

# 3<sup>RD</sup> QUARTER REPORT 2019 (Ended June 2019)



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## COMPANY INFORMATION

Chairman	<ul style="list-style-type: none"><li>• Dr S Mubarik Ali</li></ul>
Board of Directors	<ul style="list-style-type: none"><li>• Marcos Furrer</li><li>• Michel Zumstein (Alternate: Naveed Kamil)</li><li>• Mujtaba Rahim</li><li>• M Z Moin Mohajir</li><li>• Roland Waibel (Alternate: M Veqar Arif)</li><li>• Shahid Ghaffar</li><li>• Yasmin Peermohammad</li></ul>
Company Secretary	<ul style="list-style-type: none"><li>• M Irfan Lakhani</li></ul>
Management Committee	<ul style="list-style-type: none"><li>• Mujtaba Rahim</li><li>• Qazi Naeemuddin</li><li>• Muhammad Altaf</li><li>• M Veqar Arif</li><li>• Naveed Kamil</li><li>• Muhammad Haroon</li></ul>
Audit Committee	<ul style="list-style-type: none"><li>• M Z Moin Mohajir</li><li>• Michel Zumstein</li><li>• Shahid Ghaffar</li><li>• M Irfan Lakhani</li></ul> <p>- Chairman (Alternate: Naveed Kamil)</p> <p>- Secretary</p>
Human Resources and Remuneration Committee	<ul style="list-style-type: none"><li>• Yasmin Peermohammad</li><li>• Mujtaba Rahim</li><li>• Michel Zumstein</li></ul> <p>- Chairman (Alternate: Naveed Kamil)</p>
Bankers	<ul style="list-style-type: none"><li>• Bank Al Habib Limited</li><li>• Habib Bank Limited</li><li>• Meezan Bank Limited</li><li>• National Bank of Pakistan</li><li>• Standard Chartered Bank (Pakistan) Limited</li></ul>
Auditors	<ul style="list-style-type: none"><li>• KPMG Taseer Hadi &amp; Co. Chartered Accountants</li></ul>
Legal Advisors	<ul style="list-style-type: none"><li>• RIAA Barker Gillette</li></ul>
Share Registrars	<ul style="list-style-type: none"><li>• FAMCO Associates (Pvt) Limited 8-F, Next to Hotel Faran, Nursery Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi</li></ul>
Registered Office	<ul style="list-style-type: none"><li>• 1-A/1, Sector 20, Korangi Industrial Area, Korangi, Karachi</li></ul>
Factories	<ul style="list-style-type: none"><li>• Petaro Road, Jamshoro, Sindh</li><li>• LX-10, LX-11 Landhi Industrial Area Karachi</li></ul>
Sales & Marketing Offices	<ul style="list-style-type: none"><li>• Katar Bund Road, Off. Multan Road, Thokar Niaz Baig, Lahore</li><li>• Canal Road, Abdullah Pur, Faisalabad</li><li>• House # 78, Block S, Masoom Shah Road, Gulistan Chowk New Multan</li></ul>
Website	<ul style="list-style-type: none"><li>• <a href="http://www.archroma.com.pk">www.archroma.com.pk</a></li></ul>
E-mail	<ul style="list-style-type: none"><li>• <a href="mailto:archroma.pakistan@archroma.com">archroma.pakistan@archroma.com</a></li></ul>

## REPORT OF BOARD OF DIRECTOR'S

The Directors are pleased to present their report for the third quarter ended 30 June 2019, together with condensed interim financial information of the Company for the period ended 30 June 2019.

### BUSINESS OVERVIEW

Business during the quarter under review remained under pressure due to the economic environment in the country, which is probably the most challenging one in recent years. The Pak Rupee has depreciated by over 15% during the quarter, (and approximately 32% in fiscal year 2018-19), Increase in discount rate by SBP to 13.25% as compared to 6.5% last year, consequently mark-up on bank borrowings have also gone up sharply, and inflation at 9% in June 2019 is the highest in recent years.

Despite the negative headwinds, the management has managed to ensure growth through a "price over volume" strategy. During the year under review, though volumes remained under stress due to sluggish market conditions, there was a growth of 24% in net sales, which went up from Rs 10,445 million in the corresponding period last year to Rs. 12,964 million in the period under review. The main sales growth drivers were business units Brand & Performance Textile Specialty by 30.0% and Paper & Packaging by 22.1%.

Mainly due to the significant exchange loss the net profit for the quarter was Rs. 306 million only, as compared to Rs. 452 million in corresponding period.

