



engro polymer & chemicals

**FINANCIAL STATEMENTS FOR THE  
PERIOD ENDED MARCH 31, 2020**

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## COMPANY INFORMATION

<b>Chairman</b>	Mr. Ghiasuddin Khan
<b>Chief Executive Officer</b>	Mr. Imran Anwer
<b>Directors</b>	Mr. Eram Hasan Mr. Feroz Rizvi Mr. Noriyuki Koga Mr. Nadir Salar Quershi Mr. Hasnain Moochhala
<b>Board Audit Committee</b>	Mr. Feroz Rizvi Mr. Noriyuki Koga Mr. Hasnain Moochhala
<b>Chief Financial Officer</b>	Mr. Syed Abbas Raza
<b>Company Secretary</b>	Mr. Khawaja Haider Abbas
<b>Corporate Audit Manager</b>	Mr. Kalimuddin A. Khan
<b>Bankers / Lenders</b>	Allied Bank Ltd Askari Bank Ltd Al Baraka Bank (Pakistan) Limited Bank Alfalah Ltd Bank Al Habib Ltd Bank of China Bank Islami Pakistan Ltd Citi NA Dubai Islamic Bank Pakistan Ltd Faysal Bank Ltd Habib Bank Ltd Habib Metropolitan Bank Ltd Industrial & Commercial Bank of China Ltd JS Bank Ltd MCB Bank Ltd MCB Islamic Bank Ltd Meezan Bank Ltd National Bank of Pakistan Standard Chartered Bank Ltd Summit Bank Ltd Samba Bank Ltd The Bank of Punjab United Bank Ltd
<b>Auditors</b>	A. F. Ferguson & Company Chartered Accountants State Life Building No. 1-C, I.I. Chundrigar Road, Karachi-74000, Pakistan. Tel: +92(21) 32426682-6 / 32426711-5 Fax: +92(21) 32415007 / 32427938
<b>Registered Office</b>	12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban-e-Iqbal. Karach
<b>Plant</b>	EZ/1/P-11-1, Eastern Zone, Bin Qasim, Karachi
<b>Regional Sales Office</b>	Office No. 601, 6th Floor, Haly Tower, Lalik Chowk, DHA, Lahore UAN: 111 211 211
<b>Share Registrar</b>	FAMCO Associates (Private) Limited 8-F, Next to Hotel Faran, Nursery, Block 6, P.E.C.H.S. Shahra-e-Faisal, Karachi-74000 Tel: +92(21) 34380101-5 lines
<b>Website</b>	<a href="http://www.engropolymer.com">www.engropolymer.com</a>

**ENGRO POLYMER & CHEMICALS LIMITED**  
**DIRECTORS' REVIEW TO THE SHAREHOLDERS**  
**ON UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2020**

On behalf of the Board of Directors of Engro Polymer & Chemicals Limited, we would like to present the unaudited Financial Information of the Company for the three months ended March 31, 2020.

**Business Review**

During the quarter, an isolated incident of gas leakage occurred at the plant site. In this regard, a complete investigation of the incident has been conducted and all learnings are being implemented to ensure that our people and operations remain safe. The Company ensured all staff, majority of which only needed mild medical attention, had timely access to appropriate medical care. The Company facilitated all employees and staff that needed medical support post incident. The Board of Directors deeply sympathize on the sad occurrence and will take necessary steps to ensure safeguarding the highest safety values throughout the organization.

On the operational front, the Company undertook biggest turnaround in history whereby numerous safety / reliability projects were completed.

During the period, the pandemic of COVID-19 has spread across the globe. The pandemic already has and will continue to have repercussions on overall economic activity in general and commodity prices in particular, mainly due to demand contraction. Crude oil prices crash also resulted in ethylene prices declining significantly on the back of lower demand from downstream products. PVC prices, on the other hand, showed rising trend at the start of the quarter as major PVC producers went off-line for annual maintenance shutdowns. However, as soon as supply started flowing and Chinese producers came out of the crisis situation, higher inventory levels were built which resultantly impacted international PVC prices adversely.

Pakistan's economy has also been adversely impacted by global pandemic, which had several implications for the Company:

- 1- In compliance with the on-going lockdown directed by the Government of Sindh, production facility at Port Qasim has stopped operations and PVC 3/ VCM DBN project is also on hold
- 2- Completion timelines in relation to earlier announced projects of Hydrogen Peroxide and LABSA will be reviewed. The Company remains committed to the projects and will inform the shareholders once there is further visibility of the impact on project completion timelines
- 3- Due to the outflow of foreign currency investment from Pakistan, USD/PKR exchange rate increased significantly due to which the Company incurred foreign exchange loss on outstanding foreign currency liabilities, resulting in post-tax hit of ~Rs. 266 Mn (translating into EPS of Rs. 0.29)

Due to the prolonged turnaround, production loss as a result of gas leakage incident and termination of operations because of COVID-19 situation, the number of production days during the quarter remained low. Resultantly, the Company recorded lower revenue of Rs. 7,058 million compared to Rs. 9,344 million in the same period last year and posted Profit After Tax (PAT) of Rs. 193 million translating into Earning Per Share (EPS) of Rs. 0.21 compared to Profit After Tax (PAT) of Rs. 1,094 million translating into Earning Per Share (EPS) of Rs. 1.20 for the same period last year.

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The prevalent macroeconomic dynamics, starting from COVID-19, high inflation, higher interest rates, energy price increases and other relevant phenomenon like dumping are having an adverse impact on economy resulting in demand contraction across different sectors. We urge the relevant decision makers to take cost reduction measures for local industry so as to make them competitive against international market, specially the industrial undertakings which are providing import substitution & providing support to domestic industries like construction, textile and consumer goods.

#### **Future Outlook**

We hope that the world would overcome the pandemic soon. However, if the COVID-19 situation persists for longer than expected time, the Company has taken sufficient and appropriate measures to run the operations smoothly without any compromise on health and safety of our employees and general public. We have also approached Government of Sindh to allow EPCL to run its operations as the Company produces key raw material for soap, textile and construction industries, all of which are essential to the economy of Pakistan.

International PVC and ethylene prices will remain dependent on global economic sentiment, COVID-19, regional political situation, supply & demand dynamics. Domestic market is currently under flux & will take firmer direction once spread of COVID-19 is contained, local economic policies, macroeconomic indicators & other key variables have settled.



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Imran Anwer  
Chief Executive Officer



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Feroz Rizvi  
Director



**ENGRO POLYMER AND CHEMICALS LIMITED**  
**CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED MARCH 31, 2020**



**ENGRO POLYMER AND CHEMICALS LIMITED**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2020**

(Amounts in thousand)

	Note	Unaudited March 31, 2020	Audited December 31, 2019
		Rupees	
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	5	33,636,279	31,433,441
Right-of-use asset		2,643,810	2,747,801
Intangible assets		87,693	78,966
Financial assets at amortised cost	6	5,853,400	5,421,150
Long-term loans and advances		40,937	72,078
Deferred tax asset	7	263,365	115,822
		42,525,484	39,869,258
<b>Current Assets</b>			
Stores, spares and loose tools		1,471,741	1,568,929
Stock-in-trade	8	3,648,451	4,302,841
Trade debts - considered good	9	334,866	469,613
Loans, advances, deposits, prepayments and other receivables	10	1,724,695	1,113,037
Income tax payments less provision		298,982	85,522
Financial assets at fair value through profit and loss		10,809,965	9,317,960
Cash and bank balances		371,629	792,057
		18,660,329	17,649,959
<b>TOTAL ASSETS</b>		<b>61,185,813</b>	<b>57,519,217</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		9,089,233	9,089,233
Share premium		3,874,953	3,874,953
Unappropriated profits		5,004,810	4,811,970
		17,968,996	17,776,156
<b>Non-Current Liabilities</b>			
Long-term borrowings		19,841,888	19,388,880
Lease liabilities		4,617,672	4,543,830
Deferred tax liability		-	-
		24,459,560	23,932,710
<b>Current Liabilities</b>			
Current portion of lease liabilities		1,072,744	987,487
Service benefit obligations		35,555	61,049
Short-term borrowings		3,239,211	2,158,836
Trade and other payables	12	8,000,027	6,547,455
Unclaimed dividend		27,510	31,333
Derivative financial instruments		154	154
Unpaid dividend		-	-
Accrued interest / mark-up		551,851	366,272
Income tax provision less payments		-	-
Provisions	13	5,830,205	5,657,765
		18,757,257	15,810,351
		43,216,817	39,743,061
<b>Contingencies and Commitments</b>			
	14		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>61,185,813</b>	<b>57,519,217</b>

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.



Chief Executive



Chief Financial Officer



Director

**ENGRO POLYMER AND CHEMICALS LIMITED**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2020**

(Amounts in thousand except for earnings per share)

	Note	Quarter ended	
		March 31, 2020	March 31, 2019
		Rupees	
Net revenue		7,057,942	9,343,634
Cost of sales		(5,806,680)	(7,428,573)
<b>Gross profit</b>		1,251,262	1,915,061
Distribution and marketing expenses		(72,325)	(93,489)
Administrative expenses		(113,924)	(119,375)
Other expenses	15	(538,283)	(124,665)
Other income		445,509	212,456
<b>Operating profit</b>		972,239	1,789,988
Finance costs	16	(767,660)	(268,364)
<b>Profit for the period before taxation</b>		204,579	1,521,624
Taxation		(11,739)	(427,466)
<b>Profit for the period after taxation</b>		192,840	1,094,158
<b>Earnings per share - basic and diluted</b>		0.21	1.20

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.



Chief Executive



Chief Financial Officer



Director



**ENGRO POLYMER AND CHEMICALS LIMITED**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND**  
**OTHER COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2020**

(Amounts in thousand)

	Quarter ended	
	March 31, 2020	March 31, 2019
	Rupees	
<b>Profit for the period after taxation</b>	192,840	1,094,158
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<u>192,840</u>	<u>1,094,158</u>

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.



