

# **QUARTERLY REPORT 2015** **(Oct - Dec 2014)**



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## COMPANY INFORMATION

Chairman / Chief Executive Officer	<ul style="list-style-type: none"><li>• Mujtaba Rahim</li></ul>	
Directors	<ul style="list-style-type: none"><li>• Dr S Mubarik Ali</li><li>• Hans Lourens (Alternate: Zafir Hussain)</li><li>• M Veqar Arif</li><li>• Rahat Kaunain Hassan</li><li>• Roland Waibel</li><li>• Thomas Winkler</li></ul>	
Company Secretary	<ul style="list-style-type: none"><li>• M Veqar Arif</li></ul>	
Management Committee	<ul style="list-style-type: none"><li>• Mujtaba Rahim</li><li>• Ali Gul Haji</li><li>• Zafir Hussain</li></ul>	<ul style="list-style-type: none"><li>• M Veqar Arif</li><li>• Naveed Kamil</li></ul>
Audit Committee	<ul style="list-style-type: none"><li>• Dr S Mubarik Ali</li><li>• Hans Lourens</li><li>• Rahat Kaunain Hassan</li><li>• M Irfan Lakhani</li></ul>	<ul style="list-style-type: none"><li>- Chairman (Alternate: Zafir Hussain)</li><li>- Secretary</li></ul>
Human Resources and Remuneration Committee	<ul style="list-style-type: none"><li>• Dr S Mubarik Ali</li><li>• Mujtaba Rahim</li><li>• M Veqar Arif</li><li>• Naveed Kamil</li></ul>	<ul style="list-style-type: none"><li>- Chairman</li><li>- Secretary</li></ul>
Bankers	<ul style="list-style-type: none"><li>• Faysal Bank 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>• RIAALAW</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>	
Factory	<ul style="list-style-type: none"><li>• Petaro Road, Jamshoro</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>• 20-T, Block Masoom Shah Road, Near 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>	

## REPORT OF BOARD OF DIRECTORS

The Directors of your Company are pleased to present the Financial Statements and Report for the first quarter ended 31 December 2014.

### **Business Overview**

During the period under review with cluster of imponderables emerging on the business scene, all at nearly the same time, Company continued with same passion for maintaining sustainable market leadership position and focused on minimizing business risks and reducing cost. The parameters of risk management were strictly monitored by the Company and we put our utmost efforts to win the challenges to maintain sustainable profitable growth with the right mindset and truly driving ACTS which is our vehicle to deliver.

The Company has posted a favourable sales growth of 6% in the segment textiles and paper at 32% in comparison to the corresponding period. The increase in sales has been made possible through price and portfolio management applying the best

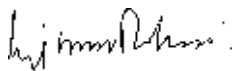
selling proficiency together with technical and commercial skills to create value for customers.

### **Future Outlook**

Looking forward 2015 we have to make this better performing year by smartly capturing the opportunities and overcoming the challenges. For the ensuing year the key priority would be margin focused approach to business growth and need to keep strict discipline in cost as well as net working capital.

We know the road ahead is bumpy and the global economic changes due to crashing of oil prices, volatility in global currencies, geo political situation will further the challenges on local economic front.

