



GATRON (INDUSTRIES) LIMITED

**QUARTERLY REPORT
SEPTEMBER 30, 2019**

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Corporate Information

Board of Directors

Haroon Bilwani	- Chairman
Pir Muhammad Diwan	- Chief Executive
Abdul Razak Diwan	
Zakaria Bilwani	
Usman Habib Bilwani	
Muhammad Iqbal Bilwani	
Shabbir Diwan	
Muhammad Taufiq Bilwani	
Muhammad Waseem	

Audit Committee Members

Muhammad Waseem	- Chairman
Haroon Bilwani	
Usman Habib Bilwani	
Muhammad Iqbal Bilwani	

HR & Remuneration Committee Members

Muhammad Waseem	- Chairman
Usman Habib Bilwani	
Muhammad Iqbal Bilwani	

Chief Financial Officer

Mustufa Bilwani

Company Secretary

Muhammad Yasin Bilwani

Auditors

M/s. Kreston Hyder Bhimji & Company
Chartered Accountants
Karachi.

Legal Advisor

Naeem Ahmed Khan
Advocates
Quetta.

Share Registrar

C&K Management Associates (Private) Limited
Room No. 404, Trade Tower,
Abdullah Haroon Road, Near Metropole Hotel,
Karachi-75530 - Pakistan.
Phone: 021-35687839, 35685930

Bankers

Bank Alfalah Limited
Bank Al-Habib Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

Plant

Plot No.441/49-M2, Sector "M",
H.I.T.E., Main R.C.D. Highway,
HUB, District Lasbela,
Balochistan, Pakistan.

Registered Office

Room No.32, First Floor,
Ahmed Complex,
Jinnah Road, Quetta - Pakistan.

Liaison/Correspondence Office

11th Floor, G&T Tower,
18 Beaumont Road,
Civil Lines-10,
Karachi-75530 - Pakistan.
Phone: 021-35659500-9
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Website

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Directors' Report

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the un-audited financial statements of your Company for the three months ended September 30, 2019.

FINANCIAL REVIEW:

The financial synopsis for the period under review is as below:

- Net sales Rs. 3,426 million,
- Operating profit Rs. 136 million,
- Investment income Rs. 397 million,
- Profit before income tax Rs. 513 million,
- Profit after income tax Rs. 402 million,
- Earnings per share including investment income Rs. 10.49

The operations income was a much smaller contributor to the results versus the investment income. The income from operations contributed only around 23% to the overall bottom line, while major contribution of 77% came from investment income.

On the operations side, the revenue of the Company decreased by 10.5% as compared to last corresponding period mainly due to decrease in sale volume of both products of the Company. Polyester Filament Yarn sale volume reduced by around 14% as compared to last corresponding period and on the other hand Preforms sale volume went down by around 21%. The sales volume was down primarily as a fall out of measures in the June 2019 budget of imposition of 17% sales tax on textile sector and the condition of NIC on unregistered buyers/traders. Your company had to cut down production in October 2019 on account of drop in sales.

As already indicated in last annual report that in coming periods sales and profitability of the company may squeeze as now Rupee against US \$ is stable in the range of 155-160 as such dynamic gain of rupee value on account of purchase time value in rupees to sale time value in rupees is not available unlike the past whole year where there was a bonanza on this account.

In last quarter of 2018-19 (vis the quarter before the reporting period) the importers / traders were on slow mode due to expected falling in prices of PFY raw materials, which prevented traders from importing extra quantities means less inventory overhang in the local market, thus putting less pressure on the market which allowed your company to reduce its finished goods inventory to an all-time low of 15 days, but now again your company stocks are building up due to slow down in sale volume as noted above. Further there appears no significant room for raw materials to fall more since all upstream products margins/spreads have little room to fall further. In fact the traders are now geared up to import large quantities which will put pressure in the market from November 2019 onwards and will be a challenge for your company to compete such imports without regulatory duty and ineffective / insufficient anti-dumping duties on major exporters to your country.

The duties on Chinese products imposed by USA is slowing down the Chinese economy as well as putting pressure on Chinese suppliers. As a result they are more inclined to dump their products in other countries including Pakistan.

Your company has already informed about the investments in increase of the capacity. However it has decided to stop further expansion (except those which are already committed) in view of the reduction of regulatory duty on competing imported yarn from 5% to zero. This will mean that substitution of imported Filament Yarn in the country will be affected. Further details are given below in the Future outlook section.

Preforms segment witnessed decrease in sales volume by around 21% as compared to last corresponding period less demand of preforms produced by your company due to following major reasons:

- a. The devaluation of Pak rupee led to a price increase of the soft drinks in the retail sector affecting the consumer demand of these beverages and the preforms demand. Inflation of all food and living costs also mean that consumer disposal income for spending on beverages reduces.
- b. Cost cutting initiatives taken by major customer(s) to use low weight Preforms which has also affected the tonnage of the Preform sale.
- c. The Export of Preforms has reduced sharply on the one hand due to imposition of high imports duties on Preforms in one of the main target markets while on the other hand due to the neck change of water preforms in the middle east, meant some of the preforms being produced by your company are not in demand any more in these export countries.

Distribution & selling expenses reduced by around 14% as compared to last corresponding period due to low sale volume. On the other hand Administrative expenses increased due to inflationary factors as a result of Pak rupee devaluation.

On the Balance Sheet front as compared to June 30, 2019 stocks increased by Rs.324 million to reach amounting to Rs. 3,165 million. Debtors increased by Rs.468 million to reach Rs.1,996 million while creditors decreased by Rs. 31 million to reach Rs.2,002 million.

All above are indicating increase in working capital requirements and accordingly company short term borrowings are increasing, which will result in increased finance cost.

CHALLENGES FACED AND FUTURE OUTLOOK

- Federal Government being misguided by the traders/importers lobby, has reduced the Regulatory Duty on competing imported PFY from 5% to zero. It will hurt the investment already made in the initial phases of the expansion and will definitely make it challenging for local PFY manufacturing industry to proceed with the further phases of targeted expansion in production capacity. This expansion plan on the back of regulatory duty of 5% on competing imported yarn, was taking the indigenous production to a level which was to meet above 70% of indigenous demand by 2021-22 compared to 35% in 2016 and was also to increase local employment beyond the jobs already provided by the industry.
- The regulatory duty is needed in view of the insufficient anti-dumping duties of 3.25% to 4.9% on the major 3 Chinese suppliers despite injury margin over 25% assessed by National Tariff Commission. The Company though is already in the process of installing the phase II expansion to reach 65,000 tons production, it is not opening the LC of machinery for the further planned phases.
- As reported in previous reports, the anti-dumping duties (ADDs) continue to be ineffective due to litigation on composition of National Tariff Commission (NTC) (resulting in repeated stay orders in different High Courts). Earlier the imposition of ADDs was delayed for 4 years due to quorum issues at the NTC. These ADDs are already set at a very low level

of 3.25% to 4.9% on the major 3 Chinese suppliers, while the injury to the Pakistan Filament Yarn Industry was exceeding 25% by the Chinese dumped imports as calculated by the NTC in anti-dumping investigation. It is also worthwhile to note that the dumping duty on China imposed by Turkey and India on these same producers was in excess of 10%.

- As already reported in previous directors' reports that there also appears an element of subsidy schemes helping the Chinese and Malaysian exporters to export at much low prices. The NTC did not initiate the countervailing anti-subsidy proceedings due to some legal limitation, on the previous application by the Filament Yarn Industry. Many countries like Canada and USA have calculated anti-subsidy duties on China on various polyester products which demonstrate that Chinese producers have available subsidy on their exports. Of course USA, Canada and Europe have also imposed anti-subsidy duties on numerous other Chinese products besides polyester.
- Frequent and notable increase in gas prices along with unsettled GIDC matter make import substitution industry more incompatible.
- The Company's significant funds are stuck in Sales Tax and Income Tax refunds, which unnecessarily affecting liquidity of the Company.
- Tax credit under section 65(b) of Income Tax Ordinance, 2001 has been taken away from current tax year may adversely hurt feasibility of upcoming investments in the country.

OTHER MATTERS

- During the period operations of wholly owned subsidiary Messrs. Gatro Power (Private) Limited remained below par due to increase in gas prices. In coming periods supply rate to Parent Company may further be increased to cover escalation in power generation cost.
- During the period, an associated company i.e. Messrs. Novatex Limited has paid Rs. 397 million cash dividend.
- The Board of Directors of Gatron (Industries) Limited (the "Company") in its meeting held on September 30, 2019 has approved the draft Scheme of Arrangement with the members under Sections 279 to 283 and 285 of the Companies Act, 2017 (the "Scheme") as placed before the board subject to any modification / amendments required or conditions as may be imposed by the Honourable High Court of Balochistan at Quetta.

In terms of the Scheme, all shares owned by the Company in Novatex Limited ("Novatex") shall be cancelled and in lieu of such cancellation new shares in Novatex will be issued to the shareholders of the Company pro-rata based on the number of shares held by them in the Company after sanctioning of the Scheme by the Honourable High Court of Baluchistan at Quetta.

The petition with regard to the proposed scheme will be filed with the Honourable High Court of Quetta at Baluchistan in due course.

APPROPRIATION

During the quarter, the Board of Directors does not recommend any interim cash dividend.

EARNINGS PER SHARE

The earnings per share of the Company for the quarter ended on September 30, 2019 is Rs. 10.49.

MATERIAL CHANGES AND COMMITMENTS

No material changes and commitments effecting the financial position of the company occurred during the period to which the balance sheet relates and the date of this report.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The un-audited condensed interim consolidated financial statements of the Group along with notes and Directors' Report thereto, have also been included in this report.

BOARD OF DIRECTOR

During the quarter there is no change in the Board of Directors of the Company.

ACKNOWLEDGMENT

We would like to express deep gratitude to our customers for their trust and support. We would also like to appreciate our shareholders, bankers and suppliers for their continued support and our employees for their dedication and contribution to the Company.

PIR MUHAMMAD DIWAN
CHIEF EXECUTIVE/DIRECTOR

MUHAMMAD IQBAL BILWANI
DIRECTOR

October 23, 2019

آمدن فی حصہ:

30 ستمبر 2019ء کو اختتام پذیر ہونے والے سہ ماہی مدت کے لیے منافع فی حصہ 10.49 روپے رہا۔

اہم تبدیلیاں اور معاہدے:

بیلنس شیٹ کی تاریخ اور رپورٹ ہذا کی تاریخ کے درمیان کمپنی کی مالیاتی حیثیت میں تبدیلی لانے والی نہ کوئی اہم بات رونما ہوئی اور نہ ہی ایسے معاہدے ہوئے۔

مجموعی مالیاتی گوشوارے:

زیر نظر سہ ماہی رپورٹ میں گروپ ہذا کے غیر آڈٹ شدہ مختصر جامع مالیاتی گوشوارے (Consolidated Financial Statement) بمعہ ان پر ڈائریکٹرز رپورٹ منسلک ہیں۔

بورڈ آف ڈائریکٹرز:

اس سہ ماہی کے دوران کمپنی کے بورڈ آف ڈائریکٹرز میں کوئی تبدیلی واقع نہیں ہوئی۔

اظہار تشکر:

ہم اپنے کسٹمرز کے اعتماد اور تعاون کے لیے دل کی گہرائیوں سے اُن کے مشکور ہیں اس کے علاوہ ہم اپنے شیئرز، ہولڈرز، بینکرز اور سپلائرز کے تعاون اور کمپنی کے ملازمین کی تن دہی کے ساتھ خدمات کی قدر کرتے ہیں۔

محمد اقبال بلوانی
ڈائریکٹر

پیر محمد دیوان
افسر اعلیٰ / ڈائریکٹر

23 اکتوبر، 2019ء

☆ جیسا کہ سابقہ ڈائریکٹرز رپورٹ میں بتایا گیا ہے کہ ایٹمی ڈمپنگ ڈیولپرز (ADDs) مسلسل غیر فعال ہیں کیونکہ نیشنل ٹریف کمیشن (NTC) کی ٹریف کمپوزیشن پر درآمد کنندگان نے مختلف ہائی کورٹس سے حکم امتناعی حاصل کر کے ہیں پہلے ہی ADDs کے نفاذ میں NTC کے اجلاس میں کورم نہ ہونے سے چار سال کی تاخیر ہوئی ہے۔ یہ ADDs تین بڑے چینی سپلائرز پر کم ترین سطح 3.25 سے 4.9 فیصد عائد ہے۔ جبکہ متذکرہ ایٹمی ڈمپنگ کی تحقیقات میں NTC نے تعین کیا تھا کہ پاکستان فلامنٹ یارن انڈسٹری کو چائینز ڈمپڈ امپورٹس کے ذریعہ نقصان 25 فیصد سے زیادہ ہے ان ہی چائینز پروڈیوسرز پر ترکی اور انڈیا نے 10 فیصد ایٹمی ڈمپنگ ڈیوٹی عائد کر رکھی ہے۔

☆ جیسا کہ گزشتہ ڈائریکٹرز رپورٹس میں ذکر کیا گیا کہ سبسڈی اسکیموں کا ایک ایسا عنصر محسوس ہوتا ہے جس کی وجہ سے چینی اور ملائیشیائی درآمد کنندگان کو انتہائی ارزیاں نرخ پر برآمدات کرنے میں مدد ملتی ہے۔ مقامی فلامنٹ یارن صنعت کی جانب سے اس معاملہ کے متعلق گزشتہ داخل کردہ درخواست پر چند قانونی پابندیوں کے باعث NTC بروقت اقدام کرنے سے قاصر رہا دیگر ممالک جیسا کہ کینیڈا اور امریکہ نے چین کی دیگر پولیسٹر مصنوعات پر ایٹمی سبسڈی ڈیوٹی طے کی ہے جس سے پتہ چلتا ہے کہ چینی پروڈیوسرز کی برآمدات میں سبسڈی شامل ہے۔ امریکہ، کینیڈا اور یورپ نے چین کی دیگر مصنوعات پر بھی ایٹمی سبسڈی ڈیوٹی عائد کر رکھی ہے۔

