



**Sitara Chemical
Industries Limited**



HALF YEAR REPORT

DECEMBER 31, 2020

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Company Information

Board of Directors

Chairman

Chief Executive Officer

Directors

Mr. Abdul Awal

Mr. Muhammad Adrees

Mr. Haseeb Ahmad

Mr. Haroon Ahmad Zuberi

Mr. Ahmad Nawaz

Mr. Ashraf Shahzad Ahmad

Mrs. Shala Waheed Sher

Company Secretary

Chief Financial Officer

Audit Committee

Chairman

Members

Mr. Mazhar Ali Khan

Mr. Zakir Hussain (FCA)

Mr. Haroon Ahmad Zuberi

Mr. Abdul Awal

Mr. Ahmad Nawaz

Human Resource & Remuneration Committee

Chairman

Members

Mr. Abdul Awal

Mr. Muhammad Adrees

Mrs. Shala Waheed Sher

Head of Internal Audit

Auditors

Mr. Asghar Ali (ACMA)

Yousuf Adil

Chartered Accountants

Legal Advisor

Shariah Advisor

Bankers

Mr. Sahibzada Muhammad Arif

Al Hamd Shariah Advisory Services (Pvt.) Limited

Meezan Bank Limited

Bank Alfalah Limited

Habib Bank Limited

Standard Chartered Bank Pakistan Limited

Al-Baraka Bank (Pakistan) Limited

Faysal Bank Limited

National Bank of Pakistan

MCB Bank Limited

MCB Islamic Bank Limited

Dubai Islamic Bank Pakistan Limited

Bank Islami Pakistan Limited

The Bank of Khyber

Askari Bank Islamic Banking

The Bank of Punjab

United Bank Limited

Soneri Bank Limited

Bank Al-Habib Limited

Habib Metropolitan Bank Limited

Allied Bank Limited

Website of the Company

Registered Office

Share Registrar Address

Factories

www.sitara.com.pk

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

THK Associates (Private) Limited

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

28 / 32 KM, Faisalabad - Sheikhpura Road, Pakistan

Directors' Report

In the name of Allah, the Most Beneficent, the Most Gracious, the Most Merciful. On behalf of the Board of Directors of Sitara Chemical Industries Limited, we are pleased to present the un-audited condensed interim financial statements of the Company for the half year ended on December 31, 2020.

Business Overview:

During the half year under review, your Company has recorded a net sales of Rs. 6,995 million and gross profits of Rs. 1,681 million as compared with net sales of Rs. 6,083 million and gross profits of Rs. 1,196 million in the corresponding period of last year witnessing an increase of 15% in net sales and 40.6% in gross profit respectively. During the half year under review, gross margins also improved compared with gross margins of last year's corresponding period. Improvement in gross margins is attributable to decrease in per unit electricity cost of the company, witnessed after decrease of coal prices in international market and decrease in RLNG tariff when compared with applicable prices of last year's corresponding period. Volumetric sale of caustic and other allied chemicals, yarn and fabric also increased during the half year compared with volumetric sales of last year's corresponding period. Gross margins in textile segment of the company also improved due to better capacity utilization. Financial cost of the company decreased due to lower bank borrowing rates being prevalent during the half year under review compared with corresponding period of the last year.

Profit before tax stood at Rs. 1,023 million as compared with profit before tax of Rs. 279 million during the corresponding period of last year. Earning per share was recorded at Rs. 35.31 during the half year as against Rs. 11.37 of the last year's corresponding period.

Future Outlook:

Work on setting up of soap noodles plant is in progress with full force. Shipments of plant & machinery have been received and erection work is in progress. We are hopeful that project will be completed by the end of 3rd quarter of the current financial year, Insha'Allah.

Work on expansion of our existing coal fired power plant is also in progress. Contract with Design & Engineering company has been signed in January 2021 and regular meetings with them are taking place with regard to finalization of engineering and design specification of the plant. We hope that LCs of major plant & machinery will be opened before 31st March 2021.

Any probable increase in international coal prices, increase of RLNG tariff, devaluation of Pak rupee against US\$, increase in SBP policy rates, and risk of resurgence of COVID-19 till such time that vaccine is developed and is widely available in the country, could happen to be the key challenges for the Company. However, your company is resilient enough to cope up such challenges.

Acknowledgments:

We take this opportunity to thank our valued business partners and stakeholders for their continued support, trust and assistance for the progress and prosperity of the Company. Company also appreciates its staff for their continuous dedication, commitment and support.



Muhammad Adrees
Chief Executive Officer
February 16, 2021
Faisalabad.



