

3rd. Quarter Report
March 31,
2020



Sitara Chemical Industries Limited

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Company Information

Board of Directors

Chairman
Chief Executive Officer
Directors

Mr. Abdul Awal
Mr. Muhammad Adrees
Mr. Haseeb Ahmad
Mr. Haroon Ahmad Zuberi
Mr. Ahmad Nawaz
Mr. Ashraf Shahzad Ahmad
Mrs. Shala Waheed Sher

Mr. Mazhar Ali Khan

Mr. Anwar-ul-Haq (FCA)

Company Secretary

Chief Financial Officer

Audit Committee

Chairman
Members

Mr. Haroon Ahmad Zuberi
Mr. Abdul Awal
Mr. Ahmad Nawaz

Human Resource & Remuneration Committee

Chairman
Members

Mr. Abdul Awal
Mr. Muhammad Adrees
Mrs. Shala Waheed Sher

Head of Internal Audit

Auditors

Mr. Zakir Hussain (FCA)

Deloitte Yousuf Adil
Chartered Accountants

Legal Advisor

Shariah Advisor

Bankers

Mr. Sahibzada Muhammad Arif

Al Hamd Shariah Advisory Services (Pvt.) Limited

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

Website of the Company

Registered Office

www.sitara.com.pk

601-602 Business Centre, Mumtaz Hassan Road,
Karachi.-74000

Share Registrar Address

THK Associates (Private) Limited
1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi

Factories

28 / 32 KM, Faisalabad - Sheikhpura Road,

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 nine months ended March 31, 2020.

Business Overview:

During the period under review, your company has recorded net sales of Rs. 9,491 million and gross profits of Rs. 1,803 million as compared with net sales of Rs. 9,597 million and gross profits of Rs. 2,071 million in the corresponding period of the last year witnessing a decline of 1.10% in net sales and 12.94% in gross profit. Profit after tax stood at Rs. 371 million as compared with Rs. 807 million during the corresponding period last year translating into earning per share of Rs. 17.31 and Rs. 37.66 respectively.

As reported in our last director's report, cost of sales remained on the higher side due to higher input costs like electricity, steam, and other raw materials, particularly WAPDA tariff and RLNG prices during the nine months period as compared with the corresponding period of last year. Selling prices of caustic and yarn were increased to some extent to compensate against increased cost of production, yet the incremental cost could not be recovered fully due to prevalent economic conditions being not conducive enough to warrant such decision. Financial cost remained on the higher side due to prevalent high interest rates compared with last year.

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 of economic environment of the country. COVID-19 pandemic started hitting businesses in Pakistan in December 2019 with its start in China but some major hit in Company's was witnessed during the last week of third quarter of the year 2020 after announcement of lock-down in the country. In view of these factors, gross margins and earnings per share remained low.

Future Outlook:

Work on our new soap noodles project is in progress, and as reported in our last directors' report that major LCs of the Plant & Machinery have already opened with banks. We are constantly in touch with foreign technology supplier and do not expect any significant delay in the delivery timelines of machinery after COVID-19 pandemic.

Apart from evaluating options to have alternate, reliable and cheaper source of electricity in the wake of high electricity and RLNG prices, we are also evaluating opportunities in the post COVID-19 scenario to diversify to other businesses.

International oil and coal prices are on decreasing side at the moment and also Govt. of Pakistan has also taken number of measures to spur economic growth in the country including reduction in policy interest rate etc; we hope that these factors will provide some breathing space to company in the fourth quarter of the ongoing financial year and in the next financial year. However, the looming global economic recession due to COVID-19 pandemic and its trickle down impact on the economy of Pakistan particularly textile sector are the key challenges faced by the company. We hope that your company and the world will come out of this COVID-19 crisis very soon (INSHALLAH).

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
April 29, 2020
Faisalabad.



