



Sitara Chemical Industries Limited

EXCELLENCE, QUALITY, TRUST.



**THIRD QUARTERLY REPORT
MARCH 31, 2024**

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Company Information

Board of Directors

Chairman
Chief Executive Officer
Directors

Mr. Ahmad Hassan
Mr. Muhammad Adrees
Mr. Haseeb Ahmad
Mr. Haroon Ahmad Zuberi
Mr. Ahmad Nawaz
Mr. Najmul Hoda Khan
Mrs. Shala Waheed Sher

Mr. Mazhar Ali Khan
Mr. Zakir Hussain (FCA)

Company Secretary

Chief Financial Officer

Audit Committee

Chairman
Members

Mr. Haroon Ahmad Zuberi
Mr. Najmul Hoda Khan
Mr. Ahmad Nawaz

Human Resource & Remuneration Committee

Chairman
Members

Mr. Ahmad Hassan
Mr. Muhammad Adrees
Mrs. Shala Waheed Sher

Head of Internal Audit

External Auditors

Mr. Asghar Ali (ACMA)

M/s. Yousuf Adil
Chartered Accountants

Legal Advisor

Shariah Advisor

Mr. Sahibzada Muhammad Arif

M/s. Alhamd Shariah Advisory Services (Pvt.) Limited

Bankers

Meezan Bank Limited
Bank Alfalah Limited
Habib Bank Limited
Standard Chartered Bank Pakistan Limited
Al-Baraka Bank (Pakistan) Limited
Faysal Bank Limited
National Bank of Pakistan
MCB Bank Limited
MCB Islamic Bank Limited
Dubai Islamic Bank Pakistan Limited
Bank Islami Pakistan Limited
The Bank of Khyber
Askari Bank Islamic Banking
The Bank of Punjab
United Bank Limited
Soneri Bank Limited
Bank Al-Habib Limited
Habib Metropolitan Bank Limited
Allied Bank Limited

Website of the Company

www.sitara.com.pk

Registered Office

601-602 Business Centre, Mumtaz Hassan Road, Karachi.-74000

Share Registrar Address

THK Associates (Private) Limited
Plot No. 32-C, Jami Commercial Street 2, D.H.A., Phase VII, Karachi-75500

Factories

28 / 32 KM, Faisalabad - Sheikhpura Road, Faisalabad, Pakistan

Directors' Report

In the name of Allah, the Most Beneficent, the Most Gracious, and the Most Merciful. On behalf of the Board of Directors of Sitara Chemical Industries Limited, we are pleased to present the un-audited condensed interim financial statements of the Company for the third quarter ended on March 31, 2024.

FINANCIAL PERFORMANCE:

During the period under review of the financial year 2024, company recorded net sales of Rs. 23,327 million as compared with net sales of Rs. 20,138 million made during the corresponding period of last financial year, depicting an overall increase of 15.8%. Gross profit of Rs. 3,748 million was earned during the period as compared with gross profit of Rs. 3,171 million earned during the last year's corresponding period. Overall gross profit margins in percentage term depicted some improvement as compared with same period last year. Growth in net sale figure and gross margins are attributable to better selling prices of caustic soda and other allied chemicals, and textile yarn as compared with selling prices prevalent in previous year's corresponding period.

As discussed in our previous quarter's directors report that FESCO's electricity unit rate increased during 2nd quarter of the current financial year after withdrawal of Industrial Support Package by Govt. of Pakistan. On the other hands, international prices of coal have shown a modest decrease during the FY 2024 and consequently company resorted to maximum utilization of its captive coal fired power plant and gas fired power plant, both being cheaper energy source than FESCO.

Textile segment of your company has witnessed an increase in net sales revenues during the period under review. Increase in net sales revenues is attributable to increased volumetric sales of yarn during the first nine months period of the FY 2024 as compared with the same period last year. Prices of yarn have also remained better during the nine months' period under review as compared with the same corresponding period of last year in line with increase of cotton prices. Though local price of cotton has shown significant increase during the 3rd quarter of the current financial year but your company managed to procure some quantity of cotton at good price prior to increase which helped improvement in gross margins of textile division.

Increase in financial cost during the period under review is attributable to higher SBP Policy rate as compared with same period last year which impacted the profitability of the company during the period under review.

In view of the above foregoing discussions, your company has posted a cumulative profit after tax of PKR 655 million translating into earning per share (EPS) of Rs. 30.57 as compared with cumulative profit after tax of Rs. 647 million with EPS of Rs. 30.18 recorded during the corresponding period of last financial year.

FUTURE OUTLOOK:

As stated in our last Directors' report that project of expansion of coal fired power plant (CFPP) is in full swing now i.e. civil work on boiler installation site has been completed while boiler's mechanical erection work is in progress. Partial shipments of major BTG Equipment (Boiler, Turbine and Generator) have also arrived at site. LCs of Balance of Plant Equipment are in progress.

