

2014

Sitara Chemical Industries Limited  
1st Quarter Report  
September 30, 2014



Inspired by  
Colors of Nature



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# Company Information

Board of Directors	
Chairman	Mr. Nawaz ul Haq
Chief Executive Officer	Mr. Muhammad Adrees
Directors	Mr. Imran Ghafoor Mr. Haseeb Ahmed Mr. Muhammad Khalil Mr. Muhammad Arif Mr. Waheed Akhter Sher
Company Secretary	Mr. Mazhar Ali Khan
Chief Financial Officer	Mr. Anwar-ul-Haq (FCA)
Audit Committee	
Chairman	Mr. Muhammad Arif
Members	Mr. Muhammad Khalil Mr. Nawaz ul Haq
Human Resource & Remuneration Committee	
Chairman	Mr. Imran Ghafoor
Members	Mr. Muhammad Adrees Mr. Muhammad Arif
Head of Internal Audit	Mr. Zakir Hussain (ACA)
Auditors	M/s. M.Yousuf Adil Saleem & Company 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 Al-Baraka Islamic Bank B.S.C. (E.C.) Faysal Bank Limited Habib Bank Limited Burj Bank Limited Bank Islami Pakistan Limited Habib Metropolitan Bank Limited Bank Al-Habib Limited Soneri Bank Limited The Bank of Khyber
Website of the Company	<a href="http://www.sitara.com.pk">www.sitara.com.pk</a>
Registered Office	601-602 Business Centre, Mumtaz Hassan Road, Karachi-74000
Factories	28/32 KM, Faisalabad - Sheikhpura Road, Faisalabad.

# Directors' Review

First of all we wish to thank the Praise Worthy Allah and are pleased to present the results of First Quarter ended September 30, 2014.

Potential increase in electricity and fuel prices as compared to previous corresponding period, coupled with rising raw material prices and poor sociopolitical and law & order situation of the country have put pressure on the operating results of the corporate sector. Your Company also became the victim of this regress situation. The continuing energy crisis together with low demand of Caustic Soda VS its supply in the country has lead to price war situation which caused inability in passing the burden to end consumers. Alhamdulillah, your company remained successful to mitigate the reduction in operating results by significant profitability from other sources.

Net sales of your company for the first quarter remained Rs. 2,045 million against Rs. 2,181 million for the corresponding quarter of the last year. Net profit after tax for the quarter is Rs. 831.42 million against the Rs. 286.06 million of the same quarter last year. Earnings per share remained at Rs. 38.80 against Rs. 13.35 of the same quarter in corresponding year.

As mentioned in latest audited annual financial statement, Company has signed sale agreement for 199 RB land. Receipt against this land sale will be utilized to contribute towards setting up coal fired power plant and repayment of bank loans.

The Company has also taken up various initiatives to further improve its performance and reduce operating costs that are expected to further improve bottom line results of the Company.

## Future Outlook:

To ensure continuous Electricity at affordable price, your company aggressively working on establishment of the 35 MW coal Fired Power Plant. Civil work has already been started and LCs for main equipment i.e. Boiler Turbine and Generator has been established.

The management will continue its focus to improve shareholder's value through price rationalization, product and process optimization, reduction of operating costs and efficient working capital management.



