

3rd Quarterly Report
March 31,

2021

 **ICL**

 **ICL**

Innovate-Diversify-Grow



ITTEHAD CHEMICALS LIMITED

ITTEHAD CHEMICALS LIMITED

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE 3RD QUARTER ENDED MARCH 31, 2021
(UN-AUDITED)

Contents

2	Corporate Information
3-4	Directors' Report
5	Condensed Interim Statement of Financial Position
6	Condensed Interim Statement of Profit or Loss Account
7	Condensed Interim Statement of Comprehensive Income
8	Condensed Interim Cash Flow Statement
9	Condensed Interim Statement of Changes in Equity
10	Notes to the Condensed Interim Financial Statements

Corporate Information

BOARD OF DIRECTORS	Mr. Muhammad Siddiq Khatri Mr. Abdul Sattar Khatri Mr. Waqas Siddiq Khatri Mr. Abdullah Mustafa Mrs. Farhana Abdul Sattar Khatri Mr. Pervaiz Ahmad Khan Mr. Pervez Ismail	Chairman Director/CEO Director Director Director Director Director	Non-Executive Director Executive Director Executive Director Non-Executive Director Non-Executive Director Independent Director Independent Director
AUDIT COMMITTEE	Mr. Pervez Ismail Mr. Abdullah Mustafa Mr. Pervaiz Ahmad Khan	Chairman Member Member	
HR & REMUNERATION COMMITTEE	Mr. Pervaiz Ahmad Khan Mr. Abdullah Mustafa Mr. Waqas Siddiq Khatri	Chairman Member Member	
RISK MANAGEMENT COMMITTEE	Mr. Muhammad Siddiq Khatri Mr. Abdul Sattar Khatri Mr. Waqas Siddiq Khatri	Chairman Member Member	
CHIEF FINANCIAL OFFICER	Mr. Aamir Shahzad Mughal		
COMPANY SECRETARY	Mr. Abdul Mansoor Khan		
REGISTERED OFFICE/HEAD OFFICE	39-Empress Road, P.O. Box 1414, Lahore-54000. Tel: 042 - 36306586 - 88, Fax: 042 - 36365697 Website: www.ittihadchemicals.com , E-mail: info@ittihadchemicals.com		
FACTORY/PLANT	G.T. Road, Kala Shah Kaku, District Sheikhpura. Ph: 042 - 37950222 - 25, Fax: 042 - 37950206		
SHARES REGISTRAR	M/s. Hameed Majeed Associates (Pvt) Limited 1 st Floor, H.M. House, 7 Bank Square The Mall, Lahore. Tel: 042 - 37235081 - 82		
BANKERS	<u>Banks - Conventional Side</u> Askari Bank Limited Allied Bank Limited Faysal Bank Limited Habib Metro Bank Limited MCB Bank Limited National Bank of Pakistan JS Bank Limited Pak Libya Holding Co. (Pvt.) Ltd. Pakistan Kuwait Inv. Co. (Pvt.) Ltd. Pak Brunei Inv. Company Ltd. The Bank of Punjab United Bank Limited	<u>Banks - Islamic Window Operations</u> Al-Baraka Bank (Pakistan) Limited The Bank of Punjab (Taqwa Islamic Banking) Dubai Islamic Bank (Pak) Limited Bank Alfalah Limited - Islamic-Banking	
AUDITORS	M/s. BDO Ebrahim & Co., Chartered Accountants, 2 nd Floor, Block- C, Lakson Square Building No.1, Sarwar Shaheed Road, Karachi. Ph: 021 - 35683189, 35683498, Fax : 021 - 35684239		
LEGAL ADVISOR	Cornelius, Lane & Mufti Advocates & Solicitors Nawa-e-Waqt House 4 - Shahrah-e-Fatima Jinnah Lahore-54000		

DIRECTORS' REPORT

The Directors of your Company take pleasure to present the un-audited condensed interim financial statements of the Company for the third quarter and nine months ended March 31, 2021.