Haseeb Ahmad
Director

ڈائریکٹرز رپورٹ

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

ستارہ کیمیکلز انڈسٹریز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے ہم 31 مارچ 2020 کو نو ماہ کے اختتام پر غیر آڈٹ شدہ اکاؤنٹس پیش کرنے کے لیے خوش ہیں۔

کاروباری جائزہ:

زیر جائزہ مدت کے دوران آپ کی کمپنی نے 9,491 ملین روپے کی خالص فروخت کی ہے۔ اور مجموعی منافع 1,803 ملین روپے رہا۔ جبکہ پچھلے سال اسی مدت میں خالص فروخت 9,597 ملین روپے اور مجموعی منافع 2,071 ملین روپے تھا جس سے پچھلے سال اسی مدت کے دوران خالص فروخت کی مدت میں 1.10% اور مجموعی منافع میں 12.94% کمی دیکھنے میں آئی۔ ٹیکس کے بعد منافع 371 ملین روپے رہا جو کہ پچھلے سال اسی عرصہ کے دوران 807 ملین روپے تھا۔ زیر جائزہ مدت کے دوران فی حصص آمدنی 17.31 روپے رہی جو کہ پچھلے سال اسی عرصہ میں 37.66 روپے تھی۔

جیسا کہ ہم نے اپنی آخری رپورٹ میں بیان کیا ہے کہ بجلی، سٹیم، اور دیگر خام مال، خاص طور پر واپڈا ٹیرف اور RLNG قیمتوں جیسے عوامل نو مہینوں کے دوران گزشتہ سال کے اسی عرصے کے مقابلے میں زیادہ لاگت کی وجہ سے فروخت کی لاگت زیادہ رہی۔ کاسٹک اور دھواگے کی قیمت فروخت میں کسی حد تک اضافہ کیا گیا تا کہ پیداواری لاگت کے مقابلے میں معاوضہ بڑھایا جاسکے، لیکن معاشی حالات کی وجہ سے اضافی لاگت پوری طرح سے حاصل نہیں ہو سکی۔ پچھلے سال کے اسی عرصے کے مقابلے میں کمپنی کی Financial Cost میں بھی مزید بلندی شرح منافع کی وجہ سے اضافہ ہوا۔

زیر جائزہ مدت کے دوران کاسٹک اور دھواگے کے حجم کی فروخت گزشتہ سال کے اسی عرصے کے حجم کی فروخت کے مقابلے میں تناؤ میں رہی جس کی وجہ ملک کے معاشی ماحول کی مجموعی سست روی ہے۔ COVID-19 کی وبا کی بیماری نے دسمبر 2019 میں چین میں اپنے آغاز کے ساتھ ہی پاکستان میں کاروباری سرگرمیوں کو متاثر کرنا شروع کر دیا تھا لیکن ملک میں لاک ڈاؤن کے اعلان کے بعد سال 2020 کی تیسری سہ ماہی کے آخری ہفتے کے دوران کمپنی کو کچھ زیادہ دھچکا لگا۔ ان عوامل کے پیش نظر، مجموعی مارجن اور فی حصص آمدنی کم رہی۔

مستقبل پر نظر:

جیسا کہ ہم نے اپنی آخری ڈائریکٹرز رپورٹ میں بیان کیا ہے کہ ہمارے نئے Soap Noodles Project پر کام جاری ہے اور پلانٹ اینڈ مشینری کے بڑے LCs ٹینکوں کے ساتھ پہلے ہی کھولے جانے لگے ہیں۔ ہم غیر ملکی ٹیکنالوجی فراہم کنندہ کے ساتھ مستقل رابطے میں رہتے ہیں اور COVID-19 کی وبا کی امراض کے بعد مشینری کی فراہمی کی تاخیر میں کسی خاص تاخیر کی توقع نہیں کرتے۔

مزید برآں، آپ کی کمپنی بجلی اور RLNG کی بڑھتی ہوئی قیمتوں کے تناظر میں، بجلی کے متبادل، قابل اعتماد اور سستے وسائل رکھنے کے اختیارات کی جانچ پڑتال کے علاوہ COVID-19 کی وبا کے بعد کے مواقع کا بھی جائزہ لے رہی ہے تاکہ دوسرے کاروبار میں تنوع پیدا کیا جاسکے۔

