

Engro Powergen Qadirpur Limited

Directors' Review to the Shareholders

Quarter Ended March 31, 2021

The Directors of Engro Powergen Qadirpur Limited (EPQL) are pleased to present the unaudited financial information and a review of the Company's performance for the quarter ended March 31, 2021.

Operating Performance

The EPQL Plant demonstrated a billable availability factor of 100% in Q1 2021. It dispatched a total Net Electrical Output (NEO) of 190 Gwh to the national grid with a load factor of 41% as compared to 37% in Q1 2020, due to higher offtake from the Power Purchaser.

The Company maintained its high level of commitment towards Health, Safety & Environment (HSE) standards.

Financial Performance

Sales revenue for the period was PKR 2,332 Mn compared to PKR 2,802 Mn in the same period last year. The decrease in sales revenue is mainly attributable to debt servicing component no longer being applicable as long term debt of the Company was retired in 2020. Consequently, gross profit for the period was also lower at PKR 311 Mn as compared to PKR 877 Mn in the same period last year.

The Company earned a net profit of PKR 399 Mn in Q1, 2021 as compared to PKR 895 Mn in Q1, 2020. Earnings per share was lower at PKR 1.23 as compared to PKR 2.77 for the same period last year, due to lower capacity payments on the back of debt servicing component no longer being applicable.

Near term Outlook

EPQL is facing gas curtailment from Qadirpur gas field as it depletes and made its Plant available on mixed mode i.e. comingling of gas and HSD from September 7, 2018 onwards. Under the Implementation Agreement, once gas curtailment reaches a certain point, EPQL is allowed one-time conversion to an alternate fuel. The cost of this conversion is fully recoverable from the Power Purchaser as per the Implementation Agreement. In the meanwhile, EPQL is entitled to recover full capacity payments while making the plant available on mixed mode.

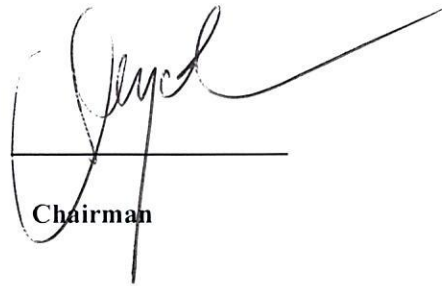
The Company is engaged with stakeholders to agree on an alternate solution as gas from Qadirpur field is depleting. The Company will continue to actively work towards closure of a viable alternate fuel option for the plant and is confident of its operations for the remaining life of Power Purchase Agreement.

In February 2021, the Company and CPPA-G entered into a binding agreement (Master Agreement) based primarily on the terms of the MoU, agreed with the Committee for negotiation with Independent Power Producers, notified by Government of Pakistan. The tariff adjustment application submitted in accordance with the Master Agreement has been approved by NEPRA.



Chief Executive Officer

April 14, 2021



ENGRO POWERGEN QADIRPUR LIMITED


**CONDENSED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2021**

ENGRO POWERGEN QADIRPUR LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2021

(Amounts in thousand)

		Unaudited March 31, 2021	Audited December 31, 2020
	Note	-----Rupees-----	
ASSETS			
Non-current assets			
Property, plant and equipment	4	12,494,571	12,685,728
Intangible assets		58,625	60,459
Long-term loans and advances		22,300	23,233
Long-term deposits		2,574	2,574
		<u>12,578,070</u>	<u>12,771,994</u>
Current assets			
Inventories		852,234	853,335
Trade debts	5	8,801,030	7,040,059
Short-term investments		49,996	49,321
Loans, advances, deposits and prepayments		60,556	104,018
Other receivables	6	3,573,569	4,644,272
Taxes recoverable		35,173	34,254
Balances with banks	7	19,821	13,041
		<u>13,392,379</u>	<u>12,738,300</u>
TOTAL ASSETS		<u><u>25,970,449</u></u>	<u><u>25,510,294</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		3,238,000	3,238,000
Share premium		80,777	80,777
Maintenance reserve		227,182	227,182
Unappropriated profit		11,910,934	12,078,318
Hedging reserve		12,234	12,449
Total equity		<u>15,469,127</u>	<u>15,636,726</u>
LIABILITIES			
Non-current liability			
Other payable		538,650	986,605
Current liabilities			
Trade and other payables		6,367,952	5,190,675
Unclaimed dividend		22,107	22,575
Accrued interest / mark-up		59,638	55,268
Short-term borrowings	8	2,946,325	3,618,445
Unpaid dividend		566,650	-
		<u>9,962,672</u>	<u>8,886,963</u>
Total liabilities		<u>10,501,322</u>	<u>9,873,568</u>
Contingencies and Commitments	9		
TOTAL EQUITY AND LIABILITIES		<u><u>25,970,449</u></u>	<u><u>25,510,294</u></u>