**Chief Executive**



**Chief Financial Officer**



**Director**

ENGRO POLYMER AND CHEMICALS LIMITED  
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE PERIOD ENDED MARCH 31, 2020

(Amounts in thousand)

	RESERVES			
	CAPITAL	REVENUE		
	Share capital	Share premium	Unappropriated profit / (accumulated losses)	Total
	Rupees			
Balance as at January 1, 2019 (Audited)	9,089,233	3,874,953	3,831,998	16,796,184
Total comprehensive income for the period				
Profit for the period ended March 31, 2019	-	-	1,094,158	1,094,158
Other comprehensive income for the period ended March 31, 2019	-	-	-	-
Transactions with owners	-	-	1,094,158	1,094,158
Final dividend for the year ended December 31, 2018 - Rs. 0.30 per share	-	-	(272,677)	(272,677)
	-	-	(272,677)	(272,677)
Balance as at March 31, 2019 (Unaudited)	9,089,233	3,874,953	4,653,479	17,617,665
Effect of change in accounting policy - net of deferred tax - note 3.3	-	-	(1,898,034)	(1,898,034)
Total comprehensive income for the nine months ended December 31, 2019				
Profit for the nine months ended December 31, 2019	-	-	2,601,879	2,601,879
Other comprehensive income for the year ended December 31, 2019	-	-	-	-
Transactions with owners	-	-	2,601,879	2,601,879
Interim dividend for the year ended December 31, 2019 - Re. 0.60 per share	-	-	(545,354)	(545,354)
	-	-	(545,354)	(545,354)
Balance as at December 31, 2019 (Audited)	9,089,233	3,874,953	4,811,970	17,776,156
Total comprehensive income for the period				
Profit for the period ended March 31, 2019	-	-	192,840	192,840
Other comprehensive income for the period ended March 31, 2019	-	-	-	-
	-	-	192,840	192,840
Balance as at March 31, 2020 (Unaudited)	9,089,233	3,874,953	5,004,810	17,968,996

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.



Chief Executive



Chief Financial Officer



Director

**ENGRO POLYMER AND CHEMICALS LIMITED**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2020**

(Amounts in thousand)

Note	Quarter ended	
	March 31, 2020	March 31, 2019
	Rupees	
17	3,313,748	203,683
	31,141	(11,122)
	(74,209)	(55,354)
	(372,739)	(33,839)
	<hr/>	<hr/>
	2,897,941	103,368
	(2,498,407)	(3,371,850)
	-	204
	403,311	198,281
	<hr/>	<hr/>
	(2,095,096)	(3,173,365)
	-	8,601,540
	-	(7,500,000)
	(481,670)	(94,100)
	(326,150)	-
	(3,823)	(29,580)
	<hr/>	<hr/>
	(811,643)	977,860
	<hr/>	<hr/>
	(8,798)	(2,092,137)
	7,951,181	9,160,054
	<hr/>	<hr/>
18	7,942,383	7,067,917

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.



Chief Executive



Chief Financial Officer



Director

**ENGRO POLYMER & CHEMICALS LIMITED**  
**NOTES TO AND FORMING PART OF THE CONSOLIDATED CONDENSED INTERIM**  
**FINANCIAL STATEMENT (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2020**

(Amounts in thousand)

**1. LEGAL STATUS AND OPERATIONS**

- 1.1 The "Group" consists of Engro Polymer and Chemicals Limited and its wholly owned subsidiary companies, Engro Polymer Trading (Private) Limited, Engro Peroxide (Private) Limited and Engro Plasticizer (Private) Limited.

Engro Polymer and Chemicals Limited (the Company) was incorporated in Pakistan in 1997 under the (now repealed) Companies Ordinance, 1984. The Company is listed on the Pakistan Stock Exchange Limited.

- 1.2 The Company is a subsidiary of Engro Corporation Limited (the Holding Company) which is a subsidiary of Dawood Hercules Corporation Limited (the Ultimate Parent Company). The Company's principal activity is to manufacture, market and sell Poly Vinyl Chloride (PVC), Vinyl Chloride Monomer (VCM), Caustic soda and other related chemicals. The Company is also engaged in the supply of surplus power generated from its power plants to Engro Fertilizers Limited (a related party).

- 1.3 Details of investments held by the Company in its subsidiaries are as follows:

	<b>Percentage of</b>	
	<b>March 31</b>	<b>December 31,</b>
- Engro Polymer Trading (Private) Limited - note 1.3.1	100%	100%
- Engro Peroxide (Private) Limited - note 1.3.2	100%	100%
- Engro Plasticizer (Private) Limited - note 1.3.3	100%	100%

- 1.3.1 Engro Polymer Trading (Private) Limited (EPTL) was incorporated in Pakistan on November 6, 1999, under the (now repealed) Companies Ordinance, 1984 as a wholly owned subsidiary of the Company. EPTL's principal activity is to purchase, market and sell Poly Vinyl Chloride (PVC), PVC compounds, Caustic soda and other related chemicals. During the year, EPTL has taken steps to develop market for PVC downstream products. Subsequent to the year end, the Securities and Exchange Commission of Pakistan (SECP) has approved the application filed for change in its name to "Think PVC (Private) Limited".

- 1.3.2 Engro Peroxide (Private) Limited was incorporated in Pakistan on July 22, 2019 under the Companies Act, 2017 as a wholly owned subsidiary of the Company. The main objective of Engro Peroxide (Private) Limited is to manufacture and market Hydrogen Peroxide and related chemicals.

- 1.3.3 Engro Plasticizer (Private) Limited was incorporated in Pakistan on July 22, 2019 under the Companies Act, 2017 as a wholly owned subsidiary of the Company. The main objective of Engro Plasticizer (Private) Limited is to manufacture and market Chlorinated Paraffin Wax and other related chemicals.

- 1.4 The geographical location and addresses of all business units of the Company are as follows:

<b>Business unit</b>	<b>Geographical location</b>
Head office	12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban-e-Iqbal, Karachi
Manufacturing plant	EZ/II-P-II-I Eastern Zone, Port Bin Qasim Industrial Area, Karachi, Pakistan
Regional sales unit	1st Floor, 38 Z Block, Commercial Area, Phase III, DHA, Lahore

**2. BASIS OF PREPARATION**

- 2.1 These consolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for the interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards 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 requirements of IAS 34, the provisions of and directives issued under the Companies Act 2017 have been followed.

- 2.2 These consolidated condensed interim financial statements do not include all the information required to be contained in the annual financial statements and, therefore, should be read in conjunction with the annual audited financial statements of the Company for the year ended December 31, 2019.

**3. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES AND CHANGES THEREIN**

- 3.1 The accounting policies applied in the preparation of these consolidated condensed interim financial statements are the same as those that were applied in the preparation of the annual audited consolidated financial statements of the Company for the year ended December 31, 2019. The financial risk management objectives and policies of the Company are also consistent with those disclosed in the annual audited consolidated financial statements of the Company for the year ended December 31, 2019.

- 3.2 **a) Standards, interpretations and amendments to published approved accounting standards that are effective for the year and are relevant to the Company.**

There are standards, amendments and interpretations to published accounting and reporting standards and interpretations that are applicable for the financial year beginning on January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Company's financial reporting and operations and, therefore, have not been disclosed in these consolidated condensed interim financial statements.

**4. ACCOUNTING ESTIMATES**

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

The significant estimates, judgments and assumptions made by the management in the preparation of the condensed interim financial statements are the same as those that were applied in the annual audited consolidated financial statements of the Company as at and for the year ended December 31, 2019.

- 4.2 On March 11, 2020, the World Health Organization declared Coronavirus disease (COVID-19) a pandemic, and its spread has gained momentum. On March 23, 2020, the Government of Sindh announced a temporary lockdown as a measure to reduce the spread of the COVID-19, which has been further extended to April 14th, 2020. To complying with the lockdown, the entity has suspended its production from March 24, 2020. The company has sufficient funds available including short term financing facilities from various banks for meeting its operational requirements and commitments. The Company has also extended timelines in relation to its capital projects including Hydrogen Peroxide project. As the situation relating to COVID-19 is still evolving, the commercial and financial impact resulting from the same cannot be estimated with reasonable certainty at the period end date.

