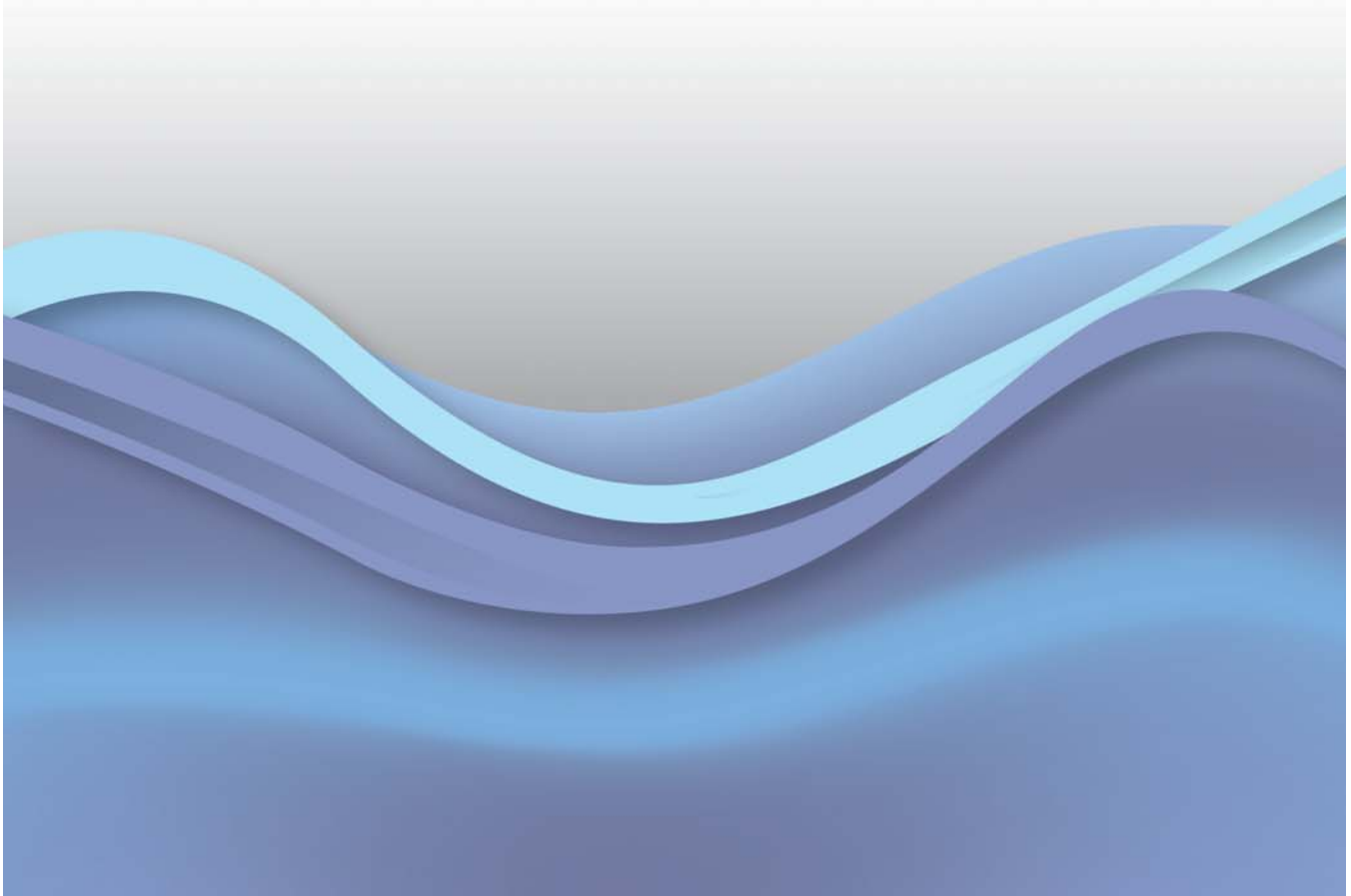




GATRON (INDUSTRIES) LIMITED

half Yearly **report**

December 31, 2020





CONTENTS

Corporate Information

02

Unconsolidated Presentation

Directors' Report

03

Directors' Report (in Urdu)

11

Auditors' Report to the Members on Review of
Condensed Interim Financial Statements

12

Condensed Interim Statement of Financial Position

13

Condensed Interim Statement of Profit or Loss

14

Condensed Interim Statement of Comprehensive Income

15

Condensed Interim Statement of Changes in Equity

16

Condensed Interim Statement of Cash Flows

17

Notes to the Condensed Interim Financial Statements

18

Consolidated Presentation

Directors' Report

33

Directors' Report (in Urdu)

36

Condensed Interim Statement of Financial Position

37

Condensed Interim Statement of Profit or Loss

38

Condensed Interim Statement of Comprehensive Income

39

Condensed Interim Statement of Changes in Equity

40

Condensed Interim Statement of Cash Flows

41

Notes to the Condensed Interim Financial Statement

42

Corporate Information

Board of Directors

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

Special Advisor

Pir Muhammad Diwan

Audit Committee

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

HR & Remuneration Committee

Talat Iqbal	- Chairman
Usman Habib Bilwani	
Muhammad Iqbal Bilwani	

Company Secretary

Muhammad Yasin Bilwani

Chief Financial Officer

Mustufa Bilwani

Auditors

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

Legal Advisor

Naeem Ahmed Khan
Advocates
Quetta.

Share Registrar

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

Bankers

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

Plant

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

Registered Office

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

Liaison/Correspondence Office

11th Floor, G&T Tower,
18 Beaumont Road,
Civil Lines-10,
Karachi-75530 - Pakistan.
Phone: 021-35659500-9
Fax: 021-35659516

Email

headoffice@gatron.com

Website

www.gatron.com

Directors' Report

Dear Shareholders,

The Directors of Gatron (Industries) Limited are pleased to present the half yearly report together with the financial statements duly reviewed by the external auditors of the Company for the half year ended December 31, 2020.

Financial Review:

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

- Net sales Rs. 7,411 million,
- Operating profit Rs. 457 million,
- Profit before income tax Rs. 426 million,
- Profit after income tax Rs. 322 million,
- Earnings per share Rs. 8.39

After a challenging last year where your Company suffered greatly due to the impacts of Covid-19, your Company has managed to improve its performance in the current period. Capacity utilization has been ramped up since the removal of nationwide lockdown and subsequent increase in demand. The PTA/MEG which was average \$475/\$410 Per ton in July 2020 increased to \$520/\$495 Per ton as of reporting date. While exchange rate dropped from Rs.167 to Rs.160 during July to December 2020.

The operating revenue of the Company increased by 12% as compared to last corresponding period mainly due to increase in sale volume of both products of the Company. Polyester Filament Yarn (PFY) sale volume increased by around 26% as compared to last corresponding period and on the other hand Preforms' sales volume went up by around 24%. The PFY sales volume shows increase compared to the corresponding period in the previous year since in the previous year period sales were actually low due to the drastic policy changes in the budget of 17% sales tax on textile sector and across the board condition of NIC on unregistered buyers.

Distribution & selling expenses significantly increased by around 35% as compared to last corresponding period and it is mainly due to extra-ordinary increase in freight and transportation charges. On the other hand, administrative expenses slightly reduced by 3%.

On the Balance Sheet front as compared to June 30, 2020 stocks increased by Rs.477 million to reach amounting to Rs.2,872 million. Debtors increased by Rs.333 million to reach Rs.2,564 million while creditors increased by Rs. 196 million to reach Rs.1,773 million. In view of the above, Company's short term borrowing have been increased by Rs. 735 million as compared to June 30, 2020, to meet financing in working capital requirements.

Besides the expansion noted in the subsequent paragraph, installation of solar panels of 1136 kw and upgradation of winders and extruders of old lines, the Company has also undertaken capex on the power generation side to cater for the frequent gas load shedding. The Company is also considering capex in the automation of the packing and inspection of PFY.

CHALLENGES FACED AND FUTURE OUTLOOK

- An important development was that in the last budget Regulatory Duty (which was removed in June 2019) was restored at 2.50% on imported Polyester Filament Yarn (PFY) w.e.f. 1st July 2020. The Company appreciates this restoration as the Regulatory Duty has helped the Company to compete against dumped imported product and expand its production from 36,000 tons in year 2017 to hopefully above 60,000 tons in 2020-21. As already informed in the earlier Director report, that in view of the Regulatory Duty restoration the Company is going ahead with its further expansion (which it earlier had put on hold) which will come into production in June 2021, to take the annual production to 75,000 tons in year 2021-22. This expansion comes under the heel of the previous expansion (commissioned just before onset of COVID-19 but in continuous operation only since August/September 2020) which took the production of the Company from 57,000 tons to 65,000 tons. As such the production of the Company which was just 36,000 tons in 2016-17 will InshaAllah double to 75,000 tons in the year 2021-22.

- The anti-dumping duty still continues to be evaded by the importers and is not being paid on majority of the imports of PFY. In the last 3 years 85% of the anti-dumping duty amounting to over Rs 8 billion has not been collected vis the injury to the industry has actually not been mitigated by the anti-dumping duty. In the year 2005 to 2010 when the previous anti-dumping was imposed, hardly 5% of the applicable dumping duty was collected while 95% not collected. As such anti-dumping duty has been proved totally ineffective in mitigating the injury to the PFY industry both in 2005 to 2010 and the 2017 to 2020 with intervening period of 2013-2017 anti-dumping duties could not be imposed due to NTC quorum issues. So effectively the only shield (that also partial) has been given by the Regulatory Duty which has helped the above increase in capacity.
- The competing imported yarn from China and Far East is dumped at a very low delta over the main raw material since major foreign producers sell over 80% of their capacity within their country while exporting to Pakistan at below total cost that is, they sell at only variable costs plus some recovery of fixed costs. The Anti-Dumping Duty of 3.25% to 4.97% imposed by Pakistan on three big Chinese producers is quite low to cover this actual dumping and is much lower than Anti-Dumping Duties imposed by Turkey minimum 16% or \$:250/ton and India minimum 23% on the same producers, as such the Regulatory duty is needed. Recently the USA also imposed Anti-Subsidy Duties against Chinese Filament Yarn producers @ 32% to 459%. And even this low 3.25% to 4.97% duty has not been collected in Pakistan 85% of the time in the last 3 years.
- Imposition of Regulatory Duty in the Finance Act 2020-21 has started to provide much needed breathing support to the local industry. In view of this Regulatory Duty, your Company is considering further expansions to come on stream by January 2022, beyond the 75,000 tons noted above if the anti-dumping duty is also collected. These expansions as well expansions by other Filament Yarn producers in Pakistan, on the back of Regulatory Duty on competing imported yarn as well as continuation of Anti-Dumping Duties beyond the year 2022, can take the indigenous production of PFY to a level which will meet above 70% of local demand by 2024-25 compared to only 33% in 2017. Besides import substitution this expansion will also increase local employment beyond the jobs already provided by the industry.
- Due to the limited size of cotton crop, the aim of the country should be to provide clothe/kapra to more than 200 million population with locally produced textile raw-materials. It is worthwhile to note that the major raw material of Filament Yarn vis PTA is also produced in Pakistan and with the upcoming new Saudi refinery the basic chemicals for PTA vis Paraxylene may also be produced from crude oil within the country, achieving the self-reliance and full chain of crude oil to polyester clothes within the country.
- Decision of The Honorable Supreme Court of Pakistan on GIDC for 2011 to 2020, may require Company to settle its liability within 48 equal installments which will hurt its liquidity position significantly. The Honorable Sindh High Court has granted stay order to the Company and restrained M/s. Sui Southern Gas Company Limited from charging the cess and recovery of monthly installments. The Company is in touch with its legal counsel to consider legal remedies available and for reducing the impact on the Company in view of not passing on the GIDC impact to its customer and the GIDC Act, 2015 clearly state that the GIDC is not applicable on Industrial category for the years before 2015.
- There was severe gas pressure drop and load shedding in the HUB industrial area during the current period which meant that the Company had to resort to using higher priced HFO to produce power and hence led to higher costs. If this gas load shedding continues in the HUB industrial area than the performance of the Company will suffer not only due to higher power generation costs but also due to production loss due to unavailability of gas.
- The Company's significant funds are stuck in Income Tax refunds, which unnecessarily affecting liquidity of the Company.
- The severe rainfall in previous monsoon season rose the water level of Hub Dam to its maximum capacity of 340 feet but also damaged the walls of the Hub Canal bunds. This has resulted in a water shortage to the Company in the first few months of the financial year, adding cost to arrange supply from alternate sources. The local government must look at this issue as without water the industry cannot survive.

- A project of Digital Upgradation through SAP has been started in the Company to implement the best international practices for better utilization of resources in an efficient manner. This is not just a technological upgrade but a transformation which requires re-imagining business processes, organizational realignment and upscaling of human resource. On successful implementation its aim is to provide a competitive edge through timely and better-informed decisions.

OTHER MATTERS

During the period operations of Wholly Owned Subsidiary Messrs. Gatro Power (Private) Limited remained disturbed due to shortage of gas supply and use of alternate sources to supply power to Parent Company, resulting in increased power cost.

The principal business of Wholly Owned Subsidiary Company Messrs. G-Pac Energy (Private) Limited is to generate and sell electric power. The operations of this Subsidiary Company are expected to be commenced by the end of current financial year.

Wholly Owned Subsidiary Messrs. Global Synthetics Limited has yet to commence its operations.

The Honorable High Court of Balochistan at Quetta has sanctioned on 21 September 2020, the Scheme of Arrangement duly approved by the BOD on 30 September 2019. The Company has de-recognized the investment in associated company on effective date as per approved Scheme of Arrangement.

APPROPRIATION

The Board of Directors of the Company has not recommended any interim dividend for the period ended December 31, 2020.

EARNING PER SHARE

The earnings per share of the Company for the period ended on December 31, 2020 is Rs 8.39.

MATERIAL CHANGES AND COMMITMENT

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

INTERNAL FINANCIAL CONTROL

The system of internal controls is sound in design and has been effectively implemented and monitored.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The un-audited condensed interim consolidated financial statements of the Group along with notes and director report there to have also been included in this report.

AUDITORS' REVIEW REPORT

The Auditors of the Company M/s. Kreston Hyder Bhimji & Co, Chartered Accountant have issued and unqualified review report to the members of the Company on financial statements for the half year ended December 31, 2020.

BOARD OF DIRECTORS

In the Extra Ordinary General Meeting of the Company held on December 22, 2020, members of the Company elected following Directors for the term of three years commencing from December 24, 2020:

(1)	Mr. Haroon Bilwani	Director
(2)	Mr. Abdul Razak Diwan	Director
(3)	Mr. Zakaria Bilwani	Director
(4)	Mr. Usman Habib Bilwani	Director
(5)	Mr. Muhammad Iqbal Bilwani	Director
(6)	Mr. Shabbir Diwan	Director
(7)	Mr. Muhammad Taufiq Bilwani	Director
(8)	Mr. Muhammad Waseem	Independent Director
(9)	Mr. Talat Iqbal	Independent Director
(10)	Ms. Huma Rafique	Independent Director

Mr. Haroon Bilwani has resigned as the Chairman of the Board and Mr. Pir Mohammad Diwan has resigned as the Chief Executive and in their places the Board has appointed Mr. Abdul Razzak Diwan as the new Chairman and Mr. Shabir Diwan as the new Chief Executive. While the Board appointed Mr. Haroon Bilwani as Executive Director and Mr. Pir Muhammad Diwan as a Special Advisor to the Company.

The Board of the Company appreciates Mr. Haroon Bilwani and Mr. Pir Muhammad Diwan, as Chairman and Chief Executive for their selfless services to the company and acknowledges their key role in the development of the Company and hopes that these gentlemen with their vast experiences will continue to play important role by actively participating in further development of the Company.

ACKNOWLEDGMENT

The Board of Directors of your Company take this opportunity to express their deep sense of gratitude for all the stakeholders for their encouragement and continued support and look forward for continued collaboration with the Company as we move forward to meet and execute our targets together.

Further, we appreciate the Company's management and supporting staff for their satisfactory performance and devotion to duty and we are grateful to all Government Institutions, Auditors, the SECP, the PSX and Banks for their valuable support and cooperation.