### FUTURE OUTLOOK

The fiscal measures announced in the budget with significant increase in targeted tax collection for the year 2019-2020, will further increase the cost of doing business, hence, we foresee the industry to remain under stress, which consequently will have negative impact on demand. In view of the prevailing economic conditions, the outlook for the quarter will remain under pressure. However, management will adopt appropriate strategy to maintain the positive growth.

### COMPOSITION OF BOARD

The composition of the Board is as follows:

- |                  |   |
|------------------|---|
| a) Male members: | 7 |
| b) Lady member:  | 1 |

Out of the above:

- |                             |   |
|-----------------------------|---|
| a) Independent Directors:   | 3 |
| b) Non-Executive Directors: | 4 |
| c) Executive Director:      | 1 |

On behalf of the Board



Mujtaba Rahim  
Chief Executive Officer



M Veqar Arif  
Director

مستقبل کا منظر نامہ:

موجودہ بجٹ میں حکومت نے مالیاتی اقدامات کے اعلان کے ساتھ سال 2019-2020 ٹیکس کمیشن کے ٹارگٹ میں قابل ذکر اضافہ کیا۔ جو کہ بزنس کی کاسٹ میں اضافہ کا سبب بنے گا اور کاروباری صورتحال بھی دباؤ میں رہ سکتی ہے اس کا براہ راست منفی اثر ڈیمانڈ پر ہوگا۔ اس صورتحال کا موجودہ مدت میں بھی کاروبار پر دباؤ برقرار رہے گا۔

تاہم انتظامیہ اپنی موزوں پالیسیوں اور موثر بد عمل انتظام کاری کے ذریعے چیلنجز کے حوالے سے محتاط اور باخبر ہے اور اپنے مقاصد کے حصول کے لئے پُر امید ہے۔

بورڈ کی ترتیب

ڈائریکٹرز کی کل تعداد:

07	(الف)	حضرات
01	(ب)	خواتین

ترتیب

03	(i)	انڈیپنڈنٹ ڈائریکٹرز
04	(ii)	نان ایگزیکٹو ڈائریکٹرز
01	(iii)	ایگزیکٹو ڈائریکٹرز

ڈائریکٹرز اپنی رپورٹ 30 جون 2019 کو ختم ہونے والی تیسری سد ماہی کے لیے بر خوشی پیش کر رہے ہیں جس کے ساتھ 30 جون 2019 کو ختم ہونے والے نو ماہ کے لیے کمپنی کی جامع عارضی مالیاتی تفصیل بھی منسلک ہے

عمومی جائزہ کاروبار:

زیر جائزہ مدت کے دوران کاروبار ملک کے معاشی حالات کی وجہ سے دباؤ میں رہا۔ یہ حالات گزشتہ سالوں کے مقابلے بہت زیادہ چیلنجنگ تھے۔ زیر جائزہ مدت کے دوران روپے کی قدر میں 15 فیصد تک کمی ہوئی اور (سال 2018-19 میں تقریباً 32 فیصد رہی)۔ اسٹیٹ بینک نے ڈسکاؤنٹ ریٹ بڑھا کر 13.25 فیصد کر دیا جو کہ پچھلے سال 6.5 فیصد تک تھا جس کی وجہ سے بینک کے قرضوں کے مارک اپ میں بہت تیزی سے اضافہ ہوا اور جون 2019 میں افراط زر بڑھ کر 9 فیصد تک ہوئی جو کہ اس دور کی بلند ترین سطح پر ہے۔

کٹھن اور ناموافق حالات کے باوجود کمپنی کی انتظامیہ نے حجم سے زیادہ قیمت کی حکمت عملی کو اپناتے ہوئے گروتھ میں اضافہ کیا۔ زیر جائزہ مدت کے دوران سسٹ مارکیٹ حالات کی وجہ سے حجم تناؤ میں رہے، تاہم کمپنی نے اپنی نیٹ سبز میں 24 فیصد اضافہ کیا۔ رواں مدت کے دوران سبز 12,964 ملین رہی جبکہ گزشتہ سال اسی مدت کے دوران سبز 10,445 ملین تھی۔ بزنس لائسنز برانڈ اینڈ پرفارمنس ٹیکسٹائل اسپیشلیٹیز نے 30 فیصد اور سپر اینڈ ٹیکسٹائل نے 22.1 فیصد کے اضافہ کے ساتھ سبز نمونوں میں اہم کردار ادا کیا۔