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


Chief Financial Officer


Chief Executive Officer


Chairman

ENGRO POWERGEN QADIRPUR LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2021

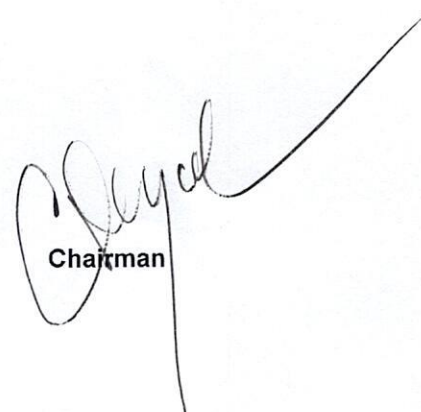
(Amounts in thousand except for earnings per share)

	Note	Quarter ended	
		March 31, 2021	March 31, 2020
		----- Rupees -----	
Sales	10	2,331,574	2,801,571
Cost of sales		(2,020,695)	(1,924,567)
Gross profit		310,879	877,004
Administrative expenses		(28,578)	(26,078)
Other expenses		(7,611)	(16,972)
Other income		875	530
Profit from operations		275,565	834,484
Finance income - net		123,852	61,805
Workers' profits participation fund	11	-	-
Profit before taxation		399,417	896,289
Taxation		(151)	(933)
Profit for the period		399,266	895,356
Earnings per share - basic and diluted	12	1.23	2.77

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


Chief Financial Officer


Chief Executive Officer


Chairman

ENGRO POWERGEN QADIRPUR LIMITED
 CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER
 COMPREHENSIVE INCOME (UNAUDITED)
 FOR THE QUARTER ENDED MARCH 31, 2021

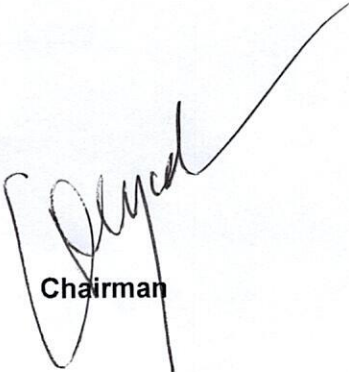
(Amounts in thousand)

	Quarter ended	
	March 31, 2021	March 31, 2020
	-----Rupees-----	
Profit for the period	399,266	895,356
Other comprehensive loss:		
<i>Item that may be reclassified subsequently to statement of profit or loss</i>		
Hedging reserve - reclassified to statement of profit or loss	(215)	(218)
Total comprehensive income for the period	<u>399,051</u>	<u>895,138</u>

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



 Chief Financial Officer


 Chief Executive Officer


 Chairman

(Amounts in thousand)

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


Chairman

ENGRO POWERGEN QADIRPUR LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2021

(Amounts in thousand)

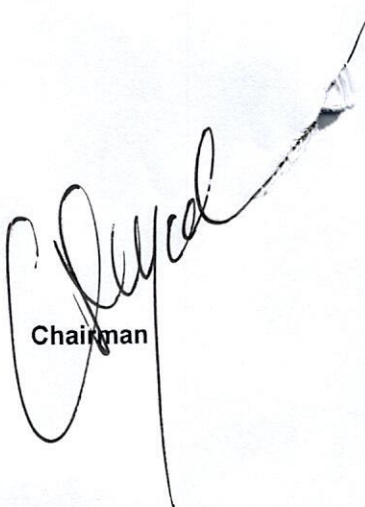
(Amounts in thousand)