☆ GIDC کے ساتھ ساتھ گیس کی قیمتوں میں بار بار اور قابل ذکر اضافہ درآمدی متبادل صنعت کو uncompetitive بنا دیتا ہے۔

☆ کمپنی کی خطرہ رقم سیلر ٹیکس اور انکم ٹیکس ری فنڈ میں پھنسی ہوئی ہے جو liquidity پر اثر انداز ہو رہی ہے۔

☆ انکم ٹیکس آرڈیننس 2001ء کے سیکشن 65(b) کے تحت ٹیکس کریڈٹ موجودہ مالیاتی سال سے ختم کر دیا گیا ہے اس سے ملک میں آئندہ سرمایہ کاری کی feasibility کو بری طرح نقصان پہنچ سکتا ہے۔

دیگر امور

☆ زیر جائزہ مدت کے دوران مکمل ملکیتی ماتحت ادارہ میسر گیٹر وپاور (پرائیویٹ) لمیٹڈ کے آپریٹنگز گیس کی قیمتوں میں اضافے کی وجہ سے نجلی سطح پر رہے۔ آنے والی مدتوں میں پیرنٹ کمپنی کو سپلائی کی نرخ میں مزید اضافہ کیا جاسکتا ہے تاکہ بجلی کی پیداواری لاگت میں اضافہ وصول ہو سکے۔

☆ زیر جائزہ مدت کے دوران ایک ملحقہ کمپنی میسرزنووا ٹیکس لمیٹڈ نے 397 ملین روپے کے نقد منافع منقسمہ کی ادائیگی کی۔

☆ گیٹر ون (انڈسٹریز) لمیٹڈ کے بورڈ آف ڈائریکٹرز نے 30 ستمبر 2019ء کو منعقدہ اجلاس میں کمپنیز ایکٹ، 2017ء کی شکلوں 279 سے 283 اور 285 کے تحت ممبران کے ساتھ مسودہ اسکیم آف رینجمنٹ کو منظوری دی یہ اسکیم جو بورڈ کے سامنے پیش کی گئی کسی بھی ترمیم یا شرائط سے مشروط ہے جو کوئٹہ میں موجود بلوچستان کا معزز ہائی کورٹ عائد کر سکتا ہے۔

اس اسکیم کی شرائط کے مطابق نووا ٹیکس لمیٹڈ میں کمپنی کے زیر ملکیت تمام حصص منسوخ کر دیئے جائیں گے اور اس منسوخی کے بدلے میں حصص کی تعداد کی بنیاد پر نووا ٹیکس کے نئے حصص کمپنی کے حصص یافتگان کو کوئٹہ میں موجود بلوچستان کے معزز ہائی کورٹ کے ذریعے اسکیم کی منظوری کے بعد جاری کئے جائیں گے۔

مجوزہ اسکیم کی منظوری کے لیے درخواست کوئٹہ میں موجود بلوچستان کے ہائی کورٹ میں مناسب وقت پر دائر کی جائے گی۔

تصرف

اس سہ ماہی کے دوران بورڈ آف ڈائریکٹرز نے کسی عبوری منافع منقسمہ کی تجویز نہیں کی۔

آپ کی کمپنی نے پہلے ہی آپ کو پیداواری صلاحیت کے اضافہ میں ہونے والی سرمایہ کاری کے بارے میں آگاہ کیا۔ تاہم یارن کی درآمد پر ریگولیٹری ڈیوٹی میں 5 فیصد سے صفر تک کی کے پیش نظر مزید توسیع کو روکنے کا فیصلہ کیا گیا ہے۔ اس کا مطلب یہ ہے کہ ملک میں درآمد کردہ فیلامنٹ یارن کی متبادل پیداوار متاثر ہوگی۔ مزید تفصیلات درپیش چیلنجز اور مستقبل پر ایک نظر سیکشن میں درج ہیں۔

پری فارمز کی کم طلب کی وجہ سے گزشتہ اسی مدت کے مقابلے میں پری فارمز سیگمنٹ کی فروخت کے حجم میں تقریباً 21 فیصد کی کمی دیکھی گئی جس کی اہم وجوہات درج ذیل ہیں:

- پاکستانی روپے کی قدر میں کمی کے باعث retail کے شعبے میں soft drinks کی قیمتوں میں اضافے نے ان مشروبات کے صارفین کی طلب اور پری فارمز کی فروخت کو متاثر کیا۔ تمام کھانے پینے اور رہائشی اخراجات میں زیادتی کی وجہ سے مشروبات پر خرچ کرنے کیلئے صارفین کو دستیاب آمدنی میں کمی واقع ہوئی ہے۔
- اہم گاہکوں نے لاگت میں کمی کے اقدامات کے تحت کم وزن والے پری فارمز کا استعمال کرنا شروع کر دیا ہے جس نے پری فارمز کی tonnage میں فروخت کو متاثر کیا ہے۔
- ایک طرف پری فارمز پر برآمداتی ایک مخصوص مارکیٹ میں درآمدی ڈیوٹی بڑھنے کی وجہ سے فروخت میں تیزی سے کمی واقع ہوئی جبکہ دوسری طرف مشرق وسطیٰ میں پانی کے پری فارمز کے Neck تبدیل ہونے کی وجہ سے آپ کی کمپنی کے تیار کردہ کچھ پری فارمز کی طلب ان برآمداتی ممالک میں نہیں رہی۔

ڈسٹری بیوشن اور فروخت کے اخراجات میں فروخت کے کم حجم کے باعث گزشتہ اسی مدت کے مقابلے میں تقریباً 14 فیصد کمی واقع ہوئی ہے۔ دوسری طرف پاکستانی روپے کی قدر میں کمی کے نتیجے میں مہنگائی کے باعث انتظامی اخراجات میں اضافہ ہوا۔

30 جون 2019ء کے مقابلے میں اسٹاک میں 324 ملین روپے کا اضافہ ہوا جو 3,165 ملین روپے تک پہنچ گیا۔ قابل وصول قرضوں کی مالیت 468 ملین روپے بڑھ کر 1,996 ملین روپے تک پہنچ گئی۔ جبکہ قرضداری 31 ملین روپے کی کمی کے ساتھ 2,002 ملین روپے تک پہنچی۔

مذکورہ بالا عوامل کاروباری سرمائے کی ضروریات میں اضافے کا اشارہ کر رہے ہیں اور اس لیے کمپنی میں مختصر مدتی قرضے بڑھ رہے ہیں، جس کے نتیجے میں مالیاتی لاگت میں اضافہ ہوگا۔

درپیش چیلنجز اور مستقبل پر ایک نظر

☆ وفاقی حکومت نے تاجروں/درآمد کنندگان لابی کی غلط ترجمانی پر درآمد شدہ PFY پر ریگولیٹری ڈیوٹی کو 5 فیصد سے گھٹا کر صفر کر دیا۔ اس اقدام سے نہ صرف کاروبار کو وسعت دینے کے لئے ابتدائی مراحل میں کمی جانے والی سرمایہ کاری کو ٹھیس پہنچے گی بلکہ اس سے مقامی PFY مینوفیکچرنگ انڈسٹری کے لئے پیداواری صلاحیت میں توسیع کے ہدف کو مرحلہ وار پورا کرنے میں بھی مشکلات ہوگی۔ درآمد شدہ یارن پر 5 فیصد ریگولیٹری ڈیوٹی کے پیش نظر یہ توسیع منصوبہ بندی مقامی پیداوار کو 2016ء کی مقامی طلب کا 35 فیصد سطح سے 2021-22 تک 70 فیصد سے زائد پورا کرنے اور مزید لوگوں کو برسرِ روزگار بنانے کے لئے کی گئی تھی۔

☆ نیشنل ٹیرف کمیشن کے تخمینے کے مطابق انڈسٹری کو 25 فیصد سے زائد مارجن سے نقصان کے باوجود تین بڑے چینی سپلائرز پر 3.25 فیصد سے 4.9 فیصد تک کی ناکافی اینٹی ڈمپنگ ڈیوٹی کے پیش نظر ریگولیٹری ڈیوٹی عائد کرنے کی ضرورت ہے۔ اگر کمپنی پہلے ہی فیز II کی توسیع کو 65,000 ٹن سالانہ پیداوار تک پہنچانے کا عمل شروع کر چکی ہے مگر اب مزید منصوبہ بندی کے مراحل کے لئے مشیر کی LCs کی نہیں کھول رہی۔

بورڈ آف ڈائریکٹرز کی رپورٹ

معزز ممبران،

گیٹرون (انڈسٹریز) لمیٹڈ کے ڈائریکٹرز 30 ستمبر 2019ء کو اختتام پذیر ہونے والی سہ ماہی مدت کے غیر آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے دلی مسرت محسوس کر رہے ہیں۔

زیر جائزہ مدت کا مالیاتی خلاصہ درج ذیل ہے :

- ☆ خالص فروخت 3,426 ملین روپے۔
- ☆ آپریٹنگ منافع 136 ملین روپے۔
- ☆ آمدنی بذریعہ سرمایہ کاری 397 ملین روپے۔
- ☆ منافع قبل از ٹیکس 513 ملین روپے۔
- ☆ منافع بعد از ٹیکس 402 ملین روپے۔
- ☆ آمدنی فی حصہ بشمول آمدنی بذریعہ سرمایہ کاری 10.49 روپے۔

نتیجہ میں آپریشنز کی آمدنی نے آمدنی بذریعہ سرمایہ کاری کے مقابلے میں کافی کم حصہ ڈالا۔ آپریشنز سے حاصل ہونے والی آمدنی مجموعی طور پر صرف 23 فیصد ہے، جبکہ 77 فیصد کا بڑا حصہ آمدنی بذریعہ سرمایہ کاری سے حاصل ہوا۔

زیر جائزہ مدت کے دوران کمپنی کی فروخت میں گزشتہ اسی مدت کے مقابلے میں 10.5 فیصد کمی واقع ہوئی جس کی بنیادی وجہ کمپنی کی دونوں مصنوعات کی فروخت کی مقدار میں کمی ہے۔ گزشتہ اسی مدت کے مقابلے میں پالیسٹر فیلامنٹ یارن (PFY) کی فروخت کے حجم میں تقریباً 14 فیصد کمی واقع ہوئی اور دوسری طرف پریفارمرز کی فروخت کا حجم تقریباً 21 فیصد کم ہوا۔ جون 2019ء کے بجٹ میں ٹیکسٹائل کے شعبے پر 17 فیصد سبزی ٹیکس اور غیر رجسٹرڈ خریداران/تاجروں پر شناختی کارڈ کی شرط کے بعد سے فروخت کے حجم میں کمی واقع ہوئی۔ جس کی وجہ سے آپ کی کمپنی کو اکتوبر 2019ء میں پیداوار میں کٹوتی کرنا پڑی۔

جیسا کہ گزشتہ سالانہ رپورٹ میں یہ اشارہ دیا گیا ہے کہ آنے والے وقت میں کمپنی کی فروخت اور منافع پر دباؤ ہو سکتا ہے کیونکہ اب امریکی ڈالر کے مقابلے میں روپیہ 155-160 کی حد میں مستحکم ہے، اس طرح متحرک فائدہ جو روپے کی قدر میں خریداری کے وقت کی قیمت کے حساب سے روپے کی قدر میں فروخت کی قیمت کے وقت گزشتہ سال کے برعکس دستیاب نہیں ہے۔

2018-19 کی آخری سہ ماہی میں (رپورٹنگ کی مدت سے پہلے کی سہ ماہی میں) PFY خام مال کی قیمتوں میں کمی کے باعث درآمد کنندگان/تاجر سست روی کا شکار تھے جس نے تاجروں کو اضافی مقدار میں درآمد کرنے سے روکا اور اس کی وجہ سے مقامی مارکیٹ میں انوینٹری کم ہوئی، اس طرح مارکیٹ پر دباؤ کم پڑا جس کے باعث آپ کی کمپنی کو اپنے تیار شدہ مال کی انوینٹری کو 15 دن کی کم ترین سطح پر لانے کا موقع ملا۔ لیکن اب آپ کی کمپنی کی فروخت کے حجم میں سست روی کے باعث دوبارہ اسٹاک میں اضافہ ہو رہا ہے جیسا کہ اوپر تحریر کیا گیا۔ مزید یہ کہ خام مال کی قیمتیں گرنے کی کوئی خاص گنجائش دکھائی نہیں دیتی کیونکہ تمام upstream مصنوعات کے spreads/margins میں مزید کمی کی گنجائش نہیں۔ درحقیقت تاجراب بڑی مقدار میں درآمدات کرنے کیلئے تیار ہیں جس سے نومبر 2019ء سے مارکیٹ پر دباؤ بڑے گا جو آپ کی کمپنی کے لئے ملک میں بڑے برآمد کنندگان سے ریگولیٹری ڈیوٹی اور غیر منوثر/نا کافی اینٹی ڈمپنگ ڈیوٹی کے بغیر مقابلہ کرنا ایک چیلنج ہوگا۔

امریکہ کی طرف سے چینی مصنوعات پر عائد ڈیوٹی چینی معیشت کو سست کرنے کے ساتھ ساتھ چینی سپلائرز پر دباؤ بھی ڈال رہی ہے۔ جس کے نتیجے میں وہ اپنی مصنوعات پاکستان سمیت دیگر ممالک میں dump کرنے پر زیادہ مائل ہیں۔

Condensed Interim Un-consolidated Statement of Financial Position

AS AT SEPTEMBER 30, 2019

		(Rupees in Thousand)	
	Note	September 2019 (Un-audited)	June 2019 (Audited)
ASSETS			
Non - Current Assets			
Property, plant and equipment	5	3,407,470	2,359,404
Long term investments		666,823	602,830
Long term loans		410	99
Long term deposits		3,329	2,723
		4,078,032	2,965,056
Current Assets			
Stores, spare parts and loose tools		692,575	692,348
Stock in trade	6	3,165,042	2,840,779
Trade debts	13	1,996,491	1,528,561
Loans and advances	13	110,414	74,742
Trade deposits and short term prepayments		129,453	65,153
Other receivables	13	374,179	254,439
Income tax refundable payments less provision		107,393	-
Advance income tax		-	116,273
Sales tax refund due from Federal Government		111,418	142,375
Cash and bank balances		91,910	70,317
		6,778,875	5,784,987
TOTAL ASSETS		10,856,907	8,750,043
EQUITY AND LIABILITIES			
EQUITY			
Share capital	7	383,645	383,645
Capital reserve - share premium		383,645	383,645
General reserve		3,250,000	3,250,000
Unappropriated profit		1,688,996	1,286,708
		5,706,286	5,303,998
LIABILITIES			
Non - Current Liabilities			
Long term financing		1,031,598	126,540
Deferred liabilities - defined benefit plan		384,755	373,162
		1,416,353	499,702
Current Liabilities			
Trade and other payables	8 & 13	2,001,935	2,032,547
Unclaimed dividend		16,192	16,393
Accrued mark up		18,878	8,584
Short term borrowings		1,697,263	864,718
Provision for income tax less payments		-	24,101
		3,734,268	2,946,343
CONTINGENCIES AND COMMITMENTS	9		
TOTAL EQUITY AND LIABILITIES		10,856,907	8,750,043

The notes 1 to 15 annexed herewith form an integral part of these condensed interim un-consolidated financial statements.

