engro fertilizers

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celebrating the joy of harvest

first quarter accounts 2019

engro fertilizers

company information

Board of Directors

Mr. Ghias Khan (Chairman)
Mr. Nadir Salar Qureshi (Chief Executive)
Mr. Abdul Samad Dawood
Mr. Asad Said Jafar
Mr. Asim Murtaza Khan
Mr. Javed Akbar
Mr. Hasnain Moochhala
Ms. Sadia Khan

Chief Financial Officer

Mr. Imran Ahmed

Company Secretary

Mr. Umair Mukhtar

Bankers

Conventional
Allied Bank Limited
Askari Bank Limited
Bank Al Habib Limited
Bank Alfalah Limited
CIMB Bank
Citi Bank .N.A.
Deutsche Investitions und
Entwichlungsgesellschaft (DEG)
Faysal Bank Limited
Habib Bank Limited
Habib Bank Limited Dubai
Habib Metropolitan Bank Limited
JS Bank Limited
Mashreq Bank
MCB Bank Limited
National Bank of Pakistan
Samba Bank Limited
Silk Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
The Bank of Punjab
United Bank Limited
United Bank Limited Dubai

Shariah Compliant
Bank Islami Pakistan Limited
Al Baraka Islamic Bank (Pakistan) Limited
Dubai Islamic Bank (Pakistan) Limited
Meezan Bank Limited
Noor Bank

Microfinance

Mobilink Microfinance Bank
Telenor Microfinance Bank

Auditors

A.F. Ferguson & Co.
Chartered Accountants
State Life Building No. 1-C
I.I. Chundrigar Road
Karachi-74000, Pakistan
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Registered Office

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Karachi-75600, Pakistan
Tel: +92(21) 35297501-10
Fax:+92(21) 35810669
Website: www.engrofertilizers.com
www.engro.com

Share Registrar

M/s. FAMCO Associates (Pvt) Limited
8-F, Near Hotel Faran, Block-6, PECHS,
Shahrah-e-Faisal, Karachi, Pakistan
Tel: +92(21) 3438 0104-5, 3438 4621-3
Fax +92(21) 3438 0106

directors' report

On behalf of the Board of Directors of Engro Fertilizers Limited, we are pleased to present the unaudited accounts for the three months ended March 31, 2019.

Pakistan Fertilizer Market

Local urea market demand was higher in the first quarter to 1,348 KT vs 1,242 KT in 1Q 2018, translating into an increase of 9% mainly in anticipation of an increase in urea prices. In contrast to offtakes, local urea production remained stable at 1,335 KT compared to 1,333 KT during the same period last year. LNG based plants continued to operate for most of the quarter. Industry inventory at the end of 1Q 2019 stood at 169 KT vs 282 KT at the end of 1Q last year. Moreover, the ECC has recently approved the import of 100 KT urea to avoid any potential urea shortfall.

Local urea prices continued to trade at PKR 1,700/bag during the quarter, however, a price increase of PKR 80/bag was taken towards the end of the quarter to pass on the impact of inflation that could not be reflected in the selling price over the past few years. The Company continues to face challenges in the recovery of subsidy. As an industry, we continue to engage with the Government for streamlining the subsidy disbursement mechanism and recovery of outstanding receivable of PKR 19 B.

On the international front, urea prices declined to USD 265/T (Landed eqv. of PKR 2,237/bag) from USD 300/T in 4Q 2018 (landed equivalent PKR 2,450/bag), primarily due to lower demand from India.

DAP demand in the local market decreased by 46% compared to last year, with industry sales recorded at 197 KT vs 363 KT in 1Q 2018 on the back of higher local prices and significant channel inventory. On the international front, DAP prices have declined from USD 426/T in 1Q 2018 to USD 403/T by the end of 1Q 2019, however, cost has increased due to significant rupee devaluation.

Company's Operating Performance

The Company's urea production in 1Q 2019 stood at 446KT compared to 517KT in the corresponding period last year, a decrease of 14% YoY, mainly due to a plant shutdown during the quarter. Sales during the period clocked in at 435 KT compared to 497 KT in 1Q 2018, a decrease of 12% YoY owing to low production. Overall, company's urea domestic market share for the period stood at 32% (branded urea market share: 34%) vs 40% (branded urea market share: 40%) in 1Q 2018 due to operation of LNG based plants and sale of imported urea.

EFert DAP and Zorawar sales during 1Q 2019 stood at 85 KT vs 54 KT last year, up 57% YoY, resulting in a higher market share of 43% vs 15% for the same period last year. The business continued to enjoy positive momentum from last year.

The Company's blended fertilizer (Zarkhez, Engro NP, MOP/SOP/AS) sales clocked in at 54KT in 1Q 2019 vs 44KT during the same period last year, an increase of 23%. The overall potash market declined to 13KT from 15KT in 1Q 2018 due to higher prices compared to last year. Market share of the Company for the quarter stands at 67% vs. 42% last year because of competitive pricing.

Gross Profit of the Company was recorded at PKR 7.6 B for 1Q 2019, compared to PKR 7.3 B in the same period last year, an increase of 4%. Finance cost was higher at PKR 799 M (vs PKR 512 M last year) as a result of higher policy rates.
On a standalone basis, net profit for 1Q 2019 stood at PKR 3.8 B compared to PKR 3.7 B last year, resulting in an EPS of PKR 2.87 vs. PKR 2.78 in 1Q 2018. Company's consolidated profit stood at PKR 4.0 B vs. PKR 3.9 B in the corresponding period last year, resulting in EPS of PKR 3.00 vs. last year's EPS of PKR 2.91.

In line with the industry, EFert continues to withhold GIDC on all non-concessionary gases in line with the interim order of the High Court in October 2016, striking down the GIDC Act. The Company obtained a stay order against GIDC applicability on concessionary gas in 2015, and no GIDC is being paid or accrued for concessionary gas supplied to the new urea plant. GIDC on concessionary gas is in direct contravention of the Fertilizer Policy and our Gas Supply Contracts, on the basis of which we invested USD 1.1 Billion to expand our fertilizer manufacturing capacity.

Near Term Outlook

Local urea demand is expected to remain stable going forward. International DAP prices are expected to remain range bound in 2Q (USD 390-400/T), however we will remain wary of any impact of further rupee devaluation. Resultantly, demand for phosphates is expected to remain restricted owing to higher prices and significant inventory.

Nadir Salar Qureshi
Chief Executive

Ghias Khan
Chairman

engro fertilizers

consolidated condensed interim financial statements (unaudited) for the quarter ended march 31, 2019

consolidated condensed interim statement of financial position as at march 31, 2019

(Amounts in thousand)

	Note	Unaudited March 31, 2019	Audited December 31, 2018
		Rupees	
ASSETS			
Non-current assets			
Property, plant and equipment	4	67,297,089	68,203,956
Intangible assets		4,484,577	4,487,771
Long term loans and advances		167,255	142,644
		71,948,921	72,834,371
Current assets			
Stores, spares and loose tools		5,438,070	5,325,287
Stock-in-trade		11,585,230	11,538,309
Trade debts		5,648,055	9,109,671
Loans, advances, deposits and prepayments		1,004,771	1,363,411
Other receivables		9,525,543	9,043,657
Accrued income		70,673	37,276
Short term investments	5	13,491,507	7,739,231
Cash and bank balances		2,038,072	729,836
		48,801,921	44,886,678
TOTAL ASSETS		120,750,842	117,721,049

(Amounts in thousand)

