



GATRON (INDUSTRIES) LIMITED

Quarterly Report

September 30, 2022

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Corporate Information

Board of Directors

Abdul Razak Diwan - Chairman
Shabbir Diwan - Chief Executive Officer
Zakaria Bilwani
Usman Habib Bilwani
Muhammad Iqbal Bilwani
Saqib Haroon 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

Auditor

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

Legal Advisor

Naeem Ahmed Khan
Advocates
Quetta.

Shares Registrar

F.D. Registrar Services (Pvt) Limited
Suit 1705, 17th Floor, Saima Trade Tower-A,
I.I. Chundrigar Road, Karachi.
Phone: 021-32271905-6

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
The Bank of Punjab
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



GATRON (INDUSTRIES) LIMITED

Directors' Report

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the un-audited condensed financial statements of Gatron (Industries) Limited for the three months ended September 30, 2022.

Financial Review:

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

- Net sales Rs.4,896 million,
- Operating loss Rs.41 million,
- Loss before income tax Rs.278 million,
- Loss after income tax Rs.370 million,
- Loss per share Rs.9.65

During the period under review, your Company has achieved net sales revenue of Rs.4,896 million as compared to Rs.4,953 million in corresponding period of last year. On account of devaluation of Pak Rupee, the sales have not reduced significantly in monetary terms, however quantum of sales of both main products i.e., Polyester Filament Yarn (PFY) and PET Preforms reduced by 28% and 37% respectively. The sales volume of PFY remained at lower side and inventory of Finished PFY also increased from around 6,200 tons in end June 2022 to above 10,000 tons in end September 2022 due to quite an overhang of inventory in the market due to sudden surge of imported PFY. This is the highest ever inventory of Finished PFY ever in the history of the Company. The production of PFY was also low on account of this and it reflected average plant capacity utilization in this quarter of 73% only. On the other hand, sales volume of PET Preforms remained at lower side during the period as compared to last year corresponding period due to the impact of floods and extraordinary inflation affecting carbonated soft drink demand.

At the time when the Company has invested heavily in expansion plant & machinery, the lower operating rates resulting in higher cost of manufacturing and on the other side significant increase in finance cost, put pressure on net result of the Company. Further selling prices of local yarn are under pressure due to overhang inventory of imported PFY which is being dumped with no anti-dumping duties being paid = evaded at import by the traders. However as noted below the Government is now serious in tackling this evasion.

Distribution & selling expenses significantly increased by around 102% as compared to last corresponding period and it is mainly due to increase in freight and transportation charges. On the other hand, administrative expenses increased by 42% mainly increased due to inflationary factors because of Pak Rupee devaluation.

Finance costs have also increased significantly as compared to last year corresponding period due to significant increase in Stock in Trade and Receivables which resulting in higher working capital requirements on the other side discount rate almost reached to double i.e., 15%.

On the Balance Sheet front as compared to June 30, 2022, stocks increased by Rs.5,537 million to reach to Rs.11,855 million. Debtors increased by Rs.254 million to reach Rs.4,577 million while creditors increased by Rs.3,888 million to reach Rs.7,556 million. In view of the above, Company's short-term borrowing increased by Rs.2,981 million as compared to June 30, 2022, to meet financing in working capital requirements.

As already reported earlier that with the resolve of the Government to strongly pursue the collection of Anti-Dumping Duty on Filament Yarn, your Company has already proceeded with the phase 2 of its expansion plan. This will allow the Company the capacity to produce 95,000 to 99,000 tons per annum of mixed denier (up from 75,000 tons current potential). This is three times the 33,000 tons of similar mixed denier production potential of the Company 5 years ago in 2017. Also, the polymer plant of capacity more than 200,000 tons/year is being installed, which will start Insha Allah in April 2023. This Polymer will now be able to feed all the PFY lines including the new capacity which otherwise the existing polymer plant would have been able to feed only one-third of the PFY capacity. Furthermore, it also allows production of additional polymer for more diversified products for local sale, own use as well as export. These diversified products also include Cationic polymer for Cationic yarn as well as Film grade Silica resin. The additional bright polymer will give the opportunity to the Company to expand the production of FDY yarn by Direct spinning if it so choses. Further, the export opportunity is being tapped to obtain low rate of long term financing of capital costs of the respective production plant. This would also allow better utilization of production capacity at a time when the domestic market is in a flux.

Furthermore, by December 2022, your Company Insha Allah will increase its capability of producing recycled yarn from PET bottle flakes upto nearly 12% of its PFY capacity, thus increasing the potential of more diverse set of customers for the same and increasing further the diversity in the already broad range of different varieties of PFY that the Company is able to produce.

Also, by December 2022 the auto handling, auto inspection and auto packing project of PFY will Insha Allah be in full swing, under this project the yarn trolleys move on a track and the yarn bobbins are inspected, graded, and packed in sealed & labelled cartons without any human touching the bobbins. The inspection, grading as well as packed production data also auto uploaded to the digital records of the Company.

Your Company has put up in-house knitting machines to supply Knitted Fabric of good quality for the local buyers of such product. This project is more to show the way for improved quality of Polyester Knitted fabric to the market and to demonstrate that the same can be produced with your Company's yarn. At moment the available capacity can convert 2.50% of your Company's PFY production into Knitted Fabric.

During the period under review, Pakistan's largest SAP (Systems, Applications and Products) implementation went live at Gatron. We have implemented and activated modules in Finance, Production, Supply Chain, Projects and HR. This will bring a result in a cultural shift that brings together people, data, and processes from across the business to create a better customer experience and become more competitive in an increasingly digital world.

CHALLENGES FACED AND FUTURE OUTLOOK

- Pursuant to the final determination of antidumping duties made by the NTC in 2017, the Importers and foreign exporters of PFY had also filed appeals before the Appellate Tribunal. The Appellate Tribunal after more than four years remanded the case back to the NTC in December 2021 to re-calculate the duties for certain aspects. Accordingly, NTC has reduced the notified antidumping duties in the range of 2.78% to 6.82% (average 4.8%) before remand the notified antidumping duties were in the range of 3.25% to 11.35%. These were already low to cover the actual dumping/injury and are much lower than Anti-Dumping Duties imposed on Chinese exporters of Polyester Filament yarn:

- by Turkey of minimum 16% or \$250/ton
- by India of minimum 23% on the same producers.
- by the USA of minimum 32% (anti-dumping and anti-subsidy duties)
- by Vietnam of minimum 17.45% (and max 21.23%)

While Brazil as well as Mexico have also initiated Anti-Dumping Duties on PFY from China. So, 6 major countries have Anti-Dumping or countervailing duties on PFY from China, while Indonesia is restricting imports of PFY by not allowing the same to traders. So, this covers most the PFY producing countries. Bangladesh protects its PFY industry by way of 20% import duty on competing imported yarn.

- However even at these low levels of ADD in Pakistan the continuation of ADD and its effective collection in Pakistan for next 5 years is essential. Moreso since the importers have evaded/still not paid the ADD for much of the previous 5 year. The importers get a stay in one high court, which gets dismissed in 5 or 6 months. Though they cannot file the same petition in another High court once it has been dismissed, they do so in another city High court, by hiding the fact that it has been dismissed earlier and by declaring that this is the first time they are filing petition against the said ADD. In this way they have so far filed petition against the PFY ADD one after the other (after the dismissal of earlier petition for more than 35 times).
- The importers have made so far a mockery of the Government efforts to collect the Anti-dumping duty on PFY with over Rs 16b remaining uncollected. It is time the Government restores the 5% RD/ACD on import of PFY until the importers demonstrate seriously that they pay the ADD on PFY.
- Effectively the ADD along with the Regulatory Duty and ACD since year 2017 motivated your Company and other producers to increase its capacity since 2017, such that production capacity of the Domestic PFY Industry next year will reach 165,000 tons, if it operates at 95% utilization, compared to only around 70,000 tons in 2017. Now with removal of RD and ACD that partial shield also has gone away so the renewal of Anti-Dumping Duty in the sunset review and its effective collection is most important since a major part of the expansion has recently started or will start in the ensuing period.
- The expansions of your Company as well expansions by other Filament Yarn producers in Pakistan, on the back of Regulatory Duty on competing imported yarn as well as Anti-Dumping Duties against dumping can take the indigenous production of PFY to a level which will meet above 60% of local demand in the coming years compared to only 30% in 2017. This expansion will give import substitution and reduce the current account deficit (now on rise) while will also provide local employment beyond the jobs already provided by the industry.
- PFY is ranked 15 among the top imports of the country in 2020 so needs to be produced locally, particularly when its raw material PTA is also produced locally. It should also be kept in mind that in the year 2003 over 90% of local demand of Filament yarn was met by indigenous production.
- Moreover, the downstream industry and demand has also grown over the years and the total Demand in the year 2021-22 stood at 361,000 tons compared to 260,000 tons in year 2017-18 so increasing domestic production of the same is also essential to prevent reduce pressure on the current account deficit.

- Due to the limited size of cotton crop, the aim of the country should be able to provide clothe/kapra to more than 220 million population with locally produced textile raw materials. It is worthwhile to note that the major raw material of Filament Yarn viz PTA is also produced in Pakistan and with any new refinery the basic chemicals for PTA viz 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.

OTHER MATTERS

- The principal business of Wholly Owned Subsidiary Company Messrs. Gatro Power (Private) Limited is to generate and sell electric power.
- 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 soon.
- Wholly Owned Subsidiary Messrs. Global Synthetics Limited has yet to commence its operations.

APPROPRIATION

During the quarter, The Board of Directors of the Company does not recommend any interim cash dividend.

EARNING PER SHARE

The loss per share of the Company for the quarter ended on September 30, 2022, is Rs.9.65.

MATERIAL CHANGES AND COMMITMENTS

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.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The un-audited condensed interim consolidated financial statements of the Group along with notes and directors' report thereto have also been included in 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 the Company is grateful to all the Stakeholder for their diligent trust and confidence in the Company and all the Directors acknowledged their consistent cooperation and continued support throughout the years and we are confident that they will continue to do so in the future.

We would like to express our sincere appreciation to each member of the Company for their commitment, innovative thinking and delivering their duties with utmost dedication and also we are thankful to all the Government Institutions, Auditors, the SECP, the PSX and Banks for their valuable guidance and assistance extended for the growth and progress of the Company.

SHABBIR DIWAN
CHIEF EXECUTIVE OFFICER

MUHAMMAD IQBAL BILWANI
DIRECTOR

October 29, 2022

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 جاتی ہے۔

اظہار تشکر:

ہم کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے اپنے تمام اسٹیک ہولڈرز کا شکریہ ادا کرنا چاہتے ہیں جنہوں نے ہم پر اعتماد کیا اور تمام ڈائریکٹرز ان کے مسلسل تعاون اور حمایت کی امید کرتے ہیں۔

ہم کمپنی کے ہر ممبر کے برعکس، جدید سوچ اور اپنے فرائض کو انتہائی لگن کے ساتھ سرانجام دینے پر ان کے تہہ دل سے مشکور ہیں۔ ساتھ ہی ہم تمام سرکاری اداروں، آڈیٹرز، ایس ای سی پی، پی ایس ایس اور بینکرز کے شکر گزار ہیں جنہوں نے کمپنی کی ترقی میں اپنا کردار بخوبی نبھایا۔

محمد اقبال بلوچی
ڈائریکٹر

شیر دیوان
افسر اعلیٰ

29 اکتوبر، 2022ء

☆ پی ایف وائی کی درآمد 2020ء میں ملک کی سب سے بڑی درآمدات میں 15 ویں نمبر پر تھی لہذا اسے مقامی طور پر تیار کرنے کی ضرورت ہے، خاص طور پر جب کہ اس کا خام مال پٹی اے بھی مقامی طور پر تیار کیا جاتا ہے۔ یہ بات بھی ذہن میں رہے کہ سال 2003ء میں فٹمنٹ یارن کی مقامی طلب کا 90 فیصد سے زیادہ مقامی پیداوار سے پورا کیا جاتا تھا۔

☆ Downstream کی صنعت اور طلب میں بھی اضافہ ہوا ہے اور سال 22-2021 میں کل طلب 361,000 ٹن ہے جو کہ سال 18-2017 کے مقابلے میں 260,000 ٹن تھا۔ اس لیے ملک کے کرنٹ اکاؤنٹ خسارے پر دو کم کرنے کے لیے ملکی پیداوار میں اضافہ ضروری ہے۔

