement of available for sale investment	Share of other comprehensive income of associates	Total
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 quarter ended September 30, 2011	-	-	-	-	-	-	-
Share of other comprehensive income of associate	-	-	-	99,385	-	-	99,385
Balance as at September 30, 2011	214,294	97,490	1,225,000	2,339,291	9,717	4	3,885,797
Profit for the nine month ended June 30 2012	-	-	-	594,362	-	-	594,362
Other comprehensive income for the nine months ended June 30, 2012	-	-	-	-	6,777	(4)	6,773
Transfer to un-appropriated profit on account of incremental depreciation	-	-	-	49,889	-	-	49,889
Final dividend for the year ended June 30, 2011 @ Rs. 6.25 per share	-	-	-	(133,934)	-	-	(133,934)
Balance as at June 30, 2012	214,294	97,490	1,225,000	2,849,608	16,494	-	4,402,886
Total comprehensive income	-	-	-	300,769	-	-	300,769
Profit for the three months ended September 30, 2012	-	-	-	-	-	-	-
Surplus / (deficit) on re-measurement of investments available for sale on fair value	-	-	-	-	(124)	-	(124)
Transfer to un-appropriated profit on account of incremental depreciation	-	-	-	11,947	-	-	11,947
Balance as at September 30, 2012	214,294	97,490	1,225,000	3,162,325	16,370	-	4,715,479

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 CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2012

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 - Sheikhupura 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, 2012. Comparative balance sheet is extracted from annual audited financial statements for the year ended June 30, 2012 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, 2011.

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, 2012.

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012

	SEPTEMBER 30, 2012 Un-Audited (Rupees in thousand)	JUNE 30, 2012 Audited
4. PROPERTY PLANT AND EQUIPMENT		
Operating assets	5,933,842	6,061,686
Capital work in progress	271,328	278,251
	<u>6,205,170</u>	<u>6,339,937</u>
4.1 Operating assets		
Opening written down value	6,061,686	5,210,179
Additions/revaluation during the period / year:		
Freehold land	-	43,440
Building on freehold land - Mills	1,049	101,095
Plant and machinery	1,992	1,164,768
Factory equipment	851	5,437
Electric equipment	793	1,454
Office equipment	820	797
Furniture and fittings	47	594
Vehicles	1,568	24,620
	7,120	1,342,205
Written down value of operating assets disposed off	(599)	(23,153)
Depreciation charged during the period / year	(134,365)	(467,545)
	<u>5,933,842</u>	<u>6,061,686</u>
5. INVESTMENT PROPERTY		
Land	2,816,755	2,815,630
Building	4,295	4,406
	<u>2,821,050</u>	<u>2,820,036</u>
5.1 Land - at cost		
Balance at beginning of period	2,815,630	1,571,960
Add: Acquisitions	1,125	65,670
Add: Re-classified as held for sale	-	1,178,000
Balance at end of period	<u>2,816,755</u>	<u>2,815,630</u>
5.2 Building - at cost		
Cost	13,035	13,035
Accumulated Depreciation:		
At the beginning of the period	8,629	8,139
For the period	111	490
At the end of the period	8,740	8,629
Written down value at the end of the period	<u>4,295</u>	<u>4,406</u>
6. LONG-TERM FINANCING		
Diminishing Musharka (from financial institutions-secured)	620,784	745,651
Term Finance	537,937	589,125
	<u>1,158,721</u>	<u>1,334,776</u>

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012

	SEPTEMBER 30, 2012 Un-Audited (Rupees in thousand)	JUNE 30, 2012 Audited
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
Commitments		
Outstanding letters of credit for: Raw material and spares	19,430	19,784
	SEPTEMBER 30, 2012 Un-Audited (Rupees in thousand)	SEPTEMBER 30, 2011 Un-Audited
8. SALES - NET		
Local	2,155,537	1,886,370
Export	285,629	89,560
	2,441,166	1,975,930
Less: Commission and discount	52,782	41,334
Sales tax	248,483	215,899
	301,265	257,233
	<u>2,139,901</u>	<u>1,718,697</u>
9. Cost of goods sold		
Raw material consumed	444,659	342,529
Fuel and power	742,596	539,576
Salaries, wages and benefits	81,925	60,618
Stores and spares	63,540	33,467
Repairs and maintenance	600	16,863
Vehicle running and maintenance	5,219	6,133
Travelling and conveyance	8,537	5,009
Insurance	5,533	4,864
Depreciation	128,365	114,776
Others	14,796	1,317
	<u>1,495,770</u>	<u>1,125,152</u>
Stock Adjustment		
Work in Process	673	6,412
Finished Goods	(51,519)	170,494
	<u>(50,846)</u>	<u>176,906</u>
	<u>1,444,924</u>	<u>1,302,058</u>
10. PROVISION FOR TAXATION		
Current		
- For the period	121,999	61,591
- Deferred	13,007	(17,731)
	<u>135,006</u>	<u>43,860</u>