		Quarter ended	
		March 31, 2021	March 31, 2020
Note		-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES			
	13	735,992	342,351
Cash generated from operations		(1,070)	(524)
Taxes paid		194	3,216
Interest received		3,016	5,848
Long-term loans, advances and deposits - net			
Net cash generated from operating activities		738,132	350,891
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,342)	(1,499)
Purchase of intangible assets		(5,539)	(30,180)
Proceeds from disposal of property, plant and equipment		2,512	-
Investments made during the period		(49,996)	(1,800,227)
Investments encashed/matured during the period		49,980	-
Net cash utilised in investing activities		(4,385)	(1,831,906)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance cost paid		(54,379)	(123,715)
Dividends paid		(468)	(485,982)
Net cash utilised in financing activities		(54,847)	(609,697)
Net increase / (decrease) in cash and cash equivalents		678,900	(2,090,712)
Cash and cash equivalents at beginning of the period		(3,605,404)	(3,700,454)
Cash and cash equivalents at end of the period	14	(2,926,504)	(5,791,166)

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


Chief Financial Officer


Chief Executive Officer


Chairman

ENGRO POWERGEN QADIRPUR LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2021

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

- 1.1 Engro Powergen Qadirpur Limited (the Company), is a public listed company, incorporated in Pakistan, and its shares are quoted on the Pakistan Stock Exchange Limited. The Company is a subsidiary of Engro Energy Limited, which is a wholly owned subsidiary of Engro Corporation Limited. Engro Corporation Limited is a subsidiary of Dawood Hercules Corporation Limited (the Ultimate Parent Company).
- 1.2 The Company was established with the primary objective to undertake the business of power generation and sale. The Company owns a 217.3 MW combined cycle power plant and commenced commercial operations on March 27, 2010. The electricity generated is transmitted to the National Transmission and Despatch Company (NTDC) under the Power Purchase Agreement (PPA) dated October 26, 2007. This PPA is for a period of 25 years.
- 1.3 The business units of the Company include the following:

Business Unit	Geographical Location
Head office (registered office)	16th floor, Harbour Front Building, Plot Number HC-3, Marine Drive, Block 4, Scheme No. 5, Clifton, Karachi.
Power plant	Deh Belo Sanghari, Ghotki, Sindh

1.4 IMPACT OF COVID-19 ON THE CONDENSED INTERIM FINANCIAL STATEMENTS

The World Health Organization (WHO) has declared COVID-19 a pandemic. To reduce the impact on businesses and economies in general, regulators / governments across the globe introduced a host of measures on social and economic fronts. While this has impacted the Country's economy, the Company's operations and financial results have not been materially impacted by such measures.

2. BASIS OF PREPARATION

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

- International Accounting Standard 34, 'Interim Financial Reporting', (IAS 34), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act); and
- Provisions of and directives issued under the Act.

Where the provisions of and directives issued under the Act differ with the requirements of IAS 34, the provisions of and directives issued under the Act have been followed.

- 2.2 These condensed interim financial statements do not include all the information required for annual financial statements and, therefore, should be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2020.

(Amounts in thousand)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, JUDGEMENTS AND RISK MANAGEMENT

- 3.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements for the year ended December 31, 2020.

The financial risk management objectives and policies of the Company are also consistent with those disclosed in the audited financial statements of the Company for the year ended December 31, 2020.

- 3.2 The preparation of these condensed interim financial statements in conformity with the approved accounting and reporting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. These estimates, judgments and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future years if the revision affects both current and future periods.

The significant estimates, judgments and assumptions made by the management in the preparation of these condensed interim financial statements are the same as those that were applied in the audited financial statements of the Company as at and for the year ended December 31, 2020.

