

Sitara Chemical Industries Limited
1st Quarter Report
September 30, 2013



2013-14





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Company Information

Board of Directors

Chairman
Chief Executive Officer
Directors

Mr. Muhammad Adrees
Mr. Imran Ghafoor
Mr. Haseeb Ahmed
Mr. Muhammad Khalil
Mr. Muhammad Arif
Mr. Nawaz ul Haq

Company Secretary

Mr. Mazhar Ali Khan

Chief Financial Officer

Mr. Anwar-ul-Haq (FCA)

Audit Committee

Chairman
Members

Mr. Imran Ghafoor
Mr. Muhammad Khalil
Mr. Nawaz ul Haq

Human Resource & Remuneration Committee

Chairman
Members

Mr. Imran Ghafoor
Mr. Muhammad Adrees
Mr. Muhammad Arif

Head of Internal Audit

Mr. Zakir Hussain (ACA)

Auditors

M/s. M.Yousuf Adil Saleem & Company
Chartered Accountants

Legal Advisor

Mr. Sahibzada Muhammad Arif

Bankers

Meezan Bank Limited
National Bank of Pakistan
Allied Bank Limited
United Bank Limited
Bank Alfalah Limited
Dubai Islamic Bank Pakistan Limited
The Bank of Punjab
MCB Bank Limited
Standard Chartered Bank Pakistan Limited
First Habib Bank Modaraba
Saudi Pak Industrial and Agricultural
Investment Company (Pvt.) Limited
Al-Baraka Islamic Bank B.S.C. (E.C.)
Faysal Bank Limited
Habib Bank Limited
Burj Bank Limited
Bank Islami Pakistan Limited
Pak Oman Investment Company Limited
Habib Metropolitan Bank Limited
My Bank Limited
Bank Al-Habib Limited
Soneri Bank Limited

Registered Office

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

Factories

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

Directors' Report

Founder of Sitara group of industries and chairman of your company, Mohtrum Haji Bashir Ahmad passed away on Friday October 04, 2013 (الشیخ بالرحمن). He had introduced new meanings to business culture. He was profoundly loved by his family, colleagues and his workers in his life. His depart is not only loss of Sitara group but also a loss of our nation. His services were recognized by Government of Pakistan by awarding him Sitara-e-Imtiaz being the highest civil award. A person that departs from this earth never truly leaves, for they are still alive in our hearts and minds, through us, they live on. Allah may rest his soul in peace Ameen!

On the behalf of Board of Directors, I am pleased to present the results of first quarter ended on September 30, 2013.

Net sales of your company for the first quarter remained Rs. 2,181 million against Rs. 2,140 million for the corresponding quarter of the last year resulting in net increase of Rs. 41 million. Net profit after tax for the quarter under review is Rs. 286 million against Rs. 301 million for the corresponding quarter of previous year. Earning per share remained at Rs. 13.35 against Rs. 14.04 of same quarter of previous year.

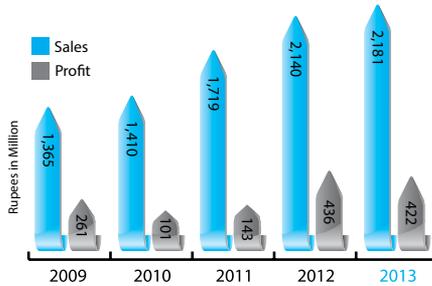
Govt. of Pakistan surprisingly made substantial increase in electricity price during this quarter. This significant surge in electricity tariff not only increased our input cost but also boosted general inflation. Had there been no such a big increase in electricity tariff, the financial results of quarter under review would have been quite better to previous year corresponding quarter in all respects.

Future Outlook

Despite of challenges, management of your company remained committed to enhance shareholder value through continued productive initiatives, upgrade of our technology footprint, prudent marketing campaigns, strict cost controls and investments in growth opportunities and people. Commercial negotiations for setting up of 30 MWe coal based power plant is being carried out with machinery suppliers. We are hopeful that L/C for design and basic engineering will be established in 2nd quarter of 2013-14.

