

3rd Quarter Report March 31, 2023



**EXCELLENCE.
QUALITY. TRUST.**



**Sitara Chemical
Industries Limited**

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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

External Auditors

Mr. Ghulam Abbas (ACA)

M/s. Yousuf Adil
Chartered Accountants

Legal Advisor

Shariah Advisor

Mr. Sahibzada Muhammad Arif

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 third quarter ended March 31, 2023.

BUSINESS OVERVIEW:

During the period of nine months under review, Company recorded a net sales of Rs. 20,138 million and gross profits of Rs. 3,171 million as compared with net sales of Rs. 15,431 million and gross profits of Rs. 2,097 million in the corresponding period of last year, witnessing a growth of 30.5% in net sales. Growth in net sales revenues is attributable to passing on the impact of increased cost of production, particularly energy cost, in finished products sale prices. However, quantitative sale of caustic remained on lower side during the period under review due to slump in textile sector. Local prices of Oleo chemical products also remained higher in local market as compared with prices in same period last year due to problems of opening LCs of Palm oil and related raw materials. Export sale's net-back prices also witnessed a growth after significant PKR devaluation against USD during the period under review as compared with same period last year, resulting into creation of an export opportunity for the company which your company capitalized under the circumstances and made higher quantitative sales of caustic soda flakes and calcium chloride prill 94% in export market. Overall gross margins of the company remained higher during the period under review to 15.7% as compared with 13.6% of last year's corresponding period due to the aforementioned factors.

In textile segment, due to the declining exports of textiles in general and home textiles/knitting in particular from Pakistan to the US/EU market, the sale of yarn was slow to the export oriented sector putting pressure on prices, which led to reduced quantitative sales during the period under review compared with the same period last year. However, the third quarter of the current financial year witnessed some recovery as the company was proactive in forecasting and covering its major raw materials like Cotton and Viscose, thus gained due to PKR devaluation and have not suffered from the LC opening crisis. Decline in gross margins in textile segment during the period under review are due to non-availability of gas from the SNGPL leading to capacity underutilization, drastic increase in the prices of polyester fiber particularly during 3rd quarter of the year, and significant PKR devaluation against USD leading to the increase in the prices of all packing material and other general /store supplies etc.

Increase in distribution expense is mainly attributable to higher POL prices prevalent during the period under review as compared with POL prices prevalent in same period last year. Similarly increase in financial cost is attributable to higher KIBOR rate prevalent in the period under review as compared with the borrowing rates in the same period last year.

In view of the aforesaid economic and operational highlights, your company has posted a profit after tax of Rs. 647 million during the nine months period of the current financial year translating into Earning Per Share (EPS) of Rs. 30.18 as against profit after tax of Rs. 569 million with Earning Per Share (EPS) of Rs. 26.57 during the corresponding period last year.

FUTURE OUTLOOK:

As briefed in our last quarter's Director's report that part of the civil work on expansion of coal fired power plant (CFPP) is in progress and 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. Part of the shipments of BTG items will be received by the end of the current financial year. Since the company has designed the project on both local lignite coal (Thar coal) as well as imported bituminous coal thus the company is also in contact with coal mining company to ensure the supply of local coal as fuel after completion of the project. Your management is cognizant of the impact of higher financial cost associated with borrowings and existing economic challenges being faced by the country in terms of problems in opening LCs and thus monitoring the economic situation very closely.

Apart from problems in opening / retiring LCs of raw materials, plant & machinery, parts, spares etc., and ongoing political situation / uncertainties in the country, any further devaluation of PKR against USD, further increase in electricity tariff in coming months etc, could be anticipated as key challenges for the company in the remainder period of the current 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
April 27, 2023
Faisalabad.