**Muhammad Adrees**  
Chief Executive Officer  
Faisalabad: October 23, 2014

# Condensed Interim Balance Sheet (Un-Audited)

As at September 30, 2014

	Note	Un-audited September 30, 2014 (Rupees in thousand)	Audited June 30, 2014
<b>NON - CURRENT ASSETS</b>			
Property, plant and equipment	4	5,639,047	5,765,295
Intangible assets		17,506	17,955
Investment property	5	2,672,071	3,004,815
Long-term investments		70,103	68,280
Long-term loans and advances		2,020,487	817,876
Long-term deposits		110,433	110,433
		10,529,647	9,784,654
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		410,376	401,165
Stock-in-trade		835,008	881,711
Trade debts		1,214,965	1,262,558
Loans and advances		492,964	413,259
Trade deposits and short-term prepayments		12,040	8,567
Other receivables		5,578	5,902
Other financial assets		183,745	191,827
Cash and bank balances		348,075	436,767
		3,502,751	3,601,756
		14,032,398	13,386,410
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital		214,294	214,294
Reserves		1,402,018	1,410,102
Un-appropriated profits		5,318,121	4,477,693
		6,934,433	6,102,089
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>			
		1,338,402	1,347,410
<b>NON - CURRENT LIABILITIES</b>			
Long-term financing	6	500,482	566,071
Long-term deposits		7,037	6,386
Deferred liabilities		1,203,201	1,203,821
		1,710,720	1,776,278
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,728,472	1,690,647
Profit / financial charges payable		61,143	60,466
Short term borrowings		1,644,530	1,682,644
Current portion of long term financing		606,730	690,279
Sales tax payable		7,968	36,597
Income tax - net of advance tax		-	-
		4,048,843	4,160,633
<b>CONTINGENCIES AND COMMITMENTS</b>			
	7	14,032,398	13,386,410

The annexed selected notes 1 to 16 form an integral part of this condensed 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, 2014

	Note	For The Quarter	
		September 30, 2014 (Rupees in thousand)	September 30, 2013
Sales - net	8	2,044,766	2,181,219
Cost of sales	9	1,803,572	1,559,333
Gross profit		241,194	621,886
Other income			
Gain on sale of land		858,451	-
Operating income		17,451	11,733
		875,902	11,733
		1,117,096	633,619
Distribution cost		51,628	34,434
Administrative expenses		67,201	48,202
Other operating expenses		62,735	30,501
Finance cost		89,716	98,386
Share of loss / (profit) of associates - net of tax		(1,823)	(4,397)
		269,457	207,126
Profit before taxation		847,639	426,493
Provision for taxation	10	16,219	140,438
Profit after taxation		831,420	286,055
Earnings per share - basic and diluted (Rupees)	11	38.80	13.35

The annexed selected notes 1 to 16 form an integral part of this condensed interim financial information.

  
**Muhammad Adrees**  
Chief Executive Officer

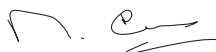
  
**Haseeb Ahmed**  
Director

# Condensed Interim Statement of Other Comprehensive Income (Un-Audited)

For The Quarter Ended September 30, 2014

	For The Quarter	
	September 30, 2014	September 30, 2013
Profit after taxation	831,420	286,055
Other comprehensive income for the period - net of tax		
Surplus / (Deficit) on remeasurement of investment available for sale on fair value	(8,084)	(6,535)
	(8,084)	(6,535)
Total comprehensive income for the period	823,336	279,520

The annexed selected notes 1 to 16 form an integral part of this condensed 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, 2014

	Share Capital	Share Premium	General Reserve	Un-appropriated Profit	Reserve on re-measurement of available for sale investments	Remeasurement of post-retirement benefits obligation - net of tax	Total
Rupees in thousand							
Balance as at July 01, 2013	214,294	97,490	1,225,000	3,750,780	62,655	(3,050)	5,347,169
Profit for the quarter ended September 30, 2013	-	-	-	286,055	-	-	286,055
Profit for the nine months ended June 30, 2104	-	-	-	575,119	-	-	575,119
Surplus realized on disposal of assets	-	-	-	167	-	-	167
Surplus on re-measurement of investment available for sale on fair value	-	-	-	-	29,037	-	29,037
Remeasurement of post-retirement benefits	-	-	-	-	-	(1,030)	(1,030)
Transfer to un-appropriated profit on account of incremental depreciation	-	-	-	79,866	-	-	79,866
Distribution to owners	-	-	-	(214,294)	-	-	(214,294)
Final dividend for the year ended June 30, 2013	-	-	-	-	-	-	-
Balance as at June 30, 2013	214,294	97,490	1,225,000	4,477,693	91,692	(4,080)	6,102,089
Balance as at July 01, 2013	214,294	97,490	1,225,000	4,477,693	91,692	(4,080)	6,102,089
Total comprehensive income	-	-	-	831,420	-	-	831,420
Profit for the quarter ended September 30, 2014	-	-	-	-	-	-	-
Surplus / (Deficit) on re-measurement of investment available for sale on fair value	-	-	-	-	(8,084)	-	(8,084)
Transfer to un-appropriated profit on account of incremental depreciation	-	-	-	9,008	-	-	9,008
Balance as at September 30, 2014	214,294	97,490	1,225,000	5,318,121	83,608	(4,080)	6,934,433

The annexed selected notes 1 to 16 form an integral part of this condensed interim financial information.