	Note	Unaudited March 31, 2019	Audited December 31, 2018
		Rupees	
EQUITY & LIABILITIES			
Equity			
Share capital		13,352,993	13,352,993
Share premium		3,384,904	3,384,904
Exchange revaluation reserve		430,470	408,817
Remeasurement of post employment benefits		(44,729)	(44,729)
Unappropriated profit		28,422,087	28,421,170
		32,192,732	32,170,162
TOTAL EQUITY		45,545,725	45,523,155
Liabilities			
Non-current liabilities			
Borrowings	6	23,241,935	25,715,045
Deferred liabilities		7,011,769	7,161,541
Service benefits obligations		154,184	192,727
		30,407,888	33,069,313
Current liabilities			
Trade and other payables		29,482,168	29,071,928
Accrued interest / mark-up		615,071	425,920
Taxes payable		3,568,990	3,408,022
Current portion of:			
- borrowings	6	6,938,751	5,095,584
- service benefits obligations		55,956	51,487
Short term borrowings	7	65,077	1,009,968
Dividend payable		4,005,898	-
Unclaimed dividend		65,318	65,672
		44,797,229	39,128,581
TOTAL LIABILITIES		75,205,117	72,197,894
Contingencies and Commitments	8		
TOTAL EQUITY AND LIABILITIES		120,750,842	117,721,049

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

Imran Ahmed Chief Financial Officer	Nadir Salar Qureshi Chief Executive	Ghias Khan Chairman

consolidated condensed interim statement of profit or loss (unaudited) for the quarter ended march 31, 2019

(Amounts in thousand)

	Note	Quarter ended March 31, 2019	Quarter ended March 31, 2018
		Rupees	
Net sales	9	23,652,452	18,218,879
Cost of sales		(16,053,421)	(10,888,006)
Gross profit		7,599,031	7,330,873
Selling and distribution expenses		(1,635,779)	(1,664,724)
Administrative expenses		(281,612)	(252,200)
		5,681,640	5,413,949
Other income	10	1,011,629	1,132,381
Other operating expenses		(406,017)	(447,910)
Finance cost		(798,966)	(511,730)
		(1,204,983)	(959,640)
Profit before taxation		5,488,286	5,586,690
Taxation		(1,481,471)	(1,697,095)
Profit for the period		4,006,815	3,889,595
Earnings per share - basic and diluted		3.00	2.91

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

Imran Ahmed
Chief Financial Officer

Nadir Salar Qureshi
Chief Executive

Ghias Khan
Chairman

consolidated condensed interim statement of comprehensive income (unaudited) for the quarter ended march 31, 2019

(Amounts in thousand)

	Quarter ended March 31, 2019	Quarter ended March 31, 2018
	Rupees	
Profit for the period	4,006,815	3,889,595
Other comprehensive income:		
Items potentially re-classifiable to Profit or Loss		
Exchange differences on translation of foreign operations	21,653	60,491
Total comprehensive income for the period	4,028,468	3,950,086

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

Imran Ahmed
Chief Financial Officer

Nadir Salar Qureshi
Chief Executive

Ghias Khan
Chairman

consolidated condensed interim statement of changes in equity (unaudited) for the quarter ended march 31, 2019

(Amounts in thousand)

	Share capital	RESERVES – CAPITAL: Share premium	RESERVES – CAPITAL: Exchange revaluation reserve	RESERVES – REVENUE: Remeasurement of post employment benefits	RESERVES – REVENUE: Unappropriated profit	Total
	Rupees					
Balance as at January 1, 2019 (Audited)	13,352,993	3,384,904	408,817	(44,729)	28,421,170	45,523,155
Transactions with owners						
Final dividend for the year ended December 31, 2018 @ Rs. 3.00 per share	-	-	-	-	(4,005,898)	(4,005,898)
Total comprehensive income for the quarter ended March 31, 2019						
Profit for the period	-	-	-	-	4,006,815	4,006,815
Other comprehensive income:						
- exchange revaluation	-	-	21,653	-	-	21,653
	-	-	21,653	-	4,006,815	4,028,468
Balance as at March 31, 2019 (Unaudited)	13,352,993	3,384,904	430,470	(44,729)	28,422,087	45,545,725
Balance as at January 1, 2018 (Audited)	13,352,993	3,384,904	83,183	(47,315)	25,695,946	42,469,711
Transactions with owners						
Final dividend for the year ended December 31, 2017 @ Rs. 3.00 per share	-	-	-	-	(4,005,898)	(4,005,898)
Total comprehensive income for the quarter ended March 31, 2018						
Profit for the period	-	-	-	-	3,889,595	3,889,595
Other comprehensive income:						
- exchange revaluation	-	-	60,491	-	-	60,491
	-	-	60,491	-	3,889,595	3,950,086
Balance as at March 31, 2018 (Unaudited)	13,352,993	3,384,904	143,674	(47,315)	25,579,643	42,413,899

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

Imran Ahmed
Chief Financial Officer

Nadir Salar Qureshi
Chief Executive

Ghias Khan
Chairman

consolidated condensed interim statement of cash flows (unaudited) for the quarter ended march 31, 2019

(Amounts in thousand)

	Note	Quarter ended March 31, 2019	Quarter ended March 31, 2018
		Rupees	
Cash flows from operating activities			
Cash generated from operations	11	10,148,980	6,980,503
Retirement and other service benefits paid		(50,805)	(48,862)
Taxes paid		(1,337,427)	(297,297)
Finance cost paid		(609,815)	(801,712)
Long term loans and advances - net		(49,582)	6,468
Net cash generated from operating activities		8,101,351	5,839,100
Cash flows from investing activities			
Purchases of property, plant and equipment and intangibles		(445,427)	(1,091,276)
Proceeds from disposal of property, plant & equipment		723,966	40
Purchase of short term investments		(3,119,718)	-
Proceeds from sale of short term investments		9,364,330	-
Income on deposits / other financial assets		264,215	143,374
Net cash generated / (utilised) in investing activities		6,787,366	(947,862)
Cash flows from financing activities			
Dividends paid		(354)	-
Repayment of borrowings		(660,000)	(6,876,667)
Net cash utilised in financing activities		(660,354)	(6,876,667)
Net cash generated / (utilised) in investing activities		14,228,363	(1,985,429)
Cash and cash equivalents at beginning of the period		1,214,486	4,719,976
Exchange gain translation on foreign operations		21,653	60,491
Cash and cash equivalents at end of the period	12	15,464,502	2,795,038

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

Imran Ahmed	Nadir Salar Qureshi	Ghias Khan
Chief Financial Officer	Chief Executive	Chairman

notes to and forming part of the consolidated condensed interim financial statements (unaudited) for the quarter ended march 31, 2019

(Amounts in thousand)

1. Legal Status and Operations

1.1 Engro Fertilizers Limited ('the Holding Company') is a public company incorporated on June 29, 2009 in Pakistan under the Companies Act, 2017 as a wholly owned subsidiary of Engro Corporation Limited (the Parent Company), which is a subsidiary of Dawood Hercules Corporation Limited (the Ultimate Parent Company). The Holding Company is listed on Pakistan Stock Exchange Limited (PSX). The principal activity of the Holding Company is manufacturing, purchasing and marketing of fertilizers. The Holding Company's registered office is situated at 7th & 8th floors, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme Number 5, Clifton, Karachi.