روپے کی قدر میں تیزی سے کمی کی وجہ سے موجودہ مدت کا منافع مبلغ 306 ملین رہا جبکہ گزشتہ مالی سال اسی مدت کے دوران مبلغ

بورڈ کی جانب سے:

مجتبیٰ رحیم  
چیف ایگزیکٹو آفیسر

محمد وقار عارف  
ڈائریکٹر

# CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2019

	Note	Unaudited 30 June 2019	Audited 30 Sept. 2018
(Rupees in '000)			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	1,940,040	1,952,688
Long-term loans		-	573
Long term deposits		6,280	6,155
Long-term prepayments		1,392	1,858
		<b>1,947,712</b>	<b>1,961,274</b>
<b>Current assets</b>			
Stores and spares		47,275	45,436
Stock-in-trade		3,229,465	2,694,526
Trade debts		4,135,159	3,733,326
Loans and advances		3,533	3,416
Trade deposits and short-term prepayments		63,830	48,425
Other receivables		1,839,957	1,770,487
Taxation - net		103,016	172,033
Cash and bank balances		599,815	532,105
		10,022,050	8,999,754
<b>Total assets</b>		<b>11,969,762</b>	<b>10,961,028</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised share capital			
50,000,000 ordinary shares of Rs. 10 each		500,000	500,000
Issued, subscribed and paid-up capital		341,179	341,179
<b>General reserve</b>			
Revenue reserves		3,096,000	2,968,000
Unappropriated profit		1,112,281	1,496,033
		<b>4,208,281</b>	<b>4,464,033</b>
<b>Shareholders' equity</b>		<b>4,549,460</b>	<b>4,805,212</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax - net		64,209	127,456
Deferred liabilities		8,310	14,164
Liabilities against assets subject to finance lease		11,913	22,886
Liabilities against diminishing musharaka finance		80,451	69,184
		<b>164,883</b>	<b>233,690</b>
<b>Current liabilities</b>			
Trade and other payables		3,752,130	3,293,095
Unclaimed dividend		66,545	65,465
Mark-up accrued		71,457	40,444
Short-term borrowings		3,329,038	2,489,701
Current portion of liabilities against assets subject to finance lease	6	12,551	17,368
Current portion of liabilities against diminishing musharaka finance		23,698	16,053
		<b>7,255,419</b>	<b>5,922,126</b>
<b>Total liabilities</b>		<b>7,420,302</b>	<b>6,155,816</b>
<b>Contingencies and commitments</b>	7		
<b>Total equity and liabilities</b>		<b>11,969,762</b>	<b>10,961,028</b>

The annexed notes 1 to 13 form an integral part of these condensed interim financial information.



Mujtaba Rahim  
Chief Executive Officer



M Veqar Arif  
Director & Chief Financial Officer

# CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the quarter and nine months period ended 30 June 2019

	Note	Quarter ended		Nine months period ended	
		30 June 2019	30 June 2018	30 June 2019	30 June 2018
----- (Rupees '000) -----					
<b>Sales</b>	8	<b>5,115,044</b>	4,226,492	<b>13,770,095</b>	11,153,558
Discount and commission	8	<b>235,143</b>	162,560	<b>582,769</b>	460,897
Sales tax	8	<b>79,015</b>	81,555	<b>223,113</b>	247,507
		<b>314,158</b>	244,115	<b>805,882</b>	<b>708,404</b>
<b>Net sales</b>	8	<b>4,800,886</b>	3,982,377	<b>12,964,213</b>	10,445,154
Cost of goods sold		<b>3,589,599</b>	2,928,595	<b>9,587,561</b>	7,630,997
<b>Gross profit</b>		<b>1,211,287</b>	1,053,782	<b>3,376,652</b>	2,814,157
Distribution and marketing expenses		<b>225,406</b>	207,144	<b>684,278</b>	662,216
Administrative expenses		<b>112,526</b>	119,537	<b>367,027</b>	358,969
Other operating expenses		<b>40,881</b>	20,026	<b>251,532</b>	103,179
		<b>378,813</b>	346,707	<b>1,302,837</b>	1,124,364
		<b>832,474</b>	707,075	<b>2,073,815</b>	1,689,793
Other income		<b>3,102</b>	6,053	<b>11,009</b>	12,239
<b>Operating profit</b>		<b>835,576</b>	713,128	<b>2,084,824</b>	1,702,032
Finance costs		<b>384,588</b>	135,976	<b>708,489</b>	340,472
<b>Profit before taxation</b>		<b>450,988</b>	577,152	<b>1,376,335</b>	1,361,560
Taxation - net		<b>144,265</b>	124,306	<b>267,372</b>	324,086
<b>Profit after taxation</b>		<b>306,723</b>	452,846	<b>1,108,963</b>	1,037,474
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>306,723</b>	452,846	<b>1,108,963</b>	1,037,474
----- (Rupees) -----					
<b>Earnings per share</b>	9	<b>8.99</b>	13.27	<b>32.50</b>	30.41

The annexed notes 1 to 13 form an integral part of these condensed interim financial information.