**Muhammad Adrees**  
Chief Executive Officer



**Haseeb Ahmed**  
Director

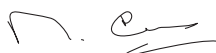


# Condensed Interim Cash Flow Statement (Un-Audited)

## For The Quarter Ended September 30, 2014

Note	For The Quarter	
	September 30, 2014	September 30, 2013
	(Rupees in thousand)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating cash flow before working capital changes	14	203,813
Changes in working capital		654,232
(Increase) / decrease in current assets		
Stores, spare parts and loose tools		(9,211)
Stock-in-trade		46,703
Trade debts		47,593
Loans and advances		(37,105)
Trade deposits and short-term prepayments		(3,473)
Other receivables		324
(Decrease)/increase in current liabilities		
Trade and other payables		37,839
Sales tax payable		(28,629)
		54,041
Cash generated from operations		257,854
Finance cost paid		(89,039)
Employee benefits paid		(270)
Taxes paid		(59,876)
Profit received on bank deposits		1,539
		(147,646)
Net cash from operating activities		110,208
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment		(3,570)
Disposal of investment property		1,192,846
Long-term loans and advances		(1,202,611)
Dividend income received		1,052
Net cash used in investing activities		(12,283)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of long-term financing		(149,138)
Short term financing - net		(38,114)
Long term deposits		651
Dividend paid		(16)
Net cash used in financing activities		(186,617)
Net increase in cash and cash equivalents		(88,692)
Cash and cash equivalents at beginning of period		436,767
Cash and cash equivalents at end of the period		348,075

The annexed selected notes 1 to 16 form an integral part of this condensed 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, 2014

### 1 LEGAL STATUS AND OPERATIONS

- 1.1 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.

Principal business activities are as follows:

Chemical Division	Manufacturing of caustic soda and allied products
Textile Division	Manufacturing of yarn and trading of fabric

- 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, 2014. Comparative balance sheet is extracted from annual audited financial statements for the year ended June 30, 2013 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 on September 30, 2013.

### 3 ACCOUNTING POLICIES AND ESTIMATES

- 3.1 The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended June 30, 2014.

	Note	Un-audited September 30, 2014 (Rupees in thousand)	Audited June 30, 2014
<b>4 PROPERTY, PLANT AND EQUIPMENT</b>			
Operating assets	4.1	5,589,320	5,707,991
Capital work-in-progress		49,727	57,304
		<u>5,639,047</u>	<u>5,765,295</u>

# Selected Explanatory Notes to the Condensed Interim Financial Information (Un-Audited) For The Quarter Ended September 30, 2014

	Note	Un-audited September 30, 2014 (Rupees in thousand)	Audited June 30, 2014
4.1			
Operating assets			
Opening written down value		5,707,991	5,959,053
Additions during the period / year:			
Building on freehold land - Mills		546	15,123
Plant and machinery		-	248,486
Containers and cylinders		-	29,452
Factory equipment		1,138	2,275
Electric equipment		855	20,455
Office equipment		935	2,105
Furniture and fittings		252	1,902
Vehicles		7,421	8,160
		11,147	327,958
Written down value of operating assets disposed off during the period / year		(1,718)	(24,979)
Depreciation charged during the period / year		(128,100)	(554,041)
		5,589,320	5,707,991
5			
INVESTMENT PROPERTY			
Land	5.1	2,608,092	2,939,295
Building		63,979	65,520
		2,672,071	3,004,815
5.1			
Land - at cost			
Balance at beginning of the period / year		2,939,295	2,864,413
Acquisitions		9,219	74,882
Disposal		(340,422)	-
Balance at end of the period / year		2,608,092	2,939,295
Building - at cost			
Cost		77,921	77,921
Accumulated Depreciation:			
At the beginning of the period / year		12,401	9,069
For the period / year		1,541	3,332
At the end of the period / year		13,942	12,401
Written down value at the end of the period / year		63,979	65,520
6			
LONG-TERM FINANCING			
Diminishing Musharka (from financial institutions - secured)		495,982	566,071
Term finances		4,500	-
		500,482	566,071