Ahmad Hassan
Director

ڈائریکٹر رپورٹ

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

ستارہ کیمیکلز انڈسٹریز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی طرف سے ہم 31 مارچ 2023 کو ختم ہونے والی تیسری سہ ماہی کے غیر آڈٹ شدہ اکاؤنٹس پیش کرتے ہوئے پُرسرت ہیں۔

کاروباری جائزہ:

زیر جائزہ نو ماہ کی مدت کے دوران، آپ کی کمپنی نے 20,138 ملین روپے کی خالص فروخت کی ہے۔ اور مجموعی منافع 3,171 ملین روپے رہا۔ جبکہ پچھلے سال اسی عرصہ کے دوران خالص فروخت 15,431 ملین روپے اور مجموعی منافع 2,097 ملین روپے تھا، خالص فروخت میں 30.5 فیصد اضافہ دیکھا گیا۔ خالص فروخت کی آمدنی میں اضافہ پیداوار کی بڑھتی ہوئی لاگت، خاص طور پر توانائی کی لاگت، تیار مصنوعات کی فروخت کی قیمتوں میں ہونے والے اثرات سے منسوب ہے۔ تاہم، ٹیکسٹائل سیکٹر میں مندی کی وجہ سے زیر جائزہ مدت کے دوران کامنک کی مقدار کی فروخت کم رہی۔ پام آئل اور اس سے متعلق خام مال کے ایل سی کھولنے کے مسائل کی وجہ سے اولیو کیمیکل مصنوعات کی مقامی قیمتیں بھی گزشتہ سال کی اسی مدت کی قیمتوں کے مقابلے میں مقامی مارکیٹ میں زیادہ رہیں۔ برآمدی فروخت کی خالص واپسی کی قیمتوں میں بھی گزشتہ سال کی اسی مدت کے مقابلے میں زیر جائزہ مدت کے دوران امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں نمایاں کمی کے بعد اضافہ دیکھا گیا، جس کے نتیجے میں کمپنی کے لیے برآمدی مواقع پیدا ہوئے جسے آپ کی کمپنی نے حالات میں سرمایہ کاری کی اور زیادہ مقدار میں بنایا۔ برآمدی منڈی میں کاسٹک سوڈا فلیکس اور کیشیم کلورائیڈ پرل 94 کی فروخت زیادہ رہی۔ مذکورہ عوامل کی وجہ سے آپ کی کمپنی کا مجموعی طور پر مجموعی مارجن زیر جائزہ مدت کے دوران 15.7 فیصد زیادہ رہا، جو کہ گزشتہ سال کی اسی مدت کے دوران 13.6 فیصد تھا۔

ٹیکسٹائل کے شعبے میں، پاکستان سے یو ایس، یورپی یونین کی مارکیٹ میں بالعموم ٹیکسٹائل اور گھریلو ٹیکسٹائل، خاص طور پر بنائی کی گرتی ہوئی برآمدات کی وجہ سے، برآمدی شعبے میں یارن کی فروخت سست تھی جس سے قیمتوں پر دباؤ پڑا، جس کی وجہ سے قیمتوں میں کمی واقع ہوئی۔ پچھلے سال کی اسی مدت کے مقابلے میں زیر جائزہ مدت کے دوران فروخت۔ تاہم، موجودہ مالی سال کی تیسری سہ ماہی میں کچھ بحالی دیکھنے میں آئی کیونکہ کمپنی اپنے بڑے خام مال جیسے کاشن اور ویسکوز کی پیش گوئی کرنے اور قابو کرنے میں سرگرم تھی، اس طرح پاکستانی روپے کی قدر میں کمی کی وجہ سے حاصل ہوا اور ایل سی کھولنے کے بحران کا شکار نہیں ہوا۔ زیر جائزہ مدت کے دوران ٹیکسٹائل سیکٹف میں مجموعی مارجن میں کمی، SNGPL کی جانب سے گیس کی عدم دستیابی کی وجہ سے ہے، جس کے نتیجے میں صلاحیت میں کمی، پولیسٹر فائبر کی قیمتوں میں خاص طور پر نمایاں کمی تیسری سہ ماہی کے دوران زبردست اضافہ، اور امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں نمایاں کمی جس کی وجہ سے تمام ہیکینگ میٹرل اور دیگر عام اسٹور پلائز وغیرہ کی قیمتوں میں اضافہ ہوتا ہے۔

