

3RD QUARTERLY REPORT
MARCH 31, 2020



Expanding Possibilities



ITTEHAD CHEMICALS LIMITED



ITTEHAD CHEMICALS LIMITED

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

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Corporate Information

BOARD OF DIRECTORS	Mr. Muhammad Siddique Khatri Mr. Abdul Sattar Khatri Ms. Farhana Abdul Sattar Khatri Mr. Waqas Siddiq Khatri Mr. Abdullah Mustafa Mr. Pervaiz Ahmad Khan Mr. Pervez Ismail	Chairman Director/CEO Director Director Director Director Director	Non-Executive Director Executive Director Non-Executive Director Executive Director Non-Executive Director Independent Director Independent Director
AUDIT COMMITTEE	Mr. Pervez Ismail Mr. Abdullah Mustafa Mr. Pervaiz Ahmad Khan	Chairman Member Member	
HR & REMUNERATION COMMITTEE	Mr. Pervaiz Ahmad Khan Mr. Abdullah Mustafa Mr. Waqas Siddiq Khatri	Chairman Member Member	
RISK MANAGEMENT COMMITTEE	Mr. Muhammad Siddique Khatri Mr. Abdul Sattar Khatri Mr. Waqas Siddiq Khatri	Chairman Member Member	
CHIEF FINANCIAL OFFICER	Mr. Aamir Shahzad Mughal		
COMPANY SECRETARY	Mr. Abdul Mansoor Khan		
REGISTERED OFFICE/HEAD OFFICE	39-Empress Road, P.O. Box 1414, Lahore-54000. Tel: 042 - 36306586 - 88, Fax: 042 - 36365697 Website: www.ittehadchemicals.com , E-mail: info@ittehadchemicals.com		
PLANT	G.T. Road, Kala Shah Kaku, District Sheikhpura. Ph: 042 - 37950222 - 25, Fax: 042 - 37950206		
SHARES REGISTRAR	M/s. Hameed Majeed Associates (Pvt) Limited 1 st Floor, H.M. House, 7 Bank Square The Mall, Lahore. Ph: 042 - 37235081-082		
BANKERS	<u>Banks - Conventional Side</u> Askari Bank Limited Allied Bank Limited Faysal Bank Limited Habib Metro Bank Limited MCB Bank Limited National Bank of Pakistan JS Bank Limited Pak Libya Holding Co. (Pvt.) Ltd. Pakistan Kuwait Inv. Co. (Pvt.) Ltd. Pak Brunei Inv. Company Ltd. The Bank of Punjab United Bank Limited	<u>Banks - Islamic Window Operations</u> Al-Baraka Bank (Pakistan) Limited The Bank of Punjab (Taqwa Islamic Banking) Dubai Islamic Bank (Pak) Limited Bank Alfalah Limited - Islamic-Banking	
AUDITORS	M/s. BDO Ebrahim & Co., Chartered Accountants, 2 nd Floor, Block- C, Lakson Square Building No.1, Sarwar Shaheed Road, Karachi. Ph: 021 - 35683189, 35683498, Fax : 021 - 35684239		
LEGAL ADVISOR	Cornelius, Lane & Mufti Advocates & Solicitors Nawa-e-Waqt House 4 - Shahrah-e-Fatima Jinnah Lahore-54000		

DIRECTORS' REPORT

The Directors of your Company take pleasure in presenting the un-audited condensed interim financial statements of the Company for the third quarter and nine months ended March 31, 2020.

The company posted net sales revenue of Rupees 6,640 Million (2019: Rupees 4,822 Million) with an increase of 38% during the nine months of ongoing financial year under review. As informed through earlier reports, the significant increase in the turnover of recent quarters is mainly due to inclusion of Company's state of the art LABSA Plant in company's operations during the current year. The cost of sales was Rupees 5,712 Million (2019: Rupees 3,769 Million) bringing gross profit to Rupees 928 Million (2019: Rupees 1,054 Million). Resultantly, the gross profit margin decrease to 14% as compared to 22% for the corresponding period of last year mainly owing to highest ever RLNG / LESCO Tariff Rates and higher interest cost due to higher KIBOR Rates.

The bottom line reflected a net profit after tax of Rupees 16 Million (2019: profit Rupees 316 Million) which yielded earnings per share of Rupees 0.19 (2019: Rupees 3.73 per share). Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison, the effect of which is not material.


Presently, global economy is suffering from the threat posed by evolving COVID-19 situation (Corona Virus) pandemic. The deadly virus has engulfed the whole world putting everything under lockdown situation. Pakistan's economy is also coping with difficult times and the challenges like closure of businesses, capital flight, burden of virus casualties, a visible decline in foreign exchange reserves and death scare everywhere are adversely impacting the business in general. There is exceptionally high uncertainty about the severity and duration of the coronavirus shock.