SHABBIR DIWAN

Chief Executive

MUHAMMAD IQBAL BILWANI

Director

February 16, 2021

محترم جناب ہارون بلوانی صاحب نے بورڈ کے چیئرمین کی حیثیت سے اور محترم جناب پیر محمد دیوان صاحب نے چیف ایگزیکٹو کی حیثیت سے استعفیٰ دے دیا ہے اور ان کی جگہ پر بورڈ نے محترم جناب عبدالرزاق دیوان صاحب کو چیئرمین اور محترم جناب شہیر دیوان صاحب کو چیف ایگزیکٹو کے طور پر منتخب کیا ہے جبکہ بورڈ نے محترم جناب ہارون بلوانی صاحب کو ایگزیکٹو ڈائریکٹر اور محترم جناب پیر محمد دیوان صاحب کو کمپنی کے Special Advisor کے طور پر مقرر کیا۔

کمپنی کی بورڈ محترم جناب ہارون بلوانی صاحب کی اور محترم جناب پیر محمد دیوان صاحب کی بطور بلتربیب چیئرمین اور چیف ایگزیکٹو کی حیثیت سے انکی کمپنی کو بے لوث خدمات اور کمپنی کی ترقی میں کلیدی کردار کو سر بانی ہے اور امید کرتی ہے کہ یہ حضرات اپنے طویل تجربے سے کمپنی کی مزید ترقی میں اپنا اہم کردار ادا کرتے رہیں گے۔

اظہار تشکر:

ہم بورڈ آف ڈائریکٹرز کی جانب سے اپنے تمام اسٹیک ہولڈرز کا شکریہ ادا کرتے ہیں جنہوں نے ہم پر اعتماد کیا۔ ساتھ ہی اپنی ٹیم مینٹ ٹیم کی پر خلوص محنت پر ان کے تہہ دل سے مشکور ہیں اور اپنے تمام متعلقہ افراد بشمول سرکاری ادارے، آڈیٹرز، ایس ای سی پی، پی ایس ایکس اور بینکرز کے شکر گزار ہیں جنہوں نے گیسٹرون کی ترقی میں اپنا کردار بخوبی نبھایا۔

محمد اقبال بلوانی
ڈائریکٹر

شہیر دیوان
انفیر اعلیٰ

16 فروری، 2021ء

تصرف:

حالیہ ششماہی کے دوران بورڈ آف ڈائریکٹرز نے کسی عبوری منافع منقسمہ کی تجویز پیش نہیں کی۔

آمدن فی حصہ:

31 دسمبر، 2020ء کو اختتام پذیر ہونے والے ششماہی مدت کے لیے منافع فی حصہ 8.39 روپے رہا۔

اہم تبدیلیاں اور معاہدے:

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

اندرونی مالیاتی کنٹرول:

اندرونی نگہداری کا نظام مضبوط بنیادوں پر استوار ہے اور اس کا نفاذ موثر طور سے کیا گیا ہے اور اس پر نظر بھی رکھی جا رہی ہے۔

مجموعی مالیاتی گوشوارے:

زیر نظر ششماہی رپورٹ میں گروپ ہذا کے غیر آڈٹ شدہ مختصر جامع مالیاتی گوشوارے (Condence Interim Consolidated Financial Statements) ہمراہ نوٹس اور ڈائریکٹرز رپورٹ منسلک ہیں۔

آڈیٹرز کی جائزہ رپورٹ:

کمپنی کے آڈیٹرز میسرز کرسٹن حیدر بھیم جی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے کمپنی کے ممبران کو 31 دسمبر، 2020ء کو اختتام پذیر ہونے والی ششماہی مدت کے مالیاتی گوشوارے پر غیر کوالیفائیڈ جائزہ رپورٹ جاری کی ہے۔

بورڈ آف ڈائریکٹرز:

22 دسمبر، 2020ء کو منعقدہ کمپنی کی (EOGM) میٹنگ میں کمپنی کے ممبران نے 24 دسمبر، 2020ء سے شروع ہونے والی تین سال کی مدت کے لئے مندرجہ ذیل ڈائریکٹرز کا انتخاب کیا:

- | | | |
|----------------------------------|---|----------------------|
| (1) محترم جناب ہارون پلوانی | - | ڈائریکٹر |
| (2) محترم جناب عبدالرزاق دیوان | - | ڈائریکٹر |
| (3) محترم جناب زکریا پلوانی | - | ڈائریکٹر |
| (4) محترم جناب عثمان حبیب پلوانی | - | ڈائریکٹر |
| (5) محترم جناب محمد اقبال پلوانی | - | ڈائریکٹر |
| (6) محترم جناب شبیر دیوان | - | ڈائریکٹر |
| (7) محترم جناب محمد توفیق پلوانی | - | ڈائریکٹر |
| (8) محترم جناب محمد وسیم | - | Independent ڈائریکٹر |
| (9) محترم جناب طلعت اقبال | - | Independent ڈائریکٹر |
| (10) محترمہ ہارن فین | - | Independent ڈائریکٹر |

☆ جی آئی ڈی سی (GIDC) کے متعلق 2011ء سے 2020ء تک سپریم کورٹ آف پاکستان کے فیصلے کی وجہ سے کمپنی کو اپنی بقا یا جات 48 اقساط کی شکل میں ادا کرنی پڑیں گی جس سے کمپنی کی Liquidity نمایاں طور پر متاثر ہوگی۔ مزید یہ کہ گیس کمپنی کی جانب سے مابانہ بلوں (BILLS) میں GIDC کے اقساط وصولی کے خلاف معزز ہائی کورٹ آف سندھ نے کمپنی کے حق میں STAY ORDER جاری کر دیا ہے۔ کمپنی نے اپنے صارفین سے GIDC وصول نہیں کیا، جس کا قانونی حل نکالنے کے لئے کمپنی اپنے قانونی مشیر سے رابطے میں ہے تاکہ کمپنی پر اس کے اثرات کم ہو سکیں جبکہ GIDC Act, 2015 میں یہ واضح ہے کہ 2015ء سے پہلے کا GIDC کا اطلاق صنعتی Category پر نہیں ہوگا۔

☆ زیر جائزہ ششماہی کے دوران HUB کے صنعتی علاقے میں گیس پریش کی شدید کمی اور لوڈ شیڈنگ کی وجہ سے کمپنی کو بجلی پیدا کرنے کے لئے مہنگی قیمت والے HFO کا استعمال کرنا پڑا اور اس وجہ سے بجلی کی پیداواری لاگت زیادہ ہو گئی۔ اگر یہ گیس لوڈ شیڈنگ HUB کے صنعتی علاقے میں جاری رہی تو اس سے کمپنی کی کارکردگی نہ صرف بجلی کی پیداوار کے زیادہ اخراجات کی وجہ سے متاثر ہوگی بلکہ گیس کی عدم دستیابی کی وجہ سے پیداواری نقصان بھی ہوگا۔

☆ کمپنی کی خطر رقم انکم ٹیکس ری فنڈ میں پھنسی ہوئی ہے جو Liquidity پر اثر انداز ہو رہی ہے۔

☆ پچھلی مون سون کی بارش نے HUB DAM کی آبی سطح اپنی مکمل صلاحیت (CAPACITY) 340 فٹ تک بڑھ گئی لیکن HUB CANAL کے بندوں کی دیواروں کو نقصان پہنچایا۔ اس کے نتیجے میں کمپنی کو پانی کی فراہمی متاثر ہوئی اور متبادل ذرائع سے مہنگے داموں سے فراہمی کا بندوبست کرنا پڑا۔ مقامی حکومت کو اس مسئلے کو دیکھنا چاہئے کیونکہ پانی کے بغیر انڈسٹری زندہ نہیں رہ سکتی۔

☆ SAP کے ذریعے (Digital-Upgradation) ڈیجیٹل اپ گریڈیشن کا پروجیکٹ شروع کیا گیا ہے، تاکہ وسائل کو بہتر استعمال اور موثر انداز میں بہترین بین الاقوامی طریقوں کو عمل میں لایا جاسکے۔ یہ صرف Technological Upgrade نہیں ہے بلکہ ایسی تبدیلی ہے جس میں Business processes، تنظیم سازی کی بحالی اور انسانی وسائل کو اعلیٰ درجہ پر لانا شامل ہے۔ اس کی کامیاب تکمیل کا مقصد بروقت اور باخبر فیصلوں کے ذریعے مسابقتی برتری کی فراہمی ہے۔

دیگر امور

☆ زیر جائزہ مدت کے دوران مکمل ملکیتی ماتحت ادارہ میسرز گیٹرو پاور (پرائیویٹ) لمیٹڈ کی عملی کارکردگی گیس کی فراہمی میں قلت اور پیرنٹ کمپنی کو متبادل ذرائع سے تیار شدہ مہنگی بجلی کی فراہمی کے نتیجے میں متاثر رہی۔

☆ میسرز جی پیک انرجی (پرائیویٹ) لمیٹڈ کا اصل کاروبار بجلی پیدا کرنا اور فروخت کرنا ہے۔ اس کمپنی کے آپریشنز موجودہ مالی سال کے آخر تک شروع ہونے کی توقع ہے۔

☆ مکمل ملکیتی ماتحت ادارہ میسرز گلوبل سینٹھیک لمیٹڈ نے اب تک اپنے آپریشنز شروع نہیں کئے۔

☆ معزز ہائی کورٹ آف بلوچستان، کوئٹہ نے 21 ستمبر 2020ء کو Scheme of Arrangement کی منظوری دی جس کو بورڈ آف ڈائریکٹرز نے 30 ستمبر 2019ء کی مینٹگ میں منظور کیا تھا۔ منظور شدہ SOA کی موثر تاریخ سے کمپنی نے متعلقہ کمپنی میں اپنی سرمایہ کاری کو ڈی ریکگنائز (Derecogize) کر دیا ہے۔

درپیش چیلنجز اور مستقبل پر ایک نظر

☆ ایک اہم پیشرفت یہ ہے کہ پچھلے بجٹ میں درآمد شدہ پالیٹر فلیمنٹ یارن (PFY) پر ریگولیٹری ڈیوٹی (جو کہ جون 2019ء میں ہٹادی گئی تھی) کو یکم جولائی 2020ء سے 2.50 فیصد سے بحال کی گئی۔ کمپنی اس بحالی کی قدر کرتی ہے کیونکہ اس ریگولیٹری ڈیوٹی سے کمپنی کو Dumped Imported مصنوعات کا مقابلہ کرنے میں مدد ملی اور امید ہے کہ کمپنی کی پیداواری صلاحیت سال 2017ء میں 36,000 ٹن سے بڑھ کر سال 2020-21 تک 60,000 ٹن سے بھی زیادہ ہو جائے گی۔ جیسا کہ پچھلی ڈائریکٹرز رپورٹ میں بھی واضح کیا گیا کہ ریگولیٹری ڈیوٹی کی بحالی کے پیش نظر کمپنی اپنی پیداواری صلاحیت میں مزید توسیع (جو پہلے روک دی گئی تھی) کے ساتھ آگے بڑھ رہی ہے، جو جون 2021ء میں شروع ہو جانے کی امید ہے۔ پچھلی توسیع (Covid-19 کے آغاز سے پہلے ہی عمل میں آچکی تھی) جو کہ Covid-19 کی وجہ سے رُک گئی تھی مگر اگست/ستمبر 2020ء کے بعد سے دوبارہ آپریشن میں ہے (جس نے ابھی کمپنی کی پیداوار کو 57,000 ٹن سے 65,000 ٹن تک پہنچایا ہے۔ اس طرح کمپنی کی پیداوار جو 17-2016 میں محض 36,000 ٹن تھی انشاء اللہ سال 2021-22 میں دوگنی ہو کر 75,000 ٹن ہو جائے گی۔

☆ پی ایف وائی (PFY) کے اکثر درآمد کنندگان ایٹنی ڈمپنگ ڈیوٹی دینے سے گریز کر رہے ہیں اور ابھی تک یہ ڈیوٹی نہیں دے رہے۔ پچھلے 3 سالوں میں تقریباً 85 فیصد پی ایف وائی درآمدات پر ایٹنی ڈمپنگ ڈیوٹی نہیں دی گئی جس کی مالیت 8 بلین روپے سے زیادہ ہے جبکہ اس رویہ نے انڈسٹری کو ہونے والے نقصان کو اس ایٹنی ڈمپنگ ڈیوٹی نے کم کرنے میں مدد نہیں دی۔ سال 2005ء سے 2010ء میں جب سابقہ ایٹنی ڈمپنگ نافذ کی گئی تھی تو، قابل اطلاق ڈمپنگ ڈیوٹی صرف 5 فیصد جمع کی گئی جبکہ 95 فیصد جمع نہیں کی گئی۔ ایٹنی ڈمپنگ ڈیوٹی پی ایف وائی انڈسٹری پر سال 2005ء سے 2010ء اور 2017ء سے 2020ء کے دوران بچھنے والے نقصانات کی تلافی میں سراسر غیر موثر ثابت ہوئی، سال 2013ء سے 2017ء تک این ٹی سی کورم کے مسائل کی وجہ سے ایٹنی ڈمپنگ ڈیوٹی عائد نہیں کی جاسکی۔ ریگولیٹری ڈیوٹی جو کہ واحد ڈھال ہے (گو کہ جزوی ہے) کو مؤثر طریقے سے نافذ کی گئی جس کی وجہ سے پیداواری صلاحیت میں اوپر ڈر کر کے گئے اضافے میں مدد ملی۔

☆ طویل عرصے سے، چین اور مشرق بعید سے درآمد شدہ یارن اہم خام مال کے مقابلے میں انتہائی کم ڈیپلا پر Dumped کیا جاتا ہے کیونکہ یہ تمام غیر ملکی پروڈیوسر اپنی صلاحیت کا 80 فیصد سے زیادہ مال اپنے ملک میں فروخت کرتے ہیں جبکہ لاگت سے کم قیمت پر پاکستان درآمد کرتے ہیں جس میں صرف Variable قیمت اور کچھ Fixed Cost شامل ہوتی ہے۔ پاکستان نے تین بڑے چینی پروڈیوسروں پر 3.25 فیصد سے 4.97 فیصد تک کی ایٹنی ڈمپنگ ڈیوٹی عائد کی جو کہ Actual Dumping کی نسبت بہت کم ہے اور ترکی کی طرف سے عائد کی جانے والی ایٹنی ڈمپنگ ڈیوٹی کم سے کم 16 فیصد یا 250\$ فی ٹن اور ہندوستان نے کم سے کم 23 فیصد ان پروڈیوسروں پر عائد کی، ایسی ہی ریگولیٹری ڈیوٹی کی ضرورت ہے۔ امریکہ نے بھی چینی فلیمنٹ یارن پروڈیوسر پر 32 فیصد سے 459 فیصد تک ایٹنی سبسڈی ڈیوٹی عائد کی ہے۔ اور یہاں تک کہ اس کم 3.25 سے 4.97 فیصد ڈیوٹی کو پچھلے 3 سالوں کی مدت میں 85 فیصد حصہ پاکستان میں جمع نہیں کی گئی۔

☆ سالانہ بجٹ 2020-21 میں عائد ریگولیٹری ڈیوٹی نے مقامی صنعت کو بحال ہونے میں بہت زیادہ مدد فراہم کر رہی ہے۔ اس ریگولیٹری ڈیوٹی کے پیش نظر، آپ کی کمپنی مذکورہ بالا 75,000 ٹن سے بھی زیادہ جنوری 2022ء تک مزید توسیع پر غور کر رہی ہے۔ سال 2022ء کے دوران درآمد شدہ یارن کا مقابلہ کرنے کے ساتھ ساتھ ایٹنی ڈمپنگ ڈیوٹیوں (ADDs) کے تسلسل اور ریگولیٹری ڈیوٹی کی Back-up پر یہ توسیع اور پاکستان میں دوسرے Filament Yarn کے پروڈیوسروں کی توسیع PFY کی مقامی پیداوار کو ایک سطح تک لے جاسکتی ہے جو سال 2024-25 تک مقامی طلب کی 70 فیصد سے زیادہ کو پورا کر سکتی ہے جو سال 2017ء میں صرف 33 فیصد تھی۔ اس توسیع کی وجہ سے درآمدی متبادل کے علاوہ اس سے صنعت میں پہلے سے فراہم کردہ ملازمتوں سے کہیں زیادہ مقامی ملازمت میں اضافہ ہوگا۔

