

**Half Year Report
December 31,
2019**



Sitara Chemical Industries Limited

Contents

02	Company Information
03	Directors' Report
05	Auditor’s Review Report
06	Condensed Interim Statement of Financial Position (Un-audited)
07	Condensed Interim Statement of Profit or Loss (Un-audited)
08	Condensed Interim Statement of Comprehensive Income (Un-audited)
09	Condensed Interim Statement of Changes in Equity (Un-audited)
10	Condensed Interim Statement of Cash Flows (Un-audited)
11	Notes to the Condensed Interim Financial Statements (Un-audited)

Company Information

<i>Board of Directors</i>	
Chairman	Mr. Abdul Awal
Chief Executive Officer	Mr. Muhammad Adrees
Directors	Mr. Haseeb Ahmad Mr. Haroon Ahmad Zuberi Mr. Ahmad Nawaz Mr. Ashraf Shahzad Ahmad Mrs. Shala Waheed Sher
<i>Company Secretary</i>	Mr. Mazhar Ali Khan
<i>Chief Financial Officer</i>	Mr. Anwar-ul-Haq (FCA)
<i>Audit Committee</i>	
Chairman	Mr. Haroon Ahmad Zuberi
Members	Mr. Abdul Awal Mr. Ahmad Nawaz
<i>Human Resource & Remuneration Committee</i>	
Chairman	Mr. Abdul Awal
Members	Mr. Muhammad Adrees Mrs. Shala Waheed Sher
<i>Head of Internal Audit</i>	Mr. Zakir Hussain (FCA)
<i>Auditors</i>	Deloitte Yousuf Adil Chartered Accountants
<i>Legal Advisor</i>	Mr. Sahibzada Muhammad Arif
<i>Shariah Advisor</i>	Al Hamd Shariah Advisory Services (Pvt.) Limited
<i>Bankers</i>	Meezan Bank Limited Bank Alfalah Limited Habib Bank Limited Standard Chartered Bank Pakistan Limited Al-Baraka Bank (Pakistan) Limited Faysal Bank Limited National Bank of Pakistan MCB Bank Limited MCB Islamic Bank Limited Dubai Islamic Bank Pakistan Limited Bank Islami Pakistan Limited The Bank of Khyber Askari Bank Islamic Banking The Bank of Punjab United Bank Limited Soneri Bank Limited Bank Al-Habib Limited Habib Metropolitan Bank Limited Allied Bank Limited
<i>Website of the Company</i>	www.sitara.com.pk
<i>Registered Office</i>	601-602 Business Centre, Mumtaz Hassan Road, Karachi.-74000
<i>Share Registrar Address</i>	THK Associates (Private) Limited 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi.
<i>Factories</i>	28 / 32 KM, Faisalabad - Sheikhupura Road, Faisalabad.

Directors' Report

In the name of Allah, the Most Beneficent, the Most Gracious, the Most Merciful. On behalf of the Board of Directors of Sitara Chemical Industries Limited, We are pleased to present the un-audited condensed interim financial statements of the Company for the half year ended December 31, 2019.

Business Overview:

During the period under review, your company has recorded net sales of Rs. 6,083 million and gross profits of Rs. 1,196 million as compared with net sales of Rs. 6,162 million and gross profits of Rs. 1,380 million in the corresponding period of the last year witnessing a decline of 1.28% in net sales and 13.33% in gross profit. Profit after tax stood at Rs. 244 million as compared with Rs. 543 million during the corresponding period last year translating into earning per share of Rs. 11.37 and Rs. 25.35 respectively.

As reported in our last director's report, cost of sales remained on the higher side due to hike in WAPDA tariff after withdrawal of Industrial Relief Package on off-peak hours' consumption and levy of Quarterly Tariff Adjustment and Distribution Margin Charges by Govt. Though per mmbtu price of RLNG in dollar term remained on the lower side as compared with corresponding period of the last year but the benefit of the reduced tariff could not come to industry due to devaluation of Pak rupees against US\$. However, some relief was recorded due to decrease in coal prices in international market compared with corresponding period of last year, which was partly off-set after Pak rupee devaluation. Continuing in the second quarter of the current financial year, no system gas was provided to industry which was available in the corresponding period of the last year. Though selling prices of caustic and yarn were increased to some extent to compensate against increased cost of production, yet the full cost could not be recovered due to prevalent economic conditions of industry in Pakistan being not conducive enough to warrant such decision. Financial cost of the company remained on the higher side due to prevalent high interest rates during the period under review.

Volumetric sale of caustic and yarn during the period under review remained under stress compared with the volumetric sales of the corresponding period of last year due to overall slow-down in economic environment of the country. In view of these factors, gross margins and earning per share remained low. However, we hope that economic conditions of the country will improve in the remainder part of the current financial year.