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer

Condensed Interim Un-consolidated Statement of Profit or Loss (Un-audited)

FOR THE QUARTER ENDED SEPTEMBER 30, 2019

	Note	(Rupees in Thousand)	
		Jul-2019 to Sep-2019	Jul-2018 to Sep-2018
Sales		3,425,975	3,825,761
Cost of sales		3,186,996	3,243,127
Gross profit		238,979	582,634
Distribution and selling costs		41,801	48,783
Administrative expenses		68,200	51,496
Other operating expenses		14,725	44,821
		124,726	145,100
		114,253	437,534
Other income		21,308	2,707
Operating profit		135,561	440,241
Finance costs		19,614	1,099
		115,947	439,142
Investment income - Dividend	10	396,900	225,750
Profit before income tax		512,847	664,892
Income tax - Current		110,559	63,077
- Deferred		-	(4,625)
		110,559	58,452
Profit after income tax		402,288	606,440
Earnings per share - Basic and diluted (Rupees)		10.49	15.81

The notes 1 to 15 annexed herewith form an integral part of these condensed interim un-consolidated financial statements.

Condensed Interim Un-consolidated Statement of Comprehensive Income (Un-audited)

FOR THE QUARTER ENDED SEPTEMBER 30, 2019

	(Rupees in Thousand)	
	Jul-2019 to Sep-2019	Jul-2018 to Sep-2018
Profit after income tax	402,288	606,440
Other comprehensive income	-	-
Total comprehensive income	<u>402,288</u>	<u>606,440</u>

The notes 1 to 15 annexed herewith form an integral part of these condensed interim un-consolidated financial statements.

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer

Condensed Interim Un-consolidated Statement of Changes in Equity (Un-audited)

FOR THE QUARTER ENDED SEPTEMBER 30, 2019

	Share Capital	Capital reserve Share Premium	General reserve	Unappropriated profit	Total
	(Rupees in Thousand)				
Balances as at July 01, 2018	383,645	383,645	2,075,000	1,431,079	4,273,369
Total comprehensive income for the quarter ended September 30, 2018	-	-	-	606,440	606,440
Balances as at September 30, 2018	383,645	383,645	2,075,000	2,037,519	4,879,809
Total comprehensive income for the nine months ended June 30, 2019	-	-	-	1,181,888	1,181,888
Transfer to general reserve	-	-	1,175,000	(1,175,000)	-
Transactions with owners					
Final cash dividend for the year ended June 30, 2018 at Rs.8.25 per share i.e. @82.50%	-	-	-	(316,507)	(316,507)
1st Interim cash dividend for the year ended June 30, 2019 at Rs.9.50 per share i.e. @95%	-	-	-	(364,463)	(364,463)
2nd Interim cash dividend for the year ended June 30, 2019 at Rs.2.00 per share i.e. @20%	-	-	-	(76,729)	(76,729)
	-	-	-	(757,699)	(757,699)
Balances as at June 30, 2019	383,645	383,645	3,250,000	1,286,708	5,303,998
Total comprehensive income for the quarter ended September 30, 2019	-	-	-	402,288	402,288
Balances as at September 30, 2019	383,645	383,645	3,250,000	1,688,996	5,706,286

The notes 1 to 15 annexed herewith form an integral part of these condensed interim un-consolidated financial statements.

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer

Condensed Interim Un-consolidated Statement of Cash Flows (Un-audited)

FOR THE QUARTER ENDED SEPTEMBER 30, 2019

	(Rupees in Thousand)	
	Jul-2019 to Sep-2019	Jul-2018 to Sep-2018
Cash Flows (towards)/from Operating Activities		
Profit before income tax	512,847	664,892
Adjustments for:		
Depreciation	84,443	66,200
Provision for defined benefit plan	13,927	9,279
Gain on disposal of property, plant and equipment	(2,494)	(1,687)
Loss on disposal of property, plant and equipment	-	33
Impairment in long term investments	207	-
Provision/(reversal) of allowance for ECL - net	4,728	(467)
Provision for slow moving stores, spare parts and loose tools - net	656	2,186
Investment income - Dividend	(396,900)	(225,750)
Finance costs	19,614	1,099
	(275,819)	(149,107)
	237,028	515,785
(Increase)/decrease in current assets:		
Stores, spare parts and loose tools	(883)	(53,848)
Stock in trade	(324,263)	(76,960)
Trade debts	(472,658)	(64,355)
Loans and advances	(34,711)	(19,620)
Trade deposits and short term prepayments	(64,300)	(34,430)
Other receivables	(119,740)	(12,878)
Sales tax refund due from Federal Government	30,957	-
	(985,598)	(262,091)
	(30,523)	(263,944)
Decrease in Trade and other payables	(779,093)	(10,250)
Cash flows towards operations before following		
(Payments for)/receipts of:		
Long term loans	(1,272)	751
Long term deposits	(606)	30
Defined benefit plan	(2,334)	(1,422)
Finance costs	(9,320)	(792)
Income tax	(125,780)	(22,571)
Net cash flows towards operating activities	(918,405)	(34,254)
Cash Flows (towards)/from Investing Activities		
Additions in property, plant and equipment	(1,134,570)	(258,101)
Proceeds from disposal of property, plant and equipment	4,466	4,194
Investment made	(64,200)	-
Dividend received	396,900	225,750
Net cash flows towards investing activities	(797,404)	(28,157)
Cash Flows from/(towards) Financing Activities		
Long term financing - proceed	905,058	-
Dividend paid	(201)	(2)
Net cash flows from/(towards) financing activities	904,857	(2)
Net decrease in cash and cash equivalents	(810,952)	(62,413)
Cash and cash equivalents at the beginning of the period	(794,401)	(532,618)
Cash and cash equivalents at the end of the period	(1,605,353)	(595,031)
CASH AND CASH EQUIVALENTS COMPRISE OF :		
Cash and bank balances	91,910	71,616
Short term borrowings	(1,697,263)	(666,647)
	(1,605,353)	(595,031)

The notes 1 to 15 annexed herewith form an integral part of these condensed interim un-consolidated financial statements.

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer

Notes To The Condensed Interim Un-consolidated Financial Statements (Un-audited)

FOR THE QUARTER ENDED SEPTEMBER 30, 2019

1 THE COMPANY AND ITS OPERATIONS

1.1 The Company was incorporated in Pakistan in 1980 as a Public Limited Company and its shares are quoted at the Pakistan Stock Exchange Limited since 1992. The principal business of the Company is manufacturing of Polyester Filament Yarn through its self-produced Polyester Polymer/Chips. The Company also produces PET Preforms. The registered office of the Company is situated at Room No.32, 1st Floor, Ahmed Complex, Jinnah Road, Quetta whereas the plant of the Company is situated at Plot No 441/49-M2, Sector "M", H.I.T.E., Main R.C.D. Highway, Hub, District Lasbela, Balochistan and Liaison office of the Company is situated at 11th Floor, G&T Tower, #18 Beaumont Road, Civil Lines-10, Karachi.

1.2 Following are the wholly own subsidiaries of the Company:

- Gatro Power (Private) Limited, which is engaged in power generation.
- Global Synthetics Limited, which has yet to commence its operations.
- G-Pac Energy (Private) Limited, which has yet to commence its operations.

1.3 The Board of Directors of the Company in its meeting held on September 30, 2019 has approved the draft Scheme of Arrangement with the members under Sections 279 to 283. and 285 of the Companies Act, 2017 in respect of shares owned by the Company in Novatex Limited.

2 BASIS OF PREPARATION

2.1 These condensed interim un-consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprises of International Accounting Standards (IAS) 34, interim financial reporting, issued by International Accounting Standard Board (IASB) as notified under the Companies Act, 2017 and provision of and directives issued under the Companies Act, 2017. Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirement of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 These condensed interim un-consolidated financial statements are the separate condensed interim un-consolidated financial statements of the Company in which investments in subsidiaries and associate have been accounted for at cost less accumulated impairment losses, if any.

2.3 These condensed interim un-consolidated financial statements are unaudited and do not include all the information and disclosures of the annual financial statements and should be read in conjunction with the audited financial statements of the Company for the year ended June 30, 2019.

2.4 Changes in accounting standards, interpretations and amendments to published approved accounting standards

2.4.1 Amendments to published approved accounting standards which are effective during the quarter ended September 30, 2019:

There are certain amendments and interpretations to approved accounting and reporting standards which are mandatory for the Company's annual accounting period beginning on July 1, 2019; however, these do not have any significant impact on these condensed interim un-consolidated financial statements, hence not detailed.

2.4.2 Standards and amendments to published approved accounting standards that are not yet effective:

There are certain new standards and amendments to the approved accounting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2020. However, these amendments will not have any significant impact on the financial reporting of the Company, therefore, have not been disclosed in these condensed interim un-consolidated financial statements.

2.5 Functional and reporting currency

These condensed interim un-consolidated financial statements are presented in Pakistani Rupee, which is the Company's functional currency.

3 ACCOUNTING ESTIMATES AND JUDGEMENTS

Judgements and estimates made by the management in the preparation of these condensed interim un-consolidated financial statements were the same as those applied to the audited financial statements as at and for the year ended June 30, 2019.

4 SIGNIFICANT ACCOUNTING POLICIES

These condensed interim un-consolidated financial statements have been prepared, following the same accounting policies as were applied in the preparation of the audited financial statements as at and for the year ended June 30, 2019.

	Note	(Rupees in Thousand)	
		September 2019 (Un-audited)	June 2019 (Audited)
5 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	2,127,958	2,163,271
Capital work in progress	5.2	1,279,512	196,133
		<u>3,407,470</u>	<u>2,359,404</u>

5.1 Following are the cost of additions and net book value (NBV) of assets disposed off during the period:

Additions at cost during the period including transferred from Capital work in progress

	Quarter ended September 2019	Quarter ended September 2018
Plant and machinery	27,605	44,119
Furniture and fixture	-	574
Factory equipment	6,011	1,786
Office equipment	-	262
Motor vehicles	17,486	23,950
	<u>51,102</u>	<u>70,691</u>
Disposals at NBV during the period		
Office equipment	9	-
Motor vehicles	1,963	2,540
	<u>1,972</u>	<u>2,540</u>

		(Rupees in Thousand)	
		Quarter ended September 2019	Quarter ended September 2018
5.2	Capital work in progress		
	Balance as at 1st July	196,133	156,577
	Additions	1,083,379	231,356
	Transfer to operating fixed assets	-	(43,656)
	Balance as at 30th september	<u>1,279,512</u>	<u>344,277</u>

6 STOCK IN TRADE

This includes items valued net of Rs.76.869 million (June 2019: Rs.43.561 million) in respect of net realizable value.

7 SHARE CAPITAL

		(Number of Shares)	
		September 2019 (Un-audited)	June 2019 (Audited)
		September 2019 (Un-audited)	June 2019 (Audited)
7.1	Authorised capital		
	95,000,000 95,000,000 Ordinary shares of Rs. 10 each	<u>950,000</u>	<u>950,000</u>
7.2	Issued, subscribed and paid up capital		
	30,136,080 30,136,080 Ordinary shares of Rs.10 each allotted for consideration paid in cash	301,361	301,361
	8,228,400 8,228,400 Ordinary shares of Rs.10 each allotted as fully paid bonus shares	82,284	82,284
	<u>38,364,480</u> <u>38,364,480</u>	<u>383,645</u>	<u>383,645</u>

8 TRADE AND OTHER PAYABLES

Trade and other payables includes provision in respect of following:

- 8.1 The Oil and Gas Regulatory Authority (OGRA) had enhanced gas rate from Rs.488.23 per MMBTU for industrial and Rs.573.28 per MMBTU for captive power to Rs.600 per MMBTU with effect from September 01, 2015. The Company alongwith several other companies filed suit in the Sindh High Court challenging the increase in rate. The Honorable Sindh High Court had initially granted interim relief, whereby recovery of enhanced rate has been restrained. In May 2016, The Single Bench of Sindh High Court decided the case in favour of the Petitioners. However, in June 2016, Defendants filed appeal before Double Bench of Sindh High Court which was also decided in favor of the Petitioners. Meanwhile, OGRA had issued another notification dated December 30, 2016 overriding the previous notification and Messrs. Sui Southern Gas Company Limited (SSGCL) billed @ Rs.600 per MMBTU. However, the Company alongwith others filed a suit in the Sindh High Court on January 19, 2017 against OGRA, SSGCL and others. The Honorable Sindh High Court granted interim relief and instructed SSGCL to revise the bills at previous rate against securing the differential amount with the Nazir of the court. Accordingly,

the Company has provided bankers' verified cheque to Nazir of High Court amounting to Rs.47.667 million (June 2019: Rs.47.667 million). As an abundant precaution, the Company has made total provision of Rs.40.194 million (June 2019: Rs.40.194 million). On October 04, 2018, OGRA has issued notification to increase the gas tariff with effect from September 27, 2018 and also issued another notification dated June 29, 2019 for further increase of gas tariff with effect from July 01, 2019 for different categories and the Company is paying full amount of the gas bills as per notification.