☆ کاٹن کی فصل محدود پیمانے پر کاشت کی جانے کی وجہ سے یہ ضروری ہے کہ 220 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 حبیبہ اہم خام مال پاکستان میں بنایا جاتا ہے اور کسی بھی نئی ریفاٹری کے ساتھ PTA کا اہم خام مال PARAXYLENE کیپیکل بھی خام تیل سے ملک میں ہی بنایا جاسکے گا جس کے نتیجے میں خود اٹھواری حاصل ہو سکے اور خام تیل سے لیکر پالیمر بوسا تک کی پوری Chain ملک میں ہی بنے۔

دیگر امور:

☆ مکمل ملکیتی ماتحت ادارہ میسرز گیٹر و پاور (پرائیویٹ) لمیٹڈ کا اصل کاروبار بجلی پیدا کرنا اور فروخت کرنا ہے۔

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

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

تصرف:

حالیہ سہ ماہی کے دوران کمپنی کے بورڈ آف ڈائریکٹرز نے عبوری منافع منقسمہ نہ دینے کی تجویز پیش کی ہے۔

آمدن فی حصہ:

30 ستمبر 2022ء کو اختتام پذیر ہونے والے سہ ماہی مدت میں خسارہ فی حصہ 9.65 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 درخما ہوئی اور نہ ہی ایسے کوئی معاہدے ہوئے۔

منفرد مالیاتی گوشوارے:

زیر نظر سہ ماہی رپورٹ میں گروپ ہذا کے غیر آڈٹ شدہ منفرد جامع مالیاتی گوشوارے (Condensed Interim Consolidated Financial Statements) ہمراہ نوٹس اور ڈائریکٹرز رپورٹ منسلک ہیں۔

تاکہ کچھ پہلوؤں کے لیے ڈیوٹی کا دوبارہ حساب لگایا جاسکے۔ اس کے مطابق، این ٹی سی نے مطلع شدہ اینٹی ڈمپنگ ڈیوٹی کو 2.78 فیصد سے 6.82 فیصد (اوسط 4.8 فیصد) کی حد میں کم کر دیا ہے۔ ریماٹڈ سے پہلے مطلع شدہ اینٹی ڈمپنگ ڈیوٹی 3.25 فیصد سے 11.35 فیصد کی حد میں تھی جو اصل ڈمپنگ/ Injury کو پورا کرنے کے لیے پہلے ہی ناکافی تھی اور پالیٹر فلیمنٹ یارن کے چینی برآمد کنندگان پر عائد اینٹی ڈمپنگ ڈیوٹیوں سے بہت کم ہے:

- ترکی کی جانب سے کم از کم 16 فیصد یا \$250 / ٹن
- انہی پروڈیوسرز پر ہندوستان کی جانب سے کم از کم 23 فیصد
- امریکہ کی جانب سے کم از کم 32 فیصد (اینٹی ڈمپنگ اور اینٹی سبسڈی ڈیوٹی)
- ویتنام کی جانب سے کم از کم 17.45 فیصد (اور زیادہ سے زیادہ 21.23 فیصد)

جبکہ برازیل اور میکسیکو نے بھی چینی پی ایف وائی پر اینٹی ڈمپنگ ڈیوٹی شروع کی ہے۔ اس طرح، 6 بڑے ممالک نے چینی پی ایف وائی پر اینٹی ڈمپنگ یا کاؤنٹر ویلنگ ڈیوٹی عائد کر رکھی ہے، جبکہ انڈونیشیا، تاجکستان کو اس کی اجازت دے کر پی ایف وائی کی درآمدات کو محدود کر رہا ہے۔ لہذا، اس میں زیادہ تر پی ایف وائی پیدا کرنے والے ممالک شامل ہیں۔ بنگلہ دیش اپنی پی ایف وائی صنعت کو مسابقتی درآمدی یارن پر 20 فیصد درآمدی ڈیوٹی کے ذریعے تحفظ فراہم کرتا ہے۔

☆ تاہم پاکستان میں اینٹی ڈمپنگ ڈیوٹی کی ان کم سطحوں پر بھی اینٹی ڈمپنگ ڈیوٹی کے حصول کیلئے اگلے 5 سالوں تک پاکستان میں اس کا موثر نفاذ ضروری ہے۔ مزید یہ کہ چونکہ درآمد کنندگان نے پچھلے 5 سالوں میں زیادہ ترعرے میں اینٹی ڈمپنگ ڈیوٹی کی ادائیگی نہیں کی۔ یارن کے درآمد کنندگان ہائی کورٹ سے Stay Order جو کہ 6 یا 5 سال تک خارج ہوتی ہے، حاصل کر کے درآمدی یارن پر اینٹی ڈمپنگ ڈیوٹی ادا نہیں کرتے ہائی کورٹ کے بیچ میں ایک بار درخواست خارج ہونے کے بعد وہی درخواست دوبارہ دائر نہیں ہو سکتی، تاہم اسی طرح کی درخواست ایک مختلف شہر میں دائر کرتے ہیں، جھوٹا حلف نامہ دے کر کہ یہ اس معاملے پر ان کی پہلی درخواست ہے اور اس ہائی کورٹ کی بیچ سے Stay حاصل کرتے ہیں، چونکہ اس جھوٹے حلف نامے کے بغیر وہ پہلی برخواستگی کے بعد دوبارہ ہائی کورٹ میں عرضی داخل نہیں کر سکتے۔ اس طرح ہائی کورٹ کو گمراہ کر کے مختلف بیچوں میں (35 سے زائد مرتبہ پہلے کی درخواست خارج ہونے کے بعد) درخواستیں دائر کی ہوئی ہیں اور Stay حاصل کر کے اینٹی ڈمپنگ ڈیوٹی کی ادائیگی نہیں کر رہے۔

☆ درآمد کنندگان نے اب تک پی ایف وائی پر اینٹی ڈمپنگ ڈیوٹی جمع کرنے کی حکومتی کوششوں کا مذاق اڑایا ہے جس میں 16 بلین روپے سے زیادہ کی رقم وصول نہیں ہوئی۔ یہی وقت ہے کہ حکومت پی ایف وائی کی درآمد پر 5 فیصد آر ڈی اور اے سی ڈی (Regulatory Duty/Additional Custom Duty) کو بحال کرے جب تک کہ درآمد کنندگان تنجیدگی سے پی ایف وائی پر اینٹی ڈمپنگ ڈیوٹی ادا نہیں کرتے۔

☆ ریگولیٹری ڈیوٹی اور اے سی ڈی جو کہ ڈمپنگ کے خلاف واحد ڈھال تھیں جس نے 2017ء سے کمپنی اور دوسرے پروڈیوسرز کو پیداواری صلاحیت میں اضافہ کرنے میں مدد کی ہے۔ اس طرح مقامی پی ایف وائی صنعت کی پیداوار اگلے سال 165,000 ٹن تک پہنچ جائے گی اگرچہ یہ 95 فیصد کا استعمال کر پائے، جبکہ 2017ء میں صرف 70,000 ٹن تھی۔ اب ریگولیٹری ڈیوٹی اور اے سی ڈی کے ہٹانے سے وہ جزوی ڈھال بھی ختم ہوگی اس لیے اینٹی ڈمپنگ ڈیوٹی کا دوبارہ نافذ کرنا اور اس کی موثر طور پر وصولی سب سے اہم ہے کیونکہ توسیع کا ایک بڑا حصہ حال ہی میں شروع ہوا ہے یا آنے والے عرصے میں شروع ہوگا۔

☆ کمپنی کی توسیع کے ساتھ ساتھ پاکستان میں فلیمنٹ یارن کے دوسرے پروڈیوسروں کی طرف سے توسیع، درآمد شدہ یارن کا مقابلہ کرنے کے لئے ریگولیٹری ڈیوٹی کے ساتھ ساتھ ڈمپنگ Injury کے خلاف اینٹی ڈمپنگ ڈیوٹیوں کا تسلسل، PFY کی مقامی پیداوار کو ایک سطح تک لے جاسکتا ہے جو آنے والے سالوں میں مقامی طلب کے 60 فیصد کو پورا کرے گی جبکہ 2017ء میں یہ صرف 30 فیصد تھا۔ یہ توسیع منصوبہ درآمدات کا متبادل ثابت ہوئے اور کنڈکٹ کاؤنٹ کا خسارہ کم کرینگے (جو اس وقت عروج پر ہے) اور انڈسٹری کی جانب سے پہلے سے فراہم کی جانے والی ملازمتوں کے علاوہ مزید مقامی روزگار بھی فراہم کرے گی۔

30 جون 2022ء کے مقابلے میں اسٹاک میں 5,537 ملین روپے کا اضافہ ہوا جو 11,855 ملین روپے تک پہنچ گیا۔ قابل وصول قرضوں کی مالیت 254 ملین روپے کے اضافے کے ساتھ 4,577 ملین روپے تک پہنچ گئی۔ جبکہ قرضداری 3,888 ملین روپے سے بڑھ کر 7,556 ملین روپے تک پہنچی۔ ان امور کی وجہ سے ورکنگ کپیکلٹی کی ضروریات بڑھ گئیں اور قلیل مدتی قرضہ جات میں 30 جون 2022ء کے مقابلے میں 2,981 ملین روپے کا اضافہ ہوا۔

جیسا کہ پچھلی رپورٹ میں اطلاع دی گئی کہ حکومت کے فلیمنسٹ یارن پر اینٹی ڈمپنگ ڈیوٹی کی وصولی کو موثر طور پر آگے بڑھانے کے عزم کے ساتھ، آپ کی کمپنی توسیعی منصوبوں کے دوسرے مرحلے کے ساتھ آگے بڑھ رہی ہے۔ اس سے کمپنی سالانہ 95,000 سے 99,000 ٹن مسکڈ ڈیمسٹر (75,000 ٹن حالیہ استطاعت سے زیادہ) پیدا کر سکے گی۔ یہ 5 سال پہلے 2017 میں کمپنی کی 33,000 ٹن اسی طرح کی مسکڈ ڈیمسٹر پیداواری صلاحیت سے تین گنا زیادہ ہے۔ اس کے ساتھ ساتھ سالانہ 200,000 ٹن سے زائد کی پولیمر پلانٹ کی لائسنس بھی شامل ہیں جن کی پیداوار اپریل 2023ء میں شروع ہونے کی توقع ہے۔ یہ پولیمر پلانٹ اب تمام پی ایف وائی لائنوں کو فیڈ کرنے کے قابل ہو جائے گا جس میں نئی صلاحیت بھی شامل ہے جو بصورت دیگر موجودہ پولیمر پلانٹ پی ایف وائی کی صرف ایک تہائی صلاحیت کو فیڈ کرنے کے قابل تھا۔ مزید یہ کہ، اضافی پولیمر Diversified مصنوعات کی پیداوار، برآمد اور مقامی فروخت کے کام آئے گا۔ ان Diversified مصنوعات میں Cationic یارن کے لیے Cationic پولیمر کے ساتھ فلم گرڈ Silica Resin بھی شامل ہے۔ اضافی Bright پولیمر FDY یارن کی پیداوار کو ڈائریکٹ اسپننگ کے ذریعے بڑھانے کا موقع فراہم کرے گا۔ مزید برآں، متعلقہ پیداواری پلانٹ کے سرمائے کی لاکھوں کی طویل مدتی فنانسنگ کی کم شرح حاصل کرنے کے لیے Export Opportunity کو استعمال میں لایا جا رہا ہے۔ مقامی مارکیٹ میں تیزی کی صورت میں اس اضافی پیداواری صلاحیت کو بہتر طور پر استعمال کیا جاسکتا ہے۔

مزید برآں دسمبر 2022ء تک، آپ کی کمپنی انشاء اللہ پی ای ٹی بوتل کے فلیکس سے ری سائیکل شدہ یارن تیار کرنے کی صلاحیت کو اپنی پی ایف وائی کی صلاحیت کے تقریباً 12 فیصد تک بڑھا دے گی، اس طرح مختلف صارفین کے لیے مختلف اقسام کے پالیسٹر فلیمنسٹ یارن بھی بنا سکے گی۔

