

PARTNERS IN  
PROGRESS



QUARTERLY  
**REPORT**  
MARCH 31, 2020  
(UN-AUDITED)

Descon Oxychem Limited



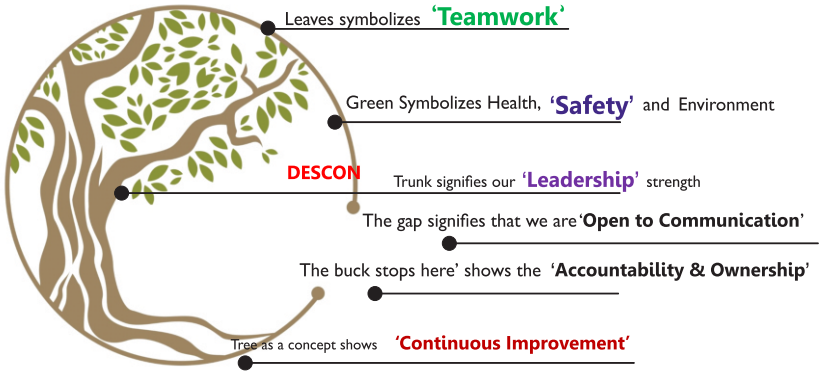
## **Vision**

Our vision is to be the leading Pakistan supplier of oxidative solutions based on hydrogen peroxide, complemented by related technologies to the textile, food safety, environmental and other industrial markets. At Descon Oxychem, we are committed to conducting our business honestly complying with all application laws-this is our committed to integrity. Our values exemplify our dedication to high standards of corporate responsibility towards all our stakeholders.

## **Mission**

The mission is underpinned by four principles including safety, innovation, sustainability and customer focus. Our world class safety record is a deep part of our company's heritage, and an incident free workplace is our first priority and foremost goal. We pride ourselves on quality products and innovative applications that are developed as a result of ingenuity and technical expertise. Industry demands constantly evolve, and we keep pace with this evolution. As an industry leader with an international footprint, we know that progress happens with hard work, a committed to success and most of all, sustainable practices. The strength and value of our business lies in our people and their commitment to working with customers to provide solutions, technology expertise and unwavering commitment towards all customers' needs

# Our Core Values



## Continuous Improvement

"We believe excellence is a commitment to improve everything we do all the time."



## Leadership

"We believe leaders inspire others to learn and achieve more."



## Accountability and Ownership

"We believe in taking responsibility for our decisions, actions and their results."



## Team Work

"We believe in the strength of the individual, yet we accomplish more by working together."



## Open Communication

"We believe open communication is the foundation of trust."



## Safety

"We believe HSE is of utmost importance and we attach the highest value to the safety of our employees and stakeholders."

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# Company Information

## Board of Directors

|                       |                         |
|-----------------------|-------------------------|
| Taimur Dawood         | Chairman                |
| Asif Qadir            | Independent Director    |
| Farooq Nazir          |                         |
| Mehreen Dawood        |                         |
| Faisal Dawood         |                         |
| Ali Asrar Hossain Aga | Independent Director    |
| Haroon Waheed         | Independent Director    |
| Imran Qureshi         | Chief Executive Officer |

## Muhammad Saqib Abbas

Chief Financial Officer

## Abdul Sohail

Company Secretary

## Auditors

M/s A.F. Ferguson & Co.  
Chartered Accountants

## Internal Auditors

M/s KPMG Taseer Hadi & Co.  
Chartered Accountants

## Legal Advisors

M/s Hassan & Hassan Advocates

## Bankers

Allied Bank Limited  
Bank Al Habib Limited  
Habib Metropolitan Bank Limited

## Share Registrar

M/s Corplink (Pvt) Limited  
Wings Arcade, 1-K Commercial Area,  
Model Town, Lahore-53000  
Tel: +92 42 35887262, 35839182  
Fax: +92 42 35869037

## Registered Office

Descon Headquarter  
18-KM Ferozpur Road  
Lahore-53000Pakistan.  
Tel: +92 42 35923721-9

## Plant Site

18-KM Lahore - Sheikhpura Road,  
Lahore, Pakistan.  
Tel: +92 42 3797 1821-24  
Fax: +92 42 3797 1831

## Web Presence

Updated Company's Information  
together with the latest Quarterly Report  
can be accessed at Descon's website,  
[www.desconoxychem.com](http://www.desconoxychem.com)

## DIRECTORS' REPORT TO THE SHAREHOLDERS

### FOR THE THREE-MONTH AND NINE-MONTH PERIOD ENDED MARCH 31, 2020

The Board of Directors of the Company are pleased to present the nine months report along with the Financial statements for the period ending March 31, 2020.

Your Company continuously strives to sustain its consistent performance despite a challenging macro-economic environment further aggravated by the ongoing pandemic situation. The results below show that despite adverse conditions the business has been able to come out of it strongly by focusing more on its revenue streams and controllable costs.