- 8.2** In August 2013, OGRA had enhanced gas rate from Rs.488.23 per MMBTU to Rs.573.28 per MMBTU for captive power and accordingly, SSGCL started charging rate prescribed for captive power to the Company with effect from September 2013. The Company alongwith several other companies filed suit in the Sindh High Court on December 21, 2015 against OGRA, SSGCL and others challenging the charging of captive power tariff instead of industrial tariff. The Honorable Sindh High Court has granted interim relief, whereby recovery of captive power rate has been restrained. Meanwhile, OGRA had issued another notification dated December 30, 2016 overriding the previous notification and SSGCL billed @ Rs.600 per MMBTU. However, the Company alongwith others filed a suit in the Sindh High Court on January 19, 2017 against OGRA, SSGCL and others. The Honorable Sindh High Court granted interim relief and instructed SSGCL to revise the bills at previous rate against securing the differential amount with the Nazir of the court. Accordingly, the Company has provided bankers' verified cheque to Nazir of High Court, refer note 8.1. As an abundant precaution, the Company has made provision of Rs.15.977 million (June 2019: Rs.15.977 million) pertaining to the period of November 2015 to September 2018 and did not create receivable of Rs.13.629 million in respect of period from August 2013 to October 2015. On October 04, 2018, OGRA has issued notification to increase the gas tariff with effect from September 27, 2018 and also issued another notification dated June 29, 2019 for further increase of gas tariff with effect from July 01, 2019 for different categories and the Company is paying full amount of the gas bills as per notification.
- 8.3** Provision of Sindh Sales Tax on rent payable to an associated company Messrs. Novatex Limited amounted to Rs.5.526 million (June 2019: Rs.5.369 million). The associated company had filed a suit in the Sindh High Court against Sindh Revenue Board and Province of Sindh etc. On August 28, 2018, the Single Bench of Sindh High Court decided the case in favour of the associated company. However, the Sindh Revenue Board filed an appeal against the decision before the double bench of Sindh High Court.
- 8.4** The Company had filed a petition in the Sindh High Court at Karachi on May 25, 2011 against Province of Sindh and Excise and Taxation Department, challenging the levy of Infrastructure Cess on imports. Through an interim order dated May 31, 2011, the Honorable Sindh High Court ordered to pay 50% in cash of this liability effective from December 28, 2006 and to submit bank guarantee for the rest of 50% until the final order is passed. In April 2017, the Government of Sindh has promulgated the Sindh Development and Maintenance of Infrastructure Cess Act, 2017. The Company has also challenged the new Act in the Sindh High Court on October 23, 2017 against Province of Sindh and Excise and Taxation Department and similar stay has been granted by the Honorable Sindh High Court. Till reporting date, the Company has provided bank guarantee amounting to Rs.193.365 million (June 2019: Rs.178.365 million) in favour of Excise and Taxation Department, in respect of consignments cleared after December 27, 2006 (refer note 9.2). Based on the legal advise, the management believes that the case will be decided in favour of the Company. However, full provision after December 27, 2006 has been made in these condensed interim un-consolidated financial statements as an abundant precaution.
- 8.5** The Federal Board of Revenue (FBR) vide SRO 491(I)/2016 dated June 30, 2016 made certain amendments in SRO 1125(I)/2011 dated December 31, 2011 including disallowance of input tax adjustment on packing material of textile products. Consequently, input tax adjustment on packing material of textile product was not being allowed for adjustment with effect from July 01, 2016 till June 30, 2018. The Company had challenged the disallowance of input tax

adjustment on packing material in the Sindh High Court on January 16, 2017 against Federation of Pakistan and others. The Honorable Sindh High Court has granted interim relief order and allowed the Company to claim input tax adjustment.

Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Company. However, as an abundant precaution, the Company has made provision of Rs.65.752 million till June 2018 as after that input tax adjustment was allowed.

- 8.6** The FBR vide SRO 450(I)/2013 dated May 27, 2013 made certain amendments in SRO 490(I)/2004 dated June 12, 2004 and disallowed input tax adjustment on building materials with effect from May 28, 2013. The Company had challenged the restriction so placed before the Islamabad High Court on December 21, 2015 against Federation

of Pakistan. The Court has granted interim relief order and allowed the Company to claim input tax adjustment on building material.

Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Company. However, as an abundant precaution, the Company has made provision of Rs.25.046 million (June 2019: Rs.20.792 million).

- 8.7** Provision of Gas Infrastructure Development Cess Rs.6.844 million (June 2019: Rs.6.591 million) and rate difference of gas tariff Rs.1.824 million (June 2019: Rs.1.718 million) on account of common expenses payable to an associated company Messrs. Novatex Limited.

9 CONTINGENCIES AND COMMITMENTS

The detail of contingencies and commitments as at reporting date are as follows:

9.1 Contingencies

- 9.1.1** FBR initiated action against few customers of the Company for violating/non compliance of the provisions of SRO 1125 dated December 31, 2011 and alleging the Company to provide them assistance and illegal facilitation. The dispute relates to the period of time when supplies were zero rated and as a result of which the Company had to pay Rs.27.762 million and had also to submit post-dated cheques of Rs.83.287 million under protest in favour of Chief Commissioner Inland Revenue.

The Company had, however, challenged the action before the Honorable Sindh High Court on December 23, 2013 against Federation of Pakistan and others. Realizing the facts of the case, circumstances and legal position, the Honorable Sindh High Court has granted interim relief whereby encashment of above mentioned post dated cheques has been restrained.

By way of abundant precaution, the amount of Rs.27.762 million has been charged to unconsolidated statement of profit or loss in previous period. Based on the merits of the case and discussion held with the legal counsel, the management is confident that the case will be decided in favour of the Company. Accordingly no provision has been made for the amount of post dated cheques of Rs.83.287 million.

- 9.1.2** The Parliament passed the Gas Infrastructure Development Cess (GIDC) Act 2015 in May 2015, which seeks to impose GIDC levy since 2011. The Company alongwith several other companies filed suit in the Sindh High Court on July 16, 2015 against OGRA and others challenging the validity and promulgation of GIDC Act 2015. The Single Bench of Honorable Sindh High Court had decided the case in favour of Petitioners. However, Defendants have filed appeal on November 10, 2016 before the Double Bench of Sindh High Court against only one of the leading petitioner but not against the Company.

Considering previous decision of Honorable Supreme Court and legal advisor opinion, the Company is confident that the case will be decided in favour of the Petitioners. Total amount of enhanced GIDC upto September 30, 2019 worked out at Rs.150.038 million (June 2019: Rs.145.554 million), however the Company accounted for Rs.110.700 million (June 2019: Rs.106.216 million) pertaining to the period of July 2014 to September 2019 for Captive Power and June 2015 to September 2019 for Industrial as an abundant precaution in view of reason stated above.

- 9.1.3** The Company along with several other companies has filed a Constitution Petition in the Sindh High Court on April 13, 2016 against Employment Old Age Benefits Institution (EOBI) and others against a notice issued by the EOBI to the Company to pay contribution at the revised rate of wages with retrospective effect. The Honorable Sindh High Court has already restrained EOBI from taking any coercive action against the Company. No provision of the amount involved i.e. Rs.22.523 million (June 2019: Rs.21.726 million) has been made in these condensed interim un-consolidated financial statements as the Company is confident for the favorable outcome of the Petition.
- 9.1.4** The Company filed four appeals on 2nd, 9th, 17th May and 20th June 2018 before the Commissioner Inland Revenue (Appeals) (CIR(A)) – 2, Large Taxpayers Unit, Karachi for the tax periods July 2012 to December 31, 2016 against the assessment orders passed by the Deputy Commissioner Inland Revenue (DCIR), Large Taxpayers Unit, passed under section 11 (2) of the Sales Tax Act, 1990 through which cumulative demand for the aforesaid periods amounting to Rs.55.423 million excluding default surcharge was created. In the assessment orders, major areas on which impugned demand has been raised relates to disallowance of input tax on purchases and recovery of sales tax on sales to subsequently suspended / blacklisted person. The Company has already deposited Rs.28 million under protest into the Government treasury for stay against the full recovery. The CIR(A) has issued judgment in respect of impugned order for tax periods July 2012 to June 2013 wherein the entire order of the Tax Officer has been held as illegal and unconstitutional. However, the Tax Department has been filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order passed by CIR(A). No provision has been made in these condensed interim un-consolidated financial statements as the Company is confident that the matter will be decided in favour by the appellate authorities.
- 9.1.5** Income tax department issued order under section 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2012 wherein income tax demand of Rs. 37.773 million was raised on various issues. Out of the total amount, the Company paid Rs.3.777 million under protest. Appeal was filed before the CIR(A) and the CIR(A) had decided the case partially in favour of the Company whereas major issues were decided in favour of the tax department. Based on the judgment of the CIR(A), the revised demand comes out to Rs. 28.2 million. Against the order of the CIR(A), the Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) and the learned ATIR, vide its judgment dated January 1, 2019 has decided the case in favour of the Company. Based on the said judgment of the ATIR, partial demand of Rs. 3.777 million earlier paid by the Company under protest is now refundable. As of now, the tax department has not yet filed appeal against the said judgment of ATIR.
- 9.1.6** Income Tax department issued order under section 122(1) of the Income Tax Ordinance, 2001 for the Tax Year 2015 wherein income tax demand of Rs. 25.888 million was raised on various issues. Out of the total amount, the Company paid Rs.2.589 million under protest. Appeal was filed before the CIR(A) and the CIR(A) has decided partially in favour of the Company. Appeal has been filed by the Company as well as the tax department before Appellate Tribunal Inland Revenue, however, no hearing has been conducted till date. Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Company.
- 9.1.7** The tax officer alleged the Company for charging sales tax at reduced rate instead of standard rate of 17% during the tax periods from July 2014 to June 2015 and raised the demand of

Rs.1.741 million along with penalty of Rs.0.087 million. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) against order of the tax department on the ground that reduced rate was applicable to buyers as those buyers were active and operative at the time of execution of sales transaction. Moreover, the tax department has adjusted the impugned demand with sales tax refunds available with the Company. Appeal was filed before Commissioner Inland Revenue (Appeals), which was decided in favours of the Company. Tax Department has not filed an appeal in Appellate Tribunal Inland Revenue till date. The Company has filed sales tax refund application in respect of the impugned demand adjusted by the tax department.

9.1.8 The case of the Company was selected for income tax audit for tax year 2013. The return was amended under section 122(1)(5) of the Income Tax Ordinance, 2001, however, no income tax demand was raised owing to taxable losses both before and after amendment of the income tax return. Subsequently, the tax department again initiated proceedings for further amendment of the already amended income tax return and raised demand of Rs.1.178 million. Demand has been raised mainly because of figurative errors committed by the Additional Commissioner Inland Revenue against which the Company has moved rectification application against which rectified order was issued. Moreover, the Company has also filed an appeal before Commissioner Inland Revenue (Appeals) to secure its interest in case rectification application is rejected by the concerned tax officer. Commissioner Inland Revenue (Appeals) has decided the matter partially in favour of the Company. Considering that the matter decided against the Company has no material impact, therefore, the Company is not proceeding to file appeal before the Appellate Tribunal Inland Revenue. Tax Department has not filed an appeal in Appellate Tribunal Inland Revenue till date.

9.1.9 The Company has filed a petition in Sindh High Court on August 26, 2019 against 3% Minimum Value Addition Tax on import of machinery, which has been levied through Finance Act, 2019. Stay has been granted by the Honorable Sindh High Court against submission of bank guarantee in favor of Nazir of the court. Till reporting date, the Company has provided bank guarantee amounting to Rs.15.209 million (refer note 9.2).

		(Rupees in Thousand)	
		September 2019 (Un-audited)	June 2019 (Audited)
9.2	Guarantees		
	Bank Guarantees in favour of:		
	The Director Excise and Taxation, Karachi	193,365	178,365
	The Electric Inspector, President Licencing Board, Quetta	10	10
	Pakistan State Oil Company Limited	40,000	40,000
	K-Electric Limited	11,560	11,560
	Nazir of the High Court of Sindh, Karachi	15,209	-
	Letters of Credit in favour of:		
	Sui Southern Gas Company Limited for Gas	30,992	30,992
		<u>291,136</u>	<u>260,927</u>

9.3 Commitments

The Company's commitments, against which the banks have opened Letters of Credit, in favor of different suppliers, are as follows:

	(Rupees in Thousand)	
	September 2019 (Un-audited)	June 2019 (Audited)
Foreign currency:		
Property, plant and equipment	242,669	1,046,130
Raw material	97,565	346,064
Spare parts and others	54,861	91,457
	395,095	1,483,651
Local currency:		
Spare parts and others	36,146	40,161
	431,241	1,523,812
	Quarter ended September 2019	Quarter ended September 2018

10 INVESTMENT INCOME - DIVIDEND

From wholly owned subsidiary company - Messrs. Gatro Power (Private) Limited	-	225,750
From associated company - Messrs. Novatex Limited	396,900	-
	396,900	225,750

11 MEASUREMENT OF FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company's certain accounting policies and disclosure requires use of fair value measurement and the Company while assessing fair value maximize the use of relevant observable inputs and minimize the use of unobservable inputs establishing a fair value hierarchy, i.e., input used in fair value measurement is categorized into following three levels:

- Level 1 Inputs are the quoted prices in active markets for identical assets or liabilities that can be assessed at measurement.
- Level 2 Inputs are inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Inputs are unobservable inputs for the asset or liability.