ڈسٹری بیوشن کے اخراجات میں اضافہ بنیادی طور پر زیر جائزہ مدت کے دوران مروجہ POL قیمتوں کی وجہ سے ہے جو پچھلے سال کی اسی مدت میں مروجہ POL قیمتوں کے مقابلے میں ہے۔ اسی طرح مالیاتی لاگت میں اضافہ گزشتہ سال کی اسی مدت میں قرض لینے کی شرح کے مقابلے میں زیر جائزہ مدت میں زیادہ KIBOR کی شرح سے منسوب ہے۔ متذکرہ بالا اقتصادی اور آپریشنل چیلنجوں کے پیش نظر، آپ کی کمپنی نے ٹیکس کے بعد کمایا گیا منافع 647 ملین روپے رہا جبکہ پچھلے سال اسی عرصہ کے دوران ٹیکس کے بعد کمایا گیا منافع 569 ملین روپے تھا۔ فی حصص آمدنی 30.18 روپے رہی جبکہ پچھلے سال اسی مدت کے دوران فی حصص آمدنی 26.57 روپے تھی۔

مستقبل پر نظر:

جیسا کہ ہماری پچھلی سہ ماہی کی ڈائریکٹری رپورٹ میں بتایا گیا ہے کہ کوئلے سے چلنے والے پاور پلانٹ (CFPP) کی توسیع پر تعمیراتی کام جاری ہے اور BTG آلات (بواسٹر، ٹربائن اور جنریٹر) کے بڑے LCS پہلے ہی ٹینکوں کے ساتھ قائم کیے جا چکے ہیں، جبکہ LCS بقیہ آلات کی مقامی خریداری ڈیزائن کی جانچ کے مرحلے میں ہے۔ BTG آلات کی ترسیل کا کچھ حصہ موجودہ مالی سال کے آخر تک موصول ہو جائے گا۔ چونکہ کمپنی نے اس پروجیکٹ کو مقامی لگنائٹ کوئلے (تھرکول) کے ساتھ ساتھ درآمدی بوئینس کوئلے دونوں پر ڈیزائن کیا ہے اس لیے کمپنی کو مل مانگ کمپنی سے بھی رابطے میں ہے تاکہ پروجیکٹ کی تکمیل کے بعد ایندھن کے طور پر مقامی کوئلے کی فراہمی کو یقینی بنایا جاسکے۔ آپ کی انتظامیہ قرضوں سے وابستہ اعلیٰ مالیاتی لاگت کے اثرات اور ملک کو ایل سی کھولنے میں درپیش موجودہ معاشی چیلنجوں کے اثرات سے آگاہ ہے اور اس طرح معاشی صورتحال کی بہت قریب سے نگرانی کر رہی ہے۔

خام مال، پلائنٹ اور مشینری، پرزے وغیرہ کے ایل سی کھولنے، ریٹائر کرنے میں دشواریوں کے علاوہ، اور ملک میں جاری سیاسی، غیر یقینی صورتحال، امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں مزید کمی، آنے والے مہینوں میں بجلی کے نرخوں میں مزید اضافہ وغیرہ، موجودہ مالی سال کی بقیہ مدت میں کمپنی کے لیے کلیدی چیلنجوں کے طور پر متوقع ہے۔

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 علی

چیف ایگزیکٹو آفیسر

فیصل آباد 27 اپریل 2023



احمد حسن

ڈائریکٹر



SHARIAH COMPLIANCE REVIEW REPORT

**FOR THE NINE MONTHS PERIOD ENDED
MARCH 31, 2023**



ALHAMD SHARIAH ADVISORY SERVICES

(PVT) LIMITED

Apr 18, 2023

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

نحمده و نصلى على رسوله الكريم

Shariah Review Report

For the period ended 31st Mar 2023

We have reviewed the business activities of **Sitara Chemical Industries Limited** for the quarter ended 31st March, 2023 in accordance with the provisions of Shariah Governance Regulations, 2018; and in our opinion;

- the transactions, the documentations adopted have been in accordance with principles of Shariah;
- the affairs have been carried out in accordance with 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