کمپنی دسمبر 2022ء تک پی ایف وائی کا آٹو پیڈنگ، آٹو انسپکشن اور آٹو پیکنگ کا پروجیکٹ انشاء اللہ پوری طرح سے شروع کر دے گی، یہ پروجیکٹ یارن کی ٹرمیناں ایک ٹریک پر چلنے اور دو ہاں سے دھاگے کے Bobbins کا معائنہ، ان کی درجہ بندی اور ریل، لیبل والے کارٹن تک کا عمل automated ہوگا۔ معائنہ، گرڈنگ کے ساتھ ساتھ پیکڈ پروڈکشن ڈسٹریکشن کمپنی کے ڈیجیٹل ریکارڈ پر خود بخود اپ لوڈ ہوگا۔

آپ کی کمپنی نے مقامی خریداروں کو اچھا اور معیاری Knitted Fabric فراہم کرنے کے لیے In-house Knitting Machines لگائی ہیں۔ اس پراجیکٹ سے مارکیٹ میں Polyester Knitted Fabric کے بہتر معیار کا راستہ ہموار ہوگا اور یہ اس بات کا آئینہ دار ہے کہ آپ کی کمپنی کے دھاگے سے بھی اس طرز کے پروڈکٹس کو تیار کیا جاسکتا ہے۔ اس وقت آپ کی کمپنی موجودہ صلاحیت کی پی ایف وائی پیداوار کے 2.50 فیصد کو Knitted Fabric میں تبدیل کر سکتی ہے۔

زیر نظر مدت کے دوران، پاکستان کے سب سے بڑے SAP (System Applications and Products) کے نفاذ سے Gatron میں فنانس، پروڈکشن، سپلائی چین، پروجیکٹس اور HR ماڈلز کو Live کیا گیا۔ اس سے ایک تبدیلی کی راہ ہموار ہوگی اور اس سے منسلک لوگوں، ڈیٹا اور عمل کو اکٹھا کر کے صارفین کا ایک بہتر تجربہ تخلیق کیا جاسکے اور ڈیجیٹل دنیا میں زیادہ مسابقتی بننے میں مدد ملے گی۔

درپیش چیلنجز اور مستقبل پر ایک نظر:

☆ این ٹی سی کی جانب سے 2017ء میں کی گئی اینٹی ڈمپنگ ڈیوٹی کے حتمی تعین کے خلاف پی ایف وائی کے درآمد کنندگان اور غیر ملکی برآمد کنندگان نے بھی اپیلیٹ ٹریبیونل میں اپیلیٹ دائر کی تھیں۔ اپیلیٹ ٹریبیونل نے چار سال سے زائد عرصہ گزرنے کے بعد دسمبر 2021ء میں کیس کو این ٹی سی کو Remand Back کر دیا

بورڈ آف ڈائریکٹرز کی رپورٹ

معزز ممبران،

میسرز گیٹرون (انڈسٹریز) لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے ہم 30 ستمبر 2022ء کو اختتام پذیر ہونے والی سہ ماہی مدت کے غیر آڈٹ شدہ مختصر مالیاتی گوشوارے پیش کرتے ہوئے دلی مسرت محسوس کر رہے ہیں۔

مالیاتی جائزہ :

زیر جائزہ مدت کا مالیاتی خلاصہ درج ذیل ہے:

- ☆ خالص فروخت 4,896 ملین روپے۔
- ☆ آپریٹنگ خسارہ 41 ملین روپے۔
- ☆ خسارہ قبل از کم ٹیکس 278 ملین روپے۔
- ☆ خسارہ بعد از کم ٹیکس 370 ملین روپے۔
- ☆ خسارہ فی حصہ 9.65 روپے۔

زیر جائزہ مدت کے دوران، کمپنی کی خالص فروخت 4,896 ملین روپے رہی جبکہ گزشتہ سال کی اسی مدت میں 4,953 ملین روپے تھی۔ پاکستانی روپے کی قدر میں کمی کی وجہ سے مالیاتی لحاظ سے فروخت میں خاطر خواہ کمی نہیں آئی ہے، تاہم دونوں اہم مصنوعات یعنی پالیمسٹر فٹیمینٹ یارن (پلی ایف وائی) اور پلی ایف ای ٹی پریفارمرز کی فروخت کی مقدار میں بالترتیب 28 فیصد اور 37 فیصد کمی واقع ہوئی۔ پلی ایف وائی کی فروخت کا حجم پچھلی سطح پر رہا اور تیار شدہ پلی ایف وائی کی انویٹری بھی جون 2022ء کے آخر میں تقریباً 6,200 ٹن سے بڑھ کر ستمبر 2022ء کے آخر میں 10,000 ٹن سے زیادہ ہو گئی کیونکہ درآمدی پلی ایف وائی میں اچانک اضافے کی وجہ سے مارکیٹ میں انویٹری کا اضافہ ہوا۔ یہ کمپنی کی تاریخ میں تیار شدہ پلی ایف وائی کی اب تک کی سب سے زیادہ انویٹری ہے۔ اس کی وجہ سے پلی ایف وائی کی پیداوار بھی کم رہی اور یہ صرف 73 فیصد کی اس سہ ماہی میں پلانٹ کی صلاحیت کے اوسط استعمال کو ظاہر کرتا ہے۔ دوسری طرف پلی ایف ای ٹی پریفارمرز کی فروخت کا حجم گزشتہ سال کے مقابلے کم رہا جس کی بنیادی وجہ سیلاب کے اثرات اور کاربوئیڈ سافٹ ڈرنک کی طلب کو متاثر کرنے والے غیر معمولی افراط زر ہے۔

اس وقت جب کمپنی نے توسیعی پلانٹ اور مشینری میں بہت زیادہ سرمایہ کاری کی ہے، کم آپریٹنگ ریٹ جس کے نتیجے میں مینیوکیچرنگ کی لاگت زیادہ ہوتی ہے اور دوسری طرف مالیاتی لاگت میں نمایاں اضافہ، کمپنی کے خالص نتائج پر دباؤ ڈالتا ہے۔ درآمدی پلی ایف وائی کی overhang انویٹری کی وجہ سے مقامی دھاگے کی فروخت کی قیمتیں دباؤ میں ہیں جسے بغیر کسی اپنی ڈمپنگ ڈیوٹی ادا کئے (تاجروں کی طرف سے درآمد سے بچائی جا رہی ہے) ڈمپ کیا جا رہا ہے۔ تاہم جیسا کہ ذیل میں بتایا گیا ہے کہ حکومت اب اس چوری سے نمٹنے میں سنجیدہ ہے۔

ڈسٹری بیوٹن اور فروخت کے اخراجات میں پچھلے اسی عرصے کے مقابلے میں تقریباً 102 فیصد اضافہ اور اس کی بنیادی وجہ Freight اور ٹرانسپورٹیشن چارجز میں اضافہ ہے۔ دوسری طرف، انتظامی اخراجات میں 42 فیصد اضافہ ہوا جس کی بنیادی وجہ پاکستانی روپے کی قدر میں کمی کی وجہ سے افراط زر کے عوامل میں اضافہ ہے۔

مالیاتی لاگت میں بھی گزشتہ سال کی اسی مدت کے مقابلے میں نمایاں اضافہ ہوا جس کی وجہ قابل وصول قرضوں اور اسٹاک کی قدر میں نمایاں اضافے کی وجہ سے ورکنگ کپیٹیوئل کی ضروریات میں اضافہ جبکہ Discount Rate کی شرح میں تقریباً گنتی یعنی 15 فیصد ہو گئی ہے۔

Condensed Interim Un-consolidated Statement Of Financial Position

AS AT SEPTEMBER 30, 2022

(Rupees in Thousand)			
	Note	September 2022 (Un-audited)	June 2022 (Audited)
ASSETS			
Non - Current Assets			
Property, plant and equipment	5	11,506,782	9,769,076
Intangible assets	6	57,732	59,594
Long term investments		402,213	402,569
Long term loans		50,221	70,699
Long term deposits		2,845	2,845
		12,019,793	10,304,783
Current Assets			
Stores, spare parts and loose tools		1,756,340	1,315,073
Stock in trade	7	11,854,684	6,318,100
Trade debts	15	4,576,929	4,322,527
Loans and advances		727,149	276,461
Current portion of non-current assets		185,001	149,736
Trade deposits and short term prepayments		201,708	225,601
Other receivables	15	1,368,340	551,613
Advance income tax		-	66,000
Sales tax refund due from Federal Government		8,634	8,634
Cash and bank balances		208,856	132,735
		20,887,641	13,366,480
TOTAL ASSETS		32,907,434	23,671,263
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		3,383,955	3,754,151
		7,401,245	7,771,441
LIABILITIES			
Non - Current Liabilities			
Long term financing		7,731,397	5,696,304
Deferred liabilities and income	9	1,291,497	795,533
		9,022,894	6,491,837
Current Liabilities			
Trade and other payables	10 & 15	7,556,466	3,668,083
Unclaimed dividend		21,319	21,381
Accrued mark up		347,445	205,251
Short term borrowings		7,872,429	4,891,866
Current portion of long term financing		382,376	277,228
Current portion of non-current Liabilities		143,801	70,767
Provision for income tax less payments		159,459	273,409
		16,483,295	9,407,985
CONTINGENCIES AND COMMITMENTS	11		
TOTAL EQUITY AND LIABILITIES		32,907,434	23,671,263

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

SHABIR DIWAN
Chief Executive Officer

MUHAMMAD IQBAL BILWANI
Director

MUSTAFA BILWANI
Chief Financial Officer

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2022

	(Rupees in Thousand)	
	Jul-2022 to Sep-2022	Jul-2021 to Sep-2021
Sales	4,896,444	4,953,241
Cost of sales	4,712,556	4,237,940
Gross profit	183,888	715,301
Distribution and selling costs	105,230	52,095
Administrative expenses	116,016	81,548
Other operating expenses	15,383	45,692
	236,629	179,335
	(52,741)	535,966
Other income	11,554	6,639
Operating (loss)/ profit	(41,187)	542,605
Finance costs	236,336	64,755
	(277,523)	477,850
Investment income - Dividend	-	225,750
(Loss)/ Profit before income tax	(277,523)	703,600
Income tax - Current	61,206	60,910
- Deferred	31,467	-
	92,673	60,910
(Loss)/ Profit after income tax	(370,196)	642,690
 (Loss)/ Earnings per share - Basic and diluted (Rupees)	 (9.65)	 16.75

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



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

FOR THE QUARTER ENDED SEPTEMBER 30, 2022

	(Rupees in Thousand)	
	Jul-2022 to Sep-2022	Jul-2021 to Sep-2021
Loss/ Profit after income tax	(370,196)	642,690
Other comprehensive income/(loss)	-	-
Total comprehensive income/ (loss)	<u>(370,196)</u>	<u>642,690</u>

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

SHABBIR DIWAN
Chief Executive Officer

MUHAMMAD IOBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer



Condensed Interim Un-consolidated Statement Of Changes In Equity (Un-audited)

FOR THE QUARTER ENDED SEPTEMBER 30, 2022

	Share Capital	Capital reserve Share Premium	General reserve	Unappropriated profit	Total
	(Rupees in Thousand)				
Balances as at July 01, 2021	383,645	383,645	3,250,000	1,937,862	5,955,152
Total comprehensive income for the quarter ended September 30, 2021	-	-	-	642,690	642,690
Balances as at September 30, 2021	383,645	383,645	3,250,000	2,580,552	6,597,842
Total comprehensive income for the nine months ended June 30, 2022	-	-	-	1,173,599	1,173,599
Balances as at June 30, 2022	383,645	383,645	3,250,000	3,754,151	7,771,441
Total comprehensive loss for the quarter ended September 30, 2022	-	-	-	(370,196)	(370,196)
Balances as at September 30, 2022	383,645	383,645	3,250,000	3,383,955	7,401,245

