

Half Year Report December 31, 2022



**EXCELLENCE.
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**Sitara Chemical
Industries Limited**

Contents

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

Company Information

Board of Directors

Chairman

Chief Executive Officer

Directors

Mr. Ahmad Hassan

Mr. Muhammad Adrees

Mr. Haseeb Ahmad

Mr. Haroon Ahmad Zuberi

Mr. Ahmad Nawaz

Mr. Najmul Hoda Khan

Mrs. Shala Waheed Sher

Mr. Mazhar Ali Khan

Mr. Zakir Hussain (FCA)

Company Secretary

Chief Financial Officer

Audit Committee

Chairman

Members

Mr. Haroon Ahmad Zuberi

Mr. Najmul Hoda Khan

Mr. Ahmad Nawaz

Human Resource & Remuneration Committee

Chairman

Members

Mr. Ahmad Hassan

Mr. Muhammad Adrees

Mrs. Shala Waheed Sher

Head of Internal Audit

Mr. Ghulam Abbas (ACA)

External Auditors

M/s. Yousuf Adil

Chartered Accountants

Legal Advisor

Mr. Sahibzada Muhammad Arif

Shariah Advisor

M/s. Alhamd Shariah Advisory Services (Pvt.) Limited

Bankers

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

www.sitara.com.pk

Registered Office

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

Share Registrar Address

THK Associates (Private) Limited

Plot No. 32-C, Jami Commercial Street 2, D.H.A., Phase VII, Karachi-75500

Factories

28 / 32 KM, Faisalabad - Sheikhpura Road, Faisalabad, Pakistan

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 on December 31, 2022 along with Auditors' review report thereon.

BUSINESS OVERVIEW:

During the period under review, Company recorded a net sales of Rs. 11,968 million and gross profits of Rs. 1,579 million as compared with net sales of Rs. 9,385 million and gross profits of Rs 1,209 million in the corresponding period of last year, witnessing a growth of 27.52% in net sales. Growth in net sale figure is attributable to increased sale prices of Caustic and other allied chemicals during the period under review as compared with sale prices prevalent in last year's corresponding period. Gross margins of chemical segment have improved during the period due to passing on the impact of increased production cost in sale prices and adoption of prudent energy mix strategy. In view of the country's ongoing economic situation, textile segment of the company has faced some unprecedented challenges during the period under review i.e. low availability of gas supply at the start of the FY 2023 by SNGPL for captive power plants leading to low production of yarn, heavy flood hitting the country damaging the cotton crop resulting into substantial increase in local and imported cotton prices, low sale demand of yarn by textile exporters and resultant decline in finished yarn price in local market etc. All these factors have led into an overall slump in textile sector resulting your company into low quantitative production and sale of yarn with decline in gross margins both in %age terms and in total revenues.

Increase in sales and distribution expense is mainly attributable to higher POL prices during the period as compared with the POL prices prevalent in corresponding period last year. Increase in Financial cost during the period as compared with correspondent period last year is attributable to consistent increase in policy rate by SBP to the level of 17% currently, leading to a higher financial cost.

In view of the aforesaid economic and operational highlights, company posted a profit after tax of Rs. 88 million during the half year ended translating into profit per share of Rs. 4.10 per share as against profit after tax of Rs. 253 million with earning per share of Rs. 11.81 during the corresponding period last year.

FUTURE OUTLOOK:

Civil work on expansion of coal fired power plant (CFPP) is in progress. Major LCs of BTG Equipment (Boiler, Turbine and Generator) have already been established with banks, while LCs / local procurement of remainder equipment is under design vetting phase. In view of current economic challenges being faced by the country due to dwindling foreign exchange reserves where fresh LCs of plant & machinery, spare parts, raw materials etc. are not being opened by banks, retirement of existing established LCs are not being timely made by banks etc.; your company has adopted to a go slow policy on CFPP expansion project, and consequently has put deliveries of existing BTG items on hold at vendors' site and in some case have asked vendors to defer deliveries for next 3-4 months' time. However, your management is monitoring the existing economic situation of the country very closely on day to day basis.