On a positive note, the Government has just lowered the interest rates. This will ease the borrowing cost and the debt service burden of the Company. This would also stimulate economic activities in the country. Further, the Re-gasified Liquefied Natural Gas (RLNG) is an imported product and remains pegged with the international oil prices. As the oil prices are tumbling down in international market, the cost of RLNG will also go down in the months to come. So with the decline in the international RLNG price, the local cost of energy will also decrease. The Management of your company is keenly observing the prevailing situation and is taking measures to address the challenges likely to be faced in foreseeable future.

The Board is thankful to the valuable Members, Customers, Banks and Government departments for their trust, confidence, persistent support and patronage and would like to place on record its gratitude to all the Employees of the company for their contribution, dedication and hard work.

Lahore
April 27, 2020


Abdul Sattar Khatri
Chief Executive Officer

On behalf of the Board

Muhammad Siddique Khatri
Chairman

ڈائریکٹر رپورٹ

آپ کی کمپنی کے ڈائریکٹر ز نہایت خوشی کے ساتھ 31 مارچ 2020ء کو اختتام پزیر ہونے والی تیسری سہ ماہی اور رواں مالی سال کے پہلے نو ماہ کے غیر پڑتال شدہ بین المدتی مختصر مالی گوشوارے پیش کر رہے ہیں۔

کمپنی کی فروخت سے حاصل شدہ رقم 6,640 ملین روپے (2019: 4,822 ملین روپے) رہی جو کہ رواں مالی سال کے نو ماہ کے عرصہ کی فروخت سے حاصل شدہ رقم کے مقابلے میں 38% زائد ہے۔ جیسا کہ گزشتہ رپورٹس میں بتایا ہے کہ کمپنی کے جدت کے حامل LABSA پلانٹ کی موجودہ سال شمولیت کی بناء پر حالیہ عرصہ میں کمپنی کی کاروباری سرگرمیوں میں نمایاں اضافہ ہوا۔ فروخت کی لاگت 5,712 ملین روپے (2019: 3,769 ملین روپے) رہی جس سے کمپنی کا خام منافع 928 ملین روپے (2019: 1,054 ملین روپے) بنتا ہے۔ خام منافع کا تناسب گزشتہ سال کے اسی عرصہ کے مقابلے میں 22% سے کم ہو کر 14% ہوا جس کی بڑی وجہ LESCO/RLNG کی بلند ترین قیمتیں، اور KIBOR Rates کی زیادہ شرح سود ہے۔

ٹیکس کی ادائیگی کے بعد گوشوارے کی آخری سطر مبلغ 16 ملین روپے (2019: 316 ملین روپے) کا خالص منافع ظاہر کرتی ہے جس کے نتیجے میں مبلغ 0.19 روپے فی حصص (2019: 3.73 فی حصص آمدنی) آمدن ہوئی۔ اسکے علاوہ جہاں ضروری تھا اعداد و شمار کو دوبارہ ترتیب دیا گیا اور دوبارہ ترمیم کی گئی جس کا اثر نظر انداز کیا جاسکتا ہے۔

اس وقت عالمی دنیا کی معیشت COVID-19 (کورونا وائرس) عالمی وبا کی مرض کے خطرے سے دوچار ہے۔ مہلک وائرس نے پوری دنیا کو اپنی لپیٹ میں لے لیا ہے اور ہر چیز کو لاک ڈاؤن کی صورتحال میں ڈال دیا ہے۔ پاکستانی معیشت کو بھی مسائل درپیش ہیں جیسا کہ کاروباری بندش، سرمائے کا انخلا، وائرس کی وجہ سے اموات، زرمبادلہ کے ذخائر میں واضح کمی، اور ہر طرف موت کے خوف نے کاروباری سرگرمیوں پر منفی اثرات ڈالے ہیں۔ کورونا وائرس کے نقصانات کے پھیلاؤ اور اس پر قابو پانے کے عرصہ کے حوالے سے بہت زیادہ غیر یقینی صورتحال ہے۔

ثابت اشارہ یہ ہے کہ حکومت نے شرح سود میں کمی کی ہے جس سے کمپنی کی قرض کی لاگت اور اس کی ادائیگی میں آسانی ہوگی اس سے ملک میں معاشی سرگرمیوں میں اضافہ ہوگا۔ مزید برآں Re-gasified Liquefied Natural Gas (RLNG) ایک اہم مصنوعات ہے جو کہ بین الاقوامی تیل کی قیمتوں کے ساتھ منسلک ہے چونکہ بین الاقوامی منڈی میں تیل کی قیمتوں میں بہت کمی ہوگئی ہیں جس کی وجہ سے آنے والے مہینوں میں RLNG کی قیمتوں میں کمی ہوگی۔ لہذا RLNG کی قیمتوں میں کمی کے ساتھ توانائی کی لاگت میں بھی کمی ہوگی۔ آپ کی کمپنی کی انتظامیہ موجودہ صورتحال کا جائزہ لے رہی اور مستقبل میں متوقع چیلنجوں سے نمٹنے کے لئے اقدامات کر رہی ہے۔