اس وقت تیل اور کوئلے کی بین الاقوامی قیمتیں کم ہو رہی ہیں اور حکومت پاکستان نے بھی ملک میں معاشی نمو کو فروغ دینے کے لیے متعدد اقدامات کئے ہیں جن میں پالیسی ریٹ کی شرح میں کمی بھی شامل ہے۔ ہم امید کرتے ہیں کہ یہ عوامل جاری مالیاتی سال کی چوتھی سہ ماہی اور اگلے مالی سال میں کمپنی کو کچھ سہارا دینے میں معاون ثابت ہوں گے۔ تاہم COVID-19 وبا کی امراض کی وجہ سے عالمی معاشی بحران اور اس وجہ سے پاکستان کی معیشت بالخصوص ٹیکسٹائل کے شعبے پر پڑنے والے اہم معاشی بحران کمپنی کو درپیش کلیدی چیلنجز ہیں۔ ہم امید کرتے ہیں کہ آپ کی کمپنی اور دنیا بہت جلد COVID-19 بحران سے نکل آئے گی (انشاء اللہ)۔

اعترافات:

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

محمد ادیس

چیف ایگزیکٹو آفیسر

فیصل آباد 29 اپریل 2020

حسب احمد

ڈائریکٹر

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2020

		Un-audited March 31, 2020	Audited June 30, 2019
		(Rupees in thousand)	
ASSETS	Note		
NON - CURRENT ASSETS			
Property, plant and equipment	5	15,109,000	15,516,237
Intangible assets		10,286	11,120
Investment property	6	3,316,503	3,296,505
Long-term investments		19,640	19,640
Long-term loans and advances		1,157,436	1,082,125
Long-term deposits		123,489	111,809
		19,736,354	20,037,436
CURRENT ASSETS			
Stores, spare parts and loose tools		981,594	950,071
Stock-in-trade		2,210,669	1,328,480
Trade debts	7	1,399,885	1,176,876
Advance Sales Tax		-	4,526
Loans and advances		3,036,761	2,871,978
Trade deposits and short-term prepayments		15,958	4,863
Other receivables		16,908	14,576
Other financial assets	8	206,057	336,175
Cash and bank balances		142,821	102,510
		8,010,653	6,790,055
		27,747,007	26,827,491
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	9	214,294	214,294
Reserves		1,328,580	1,369,324
Un-appropriated profits		8,877,311	8,522,364
Surplus on revaluation of property, plant and equipment		4,315,330	4,513,641
		14,735,515	14,619,623
NON - CURRENT LIABILITIES			
Long-term financing	10	1,527,111	2,054,447
Long-term deposits		53,437	39,787
Deferred liabilities		2,355,054	2,436,001
		3,935,602	4,530,235
CURRENT LIABILITIES			
Trade and other payables		3,008,557	2,416,097
Sales tax payable		56,454	-
Profit / financial charges payable		226,221	186,354
Short term borrowings		5,071,618	4,333,342
Unclaimed dividend		21,671	19,824
Current portion of long term financing		691,369	722,016
		9,075,890	7,677,633
CONTINGENCIES AND COMMITMENTS	11	27,747,007	26,827,491

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

Anwar-ul-Haq
Chief Financial Officer

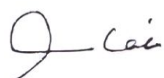
Muhammad Adrees
Chief Executive Officer

Haseeb Ahmad
Director

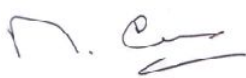
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020

		Nine months period ended		Three months period ended	
		March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
		(.....Rupees in thousand.....)			
Note					
	12	9,490,770	9,596,928	3,407,923	3,434,526
	13	(7,688,163)	(7,525,634)	(2,801,369)	(2,743,354)
		1,802,607	2,071,294	606,554	691,172
		(256,368)	(254,504)	(81,275)	(92,055)
		(470,152)	(459,278)	(149,654)	(147,857)
		(23,604)	(69,339)	(10,847)	(21,018)
		(763,517)	(430,260)	(262,837)	(171,356)
		(1,513,641)	(1,213,381)	(504,613)	(432,286)
		146,468	127,287	54,418	35,419
		435,434	985,200	156,359	294,305
		-	-	-	-
		435,434	985,200	156,359	294,305
	14	(64,505)	(178,237)	(28,999)	(30,567)
		370,929	806,963	127,360	263,738
	15	17.31	37.66	5.94	12.31

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

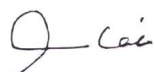


Haseeb Ahmad
Director

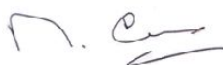
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020**