Apart from problems in opening / retiring LCs of raw materials, plant & machinery, parts, spares that the businesses are currently facing, and recent economic measures taken by Govt. of Pakistan as a prerequisites under expected IMF program i.e. significant devaluation of PKR against US\$, increase in POL prices, taxation measures undertaken through Finance Supplementary Bill 2023, and further likely increase in electricity tariff in coming months etc., all these could be anticipated as key challenges for the company in the remainder period of the ongoing financial year.

ACKNOWLEDGMENTS:

We would like to extend our appreciations to our valued business partners and stakeholders for their continued support, cooperation and trust 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 23, 2023
Faisalabad.



Ahmad Hassan
Director

ڈائریکٹر رپورٹ

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 2022 کو ختم ہونے والی ششماہی کے کمپنی کے غیر آڈٹ شدہ عبوری مالیاتی گوشواروں کے ساتھ آڈیٹرز کی جائزہ رپورٹ پیش کرتے ہوئے پُر مسرت ہیں۔

کاروباری جائزہ:

زیر جائزہ مدت کے دوران، آپ کی کمپنی نے 11,968 ملین روپے کی خالص فروخت کی ہے۔ اور مجموعی منافع 1,579 ملین روپے رہا۔ جبکہ پچھلے سال اسی سہ ماہی میں خالص فروخت 9,385 ملین روپے اور مجموعی منافع 1,209 ملین روپے تھا، خالص فروخت میں 27.52 فیصد اضافہ دیکھا گیا۔ زیر جائزہ ششماہی کے دوران فروخت کے اعداد میں اضافہ کا سبب اور دیگر متعلقہ کیمیکلز کی فروخت کی قیمتوں میں اضافے سے منسوب ہے، جو کہ گذشتہ سال کے مقابلے میں اسی عرصہ کے دوران مروجہ تھیں۔ فروخت کی قیمتوں میں بڑھتی ہوئی پیداواری لاگت کے اثرات سے گزرنے اور بہتر اترجی کس حکمت عملی کو اپنانے کی وجہ سے اس عرصہ کے دوران کیمیکل سگمینٹ کے مجموعی مارجن میں بہتری آئی ہے۔ ملک کی جاری معاشی صورتحال کے پیش نظر، کمپنی کے ٹیکسٹائل کے شعبے کو زیر جائزہ مدت کے دوران کچھ چیلنجز کا سامنا کرنا پڑا، یعنی اسی سال 2023 کے آغاز میں SNGPL کی جانب سے کپڑوں پاور پلانٹس کے لیے گیس کی عدم دستیابی سے یارن کی پیداوار میں کمی ہوئی، ملک میں آنے والے شدید سیلاب نے کپاس کی فصل کو نقصان پہنچایا جس کے نتیجے میں مقامی اور درآمد شدہ کپاس کی قیمتوں میں خاطر خواہ اضافہ ہوا، ٹیکسٹائل برآمد کنندگان کی جانب سے یارن کی کم فروخت طلب اور مقامی مارکیٹ میں تیار یارن کی قیمت میں کمی وغیرہ، ان تمام عوامل کے نتیجے میں آپ کی کمپنی کے ٹیکسٹائل کے شعبے میں یارن کی پیداوار و مقدار میں فروخت اور مجموعی مارجن میں کمی واقع ہوئی ہے۔

سیلز اور ڈسٹری بیوٹن کی لاگت میں اضافہ بنیادی طور پر گزشتہ سال کی اسی مدت کے دوران POL کی زیادہ قیمتوں سے منسوب ہے جو کہ گذشتہ سال اسی مدت کے دوران POL کی مروجہ قیمتیں تھیں۔ زیر جائزہ مدت کے دوران اسٹیٹ بینک کی جانب سے پالیسی ریٹ میں 17 فیصد کی سطح پر مسلسل اضافہ ہے، جس کی وجہ سے مالیاتی لاگت میں اضافہ ہوا ہے۔ مذکورہ اقتصادی اور آپریشنل منظر نامے کے پیش نظر آپ کی کمپنی نے ٹیکس کے بعد 88 ملین روپے کا منافع کمایا، جس کی وجہ سے فی حصص 4.10 آمدنی رہی، جبکہ پچھلے سال اسی مدت کے دوران ٹیکس کے بعد منافع 253 ملین روپے رہا اور فی حصص آمدنی 11.81 روپے تھی۔