At the end I pray to Almighty Allah for achievements in the past and as well as success in our future plans for further growth.

Graphical history of quarterly sales and net profit before tax is given hereunder:



Quarterly Sales and Net Profit Before Tax

Acknowledgements

I take this opportunity to thank all our valued stakeholders for their continued trust, patronage, support and guidance.

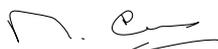
Muhammad Adrees
Chief Executive Officer
Faisalabad: October 23, 2013

Condensed Interim Balance Sheet (Un-Audited)

As at September 30, 2013

	Note	Un-audited September 30, 2013 (Rupees in thousand)	Audited June 30, 2013
NON - CURRENT ASSETS			
Property, plant and equipment	4	5,952,186	6,068,942
Intangible assets		19,451	19,950
Investment property	5	2,874,234	2,868,379
Long-term investments		67,201	63,431
Long-term loans and advances		821,105	819,303
Long-term deposits		110,432	110,432
		9,844,609	9,950,437
CURRENT ASSETS			
Stores, spare parts and loose tools		345,026	336,360
Stock-in-trade		1,118,751	1,010,809
Trade debts		1,023,617	936,929
Loans and advances		939,520	662,026
Trade deposits and short-term prepayments		12,717	9,613
Other receivables		26,219	16,599
Other financial assets		156,254	162,789
Cash and bank balances		498,451	279,535
		4,120,555	3,414,660
		13,965,164	13,365,097
SHARE CAPITAL AND RESERVES			
Share capital		214,294	214,294
Reserves		1,378,610	1,385,145
Un-appropriated profits		4,082,635	3,776,186
		5,675,539	5,375,625
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
		1,381,734	1,402,756
NON - CURRENT LIABILITIES			
Long-term financing	6	580,837	734,475
Long-term deposits		9,646	7,946
Deferred liabilities		1,262,882	1,303,385
		1,853,365	2,045,806
CURRENT LIABILITIES			
Trade and other payables		2,089,480	1,828,765
Profit / financial charges payable		66,355	70,246
Short term borrowings		1,620,378	1,529,450
Current portion of long term financing		644,238	657,250
Sales tax payable		29,803	32,424
Income tax		604,272	422,775
		5,054,526	4,540,910
CONTINGENCIES AND COMMITMENTS			
	7	13,965,164	13,365,097

The annexed selected notes 1 to 16 form an integral part of this condensed interim financial information.



Muhammad Adrees
Chief Executive Officer



Haseeb Ahmed
Director

Condensed Interim Profit and Loss Account (Un-Audited)

For The Quarter Ended September 30, 2013

	Note	For The Quarter	
		September 30, 2013	September 30, 2012
		(Rupees in thousand)	
Sales - net	8	2,181,219	2,139,901
Cost of sales	9	1,559,333	1,444,924
Gross profit		621,886	694,977
Other operating income		11,733	3,950
		633,619	698,927
Distribution cost		34,434	35,441
Administrative expenses		48,202	49,036
Other operating expenses		30,501	32,692
Finance cost		98,386	145,739
Share of (profit) / Loss of associates - net of tax		(4,397)	243
		207,126	263,151
Profit before taxation		426,493	435,776
Provision for taxation	10	140,438	135,006
Profit after taxation		286,055	300,770
Earnings per share - basic and diluted (Rupees)	11	13.35	14.04

The annexed selected notes 1 to 16 form an integral part of this condensed interim financial information.



Muhammad Adrees
Chief Executive Officer



Haseeb Ahmed
Director

Condensed Interim Statement of Other Comprehensive Income (Un-Audited)

For The Quarter Ended September 30, 2013

	For The Quarter	
	September 30, 2013	September 30, 2012
	(Rupees in thousand)	
Profit after taxation	286,055	300,770
Other comprehensive income for the period - net of tax		
Loss on re-measurement of available for sale financial assets	(6,535)	(124)
	(6,535)	(124)
Total comprehensive income for the period	<u>279,520</u>	<u>300,646</u>

The annexed selected notes 1 to 16 form an integral part of this condensed interim financial information.