Mujtaba Rahim  
Chief Executive Officer



M Veqar Arif  
Director & Chief Financial Officer

## CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the nine months period ended 30 June 2019

	Note	30 JUNE	
		2019	2018
------(Rupees in '000)-----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	10	1,205,158	2,184,780
Staff gratuity paid		(29,353)	(5,403)
Mark-up paid		(148,834)	(377,486)
Income taxes paid		(261,602)	(455,629)
Movement in long-term loans and advances		573	1,019
Movement in long-term deposits and prepayments		341	931
<b>Net cash generated from operating activities</b>		<b>766,283</b>	<b>1,348,212</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(183,146)	(303,771)
Proceeds from disposal of property, plant and equipment		5,749	5,402
<b>Net cash used in investing activities</b>		<b>(177,397)</b>	<b>(298,369)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment against finance lease obligations		(15,790)	(43,846)
Payment against diminishing musharaka		18,912	11,438
Short-term loans - proceeds		2,487,750	400,000
Short-term borrowings - repayments		(1,470,000)	(747,900)
Dividend paid		(1,363,635)	(1,685,568)
<b>Net cash used in financing activities</b>		<b>(342,763)</b>	<b>(2,065,876)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>246,123</b>	<b>(1,016,033)</b>
Cash and cash equivalents at beginning of the period		(1,057,596)	(117,153)
<b>Cash and cash equivalents at end of the period</b>	11	<b>(811,473)</b>	<b>(1,133,186)</b>

The annexed notes 1 to 13 form an integral part of these condensed interim financial information.



Mujtaba Rahim  
Chief Executive Officer



M Veqar Arif  
Director & Chief Financial Officer

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months period ended 30 June 2019

	Issued, subscribed and paid- up capital	General reserves		Total
		Revenue reserves	Unappropri- ated profit	
------(Rupees in '000)-----				
<b>Balance as at 30 September 2017 (audited)</b>	341,179	2,808,000	1,868,467	5,017,646
Transfer to revenue reserves appropriated subsequent to year end	-	160,000	(160,000)	-
<b>Transactions with owners of the Company Distribution</b>				
Final cash dividend at 500% (i.e. Rs. 50 per share) for the year ended 30 September 2017	-	-	(1,705,894)	(1,705,894)
<b>Total comprehensive income for the period</b>				
Total comprehensive income for the nine months period ended 30 June 2018	-	-	1,037,474	1,037,474
<b>Balance as at 30 June 2018 (unaudited)</b>	<u>341,179</u>	<u>2,968,000</u>	<u>1,040,047</u>	<u>4,349,226</u>
<b>Balance as at 30 September 2018 (audited)</b>	341,179	2,968,000	1,496,033	4,805,212
Transfer to revenue reserves appropriated subsequent to year end	-	128,000	(128,000)	-
<b>Transactions with owners of the Company Distribution</b>				
Final cash dividend at 400% (i.e. Rs. 40 per share) for the year ended 30 September 2018	-	-	(1,364,715)	(1,364,715)
<b>Total comprehensive income for the period</b>				
Total comprehensive income for the nine months period ended 30 June 2019	-	-	1,108,963	1,108,963
<b>Balance as at 30 June 2019 (unaudited)</b>	<u>341,179</u>	<u>3,096,000</u>	<u>1,112,281</u>	<u>4,549,460</u>

The annexed notes 1 to 13 form an integral part of these condensed interim financial information.



Mujtaba Rahim  
Chief Executive Officer



M Veqar Arif  
Director & Chief Financial Officer

# **CONDENSED INTERIM NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (UNAUDITED)**

For the quarter and nine months period ended 30 June 2019

## **1. THE COMPANY AND ITS OPERATIONS**

Archroma Pakistan Limited ("the Company") is a limited liability company and is incorporated and domiciled in Pakistan. The address of its registered office is 1-A/1, Sector 20 Korangi Industrial Area, Korangi, Karachi, Pakistan. The Company is listed on the Pakistan Stock Exchange. The Company is a subsidiary of Archroma Textiles S.a.r.l incorporated in Luxembourg, head quartered in Reinach, Switzerland which holds 75% of the share capital of the Company. At the reporting date, Mr. Ann Lavrysen is the Chief Executive Officer of the Holding Company and its latest financial statements have been prepared on going concern basis on which Group auditor have expressed unmodified opinion.