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

SHABBIR DIWAN
Chief Executive Officer

MUHAMMAD IOBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2022

	(Rupees in Thousand)	
	Jul-2022 to Sep-2022	Jul-2021 to Sep-2021
Cash Flows from/(towards) Operating Activities		
(Loss)/ Profit before income tax	(277,523)	703,600
Adjustments for:		
Depreciation	228,153	136,106
Provision for defined benefit plan	33,198	12,540
Gain on disposal of property, plant and equipment	(2,119)	(2,308)
Loss on disposal of property, plant and equipment	-	4
Impairment in long term investments	6,041	4,535
Impairment allowance for ECL-net	4,262	5,385
Impairment allowance/(Reversal) for slow moving stores, spare parts and loose tools-net	2,305	(562)
Amortisation of interest free long term loan to subsidiary company	(4,437)	(3,661)
Amortisation of intangible assets	1,862	-
Remeasurement gain on discounting of provision for GIDC	(834)	-
Investment income - Dividend	-	(225,750)
Finance costs	236,336	64,755
	<u>504,767</u>	<u>(8,956)</u>
	227,244	694,644
(Increase)/decrease in current assets:		
Stores, spare parts and loose tools	(443,572)	(51,092)
Stock in trade	(5,536,584)	146,148
Trade debts	(258,664)	(191,718)
Loans and advances	(450,688)	(12,558)
Trade deposits and short term prepayments	23,893	(22,922)
Other receivables	(816,727)	(50,026)
	<u>(7,482,342)</u>	<u>(182,168)</u>
Increase in Trade and other payables	4,051,659	356,621
Cash flows (towards)/ from operations before following	<u>(3,203,439)</u>	<u>869,097</u>
(Payments for)/receipts of:		
Long term loans	(17,164)	(5,653)
Defined benefit plan	(5,546)	(2,462)
Finance costs	(94,142)	(48,586)
Income tax	(109,154)	(104,503)
Net cash flows (towards)/ from operating activities	<u>(3,429,445)</u>	<u>707,893</u>
Cash Flows (towards)/from Investing Activities		
Additions in property, plant and equipment	(2,135,654)	(1,691,068)
Proceeds from disposal of property, plant and equipment	8,638	4,127
Additions in intangible assets	-	(9,968)
Net cash flows towards investing activities	<u>(2,127,016)</u>	<u>(1,696,909)</u>
Cash Flows from/(towards) Financing Activities		
Long term financing - proceeds received	2,709,624	1,804,244
Long term financing - repayments	(57,548)	-
Dividend paid	(58)	(48)
Net cash flows from financing activities	<u>2,652,018</u>	<u>1,804,196</u>
Net (decrease)/ Increase in cash and cash equivalents	<u>(2,904,443)</u>	<u>815,180</u>
Cash and cash equivalents at the beginning of the period	<u>(4,759,131)</u>	<u>(3,417,623)</u>
Cash and cash equivalents at the end of the period	<u>(7,663,573)</u>	<u>(2,602,443)</u>
CASH AND CASH EQUIVALENTS COMPRISE OF:		
Cash and bank balances	208,856	121,964
Short term borrowings	(7,772,429)	(2,724,407)
	<u>(7,663,573)</u>	<u>(2,602,443)</u>

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

SHABBIR DIWAN
Chief Executive Officer

MUHAMMAD IQBAL BILWANI
Director

MUSTAFA BILWANI
Chief Financial Officer

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2022

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.

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 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, 2022.

2.4 **Changes in accounting standards, interpretations and amendments to published approved accounting standards**

2.4.1 **Amendments to published approved accounting standards which are effective during the quarter ended September 30, 2022:**

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, 2022; however, these do not have any significant impact on these condensed interim un-consolidated financial statements, hence not described.

2.4.2 **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, 2022. 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.

2.5 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, 2022.

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, 2022.

(Rupees in Thousand)			
	Note	September 2022 (Un-audited)	June 2022 (Audited)
5 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	6,098,348	6,321,928
Capital work in progress	5.2	5,408,434	3,447,148
		<u>11,506,782</u>	<u>9,769,076</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

	Quarter ended September 2022	Quarter ended September 2021
Leasehold land	-	-
Building on leasehold land	-	-
Plant and machinery	775	4,585
Factory equipment	-	3,288
Motor vehicles	7,161	10,740
	<u>7,936</u>	<u>18,613</u>

Disposals at NBV during the period

Office equipment	-	-
Motor vehicles	6,519	1,823
	<u>6,519</u>	<u>1,823</u>

5.2 Capital work in progress

Balance as at start of the period	3,447,148	2,247,485
Additions	1,961,286	1,664,532
Balance as at end of the period	<u>5,408,434</u>	<u>3,912,017</u>

		(Rupees in Thousand)		
	Note	September 2022 (Un-audited)	June 2022 (Audited)	
6 INTANGIBLE ASSETS				
Balance as at start of the period		59,594	35,898	
Additions		-	23,696	
Amortization during the peiod		(1,862)	-	
Balance as at end of the period		<u>57,732</u>	<u>59,594</u>	
7 STOCK IN TRADE				
These include items costing Rs.2,002.64 million (June 2022: Rs.82.239 million) valued at net realisable value of Rs.1,801.74 million (June 2022: Rs.55.533 million).				
8 SHARE CAPITAL				
(Number of Shares)		(Rupees in Thousand)		
September 2022 (Un-audited)	June 2022 (Audited)	September 2022 (Un-audited)	June 2022 (Audited)	
8.1 Authorised capital				
95,000,000	95,000,000	Ordinary shares of Rs. 10 each	<u>950,000</u>	<u>950,000</u>
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	<u>301,361</u>	301,361
8,228,400	8,228,400	Ordinary shares of Rs.10 each allotted as fully paid bonus shares	<u>82,284</u>	82,284
<u>38,364,480</u>	<u>38,364,480</u>		<u>383,645</u>	<u>383,645</u>
9 DEFERRED LIABILITIES AND INCOME				
Deferred Liabilities				
Income tax - net		243,213	211,746	
Defined benefit plan	9.1	530,124	502,472	
Provision for Gas Infrastructure Development Cess (GIDC)	9.2	14,095	16,023	
Deferred income				
Deferred Income - Government scheme	9.3	<u>504,065</u>	65,292	
		<u>1,291,497</u>	<u>795,533</u>	
9.1 Defined benefit plan				
Balance as at start of the period		502,472	438,384	
Expense		33,198	62,567	
Remeasurement gain		-	10,955	
Payments		(5,546)	(9,434)	
Balance as at end of the period		<u>530,124</u>	<u>502,472</u>	
9.2 Provision for Gas Infrastructure Development Cess				

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 also hold that GIDC relating to period prior to the GIDC Act, 2015 is not recoverable in case the same was not passed on by the Company.

As per judgement of the Supreme Court of Pakistan, the Company has filed a Civil Suit before the Sindh High Court against payment of GIDC installments 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.

9.3 Deferred Income - Government scheme

This represents the value of benefit of below-market markup rate on the loans obtained under Islamic Temporary Economic Refinance Scheme (ITERF). ITERF scheme is a 'temporary' relief measure taken by the State Bank of Pakistan (SBP) in context of COVID-19 related economic situation and with the objective to provide stimulus to the economy across the board by supporting new investment and BMR of the existing projects in the country. The difference between the fair value of these loans and proceeds received is recorded as Deferred income - Government scheme.

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 Honorable Single Bench of Sindh High Court decided the case in favor of the Petitioners. However, in June 2016, Defendants filed appeal before the Double Bench of Sindh High Court which was also decided in favor of the Petitioners. Messrs. Sui Southern Gas Company Limited (SSGCL) then have filed appeal and pending before the 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 2022: Rs.47.667 million). As an abundant precaution, the Company has made total provision of Rs.40.194 million (June 2022: 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 which the Company is paying in full as per the 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 2022: 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** This represents provision of Sindh Sales Tax on rent payable by the Company to a related party Messrs. Novatex Limited. The related party had filed a suit in the Sindh High Court against Sindh Revenue Board and Province of Sindh etc. On August 28, 2018, the Honorable Single Bench of Sindh High Court decided the case in favor of the related party. However, the Sindh Revenue Board filed an appeal against the decision before the Double Bench of Sindh High Court. Pending outcome of the facts, the Company as matter of prudence recorded the sales tax impact.
- 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. On June 04, 2021, the Honorable Sindh High Court has passed the judgment in favor of the Government. The Company has filed an appeal in Supreme Court of Pakistan against the judgment. The Honorable Supreme Court of Pakistan, vide interim order dated September 01, 2021, has suspended the operation of the impugned judgement of the Sindh High Court and has further directed the Custom Authorities to release consignments on the basis of bank guarantee equivalent to the amount of levy claimed by the Excise and Taxation Department. Till reporting date, the Company has provided bank guarantee amounting to Rs.428.365 million (June 2022: Rs.378.365 million) in favor of Excise and Taxation Department, in respect of consignments cleared after December 27, 2006 (refer note 11.2). 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 favor of Tax Department, against which the Company has filed an appeal before the 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 be decided in favor of the Company. However, as an abundant precaution, the Company has made provision of Rs.16.757 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 Honorable Islamabad High Court has held that input tax adjustments on items relating to building materials, used for manufacture and or production of taxable goods or for taxable supplies made or to be made, is allowed. However, as an abundant precaution, the Company has made provision of Rs.141.860 million (June 2022: Rs.141.860 million).
- 10.7** This represents provision of Gas Infrastructure Development Cess amounting to Rs.4.131 million (June 2022: Rs.4.131 million) and rate difference of gas tariff Rs.2.655 million (June 2022: Rs.2.655 million) on account of common expenses payable by the Company to a related party 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 favor of Chief Commissioner Inland

Revenue.

However, the Company had challenged the action before the 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 i.e. year 2014. On September 04, 2021, the Special Judge Custom and Taxation Court has decided the case in favor of the Company. The FBR has filed appeal at Honorable Sindh High Court Karachi against the decision of Special Judge which is pending adjudication.

- 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 Honorable Single Bench of Sindh High Court had decided the case in favor 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 Company has filed Review Petition against the Judgment, wherein the Honorable Supreme Court of Pakistan has provided some relief by increasing the time period for recovery of GIDC from 24 installments to 48 installments and also hold that GIDC relating to period prior to the GIDC Act, 2015 is not recoverable in case the same was not passed on by the Company. As per the judgement of Supreme Court of Pakistan, the Company has filed a Civil Suit before the Sindh High Court against payment of GIDC instalments on the ground that the Company has not passed on the burden of Cess. The Honorable Sindh High 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.129.801 million, however the Company has maintained a provision for Rs.86.858 million pertaining to the period of June 2015 to July 2020 as an abundant precaution.