1.2 **The 'Group' consists of:**

Holding Company: Engro Fertilizers Limited

Subsidiary Companies: Companies in which the Holding Company owns over 50% of voting rights, or companies controlled by the Holding Company:

		%age of holding	
	Note	**March 31, 2019**	**December 31, 2018**
Engro Eximp FZE	1.2.1	100	100
EFert Agritrade (Private) Limited	1.2.2	100	100

1.2.1 Engro Eximp FZE (EEF) was incorporated in the Jebel Ali Free Zone, Emirate of Dubai, on August 4, 2011 as a wholly owned subsidiary of Engro Eximp (Private) Limited (EEPL).

1.2.2 EFert Agritrade (Private) Limited (EAPL) was incorporated as a wholly owned subsidiary of the Holding Company on July 04, 2017 to carry out trading and distribution of imported fertilizer as part of the business reorganization. The Holding Company has transferred its business of trading and distribution of imported fertilizer to EAPL and holds 10,000 ordinary shares of Rs. 10 each in EAPL.

2. Summary of Significant Transactions and Events Affecting the Group's Financial Position and Performance During the Period

Following is the summary of significant transactions and events affecting the Group's financial position and performance during the period:

2.1 During the period, the Holding Company sold land measuring approximately 60 acres situated within Plot No. EZ/I/P-II located at East Industrial Zone, Port Qasim, Karachi, for a consideration of Rs. 720,000, in pursuance of an agreement to sell with Engro Polymer and Chemicals Limited (EPCL), an associated company.

2.2 The Holding Company has accrued Rs.1,552,018 in lieu of Gas Infrastructure Development Cess during the period, accumulating the total accrual to Rs.14,128,705 as at the end of the reporting period.

3. Basis of Preparation and Significant Accounting Policies

3.1 **Statement of compliance**

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

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

- Provisions of and directives issued under the Companies Act, 2017.

(Amounts in thousand)

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

3.2 These consolidated condensed interim financial statements do not include all the information and disclosures required in an annual audited financial statements, and should be read in conjunction with the Company's annual audited financial statements for the year ended December 31, 2018.

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

a) Standards, interpretations and amendments to published approved accounting standards that are effective for the year and are relevant to the Group.

There are certain new standards, interpretations and amendments to approved accounting standards which are mandatory for the Group's accounting periods beginning on or after July 1, 2018 but are considered not to be relevant or have any significant effect on the Group's financial reporting, except as mentioned below:

- IFRS 15 'Revenue from Contracts with Customers' supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.

  The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Group is engaged in manufacturing, purchasing and marketing of fertilizers. The Group has assessed that significant performance obligation in contracts with customers is to deliver the products and is discharged at one point of time.

- "IFRS 16 - 'Leases' replaces the previous standard: IAS 17 - Leases. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities on the statement of financial position for almost all leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases.

  In light of the above requirements, certain changes have been made in the accounting policies of the Group. However, based on the Group's assessment, there is no material impact of these changes on these consolidated condensed interim financial statements.

b) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant

- IFRS 9 - 'Financial Instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the related guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (OCI) and fair value through profit or loss (FVTPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI, not recycling.

  There is now a new expected credit losses model that replaces the incurred loss impairment model of IAS 39. For financial liabilities there are no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

  Securities and Exchange Commission of Pakistan through its S.R.O. No. 229 (1)/2019 dated February 14, 2019 has deferred application of the aforementioned standard till June 30, 2019. Accordingly, these consolidated condensed interim financial statements do not include the impacts of the aforementioned changes.

(Amounts in thousand)

There are certain new standards, interpretations and amendments to approved accounting standards that will be mandatory for the Group's annual accounting periods beginning on or after July 1, 2019 and may have an impact on the financial statements of the Group. At present, the impact of application of these standards, amendments and interpretations on the Group's future financial statements is being assessed.

3.4 The accounting policies and the methods of computation adopted in the preparation of these consolidated condensed interim financial statements are same as those applied in the preparation of the annual financial statements for the year ended December 31, 2018 except for those specified in note 3.3.

3.5 The preparation of these consolidated condensed interim financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

During the preparation of these consolidated condensed interim financial statements, the significant judgements and estimates made by the management are the same as those that were applied to financial statements of the Group for the year ended December 31, 2018.

	Unaudited March 31, 2019	Audited December 31, 2018
	Rupees	
4. Property, Plant and Equipment		
Operating assets at net book value (note 4.1)	63,198,426	64,471,674
Capital work-in-progress (note 4.2)	3,398,338	3,159,249
Major spare parts and stand-by equipment	700,325	573,033
	67,297,089	68,203,956

4.1 Additions to and disposals from operating assets during the period are as follows:

	Additions (Unaudited) (at cost)		Disposals (Unaudited) (at net book value)	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	Rupees			
Building on freehold land	208	15,964	-	-
Building on leasehold land	-	-	28,238	-
Plant and machinery	35,928	1,004,288	-	-
Office equipment	4,569	7,718	-	-
Vehicles	33,222	34,621	1,591	-
	73,927	1,062,591	29,829	-

The above disposals represent assets having a cost of Rs. 68,485 (March 31, 2018: Rs. 1,634) which were disposed off for Rs. 723,966 (March 31, 2018: Rs. 40).

(Amounts in thousand)

		Unaudited March 31, 2019	Audited December 31, 2018
4.2	**Capital work-in-progress**	Rupees	
	Balance at beginning of the period / year	3,159,249	3,396,331
	Add: Additions during the period / year	318,134	4,333,447
	Transferred to:		
	- operating assets	(73,926)	(4,529,819)
	- intangible assets	(5,119)	(40,710)
	Balance at end of the period / year	3,398,338	3,159,249

5. Short Term Investments

Holding Company

Includes Treasury Bills amounting to Rs: 11,869,996 (December 31, 2018: Nil), Pakistan Investment Bonds amounting to Rs. Nil (December 31, 2018: Rs. 6,244,613) and other local currency placements with various banks amounting to Rs. 180,000 (December 31, 2018: 90,000).

Subsidiary Company

Includes investments in term deposits having value of US$ 10,209 (December 31, 2018: US$ 10,231) at interest rate of 3.5% (December 31, 2018: 3.5%) per annum and have maturity of 12 months (December 31, 2018: 12 months).

		Unaudited March 31, 2019	Audited December 31, 2018
6.	**Borrowings - Secured**	Rupees	
	Long term finance utilized under mark-up arrangements (notes 6.1 and 6.2)	29,621,428	29,692,102
	Sukuk Certificates (note 6.1)	559,258	1,118,527
		30,180,686	30,810,629
	Less: Current portion shown under current liabilities	6,938,751	5,095,584
	Balance at end of the period / year	23,241,935	25,715,045

6.1 All senior debts are secured by an equitable mortgage upon immovable property of the Holding Company and equitable charge over current and future fixed assets excluding immovable property of the Holding Company.

Privately Placed Subordinated Sukuk (PPSS) are secured by a sub-ordinated mortgage upon immovable property of the Holding Company and sub-ordinated charge over all present and future fixed assets excluding immovable property of the Holding Company.

6.2 Principal repayments of long term loan from Standard Chartered Bank Limited and Subordinated Sukuk were made during this period, amounting to Rs. 100,000 and Rs. 560,000 respectively.

(Amounts in thousand)

7. Short Term Borrowings

Holding Company

The facilities for short term running finances, available from various banks, aggregate to Rs. 16,850,000 (December 31, 2018: Rs. 16,850,000). The mark-up rates on these facilities range from 1 to 3 months KIBOR plus 0.2% to 1.5% per annum. These arrangements are secured by floating charge upon all present and future stocks including raw and packaging materials, finished goods, stores and spares and other merchandise and on all present and future book debts, outstanding monies, receivable claims and bills of the Company. As at March 31, 2019, the Company has utilised Rs.55,145 (December 31, 2018: Rs. 636,878) out of the aforementioned facilities.