# Selected Explanatory Notes to the Condensed Interim Financial Information (Un-Audited)

For The Quarter Ended September 30, 2014

	Un-audited September 30, 2014 (Rupees in thousand)	Audited June 30, 2014
<b>7 CONTINGENCIES AND COMMITMENTS</b>		
<b>7.1 Contingencies</b>		
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 on behalf of the company	182,560	179,509
<b>7.2 Commitments</b>		
Outstanding letters of credit for raw material and spares	41,935	36,465
Outstanding letters of credit for Coal fired power plant	529,890	-
	<u>571,825</u>	<u>36,465</u>
	Un-audited September 30, 2014	Un-Audited September 30, 2013
	(Rupees in thousand)	
<b>8 SALES - NET</b>		
Local	2,417,670	2,495,959
Export	5,380	68,044
	<u>2,423,050</u>	<u>2,564,003</u>
Less: Commission and discount	96,252	85,708
Sales tax	282,032	297,076
	<u>378,284</u>	<u>382,784</u>
	<u>2,044,766</u>	<u>2,181,219</u>

# Selected Explanatory Notes to the Condensed Interim Financial Information (Un-Audited) For The Quarter Ended September 30, 2014

	Un-audited September 30, 2014	Un-Audited September 30, 2013
	(Rupees in thousand)	
<b>9 COST OF SALES</b>		
Raw material consumed	436,835	687,297
Fuel and power	1,023,019	863,953
Salaries, wages and benefits	103,963	95,129
Stores and spares	103,583	73,103
Repair and maintenance	8,942	7,102
Vehicle running and maintenance	4,909	4,108
Traveling and conveyance	7,846	6,201
Insurance	4,202	3,804
Depreciation	120,995	127,130
Amortization	449	499
Others	1,043	1,216
	<u>1,815,786</u>	<u>1,869,542</u>
Work-in-process		
Opening stock	10,254	48,731
Closing stock	(11,189)	(34,051)
	<u>(935)</u>	<u>14,680</u>
Cost of goods manufactured	<u>1,814,851</u>	<u>1,884,222</u>
Finished goods		
Opening stock	465,875	448,709
Purchases	-	7,919
Closing stock	(477,154)	(781,517)
	<u>(11,279)</u>	<u>(324,889)</u>
	<u>1,803,572</u>	<u>1,559,333</u>
<b>10 PROVISION FOR TAXATION</b>		
Current - for the period	17,276	181,497
Deferred	(1,057)	(41,059)
	<u>16,219</u>	<u>140,438</u>

# Selected Explanatory Notes to the Condensed Interim Financial Information (Un-Audited)

## For The Quarter Ended September 30, 2014

Un-audited      Un-Audited  
September 30,    September 30,  
2014                2013  
(Rupees in thousand)

### 11 EARNINGS PER SHARE - BASIC AND DILUTED

Profit for the period	831,420	286,055
Weighted average number of ordinary shares outstanding during the period	21,429	21,429
Earnings per share (Rupees)	38.80	13.35

### 12 TRANSACTIONS WITH RELATED PARTIES - UN-AUDITED

The related parties comprise of associated undertakings, staff retirement benefit plans, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Nature and description of significant related party transactions along with monetary values are as follows:

Relationship with the Company	Nature of transactions		
Associated Undertakings	Sales	13,180	106,015
	Purchases	-	36,672
	Organizational expenses recovered	147	1,064
	Organizational expenses paid	199	430
	Donation	6,836	4,105

