

FIRST QUARTER REPORT
SEPTEMBER 30

2021

Moving forward



PAKISTAN REFINERY LIMITED

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VISION

To be the Refinery of first choice for all Stakeholders.

MISSION

PRL is committed to remaining a leader in the oil refining business of Pakistan by providing value added products that are environmentally friendly, and by protecting the interest of all stakeholders in a competitive market through sustainable development and quality human resources.



COMPANY INFORMATION

Deputy Managing Director (Finance & IT) / CFO

Imran Ahmad Mirza

Company Secretary

Shehrzad Aminullah

Auditors & Tax Advisors

KPMG - Taseer Hadi & Co.
Chartered Accountants

Legal Advisors

Orr Dignam & Co.

Registrar & Share Registration Office

FAMCO Associates (Private) Limited.
8-F, near Hotel Faran,
Nursery, Block-6, P.E.C.H.S.
Shahra-e-Faisal, Karachi.

Bankers

Askari Bank Limited
Bank Alfalah Limited
Bank AL-Habib Limited
Citi Bank N.A
Faysal Bank Limited
Habib Metropolitan Bank Limited
Habib Bank Limited
JS Bank Limited
MCB Bank Limited
MCB Islamic Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

Registered Office

P.O. Box 4612, Korangi Creek Road,
Karachi-75190
Tel: (92-21) 35122131-40
Fax: (92-21) 35060145, 35091780
www.prl.com.pk
info@prl.com.pk

BOARD OF DIRECTORS

Tariq Kirmani

Chairman

Zahid Mir

Managing Director & CEO

Abid Shahid Zuberi

Director

Aftab Husain

Director

Hassan Mehmood Yousufzai

Director

Mohammad Abdul Aleem

Director

Mohsin Ali Mangi

Director

Nadeem Safdar

Director

Syed Jehangir Ali Shah

Director

Syed Muhammad Taha

Director

Tara Uzra Dawood

Director

DIRECTORS' REVIEW

We are pleased to present this review report along with Unaudited Financial Statements for the first quarter ended September 30, 2021.

The Annual General Meeting of the Company (AGM) was held on October 14, 2021 at Karachi through video-link facility to consider the annual audited financial statements for the year ended June 30, 2021 and to appoint the statutory auditors of the Company for the year ending June 30, 2022. AGM duly approved the said annual financial statements and re-appointed M/s KPMG Taseer Hadi & Co., Chartered Accountants as statutory auditors of the Company for the year ending June 30, 2022.

Looking at Company's performance for the quarter ended September 30, 2021, it transpires that financial results are heavily impacted when Pak Rupee depreciated significantly during the quarter by 7.52%, causing an exchange loss of Rs. 806 million. Resultantly, current quarter ended with loss after tax of Rs. 378 million as against profit after tax of Rs. 282 million in the corresponding quarter. The management is hopeful to recover some portion of this exchange loss through pricing mechanism.

The Company remains committed to execute Upgrade Project to produce EURO V complaint environment friendly fuels and convert Fuel Oil to produce valued added products. Best available options are being scrutinised, ensuing which the Company will make the strategic decision.

The Company, alongwith other refineries, remained engaged with the government for the finalisation of the Refining Policy. It is expected that the concerted efforts made in getting the policy approved will bear fruit and the said policy will support refining sector in upgradation to produce high quality environment friendly fuels.

Health, Safety, Environment and Quality (HSEQ) standards remained one of the priorities of the Company and the compliance with aforesaid standards was ensured during the period.

The Board would like to acknowledge and appreciate all stakeholders for their usual support.