مستقبل پر نظر:

کوئٹے سے چلنے والے پاور پلانٹ (CFPP) کی توسیع پر سول ورک جاری ہے۔ BTG آلات (بواکمر، ٹربائن اور جنریٹر) کے بڑے ایل سیز پہلے ہی ٹینگوں کے ساتھ قائم کیے جا چکے ہیں۔ جبکہ باقی آلات کے ایل سیز، مقامی خریداری ڈیزائن کی جانچ کے مرحلے میں ہے۔ زرمبادلہ کم ہوتے ہوئے ذخائر کی وجہ سے ملک کو درپیش موجودہ معاشی چیلنجوں کے پیش نظر جہاں ٹینگوں کی جانب سے پلانٹ اور مشینری، اسپئیر پارٹس، خام مال وغیرہ کی نئی ایل سیز نہیں کھولی جا رہی، وہیں موجودہ قائم شدہ ایل سیز کی ریٹائرمنٹ بروقت نہیں کی جا رہی۔ آپ کی کمپنی نے CFPP توسیع منصوبے پر سست پالیسی اپنائی ہوئی ہے، جس کے نتیجے میں موجودہ BTG آلات کی ڈیلیوری سپلائرز کی جانب سے روک دی گئی ہے اور کچھ صورتوں میں سپلائرز کو اگلے 3-4 ماہ کے لیے ڈیلیوری موخر کرنے کو کہا ہے۔ تاہم آپ کی انتظامیہ روزانہ کی بنیاد پر ملک کی موجودہ معاشی صورتحال کا باریک بینی سے جائزہ لے رہی ہے۔

خام مال، پلانٹ اور مشینری، اسپئیر پارٹس کے ایل سیز کو کھولنے، ریٹائر کرنے میں مسائل کے علاوہ جن کا کاروبار اس وقت سامنا کر رہے ہیں اور حکومت کی طرف سے اٹھائے گئے حالیہ معاشی اقدامات، متوقع IMF پروگرام کے تحت پاکستان کی ایک شرط کے طور پر یعنی امریکی ڈالر کے مقابلے پاکستانی روپے کی قدر میں کمی، POL کی قیمتوں میں اضافہ، ٹرانس پلمینٹری بل 2023 کے ذریعے کیے گئے ٹیکس کے اقدامات اور آنے والے مہینوں میں بجلی کے نرخوں میں مزید اضافہ وغیرہ، یہ وہ عوامل ہیں، جو کمپنی کے لیے جاری مالی سال کی باقی مدت میں اہم چیلنجز رہیں گے۔

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 اس پر فخر کرتی ہے۔


محمد ارفیس

چیف ایگزیکٹو آفیسر

فیصل آباد: 23 فروری 2023


احمد حسن

ڈائریکٹر

ڈائریکٹر



YOUSUF ADIL

Yousuf Adil
Chartered Accountants

134-A, Abu Bakar Block
New Garden Town
Lahore
Pakistan
Tel: +92 (0) 42 3591 3595-7
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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Sitara Chemical Industries Limited

Report on review of 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, 2022, the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim statement of cashflows and notes to the condensed interim financial information for the six-months period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these 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 interim financial statements based on our review.

The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the three-months period ended December 31, 2022 and related comparative information have not been reviewed, as we are required to review only the cumulative figures for the six-months period ended December 31, 2022.

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 interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's review report is Muhammad Sufyan.

Yousuf Adil
Chartered Accountants

Lahore

Date: February 24, 2023

UDIN: RR2022101802tIR5KfQd

An Independent Correspondent Firm to
Deloitte Touche Tohmatsu Limited



SHARIAH COMPLIANCE REVIEW REPORT

For the six months period ended
December 31, 2022





ALHAMD SHARIAH ADVISORY SERVICES

(PVT) LIMITED

14th Jan 2023

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

نحمده و نصلى على رسوله الكريم

Shariah Review Report

For the period ended 31st December 2022

We have reviewed the business activities of **Sitara Chemical Industries Limited** for the quarter ended 31st December, 2022 in accordance with the provisions of Shariah Governance Regulations, 2018; and in our opinion;

- the documentation and procedures adopted have been in accordance with the principles of Shariah;
- the affairs have been carried out in accordance with the rules and principal of Shariah; and
- the income received during the period was purified where necessary, and was treated in accordance with the requirements of Shariah Governance Regulations, 2018;

In the end; we pray to Allah Almighty to grant us success and help us at every step, keep us away from every hindrance and difficulty, and give financial success to Sitara Chemical Industries Limited.