☆ کاٹن کی فصل کم کاشت کی جانے کی وجہ سے یہ ضروری ہے کہ 200 ملین سے زیادہ مقامی آبادی مقامی خام مال سے تیار شدہ ٹیکسٹائل مصنوعات استعمال کرے۔ یہاں یہ بتانا بھی ضروری ہے کہ فلامنٹ یارن میں استعمال ہونے والا PTA جیسا کہ اہم خام مال پاکستان میں بنایا جاتا ہے اور اب جبکہ سعودی ریفرنسری کا قیام عمل میں لایا جا رہا ہے تو PTA کا اہم خام مال PARAXYLENE کیمیکل بھی خام تیل سے ملک میں ہی بنایا جاسکے گا جس کے نتیجے میں خود انحصاری حاصل ہو سکے گی اور خام تیل سے لیٹر پالیٹر فلیمنٹس تک کی پوری Chain ملک میں ہی بنے گی۔

بورڈ آف ڈائریکٹرز کی رپورٹ

معزز ممبران،

گیٹرون (انڈسٹریز) لمیٹڈ کے ڈائریکٹرز 31 دسمبر 2020ء کو اختتام پذیر ہونے والی ششماہی مدت کے لئے رپورٹ ہمراہ مالیاتی گوشوارے جس کا کمپنی کے بیرونی آڈیٹرز نے جائزہ لیا، پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

مالیاتی جائزہ:

زیر جائزہ مدت کا مالیاتی خلاصہ درج ذیل ہے :

☆	خالص فروخت 7,411 ملین روپے۔
☆	آپریٹنگ منافع 457 ملین روپے۔
☆	منافع قبل از ٹیکس 426 ملین روپے۔
☆	منافع بعد از ٹیکس 322 ملین روپے۔
☆	آمدنی فی حصہ 8.39 روپے۔

پچھلے مالی سال میں COVID-19 کے مشکل حالات کی وجہ سے کمپنی کو بہت نقصان اٹھانا پڑا، لیکن ملک بھر میں لاک ڈاؤن ختم ہونے کے بعد صارفین کی طلب میں اضافے نے موجودہ ششماہی میں کمپنی کو اپنی کارکردگی بہتر بنانے میں کامیابی ہوئی۔ PTA/MEG کی قیمتیں جو جولائی 2020ء میں اوسط \$475/\$410 تھیں جو کہ بڑھ کر \$520/\$495 کی سطح تک پہنچ گئیں۔ جبکہ جولائی تا دسمبر 2020ء کے دوران تبادلہ زر کی شرح 167 سے کم ہو کر 160 روپے تک ہو گئی۔

کمپنی کی دونوں مصنوعات کی فروخت میں 12 فیصد کا اضافہ ہوا۔ گزشتہ اسی مدت کے مقابلے میں پالیسٹر فلیمنٹ یارن کی فروخت کی مقدار میں 26 فیصد جبکہ پریفارمز کی فروخت کی مقدار میں 24 فیصد کا اضافہ ہوا۔ پالیسٹر فلیمنٹ یارن کی پچھلے سال کی اسی مدت میں ٹیکسٹائل سیکٹر پر 17 فیصد سیلز ٹیکس اور غیر رجسٹرڈ خریداروں پر سی این آئی سی جیسی سخت شرائط کی وجہ سے مجموعی فروخت میں کمی تھی۔

تقسیم اور فروخت کے اخراجات میں گزشتہ سال کے مقابلے میں 35 فیصد کا خاطر خواہ اضافہ ہوا جس کی بنیادی وجہ فریٹ اور ٹرانسپورٹ کے چارجز میں غیر معمولی اضافہ ہے۔ دوسری طرف انتظامی اخراجات میں 3 فیصد کمی کی واقع ہوئی۔

30 جون 2020ء کے مقابلے میں اسٹاک کی مالیت تقریباً 477 ملین روپے اضافے سے بڑھ کر 2,872 ملین روپے کی سطح پر پہنچ گئی۔ قابل وصول قرضوں کی مالیت 333 ملین روپے سے بڑھ کر 2,564 ملین روپے تک پہنچ گئی۔ جبکہ قرضداری 196 ملین روپے اضافے سے بڑھ کر 1,773 ملین روپے تک پہنچی۔ ان امور کی وجہ سے ورکنگ کپینٹل کی ضروریات بڑھ گئیں اور قلیل مدتی قرضہ جات میں 30 جون 2020ء کے مقابلے میں 735 ملین روپے کا اضافہ ہوا۔

ذیل کے پیرا گراف میں ذکر کئے جانے والے توسیعی پروڈکٹس کے علاوہ کمپنی 1136 کلو واٹ کے شمسی پینل کی تنصیب، پرانی لائنوں کے وائیٹرز اور ایکسٹروڈرز (Winders & Extruders) کی صلاحیتوں کو بڑھانا، بار بار گیس کی لوڈ شیڈنگ سے نمٹنے کیلئے بجلی کی مد میں اور پی ایف وائی کی پیکنگ اور معائنہ (Inspection) کے طریقہ کار کو آٹومیشن کیلئے سرمایہ کاری پر غور کر رہی ہے۔



INDEPENDENT AUDITOR'S REVIEW REPORT
To the Members of Gatron (Industries) Limited
Report on Review of Condensed Interim Un-consolidated financial statements

Introduction:

We have reviewed the accompanying condensed interim un-consolidated statement of financial position of **GATRON (INDUSTRIES) LIMITED** ("the Company") as at December 31, 2020, and the related condensed interim un-consolidated statement of profit or loss, condensed interim un-consolidated statement of comprehensive income, condensed interim un-consolidated statement of changes in equity and condensed interim un-consolidated statement of cash flows and notes to the financial statements for the half year ended (here-in-after referred to as the "condensed interim un-consolidated financial statements"). Management is responsible for the preparation and presentation of these condensed interim un-consolidated 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 condensed interim un-consolidated financial statements based on our review. The figures for the quarters ended December 31, 2020 and December 31, 2019 in the condensed interim un-consolidated financial statements have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2020.

Scope of Review:

We conducted our review in accordance with the International Standard on Review engagements 2410, "Review of condensed Interim financial information Performed by the Independent Auditor of the Entity". A review of condensed Interim un-consolidated 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 condensed interim un-consolidated financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner of the review resulting in this independent auditor's report is Mohammad Hanif Razzak.

KRESTON HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

Karachi: the February 16, 2021

Condensed Interim Un-consolidated Statement of Financial Position

AS AT DECEMBER 31, 2020

		(Rupees in Thousand)	
	Note	December 2020 (Un-audited)	June 2020 (Audited)
ASSETS			
Non - Current Assets			
Property, plant and equipment	5	4,146,558	3,577,722
Intangible assets	6	28,014	17,614
Long term investments		431,114	875,097
Long term loans		161,791	111,718
Long term deposits		3,079	3,229
		4,770,556	4,585,380
Current Assets			
Stores, spare parts and loose tools		769,453	762,932
Stock in trade	7	2,871,574	2,394,758
Trade debts	16	2,563,678	2,230,264
Loans and advances		77,515	65,654
Trade deposits and short term prepayments		163,275	42,746
Other receivables	16	258,916	130,754
Sales tax refund due from Federal Government		8,634	8,634
Cash and bank balances		94,434	64,157
		6,807,479	5,699,899
TOTAL ASSETS		11,578,035	10,285,279
EQUITY AND LIABILITIES			
EQUITY			
Share capital	8	383,645	383,645
Capital reserve - share premium		383,645	383,645
General reserve		3,250,000	3,250,000
Unappropriated profit		1,190,147	1,315,439
		5,207,437	5,332,729
LIABILITIES			
Non - Current Liabilities			
Long term financing		1,628,879	1,174,783
Deferred and other liabilities	9	494,995	415,372
		2,123,874	1,590,155
Current Liabilities			
Trade and other payables	10 & 16	1,773,459	1,577,633
Unclaimed dividend		21,499	21,544
Accrued mark up		18,878	53,469
Short term borrowings		2,407,177	1,671,941
Current portion of long term financing		23,454	3,170
Provision for income tax less payments		2,257	34,638
		4,246,724	3,362,395
CONTINGENCIES AND COMMITMENTS	11		
TOTAL EQUITY AND LIABILITIES		11,578,035	10,285,279

The notes 1 to 19 annexed herewith form an integral part of these condensed interim un-consolidated financial statements.

SHABBIR DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer

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

FOR THE HALF YEAR ENDED DECEMBER 31, 2020

(Rupees in Thousand)				
	Oct-2020 to Dec-2020	Oct-2019 to Dec-2019	Jul-2020 to Dec-2020	Jul-2019 to Dec-2019
Note				
Sales	3,662,945	3,211,342	7,410,500	6,637,317
Cost of sales	3,381,407	2,952,475	6,713,967	6,139,471
Gross profit	281,538	258,867	696,533	497,846
Distribution and selling costs	58,641	37,890	107,968	79,691
Administrative expenses	79,894	80,743	144,985	148,943
Other operating expenses	14,285	14,755	40,168	29,480
	152,820	133,388	293,121	258,114
Other income	128,718	125,479	403,412	239,732
Operating profit	45,768	7,291	53,930	28,599
Finance costs	174,486	132,770	457,342	268,331
	24,845	57,332	45,643	76,946
	149,641	75,438	411,699	191,385
Remeasurement gain on provision for GIDC	14,253	-	14,253	-
Investment income - Dividend	12	-	67,725	-
	-	67,725	-	464,625
Profit before income tax	163,894	143,163	425,952	656,010
Income tax - Current & prior	13	51,952	48,207	107,804
- Deferred		1,877	-	(3,560)
	53,829	48,207	104,244	158,766
Profit after income tax	110,065	94,956	321,708	497,244
Earnings per share - Basic and diluted (Rupees)	2.87	2.48	8.39	12.96

The notes 1 to 19 annexed herewith form an integral part of these condensed interim un-consolidated financial statements.

SHABBIR DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer

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

FOR THE HALF YEAR ENDED DECEMBER 31, 2020

	(Rupees in Thousand)			
	Oct-2020 to Dec-2020	Oct-2019 to Dec-2019	Jul-2020 to Dec-2020	Jul-2019 to Dec-2019
Profit after income tax	110,065	94,956	321,708	497,244
Other comprehensive income				
Items that will never be reclassified to profit or loss				
Gain on remeasurement of defined benefit plan having nil tax impact	-	468	-	468
Total comprehensive income	110,065	95,424	321,708	497,712

The notes 1 to 19 annexed herewith form an integral part of these condensed interim un-consolidated financial statements.

SHABBIR DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer

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

FOR THE HALF YEAR ENDED DECEMBER 31, 2020

	Share Capital	Capital reserve Share Premium	General reserve	Unappropriated profit	Total
	(Rupees in Thousand)				
Balances as at July 01, 2019	383,645	383,645	3,250,000	1,286,708	5,303,998
Total comprehensive income for the half year ended December 31, 2019	-	-	-	497,712	497,712
Transactions with owners					
Final cash dividend for the year ended June 30, 2019 at Rs.15.00 per share i.e. @150%	-	-	-	(575,467)	(575,467)
Balances as at December 31, 2019	383,645	383,645	3,250,000	1,208,953	5,226,243
Total comprehensive income for the half year ended June 30, 2020	-	-	-	586,042	586,042
Transactions with owners					
Interim cash dividend for the year ended June 30, 2020 at Rs.12.50 per share i.e. @125%	-	-	-	(479,556)	(479,556)
Balances as at June 30, 2020	383,645	383,645	3,250,000	1,315,439	5,332,729
Total comprehensive income for the half year ended December 31, 2020	-	-	-	321,708	321,708
Effect on long term investment in associated company Messrs. Novatex Limited under approved Scheme of Arrangement	-	-	-	(447,000)	(447,000)
Balances as at December 31, 2020	383,645	383,645	3,250,000	1,190,147	5,207,437

The notes 1 to 19 annexed herewith form an integral part of these condensed interim un-consolidated financial statements.

SHABBIR DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer

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

FOR THE HALF YEAR ENDED DECEMBER 31, 2020

	(Rupees in Thousand)	
	Jul-2020 to Dec-2020	Jul-2019 to Dec-2019
Cash Flows (towards)/from Operating Activities		
Profit before income tax	425,952	656,010
Adjustments for:		
Depreciation	247,508	170,167
Provision for defined benefit plan	21,006	31,676
Gain on disposal of property, plant and equipment	(16,665)	(4,294)
Loss on disposal of property, plant and equipment	36	40
Impairment in long term investments	7,880	25
(Reversal)/provision of allowance for ECL - net	(1,262)	9,166
(Reversal)/provision for slow moving stores, spare parts and loose tools - net	(8,084)	3,403
Remeasurement gain on provision for GIDC	(14,253)	-
Investment income - Dividend	-	(464,625)
Finance costs	45,643	76,946
	281,809	(177,496)
	707,761	478,514
(Increase)/decrease in current assets:		
Stores, spare parts and loose tools	1,563	(634)
Stock in trade	(476,816)	(472,082)
Trade debts	(332,152)	(493,075)
Loans and advances	(9,368)	(15,392)
Trade deposits and short term prepayments	(120,529)	(7,293)
Other receivables	(128,162)	(60,949)
Sales tax refund due from Federal Government	-	30,957
	(1,065,464)	(1,018,468)
Increase in Trade and other payables	282,794	549,795
Cash flows (towards)/from operations before following	(74,909)	9,841
(Payments for)/receipts of:		
Long term loans	(52,566)	(82,265)
Long term deposits	150	(505)
Defined benefit plan	(8,185)	(4,288)
Finance costs	(80,234)	(47,488)
Income tax	(140,304)	(166,123)
Group taxation impact	(2,903)	(28)
Net cash flows towards operating activities	(358,951)	(290,856)
Cash Flows (towards)/from Investing Activities		
Additions in property, plant and equipment	(819,560)	(1,335,519)
Proceeds from disposal of property, plant and equipment	20,514	7,855
Additions in intangible assets	(10,400)	-
Long term investment made	(10,897)	(278,895)
Dividend received	-	464,625
Net cash flows towards investing activities	(820,343)	(1,141,934)
Cash Flows from/(towards) Financing Activities		
Long term financing - proceeds received	474,380	979,221
Dividend paid	(45)	(572,425)
Net cash flows from financing activities	474,335	406,796
Net decrease in cash and cash equivalents	(704,959)	(1,025,994)
Cash and cash equivalents at the beginning of the period	(1,607,784)	(794,401)
Cash and cash equivalents at the end of the period	(2,312,743)	(1,820,395)
CASH AND CASH EQUIVALENTS COMPRISE OF:		
Cash and bank balances	94,434	57,657
Short term borrowings	(2,407,177)	(1,878,052)
	(2,312,743)	(1,820,395)

The notes 1 to 19 annexed herewith form an integral part of these condensed interim un-consolidated financial statements.

SHABBIR DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTAFA BILWANI
Chief Financial Officer

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

FOR THE HALF YEAR ENDED DECEMBER 31, 2020

1 THE COMPANY AND ITS OPERATIONS

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

1.2 Following are the wholly owned subsidiaries of the Company:

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

1.3 The Board of Directors of the Company in its meeting held on September 30, 2019 has approved the draft Scheme of Arrangement under Sections 279 to 283 and 285 of the Companies Act, 2017 in respect of shares owned by the Company in associated company Messrs. Novatex Limited. The members of the Company has approved the Scheme in the Extra Ordinary General Meeting held on February 12, 2020. In term of the scheme, all 56.7 million Ordinary Shares of Messrs. Novatex Limited held by the Company shall be cancelled and in lieu of such cancellation new shares in Messrs. Novatex Limited will be issued to the shareholders of the Company, held by the respective shareholder as of the book closure date. On September 21, 2020, the Honorable Balochistan High Court has sanctioned the Scheme of Arrangement and the Company has filed the order with Registrar on October 06, 2020. Accordingly, the Company has derecognise the investment in associated company amounting to Rs.447 million as per approved Scheme of Arrangement.

2 BASIS OF PREPARATION

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

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

2.3 These condensed interim un-consolidated financial statements are unaudited and do not include all the information and disclosures of the annual financial statements and should be read in conjunction with the audited financial statements of the Company for the year ended June 30, 2020.

- 2.4** The figures included in the condensed interim un-consolidated statement of profit or loss for the quarters ended December 31, 2020 and 2019 and in the notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the accumulated figures for the half years ended December 31, 2020 and 2019.