On behalf of the Board



Mujtaba Rahim  
Chairman & Chief Executive Officer

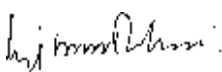
Karachi: 29 January 2015

# CONDENSED INTERIM BALANCE SHEET


As at 31 December 2014

	Note	Unaudited 31 December 2014	Audited 30 September 2014
----- (Rupees in '000) -----			
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	4	994,934	1,021,329
Long-term loans and advances		20,028	23,045
Long-term deposits		2,639	2,639
Long term Prepayments		2,400	2,472
		1,020,001	1,049,485
<b>Current Assets</b>			
Stores and spares		21,951	24,923
Stock-in-trade		1,819,652	1,566,757
Trade debts		1,962,423	2,030,655
Loans and advances		18,217	22,872
Trade deposits and short-term prepayments		25,157	19,494
Other receivables		1,669,965	1,607,689
Taxation - net		76,061	-
Cash and bank balances		352,023	406,769
		5,945,449	5,679,159
<b>Total Assets</b>		<b>6,965,450</b>	<b>6,728,644</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
Revenue reserves		2,983,000	2,803,000
Unappropriated profit		178,354	1,034,067
<b>Shareholders' Equity</b>		<b>3,502,533</b>	<b>4,178,246</b>
<b>LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
Deferred tax - net		44,953	44,953
<b>Current Liabilities</b>			
Trade and other payables		2,568,127	1,540,725
Mark-up accrued		14,547	24,991
Short-term borrowings		835,290	892,577
Taxation - net		-	47,152
		3,417,964	2,505,445
<b>Total Liabilities</b>		<b>3,462,917</b>	<b>2,550,398</b>
<b>Contingencies and Commitments</b>			
	5		
<b>Total Equity and Liabilities</b>		<b>6,965,450</b>	<b>6,728,644</b>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.



Mujtaba Rahim  
Chairman & Chief Executive Officer



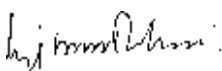
M Veqar Arif  
Director & Chief Financial Officer

# CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)


For the Three Months Ended 31 December 2014

	Note	31 December 2014	31 December 2013
		----- (Rupees in '000) -----	
<b>Sales</b>	7	2,075,882	2,065,198
Discount & Commission	7	127,766	120,246
Sales tax	7	82,446	83,276
		210,212	203,522
<b>Net Sales</b>	7	1,865,670	1,861,676
Cost of goods sold		1,393,488	1,415,807
<b>Gross profit</b>		472,182	445,869
Distribution and marketing expenses		156,803	155,504
Administrative expenses		62,342	41,192
Other operating expenses		26,205	20,414
		245,350	217,110
Other operating income		7,159	11,613
		233,991	240,372
Finance (income) / cost		3,495	(506)
<b>Profit before taxation</b>		230,496	240,878
Taxation - net		53,262	60,997
<b>Profit after taxation</b>		177,234	179,881
Other comprehensive Income		-	-
<b>Total Comprehensive Income for the Period</b>		177,234	179,881
		( Rupees)	
<b>Earnings per share</b>	8.1	5.19	5.27

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.



Mujtaba Rahim  
Chairman & Chief Executive Officer



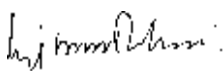
M Veqar Arif  
Director & Chief Financial Officer

# CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

For the Three Months Ended 31 December 2014

	Note	31 December	
		2014	2013
		----- (Rupees in '000) -----	
<b>Cash flows from operating activities</b>			
Cash generated from operations	9	241,276	343,701
Staff gratuity paid		(26,631)	(12,423)
Mark-up paid		(29,793)	(11,654)
Income taxes paid		(176,475)	(305,435)
Movement in long-term loans and advances		3,017	931
Movement in long-term deposits and prepayments		72	(1,501)
<b>Net cash generated in operating activities</b>		11,466	13,619
<b>Cash flows from investing activities</b>			
Fixed capital expenditure		(8,829)	(40,194)
<b>Net cash used in investing activities</b>		(8,829)	(40,194)
<b>Cash flows from financing activities</b>			
Short-term loans - proceeds		130,144	-
- repayments		(125,000)	-
Dividend paid		(96)	(48)
<b>Net cash generated / used in financing activities</b>		5,048	(48)
<b>Net increase / decrease in cash and cash equivalents</b>		7,685	(26,623)
Cash and cash equivalents at beginning of the period		39,192	754,945
<b>Cash and cash equivalents at end of the period</b>	10	46,877	728,322

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.