بورڈ اپنے تمام معزز حصص داران، کسٹمرز، بینکوں اور حکومتی محکموں کی جانب سے ہم پر اعتماد مسلسل تعاون سرپرستی کے لیے مشکور ہیں۔ سخت محنت اور لگن سے کام کرنے پر کمپنی کے تمام ملازمین کا شکریہ ادا کرتے ہیں۔

منجانب: بورڈ

محمد صدیق کھتری
چیرمین

عبدالستار کھتری
چیف ایگزیکٹو آفیسر

27 اپریل 2020ء
لاہور

ITTEHAD CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT MARCH 31, 2020

		March 31, 2020 (Unaudited)	June 30, 2019 (Audited)
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	7	5,957,012	6,334,613
Capital work in progress	8	96,546	35,541
		6,053,558	6,370,154
Intangible assets		6,445	6,445
Investment property		133,125	133,125
Long term Investments		19	-
Long term deposits		52,042	51,906
		6,245,189	6,561,630
CURRENT ASSETS			
Stores and spares		409,604	407,749
Stock in trade		723,092	788,704
Trade debts		974,905	664,516
Loans and advances	9	201,942	216,651
Trade deposits and short term prepayments		8,336	10,730
Tax refunds due from Government		475,040	526,492
Taxation - net		198,632	189,989
Cash and bank balances		82,977	109,892
		3,074,528	2,914,723
		9,319,717	9,476,353
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	10.1	1,250,000	1,250,000
Issued, subscribed and paid up capital	10.2	847,000	847,000
Share premium money		330,000	330,000
Unappropriated profit		1,854,955	1,853,951
Surplus on revaluation of fixed assets		972,734	972,734
		4,004,689	4,003,685
NON CURRENT LIABILITIES			
Long term financing	11	200,000	266,667
Long term diminishing musharaka	12	1,118,901	1,413,628
Lease Liabilities		42,106	-
Deferred liabilities		361,312	331,589
		1,722,319	2,011,884
CURRENT LIABILITIES			
Trade and other payables		1,745,179	1,648,478
Unclaimed dividend		1,020	1,040
Mark-up accrued		97,124	125,554
Short term borrowings		1,305,239	1,379,519
Current portion of long term liabilities		444,147	306,193
		3,592,709	3,460,784
CONTINGENCIES AND COMMITMENTS			
	13	-	-
		9,319,717	9,476,353
TOTAL EQUITY AND LIABILITIES			

The annexed notes from 1 to 22 form an integral part of these financial statements.


 CHIEF EXECUTIVE


 DIRECTOR


 CHIEF FINANCIAL OFFICER

ITTEHAD CHEMICALS LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT - (UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2020

Note	Nine months ended March 31,		Quarter ended March 31,	
	2020	2019	2020	2019
----- (Rupees in thousand) -----				
Sales - net	6,640,100	4,822,362	2,394,115	1,802,625
Cost of sales	14 (5,712,148)	(3,768,643)	(2,027,459)	(1,421,908)
Gross profit	927,952	1,053,719	366,656	380,717
Selling and distribution expenses	(398,544)	(289,754)	(123,691)	(98,578)
General and administrative expenses	(149,399)	(146,113)	(52,310)	(51,456)
Other operating expenses	(51,080)	(46,353)	(11,965)	(17,364)
Other operating income	72,351	31,460	24,055	6,438
	(526,672)	(450,760)	(163,911)	(160,960)
Operating profit	401,280	602,959	202,745	219,757
Financial charges	(371,483)	(182,490)	(124,481)	(64,176)
Profit before taxation	29,797	420,469	78,264	155,581
Taxation	(13,588)	(104,733)	(30,492)	(53,560)
Profit after taxation	16,209	315,736	47,772	102,021
Earnings per share - basic and diluted (Rupees)	15 0.19	3.73	0.56	1.20

The annexed notes from 1 to 22 form an integral part of these financial statements.


 CHIEF EXECUTIVE


 DIRECTOR


 CHIEF FINANCIAL OFFICER

ITTEHAD CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME - (UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2020

	Nine months ended March 31,		Quarter ended March 31,	
	2020	2019	2020	2019
	----- (Rupees in thousand) -----			
Profit for the period	16,209	315,736	47,772	102,021
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<u>16,209</u>	<u>315,736</u>	<u>47,772</u>	<u>102,021</u>

The annexed notes from 1 to 22 form an integral part of these financial statements.


 CHIEF EXECUTIVE


 DIRECTOR


 CHIEF FINANCIAL OFFICER

ITTEHAD CHEMICALS LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT - (UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2020