In view of recent decline in inflation rate in Pakistan, SBP policy rate is expected to be reduced in forthcoming MPC review meeting of SBP, which will bring some relief for the industry and accelerate economic growth. However, unstable imported coal prices, geo-political situation of middle-east, any potential depreciation of Pak rupees against US dollar etc., could lead to slow down the economy and increase the energy cost. These factors could be anticipated as some key challenge for the company in the period to come.

ACKNOWLEDGMENTS:

We take this opportunity to thank our valued business partners, stakeholders, and dedicated employees of the company for their trust, assistance and continued support for the progress and prosperity of the Company.



Muhammad Adrees
Chief Executive Officer
April 27, 2024
Faisalabad.



Ahmad Hassan
Director

ڈائریکٹرز رپورٹ

شروع اللہ تعالیٰ کے بابرکت نام سے جو بزمہربان اور نہایت رحم کرنے والا ہے۔

ستارہ کیمیکلز انڈسٹریز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی طرف سے ہم 31 مارچ 2024 کو ختم ہونے والی تیسری سہ ماہی کے غیر آڈٹ شدہ اکاؤنٹس پیش کرتے ہوئے پُرسرت ہیں۔

مالیاتی کارکردگی:

مالی سال 2024 کی زیر جائزہ مدت کے دوران، آپ کی کمپنی نے 23,327 ملین روپے کی خالص فروخت ریکارڈ کی جبکہ گزشتہ مالی سال کی اسی مدت کے دوران خالص فروخت 20,138 ملین روپے تھی، جس میں مجموعی طور پر 15.8 فیصد کا اضافہ دیکھا گیا۔ مجموعی منافع 3,748 ملین روپے رہا۔ جبکہ گزشتہ مالی سال کی اسی مدت کے دوران مجموعی منافع 3,171 ملین روپے تھا۔ مجموعی منافع کے مارجن میں فیصد کے لحاظ سے گزشتہ سال کے مقابلے میں کچھ اضافہ دیکھا گیا۔ خالص فروخت کے اعداد و شمار میں اضافہ اور مجموعی مارجن گزشتہ سال کی اسی مدت میں مزید فروخت کی قیمتوں کے مقابلے میں کاسٹ اور دیگر متعلقہ کیمیکلز، اور ٹیکسٹائل یارن کی بہتر فروخت کی قیمتوں سے منسوب ہیں۔

جیسا کہ ہماری پچھلی سہ ماہی کی ڈائریکٹرز رپورٹ میں بیان کیا گیا ہے کہ حکومت کی جانب سے انڈسٹریل سپورٹ پنچ کے خاتمے کے بعد موجودہ مالی سال کی دوسری سہ ماہی کے دوران FESCO کے بجلی پونٹ کی شرح میں اضافہ ہوا۔ دوسری جانب مالی سال 2024 کے دوران کوئٹے کی بین الاقوامی قیمتوں میں معمولی کمی دیکھی گئی، جس کے نتیجے میں آپ کی کمپنی نے کیمپو کوئلے سے چلنے والے پاور پلانٹ اور گیس سے چلنے والے پاور پلانٹ کے زیادہ سے زیادہ استعمال کا سہارا لیا، دونوں ہی FESCO کے مقابلے میں سستے توانائی کے ذرائع ہیں۔

آپ کی کمپنی کے ٹیکسٹائل کے شعبے میں زیر جائزہ مدت کے دوران خالص فروخت کی آمدنی میں اضافہ دیکھا گیا۔ مالی سال 2024 کے پہلے نو ماہ کی مدت کے دوران یارن کی کمی فروخت میں اضافے کی وجہ سے خالص فروخت کی آمدنی میں اضافہ ہوا ہے۔

زیر جائزہ نو ماہ کی مدت کے دوران روئی کی قیمتوں میں اضافے کی وجہ سے دھاگے کی قیمتیں بھی بہتر ہیں۔ اگرچہ موجودہ مالی سال کی تیسری سہ ماہی کے دوران روئی کی مقامی قیمت میں نمایاں اضافہ ہوا ہے لیکن آپ کی کمپنی نے اضافے سے جنس کچھ مقدار میں بہتر قیمت پر کپاس کی بروقت خریداری میں کامیابی حاصل کی جس سے ٹیکسٹائل ڈویژن کے مجموعی مارجن کی بہتری میں مدد ملی۔