- 3.3 There are certain amendments to published International Financial Reporting Standards and interpretations that are mandatory for the financial year beginning on January 1, 2021. These are considered not to have any significant effect on the Company's financial reporting and operations and are, therefore, not disclosed in these condensed interim financial statements. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

Unaudited March 31, 2021	Audited December 31, 2020
-----Rupees-----	

4. PROPERTY, PLANT AND EQUIPMENT

Operating assets, at net book
value (note 4.1)

12,054,664 12,252,704

Capital work-in-progress

170,144 163,261

Capital spares

269,763 269,763

12,494,571 12,685,728

- 4.1 Major additions to operating assets during the period / year were as follows:

	Rate of depreciation (%)	Unaudited March 31, 2021	Audited December 31, 2020
-----Rupees-----			
Plant and machinery - including capitalisation of exchange loss	4 - 16	-	71,707
Vehicles	19 - 23	-	13,472
		<u>-</u>	<u>85,179</u>

(Amounts in thousand)

	Unaudited March 31, 2021	Audited December 31, 2020
	-----Rupees-----	
5. TRADE DEBTS - Secured		
Considered good	8,801,030	7,040,059
5.1 Trade debts, including delayed payment charges, are secured by a guarantee from the Government of Pakistan under the Implementation Agreement and as such are considered good.		
5.2 Trade debts include:		
- Rs. 1,526,104 (December 31, 2020: Rs. 868,627) which is neither past due nor impaired; and		
- Rs. 7,274,926 (December 31, 2020: Rs. 6,171,432) which is overdue but not impaired. The overdue receivables carry mark-up at the rate of KIBOR plus 4.5% per annum. The ageing of overdue receivables is as follows:		
	Unaudited March 31, 2021	Audited December 31, 2020
	-----Rupees-----	
- Upto 3 months	1,450,941	1,252,682
- 3 to 6 months	980,234	1,024,761
- More than 6 months	4,843,751	3,893,989
	7,274,926	6,171,432
6. OTHER RECEIVABLES		
These include delayed payment charges on account of mark-up on overdue trade debts amounting to Rs. 2,983,357 (December 31, 2020: Rs. 3,838,111) of which Rs. 1,646,247 (December 31, 2020: Rs. 2,736,248) is overdue.		
	Unaudited March 31, 2021	Audited December 31, 2020
	-----Rupees-----	
7. BALANCES WITH BANKS		
Current accounts:		
- Local currency	1,902	1,499
Deposit accounts:		
- Foreign currency (note 7.1)	2,237	4,340
- Local currency (note 7.2)	15,682	7,202
	19,821	13,041
7.1 Foreign currency deposits carry return at the rate of 0.10% (December 31, 2020: 0.10%) per annum.		
7.2 Local currency deposits carry return at the rate of 5.50% (December 31, 2020: 5.50%) per annum.		
7.3 The Company maintains its bank balances under the conventional banking terms only.		

(Amounts in thousand)

8. SHORT-TERM BORROWINGS

The working capital / running finance facilities under these mark-up arrangements aggregate to Rs. 6,900,000 (December 31, 2020: Rs. 6,900,000). The facilities carry mark-up at the rate of 1- 3 month KIBOR plus 0.0% - 0.75% (December 31, 2020: 1 - 3 month KIBOR plus 0.0% - 0.75%). The facilities are secured by (i) lien over Energy Purchase Price (EPP) account and charge over present and future receivables from the Power Purchaser in respect of EPP; and (ii) first charge over current assets of the Company and subordinated charge over present and future plant, machinery, equipment and other movable assets and immovable properties of the Company. The use of these facilities are restricted for payments of operations and maintenance cost of the power plant and payments to fuel suppliers against purchase of fuel.

Unaudited March 31, 2021	Audited December 31, 2020
-----Rupees-----	

9. CONTINGENCIES AND COMMITMENTS

- 9.1 Contingent liabilities - Guarantee in favour of Sui Northern Gas Pipelines Limited in accordance with the terms of Gas Supply Agreement (GSA)

2,496,126	2,496,126
-----------	-----------

- 9.2 Commitments in respect of :

- letter of credit
- others

34,045	20,303
23,506	488
57,551	20,791

- 9.3 There are no material ongoing legal proceedings / litigation involving the Company as at reporting date.

Unaudited Quarter ended	
March 31, 2021	March 31, 2020
-----Rupees-----	

10. SALES

- Capacity purchase price
Energy purchase price (note 10.1)

654,728	1,259,271
1,676,846	1,542,300
2,331,574	2,801,571

- 10.1 Energy purchase price is net of sales tax of Rs. 285,064 (2020: Rs. 262,191) for current period's sales invoices.