And Allah Knows Best

Mufti Muhammad Ibrahim Essa

For and on behalf of

Alhamd Shariah Advisory Services (Pvt.) Limited

Mufti Ubaid Ur Rahman Zubairi

For and on behalf of

Alhamd Shariah Advisory Services (Pvt.) Limited



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CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

		Un-audited December 31, 2022	Audited June 30, 2022
		(Rupees in thousand)	
ASSETS	Note		
NON - CURRENT ASSETS			
Property, plant and equipment	5	17,820,129	17,344,777
Intangible assets		7,960	8,379
Investment property	6	3,257,796	3,259,192
Long-term investments		25,039	25,039
Long-term loans and advances		714,321	677,477
Long-term deposits		124,664	124,376
		21,949,909	21,439,240
CURRENT ASSETS			
Stores, spare parts and loose tools		1,455,220	1,128,055
Stock-in-trade		3,698,182	4,324,516
Trade debts		1,502,254	1,387,419
Loans and advances		2,185,882	1,836,642
Trade deposits, prepayments and other receivables		56,307	28,623
Advance income tax		1,391,721	1,479,354
Other financial assets	7	654,306	607,880
Cash and bank balances		274,177	322,690
		11,218,049	11,115,179
		33,167,958	32,554,419
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital		214,294	214,294
Reserves		1,369,045	1,372,391
Un-appropriated profits		10,941,853	10,925,710
Surplus on revaluation of property, plant and equipment		3,426,311	3,525,985
		15,951,503	16,038,380
NON - CURRENT LIABILITIES			
Long-term financing	8	2,143,693	1,825,505
Long-term deposits		126,863	116,163
Deferred taxation		2,700,705	2,768,357
Deferred liabilities	9	53,685	89,535
		5,024,946	4,799,560
CURRENT LIABILITIES			
Trade and other payables		3,146,642	3,582,352
Profit / financial charges payable		354,534	240,566
Short term borrowings		7,764,244	6,839,823
Provision for taxation		158,007	199,042
Unclaimed dividend		26,727	25,144
Current portion of long-term financing		741,355	829,552
		12,191,509	11,716,479
CONTINGENCIES AND COMMITMENTS	10	33,167,958	32,554,419

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.

Chief Financial Officer

Chief Executive Officer

Director

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022**

		Six months period ended		Three months period ended	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Note		(.....Rupees in thousand.....)			
Revenue from contract with customers - net	11	11,968,345	9,385,083	6,769,499	5,528,863
Cost of sales	12	(10,389,651)	(8,176,464)	(5,668,053)	(4,795,636)
Gross profit		1,578,694	1,208,619	1,101,446	733,227
Distribution cost		(299,821)	(176,056)	(166,830)	(90,752)
Administrative expenses		(453,004)	(371,600)	(238,986)	(201,997)
Other expenses		(24,837)	(30,431)	(24,837)	(29,630)
Finance cost		(770,507)	(370,735)	(409,526)	(187,446)
		(1,548,169)	(948,822)	(840,179)	(509,825)
Other income		148,322	84,165	89,536	51,667
Profit before taxation		178,847	343,962	350,803	275,069
Provision for taxation	13	(90,944)	(90,894)	(91,791)	(56,026)
Profit after taxation		87,903	253,068	259,012	219,043
Earnings per share - basic and diluted - (Rupees)		4.10	11.81	12.09	10.22

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive Officer



Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022**

	Six months period ended		Three months period ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	(.....Rupees in thousand.....)			
Profit after taxation	87,903	253,068	259,012	219,043
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Loss on equity investments classified at FVTOCI	(3,936)	(8,480)	(9,326)	(6,390)
Related tax impact	590	1,272	1,399	959
Other comprehensive income	(3,346)	(7,208)	(7,927)	(5,431)
Total comprehensive income for the period	84,557	245,860	251,085	213,612