The Company is primarily engaged in the manufacture and sale of chemicals, dyestuffs and coatings, adhesive & sealants. It also acts as an indenting agent.

The manufacturing facilities and sales offices of the company are situated at the following locations:

### **Factories**

- Petro Road, Jamshoro, Sindh
- LX-10 & LX-11 Landhi Industrial Area Karachi, Sindh

### **Sales offices**

- Katar Bund Road, Off. Multan Road, Thokar Niaz Baig, Lahore
- Canal Road, Abdullah Pur, Faisalabad
- House # 78, Block S, Masoom Shah Road Gulistan Chowk New Multan

## **2. BASIS OF PREPARATION**

### **2.1 Statement of compliance**

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

International Accounting Standard 34 - "Interim Financial Reporting" 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 provision of and directives issued under the Companies Act, 2017 differ with the with the requirements of IAS 34, the provision of and directives issued under the Companies Act, 2017 have been followed.

### **2.2 Basis of measurement**

These condensed interim financial statements have been prepared under the historical cost convention excepts as stated otherwise and should be read in conjunction with the annual audited financial statements of the Company for the year ended 30 September 2018.

### **2.3 Functional and presentation currency**

These condensed interim financial statements are presented in Pakistani Rupees which is also the Company's functional currency.

# **CONDENSED INTERIM NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (UNAUDITED)**

For the quarter and nine months period ended 30 June 2019

## **3. SIGNIFICANT ACCOUNTING POLICIES**

**3.1** The accounting policies and method of computation adopted in the preparation of this condensed interim financial statements are consistent with those applied in preparation of the published annual audited financial statements of the Company for the year ended 30 September 2018 except for the changes in accounting policies as stated in note below in 3.2.1;

### **3.2 Changes in accounting policies**

**3.2.1** IFRS 15 - Revenue from contracts with customers (IFRS 15) became applicable to the Company for the period beginning from October 1, 2018. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when customer obtains control of goods or services.

Management has concluded the revenue from sale of goods be recognized at the point in time when control of the asset is transferred to the customer, which is when the goods are delivered and invoiced to the customer.

The above is generally consistent with the timing and amounts of revenue that the Company recognised in accordance with the previous standard, IAS 18. Accordingly, management has concluded that the adoption of IFRS 15 does not have any material impact on timing and amounts of revenue recognition of the Company.

**3.3** Standards, Interpretations and Amendments to Published Approved Accounting and Reporting Standards that are not yet effective. There are certain other standards and amendments to the approved accounting and reporting standards that will be applicable for annual accounting periods beginning on and after October 1, 2019. However, currently management considers that these pronouncements will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these condensed interim financial statements.

## **4. CRITICAL ACCOUNTING ESTIMATE AND JUDGEMENTS**

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed interim financial information, 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 the annual financial statements of the Company for the year ended 30 September 2018. except for the changes as stated in note 3.2.1 above.

## CONDENSED INTERIM NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (UNAUDITED)

For the quarter and nine months period ended 30 June 2019

### 5. PROPERTY, PLANT AND EQUIPMENT

5.1 The following operating assets have been added during the nine months period ended 30 June 2019:

	Building	Plant and machinery		Furniture, fixtures and equipment		Vehicles		Total June 2019	Total June 2018
		Owned	Owned	Leased	Owned	Leased			
----- (Rupees in '000) -----									
Additions for the Period									
31 March 2019	-	24,573	21,854	3,400	-	22,540	72,367	81,485	
Additions for the quarter									
30 June 2019	2,094	-	6,239	-	-	7,449	15,782	20,247	
<b>Total</b>	<b>2,094</b>	<b>24,573</b>	<b>28,093</b>	<b>3,400</b>	<b>-</b>	<b>29,989</b>	<b>88,149</b>	<b>101,732</b>	

5.2 Additions to leased vehicles includes direct additions of Rs.6.85 million and transfer of Rs.23.14 million from capital work in progress.

5.3 Additions to owned furniture, fixtures and leased equipment includes direct additions of Rs. 11.99 million and transfers of Rs.19.50 million from capital work in progress, respectively.