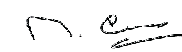
Future Outlook:

As reported in directors' report on the first quarter results of the on-going financial years that Board of Directors of your company have approved setting up a Soap Noodles Plant of production capacity of 35,000 MT per year as a part of its corporate diversification strategy. We are pleased to inform our valued shareholders that major LCs of the Plant & Machinery have been opened with banks and their delivery is expected before the close of second half of the next financial year, while the plant will come into operation in 3rd quarter of the next financial year (INSHA'ALLAH). Planning for civil work is also in progress. We hope that this project will add to the profitability of the company and increase shareholders' wealth in the years to come. Furthermore, your company is actively evaluating number of options to have alternate, reliable and cheaper source of electricity in the wake of high electricity and RLNG tariffs, to add value to the company.

Any increase in international coal prices, electricity tariff, RLNG prices, further increase in interest rates, and further devaluation of Pak rupee against US dollar etc. are key challenges being faced by the Company.

Acknowledgments:

We take this opportunity to thank our valued business partners and stakeholders for their continued support, trust and assistance for the progress and prosperity of the Company. Company also appreciates its staff for their continuous dedication, commitment and support.


Muhammad Adrees
Chief Executive Officer
February 17, 2020
Faisalabad.


Haseeb Ahmad
Director

ڈائریکٹرز رپورٹ

شروع اللہ تعالیٰ کے بابرکت نام سے جو بڑا مہربان اور نہایت رحم کرنے والا ہے۔

ستارہ کیمیکلز انڈسٹریز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی طرف سے ہم 31 دسمبر 2019 کو ختم ہونے والے نصف سال کے غیر آڈٹ شدہ اکاؤنٹس پیش کرتے ہوئے پرمسرت ہیں۔

کاروباری جائزہ:

زیر جائزہ نصف سال کے دوران آپ کی کمپنی نے 6,083 ملین روپے کی خالص فروخت کی ہے۔ اور مجموعی منافع 1,196 ملین روپے رہا۔ جبکہ پچھلے سال اسی عرصہ کے دوران خالص فروخت 6,162 ملین روپے اور مجموعی منافع 1,380 ملین روپے تھا، خالص فروخت میں 1.28 فیصد اور مجموعی منافع میں 13.33 فیصد کمی آئی۔ ٹیکس کے بعد کمایا گیا منافع 244 ملین روپے رہا جبکہ پچھلے سال اسی عرصہ کے دوران یہ منافع 543 ملین روپے تھا۔ فی شخص آمدنی 11.37 روپے رہی جبکہ پچھلے سال اسی مدت کے دوران فی شخص آمدنی 25.35 روپے تھی۔

جیسا کہ ہماری آخری ڈائریکٹرز رپورٹ میں بیان کیا گیا ہے، واپڈ انیٹرف میں اضافے کی وجہ سے (قیمت میں Off Peak Hours کے دوران حقیقی ریلیف کچنگ کا خاتمہ اور حکومت کی طرف سے سہ ماہی نیٹف ایڈجسٹمنٹ اور ڈسٹری بیوشن مارچن چارجز عائد کرنے کے بعد) مال کی لاگت میں اضافہ دیکھا گیا۔ اگرچہ گزشتہ سال کے اسی عرصے کے مقابلے میں ڈالر کی مد میں RLNG کی قیمت فی mmbtu کے حساب سے کم رہی، لیکن امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں کمی کی وجہ سے کم ہوئے نیٹف کا فائدہ انڈسٹری میں نہ آ سکا۔ تاہم، بین الاقوامی مارکیٹ میں کونکے کی قیمتوں میں کمی کی وجہ سے پتھر ریلیف ملا، جو گزشتہ سال اسی عرصہ کے دوران پاکستانی روپے کی قدر میں کمی کے بعد جزوی طور پر مٹس نہیں تھا۔

موجودہ مالی سال کی دوسری سہ ماہی کے دوران، انڈسٹری کو سسٹم گیس بھی دستیاب نہیں تھی جو کہ پچھلے سال اسی عرصے میں میسر تھی۔ اگرچہ کاسٹک اور دھانگے کی قیمت فروخت میں مزید معاشی حالات کی وجہ سے اضافہ کیا گیا تھا، تاہم موجودہ پاکستانی انڈسٹری کے معاشی حالات کی وجہ سے مکمل اضافی لاگت حاصل نہ ہو سکی۔ زیرہ جائزہ مدت کے دوران کمپنی کی Financial Cost میں مزید بلند شرح منافع کے وجہ سے اضافہ ہوا ہے۔

زیر جائزہ سہ ماہی کے دوران کاسٹک اور دھانگے کے حجم کی فروخت گزشتہ سال کے اسی عرصے کے مقابلے میں دباؤ کا شکار رہی، جس کی وجہ ملک کے معاشی ماحول میں سست روی تھی۔ انہی عوامل کے پیش نظر مجموعی مارچن اور فی ٹینٹر آمدنی کم رہی۔ تاہم، ہم امید کرتے ہیں کہ موجودہ مالی سال کے بقیہ دوران میں ایسے ملک کے معاشی حالات بہتر ہوں گے۔

مستقبل پر نظر:

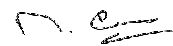
جیسا کہ ڈائریکٹرز کی رپورٹ میں رواں مالی سال کی پہلی سہ ماہی کے نتائج میں بیان کیا گیا کہ آپ کی کمپنی کے بورڈ آف ڈائریکٹرز نے Corporate Diversification کی حکمت عملی کے تحت ایک Soap Noodles Plant کی تشکیل کی منظوری دے دی ہے جس کی پیداواری صلاحیت سالانہ 35,000 میٹرک ٹن ہوگی۔ ہم اپنے قابل قدر شیئر ہولڈرز کو یہ بتاتے ہوئے خوشی محسوس کرتے ہیں کہ پلانٹ اینڈ مشینری کی LCs کھولی جا چکی ہیں اور آئندہ مالی سال کے دوسرے نصف حصے کے اختتام سے قبل ان کی فراہمی متوقع ہے، جبکہ یہ پلانٹ اگلے مالی سال کی تیسری سہ ماہی میں پیداوار شروع کر دے گا (انشاء اللہ)۔

سول کام کے لئے منصوبہ بندی بھی جاری ہے۔ ہم امید کرتے ہیں کہ آنے والے سالوں میں اس منصوبے سے کمپنی کے منافع اور شیئر ہولڈرز کی دولت میں اضافہ ہوگا۔ مزید برآں، آپ کی کمپنی بجلی کے متبادل، قابل اعتماد اور سستے وسائل رکھنے کے لیے بہت سی تجاویز کا جائزہ لے رہی ہے۔

بین الاقوامی کونکے کی قیمتوں میں اضافہ بجلی کے نرخ اور درآمد شدہ RLNG کی قیمت میں اضافے کے ساتھ ساتھ امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں کمی وغیرہ، یہ وہ Challenges ہیں جن کا کمپنی کو سامنا ہے۔

اعترافات:

ہم اس موقع پر اپنے محترم کاروباری شراکت داروں کی مستقل حوصلہ افزائی، مدد و معاونت، کا شکریہ ادا کرتے ہیں۔ کمپنی اپنے ملازمین کی مستقل محنت، لگن اور صلاحیتوں کی اعتراف اور فخر کرتی ہے۔



محمد ادریس

چیف ایگزیکٹو آفیسر

17 فروری 2020

فیصل آباد



حبیب احمد

ڈائریکٹر



INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS
ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Sitara Chemical Industries Limited (the Company) as at December 31, 2019, the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cashflows and notes to the financial statements for the six month period then ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review. The figures of the condensed interim statement of profit or loss and the condensed interim statement of comprehensive income for the three-month period ended December 31, 2019 and related comparative information have not been reviewed, as we are required to review only the cumulative figures for the six month period ended December 31, 2019.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements as at December 31, 2019 and for the six month period then ended, is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Deloitte Jaisuf Ahsani

Chartered Accountants

Engagement Partner:

Rana M. Usman Khan

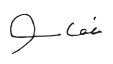
Lahore

Dated: February 17, 2020

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019**

		Un-audited December 31, 2019 (Rupees in thousand)	Audited June 30, 2019
ASSETS			
<i>NON - CURRENT ASSETS</i>			
Property, plant and equipment	4	15,249,422	15,516,237
Intangible assets		10,564	11,120
Investment property	5	3,316,695	3,296,505
Long-term investments		19,640	19,640
Long-term loans and advances		1,128,473	1,082,125
Long-term deposits		111,809	111,809
		<u>19,836,603</u>	<u>20,037,436</u>
<i>CURRENT ASSETS</i>			
Stores, spare parts and loose tools		1,082,938	950,071
Stock-in-trade		1,741,313	1,328,480
Trade debts	6	1,168,207	1,176,876
Advance Sales Tax		15,581	4,526
Loans and advances		2,394,041	2,871,978
Trade deposits and short-term prepayments		27,691	4,863
Other receivables		14,582	14,576
Other financial assets	7	348,032	336,175
Cash and bank balances		195,726	102,510
		<u>6,988,111</u>	<u>6,790,055</u>
		<u>26,824,714</u>	<u>26,827,491</u>
<i>EQUITY AND LIABILITIES</i>			
<i>SHARE CAPITAL AND RESERVES</i>			
Share capital	8	214,294	214,294
Reserves		1,385,628	1,369,324
Un-appropriated profits		8,683,849	8,522,364
Surplus on revaluation of property, plant and equipment		4,381,432	4,513,641
		<u>14,665,203</u>	<u>14,619,623</u>
<i>NON - CURRENT LIABILITIES</i>			
Long-term financing	9	1,727,053	2,054,447
Long-term deposits		50,587	39,787
Deferred liabilities		2,356,494	2,436,001
		<u>4,134,134</u>	<u>4,530,235</u>
<i>CURRENT LIABILITIES</i>			
Trade and other payables		2,151,001	2,416,097
Profit / financial charges payable		199,570	186,354
Short term borrowings		5,107,339	4,333,342
Unclaimed dividend		21,754	19,824
Current portion of long term financing		545,713	722,016
		<u>8,025,377</u>	<u>7,677,633</u>
<i>CONTINGENCIES AND COMMITMENTS</i>	10	<u>26,824,714</u>	<u>26,827,491</u>

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.