Haseeb Ahmad
Director

ڈائریکٹر رپورٹ

شروع اللہ تعالیٰ کے بابرکت نام سے جو بڑا مہربان اور نہایت رحم کرنے والا ہے۔
ستارہ کیمیکلز اینڈ سٹریٹلیمینٹ کے بورڈ آف ڈائریکٹرز کی طرف سے ہم 31 دسمبر 2020 کو ختم ہونے والے نصف سال کے غیر آڈٹ شدہ اکاؤنٹس پیش کرتے ہوئے پڑوسرت ہیں۔

کاروباری جائزہ:

زیر جائزہ نصف سال کے دوران آپ کی کمپنی نے 6,995 ملین روپے کی خالص فروخت کی ہے۔ اور مجموعی منافع 1,681 ملین روپے رہا۔ جبکہ پچھلے سال اسی عرصہ کے دوران خالص فروخت 6,083 ملین روپے اور مجموعی منافع 1,196 ملین روپے تھا، خالص فروخت میں 15 فیصد اور مجموعی منافع میں 40.6 فیصد اضافہ دیکھا گیا۔ زیر جائزہ نصف سال کے دوران مجموعی مارجن میں بھی پچھلے سال کے اسی عرصہ کے مقابلے میں اضافہ ہوا ہے۔ مجموعی مارجن میں بہتری کی وجہ بجلی کی قیمت میں فی یونٹ کے حساب سے کمی، بین الاقوامی مارکیٹ میں کونکے کی قیمتوں میں کمی اور RLNG کے ٹیرف میں کمی جو کہ پچھلے سال کے اسی عرصہ کے مقابلے میں دستیاب تھیں۔ زیر جائزہ نصف سال کے دوران کاسٹنگ اور دوسرے متعلقہ کیمیکل، دھاگے اور فیبرک کے حجم کی فروخت بھی گزشتہ سال کے اسی عرصے کے مقابلے میں بہتر رہی۔ کمپنی کے ٹیکسٹائل کے شعبے میں صلاحیت کے بہتر استعمال کی وجہ سے مجموعی مارجن میں بہتری آئی ہے۔ زیر جائزہ نصف سال کے دوران گزشتہ سال کے اسی عرصے کے مقابلے میں کمپنی کی Financial Cost بینک سے قرضہ لینے کی شرح میں کمی کی وجہ سے بھی کم ہوئی ہے۔

ٹیکس سے قبل منافع 1,023 ملین روپے رہا جبکہ پچھلے سال اسی عرصہ کے دوران ٹیکس سے قبل منافع 279 ملین روپے تھا۔ فی حصص آمدنی 35.31 روپے رہی جبکہ پچھلے سال اسی مدت کے دوران فی حصص آمدنی 11.37 روپے تھی۔

مستقبل پر نظر:

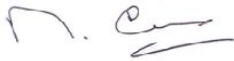
Soap Noodles Plant کی تشکیل کا کام پوری طاقت کے ساتھ جاری ہے۔ پلانٹ اینڈ مشینری کی ترسیلات موصول ہو چکی ہیں اور تعمیراتی کام جاری ہے۔ ہم امید کرتے ہیں کہ یہ منصوبہ موجودہ مالی سال کی تیسری سہ ماہی میں مکمل ہو جائے گا (انشاء اللہ)۔

ہمارے موجودہ کونکے سے چلنے والے بجلی گھر کی توسیع کا کام بھی جاری ہے۔ جس کا معاہدہ ڈیزائن اینڈ انجینئرنگ کمپنی کے ساتھ جنوری 2021 میں ہو چکا ہے اور پلانٹ کی مکمل تکمیل کے لیے ڈیزائن اینڈ انجینئرنگ کمپنی کے ساتھ باقاعدہ میٹنگز منعقد ہو رہی ہیں۔ ہم امید کرتے ہیں کہ بڑے پلانٹ اور مشینری کی LCs 31 مارچ 2021 سے پہلے کھول دی جائیں گی۔

بین الاقوامی کونکے کی قیمتوں میں کسی بھی ممکنہ اضافہ، RLNG ٹیرف میں اضافہ، امریکی ڈالر کے مقابلے میں پاکستانی روپیہ کی قدر میں کمی، اسٹیٹ بینک آف پاکستان کا منافع کی شرح میں اضافہ اور COVID-19 کے دوبارہ پھیلنے کا خدشہ جب تک کہ اس کی ویکسین تیار نہیں ہوتی اور ملک میں وسیع پیمانے پر دستیاب نہیں ہوتی، یہ عوامل ہیں جن کا کمپنی کو سامنا ہو سکتا ہے۔ تاہم، آپ کی کمپنی اس طرح کے Challenges کا مقابلہ کرنے کے لیے ہمہ وقت تیار ہے۔

اعترافات:

ہم اس موقع پر اپنے محترم کاروباری شراکت داروں کی مستقل حوصلہ افزائی، مدد اور اعتماد کا شکریہ ادا کرتے ہیں۔ کمپنی اپنے ملازمین کی مستقل مزاجی، محنت لگن اور صلاحیتوں کی معترف اور فخر کرتی ہے۔



محمد اریف

چیف ایگزیکٹو آفیسر

فیصل آباد 16 فروری 2021



حبیب احمد

ڈائریکٹر

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS
ON REVIEW OF INTERIM FINANCIAL STATEMENTS**

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Sitara Chemical Industries Limited (the Company) as at December 31, 2020 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cashflows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

The figures of the interim statement of profit or loss and other comprehensive income for the three-month period ended December 31, 2020 and related comparative information have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended December 31, 2020.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.