Muhammad Adrees
Chief Executive Officer



Haseeb Ahmed
Director

Condensed Interim Statement of Changes in Equity (Un-Audited)

For the Quarter Ended September 30, 2013

	Share Capital	Share Premium	General Reserve	Un-appropriated Profit	Reserve on re-measurement of available for sale investments	Total
Rupees in thousand						
Balance as at July 01, 2012	214,294	97,490	1,225,000	2,849,608	16,494	4,402,886
Profit for the quarter ended September 30, 2012	-	-	-	300,770	-	300,770
Profit for the nine months ended June 30, 2103	-	-	-	7,35,334	-	7,35,334
Surplus realized on disposal of assets	-	-	-	386	-	386
Surplus on re-measurement of investment available for sale on fair value	-	-	-	-	46,161	46,161
Transfer to un-appropriated profit on account of incremental depreciation	-	-	-	61,523	-	61,523
Distribution to owners						
Final dividend for the year ended June 30, 2012	-	-	-	(171,435)	-	(171,435)
Balance as at June 30, 2013	<u>214,294</u>	<u>97,490</u>	<u>1,225,000</u>	<u>3,776,186</u>	<u>62,655</u>	<u>5,375,625</u>
Balance as at July 01, 2013	214,294	97,490	1,225,000	3,776,186	62,655	5,375,625
Profit for the quarter ended September 30, 2013	-	-	-	286,055	-	286,055
Loss on re-measurement of available for sale financial assets	-	-	-	-	(6,535)	(6,535)
Transfer to un-appropriated profit on account of incremental depreciation	-	-	-	20,394	-	20,394
Balance as at September 30, 2013	<u>214,294</u>	<u>97,490</u>	<u>1,225,000</u>	<u>4,082,635</u>	<u>56,120</u>	<u>5,675,539</u>

The annexed selected notes 1 to 16 form an integral part of this condensed interim financial information.



Muhammad Adrees
Chief Executive Officer

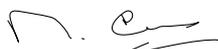


Haseeb Ahmed
Director

Condensed Interim Cash Flow Statement (Un-Audited) For The Quarter Ended September 30, 2013

	Note	For The Quarter	
		September 30, 2013	September 30, 2012
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating cash flow before working capital changes	14	654,232	714,266
Changes in working capital			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		(8,666)	46,804
Stock-in-trade		(107,942)	84,486
Trade debts		(86,688)	(151,890)
Loans and advances		(221,993)	(72,233)
Trade deposits and short-term prepayments		(3,104)	(4,856)
Other receivables		(9,620)	(47,355)
Other financial assets		-	(31,389)
(Decrease)/increase in current liabilities			
Trade and other payables		260,721	27,108
Sales tax payable		(2,621)	(11,559)
		(179,913)	(160,884)
Cash generated from operations		474,319	553,382
Finance cost paid		(102,277)	(143,538)
Employee benefits paid		(278)	(444)
Taxes paid		(55,502)	(50,603)
Profit received on bank deposits		2,058	1,167
		(155,999)	(193,418)
Net cash from operating activities		318,320	359,964
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(20,651)	(14,043)
Proceeds from disposal of property, plant and equipment		2,203	1,405
Purchase of investment property		(5,955)	(1,124)
Long-term loans and advances		(1,802)	18
Long term deposits		-	(12)
Dividend income received		829	1,075
Net cash used in investing activities		(25,376)	(12,681)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of long-term financing		(166,650)	(212,521)
Short term financing - net		90,928	(2,497)
Long term deposits		1,700	32,488
Dividend paid		(6)	-
Net cash used in financing activities		(74,028)	(182,530)
Net increase in cash and cash equivalents		218,916	164,753
Cash and cash equivalents at beginning of period		279,535	79,862
Cash and cash equivalents at end of the period		498,451	244,615

The annexed selected notes 1 to 16 form an integral part of this condensed interim financial information.