(Amounts in thousand)

	Unaudited March 31, 2020	Audited December 31, 2019
	-----Rupees-----	
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>		
Operating assets, at net book value - notes 5.1	18,113,450	18,305,349
Capital work-in-progress - note 5.2	15,459,037	13,064,300
Capital spares	83,702	63,792
	<u>33,656,279</u>	<u>31,433,441</u>
<b>5.1 Additions to operating assets during the period were as follows:</b>		
Leasehold land - note 5.1.1	-	939,528
Building on leasehold land	-	1,980
Plant and machinery	58,418	1,627,267
Pipeline - EDC	21,122	98,288
Furniture, fixtures and equipment	3,102	82,618
Vehicles	82,642	3,571
	<u>82,642</u>	<u>2,753,252</u>
<b>5.2 Movement in capital-work-progress during the period / year is as follows:</b>		
	Unaudited March 31, 2020	Audited December 31, 2019
	-----Rupees-----	
Balance as the beginning of the period / year	13,064,300	2,751,067
Add: Additions during the period / year	2,498,407	13,114,040
Less: Write-off of plant and machinery items	(6,000)	-
Less Transferred to operating assets during the period / year	(82,642)	(2,753,252)
Less Transferred to intangible assets during the period / year	(15,028)	(47,555)
Balance as the end of the period / year	<u>15,459,037</u>	<u>13,064,300</u>
<b>6. FINANCIAL ASSETS AT AMORTIZED COST</b>		
Investment in Term Deposit Receipts - note 6.1	<u>5,853,400</u>	<u>5,421,150</u>
<b>6.1</b>	These denote term deposits aggregating to USD 35 million maintained with Dubai Islamic Bank Pakistan Limited. These carry profit at the rate of 2.79% per annum and are due to mature in six equal semi-annual installments of \$ 5.833 million starting from July 15, 2021 and ending on January 15, 2024.	
<b>7. DEFERRED TAXATION - NET</b>		
	Unaudited March 31, 2020	Audited December 31, 2019
	-----Rupees-----	
Debit balances arising due to:		
- recoupable carried forward tax losses	8,034	1,207
- recoupable minimum turnover tax	503,900	558,091
- recoupable alternative corporate tax	389,222	389,224
- unpaid liabilities	132,493	128,170
- leases recognized under IFRS 16	857,138	783,120
- provision for Gas Infrastructure Development Cess and Special Excise Duty	1,409,794	1,451,279
- provision for slow moving stores and spares	102,749	102,345
- provision for bad debts	2,055	2,055
- share issuance cost, net to equity	57,830	57,830
	<u>3,591,215</u>	<u>3,454,281</u>
Credit balances arising due to:		
- accelerated tax depreciation	3,327,850	3,338,450
	<u>263,305</u>	<u>115,822</u>
<b>8. STOCK-IN-TRADE</b>		
This includes stock held at Engro Vopak Terminal Limited as at March 31, 2020 Rs. 1,018,514 (as at December 31, 2019: 1,284,031).		
<b>9. TRADE DEBTS - considered good</b>		
	Unaudited March 31, 2020	Audited December 31, 2019
	-----Rupees-----	
Secured	204,492	308,697
Unsecured - note 9.1	130,374	160,916
	<u>334,866</u>	<u>469,613</u>
<b>9.1</b>	Includes amounts due from the following related parties:	
- Engro Powergen Thar (Private) Limited	-	589
- Engro Fertilizer Limited	2,291	6,176
	<u>2,291</u>	<u>6,765</u>



(Amounts in thousand)

10. LOANS, ADVANCES, DEPOSITS,  
PREPAYMENTS AND OTHER RECEIVABLES

These include advances and receivables from the following related parties

	Unaudited March 31, 2020	Audited December 31, 2019
	-----Rupees-----	
Engro Corporation Limited	12,051	23,725
FrieslandCampina Engro Pakistan Limited	-	5
Sindh Engro Coal Mining Company Limited	407	53
Engro Powergen Qadirpur Limited	9	9
Engro Fertilizers Limited	1,077	2,119
Engro Energy Limited	-	1,531
	<u>15,434</u>	<u>27,442</u>

11. LONG-TERM BORROWINGS

Title	Mark-up rate per annum	Installments		Unaudited March 31, 2020	Audited December 31, 2019
		Number	Commencing from	-----Rupees-----	
Sukuk - note 11.1	3 months KIBOR + 0.9%	5 half yearly	July 10, 2024	8,623,054	8,623,541
Loan from International Finance Corporation (IFC) - note 11.2	6 months LIBOR + 3.25%	6 half yearly	July 15, 2021	5,790,984	5,343,488
Bilateral Loan - note 11.3	6 months KIBOR + 0%	6 half yearly	July 15, 2021	5,421,850	5,421,850
				<u>19,841,888</u>	<u>19,388,880</u>
Less: Current portion shown under current liabilities				-	-
				<u>19,841,888</u>	<u>19,388,880</u>

11.1 In the year 2019, the Company issued sukuk bonds of Rs. 8,750,000 to eligible institutional and other investors by way of private placement. These are repayable over a period of 7.5 years in five equal annual instalments of Rs. 1,750,000 each with the first repayment commencing in July 2024. These are secured by way of hypothecation charge of present and future fixed assets of the Company (excluding land and building) which shall rank pari passu with the charges created in favour of the existing creditors.

11.2 In 2018, the Company had entered into a financing agreement with International Finance Corporation for a total of US Dollars 35,000 the draw down of which was made in December 2019. The principal is repayable in six semi-annual instalments commencing from July 2021 and carries markup at the rate of six months LIBOR plus 3.25% payable semi annually.

The borrowing is by way of hypothecation charge of present and future fixed assets of the Company (excluding land and building) which shall rank pari passu with the charges created in favour of the existing creditors.

11.3 In the year 2019, the Company has entered into a musharaka agreement with Dubai Islamic Bank Pakistan Limited (DIBPL). Rental payments are to be made in six semi-annual instalments commencing from July 15, 2021 and ending on January 15, 2024 and are calculated at the rate of six months KIBOR plus 0% per annum. The borrowing is secured by a hypothecation charge in favour of the Bank which constitutes a ranking charge over the existing and future fixed assets of the Company (except land and building), ranking subordinate and subservient to the charges created in favour of the existing creditors and a lien and a right of set-off over the Term Deposit Receipt maintained with DIBPL as referred to in note 6.



(Amounts in thousand)

## 12. TRADE & OTHER PAYABLES

	Unaudited March 31, 2020	Audited December 31, 2019
	-----Rupees-----	
Trade and other creditors - note 12.1	4,083,740	2,844,007
Accrued liabilities - note 12.1	2,454,725	2,645,303
Advances from customers	1,305,938	904,882
Retention money against project payments	1,545	1,545
Security deposits	34,920	34,120
Payable to provident fund	13,123	-
Payable to gratuity fund	6,580	258
Workers Welfare Fund	73,217	73,199
Workers Profit Participation Fund	7,965	35,133
Withholding tax payable	9,785	22
Others	8,489	8,086
	<u>8,000,027</u>	<u>6,547,455</u>

### 12.1 Includes amounts due to the following related parties:

- Engro Corporation Limited	212,575	88,305
- Engro Fertilizers Limited	32,000	40,926
- Engro Powergen Thar (Private) Limited	613	613
- Engro Vopak Terminal Limited	149,476	139,849
	<u>394,664</u>	<u>269,693</u>

## 13. PROVISIONS

	Unaudited March 31, 2020	Audited December 31, 2019
	-----Rupees-----	
Provision for Gas Infrastructure Development Cess - note 13.1	5,312,813	5,140,373
Provision for gas price revision - note 13.2	517,392	517,392
	<u>5,830,205</u>	<u>5,657,765</u>

### 13.1 Provision for Gas Infrastructure Development Cess (GIDC)

Under the Gas Infrastructure Development Cess Act, 2011, the Government of Pakistan levied Gas Infrastructure Development Cess (GIDC) on all industrial gas consumers at the rate of Rs. 13 per MMBTU. Subsequently, the GIDC rates were enhanced through notifications under OGRA Ordinance 2002, Finance Act, 2014 and GIDC Ordinance 2014 against which the Company has obtained ad-interim stay orders from the High Court of Sindh. However, on prudent basis the Company recognized a provision of Rs. 1,345,789 till May 21, 2015.

On May 22, 2015 the Gas Infrastructure Development Cess (GIDC) Act, 2015 was promulgated whereby cess rate of Rs.100 per MMBTU and Rs.200 per MMBTU were fixed for industrial and captive power consumption, respectively. The GIDC Act, 2015 was made applicable with immediate effect superseding the GIDC Act, 2011 and the GIDC Ordinance, 2014.

The Company, based on the advice of its legal counsel, is of the view that as per GIDC Act, 2015, the uncollected portion of cess levied through GIDC Act, 2011 and GIDC Ordinance 2014, shall not be collected from the industrial sector. Therefore, the Company reversed the provision relating to industrial portion of GIDC amounting to Rs. 753,664 for the period prior to promulgation of GIDC Act, 2015 and retained GIDC provision amounting to Rs. 592,125 in respect of captive power.

Further, the Company has also obtained ad-interim stay order against the GIDC Act, 2015 from the High Court of Sindh. This stay order has restrained Sui Southern Gas Company Limited (SSGCL) from charging and / or recovering the cess under the GIDC Act, 2015 till the final decision on this matter. However, based on prudence, the Company has recognized a further provision, for the period ended, of Rs.172,440 (March 31, 2019: Rs. 262,028) pertaining to the period subsequent to the promulgation of GIDC Act, 2015.

### 13.2

During the year ended December 31, 2017, the Company had filed suits in the Sindh High Court (SHC), against the increase in tariff of natural gas sold to industries and captive power plants notified by Oil and Gas Regulatory Authority (OGRA) vide SRO no. (1)/2016 dated December 30, 2016 whereby the Company the increase as illegal and unconstitutional. The SHC has granted an interim order in favour of the Company which is still operational. However, the Company has recognised a provision of Rs. 517,392 for the period from December 2017 to December 2018.

## 14. CONTINGENCIES AND COMMITMENTS

14.1 There is no change in the status of contingencies as disclosed in the annual unconsolidated financial statements for the year ended December 31, 2019.

14.2 The aggregate facilities for issuance of performance guarantees by the banks on behalf of the Company as at March 31, 2020 amounts to Rs. 3,250,000 (December 31, 2019: Rs. 2,348,000). The amount utilized there against as at March 31, 2020 is Rs. 2,163,090 ((December 31, 2019: Rs. 2,163,090).

14.3 The facility for opening letters of credit as at March 31, 2020 aggregates to Rs. 24,007,000 (December 31, 2019: Rs. 24,007,000). The amount utilized thereagainst as at March 31, 2020 Rs. 3,957,000 (December 31, 2019: Rs. 3,120,000). These facilities carry commission at rates running between 0.05% and 0.1% (December 31, 2019: 0.05% and 0.1%).

14.4 The Company has entered into operating lease arrangements with Al-Rahim Trading Company (Private) Limited for the storage and handling of Ethylene Di Chloride (EDC) in respect of which future lease commitments aggregate to Rs. 2,160 (December 31, 2019 : Rs Nil).