Subsidiary Company

The facilities for short term running finances, available from various banks, aggregate to Rs. 14,217,000 (2018: Rs. 14,217,000). The rates of markup on the funded bank overdraft facilities ranged from 0.2% to 1.5% per annum over 1-month KIBOR. These facilities are secured by floating charge upon all present and future stocks including raw and packaging materials, finished goods, stores and spares and other merchandise and on all present and future book debts, outstanding monies, receivable claims and bills of the Holding Company. As at March 31, 2019, the Company has utilised Rs. 9,932 (2018: Rs. 373,090) out of the aforementioned facilities.

8. Contingencies and Commitments

Contingencies

8.1 Bank guarantees of Rs. 2,988,152 (December 31, 2018: Rs. 2,982,754) have been issued in favour of third parties.

8.2 Claims, including pending lawsuits, against the Group not acknowledged as debts amounted to Rs. 58,680 (December 31, 2018: Rs. 58,680).

8.3 As at March 31, 2019, there is no material change in the status of matters reported as contingencies in the notes to the consolidated financial statements of the Group for the year ended December 31, 2018.

	Unaudited March 31, 2019	Audited December 31, 2018
	Rupees	
8.4 Commitments		
Commitments in respect of capital expenditure and other operational items	2,067,079	1,874,155

	Unaudited March 31, 2019	Unaudited March 31, 2018
	Rupees	
9. Net Sales		
Gross sales:		
- manufactured product	16,816,445	15,298,565
- purchased and packaged product	7,315,506	3,736,570
	24,131,951	19,035,135
Less: Sales tax	479,499	816,256
	23,652,452	18,218,879

(Amounts in thousand)

	Unaudited March 31, 2019	Unaudited March 31, 2018
	Rupees	
10. Other Income		
Income from sales under Government subsidy	-	991,628
On financial assets		
Income on bank accounts	5,586	4,932
Income on treasury bills, term deposit certificates and Pakistan Investment Bonds	292,026	133,077
	297,612	138,009
On non-financial assets		
Gain on disposal of property, plant and equipment	694,137	40
Rental income	2,899	-
Gain on disposal of spares / scrap	1,314	2,065
Others	15,667	639
	714,017	2,744
	1,011,629	1,132,381
11. Cash Generated From Operations		
Profit before taxation	5,488,286	5,586,690
Adjustment for non-cash charges and other items:		
Depreciation	1,317,346	1,211,095
Amortization of intangibles	8,313	6,700
Amortization deferred liabilities	(966)	(949)
Amortization of borrowing cost	957	4,192
Exchange loss on revaluation of borrowings	29,100	-
Gain on disposal of property, plant and equipment	(694,137)	(40)
Provision for service benefits	16,731	16,525
Income on deposits / other financial assets	(297,612)	(138,009)
Financial charges	798,966	524,048
Provision for doubtful debts	16,355	-
Provision for surplus and slow moving stores and spares	-	14,816
Working capital changes (note 11.1)	3,465,641	(244,565)
	10,148,980	6,980,503
11.1 Working capital changes		
Decrease / (increase) in current assets		
- Stores, spares and loose tools	(112,783)	(79,764)
- Stock-in-trade	(46,921)	31,248
- Trade debts	3,445,261	2,212,584
- Loans, advances, deposits and prepayments	251,730	238,135
- Other receivables	(481,886)	(351,751)
	3,055,401	2,050,452
Increase / (decrease) in current liabilities		
- Trade and other payables	410,240	(2,295,017)
	3,465,641	(244,565)

(Amounts in thousand)

12. Cash and Cash Equivalents	Unaudited March 31, 2019	Unaudited March 31, 2018
	Rupees	
Cash and bank balances	2,038,072	854,168
Short term investments	13,491,507	3,012,231
Short term borrowings	(65,077)	(1,071,361)
	15,464,502	2,795,038

13. Financial Risk Management and Financial Instruments

13.1 **Financial risk factors**

The Group's activities expose it to a variety of financial risks including market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

There have been no changes in the risk management policies during the period, consequently these consolidated condensed interim financial statements do not include all the financial risk management information and disclosures required in the annual financial statements.

13.2 **Fair value estimation**

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- 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 2); and
- Inputs for the asset or liability that are not based on observable market data (level 3).

The table below analyses financial instruments carried at fair value by valuation method.

	Level 1	Level 2	Level 3	Total
Assets		Rupees		
Short term investments				
- Available for sale	-	11,869,996	-	11,869,996

Level 2 - The fair valued financial instruments comprise Treasury Bills which are valued using discounted cash flow model. There were no transfers amongst the levels during the period.

13.3 **Fair value of financial assets and liabilities**

The carrying value of all financial assets and liabilities reflected in the consolidated condensed interim financial statements approximate their fair value.

(Amounts in thousand)

14. Transactions with Related Parties

Related parties comprise of Parent Company, associated companies, retirement benefit funds, directors and key management personnel. Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in these consolidated condensed interim financial statements, are as follows:

	Unaudited March 31, 2019	Unaudited March 31, 2018
Parent Company	Rupees	
Purchases and services received	105,500	102,175
Services provided	1,666	13,015
Royalty charged to the Company	245,418	218,469
Reimbursements made:		
- to the Company	17,974	299
- by the Company	40,107	8,379
Associated companies		
Purchases and services received	39,903	31,198
Sale of product by the Company	1,020	-
Sale of land to associated company	705,600	-
Services provided by the Company	3,696	25,134
Reimbursements		
- by the Company	14,587	21,406
- to the Company	1,106	3,341
Donations	14,500	-
Contribution to staff retirement benefits		
Pension fund	2,689	4,818
Gratuity fund	29,148	32,957
Provident fund	33,010	34,902
Others		
Remuneration of key management personnel	70,517	61,304
Directors’ fee	200	50

15. Seasonality

The Group’s fertilizer business is subject to seasonal fluctuations as a result of two different farming seasons viz, Rabi (from October to March) and Kharif (from April to September). On an average, fertilizer sales are more tilted towards Rabi season. The Group manages seasonality in the business through appropriate inventory management.

(Amounts in thousand)

16. Corresponding Figures

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

Corresponding figures and balances have been rearranged and reclassified, wherever necessary, for the purpose of comparison, the effects of which are not material.

17. Date of Authorisation for Issue

This consolidated condensed interim financial statements was authorised for issue on April 19, 2019 by the Board of Directors of the Holding Company.