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

2.5.1 Amendments to published approved accounting standards which are effective during the half year ended December 31, 2020:

There are certain amendments and interpretations to approved accounting and reporting standards which are mandatory for the Company's annual accounting period beginning on July 1, 2020; however, these do not have any significant impact on these condensed interim un-consolidated financial statements, hence not described.

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

There are certain new standards and amendments to the approved accounting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2021. However, these amendments will not have any significant impact on the financial reporting of the Company, therefore, have not been disclosed in these condensed interim un-consolidated financial statements.

2.6 Functional and reporting currency

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

3 ACCOUNTING ESTIMATES AND JUDGEMENTS

Judgements and estimates made by the management in the preparation of these condensed interim un-consolidated financial statements were the same as those applied to the audited financial statements as at and for the year ended June 30, 2020.

4 SIGNIFICANT ACCOUNTING POLICIES

These condensed interim un-consolidated financial statements have been prepared, following the same accounting policies as were applied in the preparation of the audited financial statements as at and for the year ended June 30, 2020.

	Note	(Rupees in Thousand)	
		December 2020 (Un-audited)	June 2020 (Audited)
5 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	3,198,301	3,265,235
Capital work in progress	5.2	948,257	312,487
		4,146,558	3,577,722



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

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

	(Rupees in Thousand)	
	Half year ended December 2020	Half year ended December 2019
Freehold Land	1,070	-
Leasehold land	32,226	-
Building on leasehold land	6,095	-
Plant and machinery	129,392	27,605
Factory equipment	7,626	8,201
Motor vehicles	8,050	47,373
	<u>184,459</u>	<u>83,179</u>
Disposals at NBV during the period		
Office premises	942	-
Plant and machinery	35	-
Office equipment	29	53
Motor vehicles	2,879	3,548
	<u>3,885</u>	<u>3,601</u>

5.2 Capital work in progress

Balance as at start of the period	312,487	196,133
Additions	749,747	1,255,193
Transfer to operating fixed assets	(113,977)	-
Balance as at end of the period	<u>948,257</u>	<u>1,451,326</u>
	December 2020 (Un-audited)	June 2020 (Audited)

6 INTANGIBLE ASSETS

Capital work in progress		
Balance as at start of the period	17,614	-
Additions	<u>10,400</u>	<u>17,614</u>
Balance as at end of the period	<u>28,014</u>	<u>17,614</u>

7 STOCK IN TRADE

These include items costing Rs.235.344 million (June 2020: Rs.1,343.485 million) valued at net realisable value of Rs.155.301 million (June 2020: Rs.1,193.240 million).

8 SHARE CAPITAL

(Number of Shares)			(Rupees in Thousand)	
December 2020 (Un-audited)	June 2020 (Audited)		December 2020 (Un-audited)	June 2020 (Audited)
		Note		
8.1	Authorised capital			
95,000,000	95,000,000	Ordinary shares of Rs. 10 each	950,000	950,000
8.2	Issued, subscribed and paid up capital			
30,136,080	30,136,080	Ordinary shares of Rs.10 each allotted for consideration paid in cash	301,361	301,361
8,228,400	8,228,400	Ordinary shares of Rs.10 each allotted as fully paid bonus shares	82,284	82,284
<u>38,364,480</u>	<u>38,364,480</u>		<u>383,645</u>	<u>383,645</u>

9 DEFERRED AND OTHER LIABILITIES

	Income tax - net		4,386	7,946
	Defined benefit plan	9.1	420,247	407,426
	Provision for Gas Infrastructure Development Cess	9.2	70,362	-
			<u>494,995</u>	<u>415,372</u>
9.1	Defined benefit plan			
	Balance as at start of the period		407,426	373,162
	Expense		21,006	63,556
	Remeasurement gain		-	(23,121)
	Payments		(8,185)	(6,171)
	Balance as at end of the period		<u>420,247</u>	<u>407,426</u>

9.2 Provision for Gas Infrastructure Development Cess

During the period, the Supreme Court of Pakistan has decided the Appeal against consumers upholding the vires of GIDC Act, 2015 through its judgement dated August 13, 2020. The Review Petition was filed against the Judgment, wherein the Honorable Court has provided some relief by increasing the time period for recovery of GIDC from 24 installments to 48 installments and dismissed the Review Petition.

The Company has filed a Civil Suit before the Honorable Sindh High Court against payment of GIDC instalments on the ground that the Company has not passed on the burden of Cess. The Honorable Court has granted stay order to Plaintiffs whereby the Messrs. Sui Southern Gas Company Limited has been restrained to take any coercive action against non payment of GIDC installments.

The Company has recorded the provision at its present value by discounting the future cash flows at risk free rate and has booked income of Rs.14.253 million.

10 TRADE AND OTHER PAYABLES

Trade and other payables includes provision in respect of following:

- 10.1** The Oil and Gas Regulatory Authority (OGRA) had enhanced gas rate from Rs.488.23 per MMBTU for industrial and Rs.573.28 per MMBTU for captive power to Rs.600 per MMBTU with effect from September 01, 2015. The Company alongwith several other companies filed suit in the Sindh High Court challenging the increase in rate. The Honorable Sindh High Court had initially granted interim relief, whereby recovery of enhanced rate was restrained. In May

2016, The Single Bench of Sindh High Court decided the case in favour of the Petitioners. However, in June 2016, Defendants filed appeal before Double Bench of Sindh High Court which was also decided in favor of the Petitioners. M/s. Sui Southern Gas Company Limited (SSGCL) then have filed appeal and pending before Honorable Supreme Court of Pakistan. Meanwhile, OGRA had issued another notification dated December 30, 2016 overriding the previous notification and SSGCL billed @ Rs.600 per MMBTU. However, on January 19, 2017, the Company alongwith others filed a suit in the Sindh High Court against OGRA, SSGCL and others. The Honorable Sindh High Court granted interim relief and instructed SSGCL to revise bills at previous rate against securing the differential amount with the Nazir of the court. Accordingly, the Company has provided bankers' verified cheque to Nazir of High Court amounting to Rs.47.667 million (June 2020: Rs.47.667 million). As an abundant precaution, the Company has made total provision of Rs.40.194 million (June 2020: Rs.40.194 million). On October 04, 2018, OGRA has issued another notification to increase gas tariff with effect from September 27, 2018 for different categories and the Company is paying full amount of the gas bills as per this notification.

- 10.2** In August 2013, OGRA had enhanced gas rate from Rs.488.23 per MMBTU to Rs.573.28 per MMBTU for captive power and accordingly, SSGCL started charging rate prescribed for captive power to the Company with effect from September 2013. On December 21, 2015, the Company alongwith several other companies filed suit in the Sindh High Court against OGRA, SSGCL and others challenging the charging of captive power tariff instead of industrial tariff. The Honorable Sindh High Court has granted interim relief, whereby recovery of captive power rate has been restrained. Meanwhile, OGRA had issued another notification dated December 30, 2016 overriding the previous notification and SSGCL billed @ Rs.600 per MMBTU. However, on January 19, 2017, the Company alongwith others filed a suit in the Sindh High Court against OGRA, SSGCL and others. The Honorable Sindh High Court granted interim relief and instructed SSGCL to revise bills at previous rate against securing the differential amount with the Nazir of the court. Accordingly, the Company has provided bankers' verified cheque to Nazir of High Court (refer note 10.1). As an abundant precaution, the Company has made provision of Rs.15.977 million (June 2020: Rs.15.977 million) pertaining to the period of November 2015 to September 2018 and did not create receivable of Rs.13.629 million in respect of period from August 2013 to October 2015. On October 04, 2018, OGRA has issued another notification to increase gas tariff with effect from September 27, 2018 for different categories and the Company is paying full amount of the gas bills as per this notification. In February, 2020, the Honorable Single Bench of Sindh High Court has decided the case in favor of Petitioners. SSGCL has filed appeal before the Double Bench of Sindh High Court against the decision and is pending for adjudication.
- 10.3** Provision of Sindh Sales Tax on rent payable to an associated company Messrs. Novatex Limited amounted to Rs.6.297 million (June 2020: Rs.5.998 million). The associated company had file a suit in the Sindh High Court against Sindh Revenue Board and Province of Sindh etc. On August 28, 2018, the Single Bench of Sindh High Court decided the case in favour of the associated company. However, the Sindh Revenue Board filed an appeal against the decision before the Double Bench of Sindh High Court.
- 10.4** The Company had filed a petition in the Sindh High Court at Karachi on May 25, 2011 against Province of Sindh and Excise and Taxation Department, challenging the levy of Infrastructure Cess on imports. Through an interim order dated May 31, 2011, the Honorable Sindh High Court ordered to pay 50% in cash of this liability effective from December 28, 2006 and to submit bank guarantee for the rest of 50% until the final order is passed. In April 2017, the Government of Sindh has promulgated the Sindh Development and Maintenance of Infrastructure Cess Act, 2017. On October 23, 2017, the Company has also challenged the new Act in the Sindh High Court against Province of Sindh and Excise and Taxation Department and similar stay has been granted by the Honorable Sindh High Court. Till reporting date, the Company has provided bank guarantee amounting to Rs.218.365 million (June 2020: Rs.198.365 million) in favour of Excise and Taxation Department, in respect of consignments cleared after December 27, 2006 (refer note 11.2). Based on the legal advise, the management believes that the case will be decided in favour of the Company. However, full provision after December 27, 2006 has been made in these condensed interim un-consolidated financial statements as an abundant precaution.

- 10.5** The Federal Board of Revenue (FBR) vide SRO 491(I)/2016 dated June 30, 2016 made certain amendments in SRO 1125(I)/2011 dated December 31, 2011 including disallowance of input tax adjustment on packing material of textile products. Consequently, input tax adjustment on packing material of textile product was not being allowed for adjustment with effect from July 01, 2016 till June 30, 2018. On January 16, 2017, the Company had challenged the disallowance of input tax adjustment on packing material in the Sindh High Court against Federation of Pakistan and others. The Honorable Sindh High Court has decided the matter in favour of Tax Department, against which the Company is in process of filing appeal before the Honorable Supreme Court of Pakistan.

Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will ultimately decided in favour of the Company. However, as an abundant precaution, the Company has made provision of Rs.65.752 million till June 30, 2018.

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

Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Company. However, as an abundant precaution, the Company has made provision of Rs.49.560 million (June 2020: Rs.36.485 million).

- 10.7** Provision of Gas Infrastructure Development Cess Rs.7.512 million (June 2020: Rs.7.417 million) and rate difference of gas tariff Rs.2.219 million (June 2020: Rs.2.063 million) on account of common expenses payable to an associated company Messrs. Novatex Limited.

11 CONTINGENCIES AND COMMITMENTS

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

11.1 Contingencies

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

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

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

- 11.1.2** In May 2015, the Parliament passed the Gas Infrastructure Development Cess (GIDC) Act 2015, which seeks to impose GIDC levy since 2011. On July 16, 2015, the Company alongwith several other companies filed suit in the Sindh High Court against OGRA and others challenging the validity and promulgation of GIDC Act 2015. The Single Bench of Honorable Sindh High Court had decided the case in favour of Petitioners. However, in May 2020, Defendants have filed appeal before the Double Bench of Sindh High Court. On August 13, 2020, the Honorable Supreme Court of Pakistan finally in the appeals filed by the industries of Khyber Pakhtunkhwa,

passed a judgment in favor of government declaring the GIDC Act 2015 intra vires and directed all the Petitioners/Appellants (including industries of all over Pakistan) for payment of Cess liability accrued till July 31, 2020 in 24 equal monthly installments. The Company has filed Review Petition against the Judgment, wherein the Honorable Court has provided some relief by increasing the time period for recovery of GIDC from 24 installments to 48 installments and dismissed the Review Petition. The Company has filed a Civil Suit before the Honorable Sindh High Court against payment of GIDC instalments on the ground that the Company has not passed on the burden of Cess. The Honorable Court has granted stay order to Plaintiffs whereby the Messrs. Sui Southern Gas Company Limited has been restrained to take any coercive action against non payment of GIDC installments.

Total amount of enhanced GIDC upto July 31, 2020 worked out at Rs.162.479 million (June 2020: Rs.161.487 million), however, the Company make a provision of liability for Rs.123.141 million (June 2020: Rs.122.149 million) pertaining to the period of July 2014 to July 2020 for Captive Power and June 2015 to July 2020 for Industrial as an abundant precaution, so that current ratio will not materially disturbed in case of payment.

- 11.1.3** The Company along with several other companies has filed a Constitution Petition in the Sindh High Court on April 13, 2016 against Employment Old Age Benefits Institution (EOBI) and others against a notice issued by the EOBI to the Company to pay contribution at the revised rate of wages with retrospective effect. The Honorable Sindh High Court has already restrained EOBI from taking any coercive action against the Company. No provision of the amount involved i.e. Rs.26.404 million (June 2020: Rs.24.882 million) has been made in these condensed interim un-consolidated financial statements as the Company is confident for the favorable outcome of the Petition.
- 11.1.4** The Company filed four appeals on 2nd, 9th, 17th May and 20th June 2018 before the Commissioner Inland Revenue (Appeals) (CIR(A)) – 2, Large Taxpayers Unit, Karachi for the tax periods July 2012 to December 31, 2016 against the assessment orders passed by the Deputy Commissioner Inland Revenue (DCIR), Large Taxpayers Unit, passed under section 11 (2) of the Sales Tax Act, 1990 through which cumulative demand for the aforesaid periods amounting to Rs.55.423 million excluding default surcharge was created. In the assessment orders, major areas on which impugned demand has been raised relates to disallowance of input tax on purchases and recovery of sales tax on sales to subsequently suspended / blacklisted persons. The Company has already deposited Rs.28 million under protest into the Government Treasury for stay against the full recovery. The CIR(A) has issued judgment in respect of impugned order for tax periods July 2012 to June 2013 wherein the entire order of the Tax Officer has been held as illegal and unconstitutional. However, the Tax Department has been filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order passed by CIR(A). The CIR(A) has decided the matter for tax periods July 2014 to June 2015 and July 2015 to December 2016 wherein the case has been partially decided in favour for the Company. However, the Company has filed appeals before the ATIR against orders passed by CIR(A). No provision has been made in these condensed interim un-consolidated financial statements as the Company is confident that the matter will be decided in favour by the appellate authorities.
- 11.1.5** Income tax department issued order under section 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2012 wherein income tax demand of Rs. 37.773 million was raised on various issues. Out of the total amount, the Company paid Rs.3.777 million under protest. Appeal was filed before the CIR(A) and the CIR(A) had decided the case partially in favour of the Company whereas major issues were decided in favour of the tax department. Based on the judgment of the CIR(A), the revised demand comes out to Rs.28.2 million. The Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order of the CIR(A) and the learned ATIR, vide its judgment dated January 1, 2019 has decided the case in favour of the Company. As of now, the tax department has not yet filed appeal against the said judgment of ATIR.