As at reporting date the fair value of all the assets and liabilities approximates to their carrying values except property, plant and equipment and long term investments in subsidiaries and associate. The property, plant and equipment is carried at cost less accumulated depreciation and impairment if any, except free-hold land, lease-hold land and capital work in progress which are stated at cost, whereas long term investment in subsidiaries and associate carried at cost less accumulated impairment, if any. The Company does not expect that unobservable inputs may have significant effect on fair values.

12 SEGMENT REPORTING

12.1 Reportable segments

The Company's reportable segments are as follows:

- Polyester Filament Yarn - it comprises manufacturing of Polyester Filament Yarn and its raw material.
- Polyester PET Preforms - it comprises manufacturing of Polyester PET Preforms and its raw material.

Other operating expenses, other income, finance costs and taxation are managed at Company level.

12.2 Segment results:

The segment information for the reportable segments for the quarter ended September 30, 2019 is as follows:

	September 2019			(Rupees in Thousand) September 2018		
	Polyester Filament Yarn	Polyester PET Preforms	Total	Polyester Filament Yarn	Polyester PET Preforms	Total
External sales	2,455,737	970,238	3,425,975	2,610,847	1,214,914	3,825,761
Segment result before depreciation	138,052	75,369	213,421	300,851	247,704	548,555
Less: Depreciation	(68,230)	(16,213)	(84,443)	(49,347)	(16,853)	(66,200)
Segment result after depreciation	69,822	59,156	128,978	251,504	230,851	482,355
Reconciliation of segment results with Profit before income tax:						
Total results for reportable segments			128,978			482,355
Other operating expenses			(14,725)			(44,821)
Other income			21,308			2,707
Finance costs			(19,614)			(1,099)
Investment income - Dividend			396,900			225,750
Profit before income tax			512,847			664,892

Assets and liabilities by segments are as follows:

	September 2019			June 2019		
	(Un-audited)			(Audited)		
Segment assets	6,454,398	2,450,892	8,905,290	4,280,373	2,702,702	6,983,075
Segment liabilities	1,417,530	306,720	1,724,250	723,986	510,631	1,234,617
Reconciliation of segments assets and liabilities with total in the condensed interim un-consolidated statement of financial position is as follows:						
Total for reportable segments		Assets	Liabilities		Assets	Liabilities
Unallocated		8,905,290	1,724,250		6,983,075	1,234,617
Total as per condensed interim un-consolidated statement of financial position		1,951,617	3,426,371		1,766,968	2,211,428
		10,856,907	5,150,621		8,750,043	3,446,045

Other segment information is as follows:

	September 2019			September 2018		
Depreciation	68,230	16,213	84,443	49,347	16,853	66,200
Capital expenditures incurred during the period	1,114,111	2,973	1,117,084	248,607	6,502	255,109
Unallocated capital expenditure incurred during the period			17,486			2,992
Total			1,134,570			258,101

12.3 99.29% (September 2018 : 98.83%) out of total sales of the Company relates to customers in Pakistan.

12.4 All non - current assets of the Company as at September 30, 2019 are located in Pakistan.

12.5 The Company does not have transaction with any external customer which amount to 10 percent or more of the Company's revenue.

13 TRANSACTIONS WITH RELATED PARTIES

The related parties include Subsidiaries, Associate and Other Related Group Companies, Key Management Personnel and Defined Contribution Plans (Provident Funds). The Company continues to have a policy whereby transactions with related parties are entered into at commercial terms, approved policy and at rate agreed under a contract / arrangement / agreement. Contributions to defined contribution plan (Provident Funds) are made as per the terms of employment. Remuneration of Key Management Personnel is in accordance with their terms of engagements. Details of transactions with related parties are as follows:

Name	Nature of relationship	Basis of relationship	Nature of transaction	(Rupees in Thousand)	
				Quarter ended September 2019	Quarter ended September 2018
Gatro Power (Private) Limited	Subsidiary Company	100% ownership	Purchase of power	491,001	480,249
			Dividend income	-	225,750
			Plant operation arrangement	9,000	9,000
			Storage and handling	-	121
			Rent	-	2
			Reimbursement of expenses	44	24
G-Pac Energy (Private) Limited	Subsidiary Company	100% ownership	Investment made	64,200	-
Novatex Limited	Associated Company	Common directorship	Obtaining of services	152,541	134,643
			Sales of goods	44,519	-
			Dividend income	396,900	-
			Rent	5,237	4,621
			Reimbursement of expenses	44,871	34,701
Krystalite Product (Private) Limited	Related Party	Common management	Sale of goods	51,574	168,428
			Reimbursement of expenses	-	205
Mushtaq & Company (Private) Limited	Related Party	Common management	Sale of goods	1,894	22,535
Gani & Tayub (Private) Limited	Related Party	Common directorship	Charges on account of handling	1,569	1,889
Gatron Foundation	Related Party	Common directorship	Payment of donation	2,430	760
Gatron (Industries) Limited Staff Provident Fund	Retirement benefit fund	Employees fund	Contribution made	5,799	5,179
Gatron (Industries) Limited Workers Provident Fund	Retirement benefit fund	Employees fund	Contribution made	948	959

There are no transactions with Key Management Personnel other than remuneration under their terms of employment amounting to Rs. 66.629 million (September 2018: Rs.52.916 million).

The above figures are exclusive of sales tax, where applicable.

Outstanding balances, as at reporting date, are disclosed as follows:

	(Rupees in Thousand)	
	As at September 30, 2019 (Un-audited)	As at June 30, 2019 (Audited)
Gatro Power (Private) Limited		
Other receivables	6,276	3,071
Trade and other payables	574,472	37,951
Novatex Limited		
Trade debts	8,527	-
Loans and advances	4,005	-
Other receivables	29,581	11,961
Trade and other payables	38,534	13,678
Krystalite Product (Private) Limited		
Trade debts	147,554	87,212
Other receivables	-	87
Mushtaq & Company (Private) Limited		
Trade debts	26,849	24,633
Gani & Tayub (Private) Limited		
Trade and other payables	596	909
Gatron (Industries) Limited Staff Provident Fund		
Trade and other payables	4,256	3,676
Gatron (Industries) Limited Workers Provident Fund		
Trade and other payables	458	571

14 DATE OF AUTHORISATION

These condensed interim un-consolidated financial statements were authorised for issue on October 23, 2019 by the Board of Directors of the Company.

15 GENERAL

- 15.1** Charge for Workers' Profit Participation Fund, Workers' Welfare Fund, Deferred Tax and Income Tax (where applicable) are interim and final liability will be determined on the basis of annual results.
- 15.2** Figures have been rounded off to the nearest thousand of Rupees.



**Gatron (Industries) Limited
and Subsidiary Companies**

**Condensed Interim Consolidated
Financial Statements
For the Quarter ended September 30, 2019**

Directors' Report

On behalf of the Board of Directors of M/s. Gatron (Industries) Limited, we are pleased to present the un-audited Consolidated Condensed Interim Financial Statements of the Group for the quarter ended September 30, 2019.

The Group

The Group comprises of Gatron (Industries) Limited and its subsidiaries i.e Gatro Power (Private) Limited, Global Synthetics Limited and G-Pac Energy (Private) Limited.

During the period operations of wholly owned subsidiary M/s. Gatro Power (Private) Limited remained below par due to increase in gas prices. In coming periods supply rate to Parent Company may further be increased to cover escalation in power generation cost.

M/s. Global Synthetics Limited has not yet commenced its operations till date.

M/s. G-Pac Energy (Private) Limited has not yet commenced its operations till date.

CONSOLIDATED FINANCIALS

(Pak Rupees in Thousand)

Operating results for the quarter ended September 30, 2019

Profit before share of profit in associated company	180,263
Share of profit after income tax in associated company	576,846
Profit before income tax	757,109
Income Tax	136,185
Profit after income tax	620,924
Un-appropriated Profit brought forward	8,426,484
Un-appropriated Profit carried forward	9,038,305

State of Affairs as on September 30, 2019

Property, Plant and Equipment	4,334,719
Other non-current assets	8,606,642
Current assets	7,958,955
Total assets	20,900,316
Deduct:	
Non-current liabilities	2,623,278
Current liabilities	4,936,443
Total liabilities	7,559,721
Net assets financed by shareholders' equity	13,340,595

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

October 23, 2019

گروپ کے مالیاتی گوشواروں پر ڈائریکٹرز کی رپورٹ

معزز ممبران،

میسرز گیٹرون (انڈسٹریز) لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے ہم 30 ستمبر 2019ء کو ختم شدہ سہ ماہی مدت کیلئے گروپ ہذا کے غیر آڈٹ شدہ مختصر مالیاتی گوشوارے بمسرت پیش کر رہے ہیں۔

گروپ:

یہ گروپ میسز گیٹرون (انڈسٹریز) لمیٹڈ اور اس کے مکمل ماتحت اداروں میسز گیٹرون پاور (پرائیویٹ) لمیٹڈ، میسز گلوبل سینٹھیکس لمیٹڈ اور جی پیک اینرجی (پرائیویٹ) لمیٹڈ پر مشتمل ہے۔

زیر جائزہ مدت کے دوران مکمل ملکیتی ماتحت ادارہ میسز گیٹرون پاور (پرائیویٹ) لمیٹڈ کے آپریشنز گیس کی قیمتوں میں اضافے کی وجہ سے نچلی سطح پر رہے۔ آنے والی مدتوں میں پیرنٹ کمپنی کو سہولتی کی نرخ میں مزید اضافہ کیا جاسکتا ہے تاکہ بجلی کی پیداواری لاگت میں اضافہ وصول ہو سکے۔

میسز گلوبل سینٹھیکس لمیٹڈ نے ابھی تک اپنے آپریشنز شروع نہیں کئے۔

میسز جی پیک اینرجی (پرائیویٹ) لمیٹڈ نے ابھی تک اپنے آپریشنز شروع نہیں کئے۔

جامع مالیات :

(روپے 000)	آپریٹنگ نتائج برائے سال ختم شدہ 30 ستمبر 2019ء
180,263	منافع قبل از تعین منافع من منسلکہ کمپنیاں
576,846	منافع من منسلکہ کمپنیاں بعد از انکم ٹیکس
757,109	منافع قبل از انکم ٹیکس
136,185	انکم ٹیکس
620,924	منافع بعد از انکم ٹیکس
8,426,484	غیر متصرف منافع گزشتہ (Un-appropriated profit brought forward)
9,038,305	غیر متصرف منافع حالیہ (Un-appropriated profit brought forward)
	30 ستمبر 2019ء تک معاملات کی صورتحال
4,334,719	الملاک، پلانٹ اور ایکویٹمنٹ
8,606,642	دیگر پائیدار اثاثہ جات
7,958,955	بدل پذیر اثاثہ جات
20,900,316	کل اثاثہ جات
	کٹوتی :
2,623,278	پائیدار واجبات
4,936,443	بدل پذیر واجبات
7,559,721	کل واجبات
13,340,595	خالص اثاثہ جات ادا شدہ منجانب ایکویٹی ہائے حصص یافتگان

محمد اقبال بلوانی
ڈائریکٹر

پیر محمد دیوان
افسر اعلیٰ / ڈائریکٹر

23 اکتوبر، 2019ء

Condensed Interim Consolidated Statement of Financial Position

AS AT SEPTEMBER 30, 2019

		(Rupees in Thousand)	
	Note	September 2019 (Un-audited)	June 2019 (Audited)
ASSETS			
Non - Current Assets			
Property, plant and equipment	5	4,334,719	3,239,252
Long term investment		8,602,903	8,432,060
Long term loans		410	99
Long term deposits		3,329	2,723
		12,941,361	11,674,134
Current Assets			
Stores, spare parts and loose tools		944,008	942,242
Stock in trade	6	3,165,042	2,840,779
Trade debts	13	1,996,491	1,528,561
Loans and advances	13	120,229	79,492
Trade deposits and short term prepayments		141,089	65,849
Other receivables	13	379,182	247,302
Income tax refundable payments less provision		110,787	-
Advance income tax		-	116,273
Sales tax refund due from Federal Government		111,418	142,375
Cash and bank balances		990,709	1,381,563
		7,958,955	7,344,436
TOTAL ASSETS		20,900,316	19,018,570
EQUITY AND LIABILITIES			
EQUITY			
Share capital	7	383,645	383,645
Capital reserve - share premium		383,645	383,645
General reserve		3,535,000	3,535,000
Unappropriated profit		9,038,305	8,426,484
		13,340,595	12,728,774
LIABILITIES			
Non - Current Liabilities			
Long term financing		1,031,598	126,540
Deferred liabilities	8	1,591,680	1,554,370
		2,623,278	1,680,910
Current Liabilities			
Trade and other payables	9 & 13	3,204,110	3,698,476
Unclaimed dividend		16,192	16,393
Accrued mark up		18,878	8,584
Short term borrowings		1,697,263	864,718
Provision for income tax less payments		-	20,715
		4,936,443	4,608,886
CONTINGENCIES AND COMMITMENTS	10		
TOTAL EQUITY AND LIABILITIES		20,900,316	19,018,570

The notes 1 to 16 annexed herewith form an integral part of these condensed interim consolidated financial statements.