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive Officer



Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022**

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, 2021 - Audited 214,294 97,490 97,224 (6,014) 3,983,297 1,225,000 10,270,574 15,667,571 15,881,865

Total comprehensive income

Profit for the six months period ended December 31, 2021	-	-	-	-	-	253,069	253,069	253,069
Other comprehensive income	-	-	(7,208)	-	-	-	(7,208)	(7,208)
	-	-	(7,208)	-	-	253,069	245,861	245,861

Transfer to un-appropriated profit on account of incremental depreciation - net of tax

- - - - (117,298) - 117,298 - -

Transactions with owners

Final dividend for the year ended June 30, 2021 @ Rs. 10 per share

- - - - - (214,294) (214,294) (214,294)

Balance as at December 31, 2021 - Un-audited

214,294 97,490 90,016 (6,014) 3,865,999 1,225,000 10,426,647 15,699,138 15,913,432

Balance as at July 01, 2022 - Audited

214,294 97,490 54,306 (4,405) 3,525,985 1,225,000 10,925,711 15,824,087 16,038,381

Total comprehensive income

Profit for the six months period ended December 31, 2022	-	-	-	-	-	87,903	87,903	87,903
Other comprehensive income	-	-	(3,346)	-	-	-	(3,346)	(3,346)
	-	-	(3,346)	-	-	87,903	84,557	84,557

Transfer to un-appropriated profit on account of incremental depreciation - net of tax

- - - - (99,674) - 99,674 - -

Transactions with owners

Final dividend for the year ended June 30, 2022 @ Rs. 8 per share

- - - - - (171,435) (171,435) (171,435)

Balance as at December 31, 2022 - Un-audited

214,294 97,490 50,960 (4,405) 3,426,311 1,225,000 10,941,853 15,737,209 15,951,503

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive Officer



Director

**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022**

		Six months period ended	
		December 31, 2022	December 31, 2021
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES	Note		
Operating cash flow before working capital changes	16	1,515,380	1,307,771
Changes in working capital:			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		(327,165)	(117,877)
Stock-in-trade		626,334	(888,367)
Trade debts		(119,199)	(118,363)
Loans and advances		(348,898)	241,606
Trade deposits and short-term prepayments		(27,684)	(23,121)
Other receivables		-	1,864
Increase / (decrease) in current liabilities			
Trade and other payables		(489,314)	973,382
		(685,926)	69,124
Cash generated from operations		829,454	1,376,895
Finance cost paid		(656,539)	(339,491)
Employee benefits paid		(4,683)	(4,716)
Taxes paid		(96,650)	(77,949)
		(757,872)	(422,156)
Net cash generated from operating activities		71,582	954,739
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,138,491)	(872,147)
Purchase of investment property		(201)	(4,146)
Purchase of intangible assets		-	(665)
Proceeds from disposal of property, plant and equipment		19,649	-
Proceeds from disposal of other financial assets		477,384	285,683
Purchase of other financial assets		(492,730)	(448,145)
Long-term deposits paid		(288)	(10)
Long-term loans and advances given		(764)	49,510
Profit received		11,934	3,083
Dividend income received		8,152	5,168
Net cash used in investing activities		(1,115,355)	(981,669)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financing obtained		641,261	642,583
Repayment of long-term financing		(411,270)	(339,343)
Short term borrowing - net		924,421	20,756
Long-term deposits availed		10,700	19,000
Dividend paid		(169,852)	(211,563)
Net cash generated from financing activities		995,260	131,433
Net (decrease) / increase in cash and cash equivalents		(48,513)	104,503
Cash and cash equivalents at beginning of the period		322,690	191,103
Cash and cash equivalents at end of the period		274,177	295,606

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive Officer



Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022**

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 Companies Act, 2017). The Company is listed on Pakistan Stock Exchange Limited. 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 operation of Chlor alkali plant, Oleo chemical plant and yarn spinning unit. The registered office of the Company is situated at 601-602, Business Centre, Mumtaz Hassan 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, soap noodles and allied products
Textile Division	Manufacturing of yarn and trading of 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, 2022 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, 2022. Comparative statement of financial position is extracted from annual audited financial statement for the year ended June 30, 2022, 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, 2022.
- 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, 2022.