14.5 Commitments in respect of rentals of storage tanks at EVTL for the handling of Ethylene aggregate to USD \$ 36,228 valid till 31 March 2026 and Ethylene Di Chloride (EDC) aggregate to USD \$ 5,625 and are valid till 31 December 2038.

14.6 In 2019, Engro Peroxide (Private) Limited entered into a contract with Chematur Engineering AB to establish a plant of Hydrogen Peroxide at a consideration of EUR 6,993. As at March 31, 2020 commitment for civil works and equipment procurement amounts to EUR 4,011 (December 31, 2019: EUR 5,140).

14.7 During the period, the Company as at March 31, 2020 issued bank guarantee in favor of Excise and Taxation, amounts to Rs. 3,500 (December 31, 2019: Rs 3,500). The aggregate facilities amounting to Rs. 50,000 (March 31, 2020: Rs. 50,000) has been issued collectively in favor of the Company, its Holding Company and Engro Plasticizer (Private) Limited (its associate company).

(Amounts in thousand)

**15. OTHER EXPENSES**

This includes foreign exchange loss of Rs. 406,096 (March 31, 2019: Rs. Nil) in respect lease liabilities recognized under IFRS 16.

Unaudited	
Quarter ended	
March 31, 2020	March 31, 2019
-----Rupees-----	

**16. FINANCE COST**

Includes:

Interest on lease liabilities recognised under IFRS 16	79,153	-
Interest expense on long-term borrowings	568,219	253,805
Interest expense on long-term borrowings	79,468	966
	<u>726,840</u>	<u>254,771</u>

**17. CASH GENERATED FROM OPERATIONS**

Profit before taxation	204,579	1,521,624
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Adjustments for non cash charges and other items:

Provision for staff retirement and other service benefits	48,715	27,988
Provision for GIDC	172,440	262,028
Provision for net realizable value of stock-in-trade	-	7,914
Depreciation on property, plant and equipment	280,541	280,289
Depreciation on right of use asset	103,991	-
Amortization	6,301	3,939
Income on short term investments and bank deposits	(403,311)	(198,281)
Finance costs on lease liability	79,153	-
Finance costs	667,249	248,305
Amortization of transaction cost	11,109	5,500
Foreign exchange loss of financial liabilities and asset - net	415,742	-
Gain on disposal of operating asset	-	(161)
Working capital changes - note 17.1	<u>1,727,239</u>	<u>(1,955,462)</u>
	<u>3,313,748</u>	<u>203,683</u>

**17.1 WORKING CAPITAL CHANGES**

(Increase) in current assets

Stores, spares and loose tools	97,188	77,430
Stock-in-trade	654,390	(1,263,776)
Trade debts - considered good	134,747	(121,096)
Loans, advances, deposits, prepayments and other receivables	(611,658)	284,946
	<u>274,667</u>	<u>(1,022,496)</u>

(Decrease) / Increase in current liabilities

Trade and other payables	1,452,572	(932,966)
	<u>1,727,239</u>	<u>(1,955,462)</u>

**18. CASH AND CASH EQUIVALENTS**

Cash and bank balances	371,629	74,116
Short term investments	10,809,965	6,993,801
Short-term borrowings	(3,239,211)	-
	<u>7,942,383</u>	<u>7,067,917</u>

(Amounts in thousand)

## 19. SEGMENT INFORMATION

- 19.1 The basis of segmentation and reportable segments presented in these consolidated condensed interim financial information are same as disclosed in the annual audited consolidated financial statements of the Company for the year ended December 31, 2019.

	Unaudited March 31, 2020				Unaudited March 31, 2019			
	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total
	Rupees				Rupees			
Revenue								
At a point in time	5,854,980	1,138,968	-	6,993,948	7,832,100	1,433,813	-	9,325,913
Over time	-	-	16,583	16,583	-	-	17,721	17,721
	5,854,980	1,138,968	16,583	7,010,531	7,832,100	1,433,813	17,721	9,343,634
Less:								
Cost of sales	(5,041,471)	(932,458)	(12,851)	(5,986,820)	(6,627,011)	(784,208)	(17,354)	(7,428,573)
Distribution and marketing expenses	(56,736)	(15,103)	-	(71,839)	(71,518)	(21,971)	-	(93,489)
Administrative expenses	(104,278)	(11,697)	-	(115,975)	(104,768)	(14,607)	-	(119,375)
Other expenses	(128,744)	(20,945)	(277)	(149,966)	(89,338)	(35,310)	(17)	(124,665)
Other operating income	224,902	220,377	230	445,509	109,655	102,790	11	212,456
Finance costs	(685,279)	(3,182)	(45)	(688,507)	(266,252)	(2,085)	(16)	(268,364)
Taxation	(20,104)	(59,905)	(710)	(80,719)	(239,523)	(187,850)	(93)	(427,466)
	43,270	316,015	2,929	362,214	603,345	490,571	242	1,094,158
Impact of IFRS 16, post tax	-	-	-	(173,906)	-	-	-	-
Others, post tax	-	-	-	4,532	-	-	-	-
Profit for the period	43,270	316,015	2,929	192,840	603,345	490,571	242	1,094,158
	Unaudited March 31, 2020				Audited December 31, 2019			
	Poly Vinyl Chloride and Allied Chemicals	Caustic soda and Allied Chemicals	Power supply	Total	Poly Vinyl Chloride and Allied Chemicals	Caustic soda and Allied Chemicals	Power supply	Total
	Rupees				Rupees			
Total segment assets	33,870,966	7,645,285	23,103	41,539,354	31,479,624	4,866,755	17,886	36,364,305
Unallocated assets				19,646,459				21,154,912
Total assets				61,185,813				57,519,217

- 19.2 Segment assets consist primarily of property, plant and equipment, stores & spares, stock-in-trade and trade debts.

## 20. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 20.1 Financial risk factors

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

There have been no changes in the risk management policies during the period, consequently these consolidated condensed interim financial statements do not include all the financial risk management information and disclosures required in the annual audited consolidated financial statements.

## 21. TRANSACTIONS WITH RELATED PARTIES

21.1 Transactions with related parties other than those which have been disclosed elsewhere in these consolidated condensed interim financial statements are as follows:

Nature of relationship	Nature of transactions	Unaudited Quarter ended	
		March 31, 2020	March 31, 2019
		Rupees	
<b>Holding company</b>			
- Engro Corporation Limited	Reimbursement made	-	4,934
	Purchased services	83,874	67,213
	Advance for intangible asset	121,599	-
	Life insurance contribution	-	183
	Medical contribution	-	58
<b>Associated companies</b>			
- Mitsubishi Coporation	Purchase of goods	11,415	22,451
<b>Members of the Group</b>			
- Engro Fertilizers Limited	Reimbursement received	357	207
	Sale of goods	-	3,809
	Sale of steam and electricity	26,903	27,029
	Reimbursement made	501	88
	Purchase of services	25,995	-
	Purchase of Land	-	722,122
- Engro Vopak Terminal Limited	Purchase of services	394,612	338,407
	Reimbursement made	2,314	2,902
	Reimbursement received	-	492
- Sindh Engro Coal Mining Company Limited	Reimbursement made	53	32
- Engro Energy Limited	Reimbursement received	1,596	4,040
- Engro Powergen Thar (Private) Limited	Sale of goods	1,277	1,197
<b>Directors Fees</b>		300	300
<b>Key management personnel</b>	Managerial remuneration	30,999	27,673
	Retirement benefits	4,311	5,090
	Bonus	11,574	9,638
	Other benefits	5,730	5,796
<b>Contribution to staff retirement benefits</b>	Managed & operated by the Holding Company		
	Provident fund	17,687	16,002
	Gratuity fund	22,898	11,739
	Pension fund	773	1,460



## 22. FAIR VALUE MEASUREMENT

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 carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within the level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (level 3).

As at March 31, 2020	Level 1	Level 2	Level 3	Total
	-----Rupees-----			
<b>Financial assets at fair value through profit or loss</b>				
Treasury bills	-	10,809,965	-	10,809,965
	-	10,809,965	-	10,809,965
<b>As at December 31, 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	-----Rupees-----			
<b>Financial assets at fair value through profit or loss</b>				
Treasury bills	-	7,617,915	-	7,617,915
Pakistan investment bonds	-	1,700,045	-	1,700,045
	-	9,317,960	-	9,317,960

(Amounts in thousand)

## 23. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the consolidated condensed interim statement of financial position has been compared with the balances of annual audited consolidated financial statements of the preceding financial year, whereas, the consolidated condensed interim statement of profit or loss, the consolidated condensed interim statement of profit or loss and other comprehensive income, consolidated condensed interim statement of changes in equity and consolidated condensed interim statement of cash flows have been compared with the balances of the comparable year-to-date period of the immediately preceding financial year.

During the period, these reclassifications have been made:

Description	From	Reclassified	To	Amount
Product transportation	Distribution and marketing expenses		Cost of sales	233,349
Purchased services	Administrative expenses		Cost of sales	64,288

## 24. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors in its meeting held on April 15, 2020 has approved an interim cash dividend of NIL per share for the period ended March 31, 2020 amounting to NIL. Further, the Board of Directors in its meeting held on February 4, 2020 proposed a final dividend of Re. 0.20 per share in respect for the year ended December 31, 2019. This appropriation will be approved by the members at the Annual General Meeting to be held on April 23, 2020.

## 24. DATE OF AUTHORIZATION FOR ISSUE

These consolidated condensed interim financial statements were authorized for issue on April 15, 2020 by the Board of Directors of the Company.