During the period under review, the company posted net sales revenue of Rupees 8,212 Million (2020: Rupees 6,640 Million) with an increase of 24% from corresponding period of last year. The cost of sales was Rupees 6,654 Million (2020: Rupees 5,712 Million) bringing gross profit to Rupees 1,557 Million (2020: Rupees 928 Million). Resultantly, the gross profit margin increased to 19% as compared to 14% vis-a-vis corresponding period due to reduced energy cost. However during the 3rd quarter of current Financial Year, the gross profit margin dropped to 13% from 22% attained during 2nd quarter of current Financial Year as a result of higher RLNG / LESCO Tariff. The financial cost is also lower due to lower KIBOR rates and reduced amount of short term finance utilized during the period. The bottom line showed a net profit after tax of Rupees 517 Million (2020: profit Rupees 16 Million) which yielded earnings per share of Rupees 6.10 (2020: Rupees 0.19 per share).

As envisaged, the Capacity expansion of LABSA / SLES Plant by 46,000 M. Tons per annum is underway. As already informed, the Letter of Credit has been established to import the Plant and Machinery. The Project is likely to be commissioned during the third quarter of FY 2021-22. Further, up-gradation of power plant engines to increase capacity and to improve fuel efficiency is also in progress. The first engine will be up-graded during the first quarter of next Financial Year. The Board of Directors has recommended to acquire entire equity of newly incorporated Group Company M/s Ittehad Salt Processing (Pvt.) Limited (the "ISPLL") thus making it wholly owned subsidiary in order to explore opportunities in Rock Salt Mining.

Like many other countries around the world, Pakistan's economy is also suffering from the third wave of COVID-19 (Corona Virus) pandemic. Major risks to the outlook include the possibility of new wave of infections, the emergence of new vaccine-resistant strains, and setbacks in mass vaccinations. Besides, delays in the implementation of critical structural reforms could lead to further fiscal and macroeconomic imbalances. Moreover, increase in energy cost and anticipated upward revision in SBP policy rates could result in an adverse impact on the industry. The Management of your company is keenly observing the prevailing situation and would take appropriate measures to address the emerging challenges.

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



Lahore
April 26, 2021

Abdul Sattar Khatri
Chief Executive Officer

On behalf of the Board



Muhammad Siddiq Khatri
Chairman

ڈائریکٹرز رپورٹ

آپ کی کمپنی کے ڈائریکٹرز نہایت خوشی کے ساتھ 31 مارچ 2021ء کو اختتام پزیر ہونے والی تیسری سہ ماہی اور رواں مالی سال کے پہلے نو ماہ کے غیر پڑتال شدہ بین المدتی مختصر مالی گوشوارے پیش کر رہے ہیں۔

زیر جائزہ عرصہ میں کمپنی کی فروخت سے حاصل شدہ رقم 8,212 ملین روپے (2020: 6,640 ملین روپے) رہی جو کہ گزشتہ سال کے اسی عرصہ کے فروخت سے حاصل شدہ رقم کے مقابلے میں 24% زائد ہے۔ فروخت کی لاگت 6,654 ملین روپے (2020: 5,712 ملین روپے) رہی جس سے کمپنی کا خام منافع 1,557 ملین روپے (2020: 928 ملین روپے) بنتا ہے۔ خام منافع کا تناسب گزشتہ سال کے اسی عرصہ کے مقابلے میں 14% سے بڑھ کر 19% تک ہو گیا جو کہ توانائی کی لاگت میں کمی کی وجہ سے ہے۔ تاہم، موجودہ مالیاتی سال کی تیسری سہ ماہی کے دوران خام منافع کی شرح کم ہو کر 13% رہ گئی جو رواں مالی سال کی دوسری سہ ماہی میں 22% تھا جس کی بنیادی وجہ LESCO/RLNG ٹیرف کی زیادہ قیمتیں رہیں۔ اس عرصہ میں مالی لاگت میں کمی کی وجہ KIBOR Rates کا کم شرح سود اور قلیل مدتی فنانس کا کم استعمال ہے۔ ٹیکس کی ادائیگی کے بعد گوشوارے کی آخری سطر مبلغ 517 ملین روپے (2020: 16 ملین روپے) کا خالص منافع ظاہر کرتی ہے جس کے نتیجے میں مبلغ 6.10 روپے فی حصص (2020: 0.19 فی حصص آمدنی) آمدن ہوئی۔