Anwar-ul-Haq
Chief Financial Officer


Muhammad Adrees
Chief Executive Officer


Haseeb Ahmad
Director

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

		Six months period ended		Three months period ended	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Note		(.....Rupees in thousand.....)			
Sales - net	11	6,082,847	6,162,400	3,500,555	3,371,815
Cost of sales	12	(4,886,795)	(4,782,278)	(2,832,178)	(2,618,745)
Gross profit		1,196,052	1,380,122	668,377	753,070
Distribution cost		(175,093)	(162,442)	(89,783)	(90,596)
Administrative expenses		(320,497)	(311,427)	(164,427)	(157,421)
Other expenses		(12,757)	(48,323)	(3,939)	(25,271)
Finance cost		(500,680)	(258,904)	(269,000)	(145,544)
		(1,009,027)	(781,096)	(527,149)	(418,832)
Other income		92,050	91,870	44,291	78,309
		279,075	690,896	185,519	412,547
Share of loss of associate - net of tax		-	-	-	-
Profit before taxation		279,075	690,896	185,519	412,547
Provision for taxation	13	(35,506)	(147,670)	(7,593)	(72,350)
Profit after taxation		243,569	543,226	177,926	340,197
Earnings per share - basic and diluted (Rupees)	14	11.37	25.35	8.30	15.88

The annexed notes from 1 to 20 form an integral part of these condensed interim financial Statements.


Anwar-ul-Haq
Chief Financial Officer

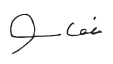

Muhammad Adrees
Chief Executive Officer


Haseeb Ahmad
Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

	Six months period ended		Three months period ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	(.....Rupees in thousand.....)			
Profit after taxation	243,569	543,226	177,926	340,197
<i>Other comprehensive income</i>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Surplus / (deficit) on investments classified as Equity instruments as at FVTOCI - net of tax	16,304	31,001	(10,187)	3,339
Revaluation surplus on property, plant and equipment - adjustment due to change in tax rate	-	4,396	-	4,396
<i>Other comprehensive income / (loss)</i>	16,304	35,397	(10,187)	7,735
Total comprehensive income for the period	259,873	578,623	167,739	347,932

The annexed notes from 1 to 20 form an integral part of these condensed interim financial Statements.


Anwar-ul-Haq
Chief Financial Officer


Muhammad Adrees
Chief Executive Officer


Haseeb Ahmad
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

	Share Capital	Reserves						Total	
		Capital		Revenue			Total Reserves		
		Share Premium	Reserve on re-measurement of equity instruments as at FVTOCI - net of tax	Reserve on re-measurement of post retirement benefits obligation - net of tax	Surplus on revaluation of property, plant and equipment	General Reserve			Un-appropriated Profit
(.....Rupees in thousand.....)									
	214,294	97,490	50,345	(7,339)	1,164,731	1,225,000	7,892,907	10,423,134	10,637,428
<i>Balance as at July 01, 2018 - Audited</i>	-	-	-	-	-	-	-	-	-
<i>Total comprehensive income</i>	-	-	-	-	-	-	-	-	-
<i>Profit for the six months period ended December 31, 2018</i>	-	-	-	-	-	-	-	-	-
<i>Other comprehensive income</i>	-	-	31,001	-	4,396	-	543,226	543,226	543,226
<i>(Loss) realized on sale of available for sale financial assets during the period</i>	-	-	-	-	-	-	-	-	-
<i>Share of other comprehensive (loss) of associate</i>	-	-	-	-	-	-	-	-	-
<i>Transfer to un-appropriated profit on account of incremental depreciation - net of tax</i>	-	-	31,001	-	4,396	-	543,226	578,623	578,623
<i>Transfer to un-appropriated profit on account of incremental depreciation - net of tax</i>	-	-	-	-	-	(30,455)	-	30,455	-
<i>Final dividend for the year ended June 30, 2018 @ Rs. 13 per share</i>	-	-	-	-	-	-	-	-	-
<i>Distribution to owners</i>	-	-	-	-	-	-	-	-	-
<i>Balance as at December 31, 2018 - Un-audited</i>	214,294	97,490	81,346	(7,339)	1,138,672	1,225,000	8,188,006	10,723,175	10,937,469
<i>Total comprehensive income</i>	-	-	-	-	-	-	-	-	-
<i>Profit for the six months period ended June 30, 2019</i>	-	-	-	-	-	-	342,234	342,234	342,234
<i>Other comprehensive income</i>	-	-	(27,017)	2,724	-	-	(24,293)	(24,293)	-
<i>Transfer to un-appropriated profit on account of incremental depreciation</i>	-	-	(27,017)	2,724	-	-	342,234	317,941	317,941
<i>Impact of change in accounting policy IFRS 9 - net of tax</i>	-	-	-	-	-	-	29,610	(40,366)	(40,366)
<i>Impact of reclassification of available for sale investment to investment measured at FVTPL</i>	-	-	-	-	-	-	-	-	-
<i>Revaluation surplus on property, plant and equipment - adjustment due to change in tax rate</i>	-	-	(2,880)	-	-	-	2,880	-	-
<i>Final dividend for the year ended June 30, 2019 @ Rs. 10 per share</i>	-	-	-	-	-	-	-	-	-
<i>Distribution to owners</i>	-	-	-	-	-	-	-	-	-
<i>Balance as at December 31, 2019 - Un-audited</i>	214,294	97,490	67,753	(4,615)	4,381,432	1,225,000	8,683,849	14,450,909	14,665,203

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.