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer

Condensed Interim Consolidated Statement of Profit or Loss (Un-audited)

FOR THE QUARTER ENDED SEPTEMBER 30, 2019

	(Rupees in Thousand)	
	Jul-2019 to Sep-2019	Jul-2018 to Sep-2018
Sales	3,425,975	3,825,761
Cost of sales	3,122,619	3,126,204
Gross profit	303,356	699,557
Distribution and selling costs	41,801	48,783
Administrative expenses	68,923	52,330
Other operating expenses	14,869	45,953
	125,593	147,066
	177,763	552,491
Other income	22,332	2,584
Operating profit	200,095	555,075
Finance costs	19,832	1,191
	180,263	553,884
Share of profit after income tax in associated company	576,846	1,000,145
Profit before income tax	757,109	1,554,029
Income tax - Current	110,559	63,077
- Deferred	25,626	145,257
	136,185	208,334
Profit after income tax	620,924	1,345,695
Earnings per share - Basic and diluted (Rupees)	16.18	35.08

The notes 1 to 16 annexed herewith form an integral part of these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statement of Comprehensive Income (Un-audited)

FOR THE QUARTER ENDED SEPTEMBER 30, 2019

	(Rupees in Thousand)	
	Jul-2019 to Sep-2019	Jul-2018 to Sep-2018
Profit after income tax	620,924	1,345,695
Other comprehensive income		
<i>Items that will never be reclassified to profit or loss</i>		
Share of other comprehensive loss of associate - net of tax	(2,919)	(2,768)
<i>Items that may be reclassified subsequently to profit or loss</i>		
Share of other comprehensive (loss)/income of associate - net of tax	(6,184)	1,831
	(9,103)	(937)
Total comprehensive income	611,821	1,344,758

The notes 1 to 16 annexed herewith form an integral part of these condensed interim consolidated financial statements.

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer

Condensed Interim Consolidated Statement of Changes in Equity (Un-audited)

FOR THE QUARTER ENDED SEPTEMBER 30, 2019

	Share capital	Capital reserve Share Premium	General reserve	Unappropriated profit	Total
(Rupees in Thousand)					
Balances as at July 01, 2018	383,645	383,645	2,360,000	6,669,762	9,797,052
Total comprehensive income for the quarter ended September 30, 2018	-	-	-	1,344,758	1,344,758
Balances as at September 30, 2018	383,645	383,645	2,360,000	8,014,520	11,141,810
Total comprehensive income for the nine months ended June 30, 2019	-	-	-	2,344,663	2,344,663
Transfer to General reserve	-	-	1,175,000	(1,175,000)	-
Transactions with owners					
Final cash dividend for the year ended June 30, 2018 at Rs.8.25 per share i.e. @82.50%	-	-	-	(316,507)	(316,507)
1st interim cash dividend for the year ended June 30, 2019 at Rs.9.50 per share i.e. @95%	-	-	-	(364,463)	(364,463)
2nd interim cash dividend for the year ended June 30, 2019 at Rs.2.00 per share i.e. @20%	-	-	-	(76,729)	(76,729)
	-	-	-	(757,699)	(757,699)
Balances as at June 30, 2019	383,645	383,645	3,535,000	8,426,484	12,728,774
Total comprehensive income for the quarter ended September 30, 2019	-	-	-	611,821	611,821
Balances as at September 30, 2019	383,645	383,645	3,535,000	9,038,305	13,340,595

(1) Included in un-appropriated profit , is a sum of Rs.8,035.903 million, representing proportionate share in un-appropriated profit of an associated company Messrs. Novatex Limited upto June 30, 2019, which is not available for distribution to the shareholder of the Parent Company, until realised.

(2) The notes 1 to 16 annexed herewith form an integral part of these condensed interim consolidated financial statements.

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer

Condensed Interim Consolidated Statement of Cash Flows (Un-audited)

FOR THE QUARTER ENDED SEPTEMBER 30, 2019

Cash Flows (towards)/from Operating Activities

	(Rupees in Thousand) Jul-2019 to Sep-2019	Jul-2018 to Sep-2018
Profit before income tax	757,109	1,554,029
Adjustments for:		
Depreciation	112,854	90,280
Provision for defined benefit plan	14,018	9,338
Gain on disposal of property, plant and equipment	(2,494)	(1,687)
Loss on disposal of property, plant and equipment	-	33
Provision/(reversal) of allowance for ECL - net	4,728	(467)
Provision for slow moving stores, spare parts and loose tools - net	1,007	3,185
Share of profit after income tax in associated company	(576,846)	(1,000,145)
Finance costs	19,832	1,191
	(426,901)	(898,272)
	330,208	655,757
(Increase)/decrease in current assets:		
Stores, spare parts and loose tools	(2,773)	(52,194)
Stock in trade	(324,263)	(76,960)
Trade debts	(472,658)	(64,355)
Loans and advances	(39,776)	(12,195)
Trade deposits and short term prepayments	(75,240)	(43,877)
Other receivables	(131,880)	(4,107)
Sales tax refund due from Federal Government	30,957	-
	(1,015,633)	(253,688)
	(493,272)	(626,994)
	(1,178,697)	(224,925)
Decrease in Trade and other payables		
Cash flows towards operations before following		
(Payments for)/receipts of:		
Long term loans	(1,272)	751
Long term deposits	(606)	30
Defined benefit plan	(2,334)	(1,422)
Finance costs	(9,538)	(884)
Income tax	(125,788)	(22,597)
Net cash flows towards operating activities	(1,318,235)	(249,047)

Cash Flows (towards)/from Investing Activities

Additions in property, plant and equipment	(1,211,387)	(326,009)
Proceeds from disposal of property, plant and equipment	4,466	4,194
Dividend received from associated company	396,900	-
Net cash flows towards investing activities	(810,021)	(321,815)

Cash Flows from/(towards) Financing Activities

Long term financing - proceed	905,058	-
Dividend paid	(201)	(2)
Net cash flows from/(towards) financing activities	904,857	(2)
Net decrease in cash and cash equivalents	(1,223,399)	(570,864)
Cash and cash equivalents at the beginning of the period	516,845	797,600
Cash and cash equivalents at the end of the period	(706,554)	226,736

CASH AND CASH EQUIVALENTS COMPRISE OF:

Cash and bank balances	990,709	893,383
Short term borrowings	(1,697,263)	(666,647)
	(706,554)	226,736

The notes 1 to 16 annexed herewith form an integral part of these condensed interim consolidated financial statements.

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer

Notes To The Condensed Interim Consolidated Financial Statements (Un-audited)

FOR THE QUARTER ENDED SEPTEMBER 30, 2019

1 THE GROUP AND ITS OPERATIONS

The Group consists of :

- Gatron (Industries) Limited
- Gatro Power (Private) Limited
- Global Synthetics Limited
- G-Pac Energy (Private) Limited

The Parent Company was incorporated in Pakistan in 1980 as a Public Limited Company and its shares are being quoted at the Pakistan Stock Exchange Limited since 1992. The principal business of the Parent Company is manufacturing of Polyester Filament Yarn through its self-produced Polyester Polymer/Chips. The Parent Company also produces PET Preforms. The registered office of the Parent Company is situated at Room No.32, 1st Floor, Ahmed Complex, Jinnah Road, Quetta whereas the plant of the Parent Company is situated at Plot No.441/49-M2, Sector "M", H.I.T.E., Main R.C.D. Highway, Hub, District Lasbela, Balochistan and liaison office of the Parent Company is situated at 11th Floor, G&T Tower, #18 Beaumont Road, Civil Lines-10, Karachi.

Gatro Power (Private) Limited is a wholly owned subsidiary of Gatron (Industries) Limited. The principal business of the Subsidiary Company is to generate and sale electric power. The registered office of the Subsidiary Company is situated at Room No.32, 1st Floor, Ahmed Complex, Jinnah Road, Quetta. The plant of the Subsidiary Company is situated at Plot No.441/49-M2, Sector "M", H.I.T.E., Main R.C.D. Highway, Hub, District Lasbela, Balochistan and liaison office of the Subsidiary Company is situated at 11th Floor, G&T Tower, #18 Beaumont Road, Civil Lines-10, Karachi.

Global Synthetics Limited is a wholly owned subsidiary of Gatron (Industries) Limited, which has yet to commence its operations. The registered office of the Subsidiary Company is situated at Room No.50, 2nd Floor, Ahmed Complex, Jinnah Road, Quetta and liaison office of the Subsidiary Company is situated at 11th Floor, G&T Tower, #18 Beaumont Road, Civil Lines-10, Karachi.

G-Pac Energy (Private) Limited is a wholly owned subsidiary of Gatron (Industries) Limited, which has yet to commence its operations. The principal business of the Subsidiary Company is to generate and sale electric power. The registered office of the Subsidiary Company is situated at Room No.32, 1st Floor, Ahmed Complex, Jinnah Road, Quetta and liaison office of the Subsidiary Company is situated at 11th Floor, G&T Tower, #18 Beaumont Road, Civil Lines-10, Karachi.

2 BASIS OF PREPARATION

- 2.1 These condensed interim consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprises of International Accounting Standards (IAS) 34, interim financial reporting, issued by International Accounting Standard Board (IASB) as notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017. Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirement of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 These condensed interim consolidated financial statements are unaudited and do not include all the information and disclosures of the annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended June 30, 2019.

2.3 Changes in accounting standards, interpretations and amendments to published approved accounting standards

2.3.1 Amendments to published approved accounting standards which are effective during the quarter ended September 30, 2019:

There are certain amendments and interpretations to approved accounting and reporting standards which are mandatory for the Group's annual accounting period beginning on July 1, 2019; however, these do not have any significant impact on these condensed interim consolidated financial statements, hence not detailed.

2.3.2 Standards and amendments to published approved accounting standards that are not yet effective:

There are certain new standards and amendments to the approved accounting standards that will be mandatory for the Group's annual accounting periods beginning on or after July 1, 2020. However, these amendments will not have any significant impact on the financial reporting of the Group, therefore, have not been disclosed in these condensed interim consolidated financial statements.

2.4 Functional and reporting currency

These condensed interim consolidated financial statements are presented in Pakistani Rupee, which is the Group's functional currency.

3 ACCOUNTING ESTIMATES AND JUDGEMENTS

Judgements and estimates made by the management in the preparation of these condensed interim consolidated financial statements were the same as those applied to the audited consolidated financial statements as at and for the year ended June 30, 2019.

4 SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements have been prepared, following the same accounting policies as were applied in the preparation of the audited consolidated financial statements as at and for the year ended June 30, 2019.

	Note	(Rupees in Thousand)	
		September 2019 (Un-audited)	June 2019 (Audited)
5 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	2,976,770	2,973,233
Capital work in progress	5.2	1,357,949	266,019
		<u>4,334,719</u>	<u>3,239,252</u>

5.1 Following are the cost of additions and net book value (NBV) of assets disposed off during the period:

Additions at cost during the period including transferred from Capital work in progress

	(Rupees in Thousand)	
	Quarter ended September 2019	Quarter ended September 2018
Plant and machinery	94,866	59,131
Furniture and fixture	-	574
Factory equipment	6,011	2,440
Office equipment	-	262
Motor vehicles	17,486	23,950
	<u>118,363</u>	<u>86,357</u>
Disposals at NBV during the period		
Office equipment	9	-
Motor vehicles	1,963	2,540
	<u>1,972</u>	<u>2,540</u>

5.2 Capital work in progress

Balance as at 01 st July	266,019	187,829
Additions	1,159,191	297,713
Transfer to Operating fixed assets	(67,261)	(58,668)
Balance as at 30 th September	<u>1,357,949</u>	<u>426,874</u>

6 STOCK IN TRADE

This includes items valued net of Rs.76.869 million (June 2019: Rs.43.561 million) in respect of net realizable value.