LABSA / SLES پلانٹ 46,000 M.Tons سالانہ کی توسیع پر کام جاری ہے۔ جیسا کہ پہلے بتایا گیا کہ پلانٹ اور مشینری کی درآمد کے لئے لیٹر آف کریڈٹ (L/C) مقرر ہو گیا ہے۔ قوی امکان ہے کہ پروجیکٹ مالی سال 2021-22 کی تیسری سہ ماہی میں تک مکمل ہو جائے گا۔ مزید ایندھن کی لاگت میں کمی اور آپریشنل صلاحیت میں مزید بہتری کے لئے پاور پلانٹ اور انجن کی بہتری پر کام جاری ہے۔ اگلے مالی سال کی پہلی سہ ماہی کے دوران پہلا انجن اپ گریڈ ہو جائے گا۔ بورڈ آف ڈائریکٹرز نے تجویز دی ہے کہ نئی بنائی جانے والی گروپ کمپنی میسرز اتحاد سالت پروسیڈنگ (پرائیویٹ) لمیٹڈ (ISPPL) کا تمام سرمایہ حاصل کر کے اس کو اپنا مکمل ذیلی ادارہ بنالے تاکہ اس طرح نمک کی کان کنی میں مزید مواقع تلاش کر سکے۔

دنیا کے بہت سے دوسرے ممالک کی طرح، پاکستان کی معیشت COVID-19 (کورونا وائرس) وبائی مرض کی تیسری لہر کے خطرے سے دوچار ہے۔ انفیکشن کی نئی لہروں کے بہت زیادہ خطرات، نئی ویکسینیشن سے بچنے والے مزاحمت ناؤ کا ظہور، بڑے پیمانے میں ویکسینیشن کے خطرات، اور سنجیدگی سے اصلاحات کے نفاذ میں تاخیر مالی اور معاشی عدم استحکام کا سبب بن رہی ہیں۔ مزید یہ کہ توانائی کی لاگت میں اضافے اور اسٹیٹ بینک کی پالیسی نرخوں میں اضافے کی نظر ثانی کے نتیجے میں صنعت پر منفی اثرات پڑ سکتے ہیں۔ آپ کی کمپنی کی انتظامیہ موجودہ صورت حال کو گہری نظر سے دیکھ رہے ہیں، اور ابھرتے ہوئے چیلنجوں سے نمٹنے کے لئے مناسب اقدامات کر رہی ہیں۔

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

منجانب بورڈ
محمد صدیق کھتری
چیئر مین

عبدالستار کھتری
چیف ایگزیکٹو آفیسر

26 اپریل 2020ء

لاہور

Condensed Interim Statement of Financial Position (Un-Audited) as at March 31, 2021

as at March 31, 2021		(Un-audited) March 31, 2021	(Audited) June 30, 2020
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	7	5,358,871	5,872,413
Capital work in progress	8	262,087	46,476
		5,620,958	5,918,889
Intangible assets		6,445	6,445
Investment property		195,000	195,000
Long term Investments		19	19
Long term deposits		63,026	52,042
		5,885,448	6,172,395
CURRENT ASSETS			
Stores and spares		397,827	418,741
Stock in trade		534,085	685,118
Trade debts		926,595	799,171
Loans and advances	9	303,092	208,399
Trade deposits and short term prepayments		6,030	5,003
Tax refunds due from Government		503,700	419,605
Taxation - net		62,240	297,623
Cash and bank balances		198,801	134,501
		2,932,370	2,968,161
		8,817,818	9,140,556
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	10.1	1,250,000	1,250,000
Issued, subscribed and paid up capital	10.2	847,000	847,000
Share premium money		330,000	330,000
Unappropriated profit		2,166,995	1,904,070
Surplus on revaluation of fixed assets		972,734	972,734
		4,316,729	4,053,804
NON CURRENT LIABILITIES			
Long term financing	11	264,276	334,580
Long term diminishing musharaka	12	1,071,607	1,407,081
Lease Liabilities		27,768	40,387
Deferred liabilities		521,610	364,794
Deferred grant		4,767	3,260
GIDC Payable		107,059	426,196
		1,997,087	2,576,298
CURRENT LIABILITIES			
Trade and other payables		1,873,798	1,201,550
Unclaimed dividend		4,049	1,020
Mark-up accrued		30,829	78,374
Short term borrowings		114,441	1,138,575
Current portion of lease liabilities		9,806	10,175
Current portion of deferred grant		4,821	2,674
Current portion of long term liabilities		466,258	78,086
		2,504,002	2,510,454
CONTINGENCIES AND COMMITMENTS			
	13	-	-
TOTAL EQUITY AND LIABILITIES			
		8,817,818	9,140,556

The annexed notes from 1 to 23 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