Q. Cai

Anwar-ul-Haq
Chief Financial Officer


Chapman

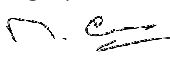
Haseeb Ahmad
Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

	Six months period ended	
	December 31, 2019	December 31, 2018
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating cash flow before working capital changes	1,292,512	1,347,120
Changes in working capital:		
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(132,867)	(345,508)
Stock-in-trade	(412,833)	(829,452)
Trade debts	10,470	(35,763)
Loans and advances	459,435	68,652
Trade deposits and short-term prepayments	(22,828)	(15,362)
Other receivables	(6)	(2,571)
Advance Sales tax	(11,055)	-
Increase / (decrease) in current liabilities		
Trade and other payables	(264,263)	291,704
Sales tax payable	-	(1,786)
	(373,947)	(870,086)
Cash generated from operations	918,565	477,034
Finance cost paid	(487,464)	(213,025)
Employee benefits paid	(1,503)	(4,310)
Taxes paid	(107,705)	(198,832)
Profit received	9,330	4,404
	(587,342)	(411,763)
Net cash generated from operating activities	331,223	65,271
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(405,433)	(202,943)
Proceeds from disposal of property, plant and equipment	93,375	9,977
Proceeds from disposal of other financial assets	12,895	62,710
Purchase of investment property	(22,463)	(77,388)
Purchase of intangible assets	-	(544)
Purchase of other financial assets	(229)	-
Long term deposits paid	-	(109)
Long-term loans and advances received	10,386	7,280
Dividend income received	4,725	3,559
Net cash used in investing activities	(306,744)	(197,458)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term financing	(503,697)	(422,447)
Short term financing - net	773,997	869,427
Long term deposits availed	10,800	12,244
Dividend paid	(212,363)	(279,856)
Net cash generated from financing activities	68,737	179,368
Net increase in cash and cash equivalents	93,216	47,181
Cash and cash equivalents at beginning of the period	102,510	79,663
Cash and cash equivalents at end of the period	195,726	126,844

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.


Anwar-ul-Haq
Chief Financial Officer


Muhammad Adrees
Chief Executive Officer


Haseeb Ahmad
Director

*NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019*

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 the Companies Act, 1913 (now the Companies Act, 2017). The Company is currently listed on the Pakistan Stock Exchange. The Company is a Shariah Compliant Company certified by Securities & Exchange Commission of Pakistan (SECP) under Shariah Governance Regulation 2018. The principal activities of the Company are operating 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 and fabric

1.2 These condensed interim financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency.

2 BASIS OF PREPARATION

2.1 These condensed interim financial statements of the Company for the six months period ended December 31, 2019 have been prepared in accordance with the International Accounting Standard - 34 "Interim Financial Reporting" provisions of and directives issued under the Companies Act, 2017. In case where requirements differ, the provisions of or directives issued under the Companies Act, 2017 have been followed.

2.2 These condensed interim financial statements should be read in conjunction with annual audited financial statements for the year ended June 30, 2019. Comparative statement of financial position is extracted from annual audited financial statement for the year ended June 30, 2019, whereas comparative statement of profit or loss, comparative statement of comprehensive income, comparative statement of changes in equity and comparative of statement of cash flows are stated from un-audited condensed interim financial statements for the six months period ended December 31, 2018.

2.3 These condensed interim financial statements are un-audited. However, a limited scope review has been performed by statutory auditor of the Company in accordance with Section 237 of Companies Act, 2017 and they have issued their review report thereon.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, JUDGMENTS AND RISK MANAGEMENT

The significant accounting policies and methods of computation adopted in preparation of these condensed interim financial statements are the same as those applied in preparation of the annual audited financial statements of the Company for the year ended June 30, 2019 except rate of depreciation of Plant and Machinery which has been reduced from 10% to 7.5% after revaluation and reassessment of asset useful life.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019**

3.1 Changes in accounting standards

The following changes in accounting standards have taken place effective from January 01, 2019:

3.1.1 IFRS 16 - Lease

IFRS 16 - Lease (IFRS 16) replaced various standards and guidance including 'IAS 17 'Lease', IFRIC 4 'Determine whether an Arrangement contains a Lease', SIC 15 'Operating Lease - Incentives' and SIC 27 'Evaluating the Substance of Transactions in the Legal Form of Lease'.