- 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 restrained EOBI from taking any coercive action against the Company. On December 03, 2021, the Honorable Sindh High Court has dismissed the Petition. However, the Company has filed an appeal at Supreme Court of Pakistan against the judgment. No provision of the amount involved i.e. Rs.31.927 million (June 2022: Rs.31.119 million) has been made in these condensed interim un-consolidated financial statements.
- 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 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 2013 to June 2014, July 2014 to June 2015 and July 2015 to December 2016 wherein the case has been partially decided in favor 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 favor 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 favor of the Company whereas major issues were decided in favor 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 ATIR against the order of the CIR(A) and the learned ATIR, vide its judgment dated January 01, 2019 has decided the case in favor of the Company wherein refund of Rs.7.7 million had been determined. 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 favor 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 out of which Rs.1.594 million has been adjusted with the income tax demand pertaining to tax year 2019. 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 favor of the Company, hence Rs.2.197 million recorded as refundable.
- 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 customers as those customers 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 favor 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 favor of the Company. No provision has been made in these condensed interim un-consolidated financial statements.
- 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 (ADCIR) against which the Company has moved rectification application and in response thereto 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 favor of the Company. Considering that the matter decided against the Company has no material impact, therefore, the Company had not filed an appeal before the ATIR. The Tax Department filed an appeal before the ATIR against order issued by CIR(A), Quetta, which has not yet been concluded. Based on the merits of the case, the management is confident that the case will be decided in favor of the Company. No provision has been made in these condensed interim un-consolidated financial statements.
- 11.1.9** Income tax return of tax year 2014 was amended by the Deputy Commissioner Inland Revenue, Quetta disallowed expenses of Rs.60.7 million 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 favor of the Company and partially in favor of Tax Department. The Tax Department has filed an appeal before the ATIR which has not yet been concluded. Based on the merits of the case, the management is confident that the case will be decided in favor of the Company. No provision has been made in these condensed interim un-consolidated financial statements.
- 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.15.351 million (June 2022: Rs.15.351 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 for tax year 2019 to the Company was disallowed. The Company has challenged the provision of Finance Act, 2019 before the Sindh High Court and has been granted interim relief whereby the Honorable 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 favor 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 the 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. The Tax Department has filed an appeal before the Honorable Supreme Court of Pakistan against the judgment of the Honorable Sindh High Court. Based on the merits of the case, the management is confident that the case will be decided in favor of the Company, however, on a prudent basis Rs.40.395 million has been provided in these condensed interim un-consolidated financial statements.
- 11.1.13** The Company had filed a petition before the Sindh High Court wherein the Company had challenged the notice requiring to pay Super Tax for tax year 2018 amounting to Rs.28.187 million and 2019 Rs.31.444 million respectively. The Honorable Sindh High Court has decided the matter against the Company. The Company has filed petition before the Supreme Court of Pakistan against the judgement of the Sindh High Court, hearing of which is pending at the moment. The Company also filed appeals before the CIR(A) against the order passed by DCIR under section 4B of the Income Tax Ordinance, 2001 which has been concluded in favor of the Tax Department. The Company has filed appeals before the ATIR against the orders passed by the CIR(A). The Company has also paid 50% of demand for auto stay from recovery. The management is confident that the case will ultimately be decided in favor of the Company. However, as an abundant precaution, the Company has not reversed the liability in these condensed interim un-consolidated financial statements.
- 11.1.14** 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 been partially decided in favour of the Company resulting in net tax refundable of Rs.4 million. The Company as well as Tax Department have filed appeals before the ATIR, which is pending till date. Based on the merits of the case, the management is confident that the case will be decided in favor of the Company.
- 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 Sindh High Court and has been granted interim relief whereby the Honorable 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 favor of the Company. However, as an abundant precaution, the Company has not reversed the liability in these condensed interim un-consolidated financial statements.
- 11.1.16** The Tax Officer alleged the Company for fake transaction with suspended customer during the tax periods from December 2018 to June 2019 and raised the demand of Rs.1.711 million along with 100% penalty. The Company has paid 10% of demand for auto stay from recovery Rs.0.342 million. CIR(A) has decided the case in favour of the Company. The Tax Department has filed an appeal before ATIR against the said judgment.
- 11.1.17** Tax Department issued notices thereby disallowing adjustment of Workers Welfare Fund (WWF) against income tax refund of tax year 2018, 2019 and 2020 amounting Rs.16.216 million, Rs.20.373 and Rs.3.022 million respectively. The Company filed petitions against the said notices before the Honorable Sindh High Court, which has been decided in favour of the Company. However, Tax Department has filed an appeal before the Honorable Supreme Court of Pakistan. Based on the

merits of the case, the management is confident that the case will be decided in favor of the Company.

11.1.18 Tax Department has raised demand of Rs.21,294 million on the basis of sales tax audit for the tax periods from July 2017 to June 2018. The Company has filed an appeal before the CIR(A). The Company has paid 10% of demand for auto stay from recovery Rs.2,130 million. The case has been heard by the CIR(A) and reserved for order. The management is confident that the case will be decided in favor of the Company.

11.1.19 The Tax Department disallowed expenses of Rs.45.6 million under section 122(5A) of the Income Tax Ordinance, 2001 for tax year 2016. However, no income tax demand was raised owing to taxable losses both before and after amendment of assessment proceedings. Moreover, the Company has filed an appeal before CIR(A), which has not yet been concluded. The management is confident that the case will be decided in favor of the Company. No provision has been made in these condensed interim unconsolidated financial statements.

(Rupees in Thousand)

	September 2022 (Un-audited)	June 2022 (Audited)
11.2 Guarantees		
Bank Guarantees in favor of:		
The Director Excise and Taxation, Karachi	428,365	378,365
The Electric Inspector, President Licencing Board, Quetta	10	10
Pakistan State Oil Company Limited	70,000	70,000
K-Electric Limited	11,560	11,560
Nazir of the High Court of Sindh, Karachi	15,351	15,351
Letters of Credit in favor of:		
Sui Southern Gas Company Limited for Gas	32,592	32,592
	<u>557,878</u>	<u>507,878</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	304,933	3,801,553
Raw material	297,018	1,780,644
Spare parts and others	105,189	170,747
	<u>707,141</u>	<u>5,752,944</u>

Local currency:

Property, plant and equipment	1,481,352	229,587
Raw material	-	294,382
Spare parts and others	157,856	63,231
	<u>1,639,208</u>	<u>587,200</u>
	<u>2,346,349</u>	<u>6,340,144</u>

Quarter ended
September
2022

Quarter ended
September
2021

12 INVESTMENT INCOME - DIVIDEND

From wholly owned subsidiary company - Messrs.
Gatro Power (Private) Limited

- 225,750

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 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.

14 SEGMENT REPORTING

14.1 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.

14.2 Segment results:

The segment information for the reportable segments for the year ended September 30, 2022 is as follows:

	September 2022			(Rupees in Thousand)		
	Polyester Filament Yarn	Polyester PET Preforms	Total	Polyester Filament Yarn	Polyester PET Preforms	Total
External sales	3,867,591	1,028,852	4,896,444	3,974,700	978,541	4,953,241
Segment result before depreciation	(505,423)	696,218	190,795	536,776	180,988	717,764
Less: Depreciation	(212,731)	(15,422)	(228,153)	(126,898)	(9,208)	(136,106)
Segment result after depreciation	(718,154)	680,796	(37,358)	409,878	171,780	581,658
Reconciliation of segment results with Profit before income tax:						
Total results for reportable segments			(37,358)			581,658
Other operating expenses			(15,383)			(45,692)
Other income			11,554			6,639
Finance costs			(236,336)			(64,755)
Investment income - Dividend			-			225,750
Profit before income tax			(277,523)			703,600

Assets and liabilities by segments are as follows:

	(Rupees in Thousand)		
	September 2022 (Un-audited)		
	Polyester Filament Yarn	Polyester PET Preforms	Total
Segment assets	<u>26,841,001</u>	<u>1,513,059</u>	<u>28,354,060</u>
Segment liabilities	<u>12,615,904</u>	<u>98,550</u>	<u>12,714,455</u>

June 2022 (Audited)		
Polyester Filament Yarn	Polyester PET Preforms	Total
18,424,870	2,476,987	20,901,857
7,841,407	447,626	8,289,033

Reconciliation of segments assets and liabilities with total in the un-consolidated statement of financial position is as follows:

	Assets	Liabilities	Assets	Liabilities
Total for reportable segments	28,354,060	12,714,455	20,901,857	8,289,033
Unallocated	4,553,374	12,791,734	2,769,406	7,610,789
Total as per un-consolidated statement of financial position	<u>32,907,434</u>	<u>25,506,189</u>	<u>23,671,263</u>	<u>15,899,822</u>

Other segment information is as follows:

	September 2022			September 2021		
Depreciation	<u>212,731</u>	<u>15,422</u>	<u>228,153</u>	<u>126,898</u>	<u>9,208</u>	<u>136,106</u>
Capital expenditures incurred during the year	<u>2,057,099</u>	<u>-</u>	<u>2,057,099</u>	<u>1,504,882</u>	<u>1,589</u>	<u>1,506,471</u>
Unallocated capital expenditure incurred during the year			<u>78,555</u>			<u>184,597</u>
Total			<u>2,135,654</u>			<u>1,691,068</u>

- 14.3 97.69% (September 2021: 95.96%) out of total sales of the Company relates to customers in Pakistan.
- 14.4 All non-current assets of the Company as at September 30, 2022 are located in Pakistan.
- 14.5 The Company does not have transaction with any external customer which amount to 10 percent or more of the Company's revenue.

15 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)	
				Quarter ended September 2022	Quarter ended September 2021
Gatro Power (Private) Limited	Subsidiary Company	100% ownership	Purchase of power	824,860	605,988
			Dividend income	-	225,750
			Plant operation arrangement	10,500	9,000
			Reimbursement of expenses	-	129
G-Pac Energy (Private) Limited	Subsidiary Company	100% ownership	Long term loan	16,600	6,100
			Reimbursement of expenses	-	88
Novatex Limited	Related Party	Common directorship	Sales of goods	1,841	317,831
			Rendering of services	2,154	-
			Acquisition of services	79,172	147,893
			Purchase of raw & other material	127,786	86,633
			Rent	5,378	4,988
Krystalite Product (Private) Limited	Related Party	Common key management	Reimbursement of expenses	11,663	51,139
			Sale of goods	27,754	32,931
			Reimbursement of expenses	-	15
Mushtaq & Company (Private) Limited	Related Party	Common key management	Sale of goods	585	6,477
Gani & Tayub (Private) Limited	Related Party	Common directorship	Charges on account of handling	999	2,061
Gatron Foundation	Related Party	Common directorship	Payment of donation	600	1,430
Gatron (Industries) Limited Staff Provident Fund	Retirement benefit fund	Employees fund	Provident fund contribution	-	7,082
Gatron (Industries) Limited Workers Provident Fund	Retirement benefit fund	Employees fund	Provident fund contribution	1,205	1,003

There are no transactions with Key Management Personnel other than remuneration under their terms of employment amounting to Rs.98.081 (September 2021: Rs.81.483 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 September 30, 2022 (Un-audited)	As at June 30, 2022 (Audited)
Gatro Power (Private) Limited		
Other receivables	3,500	45
Trade and other payables	650,506	240,560
G-Pac Energy (Private) Limited		
Other receivables	-	30
Novatex Limited		
Trade debts	9,725	2,012
Other receivables	25,573	7,098
Trade and other payables	114,851	275,089
Krystalite Product (Private) Limited		
Trade debts	33,145	60,919
Mushtaq & Company (Private) Limited		
Trade debts	34,156	13,617
Gani & Tayub (Private) Limited		
Trade and other payables	999	767
Gatron (Industries) Limited Workers Provident Fund		
Other receivables	-	1,816
Trade and other payables	594	-

16 DATE OF AUTHORISATION

These condensed interim un-consolidated financial statements were authorised for issue on October 29, 2022 by the Board of Directors of the Company.

17 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.

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.



Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2022

Directors' Report

Dear Shareholders,

On behalf of the Board of Directors of M/s. Gatron (Industries) Limited, we are pleased to present the Audited Consolidated Financial Statements of the Group for the three months ended September 30, 2022.

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. The Director's report, detailing performance of the Holding Company i.e., Gatron (Industries) Limited for the three months ended September 30, 2022, has been annexed separately in this report.

The principal business of Wholly Owned Subsidiary Company Messrs. Gatro Power (Private) Limited is to generate and sell electric power.

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 soon.

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

CONSOLIDATED FINANCIALS:

(Rupees in Thousand)

Operating results for the three months ended September 30, 2022

Profit before income tax	120,421
Income tax	92,673
Profit after income tax	27,748
Un- appropriated Profit brought forward	5,680,163
Un- appropriated Profit carried forward	5,707,911
Earnings per share - Basic and diluted (Rupees)	0.72

State of Affairs as on September 30, 2022

Property, plant and equipment	14,050,745
Other non-current assets	60,794
Current assets	22,197,689
Total assets	36,309,228
Deduct:	
Non-current liabilities	9,130,564
Current liabilities	17,168,463
Total liabilities	26,299,027
Net assets financed by shareholders' equity	10,010,201

MATERIAL CHANGES AND COMMITMENTS

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 CONTROLS

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

ACKNOWLEDGMENT

The Board of the Company is grateful to all the Stakeholder for their diligent trust and confidence in the Company and all the Directors acknowledged their consistent cooperation and continued support throughout the years and we are confident that they will continue to do so in the future.

We would like to express our sincere appreciation to each member of the Company for their commitment, innovative thinking and delivering their duties with utmost dedication and also we are thankful to all the Government Institutions, Auditors, the SECP, the PSX and Banks for their valuable guidance and assistance extended for the growth and progress of the Company.