On behalf of the Board of Directors


Aftab Husain
Director


Zahid Mir
Managing Director & CEO

Karachi: October 23, 2021

2021

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SEPTEMBER 30



CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2021

	Note	Unaudited September 30, 2021	Audited June 30, 2021
(Rupees in thousand)			
ASSETS			
Non-current assets			
Property, plant and equipment	7	20,179,911	20,414,353
Right-of-use asset		143,188	147,165
Investment accounted for using the equity method		58,930	58,930
Long-term deposits and loans		29,837	27,240
Employee benefit prepayments		25,549	25,580
		20,437,415	20,673,268
Current assets			
Inventories		13,636,577	10,415,407
Trade receivables	8	5,897,962	6,588,913
Trade deposits, loans, advances and short-term prepayments	9	228,527	75,293
Other receivables	10	965,405	3,072,762
Taxation - payments less provision		87,925	95,697
Cash and bank balances		274,159	72,680
		21,090,555	20,320,752
		41,527,970	40,994,020
EQUITY AND LIABILITIES			
EQUITY			
Share capital		6,300,000	6,300,000
Accumulated loss		(18,563,251)	(18,184,869)
Special reserve		2,780,632	2,780,632
Revaluation surplus on property, plant and equipment		11,149,288	11,149,288
Other reserves		1,947	1,947
		1,668,616	2,046,998
LIABILITIES			
Non-current liabilities			
Long-term borrowings		62,979	293,924
Long-term lease liability		151,655	148,237
Deferred tax liabilities		9,691	4,902
Employee benefit obligations		377,551	377,551
		601,876	824,614
Current liabilities			
Trade and other payables		28,308,139	20,509,338
Short-term borrowings	11	10,914,926	17,573,548
Unearned revenue		12,929	15,084
Current portion of long-term lease liability		1,632	4,586
Unclaimed dividend		19,852	19,852
		39,257,478	38,122,408
		39,859,354	38,947,022
		41,527,970	40,994,020
CONTINGENCIES AND COMMITMENTS			
	12		

On behalf of the Board of Directors



Zahid Mir
Managing Director & CEO



Aftab Husain
Director



Imran Ahmad Mirza
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE QUARTER ENDED SEPTEMBER 30, 2021 - UNAUDITED

	Note	September 30, 2021 (Rupees in thousand)	September 30, 2020
Revenue from contracts with customers	13	35,628,523	17,658,857
Cost of sales		(35,156,094)	(16,777,655)
Gross profit		472,429	881,202
Distribution costs		(68,005)	(53,416)
Administrative expenses		(121,252)	(99,483)
Other operating expenses		(46,426)	(37,147)
Other income		25,643	33,955
Operating profit		262,389	725,111
Finance cost		(452,882)	(309,789)
(Loss) / profit before income tax		(190,493)	415,322
Income tax expense		(187,889)	(133,484)
(Loss) / profit for the quarter		(378,382)	281,838
Other comprehensive income / (loss)		-	-
Total comprehensive (loss) / profit		(378,382)	281,838
(Loss) / earnings per share - basic and diluted	14	(Rs. 0.60)	Rs. 0.49

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.



Zahid Mir
Managing Director & CEO



Aftab Husain
Director



Imran Ahmad Mirza
Chief Financial Officer

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

Zahid Mir
Managing Director & CEO

Aftab Husain
Director

Imran Ahmad Mirza
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS

FOR THE QUARTER ENDED SEPTEMBER 30, 2021 - UNAUDITED

	Note	September 30, 2021	September 30, 2020
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	16	7,783,826	(1,455,248)
Mark-up paid		(415,106)	(415,477)
Income tax paid		(175,328)	(143,822)
Contribution to retirement benefit plans		(29,837)	(31,794)
(Increase) / decrease in long-term deposits and loans		(2,597)	964
Net cash generated from / (used in) operating activities		7,161,558	(2,045,377)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(41,939)	(90,545)
Return received on bank deposits		1,496	3,576
Net cash used in investing activities		(40,443)	(86,969)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share deposit money received net of rights issuance cost		-	1,205,780
Long term borrowing repaid		(200,000)	(200,000)
Repayment of short term borrowings - net		(3,000,000)	(4,500,000)
(Repayment of) / proceeds from salary refinancing - net		(36,430)	145,301
Lease rentals paid		(25,574)	(24,357)
Dividend paid		-	(12)
Net cash used in financing activities		(3,262,004)	(3,373,288)
Net increase / (decrease) in cash and cash equivalents		3,859,111	(5,505,634)
Cash and cash equivalents at the beginning of the period		(5,463,423)	(3,693,313)
Cash and cash equivalents at the end of the period	17	(1,604,312)	(9,198,947)

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.



Zahid Mir
Managing Director & CEO



Aftab Husain
Director



Imran Ahmad Mirza
Chief Financial Officer

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE QUARTER ENDED SEPTEMBER 30, 2021 - UNAUDITED

1. THE COMPANY AND ITS OPERATIONS

- 1.1** Pakistan Refinery Limited was incorporated in Pakistan as a public limited company in May 1960 and is listed on Pakistan Stock Exchange. The Company is engaged in the production and sale of petroleum products.