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognized in the condensed interim financial statements, unless the term is 12 months or less or the lease is for a low value asset. Thus, the classification required under IAS 17 'Leases' into operating or finance leases is eliminated for lessees. For each lease, the lessee recognizes a liability for the lease obligations to be incurred in the future. Correspondingly, a right of use leased asset is capitalized at an amount which is generally equivalent to the present value of the future lease payments plus any directly attributable costs. This amount is amortized over the period by the lower of lease term or useful life of the assets unless the lease transfers ownership of the underlying asset to the lessee by the end of lease term or if the cost of right of use asset reflect that the lessee will exercise a purchase option, in which case, the lessee will depreciate the right of use asset from the commencement date to the end of the useful life of underlying assets.

The Company has determined that the adoption of IFRS 16 does not have any impact on the Company's condensed interim financial statements for the period ended December 31, 2019.

		Un-audited December 31, 2019 (Rupees in thousand)	Audited June 30, 2019
4	PROPERTY, PLANT AND EQUIPMENT		
	Operating assets	14,941,099	15,429,126
	Capital work-in-progress	308,323	87,111
		<u>15,249,422</u>	<u>15,516,237</u>
4.1	Operating assets		
	Opening written down value	15,429,126	9,492,027
	Additions during the period / year:		
	Freehold land	16,297	503,090
	Buildings on freehold land - Mill	26,322	513,667
	Plant and machinery	89,282	5,603,103
	Grid station and electric installations	1,151	360
	Factory equipment	10,393	55,155
	Electric equipment	30,635	305,898
	Office equipment	3,520	15,038
	Furniture and fittings	1,166	5,969
	Vehicles	5,452	52,823
		<u>184,218</u>	<u>7,055,103</u>
	Written down value of assets disposed off during the period / year	(93,559)	(150,417)
	Depreciation charged during the period / year	(578,686)	(967,587)
		<u>14,941,099</u>	<u>15,429,126</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019**

4.2 The Company had revalued its freehold land, building and plant & machinery at June 30, 2019. The revaluation had been carried out by Hamid Mukhtar & Company (Private) Limited, an independent valuer not connected to the Company and is on the panel of Pakistan Banks Association as 'Any Amount' asset valuer. It is also on the panel of State Bank of Pakistan and possesses appropriate qualification and recent experience in the fair value measurements in the relevant locations. The fair value was determined using the comparable price method after performing detailed enquiries and verification from various estate agents, brokers and builders keeping in view the location of the property / project, condition, size, utilization, and other relevant factors.

The revaluation was performed at June 30, 2019. Out of the total revaluation surplus of Rs. 4,514 million, Rs. 4,381 million net of tax (June 30, 2019: 4,514 million) remains undepreciated as at December 31, 2019.

Details of the Company's revalued assets and information about fair value hierarchy, as at December 31, 2019 are as follows:

	Un-audited December 31, 2019			Audited June 30, 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	(.....Rupees in thousand.....)					
Land - freehold	-	1,287,405	-	-	1,271,108	-
Buildings on freehold land	-	1,706,931	-	-	1,769,060	-
Plant and machinery	-	10,617,319	-	-	11,035,400	-
	-	13,611,655	-	-	14,075,568	-

	Note	Un-audited December 31, 2019 (Rupees in thousand)	Audited June 30, 2019
5 INVESTMENT PROPERTY			
Land	5.1	3,269,175	3,246,712
Buildings	5.2	47,520	49,793
		<u>3,316,695</u>	<u>3,296,505</u>
5.1 Land			
Balance at the beginning of the period / year		3,246,712	2,979,388
Addition during the period / year		22,463	267,324
Disposal during the period / year		-	-
Balance at end of the period / year		<u>3,269,175</u>	<u>3,246,712</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019**

		Un-audited December 31, 2019 (Rupees in thousand)	Audited June 30, 2019
5.2	<i>Buildings</i>		
	<i>Cost:</i>		
	Balance at the beginning of the period / year	89,277	89,277
	Addition during the period / year	-	-
	Disposal during the period / year	-	-
	Balance at the end of the year	89,277	89,277
	<i>Accumulated depreciation:</i>		
	At the beginning of the period / year	39,483	34,697
	For the period / year	2,274	4,786
	Accumulated depreciation on disposed asset	-	-
	At the end of the period / year	(41,757)	(39,483)
	Written down value at the end of the period / year	47,520	49,793

6 TRADE DEBTS

These include receivable from related parties amounting to Rs. Nil (June 30, 2019: Rs. 477 thousand).

		Un-audited December 31, 2019 (Rupees in thousand)	Audited June 30, 2019
7	<i>OTHER FINANCIAL ASSETS</i>		
	Investments held at FVTOCI	220,137	200,727
	Investments held at FVTPL	127,895	135,448
		348,032	336,175
7.1	<i>Investment designated as fairvalue through other comprehensive income (FVTOCI)</i>		
	Fair value at July 01	200,727	194,960
	Additions in investments during the period / year	229	12,840
		200,956	207,800
	Sale / disposal of investments during the period / year	-	(6,400)
		200,956	201,400
	Gain / (loss) on investments during the period / year	19,181	(673)
		220,137	200,727
7.2	<i>Investment designated as fairvalue through profit and Loss (FVTPL)</i>		
	Fair value at July 01	135,448	157,294
	Additions in investments during the period / year	-	561,395
		135,448	718,689
	Sale / disposal of investments during the period / year	(12,895)	(588,145)
		122,553	130,544
	Gain / (loss) on investments during the period / year	5,342	4,904
		127,895	135,448

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019**

7.3 FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as Prices) 'or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the fair value hierarchy for financial assets which are carried at fair value:

	Un-audited DECEMBER 31, 2019			Audited June 30, 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	(.....Rupees in thousand.....)					
Investments classified at FVTOCI	220,137	-	-	200,727	-	-
Investments classified at FVTPL	127,895	-	-	135,448	-	-

There were no transfers between levels during the period / year. The carrying value of all other financial assets and liabilities reflected in these condensed interim financial statements approximate their fair values.