SHABBIR DIWAN
CHIEF EXECUTIVE OFFICER

MUHAMMAD IQBAL BILWANI
DIRECTOR

October 29, 2022

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 کوئی معاہدے ہوئے۔

اندرونی مالیاتی کنٹرول:

اندرونی گنہداری 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 کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے اپنے تمام اسٹیک ہولڈرز کا شکریہ ادا کرنا چاہتے ہیں جنہوں نے ہم پر اعتماد کیا اور تمام ڈائریکٹرز ان کے مسلسل تعاون اور حمایت کی امید کرتے ہیں۔

ہم کمپنی کے ہر ممبر کے پر عزم، جدید سوچ اور اپنے فرائض کو انتہائی لگن کے ساتھ سرانجام دینے پر ان کے تہہ دل سے مشکور ہیں۔ ساتھ ہی ہم تمام سرکاری اداروں، آڈیٹرز، ایس ای سی پی، پی ایس ایکس اور بینکوں کے شکرگزار ہیں جنہوں نے کمپنی کی ترقی میں اپنا کردار بخوبی نبھایا۔

محمد اقبال پلوانی
ڈائریکٹر

شعبہ دیوان
افسر اعلیٰ

29 اکتوبر، 2022ء

گروپ کے جامع مالیاتی گوشواروں پر ڈائریکٹری رپورٹ

معزز ممبران،

میسرز گیٹرون (انڈسٹریز) لمیٹڈ کے بورڈ آف ڈائریکٹری کی جانب سے ہم 30 ستمبر 2022ء کو اختتام پذیر ہونے والی سہ ماہی مدت کے گروپ ہڈا کے غیر آڈٹ شدہ مختصر مالیاتی گوشوارے پیش کرتے ہوئے دلی مسرت محسوس کر رہے ہیں۔

گروپ:

یہ گروپ میسز گیٹرون (انڈسٹریز) لمیٹڈ اور اس کے مکمل ماتحت اداروں میسز گیٹرون پاور (پرائیویٹ) لمیٹڈ، میسز گلوبل سسٹیمز لمیٹڈ اور میسز جی پیک انرجی (پرائیویٹ) لمیٹڈ پر مشتمل ہے۔ ہولڈنگ کمپنی یعنی گیٹرون (انڈسٹریز) لمیٹڈ کی 30 ستمبر 2022ء کو اختتام پذیر ہونے والی سہ ماہی کارکردگی کو اس رپورٹ میں الگ سے منسلک کیا گیا ہے۔

مکمل ملکیتی ماتحت ادارہ میسز گیٹرون پاور (پرائیویٹ) لمیٹڈ کا اصل کاروبار بجلی پیدا کرنا اور فروخت کرنا ہے۔

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

مکمل ملکیتی ماتحت ادارہ میسز گلوبل سسٹیمز لمیٹڈ نے اب تک اپنے آپریشنز شروع نہیں کئے۔

جامع مالیات:

آپریٹنگ نتائج برائے مدت سہ ماہی ختمہ 30 ستمبر 2022ء	(روپے '000)
منافع قبل از ٹیکس	120,421
آئٹم ٹیکس	92,673
منافع بعد از ٹیکس	27,748
غیر مختص منافع گزشتہ (Un-appropriated profit brought forward)	5,680,163
غیر مختص منافع عالیہ (Un-appropriated profit carried forward)	5,707,911
آمدنی فی شیئر بنیادی اور تحلیل شدہ (Rupees)(Basic and Diluted—Earning per share)	0.72
30 ستمبر 2022ء تک معاملات کی صورتحال	
املاک، پلانٹ اور ایکوئپمنٹ	14,050,745
دیگر پائیدار اثاثہ جات	60,794
بدل پذیر اثاثہ جات	22,197,689
کل اثاثہ جات	36,309,228
کل وقتی:	
پائیدار واجبات	9,130,564
بدل پذیر واجبات	17,168,463
کل واجبات	26,299,027
خالص اثاثہ جات ادا شدہ مخائب ایکوئٹی یا پیشہ منصف یا شیگان	10,010,201

Condensed Interim Consolidated Statement of Financial Position

AS AT SEPTEMBER 30, 2022

(Rupees in Thousand)			
	Note	September 2022 (Un-audited)	June 2022 (Audited)
ASSETS			
Non - Current Assets			
Property, plant and equipment	5	14,050,745	12,345,436
Intangible assets	6	57,732	59,594
Long term loans		217	296
Long term deposits		2,845	2,845
		14,111,539	12,408,171
Current Assets			
Stores, spare parts and loose tools		2,461,103	1,734,413
Stock in trade	7	11,854,684	6,318,100
Trade debts	14	4,576,929	4,322,527
Loans and advances		793,623	341,490
Current portion of Non-current assets		3,506	3,991
Trade deposits and short term prepayments	14	241,398	225,908
Other receivables		1,392,847	581,196
Advance income tax		-	66,000
Sales tax refund due from Federal Government		8,634	8,634
Cash and bank balances		864,965	899,455
		22,197,689	14,501,714
TOTAL ASSETS		36,309,228	26,909,885
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		5,707,911	5,680,163
		10,010,201	9,982,453
LIABILITIES			
Non - Current Liabilities			
Long term financing		7,731,397	5,696,304
Deferred liabilities and income	9	1,399,167	943,480
		9,130,564	6,639,784
Current Liabilities			
Trade and other payables	10 & 14	7,689,259	4,056,483
Unclaimed dividend		21,319	21,381
Accrued mark up		347,445	205,251
Short term borrowings		7,872,429	4,891,866
Current portion of long term financing		382,376	277,228
Current portion of non-current Liabilities		700,321	565,441
Provision for income tax less payments		155,314	269,998
		17,168,463	10,287,648
CONTINGENCIES AND COMMITMENTS	11		
TOTAL EQUITY AND LIABILITIES		36,309,228	26,909,885

The notes 1 to 17 annexed herewith form an integral part of these condensed interim consolidated financial statements.

SHABIR DIWAN
Chief Executive Officer

MUHAMMAD IQBAL BILWANI
Director

MUSTAFA BILWANI
Chief Financial Officer



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

FOR THE QUARTER ENDED SEPTEMBER 30, 2022

	(Rupees in Thousand)	
	Jul-2022 to Sep-2022	Jul-2021 to Sep-2021
Sales	4,896,444	4,953,241
Cost of sales	4,291,159	4,045,980
Gross profit	605,285	907,261
Distribution and selling costs	105,230	52,095
Administrative expenses	118,424	83,508
Other operating expenses	10,394	41,710
	234,048	177,313
	371,237	729,948
Other income	7,117	2,416
Operating profit	378,354	732,364
Finance costs	257,933	77,330
Profit before income tax	120,421	655,034
Income tax - Current	61,206	60,910
- Deferred	31,467	-
	92,673	60,910
Profit after income tax	27,748	594,124
 Earnings per share - Basic and diluted (Rupees)	 0.72	 15.49

The notes 1 to 17 annexed herewith form an integral part of these condensed interim consolidated financial statements.

SHABBIR DIWAN
Chief Executive Officer

MUHAMMAD IQBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2022

	(Rupees in Thousand)	
	Jul-2022 to Sep-2022	Jul-2021 to Sep-2021
Loss/ Profit after income tax	27,748	594,124
Other comprehensive income/(loss)	-	-
Total comprehensive income/ (loss)	<u>27,748</u>	<u>594,124</u>

The notes 1 to 17 annexed herewith form an integral part of these condensed interim consolidated financial statements.

SHABBIR DIWAN
Chief Executive Officer

MUHAMMAD IOBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2022

	Share Capital	Capital reserve Share Premium	General reserve	Unappropriated profit	Total
	(Rupees in Thousand)				
Balances as at July 01, 2021	383,645	383,645	3,535,000	3,378,345	7,680,735
Total comprehensive income for the quarter ended September 30, 2021	-	-	-	594,124	594,124
Balances as at September 30, 2021	383,645	383,645	3,535,000	3,972,469	8,274,759
Total comprehensive income for the nine months ended June 30, 2022	-	-	-	1,707,694	1,707,694
Balances as at June 30, 2022	383,645	383,645	3,535,000	5,680,163	9,982,453
Total comprehensive income/ loss for the quarter ended September 30, 2022	-	-	-	27,748	27,748
Balances as at September 30, 2022	383,645	383,645	3,535,000	5,707,911	10,010,021

The notes 1 to 17 annexed herewith form an integral part of these condensed interim consolidated financial statements.

SHABBIR DIWAN
Chief Executive Officer

MUHAMMAD IQBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2022

	(Rupees in Thousand)	
	Jul-2022 to Sep-2022	Jul-2021 to Sep-2021
Cash Flows from/(towards) Operating Activities		
Profit before income tax	120,421	655,034
Adjustments for:		
Depreciation	277,174	172,374
Provision for defined benefit plan	33,322	12,620
Gain on disposal of property, plant and equipment	(2,119)	(2,308)
Loss on disposal of property, plant and equipment	-	4
Impairment allowance for ECL-net	4,262	5,385
Impairment allowance for slow moving stores, spare parts and loose tools-net	3,281	553
Amortisation of interest free long term loan to subsidiary company	1,862	
Remeasurement loss on discounting of provision for GIDC	20,609	
Finance costs	257,933	77,330
	<u>596,324</u>	<u>265,958</u>
	716,745	920,992
(Increase)/decrease in current assets:		
Stores, spare parts and loose tools	(729,971)	(77,705)
Stock in trade	(5,536,584)	146,148
Trade debts	(258,664)	(191,718)
Loans and advances	(452,133)	(10,658)
Trade deposits and short term prepayments	(15,490)	(41,377)
Other receivables	(811,651)	(49,840)
	<u>(7,804,493)</u>	<u>(225,150)</u>
Increase in Trade and other payables	3,796,052	386,089
Cash flows (towards)/from operations before following	<u>(3,291,696)</u>	<u>1,081,931</u>
(Payments for)/receipts of:		
Long term loans	(564)	447
Defined benefit plan	(5,546)	(2,462)
Finance costs	(115,739)	(61,161)
Income tax	109,919	(104,565)
Net cash flows (towards)/ from operating activities	<u>3,523,464</u>	<u>914,190</u>
Cash Flows (towards)/from Investing Activities		
Additions in property, plant and equipment	2,152,245	(1,850,202)
Proceeds from disposal of property, plant and equipment	8,638	4,127
Additions in intangible assets	-	(9,968)
Net cash flows towards investing activities	<u>2,143,607</u>	<u>(1,856,043)</u>
Cash Flows from/(towards) Financing Activities		
Long term financing - proceeds received	2,709,624	1,804,244
Long term financing - repayments	(57,548)	-
Dividend paid	(58)	(48)
Net cash flows from financing activities	<u>2,652,018</u>	<u>1,804,196</u>
Net decrease in cash and cash equivalents	<u>(3,015,053)</u>	<u>862,343</u>
Cash and cash equivalents at the beginning of the period	<u>(3,992,411)</u>	<u>(2,027,710)</u>
Cash and cash equivalents at the end of the period	<u>(7,007,464)</u>	<u>(1,165,367)</u>
CASH AND CASH EQUIVALENTS COMPRISE OF:		
Cash and bank balances	864,965	1,559,040
Short term borrowings	<u>(7,872,429)</u>	<u>(2,724,407)</u>
	<u>(7,007,464)</u>	<u>(1,165,367)</u>

The notes 1 to 17 annexed herewith form an integral part of these condensed interim consolidated financial statements.

SHABIR DIWAN
Chief Executive Officer

MUHAMMAD IQBAL BILWANI
Director

MUSTAFA BILWANI
Chief Financial Officer

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2022

1 THE GROUP AND ITS OPERATIONS

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 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 and liaison office of the Subsidiary Company is situated at 11th Floor, G&T Tower, #18 Beaumont Road, Civil Lines-10, Karachi.

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, 2022.

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 quarter ended September 30, 2021:**

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, 2021; 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, 2022. 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, 2022.

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, 2022.