- 11.1.6** Income Tax department issued order under section 122(1) of the Income Tax Ordinance, 2001 for the Tax Year 2015 wherein income tax demand of Rs. 25.888 million was raised on various issues. Out of the total amount, the Company paid Rs.2.589 million under protest. Appeal was filed before the CIR(A) and the CIR(A) has decided partially in favour of the Company. Appeal effect in line with CIR(A) order has been issued by the tax department wherein an amount of Rs.3.791 million determined as refundable to the Company. Appeal has been filed by the Company as well as the tax department before ATIR, however, no hearing has been conducted till date. Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Company.
- 11.1.7** The tax officer alleged the Company for charging sales tax at reduced rate instead of standard rate of 17% during the tax periods from July 2014 to June 2015 and raised the demand of Rs.1.741 million along with penalty of Rs.0.087 million. The Company has filed an appeal before CIR(A) against order of the tax department on the ground that reduced rate was applicable to buyers as those buyers were active and operative at the time of execution of sales transaction. Moreover, the tax department has adjusted the impugned demand with sales tax refunds available with the Company. Appeal was decided in favours of the Company. Tax department has issued an appeal effect order in line with aforementioned CIR(A) order resulting in refund of Rs.1.828 million for which refund application has been filed. Tax Department has filed an appeal before ATIR against CIR(A) order. Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Company.
- 11.1.8** The case of the Company was selected for income tax audit for tax year 2013. The return was amended under section 122(1)/(5) of the Income Tax Ordinance, 2001, however, no income tax demand was raised owing to taxable losses both before and after amendment of the income tax return. Subsequently, the tax department again initiated proceedings for further amendment of the already amended income tax return and raised demand of Rs.1.178 million. Demand has been raised mainly because of figurative errors committed by the Additional Commissioner Inland Revenue (ADIR) against which the Company has moved rectification application against which rectified order was issued. Moreover, the Company has also filed an appeal before CIR(A) to secure its interest in case rectification application is rejected by the concerned tax officer. CIR(A) has decided the matter partially in favour of the Company. Considering that the matter decided against the Company has no material impact, therefore, the Company is not proceeding to file appeal before the ATIR. Tax Department has not filed an appeal in ATIR till date.
- 11.1.9** Income tax return of Tax Year 2014 has been amended by the Deputy Commissioner Inland Revenue, Quetta vide order dated June 29, 2016 against which the Company filed an appeal before the CIR(A), who vide order dated January 20, 2017 decided the case partially in favour of the Company and partially in favour of tax department. The Tax department has filed an appeal before the ATIR which has not yet been concluded.
- 11.1.10** The Company had filed a petition in Sindh High Court on August 26, 2019 against 3% Minimum Value Addition Tax on import of machinery, which has been levied through Finance Act, 2019. Stay has been granted by the Honorable Sindh High Court against submission of bank guarantee in favor of Nazir of the Court. Till reporting date, the Company has provided 100% bank guarantee amounting to Rs.15.209 million (June 2020: Rs.15.209 million), refer note 11.2. Moreover, through Finance Act, 2020 this levy has been withdrawn from manufacturer w.e.f. July 01, 2020.
- 11.1.11** Through Finance Act, 2019, the Government has reduced tax credit available on new investment to 5% from 10% with retrospective effect. Consequently, the involving tax credit of Rs.42 million to the Company was disallowed. The Company has challenged the provision of Finance Act, 2019 before the Honorable Sindh High Court and has been granted interim relief whereby the Sindh High Court has allowed the Company to claim 10% tax credit on investment in Plant & Machinery. Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Company. However, as an abundant precaution, the Company has not reversed the liability in these condensed interim un-consolidated financial statements.

11.1.12 The Company had filed a petition before Honorable Sindh High Court wherein the Company had challenged the levy and collection of further sales tax on zero rated supplies imposed vide SRO 584(I)/2017 read with section 3(1A) and section 4 of the Sales Tax Act, 1990. The case has been decided by the Honorable Sindh High Court in favor of the Company.

11.1.13 The Company had filed a petition before Honorable Sindh High Court wherein the Company had challenged the notice requiring to pay Super Tax for tax year 2018 Rs.28.187 million and 2019 Rs.35.679 million respectively. The Sindh High Court has decided the matter against the Company. The Company has filed petition before the Honorable Supreme Court of Pakistan against the judgement of the Honorable Sindh High Court, hearing of which is pending at the moment. The Company also filed an appeal before the CIR(A) against the order passed by DCIR under section 4B of the Income Tax Ordinance, 2001 based on the judgement of the Sindh High Court for recovery of Super Tax, which has not yet been concluded. The Company has paid 10% of demand for auto stay from recovery.

11.1.14 Income tax return for Tax Year 2019 has been amended by the DCIR vide order dated June 29, 2020 creating tax demand of Rs.1.594 million while abolishing refund of Rs.35.819 million as claimed in ITR 2019 against which the Company filed an appeal before the CIR(A), which has not yet been concluded. Further the Company has also submitted an application to the tax department thereby requesting to adjust such tax demand against Company's available refunds.

11.1.15 Through Finance Act, 2019, section 65B of the Income Tax Ordinance, 2001 was amended to disallow credit on investment in Plant & Machinery from Tax Year 2020 and onwards. Consequently, the tax credit in respect of LCs opened on or before 30th June 2019 was also disallowed amounting to Rs.105.230 million. The Company has challenged the provision of Finance Act, 2019 before the Honorable Sindh High Court and has been granted interim relief whereby the Sindh High Court has allowed the Company to claim 10% tax credit on investment in Plant & Machinery on the basis of pre-amended position of section 65B. Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Company. However, as an abundant precaution, the Company has not reversed the liability in these condensed interim un-consolidated financial statements.

		(Rupees in Thousand)	
		December 2020 (Un-auditd)	June 2020 (Auditd)
11.2	Guarantees		
Bank Guarantees in favour of:			
	The Director Excise and Taxation, Karachi	218,365	198,365
	The Electric Inspector, President Licencing Board, Quetta	10	10
	Pakistan State Oil Company Limited	40,000	40,000
	K-Electric Limited	11,560	11,560
	Nazir of the High Court of Sindh, Karachi	15,209	15,209
Letters of Credit in favour of:			
	Sui Southern Gas Company Limited for Gas	32,592	32,592
		<u>317,736</u>	<u>297,736</u>

11.3 Commitments

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

Foreign currency:

Property, plant and equipment	1,384,240	1,446,353
Raw material	681,021	208,634
Spare parts and others	49,842	62,712
	<u>2,115,103</u>	<u>1,717,699</u>

Local currency:

Property, plant and equipment	49,060	52,956
Raw material	107,358	96,866
	<u>156,418</u>	<u>149,822</u>
	<u>2,271,521</u>	<u>1,867,521</u>

(Rupees in Thousand)
 Half year ended December
 Half year ended December
 2020 2019

12 INVESTMENT INCOME - DIVIDEND

From wholly owned subsidiary company - Messrs. Gatro Power (Private) Limited	-	67,725
From associated company - Messrs. Novatex Limited	-	396,900
	<u>-</u>	<u>464,625</u>

13 INCOME TAX

Provision for taxation includes current year provision of Rs.110.002 million (December 2019: Rs.158.740 million) and reversal of prior year of Rs.2.198 million (December 2019: prior year Rs.0.026 million).

14 MEASUREMENT OF FAIR VALUE

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

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

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

15 SEGMENT REPORTING

15.1 Reportable segments

The Company's reportable segments are as follows:

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

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

15.2 Segment results:

The segment information for the reportable segments for the half year ended December 31, 2020 is as follows:

	December 2020			December 2019		
	Polyester Filament Yarn	Polyester PET Preforms	Total	Polyester Filament Yarn	Polyester PET Preforms	Total
External sales	5,850,542	1,559,958	7,410,500	5,272,509	1,364,808	6,637,317
Segment result before depreciation	500,657	190,431	691,088	353,943	85,436	439,379
Less: Depreciation	(222,606)	(24,902)	(247,508)	(137,711)	(32,456)	(170,167)
Segment result after depreciation	278,051	165,529	443,580	216,232	52,980	269,212
Reconciliation of segment results with Profit before income tax:						
Total results for reportable segments			443,580			269,212
Other operating expenses			(40,168)			(29,480)
Other income			53,930			28,599
Finance costs			(45,643)			(76,946)
Remeasurement gain on provision for GIDC			14,253			-
Investment income - Dividend			-			464,625
Profit before income tax			425,952			656,010

Assets and liabilities by segments are as follows:

	December 2020			June 2020		
	(Un-audited)			(Audited)		
Segment assets	8,168,906	1,868,468	10,037,374	6,555,013	1,982,912	8,537,925
Segment liabilities	2,213,677	163,697	2,377,374	1,648,669	271,276	1,919,945
Reconciliation of segments assets and liabilities with total in the condensed interim un-consolidated statement of financial position is as follows:						
	Assets	Liabilities		Assets	Liabilities	
Total for reportable segments	10,037,374	2,377,374		8,537,925	1,919,945	
Unallocated	1,540,661	3,993,224		1,747,354	3,032,605	
Total as per condensed interim un-consolidated statement of financial position	11,578,035	6,370,598		10,285,279	4,952,550	

Other segment information is as follows:

	December 2020			December 2019		
Depreciation	222,606	24,902	247,508	137,711	32,456	170,167
Capital expenditures incurred during the period	767,198	556	767,754	1,302,548	2,975	1,305,523
Unallocated capital expenditure incurred during the period			51,806			29,996
Total			819,560			1,335,519

15.3 97.63% (December 2019 : 99.39%) out of total sales of the Company relates to customers in Pakistan.

15.4 All non-current assets of the Company as at December 31, 2020 are located in Pakistan.

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

16 TRANSACTIONS WITH RELATED PARTIES

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

Name	Nature of relationship	Basis of relationship	Nature of transaction	(Rupees in Thousand)	
				Half year ended December 2020	Half year ended December 2019
Gatro Power (Private) Limited	Subsidiary Company	100% ownership	Purchase of power	1,021,756	942,109
			Dividend income	-	67,725
			Plant operation arrangement	18,000	18,000
			Reimbursement of expenses	665	382
Global Synthetics Limited	Subsidiary Company	100% ownership	Investment made	100	-
G-Pac Energy (Private) Limited	Subsidiary Company	100% ownership	Investment made	-	5,500
			Subscriptions money against issuance of shares	-	244,490
			Long term loan	53,550	112,419
			Reimbursement of expenses	4	-
Novatex Limited	Associated Company	Common directorship	Sales of goods	705,287	75,043
			Rendering of services	31,477	-
			Acquisition of services	399,697	294,322
			Purchase of raw material	115	38
			Dividend income	-	396,900
			Rent	9,976	10,474
			Reimbursement of expenses	86,638	92,109
Krystalife Product (Private) Limited	Related Party	Common management	Sale of goods	53,901	101,251
			Purchase of other material	252	-
Mushtaq & Company (Private) Limited	Related Party	Common management	Sale of goods	28,070	9,955
Gani & Tayub (Private) Limited	Related Party	Common directorship	Payment of dividend	-	24,306
			Charges on account of handling	4,025	3,367
Gatron Foundation	Related Party	Common directorship	Payment of donation	1,805	4,220
Gatron (Industries) Limited Staff Provident Fund	Retirement benefit fund	Employees fund	Provident fund contribution	12,018	12,264
Gatron (Industries) Limited Workers Provident Fund	Retirement benefit fund	Employees fund	Provident fund contribution	1,973	1,891

There are no transactions with Key Management Personnel other than remuneration under their terms of employment amounting to Rs.145.895 million (December 2019: Rs.160.602 million).

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

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

	(Rupees in Thousand)	
	As at December 31, 2020 (Un-audited)	As at June 30, 2020 (Audited)
Gatro Power (Private) Limited		
Other receivables	3,714	3,059
Trade and other payables	205,676	93,539
G-Pac Energy (Private) Limited		
Other receivables	23	99
Trade and other payables	8	-
Novatex Limited		
Trade debts	46,018	97,287
Other receivables	21,688	13,214
Trade and other payables	60,303	35,599
Krystalite Product (Private) Limited		
Trade debts	55,695	239,176
Trade and other payables	204	-
Mushtaq & Company (Private) Limited		
Trade debts	23,469	12,673
Gani & Tayub (Private) Limited		
Trade and other payables	809	482
Gatron (Industries) Limited Staff Provident Fund		
Trade and other payables	3,945	4,046
Gatron (Industries) Limited Workers Provident Fund		
Other receivables	483	-
Trade and other payables	-	370

17 DATE OF AUTHORISATION

These condensed interim un-consolidated financial statements were authorised for issue on February 16, 2021 by the Board of Directors of the Company.

18 CORRESPONDING FIGURES

In order to comply with the requirements of IAS 34, the condensed interim un-consolidated statement of financial position has been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim un-consolidated statement of profit or loss, condensed interim un-consolidated statement of comprehensive income, condensed interim un-consolidated statement of changes in equity and condensed interim un-consolidated statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

19 GENERAL

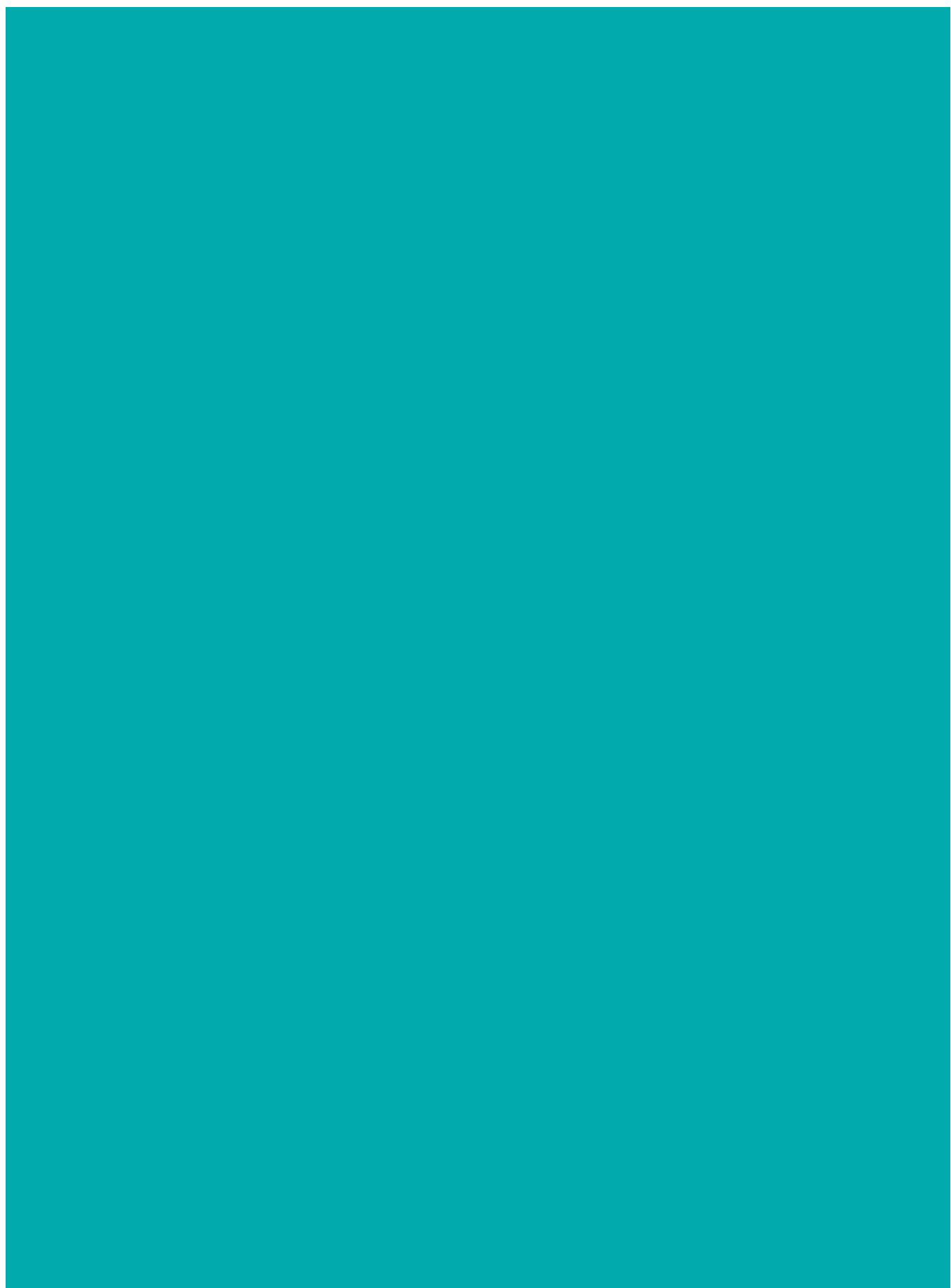
19.1 Charge for Workers' Profit Participation Fund, Workers' Welfare Fund, Deferred Tax and Income Tax (where applicable) are interim and final liability will be determined on the basis of annual results.

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

SHABBIR DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTAFA BILWANI
Chief Financial Officer





Condensed Interim Consolidated
Financial Statements
For the Half Year ended
December 31, 2020

DIRECTORS' REPORT TO THE MEMBERS

Dear Shareholders

On behalf of the Board of Directors of M/s. Gatron (Industries) Limited, we are pleased to present the un-audited Condensed Interim Consolidated Financial Statements of the Group for the half year ended December 31, 2020.

THE GROUP

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

During the period operations of Wholly Owned Subsidiary Messrs. Gatro Power (Private) Limited remained disturbed due to shortage of gas supply and use of alternate sources to supply power to Parent Company, resulting in increased power cost.

M/s. Global Synthetics Limited has yet to commence its operations.

M/s. G-Pac Energy (Private) Limited has yet to commence its operations. The principal business is to generate and sell electric power. The operations of the Company are expected to be commenced by the end of current financial year.