8 SHARE CAPITAL

Un-audited December 31, 2019No. of Shares.....	Audited June 30, 2019		Un-audited December 31, 2019 (Rupees in thousand)	Audited June 30, 2019 (Rupees in thousand)
		<i>Authorized</i>		
		Ordinary shares of Rs. 10 each		
40,000,000	40,000,000	Class "A"	400,000	400,000
20,000,000	20,000,000	Class "B"	200,000	200,000
		<i>Issued, subscribed and paid up</i>		
		Class "A" ordinary shares of Rs. 10/- each		
8,640,000	8,640,000	- fully paid in cash	86,400	86,400
10,804,398	10,804,398	- issued as fully paid bonus shares	108,044	108,044
1,985,009	1,985,009	- issued as fully paid under scheme of arrangement for amalgamation	19,850	19,850
21,429,407	21,429,407		214,294	214,294

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019**

- 8.1 Class "B" ordinary shares do not carry any voting rights.
8.2 No shares are held by any associated company or related party of the Company.
8.3 The Company has no reserved shares under options or sales contracts.

	Un-audited December 31, 2019 (Rupees in thousand)	Audited June 30, 2019
9 LONG-TERM FINANCING		
<i>Diminishing Musharka (from financial institutions - secured)</i>		
Opening balance	2,776,463	2,019,841
Obtained during the period / year	-	1,570,266
Re-paid during the period / year	(503,697)	(813,644)
	2,272,766	2,776,463
Less: Current portion	(545,713)	(722,016)
	<u>1,727,053</u>	<u>2,054,447</u>
10. CONTINGENCIES AND COMMITMENTS		
10.1 Contingencies		
Guarantees issued by banks on behalf Of the Company	<u>67,417</u>	<u>259,984</u>
10.2 Commitments		
Outstanding letters of credit for raw Material and spare parts	<u>252,109</u>	<u>268,872</u>

	Un-audited Six months period ended December 31, 2019	Un-audited December 31, 2018	Un-audited Three months period ended December 31, 2019	Un-audited December 31, 2018
	(.....Rupees in thousand.....)			
11 SALES - NET				
<i>Local:</i>				
Chemicals	6,323,551	6,096,805	3,543,894	3,206,662
Yarn	790,226	952,827	581,875	600,854
Fabric	73,993	97,231	57,505	61,523
Waste	11,662	8,389	11,376	4,335
	7,199,432	7,155,252	4,194,650	3,873,374
<i>Export:</i>				
Chemicals	158,386	141,619	76,044	102,091
<i>Gross Sales</i>	7,357,818	7,296,871	4,270,694	3,975,465
<i>Less:</i>				
Commission and discount	(235,606)	(253,848)	(135,843)	(141,085)
Sales tax	(1,039,365)	(880,623)	(634,296)	(462,565)
	(1,274,971)	(1,134,471)	(770,139)	(603,650)
	<u>6,082,847</u>	<u>6,162,400</u>	<u>3,500,555</u>	<u>3,371,815</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019**

		Un-audited		Un-audited	
		Six months period ended		Three months period ended	
		December 31,	December 31,	December 31,	December 31,
		2019	2018	2019	2018
		(.....Rupees in thousand.....)			
12	COST OF SALES				
	Raw material consumed	1,468,925	1,578,641	247,430	312,199
	Fuel and power	2,631,531	2,769,761	2,033,938	1,942,204
	Salaries, wages and benefits	274,845	270,442	139,830	131,226
	Factory overheads	865,296	725,428	446,145	367,766
		5,240,597	5,344,272	2,867,343	2,753,395
	Work-in-process				
	Opening stock	-	14,928	15,562	17,096
	Closing stock	(15,559)	(14,920)	(15,559)	(14,920)
		(15,559)	8	3	2,176
	Cost of goods manufactured	5,225,038	5,344,280	2,867,346	2,755,571
	Finished goods				
	Opening stock	904,916	634,800	1,207,991	1,059,976
	Closing stock	(1,243,159)	(1,196,802)	(1,243,159)	(1,196,802)
		(338,243)	(562,002)	(35,168)	(136,826)
		4,886,795	4,782,278	2,832,178	2,618,745
13	PROVISION FOR TAXATION				
	Current - for the period	121,120	146,054	76,179	74,981
	Period Year	-	-	-	-
	Deferred	(85,614)	1,616	(68,586)	(2,631)
		35,506	147,670	7,593	72,350
14	EARNINGS PER SHARE - BASIC AND DILUTED				
	Profit for the period	243,569	543,226	177,926	340,197
	Weighted average number of ordinary shares outstanding during the period (No. of shares in thousand)	21,429	21,429	21,429	21,429
	Earnings per share (Rupees)	11.37	25.35	8.30	15.88