	Nine months ended March 31,	
	2020	2019
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	29,797	420,469
Adjustments for items not involving movement of funds:		
Depreciation	428,060	354,906
Provision for gratuity	25,462	16,726
Loss / (Gain) on sale of fixed assets	44,014	12,260
(Gain) on foreign exchange	(7,852)	(6,446)
Provision for bad debts	-	7,500
Provision for obsolete stores	9,500	12,000
Financial charges	371,483	182,490
Net cash flow before working capital changes	900,464	999,905
Decrease / (increase) in current assets		
Stores and spares	(11,356)	(97,161)
Stock in trade	65,612	(72,819)
Trade debts	(302,537)	(44,840)
Loans and advances	14,709	30,284
Trade deposits and short term prepayments	2,394	(1,959)
Tax refunds due from the Government	103,779	54,361
	(127,399)	(132,134)
Increase / (decrease) in current liabilities		
Trade and other payables	96,703	380,305
Cash generated from operations	869,768	1,248,076
Income taxes paid	(61,418)	(109,063)
Gratuity paid	(3,281)	(3,968)
Financial charges paid	(399,912)	(192,481)
Net cash (used in) / generated from operating activities	405,157	942,564
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to operating fixed assets - net	(1,730)	(76,754)
Additions to capital work in progress	(124,431)	(1,062,488)
Proceeds from sale of operating fixed assets	1,145	13,287
Long term Investments	(19)	-
Long term deposits	(136)	(862)
Net cash used in investing activities	(125,171)	(1,126,817)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long term financing	-	300,000
Repayment of long term financing	(184,283)	(268,889)
Proceeds from long term diminishing musharaka	41,706	798,930
Repayment of long term diminishing musharaka	(87,500)	(103,662)
Repayment of lease Liability	(2,523)	
Dividend paid	(20)	(83,945)
Short term borrowings	(74,281)	(416,361)
Net cash inflow from financing activities	(306,901)	226,073
Net increase in cash and cash equivalents	(26,915)	41,820
Cash and cash equivalents at the beginning of the period	109,892	94,072
Cash and cash equivalents at the end of the period	82,977	135,892

The annexed notes from 1 to 22 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

ITTEHAD CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - (UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2020

	Share capital	Surplus on revaluation of fixed assets	Share premium money	Unappropriated profit	Total
	----- (Rupees in thousand) -----				
Balance as at July 01, 2018	770,000	972,734	330,000	1,636,841	3,709,575
IFRS-9 Financial Instrument Impact of change in accounting policy				(20,975)	(20,975)
Balance as at July 01, 2018 - Restated	770,000	972,734	330,000	1,615,866	3,688,600
Transaction with owners:					
Final cash dividend 2018: Re. 1.1 per share	-	-	-	(84,700)	(84,700)
Issue of Bonus Shares @ 10%	77,000			(77,000)	-
Total Comprehensive income for the period	-	-	-	315,736	315,736
Balance as at March 31, 2019	847,000	972,734	330,000	1,769,902	3,919,636
Total Comprehensive income for the period:					
Profit for the period	-	-	-	89,315	89,315
Remeasurement of defined benefit liability - net	-	-	-	(5,266)	(5,266)
Surplus on revaluation of fixed assets		-			-
Balance as at June 30, 2019	847,000	972,734	330,000	1,853,951	4,003,685
IFRS-16, Leases - Impact of change in accounting policy				(15,205)	(15,205)
Balance as at July 01, 2019 - Restated	847,000	972,734	330,000	1,838,746	3,988,480
Total Comprehensive income for the period	-	-	-	16,209	16,209
Balance as at March 31, 2020	847,000	972,734	330,000	1,854,955	4,004,689

The annexed notes from 1 to 22 form an integral part of these financial statements.


 CHIEF EXECUTIVE


 DIRECTOR


 CHIEF FINANCIAL OFFICER

ITTEHAD CHEMICALS LIMITED**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - (UNAUDITED)****FOR THE NINE MONTHS ENDED MARCH 31, 2020****1 LEGAL STATUS AND NATURE OF BUSINESS**

Ittehad Chemicals Limited (the Company) was incorporated on September 28, 1991 to takeover the assets of Ittehad Chemicals and Ittehad Pesticides under a Scheme of Arrangement dated June 18, 1992 as a result of which the Company became a wholly owned subsidiary of Federal Chemical and Ceramics Corporation (Private) Limited. The Company was privatized on July 03, 1995. The company is engaged in the business of manufacturing and selling caustic soda and allied chemicals.

The Company was listed on Karachi Stock Exchange on April 14, 2003 when sponsors of the Company offered 25% of the issued, subscribed and paid up shares of the Company to the general public. The company is now listed on Pakistan stock exchange.

2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The registered office of the Company is situated at 39, Empress Road, Lahore. The manufacturing facility of the Company is located at G.T Road Kala Shah Kaku District Sheikhpura and regional offices are located as follows:

Regional office

Karachi
Faisalabad
Islamabad

Office address

Town House No. 44-N/1-A, Razi Road, Block-6, P.E.C.H.S. Karachi.
3rd Floor, Habib Bank Building, Circular Road, Faisalabad.
2nd Floor, Quaid Plaza, office No.15, Markaz I-9, Islamabad.

3 BASIS OF PREPARATION**3.1 Statement of compliance**

This condensed interim financial information is unaudited and is being submitted to the shareholders as required under section 237 of the Companies Act, 2017.

This condensed interim financial information of the Company for the nine months period ended March 31, 2020 has been prepared in accordance with the requirements of International Accounting Standard - 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Act, 2017. In case where requirements differ, the provisions of or directives issued under the Companies Act, 2017 have been followed.