(Rupees in Thousand)			
	Note	September 2022 (Un-audited)	June 2022 (Audited)
5 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	7,279,478	7,545,839
Capital work in progress	5.2	<u>6,771,267</u>	<u>4,799,597</u>
		<u>14,050,745</u>	<u>12,345,436</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

	Quarter ended September 2022	Quarter ended September 2021
Plant and machinery	1,938	4,585
Factory equipment	-	3,288
Motor vehicles	<u>7,161</u>	<u>10,740</u>
	<u>9,099</u>	<u>18,613</u>
Disposals at NBV during the period		
Motor vehicles	<u>6,519</u>	<u>1,823</u>
	<u>6,519</u>	<u>1,823</u>

5.2 Capital work in progress

Balance as at start of the period	4,799,597	2,652,364
Additions	<u>1,971,670</u>	<u>1,816,364</u>
Balance as at end of the period	<u>6,771,267</u>	<u>4,468,728</u>

(Rupees in Thousand)

	Note	September 2022 (Un-audited)	June 2022 (Audited)
6 INTANGIBLE ASSETS			
Capital work in progress - SAP ERP System			
Balance as at start of the period		59,594	35,898
Additions		-	23,696
Amortization during the period		(1,862)	-
Balance as at end of the period		57,732	59,594
7 STOCK IN TRADE			
These include items costing Rs.2,002.64 million (June 2022: Rs.82.239 million) valued at net realisable value of Rs.1,801.74 million (June 2022: Rs.55.533 million).			
8 SHARE CAPITAL			
(Number of Shares)			
September 2022 (Un-audited)	June 2022 (Audited)		
8.1 Authorised capital			
95,000,000	95,000,000	Ordinary shares of Rs. 10 each	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	301,361
8,228,400	8,228,400	Ordinary shares of Rs.10 each paid in cash	82,284
		Ordinary shares of Rs.10 each allotted as fully paid bonus shares	
38,364,480	38,364,480		383,645
9 DEFERRED LIABILITIES AND INCOME			
Deferred Liabilities			
Income tax - net		243,213	211,746
Defined benefit plan	9.1	532,141	504,365
Provision for Gas Infrastructure Development Cess (GIDC)	9.2	119,746	162,077
Deferred income			
Deferred Income - Government scheme	9.3	504,067	65,292
		1,399,167	943,480
9.1 Defined benefit plan			
Balance as at start of the period		504,365	440,439
Expense		33,322	62,952
Remeasurement gain		-	11,097
Payments		(5,546)	(10,123)
Balance as at end of the period		532,141	504,365

9.2 Provision for Gas Infrastructure Development Cess

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 also hold that GIDC relating to period prior to the GIDC Act, 2015 is not recoverable in case the same was not passed on by the Group.

As per judgement of the Supreme Court of Pakistan, the Group has filed a Civil Suit before the Sindh High Court against payment of GIDC installments 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.

9.3 Deferred Income - Government scheme

This represents the value of benefit of below-market markup rate on the loans obtained under Islamic Temporary Economic Refinance Scheme (ITERF). ITERF scheme is a 'temporary' relief measure taken by the State Bank of Pakistan (SBP) in context of COVID-19 related economic situation and with the objective to provide stimulus to the economy across the board by supporting new investment and BMR of the existing projects in the country. The difference between the fair value of these loans and proceeds received is recorded as Deferred income - Government scheme.

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 Honorable Single Bench of Sindh High Court decided the case in favor of the Petitioners. However, in June 2016, Defendants filed appeal before the Double Bench of Sindh High Court which was also decided in favor of the Petitioners. Messrs. Sui Southern Gas Company Limited (SSGCL) then have filed appeal and pending before the 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 2022: Rs.316.797 million). As an abundant precaution, the Group has made total provision of Rs.159.264 million (June 2022: 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 which the Group is paying in full as per the 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 2022: 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** This represents provision of Sindh Sales Tax on rent payable by the Parent Company to a related party Messrs. Novatex Limited. The related party had filed a suit in the Sindh High Court against Sindh Revenue Board and Province of Sindh etc. On August 28, 2018, the Honorable Single Bench of Sindh High Court decided the case in favor of the related party. However, the Sindh Revenue Board filed an appeal against the decision before the Double Bench of Sindh High Court. Pending outcome of the facts, the Parent Company as matter of prudence recorded the sales tax impact.
- 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. On June 04, 2021, the Honorable Sindh High Court has passed the judgment in favor of the Government. The Parent Company has filed an appeal in Supreme Court of Pakistan against the judgment. The Honorable Supreme Court of Pakistan, vide interim order dated September 01, 2021, has suspended the operation of the impugned judgement of the Sindh High Court and has further directed the Custom Authorities to release consignments on the basis of bank guarantee equivalent to the amount of levy claimed by the Excise and Taxation Department. Till reporting date, the Parent Company has provided bank guarantee amounting to Rs.428.365 million (June 2022: Rs.378.365 million) in favor of Excise and Taxation Department, in respect of consignments cleared after December 27, 2006 (refer note 11.2). 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. On June 04, 2021, the Honorable Sindh High Court has passed the judgment in favor of the Government. The Subsidiary Company has filed an appeal in Supreme Court of Pakistan against the judgment. The case of the Subsidiary Company remains pending as it is omitted by the High Court staff to include in the bunch of cases which have been decided. The Honorable Supreme Court of Pakistan, vide interim order dated September 01, 2021, has suspended the operation of the impugned judgement of the Sindh High Court and has further directed the Custom Authorities to release consignments on the basis of bank guarantee equivalent to the amount of levy claimed by the Excise and Taxation Department. Till reporting date, the Subsidiary Company has provided bank guarantee amounting to Rs.17.500 million (June 2022: Rs.7.500 million) in favor of Excise and Taxation Department, in respect of consignments cleared after April 13, 2018 (refer note 11.2). Full provision after April 13, 2018 has been made in these condensed interim consolidated financial statements 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. On June 04, 2021, the Honorable Sindh High Court has passed the judgment in favor of the Government. The Subsidiary Company has filed an appeal in Supreme Court of Pakistan against the judgment. The Honorable Supreme Court of Pakistan, vide interim order dated September 01, 2021, has suspended the operation of the impugned judgement of the Sindh High Court and has further directed the Custom Authorities to release consignments on the basis of bank guarantee equivalent to the amount of levy claimed by the Excise and Taxation Department. Till reporting date, the Subsidiary Company has provided bank guarantee amounting to Rs.2.500 million (June 2022: Rs.2.500 million) in favor of Excise and Taxation Department, in respect

of consignments cleared (refer note 11.2). 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 favor of Tax Department, against which the Parent Company has filed an appeal before the 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 be decided in favor of the Parent Company. However, as an abundant precaution, the Parent Company has made provision of Rs.16.757 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 Honorable Islamabad High Court has held that input tax adjustments on items relating to building materials, used for manufacture and or production of taxable goods or for taxable supplies made or to be made, is allowed. However, as an abundant precaution, the Parent Company has made provision of Rs.141.860 million (June 2022: Rs.141.860 million).

- 10.7** This represents provision of Gas Infrastructure Development Cess amounting to Rs.4.131 million (June 2022: Rs.4.131 million) and rate difference of gas tariff Rs.2.655 million (June 2022: Rs.2.655 million) on account of common expenses payable by the Parent Company to a related party 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 favor of Chief Commissioner Inland Revenue.

However, the Parent Company had challenged the action before the 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 i.e. year 2014. On September 04, 2021, the Special Judge Custom and Taxation Court has decided the case in favor of the Parent Company. The FBR has filed appeal at Honorable Sindh High Court Karachi against the decision of Special judge which is pending adjudication.

- 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 Honorable Single Bench of Sindh High Court had decided the

case in favor 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 Supreme Court of Pakistan has provided some relief by increasing the time period for recovery of GIDC from 24 installments to 48 installments and also hold that GIDC relating to period prior to the GIDC Act, 2015 is not recoverable in case the same was not passed on by the Group. As per the judgement of Supreme Court of Pakistan, the Group has filed a Civil Suit before the Sindh High Court against payment of GIDC instalments on the ground that the Group has not passed on the burden of Cess. The Honorable Sindh High Court has granted stay order to Plaintiffs whereby the Messrs. Sul 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.1,169.955 million, however the Group has maintained a provision for Rs.814.887 million pertaining to the period of June 2015 to July 2020 as an abundant precaution.

- 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 restrained EOBI from taking any coercive action against the Parent Company. On December 03, 2021, the Honorable Sindh High Court has dismissed the Petition. However, the Parent Company has filed an appeal at Supreme Court of Pakistan against the judgment. No provision of the amount involved i.e. Rs.31.927 million (June 2022: Rs.31.119 million) has been made in these condensed interim consolidated financial statements.
- 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 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 2013 to June 2014, July 2014 to June 2015 and July 2015 to December 2016 wherein the case has been partially decided in favor 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 favor 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 favor of the Company whereas major issues were decided in favor 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 ATIR against the order of the CIR(A) and the learned ATIR, vide its judgment dated January 01, 2019 has decided the case in favor of the Parent Company wherein refund of Rs.7.7 million had been determined. 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 favor 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 out of which Rs.1.594 million has

been adjusted with the income tax demand pertaining to tax year 2019. 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 favor of the Parent Company, hence Rs.2.197 million recorded as refundable.

- 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 customers as those customers 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 favor 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 favor of the Parent Company. No provision has been made in these condensed interim consolidated financial statements.
- 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 (ADCIR) against which the Parent Company has moved rectification application and in response thereto 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 favor of the Parent Company. Considering that the matter decided against the Parent Company has no material impact, therefore, the Parent Company had not filed an appeal before the ATIR. The Tax Department filed an appeal before the ATIR against order issued by CIR(A), Quetta, which has not yet been concluded. Based on the merits of the case, the management is confident that the case will be decided in favor of the Company. No provision has been made in these condensed interim consolidated financial statements.
- 11.1.10** Income tax return of tax year 2014 was amended by the Deputy Commissioner Inland Revenue, Quetta disallowed expenses of Rs.60.7 million 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 favor of the Parent Company and partially in favor of Tax Department. The Tax Department has filed an appeal before the ATIR which has not yet been concluded. Based on the merits of the case, the management is confident that the case will be decided in favor of the Parent Company. No provision has been made in these condensed interim consolidated financial statements.
- 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.15.351 million (June 2022: Rs.15.351 million), refer note 28.2. 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, disallowing tax credit of Rs.42 million for tax year 2019. The Parent Company has challenged the provision of Finance Act, 2019 before the Sindh High Court and has been granted interim relief whereby the Honorable 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 favor of the 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 the 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. The Tax Department has filed an appeal before the Honorable Supreme Court of Pakistan against the judgment of the Honorable Sindh High Court. Based on the merits of the case, the management is confident that the case will be decided in favor of the Parent Company, however, on a prudent basis Rs.40.395 million has been provided in these condensed interim consolidated financial statements.
- 11.1.14** The Parent Company had filed a petition before the Sindh High Court wherein the Parent Company had challenged the notice requiring to pay Super Tax for tax year 2018 amounting to Rs.28.187 million and 2019 Rs.31.444 million respectively. The Honorable Sindh High Court has decided the matter against the Parent Company. The Parent Company has filed petition before the Supreme Court of Pakistan against the judgement of the Sindh High Court, hearing of which is pending at the moment. The Parent Company also filed appeals before the CIR(A) against the order passed by DCIR under section 4B of the Income Tax Ordinance, 2001 which has been concluded in favor of the Tax Department. The Parent Company has filed appeals before the ATIR against the orders passed by the CIR(A). The Parent Company has also paid 50% of demand for auto stay from recovery (refer note 15). The management is confident that the case will ultimately be decided in favor of the Parent Company. However, as an abundant precaution, the Parent Company has not reversed the liability in these condensed interim consolidated financial statements.
- 11.1.15** 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 been partially decided in favour of the Parent Company resulting in net tax refundable of Rs.4 million. The Parent Company as well as Tax Department have filed appeals before the ATIR, which is pending till date. Based on the merits of the case, the management is confident that the case will be decided in favor of the Parent Company.
- 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 Sindh High Court and has been granted interim relief whereby the Honorable 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 favor 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 alleged the Parent Company for fake transaction with suspended customer during the tax periods from December 2018 to June 2019 and raised the demand of Rs.1.711 million along with 100% penalty. The Parent Company has paid 10% of demand for auto stay from recovery Rs.0.342 million. CIR(A) has decided the case in favour of Parent Company. The Tax Department has filed an appeal before ATIR against the said judgment.
- 11.1.18** Tax Department issued notices thereby disallowing adjustment of Workers Welfare Fund (WWF) against income tax refund of tax year 2018, 2019 and 2020 amounting Rs.16.216 million, Rs.20.373 and Rs.3.022 million respectively. The Parent Company filed petitions against the said notices before the Honorable Sindh High Court, which has been decided in favour of the Parent Company. However, Tax Department has filed an appeal before the Honorable Supreme Court of Pakistan. Based on the merits of the case, the management is confident that the case will be decided in favor of the Parent Company.
- 11.1.19** Tax Department has raised demand of Rs.21.294 million on the basis of sales tax audit for the tax periods from July 2017 to June 2018. The Parent Company has filed an appeal before the CIR(A). The Parent Company has paid 10% of demand for auto stay from recovery Rs.2.130 million. The case has been heard by the CIR(A) and reserved for order. The management is confident that the case will be decided in favor of the Parent Company.