Condensed Interim Statement of Profit or Loss Account (Un-Audited) for the nine months ended March 31, 2021

		Nine months ended March 31,		Quarter ended March 31,	
		2021	2020	2021	2020
Note		—— (Rupees in thousand) ——			
Sales - net		8,211,553	6,640,100	2,917,654	2,394,115
Cost of sales	14	(6,654,055)	(5,712,148)	(2,542,578)	(2,027,459)
Gross profit		1,557,498	927,952	375,076	366,656
Selling and distribution expenses		(425,107)	(398,544)	(139,343)	(123,691)
General and administrative expenses		(148,243)	(149,399)	(49,248)	(52,310)
Other operating expenses		(95,291)	(51,080)	(19,129)	(11,965)
Other operating income		78,597	72,351	29,676	24,055
		(590,044)	(526,672)	(178,044)	(163,911)
Operating profit / loss		967,454	401,280	197,032	202,745
Financial charges		(158,142)	(371,483)	(41,497)	(124,481)
Profit / (loss) before taxation		809,312	29,797	155,535	78,264
Taxation		(292,287)	(13,588)	(65,936)	(30,492)
Profit / (loss) after taxation		517,025	16,209	89,599	47,772
Earnings per share					
- basic and diluted (Rupees)	15	6.10	0.19	1.06	0.56

The annexed notes from 1 to 23 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

**Condensed Interim Statement of Comprehensive Income (Un-audited)
for the nine months ended March 31, 2021**

	Nine months ended March 31, 2021		Quarter ended March 31, 2021	
	2021	2020	2021	2020
	—— (Rupees in thousand) ——			
Profit / (loss) for the period	517,025	16,209	89,599	47,772
Other comprehensive income for the period	-	-	-	-
Total comprehensive income / (loss) for the period	<u>517,025</u>	<u>16,209</u>	<u>89,599</u>	<u>47,772</u>

The annexed notes from 1 to 23 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

Condensed Interim Cash Flow Statement (Un-audited) for the nine months ended March 31, 2021

	Nine months ended March 31,	
	2021	2020
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	809,312	29,797
Adjustments for items not involving movement of funds:		
Depreciation	383,881	428,060
Provision for gratuity	22,402	25,462
Loss on sale of fixed assets	21,831	44,014
Gain on disposal of right to use assets	(2,822)	-
Gain on extinguishment of original GIDC liability	(25,486)	-
Loss / (Gain) on foreign exchange	6,194	(7,852)
Bad debts written off	1,021	-
Provision for obsolete stores	12,000	9,500
Financial charges	158,142	371,483
Net cash flow before working capital changes	1,386,475	900,464
Decrease / (increase) in current assets		
Stores and spares	8,914	(11,356)
Stock in trade	151,033	65,612
Trade debts	(134,639)	(302,537)
Loans and advances	(94,693)	14,709
Trade deposits and short term prepayments	(1,027)	2,394
Tax refunds due from the Government	59,933	103,779
	(10,479)	(127,399)
Increase / (decrease) in current liabilities		
Trade and other payables	378,594	96,703
Cash generated from operations	1,754,590	869,768
Income taxes paid	(60,718)	(61,418)
Gratuity paid	(5,798)	(3,281)
Financial charges paid	(205,687)	(399,912)
Net cash (used in) / generated from operating activities	1,482,387	405,157
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to operating fixed assets - net	(11,429)	(1,730)
Additions to capital work in progress	(340,380)	(124,431)
Proceeds from sale of operating fixed assets	240,616	1,145
Long term Investments	-	(19)
Long term deposits	(10,985)	(136)
Net cash used in investing activities	(122,178)	(125,171)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long term financing	98,475	-
Repayment of long term financing	(57,954)	(184,283)
Proceeds from long term diminishing musharaka	-	41,706
Repayment of long term diminishing musharaka	(54,472)	(87,500)
Repayment of lease Liability	(6,753)	(2,523)
Dividend paid	(251,071)	(20)
Short term borrowings	(1,024,134)	(74,281)
Net cash inflow from financing activities	(1,295,909)	(306,901)
Net increase in cash and cash equivalents	64,300	(26,915)
Cash and cash equivalents at the beginning of the period	134,501	109,892
Cash and cash equivalents at the end of the period	198,801	82,977

The annexed notes from 1 to 23 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

Condensed Interim Statement of Changes in Equity (Un-audited) for the nine months ended March 31, 2021