The Company is a subsidiary of Pakistan State Oil Company Limited (PSO).

- 1.2** The geographical locations and addresses of the Company's business units, including plant are as under:

- Refinery complex and registered office of the Company is at Korangi Creek Road, Karachi; and
- Storage tanks at Keamari, Karachi.

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 which comprise of:

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

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

This condensed interim financial information of the Company does not include all of the information required for 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, 2021. 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 audited financial statements.

- 2.2** As at September 30, 2021, the Company's accumulated loss was Rs. 18.56 billion (June 30, 2021: Rs. 18.18 billion). In addition, current liabilities of the Company exceeded its current assets by Rs. 18.17 billion as at September 30, 2021 (June 30, 2021: 17.80 billion). These conditions may cast a significant doubt on the Company's ability to continue as a going concern and the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

During the period, the Company incurred a loss after taxation of Rs. 378.38 million, mainly because of exchange loss of Rs 917.83 million owing to significant depletion in the value of Pak Rupee against USD. However, the Company believes that current pricing mechanism which includes the allowance to recover exchange loss will enable the Company to recover a portion of cumulative exchange loss suffered during the period. Further, the Government of Pakistan through Finance Act, 2021 reduced the rate of Minimum Tax on Turnover from 0.75% to 0.5% and the rate of Custom Duty on crude oil from 5% to 2.5%. These changes are having favourable impacts on the results of the Company.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2021 - UNAUDITED

Based on the above factors and their positive effect on the Company's projections together with the continuous availability of financing facilities, the Company believes that it will meet the obligations and will continue to operate as a going concern for a period of at least 12 months from the date of approval of this condensed interim financial information. Accordingly, this condensed interim financial information have been prepared on a going concern basis and therefore, do not include any adjustments to the carrying amounts and classification of assets and liabilities that may arise.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the audited financial statements for the year ended June 30, 2021.

4. NEW OR AMENDMENTS / INTERPRETATIONS TO EXISTING STANDARDS, INTERPRETATION AND FORTHCOMING REQUIREMENTS

There are new and amended standards and interpretations that are mandatory for accounting periods beginning July 1, 2021, but are considered not to be relevant or do not have any significant effect on the Company's financial position and are therefore not stated in this condensed interim financial information.

5. USE OF ESTIMATES AND JUDGEMENTS

In preparing this condensed interim financial information, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual result may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the annual financial statements as at and for the year ended June 30, 2021.

6. FINANCIAL RISK MANAGEMENT

The Company's financial risk management policies and objectives are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2021.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE QUARTER ENDED SEPTEMBER 30, 2021 - UNAUDITED

	September 30, 2021	September 30, 2020
	(Rupees in thousand)	
7. PROPERTY, PLANT AND EQUIPMENT		
7.1 Following are additions to Property, Plant and Equipment during the period:		
Processing plant	7,649	5,428
Steam Generation Plant	3,925	-
Power Generation	63,441	(143,822)
Water Treatment and Cooling System	3,653	-
Equipment and furniture	-	2,077
Major spare parts and stand by Equipments - net of transfers	1,941	3,657
Capital work-in-progress - net of transfers	(38,670)	77,279
	<u>41,939</u>	<u>90,545</u>

7.1.1 No disposal of assets were made during the current and corresponding period.

	Unaudited September 30, 2021	Audited June 30, 2021
	(Rupees in thousand)	
7.2 Capital work-in-progress		
Processing plant	59,757	29,894
Korangi tank farm	3,054	3,053
Keamari terminal	76,273	76,058
Power generation, transmission and distribution	-	62,440
Water treatment and cooling system	2,212	-
Equipment including furniture	3,375	12,357
Fire fighting and telecommunication systems	8,835	8,373
Advances to contractors / suppliers	7,918	7,918
	<u>161,424</u>	<u>200,093</u>

8. TRADE RECEIVABLES

This includes an amount of Rs. 4.47 billion (June 30, 2021: 4.51 billion) due from PSO - a related party.