- 11.1.20** The Tax Department disallowed expenses of Rs.45.6 million under section 122(5A) of the Income Tax Ordinance, 2001 for tax year 2016. However, no income tax demand was raised owing to taxable losses both before and after amendment of assessment proceedings. Moreover, the Parent Company has filed an appeal before CIR(A), which has not yet been concluded. The management is confident that the case will be decided in favor of the Parent Company. No provision has been made in these condensed interim consolidated financial statements.
- 11.1.21** 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 favor of the Subsidiary Company in both cases. The Tax Department has filed an appeal before the ATIR against aforementioned CIR(A) orders. No provision has been made as the management is hopeful for a favorable outcome.
- 11.1.22** 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 CIR(A) against order of the Tax Department which was decided in favor 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 ATIR, 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 favor of the Subsidiary Company. No provision has been made in these condensed interim consolidated financial statements.
- 11.1.23** 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 CIR(A), which was decided in favor of the Subsidiary Company Messrs. Gatro Power (Private) Limited. However, Tax Department has filed appeals before ATIR, 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 favor of the Subsidiary Company. No provision has been made in these condensed interim consolidated financial statements.
- 11.1.24** The Subsidiary Company Messrs. Gatro Power (Private) Limited had filed a petition before the 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 favor of Tax Department, however, the Subsidiary Company has filed an appeal before the Supreme Court of Pakistan. The management is confident that the case will ultimately be decided in favor of the Subsidiary Company. No provision has been made in these condensed interim consolidated financial statements.
- 11.1.25** Tax Department has raised demand of Rs.1.8 million on the basis of sales tax audit for the tax periods from July 2017 to June 2018. The Subsidiary Company Messrs. Gatro Power (Private) Limited has filed an appeal before the CIR(A). CIR(A) has decided the case in favour of Subsidiary Company. As of now, the Tax Department has not yet filed appeal against the said judgment. No provision has been made in these condensed interim consolidated financial statements.

(Rupees in Thousand)

	September 2022 (Un-audited)	June 2022 (Audited)
11.2 Guarantees		
Bank Guarantees in favor of:		
The Director Excise and Taxation, Karachi	448,365	398,365
The Electric Inspector, President Licencing Board, Quetta	10	10
Pakistan State Oil Company Limited	70,000	70,000
K-Electric Limited	11,560	11,560
Nazir of the High Court of Sindh, Karachi	15,351	15,351
Letters of Credit in favor of:		
Sui Southern Gas Company Limited for Gas	257,592	257,592
	<u>802,878</u>	<u>752,878</u>

(Rupees in Thousand)

September
2022
(Un-audited)

June
2022
(Audited)

11.3 Commitments

The Group'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	483,821	3,982,352
Raw material	297,018	1,780,644
Spare parts and others	143,063	378,149
	<u>923,902</u>	<u>6,141,145</u>
Local currency:		
Property, plant and equipment	1,619,456	347,624
Raw material	-	294,382
Spare parts and others	157,856	63,231
	<u>1,777,312</u>	<u>705,237</u>
	<u>2,701,214</u>	<u>6,846,382</u>

12 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.

13 SEGMENT REPORTING

13.1 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.

13.2 Segment results:

The segment information for the reportable segments for the year ended September 30, 2022 is as follows:

(Rupees in Thousand)

	September-22					September-21				
	Polyester Filament Yarn	Polyester PET Preforms	Total of Polyester Polymer	Power Generation	Group	Polyester Filament Yarn	Polyester PET Preforms	Total of Polyester Polymer	Power Generation	Group
Sales	3,867,591	1,028,852	4,896,444	403,463	5,299,907	3,974,700	978,541	4,953,241	605,988	5,559,229
Segment result before depreciation	(505,423)	696,218	190,795	468,010	658,805	536,776	180,985	717,761	226,271	944,032
Less: Depreciation	(212,731)	(15,422)	(228,153)	(49,021)	(277,174)	(126,898)	(9,208)	(136,106)	(36,268)	(172,374)
Segment result after depreciation	(718,154)	680,796	(37,358)	418,989	381,631	409,878	171,777	581,655	190,003	771,658

Reconciliation of segment sales and results with sales and profit before income tax:

Total sales for reportable segments	5,299,907	5,559,229
Elimination of inter-segment sales from subsidiary company Messrs. Gatro Power (Private) Limited	(403,463)	(605,988)
Sales	4,896,444	4,953,241

Total results for reportable segments	(37,358)	418,989	381,631	581,655	190,003	771,658
Other operating expenses	(15,383)	(1,052)	(16,435)	(45,692)	(1,115)	(46,807)
Other income	11,554	-	11,554	6,639	-	6,639
Finance costs	(236,336)	(21,597)	(257,933)	(64,755)	(16,236)	(80,991)
Investment income - Dividend	-	-	-	225,750	-	225,750
	(277,523)	396,340	118,817	703,597	172,652	876,249
Elimination of intra group transaction	-	-	1,604	-	-	(221,215)
Profit before income tax	120,421	655,034				

Assets and liabilities by segments are as follows:

(Rupees in Thousand)

	September 2022 (Un-audited)					June 2022 (Audited)				
	Polyester Filament Yarn	Polyester PET Preforms	Total of Polyester Polymer	Power Generation	Group	Polyester Filament Yarn	Polyester PET Preforms	Total of Polyester Polymer	Power Generation	Group
Segment assets	26,841,001	1,513,108	28,354,109	4,697,572	33,051,681	18,424,870	2,477,036	20,901,906	4,108,740	25,010,646
Segment liabilities	12,615,904	98,575	12,714,479	1,679,024	14,393,503	7,841,407	447,650	8,289,057	1,478,780	9,776,837

Reconciliation of segments assets and liabilities with total in the consolidated statement of financial position is as follows:

	Assets	Liabilities	Assets	Liabilities
Total for reportable segments	33,051,681	14,393,503	25,010,646	9,776,837
Unallocated	4,553,374	12,791,734	2,769,406	7,610,789
Elimination of intra group balances	(1,295,827)	(886,210)	(870,167)	(460,194)
Total as per consolidated statement of financial position	36,309,228	26,299,026	26,909,885	16,927,432

Other segment information is as follows:

	September 2022					September 2021				
Depreciation	212,731	15,422	228,153	49,021	277,174	126,898	9,208	136,106	36,268	172,374
Capital expenditures incurred										
during the year	2,057,099	-	2,057,099	16,591	2,073,690	1,504,882	1,589	1,506,471	159,134	1,665,605
Unallocated capital expenditure incurred										
during the year		78,555		78,555						184,597
Total		2,135,654		2,152,245						1,850,202

13.3 All non-current assets of the Group as at September 30, 2022 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.

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

14 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:

Name	Nature of relationship	Basis of relationship	Nature of transaction	(Rupees in Thousand)	
				Quarter ended September 2022	Quarter ended September 2021
Novatex Limited	Related Party	Common directorship	Sales of goods	1,841	317,831
			Rendering of services	2,154	-
			Acquisition of services	79,172	147,893
			Purchase of raw & other material	127,786	86,633
			Rent	5,378	4,988
			Reimbursement of expenses	11,663	51,139
Krystalite Product (Private) Limited	Related Party	Common key management	Sale of goods	27,754	32,931
			Purchase of raw & other material	-	-
			Reimbursement of expenses	-	15
Mushtaq & Company (Private) Limited	Related Party	Common key management	Sale of goods	585	6,477
Gani & Tayub (Private) Limited	Related Party	Common directorship	Charges on account of handling	999	2,061
Gatron Foundation	Related Party	Common directorship	Payment of donation	600	1,430
Gatron (Industries) Limited Staff Provident Fund	Retirement benefit fund	Employees fund	Provident fund contribution	-	7,179
Gatron (Industries) Limited Workers Provident Fund	Retirement benefit fund	Employees fund	Provident fund contribution	1,205	1,003

There are no transactions with Key Management Personnel other than remuneration under their terms of employment amounting to Rs.98.081 (September 2021: Rs.81.483 million).

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

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

	As at September 30, 2022 (Un-audited)	As at June 30, 2022 (Audited)
Novatex Limited		
Trade debts	9,725	2,012
Other receivables	11,663	7,098
Trade and other payables	110,559	275,089
Krystalite Product (Private) Limited		
Trade debts	33,145	60,919

(Rupees in Thousand)

	As at September 30, 2022 (Un-audited)	As at June 30, 2022 (Audited)
Mushtaq & Company (Private) Limited		
Trade debts	34,156	13,617
Gani & Tayub (Private) Limited		
Trade and other payables	999	767
Gatron (Industries) Limited Workers Provident Fund		
Other receivables	-	1,816
Trade and other payables	594	-

15 DATE OF AUTHORISATION

These condensed interim consolidated financial statements were authorised for issue on October 29, 2022 by the Board of Directors of the Parent Company.

16 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.

17 GENERAL

17.1 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.

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

Notes to the Members

1. SUBMISSION OF COMPUTERIZED NATIONAL IDENTITY CARD:

Computerized National Identity Card (CNIC) or National Identity Card for Overseas Pakistanis (NICOP) of the shareholders is mandatory requirement for payment of dividend.

Shareholders are therefore, requested to submit copies of their valid CNIC or NICOP to the Shares Registrar of the Company. In case of non-receipt of valid CNIC or NICOP, the company will be constrained to withhold the payment of dividend of such shareholders.

The shareholders while sending copies of CNIC or NICOP must quote their respective folio number, CDC IAS and CDC Sub-Account numbers maintained with Stock Brokers.

2. PROVIDING INTERNATIONAL BANK ACCOUNT NUMBER (IBAN)

The Securities and Exchange Commission of Pakistan vide its Circular Letter No. CL/CSD/Misc/2014-30 dated March 19, 2021, directed all the listed companies to pursue with their shareholders who have not yet provided their IBAN. Therefore, all the shareholders are requested to provide their IBANs as soon as possible to enable the Company to credit the cash dividend payment (if any), through electronic transfer directly into their Bank Account.

Further, the cash dividend of the members, who have not provided IBAN, will be withheld by the Company under Clause (ii) of Regulation 6 of the Companies (Distribution of Dividends) Regulations, 2017 and being piled-up with the Company.

3. UNCLAIMED SHARES/DIVIDEND:

Shareholders of the company are once again requested to contact office of the company or the company's shares registrar for collection of their shares/dividends which they have not yet received due to any reason after completing required formalities.

4. DEPOSIT OF PHYSICAL SHARES INTO CDC ACCOUNT:

The shareholders of the Company are hereby informed that as per provisions of Section 72 of the Companies Act, 2017, the companies are required to replace their physical shares with book-entry-form within a period not exceeding four years from the date of the promulgation of the Act. The Securities and Exchange Commission of Pakistan ('SECP'), vide their letter No. CSD/ED/Misc./2016-639- 640 dated 26th March, 2021, has advised all listed companies to pursue their such shareholders who still hold their shares in physical form for converting the same into book-entry-form.

In view of the above and as advised by SECP, the shareholders who hold physical shares are requested to arrange to convert the same into book-entry-form. For this purpose, the shareholder shall be required to open an account with either Central Depository Company of Pakistan or any Trading Rights Entitlement Certificate holder (Securities Broker) of Pakistan Stock Exchange.

The benefits associated with the book-entry-form shares include "readily available for trading, whereas trading of physical scrips is currently not permitted", "no risk of damaged, lost, forged or duplicate certificates", "reduced stamp duty on physical to book-entry-form transfers", "no stamp duty on electronic transfers in CDS", "instantaneous transfer of ownership", "instant receipt/credit of dividends and other corporate entitlements (i.e. bonus, rights and new issues, etc.)", and pledging of securities, etc.



GATRON (INDUSTRIES) LIMITED