5.4 Property, plant and equipment disposed off during the nine months period ended 30 June are as follows:

	Building	Plant and machinery	Furniture, fixtures and equipment		Vehicles		Total June 2019	Total June 2018
			Owned	Leased	Owned	Leased		
----- (Rupees in '000) -----								
Cost	-	-	6,257	-	2,140	12,948	21,345	19,818
Accumulated depreciation	-	-	(6,205)	-	(2,118)	(7,904)	(16,227)	(11,853)
<b>Net book value</b>	<b>-</b>	<b>-</b>	<b>52</b>	<b>-</b>	<b>22</b>	<b>5,044</b>	<b>5,118</b>	<b>7,965</b>

5.5 Addition to Capital work- in- progress amounting to Rs. 121.534 million during the nine months period ended 30 June 2019.

### 6. SHORT TERM BORROWING - secured

6.1 Short term Islamic finance facilities are available under Islamic financing from various banks under profit arrangements, amounting to Rs. 4,200 million (30 September 2018: Rs. 3,500 million). These facilities have various maturity dates up to 31 Jan 2020. These arrangements are secured against pari passu charge of hypothecation on stock-in-trade and trade debts with minimum 16.67% margin. These facilities carry profit ranging from 1 month KIBOR+0.25% to 3 months KIBOR+ 0.4% per annum calculated on daily products basis and payable quarterly. The aggregate amount of these facilities which have not been availed as at the balance sheet date amounting to Rs.869.642 million (30 September 2018: Rs.1,059.57 million)

6.2 The Company has availed Islamic Export Refinance facility amounting to Rs. 915 million under the Islamic Export Financing Scheme of the State Bank of Pakistan (SBP) (30 September 2018: Rs. 900 million). The profit rate of the facility ranges from 2.5% to 2.75% per annum.

6.3 The company has obtained Istisna loan during the nine months period ended 30 June 2019, amounting to Rs.295 million (30 September 2018: Rs. Nil) under short term Islamic finance facilities available to the Company.

# CONDENSED INTERIM NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (UNAUDITED)

For the quarter and nine months period ended 30 June 2019

## 7. CONTINGENCIES AND COMMITMENTS

### 7.1 Contingencies

7.1.1 There have been no changes in the contingencies as disclosed in the audited annual financial statements of the Company as at and for the year ended 30 September 2018.

### 7.2 Commitments

7.2.1 Commitments for rentals under operating lease agreements in respect of vehicles and equipment amounted to Rs. Nil (30 September 2018: Rs. 0.475 million) payable as following:

	<b>Unaudited June 30, 2019</b>	Audited September 30, 2018
	----- <b>(Rupees in '000)</b> -----	
Not later than one year	-	475
Later than one year but not later than five years	-	-
	<u>-</u>	<u>475</u>

7.2.2 Commitments for rentals under operating lease agreement in respect of rented property amounted to Rs.110.327 million (30 September 2018: Rs. 43.249 million) are as follows:

	<b>Unaudited June 30, 2019</b>	Audited September 30, 2018
	----- <b>(Rupees in '000)</b> -----	
Not later than one year	11,685	10,417
Later than one year but not later than five years	60,344	23,672
Later than five years	38,298	9,160
	<u>110,327</u>	<u>43,249</u>

7.2.3 Commitments for Ijarah rentals in respect of Ijarah transactions amount to Rs. Nil (30 September 2018:Rs.0.377 million)are as follows:

	<b>Unaudited June 30, 2019</b>	Audited September 30, 2018
	----- <b>(Rupees in '000)</b> -----	
Not later than one year	-	377
Later than one year but not later than five years	-	-
	<u>-</u>	<u>377</u>

7.2.4 Commitments for capital expenditure as at 30 June 2019 aggregated Rs. 18.21 million (30 September 2018:Rs.18.47 million)

7.2.5 Commitments under letters of credit for raw material and stores and spares as at 30 June 2019 amounted to Rs. 732.0 million (30 September 2018:Rs.666.903 million).

7.2.6 The Company has provided post dated cheques amounting to Rs. 2,463.91 million (30 September 2018: Rs. 600.99 million) in favour of the collector of customs and which are, in the normal course of business, to be returned to the Company after fulfillment of certain conditions.