9. TRADE DEPOSITS, LOANS, ADVANCES AND SHORT-TERM PREPAYMENTS

Trade deposits	30,048	19,180
Loans to employees recoverable within one year	9,322	7,887
Advances for supplies and services	21,704	30,963
Short-term prepayments	167,453	17,263
	<u>228,527</u>	<u>75,293</u>

9.1 Trade deposits, loans and advances do not carry any interest.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE QUARTER ENDED SEPTEMBER 30, 2021 - UNAUDITED

10 OTHER RECEIVABLES

10.1 This includes an amount of Rs. 16.99 million (June 30, 2021: Rs. 144.63 million) receivable from insurance companies. During the period, the Company received Rs. 127.64 million from insurance companies against total claim of Rs. 144.63 million.

10.2 This also includes Rs. 850.33 million (June 30, 2021: Rs. Nil) on account of excess of sales tax paid on purchase of crude oil and other goods and services after adjusting sales tax recovered from sale of products and services rendered. As at June 30, 2021, before imposition of sales tax on purchase of crude oil, an amount of Rs. 1.81 billion was payable to the government on account of excess output tax, shown under current liabilities.

10.3 This amount also includes Rs. 96.16 million (June 30, 2021: Rs. 2,919.36 million) due from Pak-Arab Refinery Limited (PARCO) - a related party in respect of sharing of crude oil, freight and other charges.

Unaudited September 30, 2021	Audited June 30, 2021
(Rupees in thousand)	

11 SHORT TERM BORROWINGS

Short-term borrowings - note 11.1	5,000,000	8,000,000
Running finance under mark-up arrangements - note 11.2	1,878,471	5,536,103
Current portion of long-term borrowings	3,900,000	3,900,000
Current portion of salary refinancing	136,455	137,445
	<u>10,914,926</u>	<u>17,573,548</u>

11.1 This represents mark-up based short term finance from commercial banks repayable in 4 to 18 (June 30, 2021: 5 to 84) days from the date of condensed interim statement of financial position at a mark-up ranging from 7.84% to 8.06% (June 30, 2021: 7.84% to 8.06%) per annum. These are secured by way of ranking charge on inventory and trade receivables.

11.2 As at September 30, 2021 available running finance facilities under mark-up arrangements from various banks amounted to Rs. 8.45 billion (June 30, 2021: Rs. 9.45 billion). These arrangements are secured by way of hypothecation over stock of crude oil, finished products and trade receivables of the Company. The mark-up rate ranging from one month KIBOR+2.5% to three months KIBOR+0.5% as at September 30, 2021 (June 30, 2021: three months KIBOR+0.5% to one month KIBOR+2.5%) per annum. Purchase prices are payable on demand. Facilities for invoice discounting as at September 30, 2021 amounted to Rs. 7 billion (June 30, 2021: Rs. 7 billion).

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

12.1.1 Claims against the Company not acknowledged as debt amount to Rs. 6.08 billion (June 30, 2021: Rs. 6.01 billion). These include Rs. 5.47 billion (June 30, 2021: Rs. 5.1 billion) on account of late payment surcharge on purchase of crude oil. The Company has raised similar claims aggregating to Rs. 7.40 billion (June 30, 2021: Rs. 7.40 billion) relating to interest on late payments against trade receivables from certain oil marketing companies.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE QUARTER ENDED SEPTEMBER 30, 2021 - UNAUDITED

12.1.2 There has been no significant changes during the period in the contingencies reported in annual financial statements for the year ended June 30, 2021.

12.1.3 Bank guarantee of Rs. 124.63 million (June 30, 2021: Rs. 124.63 million) was issued in favour of Sui Southern Gas Company Limited.

12.2 Commitments

At September 30, 2021 commitments outstanding for capital expenditure amounted to Rs. 107.94 million (June 30, 2021: Rs. 131.12 million).

13 REVENUE FROM CONTRACTS WITH CUSTOMERS

	September 30, 2021 (Rupees in thousand)	September 30, 2020
Local sales - note 13.1	43,481,346	30,232,522
Exports	940,213	-
Gross sales	44,421,559	30,232,522
Less:		
- Sales tax	(5,716,017)	(4,372,381)
- Excise duty and petroleum levy	(856,889)	(7,436,725)
- Custom Duty	(1,226,550)	(699,184)
- Surplus price differential	(993,580)	(65,375)
	<u>35,628,523</u>	<u>17,658,857</u>

13.1 Sales of regulated products are based on prices notified by OGRA which are subject to policy clarification from the Federal Government. Sales of certain de-regulated products (Motor Spirit, High Octane Blending Component, High Speed Diesel, Light Diesel Oil and Aviation Fuels) are based on prices set under notifications of the MoE