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019**

15 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, other related group companies, directors of the company, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with its related parties. Details of transactions with related parties for the six months are as follows:

		Un-audited Six months period ended	
		December 31, 2019	December 31, 2018
		(Rupees in thousand)	
<i>Relationship with the Company</i>	<i>Nature of transactions</i>		
Associated Undertakings	Sales	1,292	397
	Organizational expenses recovered	789	533
	Organizational expenses paid	23	-
	Donation given	11,920	10,489
Key management personnel	Remuneration to Executives	62,334	58,713

Following are the related parties with whom the Company had entered into transactions or have arrangement / agreement in place:

<i>Company name</i>	<i>Basis of association</i>
Sitara Developers (Private) Limited	Common directorship
Aziz Fatima Trust Hospital	Common directorship

The Company does not hold any shares in the above mentioned companies.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

16 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

16.1 Information about operating segments is as follows:

	Chemical Division		Operating segments		Textile Division		Total
					Un-audited		Total
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2018
							(Rupees in thousand)
							Six months period ended
	Un-audited	Audited	Un-audited	Audited	Un-audited	Audited	Total
Revenue from external customers - net	5,210,020	5,108,256	872,827	1,054,144	6,082,847	6,162,400	
Depreciation on property, plant and equipment	539,249	431,969	39,431	21,518	578,680	453,487	
Segment profit / (Loss)	722,781	899,823	(22,318)	6,430	700,463	906,253	
	Un-audited	Audited	Un-audited	Audited	Un-audited	Audited	Total
	December 31, 2019	June 30, 2019	December 31, 2019	June 30, 2019	December 31, 2019	June 30, 2019	Total
							(Rupees in thousand)
Capital expenditure	128,817	2,058,530	55,403	446,663	184,221	2,505,193	
Segment assets	15,443,870	15,599,826	2,690,390	2,151,911	18,134,260	17,751,737	
Segment liabilities	1,418,794	1,735,387	397,463	397,364	1,816,257	2,132,751	

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019**

	Un-audited Six months period ended	
	December 31, 2019	December 31, 2018
	(Rupees in thousand)	
16.2 Reconciliations of reportable segments are as follows:		
<i>Revenue</i>		
Total revenue for reportable segments	6,082,847	6,162,400
<i>Profit for the period</i>		
Total profit for reportable segments	700,463	906,253
Unallocated corporate income / (expenses)		
Other income	92,050	91,870
Other expenses	(12,757)	(48,323)
Finance cost	(500,680)	(258,904)
Share of loss from investment in associate - net of tax	-	-
<i>Profit before taxation</i>	279,076	690,896
	Un-audited December 31, 2019	Audited June 30, 2019
	(Rupees in thousand)	
<i>Assets</i>		
Total assets for reportable segments	18,134,260	17,751,737
Other unallocated corporate assets	8,690,454	9,075,754
Company's assets	26,824,714	26,827,491
<i>Liabilities</i>		
Total liabilities for reportable segments	1,816,257	2,132,751
Other unallocated corporate liabilities	10,343,253	10,075,117
Company's liabilities	12,159,510	12,207,868

16.3 The Company has no reportable geographical segment.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019**

	Un-audited Six months period ended	
	December 31, 2019 (Rupees in thousand)	December 31, 2018
17 OPERATING CASH FLOW BEFORE WORKING CAPITAL CHANGES		
Profit before taxation	279,075	690,896
<i>Adjustments for:</i>		
Depreciation on property, plant and equipment	578,686	453,487
Depreciation on investment property	2,274	2,527
Amortization on intangible assets	556	595
Gain on sale of investments measured at FVTPL	(5,342)	-
Finance cost	500,680	258,904
Loss / (gain) on disposal of property, plant and equipment	184	(6,906)
Provision for employee benefits	4,733	4,433
Dividend income	(4,725)	(3,559)
Exchange gain	(1,801)	-
Unwinding of deferred receivable	(52,478)	(48,853)
Profit on bank deposits	(9,330)	(4,404)
	<u>1,013,437</u>	<u>656,224</u>
	<u>1,292,512</u>	<u>1,347,120</u>

18 Non-adjusting event after the statement of financial position date

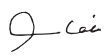
The Board of Directors of the Company has declared an interim cash dividend of Rs. 10 per share (December 31, 2018: Rs. 13 per share), amounting to Rs 214 million (December 31, 2018: 279 million) at their meeting held on September 19, 2019.

19 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information has been approved by the Board of Directors of the Company and authorized for issue on February 17, 2020.

20 GENERAL

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


Anwar-ul-Haq
Chief Financial Officer


Muhammad Adrees
Chief Executive Officer


Haseeb Ahmad
Director

Note

[illegible]

[illegible]