Mujtaba Rahim  
Chairman & Chief Executive Officer



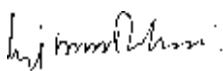
M Veqar Arif  
Director & Chief Financial Officer

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

For the Three Months Ended 31 December 2014

	Issued, subscribed and paid-up capital	Revenue reserves	Unappropri- ated profit	Total shareholders' equity
	(Rupees in '000)			
<b>Balance as at 30 September 2013</b>	341,179	2,605,000	1,724,333	4,670,512
Transfer to revenue reserves appropriated subsequent to year end	-	-	-	-
Total comprehensive income for the first quarter ended 31 December 2013	-	-	179,881	179,881
<b>Balance as at 31 December 2013</b>	<u>341,179</u>	<u>2,605,000</u>	<u>1,904,214</u>	<u>4,850,393</u>
<b>Balance as at 30 September 2014</b>	341,179	2,803,000	1,034,067	4,178,246
Transfer to revenue reserves appropriated subsequent to year end	-	180,000	(180,000)	-
Final cash dividend for the year ended 30 September 2014 declared subsequent to year end	-	-	(852,947)	(852,947)
Total comprehensive income for the first quarter ended 31 December 2014	-	-	177,234	177,234
<b>Balance as at 31 December 2014</b>	<u>341,179</u>	<u>2,983,000</u>	<u>178,354</u>	<u>3,502,533</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.



Mujtaba Rahim  
Chairman & Chief Executive Officer



M Veqar Arif  
Director & Chief Financial Officer



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

For the Three Months Ended 31 December 2014

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

Archroma Pakistan limited 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 Karachi 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 percent of the share capital of the Company.

The Company is engaged in the manufactures and sells chemicals, dyestuffs and emulsions, mainly for textile, paper, paint and construction industries. It also acts as an indenting agent.

## **2. STATEMENT OF COMPLIANCE**

These condensed interim financial information have been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of IAS 34: Interim Financial Reporting , issued by the International Accounting Standards Board. the requirements of the Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Where the requirements of the Companies Ordinance, 1984 and the directives issued by the SECP differ with the requirements of IAS 34, the requirements of the Companies Ordinance, 1984 and the directives issued by SECP prevail.

These condensed financial information should be read in conjunction with the financial statements of the company for the year ended 30 September 2014.

## **3. ACCOUNTING POLICIES**

- 3.1** The accounting policies adopted in the preparation of this condensed interim financial information are consistent with those applied in preparation of the published annual financial information of the Company for the year ended 30 September 2014.

## **4. PROPERTY, PLANT AND EQUIPMENT**

- 4.1** The following operating assets have been added during the first quarter ended 31 December 2014:

	<b>Building</b>	<b>Plant and machinery</b>	<b>Furniture, fixtures and equipment</b>	<b>Vehicles</b>	<b>Total December 2014</b>	<b>Total December 2013</b>
	<b>(Rupees in '000)</b>					
Additions upto 31 December 2014	-	7,981	848	-	8,829	40,194
Total	-	7,981	848	-	8,829	40,194

## **5. CONTINGENCIES AND COMMITMENTS**

### **5.1 Contingencies**

- 5.1.1** There have been no changes in the contingencies as disclosed in the annual financial statements of the Company for the year ended 30 September 2014.

- 5.1.2** The Company has provided bank guarantees amounting to Rs.56.766 million (30 September 2014: Rs 56.766 million) in favour of third parties.

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

For the Three Months Ended 31 December 2014

## 5.2 Commitments

**5.2.1** Commitments for rentals under operating lease agreements in respect of vehicles and equipment amounted to Rs 37.157 million (30 September 2014: Rs 20.985 million) payable as following:

	Unaudited December 31, 2014	Audited September 30, 2014
----(Rupees in '000)----		
Payable within one year	7,543	7,539
Payable over one to five years	29,614	13,446
	<u>37,157</u>	<u>20,985</u>

**5.2.2** Commitments for rentals under operating lease agreement in respect of rented property amounted to Rs.18.362 million (30 September 2014:Rs.17.161 million)

	Unaudited December 31, 2014	Audited September 30, 2014
----(Rupees in '000)----		
Payable within one year	5,116	660
Payable over one to five years	13,246	16,501
	<u>18,362</u>	<u>17,161</u>

**5.2.3** Commitments for ijarah rentals in respected of ijarah transactions amount to Rs 95.361million (30 September 2014:Rs. 74.439 million).