Chief Executive



Chief Financial Officer



Director

**ENGRO POLYMER AND CHEMICALS LIMITED  
CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED MARCH 31, 2020**



**ENGRO POLYMER AND CHEMICALS LIMITED**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2020**

(Amounts in thousand)

	Note	Unaudited March 31, 2020	Audited December 31, 2019
		Rupees	
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	5	33,050,460	31,064,266
Right-of-use asset		2,643,810	2,747,801
Intangible assets		87,693	78,966
Long-term investments		1,625,000	1,625,000
Financial assets at amortised cost	6	5,853,400	5,421,150
Long-term loans and advances		40,937	72,078
Deferred tax asset	7	257,288	114,510
		43,558,588	41,123,771
<b>Current Assets</b>			
Stores, spares and loose tools		1,471,741	1,568,929
Stock-in-trade	8	3,648,451	4,302,841
Trade debts - considered good	9	334,866	469,613
Loans, advances, deposits, prepayments and other receivables	10	1,809,865	1,170,163
Income tax payments less provision		308,366	88,886
Financial assets at fair value through profit and loss		9,607,428	7,964,420
Cash and bank balances		363,317	777,823
		17,544,034	16,342,675
<b>TOTAL ASSETS</b>		<b>61,102,622</b>	<b>57,466,446</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		9,089,233	9,089,233
Share premium		3,874,953	3,874,953
Unappropriated profits		4,934,785	4,766,837
		17,898,971	17,731,023
<b>Non-Current Liabilities</b>			
Long-term borrowings	11	19,841,888	19,388,880
Lease liabilities		4,617,672	4,543,830
Deferred tax liability		-	-
		24,459,560	23,932,710
<b>Current Liabilities</b>			
Current portion of lease liabilities		1,072,744	987,487
Service benefit obligations		35,555	61,049
Short-term borrowings		3,239,211	2,158,836
Trade and other payables	12	7,986,861	6,539,817
Unclaimed dividend		27,510	31,333
Derivative financial instruments		154	154
Accrued interest / mark-up		551,851	366,272
Provisions	13	5,830,205	5,657,765
		18,744,091	15,802,713
		43,203,651	39,735,423
<b>Contingencies and Commitments</b>	14		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>61,102,622</b>	<b>57,466,446</b>

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.



Chief Executive



Chief Financial Officer



Director

**ENGRO POLYMER AND CHEMICALS LIMITED**  
**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2020**

(Amounts in thousand except for earnings per share)

	Note	Quarter ended	
		March 31,	March 31,
		2020	2019
		Rupees	
Net revenue		7,057,942	9,343,634
Cost of sales		(5,806,680)	(7,428,573)
<b>Gross profit</b>		1,251,262	1,915,061
Distribution and marketing expenses		(55,848)	(93,489)
Administrative expenses		(113,838)	(119,375)
Other expenses	15	(538,193)	(124,665)
Other income		402,244	210,456
<b>Operating profit</b>		945,627	1,787,988
Finance costs	16	(767,655)	(268,364)
<b>Profit for the period before taxation</b>		177,972	1,519,624
Taxation		(10,024)	(427,166)
<b>Profit for the period after taxation</b>		167,948	1,092,458
<b>Earnings per share - basic and diluted</b>		0.18	1.20

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.



Chief Executive



Chief Financial Officer



Director

**ENGRO POLYMER AND CHEMICALS LIMITED**  
**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND**  
**OTHER COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2020**

(Amounts in thousand)

	Quarter ended	
	March 31, 2020	March 31, 2019
	Rupees	
Profit for the period after taxation	167,948	1,092,458
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>167,948</b>	<b>1,092,458</b>

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.



**Chief Executive**



**Chief Financial Officer**



**Director**

ENGRO POLYMER AND CHEMICALS LIMITED  
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE PERIOD ENDED MARCH 31, 2020

(Amounts in thousand)

	RESERVES			Total
	CAPITAL		REVENUE	
	Share capital	Share premium	Unappropriated profit / (accumulated losses)	
			Rupees	
Balance as at January 1, 2019 (Audited)	9,089,233	3,874,953	3,779,400	16,743,586
Total comprehensive income for the period				
Profit for the period ended March 31, 2019	-	-	1,092,458	1,092,458
Other comprehensive income for the period ended March 31, 2019	-	-	-	-
Transactions with owners	-	-	1,092,458	1,092,458
Final dividend for the year ended December 31, 2018 - Rs. 0.30 per share	-	-	(272,677)	(272,677)
	-	-	(272,677)	(272,677)
Balance as at March 31, 2019 (Unaudited)	9,089,233	3,874,953	4,599,181	17,563,367
Effect of change in accounting policy - net of deferred tax - note 3.3	-	-	(1,898,034)	(1,898,034)
Total comprehensive income for the nine months ended December 31, 2019				
Profit for the nine months ended December 31, 2019	-	-	2,611,044	2,611,044
Other comprehensive income for the year ended December 31, 2019	-	-	-	-
Transactions with owners	-	-	2,611,044	2,611,044
Interim dividend for the year ended December 31, 2019 - Re. 0.60 per share	-	-	(545,354)	(545,354)
	-	-	(545,354)	(545,354)
Balance as at December 31, 2019 (Audited)	9,089,233	3,874,953	4,766,837	17,731,023
Total comprehensive income for the period				
Profit for the period ended March 31, 2019	-	-	167,948	167,948
Other comprehensive income for the period ended March 31, 2019	-	-	-	-
	-	-	167,948	167,948
Balance as at March 31, 2020 (Unaudited)	9,089,233	3,874,953	4,934,785	17,898,971

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.



Chief Executive



Chief Financial Officer



Director



**ENGRO POLYMER AND CHEMICALS LIMITED**  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2020**

(Amounts in thousand)

		Quarter ended	
		March 31, 2020	March 31, 2019
	Note	Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	17	3,296,742	203,687
Long-term loans and advances - net		31,141	(11,122)
Retirement benefits paid		(74,209)	(55,354)
Income tax paid		(372,279)	(33,546)
<b>Net cash generated from operating activities</b>		<b>2,881,395</b>	<b>103,665</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment and intangible asset		(2,281,676)	(3,371,850)
Proceeds from disposal of property, plant and equipment		-	204
Income on short-term investments and bank deposits		360,046	196,281
<b>Net cash used in investing activities</b>		<b>(1,921,630)</b>	<b>(3,175,365)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long-term borrowings - net of transaction costs		-	8,601,540
Repayments of long-term borrowings		-	(7,500,000)
Finance cost paid		(481,665)	(94,100)
Rentals paid during the period		(326,150)	-
Dividend payment		(3,823)	(29,580)
<b>Net cash generated from financing activities</b>		<b>(811,638)</b>	<b>977,860</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>148,127</b>	<b>(2,093,840)</b>
Cash and cash equivalents at beginning of the year		6,583,407	9,062,267
<b>Cash and cash equivalents at end of the year</b>	18	<b>6,731,534</b>	<b>6,968,427</b>

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.



Chief Executive



Chief Financial Officer



Director

**ENGRO POLYMER & CHEMICALS LIMITED**  
**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENT (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2020**

(Amounts in thousand)

**1. LEGAL STATUS AND OPERATIONS**

- 1.1 Engro Polymer and Chemicals Limited (the Company) was incorporated in Pakistan in 1997 under the repealed Companies Ordinance, 1984. The Company is listed on Pakistan Stock Exchange Limited.
- 1.2 The Company is a subsidiary of Engro Corporation Limited (the Holding Company) which is a subsidiary of Dawood Hercules Corporation Limited (the Ultimate Parent Company). The Company's principal activity is to manufacture, market and sell Poly Vinyl Chloride (PVC), Vinyl Chloride Monomer (VCM), Caustic soda and other related chemicals. The Company is also engaged in the supply of surplus power generated from its power plants to Engro Fertilizers Limited (a related party).
- 1.3 The geographical location and addresses of all business units of the Company are as follows:
- | Business unit       | Geographical location                                                      |
|---------------------|----------------------------------------------------------------------------|
| Head office         | 12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban-e-Iqbal, Karachi  |
| Manufacturing plant | EZ/VP-II-I Eastern Zone, Port Bin Qasim Industrial Area, Karachi, Pakistan |
| Regional sales unit | 1st Floor, 38 Z Block, Commercial Area, Phase III, DHA, Lahore             |
- 1.4 These condensed interim financial statements denote the standalone condensed interim financial statements of the Company. The condensed interim consolidated financial statements of the Company and its subsidiaries have been presented separately.

**2. BASIS OF PREPARATION**

- 2.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for the interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:
- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards 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 requirements of IAS 34, the provisions of and directives issued under the Companies Act 2017 have been followed.
- 2.2 These condensed interim financial statements do not include all the information required to be contained in the annual financial statements and, therefore, should be read in conjunction with the annual audited financial statements of the Company for the year ended December 31, 2019.
3. **SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES AND CHANGES THEREIN**
- 3.1 The accounting policies applied in the preparation of these condensed interim financial statements are the same as those that were applied in the preparation of the annual audited financial statements of the Company for the year ended December 31, 2019. The financial risk management objectives and policies of the Company are also consistent with those disclosed in the annual audited financial statements of the Company for the year ended December 31, 2019.

- 3.2 a) **Standards, interpretations and amendments to published approved accounting standards that are effective for the year and are relevant to the Company.**

There are standards, amendments and interpretations to published accounting and reporting standards and interpretations that are applicable for the financial year beginning on January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Company's financial reporting and operations and, therefore, have not been disclosed in these condensed interim financial statements.

**4. ACCOUNTING ESTIMATES**

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

The significant estimates, judgments and assumptions made by the management in the preparation of the condensed interim financial statements are the same as those that were applied in the annual audited financial statements of the Company as at and for the year ended December 31, 2019.