Imran Ahmed	Nadir Salar Qureshi	Ghias Khan
Chief Financial Officer	Chief Executive	Chairman

engro fertilizers

condensed interim financial statements (unaudited) for the quarter ended march 31, 2019

condensed interim statement of financial position as at march 31, 2019

(Amounts in thousand)

	Note	Unaudited March 31, 2019	Audited December 31, 2018
		Rupees	
ASSETS			
Non-current assets			
Property, plant and equipment	4	67,297,089	68,203,956
Intangible assets		4,484,577	4,487,771
Investment in subsidiaries		560,416	560,416
Long term loans and advances		165,915	140,784
		72,507,997	73,392,927
Current assets			
Stores, spares and loose tools		5,438,070	5,325,287
Stock-in-trade		3,033,322	2,959,696
Trade debts		2,047,853	2,374,797
Working capital loan to subsidiary	5	11,455,060	13,677,700
Loans, advances, deposits and prepayments		553,270	702,171
Other receivables		8,789,490	8,299,348
Accrued income		390,235	439,345
Short term investments	6	12,049,996	6,334,613
Cash and bank balances		1,944,922	642,060
		45,702,218	40,755,017
TOTAL ASSETS		118,210,215	114,147,944

(Amounts in thousand)

	Note	Unaudited March 31, 2019	Audited December 31, 2018
		Rupees	
EQUITY & LIABILITIES			
Equity			
Share capital		13,352,993	13,352,993
Share premium		3,384,904	3,384,904
Reserve on amalgamation		(304,027)	(304,027)
Remeasurement of post employment benefits		(45,083)	(45,083)
Unappropriated profit		26,428,864	26,606,961
		29,464,658	29,642,755
TOTAL EQUITY		42,817,651	42,995,748
Liabilities			
Non-current liabilities			
Borrowings	7	23,241,935	25,715,045
Deferred liabilities		7,011,769	7,161,541
Service benefits obligations		152,403	190,531
		30,406,107	33,067,117
Current liabilities			
Trade and other payables		29,892,132	28,626,619
Accrued interest / mark-up		609,456	405,620
Taxes payable		3,364,410	3,203,439
Current portion of:			
- borrowings	7	6,938,751	5,095,584
- service benefits obligations		55,347	51,267
Short term borrowings	8	55,145	636,878
Dividend payable		4,005,898	-
Unclaimed dividend		65,318	65,672
		44,986,457	38,085,079
TOTAL LIABILITIES		75,392,564	71,152,196
Contingencies and Commitments	9		
TOTAL EQUITY & LIABILITIES		118,210,215	114,147,944

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

Imran Ahmed	Nadir Salar Qureshi	Ghias Khan
Chief Financial Officer	Chief Executive	Chairman

condensed interim statement of profit or loss and other comprehensive income (unaudited) for the quarter ended march 31, 2019

(Amounts in thousand except for earnings per share)

	Note	Quarter ended March 31, 2019	Quarter ended March 31, 2018
		Rupees	
Net sales	10	16,639,830	14,911,819
Cost of sales		(10,167,231)	(8,253,281)
Gross profit		6,472,599	6,658,538
Selling and distribution expenses		(1,386,353)	(1,438,272)
Administrative expenses		(266,271)	(222,349)
		4,819,975	4,997,917
Other income	11	1,418,394	1,212,608
Other operating expenses		(405,065)	(447,508)
Finance cost		(816,287)	(502,748)
		(1,221,352)	(950,256)
Profit before taxation		5,017,017	5,260,269
Taxation		(1,189,216)	(1,551,530)
Profit for the period		3,827,801	3,708,739
Other comprehensive income for the period		-	-
Total comprehensive income for the period		3,827,801	3,708,739
Earnings per share - basic and diluted		2.87	2.78

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

Imran Ahmed Chief Financial Officer	Nadir Salar Qureshi Chief Executive	Ghias Khan Chairman

condensed interim statement of changes in equity (unaudited) for the quarter ended march 31, 2019

(Amounts in thousand)

		RESERVES				
		CAPITAL		REVENUE		
	Share capital	Share premium	Reserve on amalgamation	Remeasurement of post employment benefits	Unappropriated profit	Total
	Rupees					
Balance as at January 1, 2019 (Audited)	13,352,993	3,384,904	(304,027)	(45,083)	26,606,961	42,995,748
Transaction with owners:						
Final dividend for the year ended December 31, 2018 @ Rs. 3.00 per share	-	-	-	-	(4,005,898)	(4,005,898)
Total comprehensive income for the quarter ended March 31, 2019						
Profit for the period	-	-	-	-	3,827,801	3,827,801
Balance as at March 31, 2019 (Unaudited)	13,352,993	3,384,904	(304,027)	(45,083)	26,428,864	42,817,651
Balance as at January 1, 2018 (Audited)	13,352,993	3,384,904	(304,027)	(47,669)	24,626,571	41,012,772
Transaction with owners						
Final dividend for the year ended December 31, 2017 @ Rs. 3.00 per share	-	-	-	-	(4,005,898)	(4,005,898)
Total comprehensive income for the quarter ended March 31, 2018						
Profit for the period	-	-	-	-	3,708,739	3,708,739
Balance as at March 31, 2018 (Unaudited)	13,352,993	3,384,904	(304,027)	(47,669)	24,329,412	40,715,613

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

Imran Ahmed
Chief Financial Officer

Nadir Salar Qureshi
Chief Executive

Ghias Khan
Chairman

condensed interim statement of cash flows (unaudited)
for the quarter ended march 31, 2019

(Amounts in thousand)

	Note	Quarter ended March 31, 2019	Quarter ended March 31, 2018
		Rupees	
Cash flows from operating activities			
Cash generated from operations	12	6,965,174	4,649,276
Retirement and other service benefits paid		(50,626)	(48,862)
Taxes paid		(1,177,051)	(151,105)
Finance cost paid		(582,394)	(756,172)
Long term loans and advances - net		(50,080)	8,921
Net cash generated from operating activities		5,105,023	3,702,058
Cash flows from investing activities			
Purchases of property, plant and equipment and intangibles		(445,427)	(1,091,276)
Proceeds from disposal of property, plant and equipment		723,966	40
Working capital loan to subsidiary - net		2,222,640	(1,478,680)
Purchase of short term investments		(3,119,718)	-
Proceeds from sale of short term investments		9,364,331	-
Income on deposits / other financial assets		654,130	143,374
Net cash generated / utilised in investing activities		9,399,922	(2,426,542)
Cash flows from financing activities			
Dividends paid		(354)	-
Repayments of long term borrowings		(660,000)	(6,876,667)
Net cash utilised in financing activities		(660,354)	(6,876,667)
Net increase / (decrease) in cash and cash equivalents		13,844,591	(5,601,151)
Cash and cash equivalents at beginning of the period		95,182	7,067,021
Cash and cash equivalents at end of the period	13	13,939,773	1,465,870

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

Imran Ahmed
Chief Financial Officer

Nadir Salar Qureshi
Chief Executive

Ghias Khan
Chairman

notes to and forming part of the condensed interim financial statements (unaudited) for the quarter ended march 31, 2019

(Amounts in thousand)

1. Legal Status and Operations

1.1 Engro Fertilizers Limited ('the Company') is a public company incorporated on June 29, 2009 in Pakistan under the Companies Act, 2017 as a wholly owned subsidiary of Engro Corporation Limited (the Parent Company) which is a subsidiary of Dawood Hercules Corporation (the Ultimate Parent Company). The Company is listed on Pakistan Stock Exchange Limited (PSX). The principal activity of the Company is manufacturing, purchasing and marketing of fertilizers. The Company's registered office is situated at 7th & 8th floors, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme Number 5, Clifton, Karachi.

2. Summary of Significant Transactions and Events Affecting the Company's Financial Position and Performance During the Period

Following is the summary of significant transactions and events affecting the Company's financial position and performance during the period:

2.1 During the period, the Company sold land measuring approximately 60 acres situated within Plot No. EZ/I/P-II located at East Industrial Zone, Port Qasim, Karachi, for a consideration of Rs. 720,000, in pursuance of an agreement to sell (the agreement) with Engro Polymer and Chemicals Limited (EPCL), an associated company.