There are certain new standards, interpretations and amendments to the accounting and reporting standards that are mandatory for the company's annual accounting periods beginning on or after July 1, 2022. However, these will not have any significant effects on the company's operations and are, therefore, not detailed in these condensed interim financial statements.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparation these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to financial statements for year ended June 30, 2022.

		Un-audited December 31, 2022	Audited June 30, 2022
	Note	(Rupees in thousand)	
5 PROPERTY, PLANT AND EQUIPMENT			
Operating assets	5.1	16,953,059	17,257,906
Capital work-in-progress	5.2	615,911	86,871
Capital stores		251,159	-
		<u>17,820,129</u>	<u>17,344,777</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022**

5.1 Operating assets

	Un-audited December 31, 2022 (Rupees in thousand)	Audited June 30, 2022
Opening written down value	17,257,906	16,859,588
Additions during the period / year:		
Freehold land	-	8,956
Buildings on freehold land - Mill	36,434	201,840
Head office	7,597	-
Plant and machinery	223,187	1,219,705
Grid station and electric installations	295	4,370
Containers and cylinders	-	112
Factory equipment	24,255	35,262
Electric equipment	11,679	151,547
Office equipment	2,050	7,873
Furniture and fittings	13,300	6,303
Vehicles	39,495	77,495
	358,292	1,713,463
Written down value of assets disposed off during the period / year	(3,214)	(4,245)
Depreciation charged during the period / year	(659,925)	(1,310,900)
Written down value at the end of the period / year	16,953,059	17,257,906

5.2 Capital work-in-progress

2022

Description	At July 01, 2022	Additions	Transfers	At December 31, 2022
	----- (Rupees in thousand) -----			
Civil	34,189	160,347	(37,196)	157,340
Mechanical	52,682	409,413	(3,524)	458,571
	86,871	569,760	(40,720)	615,911

2021

Description	At July 01, 2021	Additions	Transfers	At June 30, 2022
	----- (Rupees in thousand) -----			
Civil	32,788	83,165	(81,764)	34,189
Mechanical	31,073	1,096,009	(1,074,400)	52,682
	63,861	1,179,174	(1,156,164)	86,871

5.3 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. It was 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. 3,426 million net of tax (June 30, 2022: 3,526 million) remains undepreciated as at December 31, 2022.

Details of the Company's revalued assets and information about fair value hierarchy, as at December 31, 2022 are as follows:

	Un-audited December 31, 2022			Audited June 30, 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	----- (Rupees in thousand) -----					
Land - freehold	-	1,300,875	-	-	1,300,875	-
Buildings on freehold land	-	1,841,423	-	-	1,893,285	-
Plant and machinery	-	12,201,072	-	-	12,451,482	-
	-	15,343,370	-	-	15,645,642	-

6 INVESTMENT PROPERTY

Note

		Un-audited December 31, 2022 (Rupees in thousand)	Audited June 30, 2022
Land	6.1	3,223,516	3,223,315
Buildings	6.2	34,280	35,877
		3,257,796	3,259,192

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022**

		Un-audited December 31, 2022	Audited June 30, 2022
		(Rupees in thousand)	
6.1 Land			
Balance at the beginning of the period / year		3,223,315	3,270,232
Addition during the period / year		201	39,136
Disposal during the year		-	(77,079)
Transfer to property, plant and equipment		-	(8,974)
Balance at end of the period / year		<u>3,223,516</u>	<u>3,223,315</u>
6.2 Buildings			
Opening written down value		35,877	42,358
Transfer to property, plant and equipment		-	(2,738)
Depreciation charged during the period / year		(1,597)	(3,743)
Written down value at the end of the period / year		<u>34,280</u>	<u>35,877</u>
7 OTHER FINANCIAL ASSETS			
Investments held at FVTOCI	7.1	211,813	215,749
Investments held at FVTPL	7.2	442,493	392,131
		<u>654,306</u>	<u>607,880</u>
7.1 Investment designated as fairvalue through other comprehensive income (FVTOCI)			
Fair value at July 01		215,749	266,874
Additions in investments during the period / year		-	30,355
		<u>215,749</u>	<u>297,229</u>
Disposal during the period / year		-	(29,747)
		<u>215,749</u>	<u>267,482</u>
Loss on investments during the period / year		(3,936)	(51,733)
		<u>211,813</u>	<u>215,749</u>
7.2 Investment designated as fairvalue through profit and Loss (FVTPL)			
Fair value at July 01		392,131	244,904
Additions in investments during the period / year		527,390	1,767,675
Sale / disposal of investments during the period / year		(477,384)	(1,621,960)
		<u>442,137</u>	<u>390,619</u>
Gain on investments during the period / year		356	1,512
		<u>442,493</u>	<u>392,131</u>
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:

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022**

	Un-audited December 31, 2022			Audited June 30, 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	----- (Rupees in thousand) -----					
Investments classified at FVTOCI	211,813	-	-	215,749	-	-
Investments classified at FVTPL	442,493	25,039	-	392,131	25,039	-

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 approximates to their fair values.

	Un-audited December 31, 2022	Audited June 30, 2022
	(Rupees in thousand)	
8 LONG-TERM FINANCING		
Diminishing Musharka (from financial institutions - secured)		
Opening balance	2,655,057	2,583,587
Obtained during the period / year	641,261	789,184
Re-paid during the period / year	(411,270)	(717,714)
	2,885,048	2,655,057
Less: Current portion	(741,355)	(829,552)
	<u>2,143,693</u>	<u>1,825,505</u>
9 DEFERRED LIABILITIES		
Gratuity payable	53,685	49,821
Provision for Gas Infrastructure Development Cess (GIDC) and GIDC liability	-	38,846
Deferred grant	-	868
	<u>53,685</u>	<u>89,535</u>
10 CONTINGENCIES AND COMMITMENTS		
No significant changes from the contingencies and commitments as disclosed in annual audited financials statements for the year ended June 30, 2022 except the following;		
10.1 Contingencies		
Guarantees issued by banks on behalf of the Company	245,816	262,047
10.2 Commitments		
Outstanding letters of credit for raw material and spare parts	1,752,046	1,565,472

	Un-audited Six months period ended		Un-audited Three months period ended	
	December 31 2022	December 31 2021	December 31 2022	December 31 2021
	(.....Rupees in thousand.....)			
11 REVENUE FROM CONTRACT WITH CUSTOMERS - NET				
Local:				
Chemicals	12,852,013	9,149,808	7,099,915	5,561,872
Yarn	975,510	2,195,822	652,795	1,195,733
Fabric	104,538	58,351	58,722	35,260
Waste	3,951	18,181	3,312	10,952
	13,936,012	11,422,162	7,814,744	6,803,817
Export:				
Chemicals	353,079	78,565	237,040	26,081
Gross Sales	14,289,091	11,500,727	8,051,784	6,829,898
Less:				
Commission and discount	(293,586)	(277,990)	(155,348)	(152,636)
Sales tax	(2,027,160)	(1,837,654)	(1,126,937)	(1,148,399)
	(2,320,746)	(2,115,644)	(1,282,285)	(1,301,035)
	<u>11,968,345</u>	<u>9,385,083</u>	<u>6,769,499</u>	<u>5,528,863</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022**

	Un-audited		Un-audited	
	Six months period ended		Three months period ended	
	December 31 2022	December 31 2021	December 31 2022	December 31 2021
	(.....Rupees in thousand.....)			
12 COST OF SALES				
Raw material consumed	2,298,183	2,768,750	1,457,312	1,879,886
Fuel and power	6,221,612	4,784,547	2,757,995	3,003,236
Salaries, wages and benefits	372,632	345,773	195,273	171,519
Factory overheads	990,724	973,834	519,656	487,713
	9,883,151	8,872,904	4,930,236	5,542,354
Work-in-process				
Opening stock	40,929	23,661	32,200	67,392
Closing stock	(41,716)	(66,660)	(41,716)	(66,660)
	(787)	(42,999)	(9,516)	732
Cost of goods manufactured	9,882,364	8,829,905	4,920,720	5,543,086
Finished goods				
Opening stock	1,990,509	1,422,735	2,230,555	1,158,144
Cost of testing of Soap Noodles Plant	-	(170,582)	-	-
Closing stock	(1,483,222)	(1,905,594)	(1,483,222)	(1,905,594)
	507,287	(653,441)	747,333	(747,450)
	10,389,651	8,176,464	5,668,053	4,795,636
13 PROVISION FOR TAXATION				
Current - for the period	158,007	116,331	94,472	116,986
Deferred	(67,063)	(25,437)	(2,681)	(60,960)
	90,944	90,894	91,791	56,026