زیر جائزہ مدت کے دوران مالیاتی اگٹ میں اضافہ گزشتہ سال کی اسی مدت کے مقابلے میں اسٹیٹ بینک کی پالیسی کی شرح میں اضافے سے منسوب ہے جس نے کمپنی کے منافع کو متاثر کیا ہے۔ اوپر بیان کردہ حقائق کے پیش نظر، آپ کی کمپنی کا ٹیکس کے بعد کمایا گیا مجموعی منافع 655 ملین روپے رہا اور فی حصص آمدنی 30.57 روپے رہی۔ جبکہ پچھلے سال اسی عرصہ کے دوران ٹیکس کے بعد کمایا گیا منافع 647 ملین روپے تھا اور فی حصص آمدنی 30.18 روپے تھی۔

مستقبل کا نقطہ نظر:

جیسا کہ ہمارے ڈائریکٹرز کی آخری رپورٹ میں بیان کیا گیا ہے کہ کوئلے سے چلنے والے پاور پلانٹ (CFPP) کی توسیع کا منصوبہ پورے عروج پر ہے یعنی بوائز کی تنصیب کی جگہ پر سول ورک مکمل ہو چکا ہے جبکہ بوائز کا مکینیکل ورک جاری ہے۔ بڑے BTG آلات (بوائز، ہر باؤں اور جزیئر) کی جزوی کھپ بھی سامت پر پہنچ چکی ہے۔ بقیہ پلانٹ کے آلات کی LCs جاری ہیں۔

پاکستان میں مہنگائی کی شرح میں حالیہ کمی کے پیش نظر، اسٹیٹ بینک کی آئینہ MPC جائزہ مینٹگ میں SBP کی پالیسی کی شرح میں کمی کی توقع ہے، جس سے صنعت کو کچھ ریڈیف ملے گا اور اقتصادی ترقی میں تیزی آئے گی۔ تاہم، غیر مستحکم درآمدی کوئلے کی قیمتیں، مشرق وسطیٰ کی جھڑائی کی سیاسی صورتحال، امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں کمزوری وغیرہ، معیشت کو سست کرنے اور توانائی کی قیمت میں اضافے کا باعث بن سکتے ہیں۔ ان عوامل کی آنے والے عرصے میں کمپنی کے لیے کچھ اہم چیلنج کے طور پر توقع کی جاسکتی ہے۔

اعترافات:

ہم اس موقع پر اپنے قابل قدر کاروباری شراکت داروں، اسٹیک ہولڈرز اور کمپنی کے سرشار ملازمین کا کمپنی کی ترقی اور خوشحالی کے لیے ان کے اعتماد، مدد اور مسلسل تعاون کا شکریہ ادا کرتے ہیں۔



محمد ادیس

چیف ایگزیکٹو آفیسر

فیصل آباد 27 اپریل 2024



احمد حسن

ڈائریکٹر

The image features three golden Islamic lanterns (fanoos) hanging from thin lines against a background of a repeating geometric pattern. The lanterns are arranged in a slight arc, with the largest one in the center and two smaller ones on either side. The background is a warm, golden-brown color with a repeating pattern of stylized floral and geometric motifs. The lanterns have a tiered, octagonal body with arched openings and a domed top with a small ring for hanging. They appear to be illuminated from within, casting a soft glow.

SHARIAH COMPLIANCE REVIEW REPORT

For the nine months period ended

March 31, 2024



ALHAMD SHARIAH ADVISORY SERVICES

(PVT) LIMITED

April 20, 2024

باسمہ تعالیٰ

Shariah Review Report

For the period ended 31st March 2024

We have reviewed the business activities of **Sitara Chemical Industries Limited** for the period ended 31st Mar, 2024 in accordance with the provisions of Shariah Governance Regulations, 2023; and in our opinion;

- the transactions, the documentations adopted have been in accordance with principles of Shariah;
- the affairs have been carried out in accordance with rules and principal of Shariah; and
- The income received during the period was purified where necessary, and was treated in accordance with the requirements of Shariah Governance Regulations, 2023;

In the end; we pray to Allah Almighty to grant us success and help us at every step, keep us away from every hindrance and difficulty, and give financial success to Sitara Chemical Industries Limited.

And Allah Knows Best.