	Share Capital	Surplus on Revaluation of fixed assets	Share premium money	Unappropriated profit	Total
	(Rupees in thousand)				
Balance as at July 01, 2019	847,000	972,734	330,000	1,853,951	4,003,685
IFRS-16, Leases - Impact of change in accounting policy	-	-	-	(15,205)	(15,205)
Balance as at July 01, 2018 - Restated	847,000	972,734	330,000	1,838,746	3,988,480
Total Comprehensive income for the period	-	-	-	16,209	16,209
Balance as at March 31, 2020	847,000	972,734	330,000	1,854,955	4,004,689
Total Comprehensive income for the period	-	-	-	44,591	44,591
Profit for the period	-	-	-	44,591	44,591
Remeasurement of defined benefit liability - net	-	-	-	4,524	4,524
Balance as at June 30, 2020	847,000	972,734	330,000	1,904,070	4,053,804
Transaction with owners:					
Final cash dividend 2020 : Rs 1 per share	-	-	-	-	(84,700)
Interim cash dividend 2021 : Rs 2 per share	-	-	-	-	(169,400)
Total Comprehensive income for the period	-	-	-	517,025	517,025
Balance as at March 31, 2021	847,000	972,734	330,000	2,166,995	4,316,729

The annexed notes from 1 to 23 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

Notes to the Condensed Interim Financial Statements (Un-audited) for the nine months ended March 31, 2021

1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

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

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

3 BASIS OF PREPARATION

3.1 Statement of compliance

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

This condensed interim financial information of the Company for the nine months period ended March 31, 2021 has been prepared in accordance with the requirements of International Accounting Standard - 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Act, 2017. In case where requirements differ, the provisions of or directives issued under the Companies Act, 2017 have been followed.

This condensed interim financial information does not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended June 30, 2020 which have been prepared in accordance with approved accounting standards as applicable in Pakistan. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

The comparative balance sheet presented in this condensed interim financial information has been extracted from the annual audited financial information of the Company for the year ended June 30, 2020, whereas the comparative condensed interim profit and loss accounts, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity are extracted from the unaudited condensed interim financial information for the nine months period ended March 31, 2020.

3.2 Basis of measurement

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

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

3.3 Functional and presentation currency

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

4 SIGNIFICANT ACCOUNTING POLICIES

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

4.2 The Company has adopted all the new standards and amendments to standards, including any consequential amendments to other standards which are applicable for the financial year beginning on July 1, 2020. The adoption of these new and amended standards did not have material impact on the Company's condensed interim financial statements. There are certain standards, interpretations and amendments to approved accounting standards which have been published and are mandatory for the Company's accounting period beginning on or after July 01, 2020. These standards, interpretations and amendments are either not relevant to the Company's operations or are not expected to have a significant effect on this condensed interim financial statements.

4.3 The accounting policies applied in this condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2020.

5 TAXATION

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

6 ESTIMATES

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the financial information for the year ended June 30, 2020.

	Note	(Un-audited) March 31, 2021	(Audited) June 30, 2020
———— (Rupees in thousand) ————			
7 PROPERTY PLANT & EQUIPMENT			
Fixed Assets	7.1	5,338,097	5,842,860
Right of use Assets	7.2	20,774	29,553
		<u>5,358,871</u>	<u>5,872,413</u>
7.1 Opening net book value (NBV)		5,842,860	6,334,613
Additions (at cost) during the period / year	7.1.1	136,198	130,117
		<u>5,979,058</u>	<u>6,464,730</u>
Disposals (at NBV) during the period / year	7.1.2	(262,447)	(54,811)
Depreciation charged during the period / year		<u>(378,514)</u>	<u>(567,059)</u>
		<u>(640,961)</u>	<u>(621,870)</u>
Closing net book value (NBV)		<u>5,338,097</u>	<u>5,842,860</u>
7.1.1 Details of additions (at cost) during the period / year are as follows:			
Building		19,721	17,465
Plant and machinery		105,889	110,079
Other equipment		1,169	357
Furniture and fixtures		142	175
Office and other equipment		3,376	1,984
Vehicles - owned		5,901	57
		<u>136,198</u>	<u>130,117</u>
7.1.2 Details of disposals (at NBV) during the period / year are as follows:			
Building		2,838	1
Plant and machinery		257,624	54,317
Office and other equipment		80	5
Vehicles		1,905	488
		<u>262,447</u>	<u>54,811</u>
7.1.3 Fair value measurement (revalued property, plant and equipment)			
7.1.4 Fair value measurement of free hold land is based on the valuations carried out by an independent valuer M/s. Harvestor Services (Private) Limited as at June 30, 2018 on the basis of market value.			
7.1.5 Fair value measurement of revalued land is based on assumptions considered to be level 2 inputs.			