	Unaudited December 31, 2014	Audited September 30, 2014
----(Rupees in '000)----		
Payable within one year	36,422	28,723
Payable over one to five years	58,939	45,716
	<u>95,361</u>	<u>74,439</u>

**5.2.4** Commitments for capital expenditure as at 31 December 2014 aggregated Rs 0.090 million (30 September 2014: Rs 12.993 million).

## 6. FINANCIAL RISK MANAGEMENT

The Company's activities are exposed to a variety of financial risk namely credit risk, foreign exchange risk, interest rate risk and liquidity risk. The Company is not exposed to any price risk as it does not hold any investment exposed to price risk. The Company has established adequate to manage these risks.

This condensed interm financial information does not include the financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with Company's annual financial statements as at 30 September 2014. There have been no changes in the risk management policies since the year end.

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

For the Three Months Ended 31 December 2014

## 7. Segment Information

### Segment information for the three months ended 31 December 2014

	Textile		Emulsions		Paper		Others		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
<b>Sales</b>										
Local	1,377,626	1,570,300	279,768	296,237	56,530	43,460	70,731	155,201	1,784,655	2,065,196
Export	290,507	1,570,300	720	296,237	57,250	43,460	70,731	155,201	2,078,882	2,065,196
<b>Total sales</b>	<b>1,668,133</b>	<b>1,570,300</b>	<b>279,768</b>	<b>296,237</b>	<b>57,250</b>	<b>43,460</b>	<b>70,731</b>	<b>155,201</b>	<b>2,078,882</b>	<b>2,065,196</b>
Discount & commission	122,501	114,549	5,265	5,579	-	118	-	-	127,766	120,246
Sales tax	32,634	33,267	41,597	43,786	8,215	6,223	-	-	82,446	83,276
	155,135	147,816	46,862	49,365	8,215	6,341	-	-	210,212	203,522
<b>Net sales (from external customers)</b>	<b>1,512,998</b>	<b>1,422,484</b>	<b>232,906</b>	<b>246,872</b>	<b>49,035</b>	<b>37,119</b>	<b>70,731</b>	<b>155,201</b>	<b>1,865,670</b>	<b>1,861,676</b>
<b>Segment results based on 'management approach'</b>	<b>201,199</b>	<b>204,058</b>	<b>38,303</b>	<b>47,119</b>	<b>13,100</b>	<b>7,027</b>	<b>-</b>	<b>-</b>	<b>252,602</b>	<b>258,214</b>
Other operating expenses - WPPF & WWF									(17,500)	(19,400)
Assets charged to profit and loss for internal reporting purposes based on group guidelines									(1,111)	1,558
<b>Operating profit</b>									<b>233,991</b>	<b>240,372</b>
Finance costs									3,495	(506)
<b>Profit before taxation</b>									<b>230,496</b>	<b>240,878</b>
<b>Fixed Capital Expenditure</b>	<b>8,581</b>	<b>40,194</b>	<b>25</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,606</b>	<b>40,194</b>
Unallocated									223	40,194
<b>Depreciation / Amortisation</b>	<b>34,605</b>	<b>31,651</b>	<b>6</b>	<b>6</b>	<b>4</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>34,615</b>	<b>31,662</b>
Unallocated									609	930
									35,224	32,592
<b>Segment Assets</b>	<b>4,132,343</b>	<b>4,000,267</b>	<b>470,019</b>	<b>476,400</b>	<b>47,290</b>	<b>41,410</b>	<b>-</b>	<b>-</b>	<b>4,645,652</b>	<b>4,518,077</b>
Unallocated									2,315,798	2,210,567
<b>Total Assets</b>									<b>6,965,450</b>	<b>6,728,644</b>
<b>Segment Liabilities</b>	<b>1,095,429</b>	<b>1,262,718</b>	<b>106,996</b>	<b>268,808</b>	<b>21,240</b>	<b>8,689</b>	<b>-</b>	<b>-</b>	<b>1,223,665</b>	<b>1,540,215</b>
Unallocated									2,239,252	1,010,183
<b>Total Liabilities</b>									<b>3,462,917</b>	<b>2,550,398</b>