Chartered Accountants**Engagement Partner:**

Nadeem Yousuf Adil.

Lahore

Dated: February 16, 2021

Shariah Review Report

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020



ALHAMD SHARIAH ADVISORY SERVICES

(PVT) LIMITED

بسم الله الرحمن الرحيم
نحمده ونصلي على رسوله الكريم

Feb 06, 2020

Shariah Review Report

For the half year ended December 31, 2020

We have conducted the Shariah review of **Sitara Chemical Industries Limited** for the half year ended on December 31, 2020 in accordance with the provisions of Shariah Governance Regulations, 2018 for which ASAS representatives reviewed the operations and business activities of **Sitara Chemical Industries Limited** with respect to Shariah compliance. In our opinion:

- The financial transactions, the documentations and the procedures adopted have been in accordance with principles of Shariah;
- Generally the business affairs have been carried out in accordance with rules and principles of Shariah;
- The earnings received during the period have been purified and amount transferred to charity account in accordance with the requirements of Shariah Governance Regulations, 2018;

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

And Allah knows best.

Mufti Muhammad Ibrahim Essa

For and on behalf of

Alhamd Shariah Advisory Services (Pvt.) Limited

Mufti Ubaid Ur Rahman Zubairi

For and on behalf of

Alhamd Shariah Advisory Services (Pvt.) Limited



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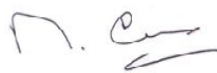
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

		Un-audited December 31, 2020	Audited June 30, 2020
		(Rupees in thousand)	
ASSETS	Note		
NON - CURRENT ASSETS			
Property, plant and equipment	4	15,736,201	14,935,072
Intangible assets		9,507	10,008
Investment property	5	3,302,823	3,315,540
Long-term investments		25,039	25,039
Long-term loans and advances		1,150,377	1,106,764
Long-term deposits		124,257	123,489
		20,348,203	19,515,911
CURRENT ASSETS			
Stores, spare parts and loose tools		1,064,505	860,466
Stock-in-trade		2,025,063	2,326,955
Trade debts	6	1,281,749	1,201,406
Advance Sales Tax		59,517	-
Loans and advances		2,403,404	2,224,221
Trade deposits and short-term prepayments		23,216	7,656
Other receivables		16,390	15,875
Other financial assets	7	322,440	196,569
Cash and bank balances		112,948	81,643
		7,309,231	6,914,791
		27,657,434	26,430,702
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	8	214,294	214,294
Reserves		1,409,664	1,357,788
Un-appropriated profits		9,552,416	8,882,762
Surplus on revaluation of property, plant and equipment		4,110,504	4,237,712
		15,286,878	14,692,555
NON - CURRENT LIABILITIES			
Long-term financing	9	1,846,816	1,375,943
Long-term deposits		56,547	52,547
Deferred liabilities		2,963,453	2,417,878
		4,866,816	3,846,368
CURRENT LIABILITIES			
Trade and other payables		1,981,738	1,991,302
Profit / financial charges payable		109,468	171,286
Short term borrowings		4,611,200	4,983,544
Unclaimed dividend		23,579	21,609
Current portion of long term financing		777,755	724,037
		7,503,740	7,891,779
CONTINGENCIES AND COMMITMENTS	10	27,657,434	26,430,702

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



Chief Financial Officer



Chief Executive Officer



Director

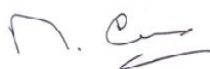
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

	Note	Six months period ended		Three months period ended	
		December 31,	December 31,	December 31,	December 31,
		2020	2019	2020	2019
		(.....Rupees in thousand.....)			
Sales - net	11	6,994,831	6,082,847	3,682,287	3,500,555
Cost of sales	12	(5,313,545)	(4,886,795)	(2,774,108)	(2,832,178)
Gross profit		1,681,286	1,196,052	908,179	668,377
Distribution cost		(140,681)	(175,093)	(69,929)	(89,783)
Administrative expenses		(294,921)	(320,497)	(147,766)	(164,427)
Other expenses		(81,573)	(12,941)	(46,794)	(3,939)
Finance cost		(282,328)	(500,680)	(128,059)	(269,000)
		(799,503)	(1,009,211)	(392,548)	(527,149)
Other income		141,594	92,235	100,206	44,291
		1,023,377	279,074.558	615,837	185,519
Share of loss of associate - net of tax		-	-	-	-
Profit before taxation		1,023,377	279,075	615,837	185,519
Provision for taxation	13	(266,637)	(35,506)	(148,220)	(7,593)
Profit after taxation		756,741	243,569	467,616	177,926
Earnings per share - basic and diluted (Rupees)	14	35.31	11.37	21.82	8.30