	Nine months period ended		Three months period ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	(.....Rupees in thousand.....)			
Profit after taxation	370,929	806,963	127,360	263,738
<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	(40,744)	14,325	(24,440)	(16,676)
Revaluation surplus on property, plant and equipment - adjustment due to change in tax rate	-	4,396	-	-
Remeasurement of post retirement benefits obligation	-	1,701	-	1,701
Impact of deferred tax	-	(459)	-	(459)
<i>Other comprehensive income / (loss)</i>	(40,744)	19,963	(24,440)	(15,434)
Total comprehensive income for the period	330,185	826,926	102,920	248,304

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




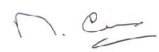
Haseeb Ahmad
Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020**

	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)									
Balance as at July 01, 2018 - Audited	214,294	97,490	50,345	(7,339)	1,164,731	1,225,000	7,892,907	10,423,134	10,637,428
Total comprehensive income									
Profit for the nine months period ended March 31, 2019	-	-	-	-	-	-	806,963	806,963	806,963
Other comprehensive income	-	-	14,325	1,242	4,396	-	-	19,963	19,963
(Loss) realized on sale of available for sale financial assets during the period	-	-	-	-	-	-	-	-	-
Share of other comprehensive (loss) of associate	-	-	-	-	-	-	-	-	-
Transfer to un-appropriated profit on account of incremental depreciation - net of tax	-	-	14,325	1,242	4,396	-	806,963	826,926	826,926
	-	-	-	-	(45,683)	-	45,683	-	-
Distribution to owners									
Final dividend for the year ended June 30, 2018 @ Rs. 13 per share	-	-	-	-	-	-	(278,582)	(278,582)	(278,582)
Balance as at March 31, 2019 - Un-audited	214,294	97,490	64,670	(6,097)	1,123,444	1,225,000	8,466,971	10,971,478	11,185,772
Total comprehensive income									
Profit for the three months period ended June 30, 2019	-	-	-	-	-	-	78,495	78,495	78,495
Other comprehensive income	-	-	(10,341)	1,482	-	-	-	(8,859)	(8,859)
Transfer to un-appropriated profit on account of incremental depreciation	-	-	(10,341)	1,482	-	-	78,495	69,636	69,636
Impact of change in accounting policy IFRS 9 - net of tax	-	-	-	-	(14,382)	-	14,382	-	-
Impact of reclassification of available for sale investment to investment measured at FVTPL	-	-	(2,880)	-	-	-	(40,364)	(40,364)	(40,364)
Revaluation surplus on property, plant and equipment - adjustment due to change in tax rate	-	-	-	-	3,404,579	-	-	3,404,579	3,404,579
Balance as at June 30, 2019 - Audited	214,294	97,490	51,449	(4,615)	4,513,641	1,225,000	8,522,364	14,405,329	14,619,623
Total comprehensive income									
Profit for the nine months period ended March 31, 2020	-	-	-	-	-	-	370,929	370,929	370,929
Other comprehensive income	-	-	(40,744)	-	-	-	-	(40,744)	(40,744)
Transfer to un-appropriated profit on account of incremental depreciation - net of tax	-	-	(40,744)	-	-	-	370,929	330,185	330,185
	-	-	-	-	(198,311)	-	198,311	-	-
Distribution to owners									
Final dividend for the year ended June 30, 2019 @ Rs. 10 per share	-	-	-	-	-	-	(214,293)	(214,293)	(214,293)
Balance as at March 31, 2020 - Un-audited	214,294	97,490	10,705	(4,615)	4,315,330	1,225,000	8,877,311	14,521,221	14,735,511

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


Anwar-ul-Haq
Chief Financial Officer

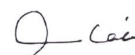

Muhammad Adrees
Chief Executive Officer


Haseeb Ahmad
Director

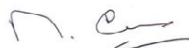
**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020**