- 4.2 On March 11, 2020, the World Health Organization declared Coronavirus disease (COVID-19) a pandemic, and its spread has gained momentum. On March 23, 2020, the Government of Sindh announced a temporary lockdown as a measure to reduce the spread of the COVID-19, which has been further extended to April 14th, 2020. To complying with the lockdown, the entity has suspended its production from March 24, 2020. The company has sufficient funds available including short term financing facilities from various banks for meeting its operational requirements and commitments. As the situation relating to COVID-19 is still evolving, the commercial and financial impact resulting from the same cannot be estimated with reasonable certainty at the period end date.



(Amounts in thousand)

	Unaudited March 31, 2020	Audited December 31, 2019
	-----Rupees-----	
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>		
Operating assets, at net book value - notes 5.1	18,112,023	18,304,481
Capital work-in-progress - note 5.2	14,874,645	12,695,993
Capital spares	63,792	63,792
	<u>33,050,460</u>	<u>31,064,266</u>
<b>5.1 Additions to operating assets during the period were as follows:</b>		
Leasehold land - note 5.1.1	-	939,528
Building on leasehold land	-	1,980
Plant and machinery	58,418	1,627,267
Pipeline - EDC		98,288
Furniture, fixtures and equipment	20,476	81,726
Vehicles	3,102	3,571
	<u>81,996</u>	<u>2,752,360</u>

5.2 Movement in capital-work-progress during the period / year is as follows:

	Unaudited March 31, 2020	Audited December 31, 2019
	-----Rupees-----	
Balance as the beginning of the period / year	12,695,993	2,751,067
Add: Additions during the period / year	2,281,676	12,744,841
Less: Write-off of plant and machinery items	(6,000)	-
Less Transferred to operating assets during the period / year	(81,996)	(2,752,360)
Less Transferred to intangible assets during the period / year	(15,028)	(47,555)
Balance as the end of the period / year	<u>14,874,645</u>	<u>12,695,993</u>

**6. FINANCIAL ASSETS AT AMORTIZED COST**

Investment in Term Deposit Receipts - note 6.1	<u>5,853,400</u>	<u>5,421,150</u>
------------------------------------------------	------------------	------------------

6.1 These denote term deposits aggregating to USD 35 million maintained with Dubai Islamic Bank Pakistan Limited. These carry profit at the rate of 2.79% per annum and are due to mature in six equal semi-annual installments of \$ 5.833 million starting from July 15, 2021 and ending on January 15, 2024.

**7. DEFERRED TAXATION - NET**

	Unaudited March 31, 2020	Audited December 31, 2019
	-----Rupees-----	
Debit balances arising due to:		
- recoupable carried forward tax losses	-	-
- recoupable minimum turnover tax	583,900	558,991
- recoupable alternative corporate tax	369,179	369,179
- unpaid liabilities	132,493	128,170
- leases recognized under IFRS 16	857,138	783,120
- provision for Gas Infrastructure Development Cess and Special Excise Duty	1,499,794	1,451,279
- provision for slow moving stores and spares	102,749	102,345
- provision for bad debts	2,055	2,055
- share issuance cost, net to equity	57,830	57,830
	<u>3,585,138</u>	<u>3,452,969</u>
Credit balances arising due to:		
- accelerated tax depreciation	3,327,850	3,338,459
	<u>257,288</u>	<u>114,510</u>

**8. STOCK-IN-TRADE**

This includes stock held at Engro Vopak Terminal Limited as at March 31, 2020 Rs. 1,018,514 (as at December 31, 2019: 1,284,031).

**9. TRADE DEBTS - considered good**

	Unaudited March 31, 2020	Audited December 31, 2019
	-----Rupees-----	
Secured	204,492	308,697
Unsecured - note 9.1	130,374	160,916
	<u>334,866</u>	<u>469,613</u>
<b>9.1 Includes amounts due from the following related parties:</b>		
- Engro Powergen Thar (Private) Limited	-	599
- Engro Fertilizer Limited	2,291	6,176
	<u>2,291</u>	<u>6,775</u>

(Amounts in thousand)

**10. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

These include advances and receivables from the following related parties:

	Unaudited March 31, 2020	Audited December 31, 2019
	-----Rupees-----	
Engro Polymer Trading (Private) Limited	14,639	23,725
Engro Peroxide (Private) Limited	83,881	70,036
Engro Corporation Limited	12,951	2,119
FrieslandCampina Engro Pakistan Limited	-	5
Sindh Engro Coal Mining Company Limited	497	53
Engro Powergen Qadirpur Limited	9	9
Engro Fertilizers Limited	1,977	2,212
Engro Engergy Limited	-	1,531
Engro Plasticizer (Private) Limited	3,139	3,109
	<u>117,093</u>	<u>102,799</u>

**11. LONG-TERM BORROWINGS**

Title	Mark-up rate per annum	Installments		Unaudited March 31, 2020	Audited December 31, 2019
		Number	Commencing from	Rupees	
Sukuk - note 11.1	3 months KIBOR + 0.9%	5 half yearly	July 10, 2024	8,629,054	8,623,541
Loan from International Finance Corporation (IFC) - note 11.2	6 months LIBOR + 3.25%	6 half yearly	July 15, 2021	5,790,984	5,343,489
Bilateral Loan - note 11.3	6 months KIBOR + 0%	6 half yearly	July 15, 2021	5,421,850	5,421,850
				<u>19,841,888</u>	<u>19,388,880</u>
Less: Current portion shown under current liabilities				-	-
				<u>19,841,888</u>	<u>19,388,880</u>

11.1 In the year 2019, the Company issued sukuk bonds of Rs. 8,750,000 to eligible institutional and other investors by way of private placement. These are repayable over a period of 7.5 years in five equal annual installments of Rs. 1,750,000 each with the first repayment commencing in July 2024. These are secured by way of hypothecation charge of present and future fixed assets of the Company (excluding land and building) which shall rank pari passu with the charges created in favour of the existing creditors.

11.2 In 2018, the Company had entered into a financing agreement with International Finance Corporation for a total of US Dollars 35,000 the draw down of which was made in December 2019. The principal is repayable in six semi-annual instalments commencing from July 2021 and carries markup at the rate of six months LIBOR plus 3.25% payable semi annually.

The borrowing is by way of hypothecation charge of present and future fixed assets of the Company (excluding land and building) which shall rank pari passu with the charges created in favour of the existing creditors.

11.3 In the year 2019, the Company has entered into a musharaka agreement with Dubai Islamic Bank Pakistan Limited (DIBPL). Rental payments are to be made in six semi-annual installments commencing from July 15, 2021 and ending on January 15, 2024 and are calculated at the rate of six months KIBOR plus 0% per annum. The borrowing is secured by a hypothecation charge in favour of the Bank which constitutes a ranking charge over the existing and future fixed assets of the Company (except land and building), ranking subordinate and subservient to the charges created in favour of the existing creditors and a lien and a right of set-off over the Term Deposit Receipt maintained with DIBPL as referred to in note 6.

**12. TRADE & OTHER PAYABLES**

	Unaudited March 31, 2020	Audited December 31, 2019
	-----Rupees-----	
Trade and other creditors - note 12.1	4,083,740	2,844,907
Accrued liabilities - note 12.1	2,441,559	2,637,665
Advances from customers	1,305,938	904,882
Retention money against project payments	1,545	1,545
Security deposits	34,920	34,120
Payable to provident fund	13,123	-
Payable to gratuity fund	6,580	258
Workers Welfare Fund	73,217	73,199
Workers Profit Participation Fund	7,965	35,133
Withholding tax payable	9,765	22
Others	8,489	8,086
	<u>7,986,861</u>	<u>6,539,817</u>

12.1 Includes amounts due to the following related parties:

- Engro Corporation Limited	212,575	88,305
- Engro Fertilizers Limited	32,000	40,926
- Engro Powergen Thar (Private) Limited	613	613
- Engro Vopak Terminal Limited	149,476	139,849
	<u>394,664</u>	<u>269,693</u>

(Amounts in thousand)

### 13. PROVISIONS

	Unaudited March 31, 2020	Audited December 31, 2019
	-----Rupees-----	
Provision for Gas Infrastructure Development Cess - note 13.1	5,312,813	5,140,373
Provision for gas price revision - note 13.2	517,392	517,392
	<u>5,830,205</u>	<u>4,638,827</u>

#### 13.1 Provision for Gas Infrastructure Development Cess (GIDC)

Under the Gas Infrastructure Development Cess Act, 2011, the Government of Pakistan levied Gas Infrastructure Development Cess (GIDC) on all industrial gas consumers at the rate of Rs. 13 per MMBTU. Subsequently, the GIDC rates were enhanced through notifications under OGRA Ordinance 2002, Finance Act, 2014 and GIDC Ordinance 2014 against which the Company has obtained ad-interim stay orders from the High Court of Sindh. However, on prudent basis the Company recognized a provision of Rs. 1,345,789 till May 21, 2015.

On May 22, 2015 the Gas Infrastructure Development Cess (GIDC) Act, 2015 was promulgated whereby cess rate of Rs.100 per MMBTU and Rs.200 per MMBTU were fixed for industrial and captive power consumption, respectively. The GIDC Act, 2015 was made applicable with immediate effect superseding the GIDC Act, 2011 and the GIDC Ordinance, 2014.

The Company, based on the advice of its legal counsel, is of the view that as per GIDC Act, 2015, the uncollected portion of cess levied through GIDC Act, 2011 and GIDC Ordinance 2014, shall not be collected from the industrial sector. Therefore, the Company reversed the provision relating to industrial portion of GIDC amounting to Rs. 753,664 for the period prior to promulgation of GIDC Act, 2015 and retained GIDC provision amounting to Rs. 592,125 in respect of captive power.

Further, the Company has also obtained ad-interim stay order against the GIDC Act, 2015 from the High Court of Sindh. This stay order has restrained Sui Southern Gas Company Limited (SSGCL) from charging and / or recovering the cess under the GIDC Act, 2015 till the final decision on this matter. However, based on prudence, the Company has recognized a further provision, for the period ended, of Rs.172,440 (March 31, 2019: Rs. 262,028) pertaining to the period subsequent to the promulgation of GIDC Act, 2015.