Muhammad Adrees
Chief Executive Officer



Haseeb Ahmed
Director

Selected Explanatory Notes to the Condensed Interim Financial Information (Un-Audited)

For The Quarter Ended September 30, 2013

1 LEGAL STATUS AND OPERATIONS

- 1.1 Sitara Chemical Industries Limited (“the Company”) was incorporated in Pakistan on September 08, 1981 as a public limited company under Companies Act, 1913 (now Companies Ordinance, 1984). The company is currently listed on all Stock Exchanges in Pakistan. The principal activities of the Company are operation of Chlor Alkali plant and yarn spinning unit. The registered office of the Company is situated at 601-602, Business Centre, Mumtaz Hasan Road, Karachi, in the province of Sindh and the manufacturing facilities are located at 28/32 K.M., Faisalabad - Sheikhpura Road, Faisalabad, in the province of Punjab.

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

Principal business activities are as follows:

Chemical Division	Manufacturing of caustic soda and allied products
Textile Division	Manufacturing of yarn and fabric

- 1.2 This condensed interim financial information is presented in Pak Rupee, which is the Company’s functional and presentation currency.

2 BASIS OF PREPARATION

- 2.1 This condensed interim financial information has been prepared in accordance with the directives issued by the Securities and Exchange Commission of Pakistan and is in compliance with the International Accounting Standard-34 “interim Financial Reporting” and is being submitted to shareholders as required by section 245 of the Companies Ordinance, 1984.
- 2.2 This condensed interim financial information should be read in conjunction with annual audited financial statements for the year ended June 30, 2013. Comparative balance sheet is extracted from annual audited financial statements for the year ended June 30, 2013 whereas comparative profit and loss account, comparative statement of changes in equity and comparative cash flow statement are stated from un-audited condensed interim financial information for the three months ended on September 30, 2012.

3 ACCOUNTING POLICIES AND ESTIMATES

- 3.1 The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended June 30, 2013.

4 PROPERTY, PLANT AND EQUIPMENT

	Note	Un-audited September 30, 2013 (Rupees in thousand)	Audited June 30, 2013
Operating assets	4.1	5,832,284	5,959,053
Capital work-in-progress		119,902	109,889
		<u>5,952,186</u>	<u>6,068,942</u>

Selected Explanatory Notes to the Condensed Interim Financial Information (Un-Audited)

For The Quarter Ended September 30, 2013

	Note	Un-audited September 30, 2013	Audited June 30, 2013
(Rupees in thousand)			
4.1 Operating assets			
Opening written down value		5,959,053	6,061,686
Additions during the period / year:			
Building on freehold land - Mills		-	62,426
Plant and machinery		7,998	397,218
Grid station and electric installation		-	34
Factory equipment		605	4,011
Electric equipment		552	3,478
Office equipment		444	2,790
Furniture and fittings		1,031	4,096
Vehicles		8	20,302
		10,638	494,355
Written down value of operating assets disposed off during the period / year		(2,274)	(19,096)
Depreciation charged during the period / year		(135,133)	(577,892)
		<u>5,832,284</u>	<u>5,959,053</u>
5 INVESTMENT PROPERTY			
Land	5.1	2,870,368	2,864,413
Building		3,866	3,966
		<u>2,874,234</u>	<u>2,868,379</u>
5.1 Land - at cost			
Balance at beginning of the period / year		2,864,413	2,815,630
Acquisitions		5,955	48,783
Balance at end of the period / year		<u>2,870,368</u>	<u>2,864,413</u>
Building - at cost			
Cost		13,035	13,035
Accumulated Depreciation:			
At the beginning of the period / year		9,069	8,629
For the period / year		100	440
At the end of the period / year		9,169	9,069
Written down value at the end of the period / year		<u>3,866</u>	<u>3,966</u>
6 LONG-TERM FINANCING			
Diminishing Musharka (from financial institutions - secured)		421,837	520,975
Term finances		159,000	213,500
		<u>580,837</u>	<u>734,475</u>