# CONDENSED INTERIM NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (UNAUDITED)

For the quarter and nine months period ended 30 June 2019

## 8. Segment Information

(a) Segment information for the nine months period ended 30 June 2019:

	Brand & Performance Textile Specialties		Others *		Total	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	----- (Rupees in '000) -----					
<b>Sales</b>						
Domestic	9,395,880	7,879,442	1,456,675	1,631,141	10,852,555	9,510,583
Export	2,850,957	1,564,499	66,583	78,476	2,917,540	1,642,975
<b>Total sales</b>	<b>12,246,837</b>	<b>9,443,941</b>	<b>1,523,258</b>	<b>1,709,617</b>	<b>13,770,095</b>	<b>11,153,558</b>
Discount & commission	572,292	452,243	10,477	8,654	582,769	460,897
Sales tax	33,383	38,628	189,730	208,879	223,113	247,507
	605,675	490,871	200,207	217,533	805,882	708,404
<b>Net sales (from external customers)</b>	<b>11,641,162</b>	<b>8,953,070</b>	<b>1,323,051</b>	<b>1,492,084</b>	<b>12,964,213</b>	<b>10,445,154</b>
<b>Segment results based on 'management approach'</b>	<b>2,039,145</b>	<b>1,577,588</b>	<b>144,750</b>	<b>203,680</b>	<b>2,183,895</b>	<b>1,781,268</b>
Other expenses - WPPF & WWF					(103,854)	(78,244)
Assets charged to profit and loss for internal reporting purposes based on group guidelines					4,783	(992)
<b>Operating profit</b>					<b>2,084,824</b>	<b>1,702,032</b>
Finance costs					(708,489)	(340,472)
<b>Profit before taxation</b>					<b>1,376,335</b>	<b>1,361,560</b>
<b>Fixed Capital Expenditure</b>	<b>140,019</b>	<b>287,431</b>	<b>5,309</b>	<b>3,078</b>	<b>145,328</b>	<b>290,509</b>
Unallocated					37,818	13,262
					<b>183,146</b>	<b>303,771</b>
<b>Depreciation</b>	<b>173,965</b>	<b>176,834</b>	<b>2,394</b>	<b>1,065</b>	<b>176,359</b>	<b>177,899</b>
Unallocated					14,318	10,988
					<b>190,677</b>	<b>188,887</b>
	Brand & Performance Textile Specialties		Others *		Total	
	Unaudited 30 June 2019	Audited 30 September 2018	Unaudited 30 June 2019	Audited 30 September 2018	Unaudited 30 June 2019	Audited 30 September 2018
	----- (Rupees in '000) -----					
<b>Segment Assets</b>	<b>8,871,563</b>	<b>7,395,577</b>	<b>544,192</b>	<b>707,509</b>	<b>9,415,755</b>	<b>8,103,086</b>
Unallocated					2,554,007	2,857,942
<b>Total Assets</b>					<b>11,969,762</b>	<b>10,961,028</b>
<b>Segment Liabilities</b>	<b>3,022,386</b>	<b>2,489,802</b>	<b>284,316</b>	<b>273,863</b>	<b>3,306,702</b>	<b>2,763,665</b>
Unallocated					4,113,600	3,392,151
<b>Total Liabilities</b>					<b>7,420,302</b>	<b>6,155,816</b>

\* Others mainly include coating, adhesives & sealants, paper chemicals and dyes. These do not constitute a separately reportable segment.

# CONDENSED INTERIM NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (UNAUDITED)

For the quarter and nine months period ended 30 June 2019

(b) Segments information for the quarter ended 30 June 2019:

	Brand & Performance Textile Specialties		Others *		Total	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	(Rupees in '000)					
<b>Sales</b>						
Domestic	3,347,448	2,919,256	510,715	520,650	3,858,163	3,439,906
Export	1,256,881	762,844	-	23,742	1,256,881	786,586
<b>Total sales</b>	<b>4,604,329</b>	<b>3,682,100</b>	<b>510,715</b>	<b>544,392</b>	<b>5,115,044</b>	<b>4,226,492</b>
Discount & commission	231,698	160,794	3,445	1,766	235,143	162,560
Sales tax	11,882	10,081	67,133	71,474	79,015	81,555
	243,580	170,875	70,578	73,240	314,158	244,115
<b>Net sales (from external customers)</b>	<b>4,360,749</b>	<b>3,511,225</b>	<b>440,137</b>	<b>471,152</b>	<b>4,800,886</b>	<b>3,982,377</b>
<b>Segment results based on 'management approach'</b>	<b>772,376</b>	<b>672,551</b>	<b>96,414</b>	<b>59,295</b>	<b>868,790</b>	<b>731,846</b>
Other operating expenses - WPPF / WWF					(34,000)	(19,145)
Assets charged to profit and loss for internal reporting purposes based on group guidelines					786	427
<b>Operating profit</b>					<b>835,576</b>	<b>713,128</b>
Finance costs					(384,588)	(135,976)
<b>Profit before taxation</b>					<b>450,988</b>	<b>577,152</b>
<b>Fixed Capital Expenditure</b>	<b>60,886</b>	<b>142,322</b>	<b>2,878</b>	<b>2,888</b>	<b>63,764</b>	<b>145,210</b>
Unallocated					5,911	1,083
					<b>69,675</b>	<b>146,293</b>
<b>Depreciation</b>	<b>55,717</b>	<b>54,206</b>	<b>1,690</b>	<b>701</b>	<b>57,407</b>	<b>54,907</b>
Unallocated					5,735	5,813
					<b>63,142</b>	<b>60,720</b>