(Amounts in thousand)

11. WORKERS' PROFITS PARTICIPATION FUND

Provision for

- Workers' profits participation fund

Less: Recoverable from CPPA

Unaudited	
Quarter ended	
March 31, 2021	March 31, 2020
-----Rupees-----	
19,971	44,814
(19,971)	(44,814)
-	-

- 11.1 The Company is required to pay 5% of its profit to the Workers' Profits Participation Fund. However, such payment will not effect the Company's overall profitability as this is recoverable from Central Power Purchasing Agency Guarantee Limited (CPPA) as a pass through item under Schedule I Part IV of the Power Purchase Agreement (PPA).

12. EARNINGS PER SHARE

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

	Unaudited	
	Quarter ended	
	March 31, 2021	March 31, 2020
	-----Rupees-----	
Profit for the period	399,266	895,356
	----- Number of shares -----	
Weighted average number of ordinary shares	323,800	323,800
	-----Rupees-----	
Earnings per share - basic and diluted	1.23	2.77

(Amounts in thousand)

		Unaudited	
		Quarter ended	
		March 31,	March 31,
		2021	2020
		-----Rupees-----	
13. CASH GENERATED FROM OPERATIONS			
Profit before taxation		399,417	896,289
Adjustment for non-cash charges and other items:			
- Depreciation		195,527	201,642
- Amortisation		1,836	2,423
- Provisions		-	6,145
- Reclassification of cash flow hedge to profit or loss		(215)	(218)
- Gain on sale of treasury bills		(660)	-
- Amortisation of transaction cost		-	3,384
- Finance income		(194)	(3,216)
- Finance cost		58,749	161,838
- Amortisation of remeasurement gain on GIDC payable		18,844	-
Working capital changes (note 13.1)		62,688	(925,936)
		<u>735,992</u>	<u>342,351</u>
13.1 Working capital changes			
(Increase) / decrease in current assets:			
Inventories		1,101	1,738
Trade debts		(1,760,971)	(1,548,113)
Other receivables		1,070,703	(789,590)
Loans, advances, deposits and prepayments		41,379	37,035
		(647,788)	(2,298,930)
Increase in current liabilities:			
Trade and other payables		710,476	1,372,994
		<u>62,688</u>	<u>(925,936)</u>
		Unaudited	
		Quarter ended	
		March 31,	March 31,
		2021	2020
		----- Rupees -----	
14. CASH AND CASH EQUIVALENTS			
Balances with banks		19,821	523,547
Short-term borrowings		(2,946,325)	(6,314,713)
		<u>(2,926,504)</u>	<u>(5,791,166)</u>
15. FAIR VALUE MEASUREMENT			

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

As at March 31, 2021, and December 31, 2020, the carrying value of all assets and liabilities reflected in these condensed interim financial statements approximate their fair values.

(Amounts in thousand)

16. TRANSACTIONS WITH RELATED PARTIES

Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in these condensed interim financial statements, are as follows:

		Unaudited	
		Quarter ended	
		March, 31	March, 31
		2021	2020
-----Rupees-----			
Nature of relationship	Nature of transactions		
Holding company	Reimbursement of expenses:		
	- incurred for the Company	33,949	28,200
	- incurred by the Company	5,614	2,032
	Contribution for Corporate Social Responsibility (CSR) activities	2,915	-
	Dividend	390,338	-
Associated companies	Reimbursement of expenses:		
	- incurred for the Company	2,829	16
	- incurred by the Company	10,824	5,708
	Operation and maintenance fee	245,941	237,598
Key management personnel	Managerial remuneration	5,649	2,651
	Bonus	1,065	359
	Other benefits	80	54
	Contribution / Charge for retirement benefit schemes	1,155	436
	Directors fee	500	500
Staff retirement benefits	Managed and operated by Engro Corporation Limited		
	- Gratuity fund	853	861
	- Provident fund	2,481	2,536

17. CORRESPONDING FIGURES

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

18. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on 14 April, 2021 by the Board of Directors of the Company.

19. GENERAL

Figures have been rounded off to the nearest thousand Rupees in these condensed interim financial statements unless otherwise stated.


Chief Financial Officer

Chief Executive Officer

Chairman