CONSOLIDATED FINANCIALS

Operating results for the half year ended December 31, 2020

(Pak Rupees in Thousand)

Operating profit after finance costs	547,683
Remeasurement gain on provision for GIDC	184,000
Share of profit after income tax in associated company	953,955
Profit before income tax	1,685,638
Income Tax	248,110
Profit after income tax	1,437,528
Un- appropriated Profit brought forward	8,836,672
Un- appropriated Profit carried forward	1,810,981
Earnings per share - Basic and diluted (Rupees)	37.47

State of Affairs as on December 31, 2020

Property, Plant and Equipment	5,783,152
Other non-current assets	31,546
Current assets	8,333,768
Total assets	14,148,466
Deduct:	
Non-current liabilities	2,963,814
Current liabilities	5,071,381
Total liabilities	8,035,195
Net assets financed by shareholders' equity	6,113,271

OTHER MATTERS

The Honorable High Court of Balochistan at Quetta has sanctioned on 21 September 2020, the Scheme of Arrangement duly approved by the BOD on 30 September 2019. The Parent Company has de-recognized the investment in associated company on effective date as per approved Scheme of Arrangement.

MATERIAL CHANGES AND COMMITMENTS

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

INTERNAL FINANCIAL CONTROLS

The system of internal controls is sound in design and has been effectively implemented and monitored.

ACKNOWLEDGMENT

The Board of Directors take this opportunity to express their deep sense of gratitude for all the stakeholders for their encouragement and continued support and look forward for continued collaboration with the Group as we move forward to meet and execute our targets together.

Further, we appreciate the Group's management and supporting staff for their satisfactory performance and devotion to duty and we are grateful to all Government Institutions, Auditors, the SECP, the PSX and Banks, for their valuable support and cooperation throughout the period.

SHABBIR DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

February 16, 2021

دیگر امور:

معزز ہائیکورٹ آف بلوچستان، کونسل نے 21 ستمبر 2020ء کو Scheme of Arrangement کی منظوری دی جس کو بورڈ آف ڈائریکٹرز نے 30 ستمبر 2019ء کی میٹنگ میں منظور کیا تھا۔ منظور شدہ SOA کی موثر تاریخ سے کمپنی نے متعلقہ کمپنی میں اپنی سرمایہ کاری کو ڈی ریکگنائز (Derecogize) کر دیا ہے۔

اہم تبدیلیاں اور معاہدے:

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

اندرونی مالیاتی کنٹرول:

اندرونی نگہداری کا نظام مضبوط بنیادوں پر استوار ہے اور اس کا نفاذ موثر طور سے کیا گیا ہے اور اس پر نظر بھی رکھی جا رہی ہے۔

اظہار تشکر:

ہم بورڈ آف ڈائریکٹرز کی جانب سے اپنے تمام اسٹیک ہولڈرز کا شکریہ ادا کرتے ہیں جنہوں نے ہم پر اعتماد کیا۔ ساتھ ہی اپنی پیمنٹ ٹیم کی پر خلوص محنت پر ان کے تہہ دل سے مشکور ہیں اور اپنے تمام متعلقہ افراد بشمول سرکاری ادارے، آڈیٹرز، ایس ای سی پی، پی ایس ایکس اور بینکرز کے شکر گزار ہیں جنہوں نے گیسٹرون کی ترقی میں اپنا کردار بخوبی نبھایا۔

محمد اقبال یلوانی
ڈائریکٹر

شعبہ دیوان
آفسر اعلیٰ

16 فروری، 2021ء

گروپ کے جامع مالیاتی گوشواروں پر ڈائریکٹرز کی رپورٹ

معزز ممبران،

میسرز گیٹرون (انڈسٹریز) لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے ہم 31 دسمبر، 2020ء کو ختم شدہ ششماہی مدت کیلئے گروپ ہذا کے غیر آڈٹ شدہ مختصر مالیاتی گوشوارے بمسرت پیش کر رہے ہیں۔

گروپ:

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

زیر جائزہ مدت کے دوران مکمل ملکیتی ماتحت ادارہ میسز گیٹرو پاور (پرائیویٹ) لمیٹڈ کی عملی کارکردگی گیس کی فراہمی میں قلت اور پیرنٹ کمپنی کو متبادل ذرائع سے تیار شدہ ہنگی بجلی کی فراہمی کے نتیجے میں متاثر رہی۔

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

میسز جی پیک انرجی (پرائیویٹ) لمیٹڈ کا اصل کاروبار بجلی پیدا کرنا اور فروخت کرنا ہے۔ اس کمپنی کے آپریشنز موجودہ مالی سال کے آخر تک شروع ہونے کی توقع ہے۔

جامع مالیات:

آپریٹنگ نتائج برائے ششماہی مدت ختم شدہ 31 دسمبر، 2020ء	(روپے 000)
آپریٹنگ منافع بعد از مالیاتی لاگت	547,683
Remeasurement gain on provision for GIDC	184,000
منافع من منسلکہ کمپنیاں بعد از انکم ٹیکس	953,955
منافع قبل از انکم ٹیکس	1,685,638
انکم ٹیکس	248,110
منافع بعد از انکم ٹیکس	1,437,528
غیر متصرف منافع گزشتہ (Un-appropriated profit brought forward)	8,836,672
غیر متصرف منافع حالیہ (Un-appropriated profit carried forward)	1,810,981
آمدنی فی شیئر بنیادی اور تقسیم شدہ (Rupees) Earning per share - Basic and Diluted	37.47
31 دسمبر، 2020ء تک معاملات کی صورتحال	
املاک، پلانٹ اور ایکویٹمنٹ	5,783,152
دیگر پائیدار اثاثہ جات	31,546
بدل پذیر اثاثہ جات	8,333,768
کل اثاثہ جات	14,148,466
کل قرض:	
پائیدار واجبات	2,963,814
بدل پذیر واجبات	5,071,381
کل واجبات	8,035,195
خالص اثاثہ جات ادا شدہ منجانب ایکویٹی ہائے حصص یافتگان	6,113,271

Condensed Interim Consolidated Statement of Financial Position

AS AT DECEMBER 31, 2020

		(Rupees in Thousand)	
	Note	December 2020 (Un-audited)	June 2020 (Audited)
ASSETS			
Non - Current Assets			
Property, plant and equipment	5	5,783,152	5,215,939
Intangible assets	6	28,014	17,614
Long term investment		-	8,903,623
Long term loans		453	19
Long term deposits		3,079	3,229
		5,814,698	14,140,424
Current Assets			
Stores, spare parts and loose tools		1,039,656	1,013,495
Stock in trade	7	2,871,574	2,394,758
Trade debts	15	2,563,678	2,230,264
Loans and advances		107,077	87,875
Trade deposits and short term prepayments		172,377	42,746
Other receivables	15	290,583	140,499
Income tax refundable - payments less provision		2,507	-
Sales tax refund due from Federal Government		8,634	8,634
Cash and bank balances		1,277,682	1,135,360
		8,333,768	7,053,631
TOTAL ASSETS		14,148,466	21,194,055
EQUITY AND LIABILITIES			
EQUITY			
Share capital	8	383,645	383,645
Capital reserve - share premium		383,645	383,645
General reserve		3,535,000	3,535,000
Unappropriated profit		1,810,981	8,836,672
		6,113,271	13,138,962
LIABILITIES			
Non - Current Liabilities			
Long term financing		1,628,879	1,174,783
Deferred and other liabilities	9	1,334,935	1,667,625
		2,963,814	2,842,408
Current Liabilities			
Trade and other payables	10 & 15	2,600,373	3,434,092
Unclaimed dividend		21,499	21,544
Accrued mark up		18,878	53,469
Short term borrowings		2,407,177	1,671,941
Current portion of long term financing		23,454	3,170
Provision for income tax less payments		-	28,469
		5,071,381	5,212,685
CONTINGENCIES AND COMMITMENTS	11		
TOTAL EQUITY AND LIABILITIES		14,148,466	21,194,055

The notes 1 to 18 annexed herewith form an integral part of these condensed interim consolidated financial statements.

SHABBIR DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer

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

FOR THE HALF YEAR ENDED DECEMBER 31, 2020

(Rupees in Thousand)				
	Oct-2020	Oct-2019	Jul-2020	Jul-2019
	to	to	to	to
Note	Dec-2020	Dec-2019	Dec-2020	Dec-2019
Sales	3,662,945	3,211,342	7,410,500	6,637,317
Cost of sales	3,335,841	2,914,093	6,574,000	6,036,712
Gross profit	327,104	297,249	836,500	600,605
Distribution and selling costs	58,641	37,890	107,968	79,691
Administrative expenses	81,878	82,028	148,886	150,951
Other operating expenses	8,820	15,218	32,288	30,087
	149,339	135,136	289,142	260,729
	177,765	162,113	547,358	339,876
Other income	39,820	4,043	46,069	26,375
Operating profit	217,585	166,156	593,427	366,251
Finance costs	24,945	57,907	45,744	77,739
	192,640	108,249	547,683	288,512
Remeasurement gain on provision for GIDC	184,000	-	184,000	-
Share of profit after income tax in associated company	547,801	565,514	953,955	1,142,360
Profit before income tax	924,441	673,763	1,685,638	1,430,872
Income tax - Current & prior	51,952	48,207	107,804	158,766
- Deferred	84,337	84,828	140,306	110,454
	136,289	133,035	248,110	269,220
Profit after income tax	788,152	540,728	1,437,528	1,161,652
Earnings per share - Basic and diluted (Rupees)	20.54	14.09	37.47	30.28

The notes 1 to 18 annexed herewith form an integral part of these condensed interim consolidated financial statements.

SHABBIR DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer

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

FOR THE HALF YEAR ENDED DECEMBER 31, 2020

(Rupees in Thousand)

	Oct-2020 to Dec-2020	Oct-2019 to Dec-2019	Jul-2020 to Dec-2020	Jul-2019 to Dec-2019
Profit after income tax	788,152	540,728	1,437,528	1,161,652
Other comprehensive income/(loss)				
<i>Items that will never be reclassified to profit or loss</i>				
Gain on remeasurement of defined benefit plan having nil tax	-	503	-	503
Share of other comprehensive income/(loss) of associate - net of tax				
Remeasurement gain/(loss) on defined benefit obligation	-	-	4,623	(2,919)
Unrealised gain/(loss) on remeasurement of investments	1,932	-	524	(6,184)
	1,932	503	5,147	(8,600)
Total comprehensive income	790,084	541,231	1,442,675	1,153,052

The notes 1 to 18 annexed herewith form an integral part of these condensed interim consolidated financial statements.

SHABBIR DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer



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

FOR THE HALF YEAR ENDED DECEMBER 31, 2020

	Share capital	Capital reserve Share Premium	General reserve	Unappropriated profit	Total
	(Rupees in Thousand)				
Balances as at July 01, 2019	383,645	383,645	3,535,000	8,426,484	12,728,774
Total comprehensive income for the half year ended December 31, 2019	-	-	-	1,153,052	1,153,052
Transactions with owners					
Final cash dividend for the year ended June 30, 2019 at Rs.15.00 per share i.e. @150%	-	-	-	(575,467)	(575,467)
Balances as at December 31, 2019	383,645	383,645	3,535,000	9,004,069	13,306,359
Total comprehensive income for the half year ended June 30, 2020	-	-	-	312,159	312,159
Transactions with owners					
Interim cash dividend for the year ended June 30, 2020 at Rs.12.50 per share i.e. @125%	-	-	-	(479,556)	(479,556)
Balances as at June 30, 2020	383,645	383,645	3,535,000	8,836,672	13,138,962
Total comprehensive income for the half year ended December 31, 2020	-	-	-	1,442,675	1,442,675
Effect on long term investment in associated company Messrs. Novatex Limited under approved Scheme of Arrangement-net of tax	-	-	-	(8,468,366)	(8,468,366)
Balances as at December 31, 2020	383,645	383,645	3,535,000	1,810,981	6,113,271

The notes 1 to 18 annexed herewith form an integral part of these condensed interim consolidated financial statements.

SHABBIR DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer

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

FOR THE HALF YEAR ENDED DECEMBER 31, 2020

	(Rupees in Thousand)	
	Jul-2020 to Dec-2020	Jul-2019 to Dec-2019
Cash Flows (towards)/from Operating Activities		
Profit before income tax	1,685,638	1,430,872
Adjustments for:		
Depreciation	316,619	226,989
Provision for defined benefit plan	21,178	31,859
Gain on disposal of property, plant and equipment	(16,665)	(4,294)
Loss on disposal of property, plant and equipment	36	40
(Reversal)/provision of allowance for ECL - net	(1,262)	9,166
(Reversal)/provision for slow moving stores, spare parts and loose tools - net	(6,153)	3,879
Remeasurement gain on provision for GIDC	(184,000)	-
Share of profit after income tax in associated company	(953,955)	(1,142,360)
Finance costs	45,744	77,739
	<u>(778,458)</u>	<u>(796,982)</u>
	907,180	633,890
(Increase)/decrease in current assets:		
Stores, spare parts and loose tools	(20,008)	(28,215)
Stock in trade	(476,816)	(472,082)
Trade debts	(332,152)	(493,075)
Loans and advances	(16,709)	(35,096)
Trade deposits and short term prepayments	(129,631)	(14,091)
Other receivables	(150,084)	(88,600)
Sales tax refund due from Federal Government	-	30,957
	<u>(1,125,400)</u>	<u>(1,100,202)</u>
Increase/(decrease) in Trade and other payables	289,037	(159,706)
Cash flows from/(towards) operations before following	<u>70,817</u>	<u>(626,018)</u>
(Payments for)/receipts of:		
Long term loans	(2,927)	(1,565)
Long term deposits	150	(505)
Defined benefit plan	(8,185)	(4,288)
Finance costs	(80,335)	(48,281)
Income tax	<u>(141,802)</u>	<u>(168,963)</u>
Net cash flows towards operating activities	<u>(162,282)</u>	<u>(849,620)</u>
Cash Flows (towards)/from Investing Activities		
Additions in property, plant and equipment	(915,081)	(2,111,759)
Proceeds from disposal of property, plant and equipment	20,514	7,855
Additions in intangible assets	(10,400)	-
Dividend received from associated company	-	396,900
Net cash flows towards investing activities	<u>(904,967)</u>	<u>(1,707,004)</u>
Cash Flows from/(towards) Financing Activities		
Long term financing - proceeds received	474,380	979,221
Dividend paid	(45)	(572,425)
Net cash flows from financing activities	<u>474,335</u>	<u>406,796</u>
Net decrease in cash and cash equivalents	<u>(592,914)</u>	<u>(2,149,828)</u>
Cash and cash equivalents at the beginning of the period	<u>(536,581)</u>	<u>516,845</u>
Cash and cash equivalents at the end of the period	<u><u>(1,129,495)</u></u>	<u><u>(1,632,983)</u></u>
CASH AND CASH EQUIVALENTS COMPRISE OF:		
Cash and bank balances	1,277,682	245,069
Short term borrowings	<u>(2,407,177)</u>	<u>(1,878,052)</u>
	<u><u>(1,129,495)</u></u>	<u><u>(1,632,983)</u></u>

The notes 1 to 18 annexed herewith form an integral part of these condensed interim consolidated financial statements.

SHABBIR DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer



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

FOR THE HALF YEAR ENDED DECEMBER 31, 2020

1 THE GROUP AND ITS OPERATIONS

1.1 The Group consists of :

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

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

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

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

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

1.2 The Board of Directors of the Parent Company in its meeting held on September 30, 2019 has approved the draft Scheme of Arrangement under Sections 279 to 283 and 285 of the Companies Act, 2017 in respect of shares owned by the Parent Company in associated company Messrs. Novatex Limited. The members of the Parent Company has approved the Scheme in the Extra Ordinary General Meeting held on February 12, 2020. In term of the scheme, all 56.7 million Ordinary Shares of Messrs. Novatex Limited held by the Parent Company shall be cancelled and in lieu of such cancellation new shares in Messrs. Novatex Limited will be issued to the shareholders of the Parent Company, held by the respective shareholder as of the book closure date. On September 21, 2020, the Honorable Balochistan High Court has sanctioned the Scheme of Arrangement and the Parent Company has filed the order with Registrar on October 06, 2020. Accordingly, the Parent Company has derecognise the investment in associated company amounting to Rs.8,468.366 million as per approved Scheme of Arrangement.

2 BASIS OF PREPARATION

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

2.2 These condensed interim consolidated financial statements are unaudited and do not include all the information and disclosures of the annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended June 30, 2020.