\* Others mainly include coating, adhesives & sealants, paper chemicals and dyes. These do not constitute a separately reportable segment.

## CONDENSED INTERIM NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (UNAUDITED)

For the quarter and nine months period ended 30 June 2019

9. EARNINGS PER SHARE	Quarter ended		Nine months period ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
9.1 Basic	----- (Rupees 000) -----			
Profit after taxation attributable to ordinary shareholders	<b>306,723</b>	452,846	<b>1,108,963</b>	1,037,474
	----- (Number of shares) -----			
Weighted average number of ordinary shares outstanding during the period	<b>34,117,881</b>	34,117,881	<b>34,117,881</b>	34,117,881
	----- (Rupees) -----			
Earning per share	<b>8.99</b>	13.27	<b>32.50</b>	30.41

### 9.2 Diluted

There were no convertible dilutive potential ordinary shares in issue as at 30 June 2019 and 2018.

10. CASH GENERATED FROM OPERATIONS	Note	Nine months period ended	
		30 June 2019	30 June 2018
		(Rupees in '000)	
Profit before taxation		<b>1,376,335</b>	1,361,560
Adjustment for non-cash charges and other items:			
Depreciation / amortisation		<b>190,677</b>	188,887
Loss/(Gain) on sale of Property , plant and equipment		<b>(631)</b>	2,563
Provision for staff gratuity		<b>23,499</b>	14,787
Mark-up expense		<b>179,847</b>	101,630
Provision for impairment of trade receivables		<b>143,752</b>	19,583
Working capital changes	10.1	<b>(708,321)</b>	495,770
		<b>1,205,158</b>	2,184,780

### 10.1 Working capital changes

#### (Increase) / decrease in current assets

Stores and spares	<b>(1,839)</b>	(5,848)
Stock-in-trade	<b>(534,939)</b>	(364,996)
Trade debts	<b>(545,585)</b>	(456,855)
Loans and advances	<b>(117)</b>	403
Trade deposits and short-term prepayments	<b>(15,405)</b>	(36,135)
Other receivables	<b>(69,464)</b>	288,288
	<b>(1,167,349)</b>	(575,143)

#### Increase in current liabilities

Trade and other payables	<b>459,028</b>	1,070,913
	<b>(708,321)</b>	495,770

# CONDENSED INTERIM NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (UNAUDITED)

For the quarter and nine months period ended 30 June 2019

## 11. CASH AND CASH EQUIVALENT

Cash and cash equivalents included in the cash flow statement comprise of the following balance sheet amounts:

	Nine months period ended	
	30 June 2019	30 June 2018
	(Rupees in '000)	
Cash and bank balances	599,815	628,113
Short-term running finance	(1,411,288)	(1,761,299)
	<b>(811,473)</b>	<b>(1,133,186)</b>

## 12. TRANSACTIONS WITH RELATED PARTIES

Details of transactions with related parties are as follows:

	Parent Company Quarter ended		Parent Company nine months period ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	(Rupees in '000)			
Dividend Paid	-	-	1,023,541	1,279,427

	Other Related Parties Quarter ended		Other Related Parties Nine months period ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	(Rupees in '000)			
Sales	557,815	382,135	1,430,927	905,033
Purchases of goods and machinery	161,759	162,782	407,810	481,528
Indenting commission income	2,049	1,254	5,118	3,876
Export commission expense	29,024	13,946	49,942	19,092
Royalty expenses	211,828	211,089	528,392	376,957
Other charges	44,015	35,133	126,413	100,400
Key management personnel:				
- Salaries benefits and compensations	34,390	36,029	103,556	107,797

## 13 GENERAL

Figures have been rounded off to the nearest thousand rupees.



Mujtaba Rahim  
Chief Executive Officer



M Veqar Arif  
Director & Chief Financial Officer



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