This condensed interim financial information does not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended June 30, 2019 which have been prepared in accordance with approved accounting standards as applicable in Pakistan. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

The comparative balance sheet presented in this condensed interim financial information has been extracted from the annual audited financial statements of the Company for the year ended June 30, 2019, whereas the comparative condensed interim profit and loss accounts, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity are extracted from the unaudited condensed interim financial information for the nine months period ended March 31, 2019.

3.2 Basis of measurement

This condensed interim financial information have been prepared under the historical cost convention, except for the recognition of certain staff retirement benefits at present value, investment property at fair value and certain operating fixed assets at revalued amounts.

This condensed interim financial information has been prepared following accrual basis of accounting except for cash flow information.

3.3 Functional and presentation currency

This condensed interim financial information has been presented in Pak Rupees, which is the functional and presentation currency of the Company.

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 The accounting policies adopted and methods of computation followed in the preparation of these condensed interim financial statements are same as those for the preceding annual financial statements for the year ended June 30, 2019 except as explained in note 4.4 of these condensed interim financial statements.

4.2 The Company has adopted all the new standards and amendments to standards, including any consequential amendments to other standards which are applicable for the financial year beginning on July 1, 2019. The adoption of these new and amended standards did not have material impact on the Company's condensed interim financial statements, except as disclosed in note 4.4. 'There are certain standards, interpretations and amendments to approved accounting standards which have been published and are mandatory for the Company's accounting period beginning on or after July 01, 2019. These standards, interpretations and amendments are either not relevant to the Company's operations or are not expected to have a significant effect on this condensed interim financial statements.

4.3 Except as described below, the accounting policies applied in this condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2019.

4.4 IFRS 16 - Leases

IFRS 16 'Leases' was issued on January 01, 2016. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective for accounting periods beginning on or after January 1, 2019. IFRS 16 replaced IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease' The Company applied IFRS 16 with a date of initial application of July 01, 2019.

Transition method and practical expedients utilized

The Company applied IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (July 01, 2019), without restatement of comparative figures.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- applied a single discount rate to a portfolio of leases with similar characteristics.
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

On adoption of IFRS 16, the Company recognised a right-of-use asset and lease liability at the commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of cost to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company used its incremental borrowing rate as the discount rate as at July 01, 2019.

The right of use asset is subsequently depreciated using straight line method from the date of recognition to the earlier of the end of useful life of the right of use asset or the end of the lease term. The estimated useful lives of the right of use assets are determined on the same basis as those of property, plant and equipment. In addition, the right of use asset is periodically reduced by the impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

Subsequently, the lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in the rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

On transition to IFRS 16, the Company recognised right-to-use assets and lease liabilities on the date of initial application as follows;

	July 01 2019 (Rupees) 000
Property, plant and equipment	
Right-of-use assets - Buildings	30,463
Deferred tax assets	5,599
	<u>36,061</u>
Lease liabilities	
Non-current	45,400
Current	5,867
Retained earnings	(15,205)
	<u>36,062</u>

5 TAXATION

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

6 ESTIMATES

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the financial information for the year ended June 30, 2019.

	Note	March 31, 2020 (Unaudited) (Rupees in thousand)	June 30, 2019 (Audited)
7 OPERATING FIXED ASSETS			
Fixed Assets	7.1	5,930,816	6,334,613
Right of use Assets	7.2	26,196	-
		5,957,012	6,334,613
7.1 Opening net book value (NBV)		6,334,613	5,452,040
Additions (at cost) during the period / year	7.1.1	65,156	1,431,359
		6,399,769	6,883,399
Disposals (at NBV) during the period / year	7.1.2	(45,159)	(56,934)
Depreciation charged during the period / year		(423,794)	(491,852)
		(468,953)	(548,786)
Closing net book value (NBV)		5,930,816	6,334,613
7.1.1 Details of additions (at cost) during the period / year are as follows:			
Freehold Land		-	55,720
Building		14,550	75,673
Plant and machinery		48,388	1,264,111
Other equipment		357	14,556
Furniture and fixtures		150	661
Office and other equipment		1,711	3,989
Vehicles - owned		-	16,649
		65,156	1,431,359
7.1.2 Details of disposals (at NBV) during the period / year are as follows:			
Building		-	8,854
Railway Siding		-	776
Plant and machinery	7.1.3	44,671	47,150
Office and other equipment		-	35
Vehicles		488	119
		45,159	56,934
7.1.3			
This includes the old machinery that has been retired / disposed off during the period as it has no economic use in future. This has been sold through scrap.			
7.1.4 Fair value measurement (revalued property, plant and equipment)			
Fair value measurement of free hold land is based on the valuations carried out by an independent valuer M/s. Harvestor Services (Private) Limited as at June 30, 2018 on the basis of market value.			
Fair value measurement of revalued land is based on assumptions considered to be level 2 inputs.			