+92 322 2671867 | www.alhamdshariahadvisory.com | info@alhamdshariahadvisory.com

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2023

		Un-audited March 31, 2023	Audited June 30, 2022
		(Rupees in thousand)	
ASSETS	Note		
NON - CURRENT ASSETS			
Property, plant and equipment	5	18,458,730	17,344,777
Intangible assets		7,751	8,379
Investment property	6	3,258,230	3,259,192
Long-term investments		25,039	25,039
Long-term loans and advances		382,344	677,477
Long-term deposits		124,664	124,376
		22,256,758	21,439,240
CURRENT ASSETS			
Stores, spare parts and loose tools		1,386,271	1,128,055
Stock-in-trade		3,746,325	4,324,516
Trade debts		2,017,042	1,387,419
Loans and advances		1,969,594	1,836,642
Trade deposits, prepayments and other receivables		46,484	28,623
Advance income tax		1,467,783	1,479,354
Other financial assets	7	429,732	607,880
Cash and bank balances		372,777	322,690
		11,436,008	11,115,179
		33,692,766	32,554,419
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital		214,294	214,294
Reserves		1,358,161	1,372,391
Un-appropriated profits		11,550,540	10,925,710
Surplus on revaluation of property, plant and equipment		3,376,475	3,525,985
		16,499,470	16,038,380
NON - CURRENT LIABILITIES			
Long-term financing	8	2,317,344	1,825,505
Long-term deposits		129,463	116,163
Deferred taxation		2,749,606	2,768,357
Deferred liabilities	9	56,045	89,535
		5,252,458	4,799,560
CURRENT LIABILITIES			
Trade and other payables		4,017,919	3,582,352
Profit / financial charges payable		365,855	240,566
Short term borrowings		6,521,962	6,839,823
Provision for taxation		340,216	199,042
Unclaimed dividend		26,727	25,144
Current portion of long-term financing		668,159	829,552
		11,940,838	11,716,479
CONTINGENCIES AND COMMITMENTS	10	33,692,766	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 NINE MONTHS PERIOD ENDED MARCH 31, 2023**

		Nine months period ended		Three months period ended	
		March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Note		(.....Rupees in thousand.....)			
Revenue from contract with customers - net	11	20,137,940	15,431,464	8,169,595	6,046,381
Cost of sales	12	(16,966,922)	(13,333,930)	(6,577,272)	(5,157,065)
Gross profit		3,171,018	2,097,534	1,592,323	889,316
Distribution cost		(470,593)	(270,016)	(170,772)	(93,959)
Administrative expenses		(688,711)	(546,935)	(235,707)	(175,735)
Other expenses		(81,759)	(55,594)	(56,922)	(25,957)
Finance cost		(1,158,429)	(614,691)	(387,922)	(243,956)
		(2,399,492)	(1,487,236)	(851,323)	(539,607)
Other income		199,205	130,726	50,884	46,561
Profit before taxation		970,731	741,024	791,884	396,270
Provision for taxation	13	(323,976)	(171,756)	(233,032)	(80,862)
Profit after taxation		646,755	569,268	558,852	315,408
Earnings per share - basic and diluted - (Rupees)		30.18	26.57	26.08	14.72

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 NINE MONTHS PERIOD ENDED MARCH 31, 2023**

	Nine months period ended		Three months period ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
	(.....Rupees in thousand.....)			
Profit after taxation	646,755	569,268	558,852	315,408
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Loss on equity investments classified at FVTOCI	(16,742)	(21,066)	(12,806)	(12,586)
Related tax impact	2,511	3,160	1,921	1,888
Other comprehensive income	(14,231)	(17,906)	(10,885)	(10,698)
Total comprehensive income for the period	632,524	551,362	547,967	304,710

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 NINE MONTHS PERIOD ENDED MARCH 31, 2023**

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	97,224	(6,014)	3,983,297	1,225,000	10,270,574	15,667,571	15,881,865
-	-	-	-	-	-	569,268	569,268	569,268
-	-	(17,906)	-	-	-	-	(17,906)	(17,906)
-	-	(17,906)	-	-	-	569,268	551,362	551,362
-	-	-	-	(175,947)	-	175,947	-	-
-	-	-	-	-	-	(214,294)	(214,294)	(214,294)
214,294	97,490	79,318	(6,014)	3,807,350	1,225,000	10,801,495	16,004,639	16,218,933
214,294	97,490	54,306	(4,405)	3,525,985	1,225,000	10,925,711	15,824,087	16,038,381
-	-	-	-	-	-	646,755	646,755	646,755
-	-	(14,231)	-	-	-	-	(14,231)	(14,231)
-	-	(14,231)	-	-	-	646,755	632,524	632,524
-	-	-	-	(149,511)	-	149,511	-	-
-	-	-	-	-	-	(171,435)	(171,435)	(171,435)
214,294	97,490	40,075	(4,405)	3,376,474	1,225,000	11,550,542	16,285,176	16,499,470