		Nine months period ended	
		March 31, 2020	March 31, 2019
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES	Note		
Operating cash flow before working capital changes	18	1,975,693	2,033,584
<i>Changes in working capital:</i>			
<i>(Increase) / decrease in current assets</i>			
Stores, spare parts and loose tools		(31,523)	(242,241)
Stock-in-trade		(882,189)	(899,607)
Trade debts		(221,242)	(248,689)
Loans and advances		(155,330)	(235,566)
Trade deposits and short-term prepayments		(11,096)	(6,653)
Other receivables		(2,332)	952
Advance Sales tax		4,526	-
<i>Increase / (decrease) in current liabilities</i>			
Trade and other payables		582,155	302,283
Sales tax payable		56,454	(11,597)
		(660,576)	(1,341,118)
Cash generated from operations		1,315,117	692,466
Finance cost paid		(723,649)	(283,837)
Employee benefits paid		(5,546)	(4,598)
Taxes paid		(146,633)	(295,233)
Profit received		6,023	6,066
		(869,805)	(577,602)
<i>Net cash generated from operating activities</i>		445,312	114,864
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(567,841)	(1,051,807)
Proceeds from disposal of property, plant and equipment		109,331	12,377
Proceeds from disposal of investment property		-	2,056
Proceeds from disposal of other financial assets - net		91,723	146,885
Purchase of investment property		(23,399)	(85,964)
Purchase of intangible assets		-	(544)
Long term deposits paid		(11,680)	(264)
Long-term loans and advances received		10,895	14,006
Dividend income received		4,475	3,559
<i>Net cash used in investing activities</i>		(386,496)	(959,696)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayment) / Proceeds of long-term financing		(557,983)	347,188
Short term financing - net		738,275	850,585
Long term deposits availed		13,650	14,544
Dividend paid		(212,447)	(280,497)
<i>Net cash generated from financing activities</i>		(18,505)	931,820
<i>Net increase in cash and cash equivalents</i>		40,311	86,988
<i>Cash and cash equivalents at beginning of the period</i>		102,510	79,663
<i>Cash and cash equivalents at end of the period</i>		142,821	166,651

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 NINE MONTHS PERIOD ENDED MARCH 31, 2020

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 nine months period ended March 31, 2020 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 nine months period ended March 31, 2019.

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's useful life.

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 March 31, 2020.

4 ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on past experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. However, actual results may differ from these estimates.

During the preparation of this condensed interim financial information, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the audited annual financial statements for the year ended June 30, 2019.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020**

	Note	Un-audited March 31, 2020 (Rupees in thousand)	Audited June 30, 2019
5 PROPERTY, PLANT AND EQUIPMENT			
Operating assets	5.1	14,971,631	15,429,126
Capital work-in-progress		137,369	87,111
		<u>15,109,000</u>	<u>15,516,237</u>

		Un-audited March 31, 2020 (Rupees in thousand)	Audited June 30, 2019
5.1 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		46,865	513,667
Plant and machinery		357,929	5,603,103
Grid station and electric installations		6,935	360
Factory equipment		32,999	55,155
Electric equipment		41,530	305,898
Office equipment		3,925	15,038
Furniture and fittings		1,778	5,969
Vehicles		9,325	52,823
		517,583	7,055,103
Written down value of assets disposed off during the period / year		(104,037)	(150,417)
Depreciation charged during the period / year		(871,041)	(967,587)
		<u>14,971,631</u>	<u>15,429,126</u>

- 5.2** The Company had revalued its freehold land, building and plant & machinery at June 30, 2019. The revaluation had been carried out by Hamid Mukhatar & 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. 4,315 million net of tax (June 30, 2019: 4,514 million) remains undepreciated as at March 31, 2020.

Details of the Company's revalued assets and information about fair value hierarchy, as at March 31, 2020 are as follows:

	Un-audited March 31, 2020			Audited June 30, 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Land - freehold	-	1,287,405	-	-	1,271,108	-
Buildings on freehold land	-	1,682,487	-	-	1,769,060	-
Plant and machinery	-	10,677,012	-	-	11,035,400	-
	-	<u>13,646,904</u>	-	-	<u>14,075,568</u>	-

	Note	Un-audited March 31, 2020 (Rupees in thousand)	Audited June 30, 2019
6 INVESTMENT PROPERTY			
Land	6.1	3,269,171	3,246,712
Buildings	6.2	47,332	49,793
		<u>3,316,503</u>	<u>3,296,505</u>

6.1 Land			
Balance at the beginning of the period / year		3,246,712	2,979,388
Addition during the period / year		22,459	267,324
Disposal during the period / year		-	-
Balance at end of the period / year		<u>3,269,171</u>	<u>3,246,712</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020**

	Un-audited March 31, 2020 (Rupees in thousand)	Audited June 30, 2019
6.2 Buildings		
<i>Cost:</i>		
Balance at the beginning of the period / year	89,277	89,277
Addition during the period / year	939	-
Disposal during the period / year	-	-
Balance at the end of the year	90,216	89,277
<i>Accumulated depreciation:</i>		
At the beginning of the period / year	39,483	34,697
For the period / year	3,401	4,786
Accumulated depreciation on disposed asset	-	-
At the end of the period / year	(42,884)	(39,483)
Written down value at the end of the period / year	47,332	49,793