2.2 The Company has accrued Rs.1,552,018 in lieu of Gas Infrastructure Development Cess during the period, accumulating the total accrual to Rs.14,128,422 at the end of the reporting period.

3. Basis of Preparation and Significant Accounting Policies

3.1 **Statement of compliance**

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

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

3.2 These condensed interim financial statements do not include all the information and disclosures required in annual audited financial statements, and should be read in conjunction with the Company's annual audited financial statements for the year ended December 31, 2018

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

a) **Standards, interpretations and amendments to published approved accounting standards that are effective for the year and are relevant to the Company.**

There are certain new standards, interpretations and amendments to approved accounting standards which are mandatory for the Company's accounting periods beginning on or after July 1, 2018 but are considered not to be relevant or have any significant effect on the Company's financial reporting, except as mentioned below:

- IFRS 15 - 'Revenue from Contracts with Customers' supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.

The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Company has assessed that significant performance obligation in contracts with customers is to deliver the products and is discharged at one point of time.

- IFRS 16 - 'Leases' replaces the previous standard: IAS 17 - Leases. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities on the statement of financial position for almost all leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases.

  In light of the above requirements, certain changes have been made in the accounting policies of the Company. However, based on Company's assessments, there is no material impact of these changes on these condensed interim financial statements.

b) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant

- IFRS 9 - 'Financial Instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the related guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (OCI) and fair value through profit or loss (FVTPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI, not recycling.

  There is now a new expected credit losses model that replaces the incurred loss impairment model of IAS 39. For financial liabilities there are no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

  Securities and Exchange Commission of Pakistan through its S.R.O. No. 229 (1)/2019 dated February 14, 2019 has deferred application of the aforementioned standard. Accordingly, these condensed interim financial statements does not include the impacts of the aforementioned changes.

There are certain new standards, interpretations and amendments to approved accounting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2019 and may have an impact on the financial statements of the Company. At present, the impact of application of these standards, amendments and interpretations on the Company's future financial statements is being assessed.

3.4 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are same as those applied in the preparation of the annual financial statements for the year ended December 31, 2018 except for those specified in note 3.3.

3.5 The preparation of these condensed interim financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

During the preparation of these condensed interim financial statements, the significant judgements and estimates made by the management are the same as those that were applied to financial statements of the Company for the year ended December 31, 2018.

(Amounts in thousand)

4. PROPERTY, PLANT AND EQUIPMENT

	Unaudited March 31, 2019	Audited December 31, 2018
	Rupees	
Operating assets at net book value (note 4.1)	63,198,426	64,471,674
Capital work-in-progress (note 4.2)	3,398,338	3,159,249
Major spare parts and stand-by equipment	700,325	573,033
	67,297,089	68,203,956

4.1 Additions to and disposals from operating assets during the period are as follows:

	Additions (Unaudited) (at cost)		Disposals (Unaudited) (at net book value)	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	Rupees			
Building on freehold land	208	15,964	-	-
Building on leasehold land	-	-	28,238	-
Plant and machinery	35,928	1,004,288	-	-
Office equipment	4,569	7,718	-	-
Vehicles	33,222	34,621	1,591	-
	73,927	1,062,591	29,829	-

The above disposals represent assets having a cost of Rs. 68,485 (March 31, 2018: Rs. 1,634) which were disposed off for Rs. 723,966 (March 31, 2018: Rs. 40).

4.2 Capital work-in-progress

	Unaudited March 31, 2019	Audited December 31, 2018
	Rupees	
Balance at beginning of the period / year	3,159,249	3,396,331
Add: Additions during the period / year	318,134	4,333,447
Transferred to:		
- operating assets	(73,926)	(4,529,819)
- intangible assets	(5,119)	(40,710)
Balance at end of the period / year	3,398,338	3,159,249

5. Working Capital Loan to Subsidiary

The working capital loan facility limit given to EFert Agritrade (Private) Limited (EAPL) is Rs. 19,000,000. The mark up on this facility is receivable at the rate of 1 month KIBOR + 0.5% on quarterly basis. The total facility availed by EAPL as at the period end amounts to Rs. 11,455,060 (December 31, 2018: Rs. 13,677,700).

6. Short Term Investments

Includes Treasury Bills amounting to Rs: 11,869,996 (December 31, 2018: Nil), Pakistan Investment Bonds amounting to Rs. Nil (December 31, 2018: Rs. 6,244,613) and other local currency placements with various banks amounting to Rs. 180,000 (December 31, 2018: 90,000).

(Amounts in thousand)

7. Borrowings - Secured

	Unaudited March 31, 2019	Audited December 31, 2018
	Rupees	
Long term finance utilized under mark-up arrangements (notes 7.1 and 7.2)	29,621,428	29,692,102
Sukuk Certificates (note 7.1)	559,258	1,118,527
	30,180,686	30,810,629
Less: Current portion shown under current liabilities	6,938,751	5,095,584
Balance at end of the period / year	23,241,935	25,715,045

7.1 All senior debts are secured by an equitable mortgage upon immovable property of the Company and equitable charge over current and future fixed assets excluding immovable property of the Company.

Privately Placed Subordinated Sukuk (PPSS) are secured by a sub-ordinated mortgage upon immovable property of the Company and sub-ordinated charge over all present and future fixed assets excluding immovable property of the Company.

7.2 Principal repayments of long term loan from Standard Chartered Bank Limited and Subordinated Sukuk were made during the period, amounting to Rs. 100,000 and Rs. 560,000 respectively.

8. Short Term Borrowings

The facilities for short term running finances, available from various banks, aggregate to Rs. 16,850,000 (December 31, 2018: Rs. 16,850,000). The mark-up rates on these facilities range from 1 to 3 months KIBOR plus 0.2% to 1.5% per annum. These arrangements are secured by floating charge upon all present and future stocks including raw and packaging materials, finished goods, stores and spares and other merchandise and on all present and future book debts, outstanding monies, receivable claims and bills of the Company. As at March 31, 2019, the Company has utilised Rs. 55,145 (December 31, 2018: Rs. 636,878) out of the aforementioned facilities.

9. Contingencies and Commitments

Contingencies

9.1 Bank guarantees of Rs. 2,588,152 (December 31, 2018: Rs. 2,582,754) have been issued in favour of third parties.

9.2 Claims, including pending lawsuits, against the Company not acknowledged as debts amounted to Rs. 58,680 (December 31, 2018: Rs. 58,680).

9.3 As at March 31, 2019, there is no material change in the status of matters reported as contingencies in the financial statements of the Company for the year ended December 31, 2018.