#### 13.2

During the year ended December 31, 2017, the Company had filed suits in the Sindh High Court (SHC), against the increase in tariff of natural gas sold to industries and captive power plants notified by Oil and Gas Regulatory Authority (OGRA) vied SRO no. (1)/2016 dated December 30, 2016 whereby the Company the increase as illegal and unconstitutional. The SHC has granted an interim order in favour of the Company which is still operational. However, the Company has recognised a provision of Rs. 517,392 for the period from December 2017 to December 2018.

### 14. CONTINGENCIES AND COMMITMENTS

- 14.1 There is no change in the status of contingencies as disclosed in the annual unconsolidated financial statements for the year ended December 31, 2019.
- 14.2 The aggregate facilities for issuance of performance guarantees by the banks on behalf of the Company as at March 31, 2020 amounts to Rs. 3,250,000 (December 31, 2019: Rs. 2,348,000). The amount utilized there against as at March 31, 2020 is Rs. 2,163,090 ((December 31, 2019: Rs. 2,163,090).
- 14.3 The facility for opening letters of credit as at March 31, 2020 aggregates to Rs. 24,007,000 (December 31, 2019: Rs. 24,007,000). The amount utilized thereagainst as at March 31, 2020 Rs. 3,142,000 (December 31, 2019: Rs. 3,120,000). These facilities carry commission at rates running between 0.05% and 0.1% (December 31, 2019: 0.05% and 0.1%).
- 14.4 The Company has entered into operating lease arrangements with Al-Rahim Trading Company (Private) Limited for the storage and handling of Ethylene Di Chloride (EDC) in respect of which future lease commitments aggregate to Rs. 2,160 (December 31, 2019 : Rs Nil).
- 14.5 Commitments in respect of rentals of storage tanks at EVTL for the handling of Ethylene aggregate to USD \$ 36,228 valid till 31 March 2026 and Ethylene Di Chloride (EDC) aggregate to USD \$ 5,625 and are valid till 31 December 2038.



(Amounts in thousand)

**15. OTHER EXPENSES**

This includes foreign exchange loss of Rs. 406,096 (March 31, 2019: Rs. Nil) in respect lease liabilities recognized under IFRS 16.

**16. FINANCE COST**

Includes:

Interest on lease liabilities recognised under IFRS 16  
Interest expense on long-term borrowings  
Interest expense on long-term borrowings

Unaudited	
Quarter ended	
March 31, 2020	March 31, 2019
-----Rupees-----	
79,153	-
568,219	253,805
79,468	966
<u>726,840</u>	<u>254,771</u>

**17. CASH GENERATED FROM OPERATIONS**

**Profit before taxation**

177,972      1,519,624

Adjustments for non cash charges and other items:

Provision for staff retirement and other  
service benefits  
Provision for GIDC  
Provision for net realizable value of stock-in-trade  
Depreciation on property, plant and equipment  
Depreciation on right of use asset  
Amortization  
Income on short term investments and bank deposits  
Finance costs on lease liability  
Finance costs  
Amortization of transaction cost  
Foreign exchange loss of financial liabilities and asset - net  
Gain on disposal of operating asset  
Working capital changes - note 17.1

48,715	27,988
172,440	262,028
-	7,914
280,454	280,289
103,991	-
6,301	3,939
(360,046)	(196,281)
79,153	-
667,244	248,305
11,109	5,500
415,742	-
-	(161)
1,693,667	(1,955,458)
<u>3,296,742</u>	<u>203,687</u>

**17.1 WORKING CAPITAL CHANGES**

(Increase) in current assets

Stores, spares and loose tools  
Stock-in-trade  
Trade debts - considered good  
Loans, advances, deposits, prepayments and other receivables

97,188	77,430
654,390	(1,263,776)
134,747	(121,096)
(639,702)	284,949
<u>246,623</u>	<u>(1,022,493)</u>

(Decrease) / Increase in current liabilities

Trade and other payables

1,447,044	(932,965)
<u>1,693,667</u>	<u>(1,955,458)</u>

**18. CASH AND CASH EQUIVALENTS**

Cash and bank balances  
Short term investments  
Short-term borrowings

363,317	68,883
9,607,428	6,899,544
(3,239,211)	-
<u>6,731,534</u>	<u>6,968,427</u>

(Amounts in thousand)

## 19. SEGMENT INFORMATION

- 19.1 The basis of segmentation and reportable segments presented in these consolidated condensed interim financial statements are same as disclosed in the annual audited financial statements of the Company for the year ended December 31, 2019.

	Unaudited March 31, 2020				Unaudited March 31, 2019			
	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total
	Rupees							
Revenue								
At a point in time	5,854,980	1,138,968	-	6,993,948	7,892,100	1,433,813	-	9,325,913
Over time	-	-	16,583	16,583	-	-	17,721	17,721
	5,854,980	1,138,968	16,583	7,010,531	7,892,100	1,433,813	17,721	9,343,634
Less:								
Cost of sales	(5,041,471)	(932,498)	(12,851)	(5,986,820)	(6,627,011)	(784,208)	(17,354)	(7,428,573)
Distribution and marketing expenses	(40,259)	(15,103)	-	(55,362)	(71,518)	(21,971)	-	(93,489)
Administrative expenses	(104,278)	(11,610)	-	(115,888)	(104,768)	(14,607)	-	(119,375)
Other expenses	(128,684)	(20,915)	(277)	(149,876)	(89,338)	(35,310)	(17)	(124,665)
Other operating income	221,688	180,326	230	402,244	107,655	102,790	11	210,456
Finance costs	(685,279)	(3,177)	(46)	(688,502)	(266,252)	(2,086)	(26)	(268,364)
Taxation	(24,398)	(53,897)	(710)	(79,005)	(239,223)	(187,850)	(93)	(427,166)
	52,299	282,094	2,929	337,322	601,645	490,571	242	1,092,458
Impact of IFRS 16, post tax	-	-	-	(173,906)	-	-	-	-
Others, post tax	-	-	-	4,532	-	-	-	-
Profit for the period	52,299	282,094	2,929	167,948	601,645	490,571	242	1,092,458

	Unaudited March 31, 2020				Audited December 31, 2019			
	Poly Vinyl Chloride and Allied Chemicals	Caustic soda and Allied Chemicals	Power supply	Total	Poly Vinyl Chloride and Allied Chemicals	Caustic soda and Allied Chemicals	Power supply	Total
	Rupees							
Total segment assets	33,925,966	8,629,466	23,103	42,578,535	31,534,624	6,068,487	17,886	37,620,997
Unallocated assets				18,524,087				19,845,449
Total assets				61,102,622				57,466,446

- 19.2 Segment assets consist primarily of property, plant and equipment, stores & spares, stock-in-trade and trade debts.

## 20. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 20.1 Financial risk factors

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

There have been no changes in the risk management policies during the period, consequently these condensed interim financial statements do not include all the financial risk management information and disclosures required in the annual audited financial statements.

(Amounts in thousand)

## 21. TRANSACTIONS WITH RELATED PARTIES

21.1 Transactions with related parties other than those which have been disclosed elsewhere in these condensed interim consolidated financial statements are as follows:

Nature of relationship	Nature of transactions	Unaudited	
		Quarter ended	
		March 31, 2020	March 31, 2019
		Rupees	
<b>Holding company</b>			
- Engro Corporation Limited	Reimbursement made	-	4,934
	Purchased services	83,874	67,213
	Advance for intangible asset	121,599	-
	Life insurance contribution	-	183
	Medical contribution	-	58
<b>Subsidiary Company</b>			
- Engro Plasticizer (Private) Limited	Payments made on behalf of the Subsidiary company	30	-
- Engro Peroxide (Private) Limited	Payments made on behalf of the Subsidiary company	13,845	-
- Think PVC (Private) Limited (formerly known as Engro Polymer Trading (Private) Limited)	Payments made on behalf of the Subsidiary company	12,428	-
<b>Associated companies</b>			
- Mitsubishi Coporation	Purchase of goods	11,415	22,451
<b>Members of the Group</b>			
- Engro Fertilizers Limited	Reimbursement received	357	207
	Sale of goods	-	3,809
	Sale of steam and electricity	26,903	27,029
	Reimbursement made	501	88
	Purchase of services	25,995	-
	Purchase of Land	-	722,122
- Engro Vopak Terminal Limited	Purchase of services	394,612	338,407
	Reimbursement made	2,314	2,902
	Reimbursement received	-	492
- Sindh Engro Coal Mining Company Limited	Reimbursement made	53	32
- Engro Energy Limited	Reimbursement received	1,596	4,040
- Engro Powergen Thar (Private) Limited	Sale of goods	1,277	1,197



(Amounts in thousand)

<b>Directors Fees</b>		300	300
<b>Key management personnel</b>	Managerial remuneration	30,999	27,673
	Retirement benefits	4,311	5,090
	Bonus	11,574	9,638
	Other benefits	5,730	5,796
<b>Contribution to staff retirement benefits</b>	Managed & operated by the Holding Company		
	Provident fund	17,687	16,002
	Gratuity fund	22,898	11,739
	Pension fund	773	1,460

## 22. FAIR VALUE MEASUREMENT

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 carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within the level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (level 3).

As at March 31, 2020	Level 1	Level 2	Level 3	Total
	-----Rupees-----			
<b>Financial assets at fair value through profit or loss</b>				
Treasury bills	-	9,607,428	-	9,607,428
	-	9,607,428	-	9,607,428
<b>As at December 31, 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	-----Rupees-----			
<b>Financial assets at fair value through profit or loss</b>				
Treasury bills	-	6,264,375	-	6,264,375
Pakistan investment bonds	-	1,700,045	-	1,700,045
	-	7,964,420	-	7,964,420

(Amounts in thousand)

**23. CORRESPONDING FIGURES**

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim statement of financial position has been compared with the balances of annual audited financial statements of the preceding financial year, whereas, the condensed interim statement of profit or loss, the condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been compared with the balances of the comparable year-to-date period of the immediately preceding financial year.