# Selected Explanatory Notes to the Condensed Interim Financial Information (Un-Audited)

For The Quarter Ended September 30, 2014

## 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 and trading of fabric

13.1 Information about operating segments is as follows:

	Chemical Division		Textile Division		Total	
	Un-audited September 30, 2014	Un-audited September 30, 2013	Un-audited September 30, 2014	Un-audited September 30, 2013	Un-audited September 30, 2014	Un-audited September 30, 2013
Revenue from external customers -net	1,606,779	1,688,204	437,987	493,015	2,044,766	2,181,219
Depreciation on property, plant and equipment	118,567	124,519	9,533	10,614	128,100	135,133
Segment profit	123,364	493,327	(999)	45,922	122,365	539,249
	(Rupees in thousand)					
	Chemical Division		Textile Division		Total	
	Un-audited September 30, 2014	Un-audited September 30, 2013	Un-audited September 30, 2014	Un-audited September 30, 2013	Un-audited September 30, 2014	Un-audited September 30, 2013
Capital expenditure	11,057	10,282	90	356	11,147	10,638
Segment assets	9,454,438	9,641,476	1,461,147	1,382,051	10,915,585	11,023,527
Segment liabilities	1,077,849	1,085,162	108,719	70,787	1,186,568	1,155,949
	(Rupees in thousand)					

# Selected Explanatory Notes to the Condensed Interim Financial Information (Un-Audited)

## For The Quarter Ended September 30, 2014

	For The Quarter ended	
	Un-audited September 30, 2014 (Rupees in thousand)	Un-Audited September 30, 2013
<b>13.2 Reconciliations of reportable segments are as follows:</b>		
Revenue		
Total revenue for reportable segments	2,044,766	2,181,219
Profit for the period		
Total profit for reportable segments	122,365	539,249
Unallocated corporate income / (expenses)		
Other operating income	875,902	11,733
Other operating expenses	(62,735)	(30,500)
Finance cost	(89,716)	(98,386)
Share of profit / (loss) of associates - net of tax	1823	4,397
Profit before income tax expense	847,639	426,493
	Un-audited September 30, 2014	Un-Audited September 30, 2013
	(Rupees in thousand)	
Assets		
Total assets for reportable segments	10,915,585	11,023,527
Other unallocated corporate assets	3,116,813	2,941,637
Entity's assets	14,032,398	13,965,164
Liabilities		
Total liabilities for reportable segments	1,186,568	1,155,949
Other unallocated corporate liabilities	12,845,830	12,809,215
Entity's liabilities	14,032,398	13,965,164
<b>13.3</b>	The Company has no reportable geographical segment.	



# Selected Explanatory Notes to the Condensed Interim Financial Information (Un-Audited) For The Quarter Ended September 30, 2014

	Un-audited September 30, 2014 (Rupees in thousand)	Un-Audited September 30, 2013
<b>14 OPERATING CASH FLOW BEFORE WORKING CAPITAL CHANGES</b>		
Profit before taxation	847,639	426,493
Adjustments for:		
Depreciation on property, plant and equipment	128,100	135,133
Depreciation on investment property	1,541	100
Amortization on intangible assets	449	499
Finance cost	89,716	98,386
Share of loss / (profit) of associated companies - net of tax	(1,823)	(4,397)
(Gain) / loss on disposal of property, plant and equipment - net	(859,925)	71
Provision for employee benefits	707	834
Dividend income	(1,052)	(829)
Profit on bank deposits	(1,539)	(2,058)
	<u>(643,826)</u>	<u>227,739</u>
	<u>203,813</u>	<u>654,232</u>

## 15 DATE OF AUTHORIZATION FOR ISSUE

This interim financial information has been approved by the Board of Directors of the Company and authorized for issue on October 23, 2014.

## 16 GENERAL

Figures have been rounded to the nearest thousand of "Pak" Rupees, unless otherwise stated.



**Muhammad Adrees**  
Chief Executive Officer



**Haseeb Ahmed**  
Director



**Sitara Chemical** Industries Limited

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