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

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

	(Un-audited) March 31, 2021	(Audited) June 30, 2020
Note	(Rupees in thousand)	

7.2 Right of use Assets

Opening net book value (NBV)	29,553	30,463
Re-measurement	-	4,779
Disposal (at WDV) during the period / year	(3,412)	-
Depreciation charged during the period / year	(5,367)	(5,689)
	<u>20,774</u>	<u>29,553</u>

8 CAPITAL WORK IN PROGRESS

Advances		17,289	17,289
Building	8.1	2,265	8,315
Plant and machinery	8.1	242,533	20,872
		<u>262,087</u>	<u>46,476</u>

Building **Plant & Machinery**

(Rupees in thousand)

8.1 Movement of carrying amount

Period Ended March 2021

Opening balance July 2020	8,315	20,872
Additions (at cost)	13,526	326,854
Transferred to operating fixed assets	(19,576)	(105,193)
Closing balance	<u>2,265</u>	<u>242,533</u>

Year Ended June 2020

Opening balance July 2019	15,059	3,193
Additions (at cost)	24,740	110,730
Transferred to operating fixed assets	(31,484)	(93,051)
Closing balance	<u>8,315</u>	<u>20,872</u>

	Note	(Un-audited) March 31, 2021	(Audited) June 30, 2020
(Rupees in thousand)			
9 LOAN AND ADVANCES			
Advances - (Unsecured - considered good)			
To employees	9.1	20,416	8,039
Advance to supplies and services (Unsecured)			
Considered good		278,773	198,465
Considered doubtful		1,374	1,374
		280,147	199,839
Against import		3,903	1,895
		304,466	209,773
Less: Provision for doubtful advances		1,374	1,374
		303,092	208,399
9.1 This includes advances provided to employees to meet business expenses and are settled as and when the expenses are incurred. These advances do not carry any interest or mark-up.			
10 SHARE CAPITAL			
10.1 Authorized share capital			
100,000,000 (June 30, 2020: 100,000,000) ordinary shares of Rs. 10/- each		1,000,000	1,000,000
25,000,000 (June 30, 2020: 25,000,000) preference shares of Rs. 10/- each		250,000	250,000
		1,250,000	1,250,000
10.2 Issued, subscribed and paid up share capital			
27,100,000 (June 30, 2020: 27,100,000) ordinary shares of Rs. 10/- each fully paid in cash		271,000	271,000
24,900,000 (June 30, 2020: 24,900,000) ordinary shares of Rs. 10/- each issued for consideration other than cash		249,000	249,000
32,700,000 (June 30, 2020: 32,700,000) fully paid Bonus shares of Rs. 10/- each		327,000	327,000
		847,000	847,000
11 LONG TERM FINANCING			
From banking companies and financial institutions - secured			
Balance as at July 01		359,228	488,450
Obtained during the period / year		94,820	92,561
Repayments made during the period / year		(57,954)	(221,783)
		396,094	359,228
Current portion shown under current liabilities		(131,818)	(24,648)
		264,276	334,580

(Un-audited) March 31, 2021	(Audited) June 30, 2020
—— (Rupees in thousand) ——	

12 LONG TERM DIMINISHING MUSHARAKA

From banking companies and financial institutions - secured		
Balance as at July 01	1,460,519	1,498,038
Obtained during the period / year	-	49,981
Repayments made during the period / year	(54,472)	(87,500)
	1,406,047	1,460,519
Current portion shown under current liabilities	(334,440)	(53,438)
	1,071,607	1,407,081