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 NINE MONTHS PERIOD ENDED MARCH 31, 2023**

		Nine months period ended	
		March 31, 2023	March 31, 2022
		(Rupees in thousand)	
Note			
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating cash flow before working capital changes	16	3,003,073	2,240,846
Changes in working capital:			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		(258,216)	(81,774)
Stock-in-trade		578,191	(776,515)
Trade debts		(624,997)	(412,445)
Loans and advances		(169,532)	33,108
Trade deposits, prepayments and other receivables		(17,862)	(16,130)
Increase / (decrease) in current liabilities			
Trade and other payables		419,662	850,427
		(72,754)	(403,329)
Cash generated from operations		2,930,319	1,837,517
Finance cost paid		(1,034,008)	(583,727)
Employee benefits paid		(7,571)	(6,629)
Taxes paid		(183,954)	(158,552)
		(1,225,533)	(748,908)
Net cash generated from operating activities		1,704,786	1,088,609
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,110,142)	(1,402,008)
Purchase of investment property		(1,419)	-
Purchase of intangible assets		-	(666)
Proceeds from disposal of property, plant and equipment		19,668	4,300
Proceeds from disposal of investment property		-	(4,147)
Proceeds from disposal of other financial assets		707,699	459,000
Purchase of other financial assets		(501,366)	(769,635)
Long-term deposits paid		(288)	(11)
Long-term loans and advances received		349,770	200,134
Profit received		17,097	7,989
Dividend income received		8,249	6,427
Net cash used in investing activities		(1,510,732)	(1,498,617)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financing obtained		946,055	703,721
Repayment of long-term financing		(615,607)	(526,804)
Short term borrowing - net		(317,862)	493,596
Long-term deposits availed		13,300	23,000
Dividend paid		(169,853)	(211,563)
Net cash (used in) / generated from financing activities		(143,967)	481,950
Net increase in cash and cash equivalents		50,087	71,942
Cash and cash equivalents at beginning of the period		322,690	191,103
Cash and cash equivalents at end of the period		372,777	263,045

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 NINE MONTHS PERIOD ENDED MARCH 31, 2023**

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 nine months period ended March 31, 2023 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 statement of cash flows are stated from un-audited condensed interim financial statements for the nine months period ended March 31, 2023.
- 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.

5 PROPERTY, PLANT AND EQUIPMENT

	Note	Un-audited March 31, 2023	Audited June 30, 2022
Operating assets	5.1	16,809,185	17,257,906
Capital work-in-progress		1,649,545	86,871
		<u>18,458,730</u>	<u>17,344,777</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2023**

	Un-audited March 31, 2023	Audited June 30, 2022
	(Rupees in thousand)	
5.1 Operating assets		
Opening written down value	17,257,906	16,859,588
Additions during the period / year:		
Freehold land	-	8,956
Buildings on freehold land - Mill	44,118	201,840
Head office	-	-
Plant and machinery	332,108	1,219,705
Grid station and electric installations	295	4,370
Containers and cylinders	-	112
Factory equipment	24,525	35,262
Electric equipment	16,060	151,547
Office equipment	5,745	7,873
Furniture and fittings	24,119	6,303
Vehicles	100,498	77,495
	547,468	1,713,463
Written down value of assets disposed off during the period / year	(3,248)	(4,245)
Depreciation charged during the period / year	(992,941)	(1,310,900)
Written down value at the end of the period / year	16,809,185	17,257,906

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 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. 3,376 million net of tax (June 30, 2022: 3,526 million) remains undepreciated as at March 31, 2023.