7 TRADE DEBTS

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

	Note	Un-audited March 31, 2020 (Rupees in thousand)	Audited June 30, 2019
8 OTHER FINANCIAL ASSETS			
Investments held at FVTOCI	8.1	153,023	200,727
Investments held at FVTPL	8.2	53,034	135,448
		<u>206,057</u>	<u>336,175</u>
8.1 Investment designated as fairvalue through other comprehensive income (FVTOCI)			
Fair value at July 01		200,727	194,960
Additions in investments during the period / year		229	12,840
		<u>200,956</u>	<u>207,800</u>
Sale / disposal of investments during the period / year		-	(6,400)
		<u>200,956</u>	<u>201,400</u>
Gain / (loss) on investments during the period / year		(47,933)	(673)
		<u>153,023</u>	<u>200,727</u>
8.2 Investment designated as fairvalue through profit and Loss (FVTPL)			
Fair value at July 01		135,448	157,294
Additions in investments during the period / year		-	561,395
		<u>135,448</u>	<u>718,689</u>
Sale / disposal of investments during the period / year		(91,952)	(588,145)
		<u>43,496</u>	<u>130,544</u>
Gain / (loss) on investments during the period / year		9,538	4,904
		<u>53,034</u>	<u>135,448</u>

8.3 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 March 31, 2020			Audited June 30, 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investments classified at FVTOCI	153,023	-	-	200,727	-	-
Investments classified at FVTPL	53,034	-	-	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.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020**

9 SHARE CAPITAL

Un-audited March 31, 2020No of shares.....	Audited June 30, 2019		Un-audited March 31, 2020 (Rupees in thousand)	Audited June 30, 2019
		<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

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

10 LONG-TERM FINANCING

Diminishing Musharka (from financial institutions - secured)

Opening balance	2,776,463	2,019,841
Obtained during the period / year	-	1,570,266
Re-paid during the period / year	(557,983)	(813,644)
	2,218,480	2,776,463
Less: Current portion	(691,369)	(722,016)
	1,527,111	2,054,447

11 CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

Guarantees issued by banks on behalf of the Company	262,517	259,984
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11.2 Commitments

Outstanding letters of credit for raw material and spare parts	352,584	268,872
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12 SALES - NET

Local:

	Un-audited Nine months period ended March 31 2020	Un-audited Nine months period ended March 31 2019	Un-audited Three months period ended March 31 2020	Un-audited Three months period ended March 31 2019
Chemicals	9,719,878	9,239,678	3,396,251	3,142,874
Yarn	1,342,761	1,487,359	552,535	534,532
Fabric	228,344	344,018	154,352	246,787
Waste	16,255	11,559	4,594	3,170
	11,307,238	11,082,614	4,107,732	3,927,363

Export:

Chemicals	174,427	243,982	16,040	102,362
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Gross Sales

Less:

Commission and discount	(358,261)	(398,617)	(122,655)	(144,770)
Sales Tax	(1,632,634)	(1,331,051)	(593,194)	(450,429)
	(1,990,895)	(1,729,668)	(715,849)	(595,199)
	9,490,770	9,596,928	3,407,923	3,434,526

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020**

	Un-audited Nine months period ended		Un-audited Three months period ended	
	March 31 2020	March 31 2019	March 31 2020	March 31 2019
	(.....Rupees in thousand.....)			
13 COST OF SALES				
Raw material consumed	2,310,414	2,437,664	841,489	859,023
Fuel and power	4,128,863	4,107,795	1,497,332	1,338,034
Salaries, wages and benefits	416,390	395,330	138,232	124,888
Factory overheads	1,302,855	1,132,734	440,872	407,305
	8,158,523	8,073,523	2,917,926	2,729,250
Work-in-process				
Opening stock	-	14,928	15,559	14,920
Closing stock	(19,052)	(14,749)	(19,052)	(14,749)
	(19,052)	179	(3,493)	171
Cost of goods manufactured	8,139,471	8,073,702	2,914,433	2,729,421
Finished goods				
Opening stock	904,916	634,800	1,243,160	1,196,801
Closing stock	(1,356,223)	(1,182,868)	(1,356,223)	(1,182,868)
	(451,307)	(548,068)	(113,063)	13,933
	7,688,163	7,525,634	2,801,369	2,743,354
14 PROVISION FOR TAXATION				
Current - for the period	139,996	150,265	18,876	4,211
Prior year	-	-	-	-
Deferred	(75,491)	27,972	10,123	26,356
	64,505	178,237	28,999	30,567
15 EARNINGS PER SHARE - BASIC AND DILUTED				
Profit for the period	370,929	806,963	127,360	263,738
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)	17.31	37.66	5.94	12.31