During the period, these reclassifications have been made:

Description	From	Reclassified	To	Amount
Product transportation	Distribution and marketing expenses		Cost of sales	233,349
Purchased services	Administrative expenses		Cost of sales	64,288

**24. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE**

The Board of Directors in its meeting held on April 15, 2020 has approved an interim cash dividend of NIL per share for the period ended March 31, 2020 amounting to NIL. Further, the Board of Directors in its meeting held on February 4, 2020 proposed a final dividend of Re. 0.20 per share in respect for the year ended December 31, 2019. This appropriation will be approved by the members at the Annual General Meeting to be held on April 23, 2020.

**24. DATE OF AUTHORIZATION FOR ISSUE**

These condensed interim financial statements were authorized for issue on April 15, 2020 by the Board of Directors of the Company.



Chief Executive



Chief Financial Officer



Director

## اینگرو پولیمر اینڈ کیمیکلز لمیٹڈ

حصص یافتگان (شیر ہولڈرز) کے لئے 31 مارچ، 2020 کو ختم شدہ سہ ماہی (تین ماہ) کے حوالے سے غیر آڈٹ شدہ مجموعی عبوری مالیاتی گوشواروں پر ڈائریکٹرز کا جائزہ

ہم، اینگرو پولیمر اینڈ کیمیکلز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے 31 مارچ، 2020 کو ختم ہونے والی سہ ماہی (تین ماہ) کے حوالے سے کمپنی کی غیر آڈٹ شدہ مالیاتی معلومات کو پیش کرنا چاہیں گے۔

### کاروباری تجربہ

اس سہ ماہی کے دوران پائمنٹ سائٹ پر گیس کی لکچ کا ایک واقعہ رونما ہوا۔ اس واقعے کے حوالے سے ایک مکمل تفتیش انجام دی گئی اور اپنے لوگوں اور آپریٹرز کے تحفظ کو یقینی بنانے کے لیے اس سے حاصل ہونے والے مشاہدات کا اطلاق کیا گیا۔ کمپنی نے تمام عملے، جن میں سے اکثریت کو تھوڑی طبی معاونت کی ضرورت تھی، کو موزوں طبی نگہداشت کی فراہمی کو یقینی بنایا۔ کمپنی نے ان تمام ملازمین اور عملے کو سہولیات بہم فراہم کیں جنہیں اس واقعہ کے بعد طبی معاونت کی ضرورت تھی۔ بورڈ آف ڈائریکٹرز کو اس افسوس ناک واقعہ پر دلی رنج ہے اور وہ پورے ادارے میں اعلیٰ ترین حفاظتی اقدامات اور تحفظ کو یقینی بنانے کے تمام تر ضروری اقدامات کریں گے۔

آپریٹنگل محاذ پر کمپنی نے اپنی تاریخ کا سب سے بڑا ٹرن آؤنڈ کیا، جس کے دوران بے شمار سیفٹی سے متعلق منصوبے مکمل کئے گئے۔

اس مدت کے دوران دنیا بھر میں COVID-19 کی عالمی وبا پھیلی ہوئی تھی۔ اس عالمی وباء نے پر مجموعی معاشی امور اور بالخصوص اجناس کے نرخوں پر طلب میں کمی کی وجہ سے منفی اثرات مرتب کئے ہیں اور یہ عمل آئندہ بھی جاری رہے گا۔ خام تیل کی قیمتوں کی تباہی کے نتیجے میں بھی ڈاؤن اسٹریم پراڈکٹس کی کم طلب کی وجہ سے آئندہ لین کے نرخوں میں نمایاں طور پر کمی واقع ہوئی۔ دوسری جانب اس سہ ماہی کی شروعات میں PVC کے اہم پروڈیوسرز نے سالانہ ٹرن آؤنڈ لیا اور پیداوار بند کر دی جس کے نتیجے میں PVC کے نرخوں میں تیزی کا رجحان رہا۔ جیسے ہی پیداوار کا دوبارہ آغاز ہوگا ساتھ ہی چائینیز سپلائرز COVID کی صورتحال سے ٹکے گا، اس کی انوینٹری میں نمایاں اضافہ ہوگا جو نرخوں پر اثر انداز ہوگا۔

پاکستان کی معیشت بھی اس عالمی وباء سے بہت زیادہ متاثر رہی ہے، جو کمپنی کے لیے متعدد مضمرات کی حامل تھی:

1- حکومت سندھ کی جانب سے جاری ایک ڈاؤن کی تعمیل میں، پورٹ قاسم پر موجود پیداواری یونٹس نے اپنا کام روک دیا ہے اور PVC 3 / VCM DBN پراجیکٹ بھی موقوف کر دیئے گئے ہیں۔

2- ہائیڈروجن پر آکسائیڈ اور LABSA جو پہلے سے اعلان شدہ پراجیکٹس ہیں، کی تکمیل سے متعلق طے شدہ دورانیہ پر نظر ثانی کی جائے گی۔ کمپنی ان پراجیکٹس کے حوالے سے اپنے عہد پر قائم ہے اور حصص یافتگان کو پراجیکٹ کی تکمیل کی مدت کے حوالے سے مزید پیش رفت ہونے کی صورت میں آگاہ کیا جائے گا۔

3- پاکستان سے غیر ملکی کرنسی کی سرمایہ کاری کے اخراج کی وجہ سے، امریکی ڈالر اپا کستانی روپے کے زرمبادلہ کے نرخ میں نمایاں طور پر اضافہ ہوا، جس کی وجہ سے کمپنی کو غیر ملکی کرنسی میں موجود واجب الادا بلاتایا جات پر غیر ملکی زرمبادلہ کا نقصان برداشت کرنا پڑا، جس کے نتیجے میں 266 ملین روپے بعد از ٹیکس کی رقم کا نقصان ہوا (جو کہ 0.29 روپے کے EPS میں تبدیل ہو رہا ہے)

ٹرن آؤنڈ کی طوالت، گیس لکچ کے واقعہ کے نتیجے میں ہونے والے پیداواری نقصان اور COVID-19 حالات کی وجہ سے آپریشنز کے معطل ہونے کی وجہ سے، اس سماجی میں پیداواری امور کی انجام دہی کے دنوں کی تعداد کم رہی۔ جس کے نتیجے میں کمپنی نے گزشتہ سال کی اسی مدت کے دوران ریکارڈ کی جانے والی 9,344 ملین روپے کی آمدن کے مقابلے میں اس سال 7,058 ملین روپے کی کم آمدن ریکارڈ کی اور گزشتہ سال کی اسی مدت کے دوران حاصل ہونے والے 1,094 ملین روپے کا بعد از محصول نفع (PAT) (جو کہ 1.20 کی EPS میں تبدیل ہو رہا ہے) کے مقابلے میں اس سال 193 ملین روپے کا بعد از محصول نفع (PAT) (جو کہ 0.21 کی EPS میں تبدیل ہو رہا ہے) جاری کیا۔

COVID-19 سے شروع ہونے والے بدلتے ہوئے موجودہ میکرو اکنامک حالات، بلند افراط زر، بلند شرح سود، توانائی کے نرخوں میں ہونے والے اضافے اور دیگر متعلقہ رجحانات جیسے ڈیپنگ نے معیشت پر شدید منفی اثرات مرتب کئے ہیں جس کے نتیجے میں مختلف شعبہ جات میں طلب میں کمی واقع ہوئی ہے۔ ہم حکام ہالا سے درخواست کرتے ہیں کہ وہ مقامی صنعتوں، بالخصوص وہ صنعتی منصوبے جو درآمدات کا متبادل فراہم کر رہے ہیں اور مقامی صنعتوں جیسے تعمیراتی، ٹیکسٹائل اور کنزیومر گڈز کو معاونت فراہم کر رہے ہیں، کے لیے لاگت میں کمی کے اقدامات کریں تاکہ وہ بین الاقوامی مارکیٹ کا مقابلہ کرنے کے قابل ہوں۔

# 2




## مستقبل مینی

ہمیں امید ہے کہ دنیا اس عالمی وبا پر جلد قابو پا لے گی۔ COVID-19 کے معاملات متوقع وقت سے زیادہ طویل ہونے کی صورت میں کمپنی کی جانب سے ملازمین اور عام عوام کی صحت اور تحفظ پر کسی قسم کے مجھوتے کے بغیر آپریشنز کو آسان اور سہل انداز میں چلانے کے لیے موزوں اور مخصوص اقدامات کئے گئے ہیں۔ ہم نے حکومت سندھ سے بھی EPCL کو اپنے آپریشنز چلانے کی اجازت کے لیے رابطہ کیا ہے، کیوں کہ کمپنی صابن، ٹیکسٹائل اور تعمیراتی صنعت کے لیے بنیادی خام مال تیار کرتی ہے، جو پاکستان کی معیشت کے لیے ضروری ہیں۔

پی وی سی اور آٹھیلیٹک کے نرخ عالمی معاشی رجحان، COVID-19، علاقائی سیاسی صورتحال، رسد اور طلب کے محرکات پر منحصر رہیں گے۔ مقامی اور بین الاقوامی مارکیٹ اس وقت غیر مستحکم ہے اور ایک مرتبہ COVID-19 پر قابو پانے، مقامی معاشی پالیسیز، میکرو اکنامک علامات یا دیگر اہم متغیر عوامل کے تصفیہ کے بعد محفوظ و مضبوط سمت کی جانب گامزن ہوگی۔

  
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