Mufti Muhammad Ibrahim Essa

For and on behalf of

Alhamd Shariah Advisory Services (Pvt.) Limited

Mufti Ubaid Ur Rahman Zubairi

For and on behalf of

Alhamd Shariah Advisory Services (Pvt.) Limited



+92 322 2671867 |



www.alhamdshariahadvisory.com |



info@alhamdshariahadvisory.com

**CONDENSED INTERIM
FINANCIAL STATEMENTS**

**For the nine months period ended
March 31, 2024**

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2024**

		Un-audited March 31, 2024	Audited June 30, 2023
	Note	(Rupees in thousand)	
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	5	21,032,700	18,458,822
Intangible assets		6,976	7,541
Investment property	6	3,465,902	3,320,667
Long-term investments		20,039	25,039
Long-term loans and advances		323,788	1,304,370
Long-term deposits		125,134	125,534
		<u>24,974,539</u>	<u>23,241,973</u>
CURRENT ASSETS			
Stores, spare parts and loose tools		1,778,290	1,669,634
Stock-in-trade		4,571,574	3,581,645
Trade debts		2,792,327	2,233,137
Loans and advances		1,530,157	1,473,915
Trade deposits, prepayments and other receivables		51,567	31,561
Advance income tax		2,188,468	1,651,622
Other financial assets	7	618,989	721,966
Cash and bank balances		262,816	334,319
		<u>13,794,188</u>	<u>11,697,799</u>
		<u>38,768,727</u>	<u>34,939,772</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital		214,294	214,294
Reserves		1,467,924	1,347,569
Unappropriated profit		12,497,680	11,927,300
Surplus on revaluation of property, plant and equipment		2,985,581	3,115,075
		<u>17,165,479</u>	<u>16,604,238</u>
NON - CURRENT LIABILITIES			
Long-term financing	8	3,019,896	2,348,978
Long-term deposits		140,963	128,463
Deferred taxation		3,059,909	3,087,152
Deferred liabilities	9	244,020	262,221
		<u>6,464,788</u>	<u>5,826,814</u>
CURRENT LIABILITIES			
Trade and other payables		3,794,765	3,792,608
Profit / financial charges payable		917,172	464,660
Short term borrowings		9,388,138	7,035,129
Provision for taxation		224,570	390,591
Unclaimed dividend		28,159	26,391
Current portion of long-term financing		785,656	799,341
		<u>15,138,460</u>	<u>12,508,720</u>
CONTINGENCIES AND COMMITMENTS			
	10	<u>38,768,727</u>	<u>34,939,772</u>

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



Chief Financial Officer



Chief Executive Officer



Director

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2024**

	Note	Nine months period ended		Three months period ended	
		March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
		(.....Rupees in thousand.....)			
Revenue from contract with customers - net	11	23,327,005	20,137,940	8,382,838	8,169,595
Cost of sales	12	(19,579,022)	(16,966,922)	(7,025,876)	(6,577,272)
Gross profit		3,747,983	3,171,018	1,356,962	1,592,323
Distribution cost		(436,415)	(470,593)	(164,791)	(170,772)
Administrative expenses		(822,568)	(688,711)	(288,599)	(235,707)
Other expenses		(159,723)	(81,759)	(22,187)	(56,922)
Finance cost		(1,740,465)	(1,158,429)	(605,439)	(387,922)
		(3,159,171)	(2,399,492)	(1,081,016)	(851,323)
Other income		242,898	199,205	63,560	50,884
Profit before taxation		831,710	970,731	339,506	791,884
Provision for taxation	13	(176,530)	(323,976)	(56,199)	(233,032)
Profit after taxation		655,180	646,755	283,307	558,852
Earnings per share - basic and diluted - (Rupees)		30.57	30.18	13.22	26.08

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



Chief Financial Officer



Chief Executive Officer



Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2024**

	Nine months period ended		Three months period ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	(.....Rupees in thousand.....)			
Profit after taxation	655,180	646,755	283,307	558,852
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Gain on sale of investments measured at FVTOCI	2,506	-	1,572	-
Gain/ (loss) on re-measurement of investments measured at FVTOCI	138,646	(16,742)	45,368	(12,806)
Related tax impact	(20,797)	2,511	(6,805)	1,921
Other comprehensive income	120,355	(14,231)	40,135	(10,885)
Total comprehensive income for the period	775,535	632,524	323,442	547,967

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



Chief Financial Officer



Chief Executive Officer



Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2024**

Share Capital	Reserves							Total Reserves	Total
	Capital				Revenue				
	Share Premium	Reserve on re-measurement of equity instruments as at FVTOCI - net of tax	Reserve on re-measurement of post retirement benefits obligation - net of tax	Surplus on revaluation of property, plant and equipment	General Reserve	Unappropriated profit			
(..... Rupees in thousand) (.....)									
Balance as at July 01, 2022 - Audited	214,294	97,490	54,306	(4,405)	3,525,985	1,225,000	10,925,711	15,824,087	16,038,381
Total comprehensive income									
Profit for the period	-	-	-	-	-	-	87,903	87,903	87,903
Other comprehensive income	-	-	(3,346)	-	-	-	-	(3,346)	(3,346)
	-	-	(3,346)	-	-	-	87,903	84,557	84,557
Transfer to unappropriated profit on account of incremental depreciation - net of tax	-	-	-	-	(99,674)	-	99,674	-	-
Transactions with owners									
Final dividend for the year ended June 30, 2022 @ Rs. 8 per share	-	-	-	-	-	-	(171,435)	(171,435)	(171,435)
Balance as at March 31, 2023 - Un-audited	214,294	97,490	50,960	(4,405)	3,426,311	1,225,000	10,941,853	15,737,209	15,951,503
Balance as at July 01, 2023 - Audited	214,294	97,490	30,092	(5,013)	3,115,074	1,225,000	11,927,301	16,389,944	16,604,238
Total comprehensive income									
Profit for the period	-	-	-	-	-	-	655,180	655,180	655,180
Other comprehensive income	-	-	120,355	-	-	-	-	120,355	120,355
	-	-	120,355	-	-	-	655,180	775,535	775,535
Transfer to unappropriated profit on account of incremental depreciation - net of tax	-	-	-	-	(129,493)	-	129,493	-	-
Transactions with owners									
Final dividend for the year ended June 30, 2023 @ Rs. 10 per share	-	-	-	-	-	-	(214,294)	(214,294)	(214,294)
Balance as at March 31, 2024 - Un-audited	214,294	97,490	150,447	(5,013)	2,985,581	1,225,000	12,497,680	16,951,185	17,165,479