7 SHARE CAPITAL

(Number of Shares)			
September 2019 (Un-audited)	June 2019 (Audited)	September 2019 (Un-audited)	June 2019 (Audited)

7.1 Authorised capital

95,000,000	95,000,000	Ordinary shares of Rs.10 each	<u>950,000</u>	<u>950,000</u>
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7.2 Issued, subscribed and paid up capital

30,136,080	30,136,080	Ordinary shares of Rs.10 each allotted for consideration paid in cash	301,361	301,361
8,228,400	8,228,400	Ordinary shares of Rs.10 each allotted as fully paid bonus shares	82,284	82,284
<u>38,364,480</u>	<u>38,364,480</u>		<u>383,645</u>	<u>383,645</u>

		(Rupees in Thousand)	
		September 2019 (Un-audited)	June 2019 (Audited)
8	DEFERRED LIABILITIES		
	Income tax - net	1,205,385	1,179,759
	Defined benefit plan	386,295	374,611
		<u>1,591,680</u>	<u>1,554,370</u>

9 TRADE AND OTHER PAYABLES

Trade and other payables includes provision in respect of following:

- 9.1** The Oil and Gas Regulatory Authority (OGRA) had enhanced gas rate from Rs.488.23 per MMBTU for industrial and Rs.573.28 per MMBTU for captive power to Rs.600 per MMBTU with effect from September 01, 2015. The Group alongwith several other companies filed suit in the Sindh High Court challenging the increase in rate. The Honorable Sindh High Court had initially granted interim relief, whereby recovery of enhanced rate has been restrained. In May 2016, The Single Bench of Sindh High Court decided the case in favour of the Petitioners. However, in June 2016, Defendants filed appeal before Double Bench of Sindh High Court which was also decided in favor of the Petitioners. Meanwhile, OGRA had issued another notification dated December 30, 2016 overriding the previous notification and Messrs. Sui Southern Gas Company Limited (SSGCL) billed @ Rs.600 per MMBTU. However, the Group alongwith others filed suit in the Sindh High Court on January 19, 2017 against OGRA, SSGCL and others. The Honorable Sindh High Court granted interim relief and instructed SSGCL to revise the bills at previous rate against securing the differential amount with the Nazir of the court. Accordingly, the Group has provided bankers' verified cheque to Nazir of High Court amounting to Rs.316.797 million (June 2019: Rs.316.797 million). As an abundant precaution, the Group has made total provision of Rs.159.264 million (June 2019: Rs.159.264 million). On October 04, 2018, OGRA has issued notification to increase gas tariff with effect from September 27, 2018 and also issued another notification dated June 29, 2019 for further increase of gas tariff with effect from July 01, 2019 for different categories and the Group is paying full amount of the gas bills as per notification.
- 9.2** In August 2013, OGRA had enhanced gas rate from Rs.488.23 per MMBTU to Rs.573.28 per MMBTU for captive power and accordingly, SSGCL started charging rate prescribed for captive power to the Group with effect from September 2013. The Group alongwith several other companies filed suit in the Sindh High Court on December 21, 2015 against OGRA, SSGCL and others challenging the charging of captive power tariff instead of industrial tariff. The Honorable Sindh High Court has granted interim relief, whereby recovery of captive power rate has been restrained. Meanwhile, OGRA had issued another notification dated December 30, 2016 overriding the previous notification and SSGCL billed @ Rs.600 per MMBTU. However, the Group alongwith others filed a suit in the Sindh High Court on January 19, 2017 against OGRA, SSGCL and others. The Honorable Sindh High Court granted interim relief and instructed SSGCL to revise the bills at previous rate against securing the differential amount with the Nazir of the court. Accordingly, the Group has provided bankers' verified cheque to Nazir of High Court, refer note 9.1. As an abundant precaution, the Group has made provision of Rs.287.907 million (June 2019: Rs.287.907 million) pertaining to the period of November 2015 to September 2018 and did not create receivable of Rs.240.238 million in respect of period from August 2013 to October 2015. On October 04, 2018, OGRA has issued notification to increase gas tariff with effect from September 27, 2018 and also issued another notification dated June 29, 2019 for further increase of gas tariff with effect from July 01, 2019 for different categories and the Group is paying full amount of the gas bills as per notification.
- 9.3** Provision of Sindh Sales Tax on rent payable by the Parent Company to an associated company Messrs. Novatex Limited amounted to Rs.5.526 million (June 2019: Rs.5.369 million). The

associated company had filed a suit in the Sindh High Court against Sindh Revenue Board and Province of Sindh etc. On August 28, 2018, the Single Bench of Sindh High Court decided the case in favour of the associated company. However, the Sindh Revenue Board filed an appeal against the decision before the double bench of Sindh High Court.

9.4 The Parent Company had filed a petition in the Sindh High Court at Karachi on May 25, 2011 against Province of Sindh and Excise and Taxation Department challenging the levy of Infrastructure Cess on imports. Through an interim order dated May 31, 2011, the Honorable Sindh High Court ordered to pay 50% in cash of this liability effective from December 28, 2006 and to submit bank guarantee for the rest of 50% until the final order is passed. In April 2017, the Government of Sindh has promulgated the Sindh Development and Maintenance of Infrastructure Cess Act, 2017. The Parent Company has also challenged the new Act in the Sindh High Court on October 23, 2017 against Province of Sindh and Excise and Taxation Department and similar stay has been granted by the Honorable Sindh High Court. Till reporting date, the Parent Company has provided bank guarantee amounting to Rs.193.365 million (June 2019: Rs.178.365 million) in favour of Excise and Taxation Department, in respect of consignments cleared after December 27, 2006 (refer note 10.2). Based on the legal advise, the management believes that the case will be decided in favour of the Parent Company. However, full provision after December 27, 2006 has been made in these condensed interim consolidated financial statements as an abundant precaution.

The Subsidiary Company Messrs. Gatro Power (Private) Limited has filed a petition in the Sindh High Court at Karachi on April 13, 2018 against Province of Sindh and others challenging the levy of Infrastructure Cess on imports by the Government of Sindh through Sindh Development and Maintenance of Infrastructure Cess Act, 2017. Stay has been granted by the Honorable Sindh High Court ordered to pay 50% in cash of this liability and to submit bank guarantee for the rest of 50% until the final order is passed. Till reporting date, the Subsidiary Company has provided bank guarantee amounting to Rs.7.500 million (June 2019: Rs.7.500 million) in favour of Excise and Taxation Department, in respect of consignments cleared after April 13, 2018 (refer note 10.2). Based on the legal advise, the management believes that the case will be decided in favour of the Subsidiary Company. However, full provision after April 13, 2018 has been made in these condensed interim consolidated financial statements as an abundant precaution.

The Subsidiary Company Messrs. G-Pac Energy (Private) Limited has filed a petition in the Sindh High Court at Karachi on June 24, 2019 against Province of Sindh and others challenging the levy of Infrastructure Cess on imports by the Government of Sindh through Sindh Development and Maintenance of Infrastructure Cess Act, 2017. Stay has been granted by the Honorable Sindh High Court ordered to pay 50% in cash of this liability and to submit bank guarantee for the rest of 50% until the final order is passed. Till reporting date, the Subsidiary Company has provided bank guarantee amounting to Rs.2.500 million in favour of Excise and Taxation Department, in respect of consignments cleared (refer note 10.2). Based on the legal advise, the management believes that the case will be decided in favour of the Subsidiary Company. However, full provision has been made in these condensed interim consolidated financial statements as an abundant precaution.

9.5 The Federal Board of Revenue (FBR) vide SRO 491(I)/2016 dated June 30, 2016 made certain amendments in SRO 1125(I)/2011 dated December 31, 2011 including disallowance of input tax adjustment on packing material of textile products. Consequently, input tax adjustment on packing material of textile product was not being allowed for adjustment with effect from July 01, 2016 till June 30, 2018. The Parent Company had challenged the disallowance of input tax adjustment on packing material in the Sindh High Court on January 16, 2017 against Federation of Pakistan and others. The Honorable Sindh High Court has granted interim relief order and allowed the Parent Company to claim input tax adjustment.

Based on the merits of the case and the discussions held with the legal counsel, the management

is confident that the case will be decided in favour of the Parent Company. However, as an abundant precaution, the Parent Company has made provision of Rs.65.752 million till June 2018 as after that input tax adjustment was allowed.

- 9.6** The FBR vide SRO 450(I)/2013 dated May 27, 2013 made certain amendments in SRO 490(I)/2004 dated June 12, 2004 and disallowed input tax adjustment on building materials with effect from May 28, 2013. The Parent Company had challenged the restriction so placed before the Islamabad High Court on December 21, 2015 against Federation of Pakistan. The Court has granted interim relief order and allowed the Parent Company to claim input tax adjustment on building material.

Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Parent Company. However, as an abundant precaution, the Parent Company has made provision of Rs.25.046 million (June 2019: Rs.20.792 million).

- 9.7** Provision of Gas Infrastructure Development Cess Rs.6.844 million (June 2019: Rs.6.591 million) and rate difference of gas tariff Rs.1.824 million (June 2019: Rs.1.718 million) on account of common expenses payable by the Parent Company to an associated company Messrs. Novatex Limited.

10 CONTINGENCIES AND COMMITMENTS

The detail of contingencies and commitments as at reporting date are as follows:

10.1 Contingencies

- 10.1.1** The Subsidiary Company Messrs. Gatro Power (Private) Limited has not made any provision in respect of Workers' Profit Participation Fund on the ground that there is no worker as defined in The Companies Profits (Workers' Participation) Act, 1968 and accordingly, the said Act does not apply to the Subsidiary Company. The management of the Subsidiary Company is confident that no liability will arise on this account.

- 10.1.2** FBR initiated action against few buyers of the Parent Company for violating/non compliance of the provisions of SRO 1125 dated December 31, 2011 and alleging the Parent Company to provide them assistance and illegal facilitation. The dispute relates to the period of time when supplies were zero rated and as a result of which the Parent Company had to pay Rs.27.762 million and had also to submit post-dated cheques of Rs.83.287 million under protest in favour of Chief Commissioner Inland Revenue.

The Parent Company had, however, challenged the action before the Honorable Sindh High Court on December 23, 2013 against Federation of Pakistan and others. Realizing the facts of the case, circumstances and legal position, the Honorable Sindh High Court has granted interim relief whereby encashment of above mentioned post dated cheques has been restrained.

By way of abundant precaution, the amount of Rs.27.762 million has been charged to consolidated statement of profit or loss in previous period. Based on the merits of the case and discussion held with the legal counsel, the management is confident that the case will be decided in favour of the Parent Company. Accordingly no provision has been made for the amount of post dated cheques of Rs.83.287 million.

- 10.1.3** The Parliament passed the Gas Infrastructure Development Cess (GIDC) Act 2015 in May 2015, which seeks to impose GIDC levy since 2011. The Group alongwith several other companies filed suit in the Sindh High Court on July 16, 2015 against OGRA and others, challenging the validity and promulgation of GIDC Act 2015. The Single Bench of Honorable Sindh High Court had decided the case in favour of petitioners. However, defendants have filed appeal on November 10, 2016 before the Double Bench of Sindh High Court against only one of the leading petitioner but not against the Group.

Considering previous decision of Honorable Supreme Court and legal advisor opinion, the Group is confident that the case will be decided in favour of the petitioners. Total amount of enhanced GIDC upto September 30, 2019 worked out at Rs.1,588.936 million (June 2019: Rs.1,513.241 million), however the Group accounted for Rs.1,386.922 million (June 2019: Rs.1,311.227 million) pertaining to the period of July 2014 to September 2019 for Captive Power and June 2015 to September 2019 for Industrial as an abundant precaution in view of reason stated above.

- 10.1.4** The Parent Company along with several other companies has filed a Constitution Petition in the Sindh High Court on April 13, 2016 against Employment Old Age Benefits Institution (EOBI) and others against a notice issued by the EOBI to the Parent Company to pay contribution at the revised rate of wages with retrospective effect. The Honorable Sindh High Court has already restrained EOBI from taking any coercive action against the Parent Company. No provision of the amount involved i.e. Rs.22.523 million (June 2019: Rs.21.726 million) has been made in these condensed interim consolidated financial statements as the Parent Company is confident of the favorable outcome of the Petition.
- 10.1.5** The Parent Company filed four appeals on 2nd, 9th, 17th May and 20th June 2018 before the Commissioner Inland Revenue (Appeals) (CIR(A)) – 2, Large Taxpayers Unit, Karachi for the tax periods July 2012 to December 31, 2016 against the assessment orders passed by the Deputy Commissioner Inland Revenue (DCIR), Large Taxpayers Unit, passed under section 11 (2) of the Sales Tax Act, 1990 through which cumulative demand for the aforesaid periods amounting to Rs.55.423 million excluding default surcharge was created. In the assessment orders, major areas on which impugned demand has been raised relates to disallowance of input tax on purchases and recovery of sales tax on sales to subsequently suspended / blacklisted persons. The Parent Company has already deposited Rs.28 million under protest into the Government treasury for stay against the full recovery. The CIR(A) has issued judgment in respect of impugned order for tax periods July 2012 to June 2013 wherein the entire order of the Tax Officer has been held as illegal and unconstitutional. However, the Tax Department has been filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order passed by CIR(A). No provision has been made in these condensed interim consolidated financial statements as the Parent Company is confident that the matter will be decided in favour by the appellate authorities.
- 10.1.6** Income tax department issued order under section 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2012 wherein income tax demand of Rs. 37.773 million was raised on various issues. Out of the total amount, the Parent Company paid Rs.3.777 million under protest. Appeal was filed before the CIR(A) and the CIR(A) had decided the case partially in favour of the Parent Company whereas major issues were decided in favour of the tax department. Based on the judgment of the CIR(A), the revised demand comes out to Rs. 28.2 million. Against the order of the CIR(A), the Parent Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) and the learned ATIR, vide its judgment dated January 1, 2019 has decided the case in favour of the Parent Company. Based on the said judgment of the ATIR, partial demand of Rs. 3.777 million earlier paid by the Parent Company under protest is now refundable. As of now, the tax department has not yet filed appeal against the said judgment of ATIR.
- 10.1.7** Income Tax department issued order under section 122(1) of the Income Tax Ordinance, 2001 for the Tax Year 2015 wherein income tax demand of Rs. 25.888 million was raised on various issues. Out of the total amount, the Parent Company paid Rs.2.589 million under protest. Appeal was filed before the CIR(A) and the CIR(A) has decided partially in favour of the Company. Appeal has been filed by the Company as well as the tax department before Appellate Tribunal Inland Revenue, however, no hearing has been conducted till date. Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Parent Company.