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



Chief Financial Officer



Chief Executive Officer



Director

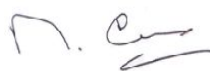
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020**

	<u>Six months period ended</u>		<u>Three months period ended</u>	
	<u>December 31,</u>	<u>December 31,</u>	<u>December 31,</u>	<u>December 31,</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>(.....Rupees in thousand.....)</u>			
Profit after taxation	756,741	243,569	467,616	177,926
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Surplus / (deficit) on investments classified as Equity instruments as at FVTOCI	51,878	16,304	20,908	(10,187)
Revaluation surplus on property, plant and equipment - adjustment due to change in tax rate	-	-	-	-
Other comprehensive income / (loss)	51,878	16,304	20,908	(10,187)
Total comprehensive income for the period	808,619	259,873	488,525	167,739

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



Chief Financial Officer



Chief Executive Officer



Director

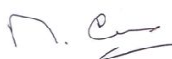
**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020**

	Six months period ended	
	December 31, 2020	December 31, 2019
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating cash flow before working capital changes	1,761,462	1,292,512
Changes in working capital:		
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(204,039)	(132,867)
Stock-in-trade	301,893	(412,833)
Trade debts	(81,023)	10,470
Loans and advances	(474,508)	448,380
Trade deposits and short-term prepayments	(15,560)	(22,828)
Other receivables	(515)	(6)
Increase / (decrease) in current liabilities		
Trade and other payables	689,312	(264,263)
Sales tax payable	(73,909)	-
	141,651	(373,947)
Cash generated from operations	1,903,112	918,565
Finance cost paid	(344,147)	(487,464)
Employee benefits paid	(6,173)	(1,503)
Taxes paid	(52,783)	(107,705)
Profit received	3,259	9,330
	(399,844)	(587,342)
Net cash generated from operating activities	1,503,268	331,223
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,358,447)	(427,896)
Proceeds from disposal of property, plant and equipment	5,350	93,375
Proceeds from disposal of other financial assets	-	12,895
Purchase of other financial assets	(73,993)	(229)
Long term deposits paid	(767)	-
Long-term loans and advances received	5,959	10,386
Dividend income received	6,012	4,725
Net cash used in investing activities	(1,415,886)	(306,744)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term financing obtained	870,275	-
Repayment of long-term financing	(345,684)	(503,697)
Short term financing - net	(372,344)	773,997
Long term deposits availed	4,000	10,800
Dividend paid	(212,324)	(212,363)
Net cash (used in) / generated from financing activities	(56,077)	68,737
Net increase in cash and cash equivalents	31,305	93,216
Cash and cash equivalents at beginning of the period	81,643	102,510
Cash and cash equivalents at end of the period	112,948	195,726