7.1.5 Valuation techniques used to derive level 2 fair values - Land

Fair value of land has been derived using a sales comparison approach. Sale prices of comparable land in close proximity are adjusted for differences in key attributes such as location and size of the property. The most significant input in this valuation approach is price / rate per kanal in particular locality. This valuation is considered to be level 2 in fair value hierarchy due to significant observable inputs used in the valuation.

7.2 Right of use Assets

Opening net book value (NBV)
Additions (at cost) during the period / year
Depreciation charged during the period / year

March 31, 2020 (Unaudited) (Rupees in thousand)	June 30, 2019 (Audited)
30,462	-
-	-
(4,266)	-
26,196	-

8 CAPITAL WORK IN PROGRESS

Advances
Building
Plant and machinery

8.1
8.1

17,289	17,289
6,809	15,059
72,448	3,193
96,546	35,541

8.1 Movement of carrying amount

Period Ended March 2020

Opening balance July 2019
Additions (at cost)
Transferred to Plant & Machinery
Transferred from Building
Transferred to operating fixed assets
Closing balance

Building (Rupees in thousand)	Plant & Machinery
15,059	3,193
23,234	101,197
(18,812)	-
-	18,812
(12,672)	(50,754)
6,809	72,448

Year Ended June 2019

Opening balance July 2018
Additions (at cost)
Transferred to operating fixed assets
Closing balance

-	58,490
25,807	1,279,396
(10,748)	(1,334,693)
15,059	3,193

8.2 Borrowing cost capitalised during the period amounted to Nil (June 30, 2019: Rs. 49.268 million) at an average rate of Nil (June 30, 2019: 11.01%) per annum.

		March 31, 2020 (Unaudited) (Rupees in thousand)	June 30, 2019 (Audited)
9	LOAN AND ADVANCES		
	Advances - (Unsecured - considered good)		
	To employees	9.1 8,640	7,945
	Advance to supplies and services (Unsecured)		
	Considered good	191,968	203,599
	Considered doubtful	1,374	1,374
		193,342	204,973
	Against import	1,334	5,107
		203,316	218,025
	Less: Provision for doubtful advances	1,374	1,374
		201,942	216,651
9.1	This includes advances provided to employees to meet business expenses and are settled as and when the expenses are incurred. These advances do not carry any interest or mark-up.		
10	SHARE CAPITAL		
10.1	Authorized share capital		
	100,000,000 (June 30, 2019: 100,000,000) ordinary shares of Rs. 10/- each	1,000,000	1,000,000
	25,000,000 (June 30, 2019: 25,000,000) preference shares of Rs. 10/- each	250,000	250,000
		1,250,000	1,250,000
10.2	Issued, subscribed and paid up share capital		
	27,100,000 (June 30, 2019: 27,100,000) ordinary shares of Rs. 10/- each fully paid in cash	271,000	271,000
	24,900,000 (June 30, 2019: 24,900,000) ordinary shares of Rs. 10/- each issued for consideration other than cash	249,000	249,000
	32,700,000 (June 30, 2019: 32,700,000) fully paid bonus shares of Rs. 10/- each	327,000	327,000
		847,000	847,000
11	LONG TERM FINANCING		
	From banking companies and financial institutions - secured		
	Balance as at July 01	488,450	514,064
	Obtained during the period / year	-	300,000
	Repayments made during the period / year	(184,283)	(325,614)
		304,167	488,450
	Current portion shown under current liabilities	(104,167)	(221,783)
		200,000	266,667
12	LONG TERM DIMINISHING MUSHARAKA		
	From banking companies and financial institutions - secured		
	Balance as at July 01	1,498,038	867,664
	Obtained during the period / year	41,706	798,930
	Repayments made during the period / year	(87,500)	(168,556)
		1,452,244	1,498,038
	Current portion shown under current liabilities	(333,343)	(84,410)
		1,118,901	1,413,628