14 (LOSS) / EARNINGS PER SHARE

	September 30, 2021	September 30, 2020
(Loss) / earnings attributable to ordinary shareholders (Rs. in thousand)	(378,382)	281,838
Weighted average number of ordinary shares outstanding during the period (in thousand)	<u>630,000</u>	<u>580,689</u>
Basic and diluted (loss) / earnings per share	<u>(Rs. 0.60)</u>	<u>Rs. 0.49</u>

14.1 There were no dilutive potential ordinary shares in issue as at September 30, 2021 and 2020.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE QUARTER ENDED SEPTEMBER 30, 2021 - UNAUDITED

15 TRANSACTIONS WITH RELATED PARTIES

The Company has related party relationship with parent company, associated undertakings, directors, key management personnel and retirement benefit funds.

Sale of certain products is transacted at prices regulated by the Oil & Gas Regulatory Authority. Transactions with employee benefit funds are carried out based on the terms of employment of the commercial terms.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The Company considers all members of their Refinery Leadership Team including the Chief Executive Officer and Directors to be its key management personnel.

There are no transactions with key management personnel other than under their terms of employments / entitlements.

RELATIONSHIP	NATURE OF TRANSACTION	September 30, 2021 (Rupees in thousand)	September 30, 2020
(a) Parent company	Sale of goods - net	20,490,041	12,443,325
	Services rendered	138	72
(b) Associated companies	Purchase of goods - net	742,445	1,809,713
	Sale of goods - net	-	1,048,285
	Services received	1,277	518,025
	Services rendered	8,516	1,549
(c) Key management personnel	Salaries and other short-term		
compensation (excluding non-	employee benefits	30,292	31,756
executive directors)	Post-employment benefits	2,690	2,406
(d) Staff retirement benefit	Payments to staff retirement		
funds	benefit funds	50,319	48,352
(e) Non-executive Directors	Remuneration and fees	7,938	3,830

16 CASH GENERATED FROM OPERATIONS

(Loss) / profit before income tax	(190,493)	415,322
Adjustments for non-cash charges and other items:		
Mark-up expense	447,799	309,789
Depreciation and amortisation	279,660	274,964
Provision for employee benefit obligations	29,268	29,268
Assets written-off	-	4,762
Reversal of provision for slow moving stores and spares - net	(987)	(695)
Profit on deposits	(1,496)	(3,576)
	754,244	614,512
Working capital changes - note 16.1	7,220,075	(2,485,082)
Cash generated from operations	7,783,826	(1,455,248)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE QUARTER ENDED SEPTEMBER 30, 2021 - UNAUDITED

	September 30, 2021	September 30, 2020
	(Rupees in thousand)	
16.1 WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
Inventories	(3,219,485)	(3,229,331)
Trade receivables	690,951	(1,075,139)
Trade deposits, loans, advances and short-term prepayments	(153,234)	(125,366)
Other receivables	2,107,357	(238,208)
	(574,411)	(4,668,044)
Increase in current liabilities		
Trade and other payables	7,794,486	2,182,962
	<u>7,220,075</u>	<u>(2,485,082)</u>

17 CASH AND CASH EQUIVALENTS		
Cash and bank balances	274,159	3,058
Running finance under mark-up arrangements - note 11	(1,878,471)	(9,202,005)
	<u>(1,604,312)</u>	<u>(9,198,947)</u>

18 OPERATING SEGMENTS

This condensed interim financial information has been prepared on the basis of a single reportable segment.

Sales to 2 (September 30, 2021: 2) customers represents 70.26% (September 30, 2021: Rs. 83.20%) of the revenue and each customer individually exceeds 10% of the revenue during the current and corresponding period.

19 FAIR VALUE FINANCIAL INSTRUMENTS

The carrying values of all financial assets (loans and receivables) and other financial liabilities reflected in this condensed interim financial information are estimated to approximate their fair values, as these are either short term in nature or repriced periodically.

20 DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue by the Board of Directors of the Company on October 23, 2021.



Zahid Mir
Managing Director & CEO



Aftab Husain
Director



Imran Ahmad Mirza
Chief Financial Officer

Contact

PAKISTAN REFINERY LIMITED

P.O. Box 4612, Korangi Creek Road, Karachi-75190, Pakistan.

Tel: (92-21) 35122131-40 Fax: (92-21) 35060145, 35091780

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PAKISTAN REFINERY LIMITED