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

2.3.1 Amendments to published approved accounting standards which are effective during the half year ended December 31, 2020:

There are certain amendments and interpretations to approved accounting and reporting standards which are mandatory for the Group's annual accounting period beginning on July 1, 2020; however, these do not have any significant impact on these condensed interim consolidated financial statements, hence not described.

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

There are certain new standards and amendments to the approved accounting standards that will be mandatory for the Group's annual accounting periods beginning on or after July 1, 2021. However, these amendments will not have any significant impact on the financial reporting of the Group, therefore, have not been disclosed in these condensed interim consolidated financial statements.

2.4 Functional and reporting currency

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

3 ACCOUNTING ESTIMATES AND JUDGEMENTS

Judgements and estimates made by the management in the preparation of these condensed interim consolidated financial statements were the same as those applied to the audited consolidated financial statements as at and for the year ended June 30, 2020.

4 SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements have been prepared, following the same accounting policies as were applied in the preparation of the audited consolidated financial statements as at and for the year ended June 30, 2020.

		(Rupees in Thousand)	
		December 2020 (Un-audited)	June 2020 (Audited)
5	PROPERTY, PLANT AND EQUIPMENT		
	Note		
	Operating fixed assets	5.1 4,121,351	4,256,888
	Capital work in progress	5.2 1,661,801	959,051
		<u>5,783,152</u>	<u>5,215,939</u>

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

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

	Half year ended December 2020	Half year ended December 2019
Freehold land	1,070	-
Leasehold land	32,226	-
Building on lease hold land	6,095	-
Plant and machinery	129,900	94,866
Factory equipment	7,626	8,201
Motor vehicles	8,050	47,373
	<u>184,967</u>	<u>150,440</u>

Disposals at NBV during the period

Office premises	942	-
Plant and machinery	35	-
Office equipment	29	53
Motor vehicles	2,879	3,548
	<u>3,885</u>	<u>3,601</u>

5.2 Capital work in progress

Balance as at start of the period	959,051	266,019
Additions	816,727	2,064,941
Transfer to operating fixed assets	(113,977)	(67,261)
Balance as at end of the period	<u>1,661,801</u>	<u>2,263,699</u>

		December 2020 (Un-audited)	June 2020 (Audited)
6	INTANGIBLE ASSETS		
	Capital work in progress		
	Balance as at start of the period	17,614	-
	Additions	10,400	17,614
	Balance as at end of the period	<u>28,014</u>	<u>17,614</u>

7 STOCK IN TRADE

These include items costing Rs.235.344 million (June 2020: Rs.1,343.485 million) valued at netrealisable value of Rs.155.301 million (June 2020: Rs.1,193.240 million).

				(Rupees in Thousand)	
				December 2020 (Un-audited)	June 2020 (Audited)
				Note	
8	SHARE CAPITAL				
	(Number of Shares)				
	December 2020 (Un-audited)	June 2020 (Audited)			
8.1	Authorised capital				
	95,000,000	95,000,000	Ordinary shares of Rs.10 each	950,000	950,000
8.2	Issued, subscribed and paid up capital				
	30,136,080	30,136,080	Ordinary shares of Rs.10 each allotted for consideration paid in cash	301,361	301,361
	8,228,400	8,228,400	Ordinary shares of Rs.10 each allotted as fully paid bonus shares	82,284	82,284
	<u>38,364,480</u>	<u>38,364,480</u>		<u>383,645</u>	<u>383,645</u>
9	DEFERRED AND OTHER LIABILITIES				
	Income tax - net			4,386	1,258,439
	Defined benefit plan	9.1		422,179	409,186
	Provision for Gas Infrastructure Development Cess	9.2		908,370	-
				<u>1,334,935</u>	<u>1,667,625</u>
9.1	Defined benefit plan				
	Balance as at start of the period			409,186	374,611
	Expense			21,178	63,962
	Remeasurement gain			-	(23,216)
	Payments			(8,185)	(6,171)
	Balance as at end of the period			<u>422,179</u>	<u>409,186</u>
9.2	Provision for Gas Infrastructure Development Cess				
	During the period, the Supreme Court of Pakistan has decided the Appeal against consumers upholding the vires of GIDC Act, 2015 through its judgement dated August 13, 2020. The Review Petition was filed against the Judgment, wherein the Honorable Court has provided some relief by increasing the time period for recovery of GIDC from 24 installments to 48 installments and dismissed the Review Petition.				
	The Group has filed a Civil Suit before the Honorable Sindh High Court against payment of GIDC instalments on the ground that the Group has not passed on the burden of Cess. The Honorable Court has granted stay order to Plaintiffs whereby the Messrs. Sui Southern Gas Company Limited has been restrained to take any coercive action against non payment of GIDC installments.				
	The Group has recorded the provision at its present value by discounting the future cash flows at risk free rate and has booked income of Rs.184 million.				
10	TRADE AND OTHER PAYABLES				
	Trade and other payables includes provision in respect of following:				
10.1	The Oil and Gas Regulatory Authority (OGRA) had enhanced gas rate from Rs.488.23 per MMBTU for industrial and Rs.573.28 per MMBTU for captive power to Rs.600 per MMBTU with effect from September 01, 2015. The Group alongwith several other companies filed suit in the Sindh High Court challenging the increase in rate. The Honorable Sindh High Court had initially granted interim relief, whereby recovery of enhanced rate was restrained. In May 2016, The Single Bench of Sindh High Court decided the case in favour of the Petitioners. However, in June 2016, Defendants filed appeal before Double Bench of Sindh High Court				

which was also decided in favor of the Petitioners. M/s. Sui Southern Gas Company Limited (SSGCL) then have filed appeal and pending before Honorable Supreme Court of Pakistan. Meanwhile, OGRA had issued another notification dated December 30, 2016 overriding the previous notification and SSGCL billed @ Rs.600 per MMBTU. However, on January 19, 2017, the Group alongwith others filed a suit in the Sindh High Court against OGRA, SSGCL and others. The Honorable Sindh High Court granted interim relief and instructed SSGCL to revise bills at previous rate against securing the differential amount with the Nazir of the court. Accordingly, the Group has provided bankers' verified cheque to Nazir of High Court amounting to Rs.316.797 million (June 2020: Rs.316.797 million). As an abundant precaution, the Group has made total provision of Rs.159.264 million (June 2020: Rs.159.264 million). On October 04, 2018, OGRA has issued another notification to increase gas tariff with effect from September 27, 2018 for different categories and the Group is paying full amount of the gas bills as per this notification.

- 10.2** In August 2013, OGRA had enhanced gas rate from Rs.488.23 per MMBTU to Rs.573.28 per MMBTU for captive power and accordingly, SSGCL started charging rate prescribed for captive power to the Group with effect from September 2013. On December 21, 2015, the Group alongwith several other companies filed suit in the Sindh High Court against OGRA, SSGCL and others challenging the charging of captive power tariff instead of industrial tariff. The Honorable Sindh High Court has granted interim relief, whereby recovery of captive power rate has been restrained. Meanwhile, OGRA had issued another notification dated December 30, 2016 overriding the previous notification and SSGCL billed @ Rs.600 per MMBTU. However, on January 19, 2017, the Group alongwith others filed a suit in the Sindh High Court against OGRA, SSGCL and others. The Honorable Sindh High Court granted interim relief and instructed SSGCL to revise bills at previous rate against securing the differential amount with the Nazir of the court. Accordingly, the Group has provided bankers' verified cheque to Nazir of High Court (refer note 10.1). As an abundant precaution, the Group has made provision of Rs.287.907 million (June 2020: Rs.287.907 million) pertaining to the period of November 2015 to September 2018 and did not create receivable of Rs.240.238 million in respect of period from August 2013 to October 2015. On October 04, 2018, OGRA has issued another notification to increase gas tariff with effect from September 27, 2018 for different categories and the Group is paying full amount of the gas bills as per this notification. In February, 2020, the Honorable Single Bench of Sindh High Court has decided the case in favor of Petitioners. SSGCL has filed appeal before the Double Bench of Sindh High Court against the decision and is pending for adjudication.
- 10.3** Provision of Sindh Sales Tax on rent payable by the Parent Company to an associated company Messrs. Novatex Limited amounted to Rs.6.297 million (June 2020: Rs.5.998 million). The associated company had file a suit in the Sindh High Court against Sindh Revenue Board and Province of Sindh etc. On August 28, 2018, the Single Bench of Sindh High Court decided the case in favour of the associated company. However, the Sindh Revenue Board filed an appeal against the decision before the Double Bench of Sindh High Court.
- 10.4** The Parent Company had filed a petition in the Sindh High Court at Karachi on May 25, 2011 against Province of Sindh and Excise and Taxation Department, challenging the levy of Infrastructure Cess on imports. Through an interim order dated May 31, 2011, the Honorable Sindh High Court ordered to pay 50% in cash of this liability effective from December 28, 2006 and to submit bank guarantee for the rest of 50% until the final order is passed. In April 2017, the Government of Sindh has promulgated the Sindh Development and Maintenance of Infrastructure Cess Act, 2017. On October 23, 2017, the Parent Company has also challenged the new Act in the Sindh High Court against Province of Sindh and Excise and Taxation Department and similar stay has been granted by the Honorable Sindh High Court. Till reporting date, the Parent Company has provided bank guarantee amounting to Rs.218.365 million (June 2020: Rs.198.365 million) in favour of Excise and Taxation Department, in respect of consignments cleared after December 27, 2006 (refer note 11.2). Based on the legal advise, the management believes that the case will be decided in favour of the Parent Company. However, full provision after December 27, 2006 has been made in these condensed interim consolidated financial statements as an abundant precaution.

The Subsidiary Company Messrs. Gatro Power (Private) Limited has filed a petition in the Sindh High Court on April 13, 2018 against Province of Sindh and others at Karachi challenging the levy of Infrastructure Cess on imports by the Government of Sindh through Sindh Development and Maintenance of Infrastructure Cess Act, 2017. Stay has been granted by the Honorable Sindh High Court ordered to pay 50% in cash of this liability and to submit bank guarantee for the rest of 50% until the final order is passed. Till reporting date, the Subsidiary Company has provided bank guarantee amounting to Rs.7.500 million (June 2020: Rs.7.500 million) in favour of Excise and Taxation Department, in respect of consignments cleared after April 13, 2018 (refer note 11.2). Based on the legal advise, the management believes that the case will be decided in favour of the Subsidiary Company. However, full provision after April 13, 2018 has been made in these condensed interim consolidated financial statements as an abundant precaution.

The Subsidiary Company Messrs. G-Pac Energy (Private) Limited has filed a petition in the Sindh High Court at Karachi on June 24, 2019 against Province of Sindh and others challenging the levy of Infrastructure Cess on imports by the Government of Sindh through Sindh Development and Maintenance of Infrastructure Cess Act, 2017. Stay has been granted by the Honorable Sindh High Court ordered to pay 50% in cash of this liability and to submit bank guarantee for the rest of 50% until the final order is passed. Till reporting date, the Company has provided bank guarantee amounting to Rs.2.500 million (June 2020: Rs.2.500 million) in favour of Excise and Taxation Department, in respect of consignments cleared (refer note 11.2). Based on the legal advise, the management believes that the case will be decided in favour of the subsidiary Company. However, full provision has been made in these condensed interim consolidated financial statements as an abundant precaution.

- 10.5** The Federal Board of Revenue (FBR) vide SRO 491(I)/2016 dated June 30, 2016 made certain amendments in SRO 1125(I)/2011 dated December 31, 2011 including disallowance of input tax adjustment on packing material of textile products. Consequently, input tax adjustment on packing material of textile product was not being allowed for adjustment with effect from July 01, 2016 till June 30, 2018. On January 16, 2017, the Parent Company had challenged the disallowance of input tax adjustment on packing material in the Sindh High Court against Federation of Pakistan and others. The Honorable Sindh High Court has decided the matter in favour of Tax Department, against which the Parent Company is in process of filing appeal before the Honorable Supreme Court of Pakistan.

Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will ultimately decided in favour of the Parent Company. However, as an abundant precaution, the Parent Company has made provision of Rs.65.752 million till June 30, 2018.

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

Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Parent Company. However, as an abundant precaution, the Parent Company has made provision of Rs.49.560 million (June 2020: Rs.36.485 million).

- 10.7** Provision of Gas Infrastructure Development Cess Rs.7.512 million (June 2020: Rs.7.417 million) and rate difference of gas tariff Rs.2.219 million (June 2020: Rs.2.063 million) on account of

common expenses payable by the Parent Company to an associated company Messrs. Novatex Limited.

11 CONTINGENCIES AND COMMITMENTS

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

11.1 Contingencies

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

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

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

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

11.1.3 In May 2015, the Parliament passed the Gas Infrastructure Development Cess (GIDC) Act 2015, which seeks to impose GIDC levy since 2011. On July 16, 2015, the Group alongwith several other companies filed suit in the Sindh High Court against OGRA and others challenging the validity and promulgation of GIDC Act 2015. The Single Bench of Honorable Sindh High Court had decided the case in favour of Petitioners. However, in May 2020, Defendants have filed appeal before the Double Bench of Sindh High Court. On August 13, 2020, the Honorable Supreme Court of Pakistan finally in the appeals filed by industries of Khyber Pakhtunkhwa, passed a judgment in favor of government declaring the GIDC Act 2015 intra vires and directed all the Petitioners/Appellants (including industries of all over Pakistan) for payment of Cess liability accrued till July 31, 2020 in 24 equal monthly installments. The Group has filed Review Petition against the Judgment, wherein the Honorable Court has provided some relief by increasing the time period for recovery of GIDC from 24 installments to 48 installments and dismissed the Review Petition. The Group has filed a Civil Suit before the Honorable Sindh High Court against payment of GIDC instalments on the ground that the Group has not passed on the burden of Cess. The Honorable Court has granted stay order to Plaintiffs whereby the Messrs. Sui Southern Gas Company Limited has been restrained to take any coercive action against non payment of GIDC installments.

Total amount of enhanced GIDC upto July 31, 2020 worked out at Rs.1,791.754 million (June 2020: Rs.1,766.827 million), however the Group make a provision of liability for Rs.1,589.740 million (June 2020: Rs.1,564.813 million) pertaining to the period of July 2014 to July 2020 for Captive Power and June 2015 to July 2020 for Industrial as an abundant precaution, so that current ratio will not materially disturbed in case of payment.

11.1.4 The Parent Company along with several other companies has filed a Constitution Petition in the Sindh High Court on April 13, 2016 against Employment Old Age Benefits Institution (EOBI) and others against a notice issued by the EOBI to the Parent Company to pay contribution at the revised rate of wages with retrospective effect. The Honorable Sindh High

Court has already restrained EOBI from taking any coercive action against the Parent Company. No provision of the amount involved i.e. Rs.26.404 million (June 2020: Rs.24.882 million) has been made in these condensed interim consolidated financial statements as the Parent Company is confident for the favorable outcome of the Petition.