13 CONTINGENCIES AND COMMITMENTS**13.1 Contingent liabilities**

- a) Letters of guarantee outstanding as at March 31, 2020 were Rs. 372.188 million (June 2019: Rs. 332.782 million).
- b) The taxation authorities have amended the deemed assessment for the Tax Year 2010 by passing an order u/s 122(5A) of the Income Tax Ordinance, 2001 creating, thereby, income tax demand of Rs. 54.510 million. The Company filed an appeal before Commissioner Inland Revenue (Appeals) who partially set aside and remanded back and also partially decided in favour of the Company. The Company as well as tax department filed an appeal against the said order before Appellate Tribunal Inland Revenue which is still pending adjudication. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in maximum tax payable of Rs. 54.510 million (June 30, 2019: Rs. 54.510 million).
- c) The taxation authorities have amended the deemed assessment for Tax Year 2006 by passing an order u/s 122(5A) of the Income Tax Ordinance, 2001. The Company challenged the same before Commissioner Inland Revenue (Appeals) who partially set aside and partially decided against the Company. The Company has filed an appeal before Appellate Tribunal Inland Revenue against the said order. The ATIR remanded the case back to the Additional Commissioner Inland Revenue (ADCIR). In remand back proceeding ADCIR decided the case partially in favour of the Company. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) CIR (A) against the remaining portion. The CIR(A) has decided the case in favour of the Company. Thereafter the CIR has filed appeal before ATIR. The Company considers the appeal of CIR as for sake only and therefore expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 4.080 million (June 30, 2019: Rs. 4.080 million).
- d) Additional Commissioner has passed an order u/s 122(5A) of the Income Tax Ordinance, 2001 adding back tax credit u/s 65B of the Income Tax Ordinance, 2001 on Balancing, Modernization, and Replacement and tax credit on donations for Tax Year 2012. Tax amounting to Rs. 12.570 million has been assessed. The Company challenged the case before Commissioner Inland Revenue (Appeals) who has decided it against the Company. The Company filed appeal before Appellate Tribunal Inland Revenue. The ATIR remanded the case back to the Additional Commissioner Inland Revenue (ADCIR). In remand back proceedings the demand was reduced to 2.922 million. Against this demand the company preferred an appeal before Commissioner Inland Revenue (Appeals). The CIR(A) has granted relief of Rs. 0.8 million and upheld the remaining demand. The Company has decided to contest the demand in ATIR. Further during the processing of refund of the Tax Year 2012 u/s 170 of Income Tax Ordinance 2001 out of Rs. 9.40 million the Company has been able to realize refund of Rs. 4.40 million where as refund of Rs. 4.90 has been refused. Being aggrieved by this order the Company has decided to file appeal before CIR(A). However, if the appeals are decided against the Company on both forums, it may result in tax payable of Rs. 7.022 million (June 30, 2019 : Rs. 2.122 million)

- e) Proceedings u/s 161 were initiated by DCIR for the tax year 2013. The DCIR passed order u/s 161/205 and demand amounting to Rs. 1.423 million for tax year 2013 was created vide said order. The Company being aggrieved filed appeal before CIR (A), wherein case has been remanded back to DCIR for fresh assessment and in light of the directions issued by the CIR(A). The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 1.423 million. (June 30, 2019: Rs. 1.423 million).
- f) Demand amounting to Rs. 6.242 million has been created by DCIR vide order u/s 11 of Sales Tax Act, 2001 dated December 14, 2015 against the M/s Chemi Chloride Industries Limited, (now merged with and into the Company). The Company being aggrieved filed appeal before CIR (A). CIR (A) remanded back the case. The Company being aggrieved with order passed by CIR (A) filed appeal before ATIR which is still pending for adjudication. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 6.242 million (June 30, 2019: Rs. 6.242 million).
- g) Income tax Audit for TY 2014 & 2015 u/s 177 of Income Tax Ordinance, 2001 were selected by Commissioner Income Tax through his discretionary powers vested under this section. The Company challenged the selection before Honourable Lahore High Court where selection was upheld. Thereafter proceedings were conducted and concluded by DCIR and order u/s 122(1) has been issued for both years. As a result of these proceedings a demand of Rs 32.20 million and 21.50 million has been created for these years, respectively. The Company preferred appeal before CIR(A) in both cases wherein CIR(A) annulled the demand created by disallowance of tax credit U/S 65B of Income Tax Ordinance, 2001 and ordered reconsideration of the matter in light of certain directions. The CIR(A) has confirmed the additions having tax effect of Rs. 7.30 million. The Company has filed the appeal before ATIR against the decision of CIR(A) on the grounds of being ultra vires. The company is confident of favourable outcome. However, if the cases are decided against the Company, it may result in tax payable of Rs. 7.30 million (June 30, 2019: Rs. 53.70 million).
- h) The Company is facing claims, launched in the labour courts, pertaining to staff retirement benefits. In the event of an adverse decision, the Company would be required to pay an amount of Rs. 4.680 million (June 30, 2019: Rs. 3.565 million) against these claims.
- i) Proceedings u/s 177 pertaining to CCIL were initiated by DCIR for the tax year 2013. The DCIR passed order u/s 177 and demand amounting to Rs. 22.032 million for tax year 2013 has been created. The Company being aggrieved filed appeal before CIR (A), which is pending for adjudication. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 22.032 million (June 30, 2019: Rs. 22.032 million).
- j) Show cause notice was served by the ACIR whereby taxpayer is required to explain the alleged illegal input (sales tax) tax adjustment amounting to Rs. 28.725 million. Detailed reply was filed by the Company. In response to which ACIR issued assessment order and created demand amounting to Rs. 19.724 million along with penalty amounting to Rs. 0.986 million. The Company being aggrieved filed appeal before CIR (A). The CIR(A) has reduced the demand from Rs. 19.724 million to Rs. 1.20 million. The Company has challenged the demand of Rs. 1.20 million in ATIR. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 1.20 million (June 30, 2019: 19.724 million).
- k) Income tax credit u/s 65B (BMR) of Income Tax Ordinance, 2001 was reduced from 10% to 5% by Finance Act, 2019 retrospectively for Tax Year 2019. The Company has challenged this amendment in the Honorable Lahore High Court through writ petition 67856/2019. In this regard the Court has issued interim order and has directed the taxpayers to file their income tax return manually. After such filing the department will determine whether the investment is eligible for tax credit of 65B (BMR). Henceforth, report will be submitted by the department in the court and thereafter the court will determine the fate of the main petition related to the rate of tax credit. If the case is decided in favour of the Company it may result in a contingent deductible allowance of Rs. 63.20 million.