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



Chief Financial Officer



Chief Executive Officer



Director

**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2024**

	Note	Nine months period ended	
		March 31, 2024	March 31, 2023
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating cash flow before working capital changes	16	3,490,533	3,003,073
Effect on cash flow due to working capital changes:			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		(108,655)	(258,216)
Stock-in-trade		(989,928)	578,191
Trade debts		(559,424)	(624,997)
Loans and advances		(265,240)	8,830
Trade deposits, prepayments and other receivables		(20,006)	(17,862)
Increase / (decrease) in current liabilities			
Trade and other payables		(65,196)	241,300
		(2,008,449)	(72,754)
Cash generated from operations		1,482,084	2,930,319
Finance cost paid		(1,231,894)	(1,034,008)
Employee benefits paid		(7,320)	(7,571)
Taxes paid		(860,083)	(183,954)
		(2,099,297)	(1,225,533)
Net cash (used in) / generated from operating activities		(617,213)	1,704,786
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment including capital work in progress		(3,612,295)	(2,110,142)
Proceeds from disposal of property, plant and equipment		51,306	19,668
Purchase of investment property		(152,447)	(1,419)
Purchase of other financial assets		(951,721)	(501,366)
Proceeds from disposal of other financial assets		1,248,757	707,699
Proceeds from disposal of long term investment		4,000	-
Long-term deposits paid		400	(288)
Long-term loans and advances		1,128,696	349,770
Profit received on bank deposits		13,304	8,249
		(2,230,877)	(1,510,732)
Net cash used in investing activities		(2,230,877)	(1,510,732)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financing obtained		1,103,638	946,055
Repayment of long-term financing		(480,034)	(615,607)
Short term borrowing - net		2,353,009	(317,862)
Long-term deposits received		12,500	13,300
Dividend paid		(212,526)	(169,853)
Net cash generated / (used in) from financing activities		2,776,587	(143,967)
Net (decrease) / increase in cash and cash equivalents		(71,503)	50,087
Cash and cash equivalents at the beginning of the period		334,319	322,690
Cash and cash equivalents at the end of the period		262,816	372,777

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



Chief Financial Officer



Chief Executive Officer



Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2024**

1 LEGAL STATUS AND OPERATIONS

- 1.1** Sitara Chemical Industries Limited ("the Company") was incorporated in Pakistan on September 08, 1981 as a public limited company under the Companies Act, 1913 (now Companies Act, 2017). The Company is listed on Pakistan Stock Exchange Limited. The Company is a Shariah Compliant Company certified by Securities & Exchange Commission of Pakistan (SECP) under Shariah Governance Regulation 2018. The principal activities of the Company are operation of Chlor alkali plant, Oleo chemical plant and yarn spinning unit. The registered office of the Company is situated at 601-602, Business Centre, Mumtaz Hassan Road, Karachi, in the province of Sindh and the manufacturing facilities are located at 28/32 K.M., Faisalabad - Sheikhpura Road, Faisalabad, in the province of Punjab.

The Company is currently organized into two operating divisions and these divisions are the basis on which the Company reports its primary segment information.

Principal business activities are as follows:

Chemical Division	Manufacturing of caustic soda, soap noodles and allied products
Textile Division	Manufacturing of yarn and trading of fabric

- 1.2** These condensed interim financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency.

2 BASIS OF PREPARATION

- 2.1** These condensed interim financial statements of the Company for the nine months period ended March 31, 2024 have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 (the Act) differ with the requirements of IAS 34 and IFAS, the provisions of and directives issued under the Act have been followed.

- 2.2** These condensed interim financial statements should be read in conjunction with annual audited financial statements for the year ended June 30, 2023. Comparative statement of financial position is extracted from annual audited financial statements for the year ended June 30, 2023, whereas comparative condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows are extracted from un-audited condensed interim financial statements for the nine months period ended March 31, 2023.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, JUDGMENTS AND RISK MANAGEMENT

The material accounting policies and methods of computation adopted in preparation of these condensed interim financial statements are the same as those applied in preparation of the annual audited financial statements of the Company for the year ended June 30, 2023.