- 10.1.8** The tax officer alleged the Parent Company for charging sales tax at reduced rate instead of standard rate of 17% during the tax periods from July 2014 to June 2015 and raised the demand of Rs.1.741 million along with penalty of Rs.0.087 million. The Parent Company has filed an appeal before Commissioner Inland Revenue (Appeals) against order of the tax department on the ground that reduced rate was applicable to buyers as those buyers were active and operative at the time of execution of sales transaction. Moreover, the tax department has adjusted the impugned demand with sales tax refunds available with the Parent Company. Appeal was filed before Commissioner Inland Revenue (Appeals), which was decided in favours of the Parent Company. Tax Department has not filed an appeal in Appellate Tribunal Inland Revenue till date. The Parent Company has filed sales tax refund application in respect of the impugned demand adjusted by the tax department.
- 10.1.9** The case of the Parent Company was selected for income tax audit for tax year 2013. The return was amended under section 122(1)/(5) of the Income Tax Ordinance, 2001, however, no income tax demand was raised owing to taxable losses both before and after amendment of the Income Tax return. Subsequently, the tax department again initiated proceedings for further amendment of the already amended income tax return and raised demand of Rs.1.178 million. Demand has been raised mainly because of figurative errors committed by the Additional Commissioner Inland Revenue against which the Parent Company has moved rectification application against which rectified order was issued. Moreover, the Parent Company has also filed an appeal before Commissioner Inland Revenue (Appeals) to secure its interest in case rectification application is rejected by the concerned tax officer. Commissioner Inland Revenue (Appeals) has decided the matter partially in favour of the Parent Company. Considering that the matter decided against the Parent Company has no material impact, therefore, the Parent Company is not proceeding to file appeal before the Appellate Tribunal Inland Revenue. Tax Department has not filed an appeal in Appellate Tribunal Inland Revenue till date.
- 10.1.10** The Parent Company has filed a petition in Sindh High Court on August 26, 2019 against 3% Minimum Value Addition Tax on import of machinery, which has been levied through Finance Act, 2019. Stay has been granted by the Honorable Sindh High Court against submission of bank guarantee in favor of Nazir of the court. Till reporting date, the Parent Company has provided bank guarantee amounting to Rs.15.209 million (refer note 10.2).
- 10.1.11** The tax officer disallowed input sales tax amounting to Rs.0.042 million, claimed by the Subsidiary Company Messrs. Gatro Power (Private) Limited on building materials used for installation of Plant and machinery for tax period February 2017. An appeal was filed against the said order before the CIR(A). The learned CIR(A) has remanded back the case to the tax officer with specific directions to first ascertain whether the building material was used for installation of plant and machinery or for any other purpose. In case the same was used for installation of plant and machinery then the tax officer has been directed to allow claim for the same. The Subsidiary Company has submitted documents evidencing usage of the said building material for installation of plant and machinery, however, the officer has not yet reverted back, moreover, the tax department has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against allowance of input tax adjustment on building material used for installation of plant and machinery. No provision has been made in these condensed interim consolidated financial statements as the management is hopeful for a favourable outcome.
- 10.1.12** The tax officer through another order again disallowed input sales tax amounting to Rs.0.109 million, claimed by the Subsidiary Company Messrs. Gatro Power (Private) Limited on building materials used for installation of Plant and machinery for tax period February 2017. The Company has filed an appeal against the said order before the Commissioner Inland Revenue (Appeals), which is pending for hearing.
- 10.1.13** Tax department initiated monitoring of withholding proceedings for tax year 2011 wherein demand of Rs.47.408 million including default surcharge and penalty was raised on account of intercorporate dividend paid to Parent Company. The Subsidiary Company Messrs. Gatro

Power (Private) Limited had filed an appeal before Commissioner Inland Revenue (Appeals) against order of the tax department which was decided in favour of the Subsidiary Company on ground of the order being time barred whereas on other grounds the appeal was dismissed. Accordingly, both the Subsidiary Company as well as the tax department have filed an appeal before the Appellate Tribunal Inland Revenue, which is pending at present. Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Subsidiary Company.

- 10.1.14** Tax department raised demand of Rs.14.101 million and Rs.103.346 million on the basis of order passed for monitoring of tax withholding for tax years 2014 and 2015 respectively. Appeal was filed before the Commissioner Inland Revenue (Appeals), which was decided in favour of the Subsidiary Company Messrs. Gatro Power (Private) Limited. However, tax department has filed appeals before Appellate Tribunal Inland Revenue, hearing of which is pending. Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Subsidiary Company.

		(Rupees in Thousand)	
		September 2019 (Un-audited)	June 2019 (Audited)
10.2	Guarantees		
Bank Guarantees in favour of:			
	The Director Excise and Taxation, Karachi	203,365	185,865
	The Electric Inspector, President Licencing Board, Quetta	10	10
	Pakistan State Oil Company Limited	40,000	40,000
	K-Electric Limited	11,560	11,560
	Nazir of the High Court of Sindh, Karachi	15,209	-
Letters of Credit in favour of:			
	Sui Southern Gas Company Limited for Gas	177,992	163,992
		<u>448,136</u>	<u>401,427</u>

10.3 Commitments

The Group's commitments, against which the banks have opened Letters of Credit, in favor of different suppliers, are as follows:

Foreign currency:			
	Property, plant and equipment	953,605	1,596,780
	Raw material	97,565	346,064
	Spare parts and others	63,904	94,321
		<u>1,115,074</u>	<u>2,037,165</u>
Local currency:			
	Spare parts and others	36,146	40,161
		<u>1,151,220</u>	<u>2,077,326</u>

11 MEASUREMENT OF FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group's certain accounting policies and disclosure requires use of fair value measurement and the Group while assessing fair value maximize the use of relevant observable inputs and minimize the use of unobservable inputs establishing a fair value hierarchy, i.e., input used in fair value measurement is categorized into following three levels:

Level 1 Inputs are the quoted prices in active markets for identical assets or liabilities that can be assessed at measurement.

Level 2 Inputs are inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs are unobservable inputs for the asset or liability.

As at reporting date, the fair value of all the assets and liabilities approximates to their carrying values except property, plant and equipment. The property, plant and equipment is carried at cost less accumulated depreciation and impairment if any, except free-hold land, lease-hold land and capital work in progress which are stated at cost. The Group does not expect that unobservable inputs may have significant effect on fair values.

12 SEGMENT REPORTING

12.1 Reportable segments

The Group's reportable segments are as follows:

- Polyester Filament Yarn - it comprises manufacturing of Polyester Filament Yarn and its raw material.
- Polyester PET Preform - it comprises manufacturing of Polyester PET Preform and its raw material. This includes the results of Subsidiary Company Messrs. Global Synthetics Limited, which has not yet commenced its operations till date.
- Electric Power generation - it comprises operations of Subsidiary Companies Messrs. Gatro Power (Private) Limited and Messrs. G-Pac Energy (Private) Limited.

Other operating expenses, other income, finance costs and taxation are managed at Group level.

12.2

Segment results:

The segment information for the reportable segments for the quarter ended September 30, 2019 is as follows:

	September 2019					September 2018				
	Polyester Filament Yarn	Polyester PET Preform	Total of Polyester Polymer	Power Generation	Group	Polyester Filament Yarn	Polyester PET Preform	Total of Polyester Polymer	Power Generation	Group
Sales	2,455,737	970,238	3,425,975	491,001	3,916,976	2,610,847	1,214,914	3,825,761	480,249	4,306,010
Segment result before depreciation	138,052	75,369	213,421	92,065	305,486	300,851	247,704	548,555	140,046	688,601
Less: Depreciation	(68,230)	(16,213)	(84,443)	(28,411)	(112,854)	(49,347)	(16,853)	(66,200)	(24,080)	(90,280)
Segment result after depreciation	69,822	59,156	128,978	63,654	192,632	251,504	230,851	482,355	115,966	598,321
Reconciliation of segment sales and results with sales and profit before income tax:										
Total sales for reportable segments					3,916,976					4,306,010
Elimination of inter-segment sales from subsidiary company Messrs. Gatro Power (Private) Limited					(491,001)					(480,249)
Sales					3,425,975					3,825,761
Total results for reportable segments			128,978	63,654	192,632			482,355	115,966	598,321
Other operating expenses			(14,725)	(351)	(15,076)			(44,821)	(1,132)	(45,953)
Other income			21,308	1,024	22,332			2,707	-	2,707
Finance costs			(19,614)	(218)	(19,832)			(1,099)	(92)	(1,191)
Investment income - Dividend			396,900	-	396,900			225,750	-	225,750
Share of profit after income tax in associated company Messrs. Novatex Limited					576,846					1,000,145
			512,847	64,109	1,153,802			664,892	114,742	1,779,779
Elimination of intra group transaction					(396,693)					(225,750)
Profit before income tax					757,109					1,554,029
Assets and liabilities by segments are as follows:										
	September 2019 (Un-audited)					June 2019 (Audited)				
Segment assets	6,454,398	2,450,954	8,905,352	2,695,419	11,600,771	4,280,373	2,702,764	6,983,137	2,497,710	9,480,847
Segment liabilities	1,417,530	306,744	1,724,274	1,784,439	3,508,713	723,986	510,655	1,234,641	1,715,039	2,949,680
Reconciliation of segments assets and liabilities with total in the condensed interim consolidated statement of financial position is as follows:										
Total for reportable segments										
Unallocated					11,600,771					Assets
Elimination of intra group balances					10,107,520					9,480,847
					(807,975)					2,949,680
Total as per Condensed interim consolidated statement of financial position					20,900,316					19,018,570
Other segment information is as follows:										
	September 2019					September 2018				
Depreciation	68,230	16,213	84,443	28,411	112,854	49,347	16,853	66,200	24,080	90,280
Capital expenditures incurred during the period	1,114,111	2,973	1,117,084	76,817	1,193,901	248,607	6,502	255,109	67,908	323,017
Unallocated capital expenditure incurred during the period					17,486					2,992
Total					1,211,387					326,009

12.3 All non - current assets of the Group as at September 30, 2019 are located in Pakistan. Parent Company's local sales represents sales to various external customers in Pakistan whereas export sales represents sales to customers in various countries.

12.4 The Group does not have transaction with any external customer which amount to 10 percent or more of the Group's revenue.

13 TRANSACTIONS WITH RELATED PARTIES

The related parties include Associate and Other Related Group Companies, Key Management Personnel and Defined Contribution Plans (Provident Funds). The Group continues to have a policy whereby transactions with related parties are entered into at commercial terms, approved policy and at rate agreed under a contract / arrangement / agreement. Contributions to defined contribution plan (Provident Funds) are made as per the terms of employment. Remuneration of Key Management Personnel is in accordance with their terms of engagements. Details of transactions with related parties are as follows:

Name	Nature of relationship	Basis of relationship	Nature of transaction	(Rupees in Thousand)	
				Quarter ended September 2019	Quarter ended September 2018
Novatex Limited	Associated Company	Common directorship	Obtaining of services	152,541	134,643
			Sales of goods	44,519	-
			Dividend income	396,900	-
			Rent	5,237	4,621
			Reimbursement of expenses	44,871	34,701
Krystalite Product (Private) Limited	Related Party	Common management	Sale of goods	51,574	168,428
			Reimbursement of expenses	-	205
Mushtaq & Company (Private) Limited	Related Party	Common management	Sale of goods	1,894	22,535
Gani & Tayub (Private) Limited	Related Party	Common directorship	Charges on account of handling	1,569	1,889
Gatron Foundation	Related Party	Common directorship	Payment of donation	2,430	760
Gatron (Industries) Limited Staff Provident Fund	Retirement benefit fund	Employees fund	Contribution made	5,870	5,245
Gatron (Industries) Limited Workers Provident Fund	Retirement benefit fund	Employees fund	Contribution made	948	959

There are no transactions with Key Management Personnel other than remuneration under their terms of employment amounting to Rs. 67.660 million (September 2018: Rs.54.303 million).

The above figures are exclusive of sales tax, where applicable.

Outstanding balances, as at reporting date, are disclosed as follows:

	(Rupees in Thousand)	
	As at September 30, 2019 (Un-audited)	As at June 30, 2019 (Audited)
Novatex Limited		
Trade debts	8,527	-
Loans and advances	4,005	-
Other receivables	29,581	11,961
Trade and other payables	38,534	13,678
Krystalite Product (Private) Limited		
Trade debts	147,554	87,212
Other receivables	-	87
Mushtaq & Company (Private) Limited		
Trade debts	26,849	24,633
Gani & Tayub (Private) Limited		
Trade and other payables	596	909
Gatron (Industries) Limited Staff Provident Fund		
Trade and other payables	4,256	3,676
Gatron (Industries) Limited Workers Provident Fund		
Trade and other payables	458	571

14 CORRESPONDING FIGURES

Prior year's figures have been reclassified for the purpose of better presentation. Significant changes made during the period are as follows:

Reclassification from component	Reclassification to component	(Rupees in Thousand)
Sales	Cost of sales	
Sales tax	Power, fuel and gas	81,642

15 DATE OF AUTHORISATION

These condensed interim consolidated financial statements were authorised for issue on October 23, 2019 by the Board of Directors of the Parent Company.

16 GENERAL

16.1 The latest available audited financial results of associate as on June 30, 2019, have been used for the purpose of application of equity method in valuation of long term investment.

16.2 Charge for Workers' Profit Participation Fund, Workers' Welfare Fund, Deferred Tax and Income Tax (where applicable) are interim and final liability will be determined on the basis of annual results.

16.3 Figures have been rounded off to the nearest thousand of Rupees.

Notes for Members

Submission of Computerized National Identity Cards

Smart National Identity Card (SNIC) Computerized National Identity Card (CNIC) or National Identity Card for Overseas Pakistanis (NICOP) of the shareholder is mandatory requirement for payment of dividend. Shareholders are therefore, requested to submit copies of their SNIC, CNIC or NICOP to the Shares Registrar of the Company. In case of non-receipt of valid SNIC, CNIC or NICOP, the Company will be constrained to withhold the payment of dividend of such shareholders. The shareholders while sending copies of SNIC, CNIC or NICOP must quote their respective folio number and name of the company (in case of corporate shareholders).

Payment of Cash Dividend Electronically

As per provision of Section 242 of the Companies Act, 2017 any dividend payable in cash shall only be paid through electronic mode directly in to the bank account designated by the entitled shareholders. The shareholders who have not yet provided relevant information are requested to provide their folio number, name and detail of bank account consisting of bank name, branch name, branch code, account number, title of account and IBAN in which they desire their dividend to be credited, failing which the company will be unable to pay the dividend through any other mode. Standard request form is attached has also been placed on website of the company. Such information is to be sent to the Shares Registrar at the earliest possible.

Unclaimed Shares/Dividends

Members of the company are once again requested to contact office of the company or the company's Shares Registrar for collection of their shares/dividends which they have not yet received due to any reason.

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