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



Chief Financial Officer



Chief Executive Officer



Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020**

	Share Capital	Reserves						Total	
		Capital				Revenue			Total Reserves
		Share Premium	Reserve on re-measurement of equity instruments as at FVTOCI	Reserve on re-measurement of post retirement benefits obligation - net of tax	Surplus on revaluation of property, plant and equipment	General Reserve	Un-appropriated profit		
(..... Rupees in thousand)									
Balance as at July 01, 2019 - Audited	214,294	97,490	51,449	(4,615)	4,513,641	1,225,000	8,522,364	14,405,329	14,619,623
Total comprehensive income									
Profit for the six months period ended December 31, 2019	-	-	-	-	-	-	243,569	243,569	243,569
Remeasurement of post retirement benefits - net of tax	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	16,304	-	-	-	-	16,304	16,304
(Loss) realized on sale of available for sale financial assets during the period	-	-	-	-	-	-	-	-	-
Share of other comprehensive (loss) of associate	-	-	-	-	-	-	-	-	-
	-	-	16,304	-	-	-	243,569	259,873	259,873
Transfer to un-appropriated profit on account of incremental depreciation - net of tax	-	-	-	-	(132,209)	-	132,209	-	-
Distribution to owners									
Final dividend for the year ended June 30, 2019 @ Rs. 10 per share	-	-	-	-	-	-	(214,293)	(214,293)	(214,293)
Balance as at December 31, 2019 - Un-audited	214,294	97,490	67,753	(4,615)	4,381,432	1,225,000	8,683,849	14,450,909	14,665,203
Total comprehensive income									
Profit for the six months period ended June 30, 2020	-	-	-	-	-	-	55,194	55,194	55,194
Other comprehensive income	-	-	(27,678)	(164)	-	-	-	(27,842)	(27,842)
	-	-	(27,678)	(164)	-	-	55,194	27,352	27,352
Transfer to un-appropriated profit on account of incremental depreciation	-	-	-	-	(143,720)	-	143,720	-	-
Balance as at June 30, 2020 - Audited	214,294	97,490	40,075	(4,779)	4,237,712	1,225,000	8,882,762	14,478,261	14,692,555
Total comprehensive income									
Profit for the six months period ended December 31, 2020	-	-	-	-	-	-	756,741	756,741	756,741
Other comprehensive income	-	-	51,878	-	-	-	-	51,878	51,878
	-	-	51,878	-	-	-	756,741	808,619	808,619
Transfer to un-appropriated profit on account of incremental depreciation - net of tax	-	-	-	-	(127,208)	-	127,208	-	-
	-	-	-	-	-	-	-	-	-
Distribution to owners									
Final dividend for the year ended June 30, 2020 @ Rs. 10 per share	-	-	-	-	-	-	(214,293)	(214,293)	(214,293)
Balance as at December 31, 2020 - Un-audited	214,294	97,490	91,953	(4,779)	4,110,504	1,225,000	9,552,416	15,072,587	15,286,877

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


Chief Financial Officer


Chief Executive Officer


Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020**

1 LEGAL STATUS AND OPERATIONS

- 1.1** Sitara Chemical Industries Limited ("the Company") was incorporated in Pakistan on September 08, 1981 as a public limited company under the Companies Act, 1913 (now the Companies Act, 2017). The Company is currently listed on the Pakistan Stock Exchange. The Company is a Shariah Compliant Company certified by Securities & Exchange Commission of Pakistan (SECP) under Shariah Governance Regulation 2018. The principal activities of the Company are operating Chlor Alkali plant and yarn spinning unit. The registered office of the Company is situated at 601-602, Business Centre, Mumtaz Hasan Road, Karachi, in the province of Sindh and the manufacturing facilities are located at 28/32 K.M., Faisalabad - Sheikhupura Road, Faisalabad, in the province of Punjab.

The Company is currently organized into two operating divisions and these divisions are the basis on which the Company reports its primary segment information.

Chemical Division	Manufacturing of caustic soda and allied products
Textile Division	Manufacturing of yarn and fabric

- 1.2** These condensed interim financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency.

2 BASIS OF PREPARATION

- 2.1** These condensed interim financial statements of the Company for the six months period ended December 31, 2020 have been prepared in accordance with the International Accounting Standard - 34 "Interim Financial Reporting" provisions of and directives issued under the Companies Act, 2017. In case where requirements differ, the provisions of or directives issued under the Companies Act, 2017 have been followed.
- 2.2** These condensed interim financial statements should be read in conjunction with annual audited financial statements for the year ended June 30, 2020. Comparative statement of financial position is extracted from annual audited financial statement for the year ended June 30, 2020, whereas comparative statement of profit or loss, comparative statement of comprehensive income, comparative statement of changes in equity and comparative of statement of cash flows are stated from un-audited condensed interim financial statements for the six months period ended December 31, 2020.
- 2.3** These condensed interim financial statements are un-audited. However, a limited scope review has been performed by statutory auditor of the Company in accordance with Section 237 of Companies Act, 2017 and they have issued their review report thereon.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, JUDGMENTS AND RISK MANAGEMENT

The significant accounting policies and methods of computation adopted in preparation of these condensed interim financial statements are the same as those applied in preparation of the annual audited financial statements of the Company for the year ended June 30, 2020.

	Note	Un-audited December 31, 2020 (Rupees in thousand)	Audited June 30, 2020
4 PROPERTY, PLANT AND EQUIPMENT			
Operating assets	4.1	14,490,403	14,798,051
Capital work-in-progress		1,245,798	137,021
		15,736,201	14,935,072
4.1 Operating assets			
Opening written down value		14,798,051	15,429,126
Additions during the period / year:			
Freehold land		13,487	16,297
Buildings on freehold land - Mill		31,293	70,775
Plant and machinery		134,067	343,180
Grid station and electric installations		17,741	23,078
Containers and cylinders		-	-
Containers and cylinders		22,127	-
Factory equipment		7,704	38,169
Electric equipment		17,315	47,212
Office equipment		6,511	3,316
Furniture and fittings		8,085	3,063
Vehicles		1,964	15,892
		260,294	560,982
Revaluation surplus		-	-
Written down value of assets disposed off during the period / year		(13,432)	(19,680)
Depreciation charged during the period / year		(554,511)	(1,172,377)
		14,490,403	14,798,051