Details of the Company's revalued assets and information about fair value hierarchy, as at March 31, 2023 are as follows:

	Un-audited March 31, 2023			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	-	1,794,172	-	-	1,893,285	-
Plant and machinery	-	12,070,948	-	-	12,451,482	-
	-	15,165,995	-	-	15,645,642	-

		Un-audited March 31, 2023	Audited June 30, 2022
		(Rupees in thousand)	
6 INVESTMENT PROPERTY	Note		
Land	6.1	3,224,734	3,223,315
Buildings	6.2	33,496	35,877
		3,258,230	3,259,192

6.1 Land

Balance at the beginning of the period / year	3,223,315	3,270,232
Addition during the period / year	1,419	39,136
Disposal during the year	-	(77,079)
Transfer to property, plant and equipment	-	(8,974)
Balance at end of the period / year	3,224,734	3,223,315

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2023**

		Un-audited March 31, 2023 (Rupees in thousand)	Audited June 30, 2022
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		(2,381)	(3,743)
Written down value at the end of the period / year		33,496	35,877
7 OTHER FINANCIAL ASSETS			
Investments held at FVTOCI	7.1	199,007	215,749
Investments held at FVTPL	7.2	230,725	392,131
		429,732	607,880
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
		215,749	297,229
Disposal during the period / year		-	(29,747)
		215,749	267,482
Loss on investments during the period / year		(16,742)	(51,733)
		199,007	215,749
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		508,091	1,767,675
Sale / disposal of investments during the period / year		(669,904)	(1,621,960)
		230,318	390,619
Gain on investments during the period / year		407	1,512
		230,725	392,131
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 March 31, 2023			Audited June 30, 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	----- (Rupees in thousand) -----					
Investments classified at FVTOCI	199,007	-	-	215,749	-	-
Investments classified at FVTPL	230,725	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.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2023**

	Un-audited March 31, 2023	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	946,055	789,184
Re-paid during the period / year	(615,609)	(717,714)
	2,985,503	2,655,057
Less: Current portion	(668,159)	(829,552)
	2,317,344	1,825,505
9 DEFERRED LIABILITIES		
Gratuity payable	56,045	49,821
Provision for Gas Infrastructure Development Cess (GIDC) and GIDC liability	-	38,846
Deferred grant	-	868
	56,045	89,535
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	237,513	262,047
10.2 Commitments		
Outstanding letters of credit for raw material and spare parts	1,744,085	1,565,472

	Un-audited Nine months period ended		Un-audited Three months period ended	
	March 31 2023	March 31 2022	March 31 2023	March 31 2022
(.....Rupees in thousand.....)				
11 REVENUE FROM CONTRACT WITH CUSTOMERS - NET				
Local:				
Chemicals	20,905,356	15,046,259	8,053,344	5,896,451
Yarn	2,107,269	3,194,928	1,131,758	999,106
Fabric	414,611	186,407	307,603	128,056
Waste	4,643	25,439	691	7,258
	23,431,879	18,453,033	9,493,396	7,030,871
Export:				
Chemicals	638,934	101,389	285,855	22,824
Gross Sales	24,070,813	18,554,422	9,779,251	7,053,695
Less:				
Commission and discount	(470,083)	(420,750)	(176,496)	(142,760)
Sales tax	(3,462,790)	(2,702,208)	(1,433,160)	(864,554)
	(3,932,873)	(3,122,958)	(1,609,656)	(1,007,314)
	20,137,940	15,431,464	8,169,595	6,046,381

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2023**

	Un-audited		Un-audited	
	Nine months period ended		Three months period ended	
	March 31 2023	March 31 2022	March 31 2023	March 31 2022
	(.....Rupees in thousand.....)			
Raw material consumed	4,951,545	4,526,375	2,653,362	1,757,625
Fuel and power	9,698,823	7,639,288	3,477,211	2,854,741
Salaries, wages and benefits	579,977	522,127	207,345	176,353
Factory overheads	1,528,421	1,475,316	537,698	501,082
	16,758,766	14,163,106	6,875,616	5,289,801
Work-in-process				
Opening stock	40,929	23,661	41,716	66,660
Closing stock	(38,501)	(69,795)	(38,501)	(69,795)
	2,428	(46,134)	3,215	(3,135)
Cost of goods manufactured	16,761,194	14,116,972	6,878,831	5,286,666
Finished goods				
Opening stock	1,990,509	1,422,735	1,483,222	1,905,594
Cost of testing of Soap Noodles Plant	-	(170,582)	-	-
Closing stock	(1,784,781)	(2,035,195)	(1,784,781)	(2,035,195)
	205,728	(783,042)	(301,559)	(129,601)
	16,966,922	13,333,930	6,577,272	5,157,065