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingent liabilities

- a) Letters of guarantee outstanding as at March 31, 2021 were Rs. 350.486 million (June 2020: Rs. 375.913 million).
- b) The taxation authorities have amended the deemed assessment for the Tax Year 2010 by passing an order u/s 122(5A) of the Income Tax Ordinance, 2001 creating, thereby, income tax demand of Rs. 54.510 million. The Company filed an appeal before Commissioner Inland Revenue (Appeals) who partially set aside and remanded back and also partially decided in favour of the Company. The Company as well as tax department filed an appeal against the said order before Appellate Tribunal Inland Revenue which is still pending adjudication. The Company expects a favourable outcome of the proceedings. However, if the case is decided against the Company, it may result in maximum tax payable of Rs. 54.510 million (June 30, 2020: Rs. 54.510 million).
- c) The taxation authorities have amended the deemed assessment for Tax Year 2006 by passing an order u/s 122(5A) of the Income Tax Ordinance, 2001. The Company challenged the same before Commissioner Inland Revenue (Appeals) who partially set aside and partially decided against the Company. The Company has filed an appeal before Appellate Tribunal Inland Revenue against the said order.

The ATIR remanded the case back to the Additional Commissioner Inland Revenue (ADCIR). In remand back proceeding ADCIR decided the case partially in favour of the Company. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) CIR (A) against the remaining portion. The CIR(A) has decided the case in favour of the Company. Thereafter the CIR has filed appeal before ATIR. The Company considers the appeal of CIR as for sake only and therefore expects a favourable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 4.080 million (June 30, 2020: Rs. 4.080 million).

- d) Proceedings u/s 161 were initiated by DCIR for the tax year 2013. The DCIR passed order u/s 161/205 and demand amounting to Rs. 1.423 million for tax year 2013 was created vide said order. The Company being aggrieved filed appeal before CIR (A), wherein case has been remanded back to DCIR for fresh assessment and in light of the directions issued by the CIR(A). The Company expects a favourable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 1.423 million. (June 30, 2020: Rs. 1.423 million).
- e) The Company is facing claims, launched in the labour courts, pertaining to staff retirement benefits. In the event of an adverse decision, the Company would be required to pay an amount of Rs. 4.657 million (June 30, 2020: Rs. 5.00 million) against these claims.
- f) Show cause notice was served by the ACIR whereby taxpayer is required to explain the alleged illegal input (sales tax) tax adjustment amounting to Rs. 28.725 million. Detailed reply was filed by the Company. In response to which ACIR issued assessment order and created demand amounting to Rs. 19.724 million along with penalty amounting to Rs. 0.986 million. The Company being aggrieved filed appeal before CIR (A). The CIR(A) has reduced the demand from Rs. 19.724 million to Rs. 1.20 million. The Company has challenged the demand of Rs. 1.20 million in ATIR. The Company expects a favourable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 1.20 million (June 30, 2020: 1.20 million).
- g) Income tax credit u/s 65B (BMR) of Income Tax Ordinance, 2001 was reduced from 10% to 5% by Finance Act, 2019 retrospectively for Tax Year 2019. The Company has challenged this amendment in the Honorable Lahore High Court through writ petition 67856/2019. In this regard the Court has issued interim order and has directed the taxpayers to file their income tax return manually. If the case is decided in favour of the Company it may result in a contingent deductible allowance of Rs. 63.20 million. (June 30, 2020: 63.20 million).
- h) The Finance Act, 2017 has substituted Section 5A of the Income Tax Ordinance, 2001 and further amended by Finance Supplementary (Second Amendment) Act 2019 introduced tax on every public company from Tax Year 2018 at the rate of 5% of its accounting profit before tax for the year. However, this tax shall not apply in case of a public company, which distributes at least 20% of its after tax profits within six (6) months of the end of the tax year through cash dividend. The Company has filed Writ Petition (WP) before Lahore High Court (LHC) during 2020, to challenge the vires of Section 5A of the Income Tax Ordinance, 2001 and management believes that it has meritorious grounds to file this writ petition and is confident of its outcome in the Company's favour. Accordingly, no provision amounting to Rs. 25.50 million has been made against the same in the financial statements. However, if the case is decided against the Company, it may result in tax payable of Rs. 25.50 million (June 30, 2020: Rs. 25.50 million).

13.2 Commitments

Commitments as on March 31, 2021 were as follows:

- a) Against letters of credit amounting to Rs. 1,487.193 million (June 30, 2020: Rs. 244.684 million).
- b) Against purchase of land amounting to Rs. 1.639 million (June 30, 2020: Rs. 1.639 million).