16 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 nine months period ended are as follows:

		Un-audited	
		Nine months period ended	
		March 31	March 31
		2020	2019
<i>Relationship with the Company</i>	<i>Nature of transactions</i>	<i>(Rupees in thousand)</i>	
Associated undertakings	Sales	1,543	442
	Organizational expenses paid	2,500	2,284
	Organizational expenses recovered	102	25
	Donation given	19,174	17,687
Key management personnel	Remuneration to Executives	95,481	83,741

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

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

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

17 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 fabric

17.1 Information about operating segments is as follows:

	Operating segments				Total
	Chemical Division		Textile Division		Total
	Un-audited				
	Nine months period ended				
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2019
	(----- Rupees in thousand -----)				
Revenue from external customers - net	7,908,835	7,761,347	1,581,935	1,835,581	9,490,770
Depreciation on property, plant and equipment	809,321	664,940	61,720	32,431	871,041
Segment profit / (loss)	1,072,632	1,310,062	3,456	47,449	1,076,088
	Un-audited March 31, 2020	Audited June 30, 2019	Un-audited March 31, 2020	Audited June 30, 2019	Total Un-audited March 31, 2019
	(----- Rupees in thousand -----)				Total Audited June 30, 2019
Capital expenditure	233,899	2,058,530	283,684	446,663	517,583
Segment assets	15,499,692	15,599,826	3,022,031	2,151,911	18,521,723
Segment liabilities	1,221,703	1,735,387	397,463	397,364	1,619,166

17.2 Reconciliations of reportable segments are as follows:

Revenue

Total revenue for reportable segments

Un-audited Nine months period ended	
March 31, 2020	March 31, 2019
(Rupees in thousand)	

9,490,770	9,596,928
-----------	-----------

Profit for the period

Total profit for reportable segments

1,076,088	1,357,511
-----------	-----------

Unallocated corporate income / (expenses)

Other income

146,468	127,287
---------	---------

Other expenses

(23,604)	(69,338)
----------	----------

Finance cost

(763,517)	(430,260)
-----------	-----------

Share of loss from investment in associate - net of tax

-	-
---	---

Profit before taxation

435,434	985,200
---------	---------

Un-audited March 31, 2020	Audited June 30, 2019
(Rupees in thousand)	

Assets

Total assets for reportable segments

18,521,723	17,751,737
------------	------------

Other unallocated corporate assets

9,225,284	9,075,754
-----------	-----------

Company's assets

27,747,007	26,827,491
------------	------------

Liabilities

Total liabilities for reportable segments

1,619,166	2,132,751
-----------	-----------

Other unallocated corporate liabilities

11,392,326	10,075,117
------------	------------

Company's liabilities

13,011,492	12,207,868
------------	------------

17.3 The Company has no reportable geographical segment.

18 OPERATING CASH FLOW BEFORE WORKING CAPITAL CHANGES

	Un-audited Nine months period ended	
	March 31, 2020	March 31, 2019
	(Rupees in thousand)	
Profit before taxation	435,434	985,200
Adjustments for:	-	-
Depreciation on property, plant and equipment	871,041	697,371
Depreciation on investment property	3,401	3,768
Amortization on intangible assets	834	903
Gain on sale of investments measured at FVTPL	(9,538)	-
Finance cost	763,517	430,260
Loss / (gain) on disposal of property, plant and equipment	(5,294)	(7,663)
Provision for employee benefits	7,280	6,650
Dividend income	(4,475)	(3,559)
Exchange gain	(1,767)	-
Unwinding of deferred receivable	(78,717)	(73,280)
Profit on bank deposits	(6,023)	(6,066)
	1,540,259	1,048,384
	1,975,693	2,033,584

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 April 29, 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

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