13 PROVISION FOR TAXATION

Current - for the period	340,216	187,228	182,210	70,896
Deferred	(16,240)	(15,472)	50,822	9,966
	323,976	171,756	233,032	80,862

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	
		Nine months period ended	
		March 31 2023	March 31 2022
		(Rupees in thousand)	
Associated undertakings	Sale of goods	498	214
	Organizational expenses paid	-	-
	Donation	39,366	29,085
Key management personnel	Remuneration to Executives	131,402	117,139

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 NINE MONTHS PERIOD ENDED MARCH 31, 2023

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 trading of fabric

15.1 Information about operating segments is as follows:

	Operating segments					
	Chemical Division		Textile Division		Total	Total
	Un-audited					
	Nine months period ended					
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
	(----- Rupees in thousand -----)					
Revenue from external customers - net	18,012,252	12,538,076	2,125,688	2,893,387	20,137,940	15,431,463
Depreciation on property, plant and equipment	924,089	900,156	68,852	71,287	992,941	971,443
Segment profit / (loss)	937,768	212,522	114,722	584,096	1,052,490	796,618
	Un-audited March 31, 2023	Audited June 30 2022	Un-audited March 31, 2023	Audited June 30 2022	Total Un-audited March 31, 2023	Total Audited June 30 2022
	(----- Rupees in thousand -----)					
Capital expenditure	470,033	1,676,510	77,435	36,953	547,468	1,713,463
Segment assets	24,973,954	24,081,397	3,514,950	3,059,201	28,488,904	27,140,598
Segment liabilities	13,590,833	13,372,778	334,009	150,718	13,924,842	13,523,496

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2023**

		Un-audited Nine months period ended	
		March 31, 2023	March 31, 2022
		(Rupees in thousand)	
15.2	Reconciliations of reportable segments are as follows:		
	Revenue		
	Total revenue for reportable segments	20,137,940	15,431,463
	Profit for the period		
	Total profit for reportable segments	1,052,490	796,618
	Unallocated corporate income / (expenses)		
	Other expenses	(81,759)	(55,594)
	Profit before taxation	970,731	741,024
		Un-audited March 31, 2023	Audited June 30, 2022
		(Rupees in thousand)	
	Assets		
	Total assets for reportable segments	28,488,904	27,140,598
	Other unallocated corporate assets	5,203,862	5,413,821
	Company's assets	33,692,766	32,554,419
	Liabilities		
	Total liabilities for reportable segments	13,924,842	13,523,496
	Other unallocated corporate liabilities	3,268,454	2,992,543
	Company's liabilities	17,193,296	16,516,039

15.3 The Company has no reportable geographical segment.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2023**

	Un-audited	
	Nine months period ended	
	March 31, 2023	March 31, 2022
	(Rupees in thousand)	
16 OPERATING CASH FLOW BEFORE WORKING CAPITAL CHANGES		
Profit before taxation	970,731	741,024
Adjustments for:		
Depreciation on property, plant and equipment	992,941	971,443
Depreciation on investment property	2,381	2,864
Amortization on intangible assets	628	690
Gain on sale of investments measured at FVTPL	(407)	(938)
Finance cost	1,159,297	614,691
Gain on disposal of property, plant and equipment	(16,421)	(1,149)
Loss on disposal of intangible assets	-	371
Provision for employee benefits	13,795	7,550
Dividend income	(52,768)	(23,797)
Exchange gain	(4,625)	(1,071)
Unwinding of deferred receivable	(54,633)	(62,843)
Amortization of deferred grant	(868)	-
Impairment loss on financial assets	10,119	-
Profit on bank deposits	(17,097)	(7,989)
	<u>2,032,342</u>	<u>1,499,822</u>
	<u>3,003,073</u>	<u>2,240,846</u>

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 April 27, 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

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

Tel: 021-32420620, 32413944