Selected Explanatory Notes to the Condensed Interim Financial Information (Un-Audited)

For The Quarter Ended September 30, 2013

	Un-audited September 30, 2013 (Rupees in thousand)	Audited June 30, 2013
7 CONTINGENCIES AND COMMITMENTS		
7.1 Contingencies		
Sales tax demand not acknowledged in view of pending appeals	3,398	3,398
Suppliers' claim not acknowledged in view of pending case in Civil Court	890	890
7.2 Commitments		
Outstanding letters of credit for raw material and spares	<u>48,575</u>	<u>75,509</u>
	Un-audited September 30, 2013 (Rupees in thousand)	Un-Audited September 30, 2012
8 SALES - NET		
Local	2,495,959	2,155,537
Export	68,044	285,629
	<u>2,564,003</u>	<u>2,441,166</u>
Less: Commission and discount	85,708	52,782
Sales tax	297,076	248,483
	<u>382,784</u>	<u>301,265</u>
	<u><u>2,181,219</u></u>	<u><u>2,139,901</u></u>

Selected Explanatory Notes to the Condensed Interim Financial Information (Un-Audited)

For The Quarter Ended September 30, 2013

	Un-audited September 30, 2013	Un-Audited September 30, 2012
	(Rupees in thousand)	
9 COST OF SALES		
Raw material consumed	687,297	444,659
Fuel and power	863,953	742,596
Salaries, wages and benefits	95,129	81,925
Stores and spares	73,103	63,540
Repair and maintenance	7,102	600
Vehicle running and maintenance	4,108	5,219
Traveling and conveyance	6,201	8,537
Insurance	3,804	5,533
Depreciation	127,130	128,365
Amortization	499	-
Others	1,216	14,796
	<u>1,869,542</u>	<u>1,495,770</u>
 Work-in-process		
Opening stock	48,731	45,909
Closing stock	(34,051)	(45,236)
	<u>14,680</u>	<u>673</u>
 Cost of goods manufactured	<u>1,884,222</u>	<u>1,496,443</u>
 Finished goods		
Opening stock	448,709	314,401
Purchases	7,919	-
Closing stock	(781,517)	(365,920)
	<u>(324,889)</u>	<u>(51,519)</u>
	<u>1,559,333</u>	<u>1,444,924</u>
 10 PROVISION FOR TAXATION		
Current - for the period	181,497	121,999
Deferred	(41,059)	13,007
	<u>140,438</u>	<u>135,006</u>

Selected Explanatory Notes to the Condensed Interim Financial Information (Un-Audited)

For The Quarter Ended September 30, 2013

Un-audited
September 30,
2013 Un-Audited
September 30,
2012
(Rupees in thousand)

11 EARNINGS PER SHARE - BASIC AND DILUTED

Profit for the period	286,055	300,770
Weighted average number of ordinary shares outstanding during the period	21,429	21,429
Earnings per share (Rupees)	13.35	14.04

12 TRANSACTIONS WITH RELATED PARTIES - UN-AUDITED

The related parties comprise of associated undertakings, staff retirement benefit plans, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Nature and description of significant related party transactions along with monetary values are as follows:

Relationship with the Company	Nature of transactions		
Associated Undertakings	Sales	106,015	68,200
	Purchases	36,672	57,407
	Organizational expenses recovered	1,064	208
	Organizational expenses paid	430	495
	Donation	4,105	4,248

13 SEGMENT REPORTING

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

- Chemical division : Manufacturing of caustic soda and allied products
- Textile division: Manufacturing of yarn and fabric.