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020**

4.2 The Company had revalued its freehold land, building and plant & machinery at June 30, 2019. The revaluation had been carried out by Hamid Mukhtar & Company (Private) Limited, an independent valuer not connected to the Company and is on the panel of Pakistan Banks Association as 'Any Amount' asset valuer. It is also on the panel of State Bank of Pakistan and possesses appropriate qualification and recent experience in the fair value measurements in the relevant locations. The fair value was determined using the comparable price method after performing detailed enquiries and verification from various estate agents, brokers and builders keeping in view the location of the property / project, condition, size, utilization, and other relevant factors.

The revaluation was performed at June 30, 2019. Out of the total revaluation surplus of Rs. 4,514 million, Rs. 4,111 million net of tax (June 30, 2020: 4,237 million) remains undepreciated as at December 31, 2020.

Details of the Company's revalued assets and information about fair value hierarchy, as at December 31, 2020 are as follows:

	Un-audited December 31, 2020			Audited June 30, 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Land - freehold	-	1,300,892	-	-	1,287,405	-
Buildings on freehold land	-	1,606,302	-	-	1,658,999	-
Plant and machinery	-	10,263,419	-	-	10,535,044	-
	-	13,170,613	-	-	13,481,448	-

		Un-audited December 31, 2020 (Rupees in thousand)	Audited June 30, 2020
5 INVESTMENT PROPERTY	Note		
Land	5.1	3,261,259	3,269,147
Buildings	5.2	41,564	46,393
		3,302,823	3,315,540
5.1 Land			
Balance at the beginning of the period / year		3,269,147	3,246,712
Addition during the period / year		1,085	22,435
Transfer to property, plant and equipment		(8,973)	-
Balance at end of the period / year		3,261,259	3,269,147
5.2 Buildings			
Cost:			
Balance at the beginning of the period / year		90,438	89,277
Addition during the period / year		-	1,161
Transfer to property, plant and equipment		(3,564)	-
Balance at the end of the year		86,874	90,438
Accumulated depreciation:			
At the beginning of the period / year		44,045	39,483
For the period / year		2,091	4,562
Accumulated depreciation on transferred asset		(826)	-
At the end of the period / year		(45,310)	(44,045)
Written down value at the end of the period / year		41,564	46,393
6 OTHER FINANCIAL ASSETS	Note		
Investments held at FVTOCI	6.1	241,460	189,582
Investments held at FVTPL	6.2	80,981	6,987
		322,441	196,569
6.1 Investment designated as fairvalue through other comprehensive income (FVTOCI)			
Fair value at July 01		189,582	200,727
Additions in investments during the period / year		-	229
		189,582	200,956
Gain / (loss) on investments during the period / year		51,878	(11,374)
		241,460	189,582

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020**

	Un-audited December 31, 2020 (Rupees in thousand)	Audited June 30, 2020
6.2 Investment designated as fairvalue through profit and Loss (FVTPL)		
Fair value at July 01	6,987	135,448
Additions in investments during the period / year	104,280	424,857
Sale / disposal of investments during the period / year	(31,262)	(564,827)
	80,005	(4,522)
Gain / (loss) on investments during the period / year	976	11,509
	<u>80,981</u>	<u>6,987</u>

6.3 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as 'prices') or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the fair value hierarchy for financial assets which are carried at fair value:

	Un-audited December 31, 2020			Audited June 30, 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investments classified at FVTOCI	80,981	-	-	6,987	-	-
Investments classified at FVTPL	241,460	-	-	189,582	-	-

There were no transfers between levels during the period / year. The carrying value of all other financial assets and liabilities reflected in these condensed interim financial statements approximate their fair values.

7 SHARE CAPITAL

Un-audited December 31, 2020No of shares.....	Audited June 30 2020		Un-audited December 31, 2020 (Rupees in thousand)	Audited June 30, 2020
		Authorized		
40,000,000	40,000,000	Ordinary shares of Rs. 10 each	400,000	400,000
20,000,000	20,000,000	Class "A"	200,000	200,000
		Class "B"		
		Issued, subscribed and paid up		
8,640,000	8,640,000	Class "A" ordinary shares of Rs. 10/- each		
10,804,398	10,804,398	- fully paid in cash	86,400	86,400
1,985,009	1,985,009	- issued as fully paid bonus shares	108,044	108,044
		- issued as fully paid under scheme of arrangement for amalgamation	19,850	19,850
<u>21,429,407</u>	<u>21,429,407</u>		<u>214,294</u>	<u>214,294</u>