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012

	SEPTEMBER 30, 2012 Un-Audited (Rupees in thousand)	SEPTEMBER 30, 2011 Un-Audited (Rupees in thousand)
11. EARNINGS PER SHARE - BASIC AND DILUTED		
Profit for the period	300,770	99,385
Weighted average number of ordinary shares outstanding during the period	21,429	21,429
Earnings per share (Rupees)	14.04	4.64
12. TRANSACTIONS WITH RELATED PARTIES		
Sales	68,200	9,405
Purchases	57,407	1
Organizational expenses recovered	208	240
Organizational expenses paid	495	1,050
Donation	4,248	3,527
Dividend	-	771

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 CONDENSED INTERIM
FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012

13.1 Information about operating segments is as follows:

	Operating segments					
	Chemical Division	Textile Division			Total	
	For the quarter (Rupees in thousand)					
September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011	
Revenue from external customers - net	1,795,327	1,415,110	344,574	303,587	2,139,901	1,718,697
Depreciation on property, plant and equipment	126,049	110,289	8,317	7,465	134,365	117,631
Segment Profit	584,786	331,916	25,471	3,878	610,257	335,794
Capital expenditure	5,887	5,686	1,233	77,987	7,120	83,673
Segment assets	9,190,639	7,387,596	802,860	1,113,437	9,993,499	8,501,033
Segment liabilities	549,650	417,336	37,795	68,417	587,445	485,753

13.2 Reconciliations of reportable segments are as follows:

	September 30, 2012	September 30, 2011
Revenue	2,139,901	1,718,697
Entity's revenue		
Profit for the period	610,257	335,794
Total profit for reportable segments		
Unallocated corporate income / (expenses)	3,950	8,201
Other operating income	-	-
Administrative expenses	(32,692)	(15,364)
Other operating expenses	(145,739)	(185,386)
Finance cost	435,776	143,245
Profit before income tax expense		

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012

	SEPTEMBER 30, 2012 Un-Audited (Rupees in thousand)	JUNE 30, 2012 Audited
Assets		
Total assets for reportable segments	9,993,499	9,229,910
Other unallocated corporate assets	3,144,824	3,650,751
Entity's assets	13,138,323	12,880,661
Liabilities		
Total liabilities for reportable segments	587,445	745,934
Other unallocated corporate liabilities	12,550,878	12,134,727
	13,138,323	12,880,661

13.3 The Company has no reportable geographical segment.

14. OPERATING CASH FLOW BEFORE WORKING CAPITAL CHANGES

	SEPTEMBER 30, 2012 Un-Audited (Rupees in thousand)	SEPTEMBER 30, 2011 Un-Audited
Profit before taxation	435,776	143,245
Adjustments for:		
Depreciation on property, plant and equipment	134,365	117,631
Depreciation on investment property	111	123
Finance cost	145,739	185,386
Share of profit of associates- net of tax	243	(2,321)
Gain on sale of investment held for sale	-	(208)
Gain realized on disposal of investment	-	(133)
(Gain) /Loss on disposal of property, plant and equipment - net	(806)	4,748
Exchange gain	247	(476)
Provision for gratuity	834	1,056
Profit on deposits	(1,167)	(1,957)
Dividend income	(1,075)	(771)
	278,490	303,078
	714,266	446,323

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012

15. Date of authorisation for issue

The quarterly financial statements were authorised to issue on **October 15, 2012** 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.



MUHAMMAD ADREES
(CHIEF EXECUTIVE OFFICER)



HASEEB AHMED
(DIRECTOR)



Sitara Chemical Industries Limited

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