13.1 Information about operating segments is as follows:

	Chemical Division		Textile Division		Total	
	Un-audited September 30, 2013	Un-audited September 30, 2012	For the quarter ended: Un-audited September 30, 2013	Un-audited September 30, 2012	Un-audited September 30, 2013	Un-audited September 30, 2012
Revenue from external customers - net	1,688,204	1,795,327	493,015	344,574	2,181,219	2,139,901
Depreciation on property, plant and equipment	124,519	126,049	10,614	8,317	135,133	134,366
Segment profit	493,327	579,535	45,922	30,722	539,249	610,257
	(Rupees in thousand)					
	Chemical Division		Textile Division		Total	
	Un-audited September 30, 2013	Un-audited September 30, 2012	For the quarter ended: Un-audited September 30, 2013	Un-audited September 30, 2012	Un-audited September 30, 2013	Un-audited September 30, 2012
Capital expenditure	10,282	5,887	356	1,233	10,638	7,120
Segment assets	9,641,476	9,190,639	1,382,051	802,860	11,023,527	9,993,499
Segment liabilities	1,085,162	549,650	70,787	37,795	1,155,949	587,445
	(Rupees in thousand)					

Selected Explanatory Notes to the Condensed Interim Financial Information (Un-Audited) For The Quarter Ended September 30, 2013

Selected Explanatory Notes to the Condensed Interim Financial Information (Un-Audited)

For The Quarter Ended September 30, 2013

	For The Quarter ended	
	Un-audited September 30, 2013 (Rupees in thousand)	Un-Audited September 30, 2012
13.2 Reconciliations of reportable segments are as follows:		
Revenue		
Total revenue for reportable segments	2,181,219	2,139,901
Profit for the period		
Total profit for reportable segments	539,249	610,257
Unallocated corporate income / (expenses)		
Other operating income	11,733	3,950
Other operating expenses	(30,500)	(32,692)
Finance cost	(98,386)	(145,739)
Share of profit / (loss) of associates - net of tax	4,397	-
Profit before income tax expense	426,493	435,776
Assets		
Total assets for reportable segments	11,023,527	9,993,499
Other unallocated corporate assets	2,941,637	3,371,598
Entity's assets	13,965,164	13,365,097
Liabilities		
Total liabilities for reportable segments	1,155,949	587,445
Other unallocated corporate liabilities	12,809,215	12,777,652
liabilities	13,965,164	13,365,097

13.3 The Company has no reportable geographical segment.

Selected Explanatory Notes to the Condensed Interim Financial Information (Un-Audited)

For The Quarter Ended September 30, 2013

	Un-audited September 30, 2013 (Rupees in thousand)	Un-Audited September 30, 2012
14 OPERATING CASH FLOW BEFORE WORKING CAPITAL CHANGES		
Profit before taxation	426,493	435,776
<u>Adjustments for:</u>		
Depreciation on property, plant and equipment	135,133	134,365
Depreciation on investment property	100	111
Amortization on intangible assets	499	-
Finance cost	98,386	145,739
Share of loss / (profit) of associated companies - net of tax	(4,397)	243
(Gain) / loss on disposal of property, plant and equipment - net	71	(806)
Exchange (gain) / loss	-	247
Provision for employee benefits	834	833
Dividend income	(829)	(1,075)
Profit on bank deposits	(2,058)	(1,167)
	<u>227,739</u>	<u>278,490</u>
	<u>654,232</u>	<u>714,266</u>

15 DATE OF AUTHORIZATION FOR ISSUE

This interim financial information has been approved by the Board of Directors of the Company and authorized for issue on October 23, 2013.

16 GENERAL

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



Sitara Chemical Industries Limited

601-602 Business Centre, Mumtaz Hassan Road,
Off. I.I Chundrigar Road, Karachi-74000
Tel: 021-32420620, 32413944

Designed & Produced by: **ASTRAL HATCH INC.**, 051-8430659