7.1 Class "B" ordinary shares do not carry any voting rights.

7.2 No shares are held by any associated company or related party of the Company.

7.3 The Company has no reserved shares under options or sales contracts.

8 LONG-TERM FINANCING

Diminishing Musharka (from financial institutions - secured)

Opening balance	2,099,980	2,776,463
Obtained during the period / year	870,275	76,290
Re-paid during the period / year	(296,148)	(752,773)
	2,674,107	2,099,980
Less: Current portion	(777,755)	(724,037)
	<u>1,846,816</u>	<u>1,375,943</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020**

		Un-audited December 31, 2020 (Rupees in thousand)	Audited June 30, 2020
9 DEFERRED LIABILITIES			
	Note		
Deferred tax		2,351,670	2,368,971
Deferred grant		10,154	10,154
Gratuity payable		37,613	38,753
Provision for Gas Infrastructure Development Cess (GIDC) and GIDC liability	9.1	564,017	-
		2,963,453	2,417,878

9.1 In January 2021, The Institute of Chartered Accountants of Pakistan (ICAP) has issued guidelines on accounting of GIDC as per latest judgment of the Supreme Court. As per the said guidelines, the liability for GIDC should be accounted in accordance with International Financial Reporting Standard 9 "Financial Instruments" ("IFRS 9").

Accordingly, the Company has de-recognised Rs. 392.65 million out of Rs. 873.44 million already recognised provision and recognised a liability for GIDC of Rs. 364.26 million. The liability for GIDC has been recognised at fair value in accordance with IFRS 9. The difference between the fair value of GIDC liability (i.e. present value of amount required to be paid to settle the GIDC liability; and transaction price of GIDC liability (i.e. undiscounted amount of GIDC liability) of Rs. 27.40 million has been recognised as a gain on discounting of GIDC liability in the statement of profit or loss and other comprehensive income. Further, Provision for GIDC is required to be remeasured at each reporting date using the latest best estimate, timing and latest discount rate. Accordingly, a gain on discounting of GIDC provision of Rs. 32.75 million is also recognised in the statement of profit or loss and other comprehensive income.

The unwinding of discount would be recognised as a finance cost in future.

		Un-audited December 31, 2020 (Rupees in thousand)	Audited June 30, 2020
10 CONTINGENCIES AND COMMITMENTS			
10.1 Contingencies			
Guarantees issued by banks on behalf of the Company		261,442	262,517
10.2 Commitments			
Outstanding letters of credit for raw material and spare parts		549,806	1,125,550

	Un-audited Six months period ended		Un-audited Three months period ended	
	December 31 2020	December 31 2019	December 31 2020	December 31 2019
11 SALES - NET				
Local:				
Chemicals	6,777,762	6,323,551	3,566,555	3,543,894
Yarn	1,526,587	790,226	814,214	581,875
Fabric	79,497	73,993	48,097	57,505
Waste	11,095	11,662	6,387	11,376
	8,394,941	7,199,432	4,435,253	4,194,650
Export:				
Chemicals	60,368	158,386	16,688	76,044
Gross Sales	8,455,309	7,357,818	4,451,941	4,270,694
Less:				
Commission and discount	(247,108)	(235,606)	(131,175)	(135,843)
Sales Tax	(1,213,370)	(1,039,365)	(638,479)	(634,296)
	(1,460,478)	(1,274,971)	(769,654)	(770,139)
	6,994,831	6,082,847	3,682,287	3,500,555

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020**

	Un-audited Six months period ended		Un-audited Three months period ended	
	December 31 2020	December 31 2019	December 31 2020	December 31 2019
12 COST OF SALES	(.....Rupees in thousand.....)			
Raw material consumed	1,605,986	1,468,925	857,294	247,430
Fuel and power	2,586,493	2,631,531	1,351,272	2,033,938
Salaries, wages and benefits	261,696	274,845	132,153	139,830
Factory overheads	856,900	865,296	425,430	446,145
	5,311,076	5,240,596	2,766,150	2,867,342
Work-in-process				
Opening stock	27,136	-	22,068	15,562
Closing stock	(22,111)	(15,559)	(22,111)	(15,559)
	5,025	(15,559)	(43)	3
Cost of goods manufactured	5,316,101	5,225,037	2,766,107	2,867,345
Finished goods				
Opening stock	1,016,084	904,916	1,026,641	1,207,991
Purchases	-	-	-	-
Closing stock	(1,018,639)	(1,243,159)	(1,018,639)	(1,243,159)
	(2,555)	(338,243)	8,002	(35,168)
	5,313,545	4,886,795	2,774,108	2,832,178

13 PROVISION FOR TAXATION

Current - for the period	283,939	121,120	160,853	76,179
Prior year	-	-	-	-
Deferred	(17,302)	(85,614)	(12,633)	(68,586)
	266,637	35,506	148,220	7,593