9.4 Commitments

	Unaudited March 31, 2019	Audited December 31, 2018
	Rupees	
Commitments in respect of capital expenditure and other operational items	1,625,796	1,684,473

10. Net Sales

	Unaudited March 31, 2019	Unaudited March 31, 2018
	Rupees	
Gross sales:		
- manufactured product	16,816,445	15,298,565
- purchased and packaged product	154,488	370,398
	16,970,933	15,668,963
Less: Sales tax	331,103	757,144
	16,639,830	14,911,819

(Amounts in thousand)

	Unaudited March 31, 2019	Unaudited March 31, 2018
	Rupees	
11. Other Income		
Income from sales under Government subsidy	-	991,628
On financial assets		
Income on bank accounts	5,586	4,931
Working capital loan to subsidiary	319,561	41,121
Income on treasury bills, term deposit certificates and Pakistan Investment Bonds	279,873	125,447
	605,020	171,499
On non-financial assets		
Commission income	99,357	46,737
Gain on disposal of property, plant and equipment	694,137	40
Rental income	2,899	-
Gain on disposal of spares / scrap	1,314	2,065
Others	15,667	639
	813,374	49,481
	1,418,394	1,212,608
12. Cash Generated from Operations		
Profit before taxation	5,017,017	5,260,269
Adjustment for non-cash charges and other items:		
Depreciation	1,317,346	1,211,095
Amortization of intangibles	8,313	6,700
Amortization of deferred income	(966)	(959)
Gain on disposal of property, plant and equipment	(694,137)	(40)
Provision for service benefits	16,578	14,761
Income on deposits / other financial assets	(605,020)	(171,499)
Financial charges	786,230	502,748
Exchange loss on revaluation of borrowings	29,100	-
Amortization of transaction cost	957	4,192
Provision for trade debts	16,355	-
Provision for surplus and slow moving stores and spares	-	14,816
Working capital changes (note 12.1)	1,073,401	(2,192,807)
	6,965,174	4,649,276
12.1 Working capital changes		
(Increase) / decrease in current assets		
- Stores, spares and loose tools	(112,783)	(79,764)
- Stock-in-trade	(73,626)	(36,279)
- Trade debts	310,589	1,428,599
- Loans, advances, deposits and prepayments	173,850	146,875
- Other receivables	(490,142)	(382,705)
	(192,112)	1,076,726
Increase / (Decrease) in current liabilities		
- Trade and other payables	1,265,513	(3,269,533)
	1,073,401	(2,192,807)

(Amounts in thousand)

13. CASH AND CASH EQUIVALENTS	Unaudited March 31, 2019	Unaudited March 31, 2018
	Rupees	
Cash and bank balances	1,944,922	711,817
Short term investments	12,049,996	1,825,370
Short term borrowings	(55,145)	(1,071,317)
	13,939,773	1,465,870

14. Financial Risk Management and Financial Instruments

14.1 Financial risk factors

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

There have been no changes in the risk management policies during the period, consequently these condensed interim financial statements do not include all the financial risk management information and disclosures required in the annual financial statements.

14.2 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level1);

- 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 2); and

- Inputs for the asset or liability that are not based on observable market data (level 3).

The table below analyses financial instruments carried at fair value by valuation method.

	Level 1	Level 2	Level 3	Total
Assets	Rupees			
Short term investments				
Available for sale	-	11,869,996	-	11,869,996

Level 2 - The fair valued financial instruments comprise Treasury Bills which are valued using discounted cash flow model. There were no transfers amongst the levels during the period.

14.3 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

(Amounts in thousand)

15. Transactions with Related Parties

Related parties comprise of Parent Company, associated companies, retirement benefit funds, directors and key management personnel. Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in these condensed interim financial statements, are as follows:

	Unaudited March 31, 2019	Unaudited March 31, 2018
	Rupees	
Parent company		
Purchases and services received	105,500	102,175
Services provided	1,666	13,015
Royalty charged to the Company	245,418	218,469
Reimbursements made:		
- to the Company	10,184	299
- by the Company	40,107	8,379
Subsidiary companies		
Reimbursements made:		
- by the Company	89	59,512
- to the Company	15,604	5,188
Payment of funds collected against sales made on behalf of subsidiary	8,830,150	7,249,210
Disbursements of working capital loan to subsidiary	4,964,300	3,877,080
Repayment received against working capital loan disbursed to subsidiary	7,186,940	2,398,400
Mark-up on working capital loan disbursed to subsidiary	319,562	41,021
Commission income earned from subsidiary	99,357	46,737
Associated companies		
Purchases and services received	39,903	31,198
Sale of product by the Company	1,020	-
Sale of land to associated company	705,600	-
Services provided by the Company	3,696	25,134
Reimbursements made:		
- by the Company	14,587	20,433
- to the Company	1,106	3,341
Donations	14,500	-
Contribution to staff retirement benefits		
Pension fund	2,689	4,818
Gratuity fund	28,832	32,571
Provident fund	32,631	34,439
Others		
Remuneration of key management personnel	65,095	56,190

(Amounts in thousand)

16. Seasonality

The Company's fertilizer business is subject to seasonal fluctuations as a result of two different farming seasons viz, Rabi (from October to March) and Kharif (from April to September). On an average, fertilizer sales are more tilted towards Rabi season. The Company manages seasonality in the business through appropriate inventory management.

17. Corresponding Figures

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

Corresponding figures and balances have been rearranged and reclassified, whereever necessary, for the purpose of comparison, the effects of which are not material.

18. Date of Authorisation for Issue

These condensed interim financial statements were authorised for issue on April 19, 2019 by the Board of Directors of the Company.

Imran Ahmed
Chief Financial Officer

Nadir Salar Qureshi
Chief Executive

Ghias Khan
Chairman

پلانٹس اور امپورٹڈ یوریا کی فروخت کے باعث مذکورہ مدّت میں کمپنی کا یوریا کی مقامی مارکیٹ میں شیئر، سال 2018 کی پہلی سہ ماہی میں 40 فیصد (برانڈ ڈیوریا کا مارکیٹ شیئر: 40 فیصد) کے مقابلے میں 32 فیصد (برانڈ ڈیوریا کا مارکیٹ شیئر: 34 فیصد) رہا۔
سال 2019 کی پہلی سہ ماہی کے دوران اینگرو فرٹیلائزرز ڈی اے پی اور زور آور کی فروخت گزشتہ سال کی 54 کے ٹی کے مقابلے میں 85 کے ٹی رہی، گویا ان میں سال بہ سال 57 فیصد کا اضافہ ہوا، جس کا نتیجہ گزشتہ سال کی اسی مدّت کے دوران 15 فیصد کے مقابلے میں 43 فیصد مارکیٹ شیئر کی صورت میں نکلا۔ گزشتہ سال کی طرح اس مدّت میں بھی کاروبار کا مثبت فروغ اور ترقی جاری رہی۔

کمپنی کی بلینڈڈ فرٹیلائزر (زرخیز، اینگرو MOP/SOP/ASNP) کی فروخت گزشتہ سال کی اسی مدّت کے دوران 44 کے ٹی کے مقابلے میں سال 2019 کی پہلی سہ ماہی میں 23 فیصد کے اضافے سے 54 کے ٹی ہوگئی۔ پوٹاش کی مجموعی مارکیٹ کم ہو کر 13 کے ٹی ہوگئی جو کہ سال 2018 کی پہلی سہ ماہی میں 15 کے ٹی تھی، جس کی وجہ گزشتہ سال کے مقابلے میں قیمتوں کا زیادہ ہونا تھا۔ مسابقتی قیمتوں کے باعث کمپنی کا مارکیٹ شیئر گزشتہ سال کے 42 فیصد سے بڑھ کر مذکورہ سہ ماہی میں 67 فیصد ہوگیا۔

کمپنی کا مجموعی منافع، گزشتہ سال کی اسی مدّت کے 7.3 بلین روپے کے مقابلے میں سال 2019 کی پہلی سہ ماہی میں 4 فیصد اضافے کے ساتھ 7.6 بلین روپے ریکارڈ کیا گیا۔ پالیسی کی بلند شرح کے باعث مالیاتی لاگت زیادہ ہو کر 799 ملین روپے (گزشتہ سال 512 ملین روپے) رہی۔