13.2 Commitments

Commitments as on March 31, 2020 were as follows:

- a) Against letters of credit amounting to Rs. 291.384 million (June 30, 2019: Rs. 259.730 million).
- b) Against purchase of land amounting to Rs. 1.639 million (June 30, 2019: Rs. 1.639 million).

		(Unaudited)			
		Nine months ended March 31,		Quarter ended March 31,	
		2020	2019	2020	2019
		(Rupees in thousand)			
14	COST OF SALES				
	Raw materials consumed	1,552,838	474,096	671,019	159,281
	Other overheads:				
	Stores, spares and consumables	132,836	150,635	40,685	45,103
	Packing materials consumed	90,397	26,409	29,640	1,159
	Salaries, wages and other benefits	377,292	332,737	124,507	106,418
	Fuel and power	2,964,818	2,336,862	932,376	816,949
	Repair and maintenance	23,078	30,952	5,263	7,816
	Rent, rates and taxes	783	860	47	269
	Insurance	11,472	9,991	3,842	3,262
	Depreciation	416,056	346,760	139,000	118,789
	Vehicle running expenses	10,927	9,218	3,436	3,220
	Telephone, telex and postage	623	593	163	195
	Printing and stationery	119	76	54	11
	Provision for slow moving stores & spares	9,500	12,000	2,000	2,000
	Other expenses	1,849	3,575	518	1,219
		4,039,750	3,260,668	1,281,531	1,106,410
	Opening work in process	38,143	33,941	42,457	37,656
	Closing work in process	(42,975)	(37,692)	(42,975)	(37,692)
		(4,832)	(3,751)	(518)	(36)
	Cost of goods manufactured	5,587,756	3,731,013	1,952,032	1,265,655
	Cost of stores traded	33	19,844	5	10,678
	Opening stock of finished goods	446,016	142,602	397,079	270,391
	Closing stock of finished goods	(321,657)	(124,816)	(321,657)	(124,816)
		124,359	17,786	75,422	145,575
		5,712,148	3,768,643	2,027,459	1,421,908
15	EARNINGS PER SHARE - BASIC AND DILUTED				
	Profit / (loss) after taxation - (Rs. in thousand)	16,209	315,736	47,772	102,021
	Weighted average number of ordinary shares - (in thousand)	84,700	84,700	84,700	84,700
	Earnings per share - basic and diluted - (Rs.)	0.19	3.73	0.56	1.20

16 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise group companies, other associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings are given as under:

Transaction with:

Relationship with the Company	Nature of transaction				
Related party	Marketing services charges	31,473	23,502	11,597	9,015
Related party	Long term Investment	19	-	19	-
Associated company	Loan received	-	45,000	-	-
Associated company	Loan repaid	-	(21,000)	-	(21,000)
Retirement benefit plans	Contribution to staff retirement benefit plans	402	357	136	119
Key management personnel	Remuneration and other benefits	59,866	62,773	21,376	17,359
Key management personnel	Loan & Advances				
	Obtained		487	-	-
	Repaid		(2,287)	-	(800)

Period / year end balances:		March 31, 2020 (Unaudited)	June 30, 2019 (Audited)
Relationship with the Company	Nature of outstanding balances	(Rupees in thousand)	
Other related parties	Trade and other payables	18,286	6,091

17 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of all financial assets and liabilities reflected in the financial statements are in approximate to their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arm's length transaction.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1:	Quoted prices in active markets for identical assets or liabilities.
Level 2:	Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3:	Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

There were no financial instruments held by the Company which are measured at fair value as of March 31, 2020 and June 30, 2019.

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred. However, there were no transfers between levels of fair value hierarchy during the year.

18 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

There have been no significant changes in the risk management policies since the year end.

This condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Company's audited annual financial statements for the year ended June 30, 2019.

The Company's financial risk management objective and policies are consistent with that disclosed in the annual financial statements for the year ended June 30, 2019.

19 SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

The Company has adopted the IFRS-16, Leases during the period and relevant amount has been disclosed in the relevant note to these condensed interim financial statements.

All other significant transactions and events that have affected the Company's financial position and performance during the period have been adequately disclosed in the notes to these financial statements.

20 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and better presentation. However, no significant reclassification has been made during the period except provision for slow moving stores and spares amounting to Rs. 12.00 million for the period ended March 31, 2019 and Rs. 2.00 million for the quarter ended March 31, 2019 have been reclassified from general and administrative expenses to cost of sales to remain consistent with annual audit accounts for the year ended June 30, 2019.

21 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on April 27, 2020 by the Board of Directors of the Company.

22 GENERAL

Amounts have been rounded off to the nearest rupees in thousand unless otherwise stated.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER



Ms Certification
No of Certificate 236



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