14 EARNINGS PER SHARE - BASIC AND DILUTED

Profit for the period	756,741	243,569	467,616	177,926
Weighted average number of ordinary shares outstanding during the period (No. of shares in thousand)	21,429	21,429	21,429	21,429
Earnings per share (Rupees)	35.31	11.37	21.82	8.30

15 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, other related group companies, directors of the company, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with its related parties. Details of transactions with related parties for the period are as follows:

		Un-audited Six months period ended	
		December 31 2020	December 31 2019
Relationship with the Company	Nature of transactions	(Rupees in thousand)	
Associated undertakings	Sales	55	1,292
	Organizational expenses paid	260	789
	Donation given	12,620	11,920
Transaction with directors	Advances for supplies	8,124	-
Key management personnel	Remuneration to Executives	69,425	62,334

Following are the related parties with whom the Company had entered into transactions or have arrangement / agreement in place:

Company name	Basis of association
Sitara Developers (Private) Limited	Common directorship
Aziz Fatima Trust Hospital	Common directorship

The Company does not hold any shares in the above mentioned companies.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020**

16 SEGMENT REPORTING

The Company has two reportable segments, which offer different products and are managed separately. The following summary describes the operations in each of the reportable segment of the Company:

- **Chemical division** : Manufacturing of caustic soda and allied products
- **Textile division**: Manufacturing of yarn and fabric

16.1 Information about operating segments is as follows:

	Chemical Division		Textile Division		Total	Total
	Un-audited		Un-audited			
	Six months period ended		Six months period ended			
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(----- Rupees in thousand -----)					
Revenue from external customers - net	5,619,636	5,210,020	1,375,194	872,827	6,994,830	6,082,847
Depreciation on property, plant and equipment	505,940	539,249	48,571	39,431	554,511	578,680
Segment profit / (loss)	1,171,573	722,781	74,110	(22,318)	1,245,683	700,463
	Un-audited December 31, 2020	Audited June 30 2020	Un-audited December 31, 2020	Audited June 30 2020	Total Un-audited December 31 2020	Total Audited June 30 2020
	(----- Rupees in thousand -----)					
Capital expenditure	255,912	356,942	5,208	204,041	261,120	560,983
Segment assets	16,038,780	15,040,780	2,768,390	3,167,197	18,807,170	18,207,977
Segment liabilities	1,799,512	1,219,725	248,754	298,291	2,048,266	1,518,016

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020**

		Un-audited Six months period ended	
		December 31, 2020	December 31, 2019
		(Rupees in thousand)	
16.2	Reconciliations of reportable segments are as follows:		
	Revenue		
	Total revenue for reportable segments	6,994,830	6,082,847
	Profit for the period		
	Total profit for reportable segments	1,245,683	700,463
	Unallocated corporate income / (expenses)		
	Other income	141,594	92,235
	Other expenses	(81,573)	(12,941)
	Finance cost	(282,327)	(500,680)
	Share of loss from investment in associate - net of tax	-	-
	Profit before taxation	1,023,377	279,076
		Un-audited December 31, 2020	Audited June 30, 2020
		(Rupees in thousand)	
	Assets		
	Total assets for reportable segments	18,807,170	18,207,977
	Other unallocated corporate assets	8,850,264	8,222,725
	Company's assets	27,657,434	26,430,702
	Liabilities		
	Total liabilities for reportable segments	2,048,266	1,518,016
	Other unallocated corporate liabilities	10,322,290	10,220,131
	Company's liabilities	12,370,556	11,738,147
16.3	The Company has no reportable geographical segment.		

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020**

	Un-audited Six months period ended	
	December 31, 2020	December 31, 2019
17 OPERATING CASH FLOW BEFORE WORKING CAPITAL CHANGES	(Rupees in thousand)	
Profit before taxation	1,023,377	279,075
Adjustments for:		
Depreciation on property, plant and equipment	554,511	578,686
Depreciation on investment property	2,091	2,274
Amortization on intangible assets	500	556
Gain on sale of investments measured at FVTPL	-	(5,342)
Finance cost	282,328	500,680
Loss / (gain) on disposal of property, plant and equipment	8,082	184
Provision for employee benefits	5,033	4,733
Dividend income	(6,012)	(4,725)
Exchange gain	680	(1,801)
Unwinding of deferred receivable	(46,988)	(52,478)
Unwinding of GIDC payable	(60,150)	-
Write off - advances	1,268	
Profit on bank deposits	(3,259)	(9,330)
	738,085	1,013,437
	1,761,462	1,292,512

18 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information has been approved by the Board of Directors of the Company and authorized for issue on February 16, 2021.

19 GENERAL

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



Chief Financial Officer



Chief Executive Officer



Director



Sitara Chemical Industries Limited

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