(Unaudited)			
Nine months ended March 31,		Quarter ended March 31,	
2021	2020	2021	2020
(Rupees in thousand)			

14 COST OF SALES

Raw materials consumed	2,445,537	1,552,838	915,269	671,019
Other overheads:				
Stores, spares and consumables	155,058	132,836	57,699	40,685
Packing materials consumed	124,626	90,397	35,103	29,640
Salaries, wages and other benefits	401,039	377,292	132,110	124,507
Fuel and power	2,955,349	2,964,818	1,126,618	932,376
Repair and maintenance	25,997	23,078	8,279	5,263
Rent, rates and taxes	124	783	31	47
Insurance	10,761	11,472	3,414	3,842
Depreciation	371,501	416,056	122,157	139,000
Vehicle running expenses	9,690	10,927	3,160	3,436
Telephone, telex and postage	728	623	248	163
Printing and stationery	203	119	61	54
Provision for slow moving stores & spares	12,000	9,500	-	2,000
Other expenses	1,199	1,849	463	518
	4,068,275	4,039,750	1,489,343	1,281,531
Opening work in process	38,912	38,143	43,366	42,457
Closing work in process	(42,136)	(42,975)	(42,136)	(42,975)
	(3,224)	(4,832)	1,230	(518)
Cost of goods manufactured	6,510,588	5,587,756	2,405,842	1,952,032
Cost of stores traded	2,232	33	2,232	5
Opening stock of finished goods	392,491	446,016	385,760	397,079
Closing stock of finished goods	(251,256)	(321,657)	(251,256)	(321,657)
	141,235	124,359	134,504	75,422
	6,654,055	5,712,148	2,542,578	2,027,459

(Unaudited)			
Nine months ended March 31,		Quarter ended March 31,	
2021	2020	2021	2020
(Rupees in thousand)			

15 EARNINGS PER SHARE - BASIC AND DILUTED

Profit / (loss) after taxation - (Rs. in thousand)	517,025	16,209	89,599	47,772
Weighted average number of ordinary shares - (in thousand)	84,700	84,700	84,700	84,700
Earnings per share - basic and diluted - (Rs.)	6.10	0.19	1.06	0.56

16 TRANSACTIONS WITH RELATED PARTIES

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

Transaction with:

Relationship with the Company	Nature of transaction
----------------------------------	-----------------------

Related party	Marketing services charges	39,783	31,473	14,249	11,597
Related party	Long term Investment	-	19	-	19
Retirement benefit plans	Contribution to staff retirement benefit plans	404	402	138	136
Key management personnel	Remuneration and other benefits	59,321	59,866	20,293	21,376

(Un-audited) March 31, 2021	(Audited) June 30, 2020
(Rupees in thousand)	

Period / year end balances:

Relationship with the Company	Nature of outstanding balances
----------------------------------	--------------------------------

Other related Parties	Trade and other payables	49,537	21,648
-----------------------	--------------------------	--------	--------

17 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

There were no financial instruments held by the Company which are measured at fair value as of March 31, 2021 and June 30, 2020.

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

18 FINANCIAL RISK MANAGEMENT

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

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

This condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Company's audited annual financial statements for the year ended June 30, 2020.

The Company's financial risk management objective and policies are consistent with that disclosed in the annual financial statements for the year ended June 30, 2020.

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

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

20 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and better presentation. However, no significant reclassification has been made during the period except deferred capital grant amounting to Rs. 2.674 million, previously classified under non-current liabilities, has now been classified as current portion in current liability under respective heads for the purpose of better presentation.

21 IMPACT OF COVID -19 ON THE FINANCIAL STATEMENT

In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. In the first few months of 2020 the virus had spread globally, and its negative impact had gained momentum. The management considers presently this outbreak does not have any impact on the amounts being reported in the Company's statement of financial position. While this is still an evolving situation as at the time of issuing these condensed interim financial statements yet, to date the operations of the Company have continued uninterrupted during this pandemic, future effects cannot be predicted. However, the management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

22 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on April 26, 2021 by the Board of Directors of the Company.

23 GENERAL

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


CHIEF EXECUTIVE
DIRECTOR
CHIEF FINANCIAL OFFICER



Ms Certification
No of Certificate 236



ITTEHAD
GROUP

www.ittehadchemicals.com

Registered Office/Head Office:

39-Empress Road, Lahore-Pakistan.

Tel: +92 42 3630 6586-88, Fax: +92 42 3636 5697

Factory:

G.T. Road, Kala Shah Kaku,

District Sheikhpura, Pakistan.

Tel: +92 42 3795 0222-25, Fax: +92 42 3795 0206