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

For the Three Months Ended 31 December 2014

		Quarter ended 31 December	
		2014	2013
<b>8. EARNINGS PER SHARE</b>			
		(Rupees 000)	
<b>8.1 Basic</b>			
Profit after taxation attributable to ordinary shareholders		<u>177,234</u>	<u>179,881</u>
		Number of shares	
Weighted average number of ordinary shares outstanding during the period		<u>34,117,881</u>	<u>34,117,881</u>
		(Rupees)	
Earning per share		<u>5.19</u>	<u>5.27</u>

## 8.2 Diluted

There were no convertible dilutive potential ordinary shares in issue as at 31 December 2014 and 2013.

		Note	Three months Ended 31 December	
			2014	2013
			----- (Rupees in '000) -----	
<b>9. CASH GENERATED FROM OPERATIONS</b>				
Profit before taxation			230,496	240,878
Adjustment for non-cash charges and other items:				
Depreciation / amortisation			35,224	32,592
Provision for staff gratuity			10,569	10,329
Mark-up expense			19,349	(4,715)
Provision for impairment of trade receivables			8,015	-
Working capital changes	9.1		<u>(62,377)</u>	<u>64,617</u>
			<u>241,276</u>	<u>343,701</u>
<b>9.1 Working capital changes</b>				
<b>(Increase) / decrease in current assets</b>				
Stores and spares			2,972	232
Stock-in-trade			(252,895)	66,575
Trade debts			60,217	139,372
Loans and advances			4,655	5,775
Trade deposits and short-term prepayments			(5,663)	777
Other receivables			<u>(46,214)</u>	<u>137,088</u>
			<u>(236,928)</u>	<u>349,819</u>
<b>Increase in current liabilities</b>				
Trade and other payables-net			<u>174,551</u>	<u>(285,202)</u>
			<u>(62,377)</u>	<u>64,617</u>

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

For the Three Months Ended 31 December 2014

Three months Ended 31 December	
2014	2013
----- (Rupees in '000) -----	

## 10. CASH AND CASH EQUIVALENT

Cash and bank balances	352,023	728,322
Short-term running finance	(305,146)	-

### Cash and Cash Equivalents at end of the period

46,877	728,322
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## 11. TRANSACTIONS WITH RELATED PARTIES

	Parent Company Quarter ended 31 December		Other Related Parties Quarter ended 31 December	
	2014	2013	2014	2013
----- (Rupees in '000) -----				
Sales	-	-	127,783	91,051
Purchases of goods and machinery	48,854	22,074	135,783	34,899
Indenting commission income	611	-	1,703	86
Export commission expense	-	-	7,920	3,872
Royalty expenses	2,745	4,036	-	-
Other charges	-	44,169	-	-
Key management personnel:				
- Salaries benefits and compensations	-	-	21,053	15,003
- Post employment benefits	-	-	3,017	2,277
- Share based payments	-	-	-	3,548

## 12. CORRESPONDING FIGURES

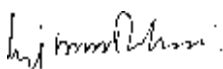
Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison.

## 13. DATE OF AUTHORISATION

These financial statements were authorised for issue on 29 January 2015 by the Board of Directors of the Company.

## 14. GENERAL

Figures have been rounded off to the nearest thousand rupees.



Mujtaba Rahim  
Chairman & Chief Executive Officer



M Veqar Arif  
Director & Chief Financial Officer



[www.archroma.com](http://www.archroma.com)

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