There are certain new standards, interpretations and amendments to the accounting and reporting standards that are mandatory for the company's annual accounting periods beginning on or after July 1, 2023. However, these will not have any significant effects on the Company's operations and are, therefore, not detailed in these condensed interim financial statements.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparation of these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to financial statements for the year ended June 30, 2023.

	Note	Un-audited March 31, 2024	Audited June 30, 2023
(Rupees in thousand)			
5 PROPERTY, PLANT AND EQUIPMENT			
Operating assets	5.1	16,753,805	16,998,641
Capital work-in-progress	5.2	4,278,895	1,315,328
Capital stores		-	144,853
		<u>21,032,700</u>	<u>18,458,822</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2024**

	Un-audited March 31, 2024	Audited June 30, 2023
	(Rupees in thousand)	
5.1 Operating assets		
Opening written down value	16,998,641	17,257,906
Additions during the period / year:		
Buildings on freehold land - Mill	52,426	90,106
Plant and machinery	611,460	727,221
Grid station and electric installations	9,351	345
Containers and cylinders	-	1,477
Factory equipment	8,213	25,386
Electric equipment	77,342	103,502
Office equipment	2,757	7,302
Furniture and fittings	1,088	23,194
Vehicles	30,943	106,770
	793,580	1,085,303
Written down value of assets disposed off during the period / year	(50,357)	(6,967)
Depreciation charged during the period / year	(988,059)	(1,337,601)
Written down value at the end of the period / year	16,753,805	16,998,641

5.2 Capital work-in-progress

Description	At July 01, 2023	Additions	Transfers	At March 31, 2024
	----- (Rupees in thousand) -----			
Civil works	338,750	269,398	(18,384)	589,764
Mechanical works	976,578	2,856,885	(144,332)	3,689,131
	1,315,328	3,126,283	(162,716)	4,278,895

Description	At July 01, 2022	Additions	Transfers	At June 30, 2023
	----- (Rupees in thousand) -----			
Civil works	34,189	396,480	(91,919)	338,750
Mechanical works	52,682	1,276,872	(352,976)	976,578
	86,871	1,673,352	(444,895)	1,315,328

5.3 The Company had revalued its freehold land, building and plant and machinery at June 30, 2019. The revaluation had been carried out by Hamid Mukhtar & Company (Private) Limited, an independent valuer not connected to the Company and is on the panel of Pakistan Banks Association. It was also on the panel of State Bank of Pakistan and possesses appropriate qualification and recent experience in the fair value measurements in the relevant locations. The fair value was determined using the comparable price method after performing detailed enquiries and verification from various estate agents, brokers and builders keeping in view the location of the property / project, condition, size, utilization, and other relevant factors.

Out of the total revaluation surplus of Rs. 4,514 million, Rs.2,986 million net of tax (June 30, 2023: 3,115 million) remains undepreciated as at March 31, 2024.

Details of the Company's revalued assets and information about fair value hierarchy, as at March 31, 2024 are as follows:

	Un-audited March 31, 2024			Audited June 30, 2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	----- (Rupees in thousand) -----					
Land - freehold	-	1,295,145	-	-	1,300,875	-
Buildings on freehold land	-	1,706,785	-	-	1,789,965	-
Plant and machinery	-	12,098,319	-	-	12,218,350	-
	-	15,100,249	-	-	15,309,190	-

	Note	Un-audited March 31, 2024	Audited June 30, 2023
		(Rupees in thousand)	
6 INVESTMENT PROPERTY			
Land	6.1	3,339,767	3,188,600
Buildings	6.2	88,721	95,933
Advance against purchase of investment property		37,414	36,134
		3,465,902	3,320,667

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2024**

	Note	Un-audited March 31, 2024 (Rupees in thousand)	Audited June 30, 2023
6.1 Land			
Balance at the beginning of the period / year		3,188,600	3,188,600
Additions/adjustments during the period / year		152,767	-
Disposals/adjustments during the period / year		(1,600)	-
Balance at the end of the period / year		<u>3,339,767</u>	<u>3,188,600</u>
6.2 Buildings			
Opening written down value		95,933	35,877
Additions during the period / year		-	64,179
Depreciation charged during the period / year		(7,212)	(4,123)
Written down value at the end of the period / year		<u>88,721</u>	<u>95,933</u>
7 OTHER FINANCIAL ASSETS			
Investments classified as fair value through other comprehensive income (FVTOCI)			
Equity investments	7.1	317,030	186,672
Investments classified as fair value through profit and loss (FVTPL)			
Mutual Funds		301,959	535,294
		<u>618,989</u>	<u>721,966</u>
7.1 Reconciliation between fair value and cost of investments classified at FVTOCI			
Fair value of investments			
- in listed equity securities		317,030	186,672
Gain on remeasurement of investments		153,251	35,402
Cost of investment		<u>163,779</u>	<u>151,270</u>