انفرادی بنیاد پر، خالص منافع سال 2019 کی پہلی سہ ماہی میں 3.8 بلین روپے رہا جو کہ گزشتہ سال 3.7 بلین روپے تھا، جس کا نتیجہ سال 2018 کی پہلی سہ ماہی میں 2.78 روپے کے مقابلے میں 2.87 روپے ای پی ایس کی صورت میں برآمد ہوا۔ کمپنی کا مجتمع منافع، گزشتہ سال کی اسی مدّت کے دوران 3.9 بلین روپے کے مقابلے میں 4 بلین روپے رہا، جس کے نتیجے میں ای پی ایس، گزشتہ سال کے 2.91 روپے کے مقابلے میں 3 روپے ہوگیا۔

انڈسٹری سے ہم آہنگ رہتے ہوئے، اینگرو فرٹیلائزرز نے اکتوبر 2016 میں ہائی کورٹ کے عبوری حکمنامے (جس میں عدالت نے جی آئی ڈی سی ایکٹ کو کالعدم قرار دیا) کے مطابق تمام غیر رعایتی گیسز پر جی آئی ڈی سی کو روکا ہوا ہے۔ کمپنی نے رعایتی گیس پر جی آئی ڈی سی کے اطلاق کے خلاف 2015 میں حکمِ التوا بھی حاصل کیا ہے، اور یوریا کے نئے پلانٹ کو فراہم کردہ رعایتی گیس کے ضمن میں کوئی جی آئی ڈی سی ادا نہیں کیا جا رہا، نہ ہی واجب الادا ہے۔ رعایتی گیس پر جی آئی ڈی سی کا اطلاق فرٹیلائزر پالیسی اور ہمارے گیس فراہمی کے معاہدوں کی براہِ راست مخالفت ہے، جن کی بنیاد پر ہم نے اپنی یوریا کی پیداواری گنجائش کو بڑھانے کے لیے 1.1 بلین امریکی ڈالرز کی سرمایہ کاری کی تھی۔

اگلی میعاد کا منظر نامہ

آئندہ بھی مقامی یوریا کی طلب مستحکم رہنے کی توقع ہے۔ ڈی اے پی کی بین الاقوامی قیمتیں دوسری سہ ماہی میں (390 تا 400 امریکی ڈالرز فی ٹن) کی حد میں رہنے کی توقع ہے، تاہم روپے کی قدر میں مزید کمی کے باعث ہم اُتار چڑھاؤ کا شکار رہیں گے۔ نتیجتاً، بلند قیمتوں اور خاطر خواہ انوینٹری کے پیشِ نظر فاسفیٹس کی طلب محدود رہنے کی توقع ہے۔

نادر سالار قریشی
چیف ایگزیکٹو آفیسر

غیاث خان
چیئرمین

اینگرو فرٹیلائزر زلمیٹڈ

ڈائریکٹرز رپورٹ برائے شیئر ہولڈرز

برائے اختتامِ میعاد 31 مارچ، 2019

ڈائریکٹرز رپورٹ

ہم، اینگرو فرٹیلائزر زلمیٹڈ کے بورڈ آف ڈائریکٹرز کی طرف سے غیر آڈٹ شدہ مالی گوشوارے برائے اختتامِ سہ ماہی 31 مارچ، 2019 پیش کرنے پر مسرت محسوس کرتے ہیں۔

پاکستان کی فرٹیلائزر مارکیٹ

سال 2019 کی پہلی سہ ماہی میں مقامی یوریا کی طلب، سال 2018 کی پہلی سہ ماہی کی 1,242 کے ٹی کے مقابلے میں 1,348 کے ٹی ہوگئی، یعنی خصوصاً یوریا کی قیمتوں میں متوقع اضافے کے باعث اس میں 9 فیصد کا اضافہ ہوا۔ فروخت کے برعکس، مقامی یوریا کی پیداوار گزشتہ سال کی اسی مدّت کے دوران 1,333 کے ٹی کے مقابلے میں 1,335 کے ٹی پر مستحکم رہی۔ سہ ماہی کے زیادہ تر حصے میں ایل این جی کے ذریعے چلنے والے پلانٹس چلتے رہے۔ انڈسٹری انوینٹری پچھلے سال کی پہلی سہ ماہی کے اختتام پر 282 کے ٹی کے مقابلے میں سال 2019 کی پہلی سہ ماہی کے اختتام پر 169 کے ٹی رہی۔ علاوہ ازیں، ای سی سی نے یوریا میں کسی بھی ممکنہ کمی کو روکنے کے لیے حال ہی میں 100 کے ٹی یوریا کی درآمد کی منظوری دی ہے۔

مذکورہ سہ ماہی کے دوران مقامی یوریا کی قیمتیں 1,700 روپے فی بیگ پر جاری رہیں، تاہم، افراطِ زر کے اثرات کو منتقل کرنے کے لیے سہ ماہی کے اختتام پر قیمت میں 80 روپے فی بیگ اضافہ کیا گیا جسے گزشتہ چند سالوں میں قیمتِ فروخت میں شامل نہیں کیا جاسکا تھا۔ کمپنی کو سبسڈی کے حصول کی مد میں تاحال مسائل کا سامنا ہے۔ ایک انڈسٹری کی حیثیت سے، ہم سبسڈی کے تقسیمی طریقۂ کار کو بہتر خطوط پر استوار کرنے اور 19 بلین روپے واجب الوصول رقم کی وصولی کے لیے حکومت کے ساتھ مستقل رابطے میں ہیں۔

بین الاقوامی محاذ پر، خصوصاً بھارت کی جانب سے کم طلب کے باعث، یوریا کی قیمتیں کم ہو کر 265 امریکی ڈالرز فی ٹن (2,237 روپے فی بیگ کے مساوی) ہوگئیں جو کہ سال 2018 کی چوتھی سہ ماہی میں 300 امریکی ڈالرز فی ٹن (2,450 روپے فی بیگ کے مساوی) تھیں۔

مقامی مارکیٹ میں ڈی اے پی کی طلب گزشتہ سال کے مقابلے میں 46 فیصد سے کم ہوگئی، جبکہ بلند مقامی قیمتوں اور نمایاں چینل انوینٹری کے سبب انڈسٹری فروخت سال 2018 کی پہلی سہ ماہی کی 363 کے ٹی کے مقابلے میں 197 کے ٹی ریکارڈ کی گئی۔ بین الاقوامی محاذ پر، ڈی اے پی کی قیمتیں سال 2018 کی پہلی سہ ماہی میں 426 امریکی ڈالرز فی ٹن کے مقابلے میں کم ہو کر سال 2019 کی پہلی سہ ماہی کے اختتام پر 403 امریکی ڈالرز فی ٹن ہوگئیں، تاہم روپے کی قدر میں نمایاں کمی کے باعث لاگت میں اضافہ ہوا۔

کمپنی کی عملی کارکردگی

کمپنی کی جانب سے یوریا کی پیداوار سال 2019 کی پہلی سہ ماہی میں 446 کے ٹی رہی جو کہ گزشتہ سال اسی مدّت کے دوران 517 کے ٹی تھی، گویا مذکورہ سہ ماہی کے دوران ایک پلانٹ شٹ ڈاؤن کے باعث اس میں سال بہ سال 14 فیصد کی کمی ہوئی۔ زیرِ جائزہ مدّت کے دوران فروخت، سال 2018 کی پہلی سہ ماہی میں 497 کے ٹی کے مقابلے میں 435 کے ٹی رہی، یعنی کم پیداوار کے باعث سال بہ سال 12 فیصد کی کمی دیکھنے میں آئی۔ مجموعی طور پر، ایل این جی سے چلنے والے


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