- 11.1.5** The Parent Company filed four appeals on 2nd, 9th, 17th May and 20th June 2018 before the Commissioner Inland Revenue (Appeals) (CIR(A)) – 2, Large Taxpayers Unit, Karachi for the tax periods July 2012 to December 31, 2016 against the assessment orders passed by the Deputy Commissioner Inland Revenue (DCIR), Large Taxpayers Unit, passed under section 11 (2) of the Sales Tax Act, 1990 through which cumulative demand for the aforesaid periods amounting to Rs.55.423 million excluding default surcharge was created. In the assessment orders, major areas on which impugned demand has been raised relates to disallowance of input tax on purchases and recovery of sales tax on sales to subsequently suspended / blacklisted persons. The Parent Company has already deposited Rs.28 million under protest into the Government Treasury for stay against the full recovery. The CIR(A) has issued judgment in respect of impugned order for tax periods July 2012 to June 2013 wherein the entire order of the Tax Officer has been held as illegal and unconstitutional. However, the Tax Department has been filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order passed by CIR(A). The CIR(A) has decided the matter for tax periods July 2014 to June 2015 and July 2015 to December 2016 wherein the case has been partially decided in favour for the Parent Company. However, the Parent Company has filed appeals before the ATIR against orders passed by CIR(A). No provision has been made in these condensed interim consolidated financial statements as the Parent Company is confident that the matter will be decided in favour by the appellate authorities.
- 11.1.6** Income tax department issued order under section 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2012 wherein income tax demand of Rs. 37.773 million was raised on various issues. Out of the total amount, the Parent Company paid Rs.3.777 million under protest. Appeal was filed before the CIR(A) and the CIR(A) had decided the case partially in favour of the Parent Company whereas major issues were decided in favour of the tax department. Based on the judgment of the CIR(A), the revised demand comes out to Rs.28.2 million. The Parent Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order of the CIR(A) and the learned ATIR, vide its judgment dated January 1, 2019 has decided the case in favour of the Parent Company. As of now, the tax department has not yet filed appeal against the said judgment of ATIR.
- 11.1.7** Income Tax department issued order under section 122(1) of the Income Tax Ordinance, 2001 for the Tax Year 2015 wherein income tax demand of Rs. 25.888 million was raised on various issues. Out of the total amount, the Parent Company paid Rs.2.589 million under protest. Appeal was filed before the CIR(A) and the CIR(A) has decided partially in favour of the Parent Company. Appeal effect in line with CIR(A) order has been issued by the tax department wherein an amount of Rs.3.791 million determined as refundable to the Parent Company. Appeal has been filed by the Parent Company as well as the tax department before ATIR, however, no hearing has been conducted till date. Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Parent Company.
- 11.1.8** The tax officer alleged the Parent Company for charging sales tax at reduced rate instead of standard rate of 17% during the tax periods from July 2014 to June 2015 and raised the demand of Rs.1.741 million along with penalty of Rs.0.087 million. The Parent Company has filed an appeal before CIR(A) against order of the tax department on the ground that reduced rate was applicable to buyers as those buyers were active and operative at the time of execution of sales transaction. Moreover, the tax department has adjusted the impugned demand with sales tax refunds available with the Parent Company. Appeal was decided in favours of the Parent Company. Tax department has issued an appeal effect order in line with aforementioned CIR(A) order resulting in refund of Rs.1.828 million for which refund application has been filed. Tax Department has filed an appeal before ATIR against CIR(A) order. Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Parent Company.
- 11.1.9** The case of the Parent Company was selected for income tax audit for tax year 2013. The return was amended under section 122(1)/(5) of the Income Tax Ordinance, 2001, however,

no income tax demand was raised owing to taxable losses both before and after amendment of the income tax return. Subsequently, the tax department again initiated proceedings for further amendment of the already amended income tax return and raised demand of Rs.1.178 million. Demand has been raised mainly because of figurative errors committed by the Additional Commissioner Inland Revenue (ADIR) against which the Parent Company has moved rectification application against which rectified order was issued. Moreover, the Parent Company has also filed an appeal before CIR(A) to secure its interest in case rectification application is rejected by the concerned tax officer. CIR(A) has decided the matter partially in favour of the Parent Company. Considering that the matter decided against the Parent Company has no material impact, therefore, the Parent Company is not proceeding to file appeal before the ATIR. Tax Department has not filed an appeal in ATIR till date.

- 11.1.10** Income tax return of Tax Year 2014 was amended by the Deputy Commissioner Inland Revenue, Quetta vide order dated June 29, 2016 against which the Parent Company filed an appeal before the CIR(A), who vide order dated January 20, 2017 decided the case partially in favour of the Parent Company and partially in favour of tax department. The Tax department has filed an appeal before the ATIR which has not yet been concluded.
- 11.1.11** The Parent Company had filed a petition in Sindh High Court on August 26, 2019 against 3% Minimum Value Addition Tax on import of machinery, which has been levied through Finance Act, 2019. Stay has been granted by the Honorable Sindh High Court against submission of bank guarantee in favor of Nazir of the Court. Till reporting date, the Parent Company has provided 100% bank guarantee amounting to Rs.15.209 million (June 2020: Rs.15.209 million), refer note 11.2. Moreover, through Finance Act, 2020 this levy has been withdrawn from manufacturer w.e.f. July 01, 2020.
- 11.1.12** Through Finance Act, 2019, the Government has reduced tax credit available on new investment to 5% from 10% with retrospective effect. Consequently, the involving tax credit of Rs.42 million to the Parent Company was disallowed. The Parent Company has challenged the provision of Finance Act, 2019 before the Honorable Sindh High Court and has been granted interim relief whereby the Sindh High Court has allowed the Parent Company to claim 10% tax credit on investment in Plant & Machinery. Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Parent Company. However, as an abundant precaution, the Parent Company has not reversed the liability in these condensed interim consolidated financial statements.
- 11.1.13** The Parent Company had filed a petition before Honorable Sindh High Court wherein the Parent Company had challenged the levy and collection of further sales tax on zero rated supplies imposed vide SRO 584(I)/2017 read with section 3(1A) and section 4 of the Sales Tax Act, 1990. The case has been decided by the Honorable Sindh High Court in favor of the Parent Company.
- 11.1.14** The Parent Company had filed a petition before Honorable Sindh High Court wherein the Parent Company had challenged the notice requiring to pay Super Tax for tax year 2018 Rs.28.187 million and 2019 Rs.35.679 million respectively. The Sindh High Court has decided the matter against the Parent Company. The Company has filed petition before the Honorable Supreme Court of Pakistan against the judgement of the Honorable Sindh High Court, hearing of which is pending at the moment. The Parent Company also filed an appeal before the CIR(A) against the order passed by DCIR under section 4B of the Income Tax Ordinance, 2001 based on the judgement of the Sindh High Court for recovery of Super Tax, which has not yet been concluded. The Parent Company has paid 10% of demand for auto stay from recovery.
- 11.1.15** Income tax return for Tax Year 2019 has been amended by the DCIR vide order dated June 29, 2020 creating tax demand of Rs.1.594 million while abolishing refund of Rs.35.819 million as claimed in ITR 2019 against which the Parent Company filed an appeal before the CIR(A), which has not yet been concluded. Further the Parent Company has also submitted an application to the tax department thereby requesting to adjust such tax demand against Parent Company's available refunds.

- 11.1.16** Through Finance Act, 2019, section 65B of the Income Tax Ordinance, 2001 was amended to disallow credit on investment in Plant & Machinery from Tax Year 2020 and onwards. Consequently, the tax credit in respect of LCs opened on or before 30th June 2019 was also disallowed amounting to Rs.105.230 million. The Parent Company has challenged the provision of Finance Act, 2019 before the Honorable Sindh High Court and has been granted interim relief whereby the Sindh High Court has allowed the Parent Company to claim 10% tax credit on investment in Plant & Machinery on the basis of pre-amended position of section 65B. Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Parent Company. However, as an abundant precaution, the Parent Company has not reversed the liability in these condensed interim consolidated financial statements.
- 11.1.17** The tax officer disallowed input sales tax amounting to Rs.0.042 and Rs.0.109 million, claimed by the Subsidiary Company Messrs. Gatro Power (Private) Limited on building materials used for installation of plant and machinery for tax period February 2017. An appeal was filed against the said order before the CIR(A). The learned CIR(A) has decided the matter in favour of the Subsidiary Company in both cases. The tax department has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against aforementioned CIR(A) orders. No provision has been made as the management is hopeful for a favourable outcome.
- 11.1.18** Tax department initiated monitoring of withholding proceedings for tax year 2011 wherein demand of Rs.47,408 million including default surcharge and penalty was raised on account of intercorporate dividend paid to parent company. The Subsidiary Company Messrs. Gatro Power (Private) Limited had filed an appeal before Commissioner Inland Revenue (Appeals) against order of the tax department which was decided in favour of the Subsidiary Company on ground of the order being time barred whereas on other grounds the appeal was dismissed. Accordingly, both the Subsidiary Company as well as the tax department have filed an appeal before the Appellate Tribunal Inland Revenue, which is pending at present. Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Subsidiary Company.
- 11.1.19** Tax department raised demand of Rs.14,101 million and Rs.103,346 million on the basis of order passed for monitoring of tax withholding for tax years 2014 and 2015 respectively. Appeal was filed before the Commissioner Inland Revenue (Appeals), which was decided in favour of the Subsidiary Company Messrs. Gatro Power (Private) Limited. However, tax department has filed appeals before Appellate Tribunal Inland Revenue, hearing of which is pending. Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Subsidiary Company.
- 11.1.20** The Subsidiary Company Messrs. Gatro Power (Private) Limited had filed a petition before Honorable Sindh High Court wherein the Subsidiary Company had challenged the show cause notice disallowing input tax amounting to Rs.14 million claimed by the Subsidiary Company on various invoices during July 2017 to September 2019, which is stated to be inadmissible under section 8(1) of the Sales tax Act, 1990 read with SRO 490(I)/2004 dated June 12, 2004. The Honorable Sindh High Court has decided the case in favour of Tax Department, however, the Subsidiary Company is in the process of filing appeal before the Honorable Supreme Court of Pakistan.

11.2 Guarantees

Bank Guarantees in favour of:

The Director Excise and Taxation, Karachi

The Electric Inspector, President Licencing Board, Quetta

Pakistan State Oil Company Limited

K-Electric Limited

Nazir of the High Court of Sindh, Karachi

Letters of Credit in favour of:

Sui Southern Gas Company Limited for Gas

(Rupees in Thousand)		
	December 2020 (Un-audited)	June 2020 (Audited)
	228,365	208,365
	10	10
	40,000	40,000
	11,560	11,560
	15,209	15,209
	244,592	244,592
	539,736	519,736

11.3 Commitments

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

	(Rupees in Thousand)	
	December 2020 (Un-audited)	June 2020 (Audited)
Foreign currency:		
Property, plant and equipment	1,384,240	1,446,353
Raw material	681,021	208,634
Spare parts and others	80,401	115,384
	2,145,662	1,770,371
Local currency:		
Property, plant and equipment	49,060	52,956
Raw material	107,358	96,866
	156,418	149,822
	2,302,080	1,920,193

12 INCOME TAX

Provision for taxation includes current year provision of Rs.110.002 million (December 2019: Rs.158.740 million) and reversal of prior year of Rs.2.198 million (December 2019: prior year Rs.0.026 million).

13 MEASUREMENT OF FAIR VALUE

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

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

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

14 SEGMENT REPORTING

14.1 Reportable segments

The Group's reportable segments are as follows:

- Polyester Filament Yarn - it comprises manufacturing of Polyester Filament Yarn and its raw material.
 - Polyester PET Preform - it comprises manufacturing of Polyester PET Preform and its raw material. This includes the results of Subsidiary Company Messrs. Global Synthetics Limited, which has not yet commenced its operations till date.
 - Electric Power generation - it comprises operations of Subsidiary Companies Messrs. Gatro Power (Private) Limited and Messrs. G-Pac Energy (Private) Limited.
- Other operating expenses, other income, finance costs and taxation are managed at Group level.

14.2 Segment results:

The segment information for the reportable segments for the half year ended December 31, 2020 is as follows:

	December 2020					December 2019				
	Polyester Filament Yarn	Polyester PET Preform	Total of Polyester Polymer	Power Generation	Group	Polyester Filament Yarn	Polyester PET Preform	Total of Polyester Polymer	Power Generation	Group
Sales	5,850,542	1,559,958	7,410,500	1,021,756	8,432,256	5,272,509	1,364,808	6,637,317	942,109	7,579,426
Segment result before depreciation	500,657	190,429	691,086	205,179	896,265	353,943	85,465	439,378	157,574	596,952
Less: Depreciation	(222,406)	(24,902)	(247,308)	(69,111)	(316,419)	(137,711)	(32,456)	(170,167)	(56,822)	(226,989)
Segment result after depreciation	278,051	165,527	443,578	136,068	579,646	216,232	52,979	269,211	100,752	369,963
Reconciliation of segment sales and results with sales and profit before income tax:										
Total sales for reportable segments					8,432,256					7,579,426
Elimination of inter-segment sales from subsidiary company Messrs. Gatro Power (Private) Limited					(1,021,756)					(942,109)
Sales					7,410,500					6,637,317
Total results for reportable segments			443,578	136,068	579,646			269,211	100,752	369,963
Other operating expenses			(40,148)	(1,931)	(42,099)			(29,504)	(1,230)	(30,734)
Other income			53,930	956	54,886			28,999	913	29,912
Finance costs			(45,643)	(6,987)	(52,630)			(76,946)	(3,308)	(80,254)
Remeasurement gain on provision for GDC			14,253	169,747	184,000			-	-	-
Investment income - Dividend			-	-	-			464,625	-	464,625
Share of profit after income tax in associated company Messrs. Novatex Limited					953,955					1,142,360
Elimination of intra group transaction			425,950	297,853	1,477,758			655,985	97,127	1,895,472
Profit before income tax					7,880					(464,600)
Assets and liabilities by segments are as follows:					1,685,638					1,430,872
	December 2020					June 2020				
	(Un-audited)					(Audited)				
Segment assets	8,168,906	1,848,554	10,037,460	3,381,879	13,419,339	6,555,013	1,982,924	8,537,937	3,103,852	11,641,789
Segment liabilities	2,213,677	163,697	2,377,374	2,037,613	4,414,987	1,648,669	271,300	1,919,969	2,068,236	3,988,205
Reconciliation of segments assets and liabilities with total in the condensed interim consolidated statement of financial position is as follows:										
Total for reportable segments					13,419,339					11,641,789
Unallocated					4,414,987					3,988,205
Elimination of intra group balances					(81,534)					(651,711)
Total as per condensed interim consolidated statement of financial position					14,148,466					21,194,055
Other segment information is as follows:					8,035,195					8,055,093
	December 2020					December 2019				
Depreciation	222,406	24,902	247,308	69,111	316,619	137,711	32,456	170,167	56,822	226,989
Capital expenditures incurred during the period					863,275					2,081,763
Unallocated capital expenditure incurred during the period	767,198	556	767,754	95,521	863,275	1,302,548	2,975	1,305,523	776,240	2,996
Total					915,081					2,111,759

14.3 All non-current assets of the Group as at December 31, 2020 are located in Pakistan. Parent Company's local sales represents sales to various external customers in Pakistan whereas export sales represents sales to customers in various countries.

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

15 TRANSACTIONS WITH RELATED PARTIES

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

(Rupees in Thousand)					
Name	Nature of relationship	Basis of relationship	Nature of transaction	Half year ended	Half year ended
				December 2020	December 2019
Novatex Limited	Associated Company	Common directorship	Sales of goods	705,287	75,043
			Rendering of services	31,477	-
			Acquisition of services	399,697	294,322
			Purchase of raw material	115	38
			Dividend income	-	396,900
			Rent	9,976	10,474
			Reimbursement of expenses	86,638	92,109
Krystalite Product (Private) Limited	Related Party	Common management	Sale of goods	53,901	101,251
			Purchase of other material	252	-
Mushtaq & Company (Private) Limited	Related Party	Common management	Sale of goods	28,070	9,955
Gani & Tayub (Private) Limited	Related Party	Common directorship	Payment of dividend	-	24,306
			Charges on account of handling	4,025	3,367
Gatron Foundation	Related Party	Common directorship	Payment of donation	1,805	4,220
Gatron (Industries) Limited Staff Provident Fund	Retirement benefit fund	Employees fund	Provident fund contribution	12,244	12,414
Gatron (Industries) Limited Workers Provident Fund	Retirement benefit fund	Employees fund	Provident fund contribution	1,973	1,891

There are no transactions with Key Management Personnel other than remuneration under their terms of employment amounting to Rs.145.895 million (December 2019: Rs.163.088 million)

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

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

	As at December 31, 2020 (Un-audited)	As at June 30, 2020 (Audited)
Novatex Limited		
Trade debts	46,018	97,287
Other receivables	21,688	13,214
Trade and other payables	60,303	35,599
Krystalite Product (Private) Limited		
Trade debts	55,695	239,176
Trade and other payables	204	-

	(Rupees in Thousand)	
	As at December 31, 2020 (Un-audited)	As at June 30, 2020 (Audited)
Mushtaq & Company (Private) Limited		
Trade debts	23,469	12,673
Gani & Tayub (Private) Limited		
Trade and other payables	809	482
Gatron (Industries) Limited Staff Provident Fund		
Trade and other payables	3,945	4,046
Gatron (Industries) Limited Workers Provident Fund		
Other receivables	483	-
Trade and other payables	-	370

16 DATE OF AUTHORISATION

These condensed interim consolidated financial statements were authorised for issue on February 16, 2021 by the Board of Directors of the Parent Company.

17 CORRESPONDING FIGURES

In order to comply with the requirements of IAS 34, the condensed interim consolidated statement of financial position has been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim consolidated statement of profit or loss, condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

18 GENERAL

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

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

SHABBIR DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer



Gatron (Industries) Limited