7.2 FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The following table presents the fair value hierarchy for financial assets which are carried at fair value:

	Un-audited March 31, 2024			Audited June 30, 2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
------(Rupees in thousand)-----						
Equity instruments at fair value:						
Investments - FVTOCI	317,030	-	-	186,672	-	-
Investments - FVTPL	301,959	20,039	-	535,294	25,039	-
Total assets at fair value	<u>618,989</u>	<u>20,039</u>	<u>-</u>	<u>721,966</u>	<u>25,039</u>	<u>-</u>

There were no transfers between levels during the period / year. The carrying value of all other financial assets and liabilities reflected in these condensed interim financial statements approximates to their fair values.

	Un-audited March 31, 2024 (Rupees in thousand)	Audited June 30, 2023
8 LONG-TERM FINANCING		
Diminishing Musharka (from financial institutions - secured)		
Opening balance	3,346,367	2,655,056
Obtained during the period / year	1,103,638	1,486,138
Re-paid during the period / year	(480,032)	(794,827)
	<u>3,969,973</u>	<u>3,346,367</u>
Deferred grant recognized on subsidized rate loan	(164,421)	(198,048)
	<u>3,805,552</u>	<u>3,148,319</u>
Less: Current portion of long term loans	(785,656)	(799,341)
	<u>2,724,021</u>	<u>2,348,978</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2024**

	Un-audited March 31, 2024	Audited June 30, 2023
	(Rupees in thousand)	
9 DEFERRED LIABILITIES		
Gratuity payable	79,599	64,173
Deferred grant	164,421	198,048
	<u>244,020</u>	<u>262,221</u>

10 CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

There are no significant change in status of contingencies as disclosed in the annual audited financials statements for the year ended June 30, 2023.

10.2 Commitments

Outstanding letters of credit for raw material, spare parts, plant and machinery	2,500,825	1,885,068
Guarantees issued by banks on behalf of the Company	231,461	232,041

	Un-audited Nine months period ended		Un-audited Three months period ended	
	March 31 2024	March 31 2023	March 31 2024	March 31 2023
	(.....Rupees in thousand.....)			

11 REVENUE FROM CONTRACTS WITH CUSTOMERS - NET

Local:

Chemicals	23,143,170	20,905,356	8,139,804	8,053,344
Yarn	3,543,161	2,107,269	1,136,002	1,131,758
Fabric	404,245	414,611	339,061	307,603
Waste	41,867	4,643	16,749	691
Others - trading	264,594	-	151,232	-
	<u>27,397,037</u>	<u>23,431,879</u>	<u>9,782,848</u>	<u>9,493,396</u>

Export:

Chemicals	326,767	638,934	129,930	285,855
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Gross Sales

	27,723,804	24,070,813	9,912,778	9,779,251
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Less:

Commission and discount	(596,579)	(470,083)	(199,814)	(176,496)
Sales tax	(3,800,220)	(3,462,790)	(1,330,126)	(1,433,160)

	<u>(4,396,799)</u>	<u>(3,932,873)</u>	<u>(1,529,940)</u>	<u>(1,609,656)</u>
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	<u>23,327,005</u>	<u>20,137,940</u>	<u>8,382,838</u>	<u>8,169,595</u>
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12 COST OF SALES

Raw material consumed	6,677,347	4,951,545	2,340,260	2,653,362
Fuel and power	11,166,563	9,698,823	3,971,285	3,477,211
Salaries, wages and benefits	812,900	579,977	283,242	207,345
Factory overheads	1,702,458	1,528,421	604,933	537,698
	<u>20,359,268</u>	<u>16,758,766</u>	<u>7,199,720</u>	<u>6,875,616</u>

Work-in-process

Opening stock	45,650	40,929	29,682	41,716
Closing stock	(94,991)	(38,501)	(94,991)	(38,501)
	<u>(49,341)</u>	<u>2,428</u>	<u>(65,309)</u>	<u>3,215</u>

Cost of goods manufactured

Finished goods	20,309,927	16,761,194	7,134,411	6,878,831
Opening stock	1,700,648	1,990,509	2,412,910	1,483,222
Closing stock	(2,633,575)	(1,784,781)	(2,633,575)	(1,784,781)
	<u>(932,927)</u>	<u>205,728</u>	<u>(220,665)</u>	<u>(301,559)</u>

Cost of trading items

	202,022	-	112,130	-
	<u>19,579,022</u>	<u>16,966,922</u>	<u>7,025,876</u>	<u>6,577,272</u>

13 PROVISION FOR TAXATION

Current

For the current period	361,695	340,216	98,822	182,210
For prior year	(137,125)	-	(137,125)	-