14 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of 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 period are as follows:

Relationship with the Company	Nature of transactions	Un-audited	
		Six months period ended	
		December 31 2022	December 31 2021
		(Rupees in thousand)	
Associated undertakings	Sale of goods	498	170
	Organizational expenses paid	-	52
	Donation	23,726	17,688
Key management personnel	Remuneration to Executives	90,775	75,791

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.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022**

15 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, soap noodles and allied products
- **Textile division**: Manufacturing of yarn and fabric

15.1 Information about operating segments is as follows:

	Operating segments					
	Chemical Division		Textile Division		Total	Total
	Un-audited					
	Six months period ended					
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	(------ Rupees in thousand -----)					
Revenue from external customers - net	11,049,124	7,455,471	919,221	1,929,612	11,968,345	9,385,083
Depreciation on property, plant and equipment	614,128	592,712	47,394	47,658	661,522	640,370
Segment profit / (loss)	190,443	(24,125)	13,241	398,518	203,684	374,393
	Un-audited December 31, 2022	Audited June 30 2022	Un-audited December 31 2022	Audited June 30 2022	Total Un-audited December 31 2022	Total Audited June 30 2022
	(------ Rupees in thousand -----)					
Capital expenditure	341,180	1,677,510	17,112	36,953	358,292	1,714,463
Segment assets	24,728,162	24,081,397	3,008,780	3,059,201	27,736,942	27,140,598
Segment liabilities	14,122,926	13,372,778	208,959	150,718	14,331,885	13,523,496

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022**

15.2 Reconciliations of reportable segments are as follows:

Revenue

Total revenue for reportable segments

Profit for the period

Total profit for reportable segments

Unallocated corporate income / (expenses)

Other income

Other expenses

Finance cost

Profit before taxation

Un-audited Six months period ended	
December 31, 2022	December 31, 2021
(Rupees in thousand)	

11,968,345	9,385,083
203,684	374,393
-	-
(24,837)	(30,431)
-	-
178,847	343,962

Un-audited December 31, 2022	Audited June 30, 2022
(Rupees in thousand)	

Assets

Total assets for reportable segments

Other unallocated corporate assets

Company's assets

Liabilities

Total liabilities for reportable segments

Other unallocated corporate liabilities

Company's liabilities

27,736,942	27,140,598
5,431,016	5,413,821
33,167,958	32,554,419
14,331,885	13,523,496
2,884,570	2,992,543
17,216,455	16,516,039

15.3 The Company has no reportable geographical segment.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022**

	Un-audited	
	Six months period ended	
	December 31, 2022	December 31, 2021
	(Rupees in thousand)	
16 OPERATING CASH FLOW BEFORE WORKING CAPITAL CHANGES		
Profit before taxation	178,847	343,962
Adjustments for:		
Depreciation on property, plant and equipment	659,925	640,370
Depreciation on investment property	1,597	1,993
Amortization on intangible assets	419	457
Gain on sale of investments measured at FVTPL	(356)	(6,110)
Finance cost	770,507	370,735
Gain on disposal of property, plant and equipment	(16,435)	2,010
Loss on disposal of intangible assets	-	371
Provision for employee benefits	8,547	5,033
Dividend income	(42,811)	(5,168)
Exchange gain	(5,755)	(1,004)
Unwinding of deferred receivable	(36,422)	(41,895)
Amortization of deferred grant	(868)	-
Write off - advances	-	100
Impairment loss on financial assets	10,119	-
Profit on bank deposits	(11,934)	(3,083)
	1,336,533	963,809
	1,515,380	1,307,771

17 RECLASSIFICATION

Deferred tax has been reclassified from deferred liabilities to a separate line item on the face of the statement of financial position in accordance para 54 of the International Accounting Standard 1 (IAS 1) "Presentation of Financial Statements".

18 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 23, 2023.

19 GENERAL

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



Chief Financial Officer



Chief Executive Officer



Director



Sitara Chemical Industries Limited

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