	<u>224,570</u>	<u>340,216</u>	<u>(38,303)</u>	<u>182,210</u>
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Deferred

	(48,040)	(16,240)	94,502	50,822
	<u>176,530</u>	<u>323,976</u>	<u>56,199</u>	<u>233,032</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2024**

14 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated undertakings, other related group companies, directors of the Company, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with its related parties. Details of transactions with related parties for the period are as follows:

Relationship with the Company	Nature of transactions	Un-audited Nine months period ended	
		March 31 2024	March 31 2023
		(Rupees in thousand)	
Associated undertaking	Sale of goods	153	498
	Donation	46,167	39,366
Key management personnel	Remuneration to Executives	156,365	131,402
		Un-audited March 31 2024	Audited June 30, 2023
		(Rupees in thousand)	
Associated company	Long term receivable	352,225	702,225

Following are the related parties with whom the Company had entered into transactions or have arrangement / agreement in place:

Company name	Basis of association	Relationship with the Company
Sitara Developers (Private) Limited	Common directorship	Associated company
Aziz Fatima Trust Hospital	Common directorship	Associated undertaking

The Company does not hold any shares in the above mentioned companies.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2024**

15 SEGMENT REPORTING

The Company has two reportable segments, which offer different products and are managed separately. The following summary describes the operations in each of the reportable segment of the Company:

- **Chemical division** : Manufacturing of caustic soda, soap noodles and allied products
- **Textile division**: Manufacturing of yarn and trading of fabric

15.1 Information about operating segments is as follows:

	Chemical Division		Textile Division		Total	Total
	Un-audited					
	Nine months period ended					
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	(----- Rupees in thousand -----)					
Revenue from external customers - net	19,499,982	18,012,252	3,827,023	2,125,688	23,327,005	20,137,940
Depreciation on property, plant and equipment	911,934	924,089	76,125	68,852	988,059	992,941
Segment profit	772,900	937,768	218,533	114,722	991,433	1,052,490
	Un-audited March 31, 2024	Audited June 30 2023	Un-audited March 31, 2024	Audited June 30 2023	Total Un-audited March 31, 2024	Total Audited June 30 2023
	(----- Rupees in thousand -----)					
Capital expenditure	695,076	996,735	98,504	88,568	793,580	1,085,303
Segment assets	32,695,128	26,135,813	3,561,614	3,037,249	36,256,742	29,173,062
Segment liabilities	17,978,598	14,633,804	312,012	197,596	18,290,610	14,831,400

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2024**

	Un-audited Nine months period ended	
	March 31, 2024	March 31, 2023
	(Rupees in thousand)	
15.2 Reconciliations of reportable segments are as follows:		
Revenue		
Total revenue for reportable segments	23,327,005	20,137,940
Profit for the period		
Total profit for reportable segments	991,433	1,052,490
Unallocated other expenses	(159,723)	(81,759)
Profit before taxation	831,710	970,731
	Un-audited March 31, 2024	Audited June 30, 2023
	(Rupees in thousand)	
Assets		
Total assets for reportable segments	36,256,742	29,173,062
Other unallocated corporate assets	2,511,985	5,766,710
Company's assets	38,768,727	34,939,772
Liabilities		
Total liabilities for reportable segments	18,290,610	14,831,400
Other unallocated corporate liabilities	3,312,638	3,504,134
Company's liabilities	21,603,248	18,335,534

15.3 The Company has no reportable geographical segment.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2024**

	Un-audited	
	Nine months period ended	
	March 31, 2024	March 31, 2023
	(Rupees in thousand)	
16 OPERATING CASH FLOW BEFORE WORKING CAPITAL CHANGES		
Profit before taxation	831,710	970,731
Adjustments for:		
Depreciation on property, plant and equipment	988,059	992,941
Depreciation on investment property	7,212	2,381
Amortization on intangible assets	566	628
Gain on sale of investments measured at FVTPL	(1,560)	(407)
Finance cost	1,740,465	1,159,297
Gain on disposal of property, plant and equipment	(949)	(16,421)
Provision for employee benefits	22,747	13,795
Dividend income	(64,653)	(52,768)
Loss on disposal of long term investment	1,000	-
Exchange gain	235	(4,625)
Unwinding of deferred receivable	(36,861)	(54,633)
Amortization of deferred grant	(56,059)	(868)
Impairment loss on financial assets	97,744	10,119
	2,658,823	2,032,342
	3,490,533	3,003,073

17 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements have been approved by the Board of Directors of the Company and authorized for issue on April 27, 2024.

18 GENERAL

Figures have been rounded to the nearest thousand of Pak Rupees, unless otherwise stated.



Chief Financial Officer



Chief Executive Officer



Director



Sitara Chemical Industries Limited

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