The financial highlights for the quarter and nine months are as follow;

#### Financial Highlights

|                                     | Three-month period ended |                | Nine-month period ended |                |
|-------------------------------------|--------------------------|----------------|-------------------------|----------------|
|                                     | March 31, 2020           | March 31, 2019 | March 31, 2020          | March 31, 2019 |
|                                     | Rupees in '000           |                |                         |                |
| Sales                               | <b>715,897</b>           | 639,508        | <b>2,086,635</b>        | 2,039,021      |
| Gross profit                        | <b>237,807</b>           | 147,045        | <b>599,635</b>          | 691,800        |
| Profit from operations              | <b>191,646</b>           | 90,493         | <b>461,672</b>          | 543,171        |
| Profit before taxation              | <b>182,101</b>           | 58,827         | <b>385,156</b>          | 498,264        |
| Profit for the period               | <b>127,254</b>           | 101,360        | <b>269,798</b>          | 416,940        |
| Earnings per share - Basic (Rupees) | <b>0.94</b>              | 0.99           | <b>2.38</b>             | 4.09           |
| Production - MT                     | <b>8,527</b>             | 7,493          | <b>25,375</b>           | 22,538         |

Your company has made a net profit of PKR 127 million during the three months ended March 2020 compared with a net profit of PKR 101 million in the corresponding period last year, an increase of PKR 26 million. For the first time ever, your Company is reporting Accumulated Profit of PKR 33 million on its balance sheet. Indeed, the result of a relentless effort by management over many years.

The profit for nine months ended March 2020 is recorded at PKR 270 million as compared with profit of PKR 417 million in the corresponding period last year. The decline in nine month profit numbers is attributed to negative impact of the international prices which had benefitted the Company during the same period last year. Finance cost has significantly gone up mainly due to the conversion of the preferred share capital to an inter company loan later converted into ordinary share capital during the period.

As the pandemic situation has pushed back the economy and our major customers were closed down, the management proactively introduced the sanitization / disinfection product with the brand name of SaniDol. It has not only helped the Company to minimize the impact of the revenue loss during the lock down period but also to serve the nation with an effective product at a very competitive price during these challenging times. Your Company has also donated large quantities of SaniDol to the Government & pandemic front-line public institutions as a part of its Corporate Social Responsibility. Aseptox 35 used for disinfection of food and beverages packaging is now being used by all the major food / beverages players in Pakistan. Your Company is also exploring export avenues for this product to the regional markets.

The Company has generated PKR 522 million cash from operations as compared with PKR 492 million same period last year which helped the Company service its debts and make timely repayments and meet all the requirements for capital expenditure from internally generated funds.

The company continued to demonstrate its firm commitment to all aspects of health, safety and environment as well as integrating these actions with the organizational culture. Safety performance consistently improved, and the business achieved 6.7 million man hours with zero Lost Time Incidents, since commissioning its manufacturing facilities in December 2008. There was no recordable injury to any employee or contractor. The company remained fully compliant with its risk-based employees' health surveillance program.

# DIRECTORS' REPORT TO THE SHAREHOLDERS

FOR THE THREE-MONTH AND NINE-MONTH PERIOD ENDED MARCH 31, 2020

## Future Outlook

The challenge ahead for your Company is not only to sustain the financial performance, but also find ways to maintain its margins and profits in an inflationary environment which has also adversely affected the Textile sector which contributes significantly to business revenues. The introduction of SaniDol and CareOx is part of revenue diversification strategy which is likely to mitigate the impact of Textile downturn. The initiatives taken by your Company for efficient manufacturing have started paying the dividends. Your Company is moving fast to complete the expansion of its production capacity and we are very confident that the project will be completed within the planned timelines. The business continues to invest in areas which reinforce its advantageous positions in safety, manufacturing efficiency and building market leadership.

We sincerely thank all patrons for their unflinching and steadfast support.

For and on behalf of the Board

Lahore  
April 21, 2020

  
CHIEF EXECUTIVE

  
DIRECTOR

کمپنی کے بورڈ آف ڈائریکٹرز 31 مارچ 2020ء کو اختتام پذیر مدت کے لئے مالیاتی گوشوارے اور نو ماہی رپورٹ ازراہ سمرٹ پیش کرتے ہیں۔ آپ کی کمپنی مشکل اقتصادی اور موجودہ عالمی وبا سے پیدا شدہ صورت حال کے باوجود اپنی مستقل کارکردگی کو برقرار رکھنے کے لئے مسلسل کوشش کر رہی ہے۔ مندرجہ ذیل نتائج ظاہر کرتے ہیں کہ بدترین حالات کے باوجود کاروبار اپنی آمدنی اور قابل ضبط لاگت پر بھرپور توجہ دے کر اس مشکل دور سے کافی حد تک نکل چکا ہے۔ کمپنی کے اہم مالیاتی نتائج حسب ذیل ہیں:

| اختتام پذیر صرف سال |               | اختتام پذیر سرمایہ |               |
|---------------------|---------------|--------------------|---------------|
| 31 مارچ 2019ء       | 31 مارچ 2020ء | 31 مارچ 2019ء      | 31 مارچ 2020ء |
| روپے '000           |               |                    |               |
| 2,039,021           | 2,086,635     | 639,508            | 715,897       |
| 691,800             | 599,635       | 147,045            | 237,807       |
| 543,171             | 461,672       | 90,493             | 191,646       |
| 498,264             | 385,156       | 58,827             | 182,101       |
| 416,940             | 269,798       | 101,360            | 127,254       |
| 4.09                | 2.38          | 0.99               | 0.94          |
| 22,538              | 25,375        | 7,493              | 8,527         |
|                     |               | پیپا اور (MT)      |               |

آپ کی کمپنی نے مارچ 2020ء کو اختتام پذیر سرمایہ کے دوران 127 ملین روپے کا خالص منافع کمایا ہے جو گذشتہ برس کی اسی مدت میں 101 ملین روپے تھا لہذا اس خالص منافع میں 26 ملین روپے اضافہ ریکارڈ کیا گیا۔ پہلی مرتبہ کمپنی نے اپنی بیلنس شیٹ میں 33 ملین روپے کا مجموعی منافع رپورٹ کیا ہے۔

مارچ 2020ء کو اختتام پذیر سرمایہ کے لئے 270 ملین روپے منافع ریکارڈ کیا گیا ہے جو گذشتہ برس کی اسی مدت کے دوران 417 ملین روپے تھا۔ اس نو ماہی کے دوران نفع کے اعداد میں کمی بین الاقوامی قیمتوں کے منفی اثرات سے منسوب ہے لیکن گذشتہ برس اسی مدت کے دوران اس کی وجہ سے کمپنی کو منافع ہوا تھا۔ انٹرنیشنل قرضوں کی وجہ سے قرضوں پر لاگت میں اضافہ ہوا ہے جسے اس دورانیہ میں عمومی سرمایہ رخصت میں تبدیل کر دیا گیا ہے۔

چونکہ عالمی وبائی معیشت کو شدید دھچکا دیا ہے اور ہمارے بڑے صارفین بند ہو چکے ہیں لہذا انتظامیہ نے فوری طور پر سینی ڈول کے نام سے سینی ٹائزیشن/ ڈس انفیکشن مصنوعات متعارف کرائی ہیں۔ اس طرح کمپنی کو نہ صرف لاک ڈاؤن کے دوران آمدنی میں خسارہ کے اثرات کو کم کرنے بلکہ ان مشکل حالات میں عوام کو مؤثر مصنوعات مسالفتی نرغ پرفراہم کر کے قوم کی خدمت کرنے میں مدد ملی ہے۔ آپ کی کمپنی نے کاروباری وسماجی ذمہ داری کو ملحوظ خاطر رکھتے ہوئے حکومت اور عالمی وبا سے نپٹنے کے لئے پیش پیش سرکاری اداروں کو سینی ڈول کی بھاری مقدار عطیہ کی ہے۔ کھانے اور مشروبات کو جراثیم سے پاک کرنے کے لئے ہماری پروڈکٹ ایسپ ٹوکس 35 پاکستان کے تمام بڑے کھانے/مشروبات کے مراکز میں زیر استعمال ہے۔ آپ کی کمپنی قریبی منڈیوں میں ان مصنوعات کی برآمد سے آمدنی کے نئے ذرائع تلاش کرنے میں کوشاں ہے۔

آپ کی کمپنی نے آپریٹنگ سے 522 ملین روپے حاصل کیے جو گذشتہ برس کی اسی مدت میں 492 ملین روپے تھے۔ جس کے نتیجے میں کمپنی کو نہ صرف قرضوں اور اساسوں کے اخراجات کی ادائیگی میں مدد ملی ہے۔

کمپنی صحت، حفاظت اور ماحولیات کے تمام شعبوں میں اپنے مستقل عزم کا اظہار کرتی ہے اور انہیں ادار جاتی کلچر کے ساتھ منسلک کرتی ہے۔ حفاظتی کارکردگی مسلسل طور پر بہتر ہو رہی ہے اور کاروبار نے دسمبر 2008ء میں صنعت کاری کے آغاز سے مزودوری کے 6.7 ملین گھنٹوں میں صفر حادثات ریکارڈ کیے ہیں۔ کسی بھی ملازم یا ٹھیکے دار کو کوئی چوٹ نہیں آئی ہے۔ کمپنی خطرات کے تدارک کے لئے ملازمین کی صحت کی نگرانی کے پروگرام پر سختی سے عمل پیرا ہے۔

مستقبل کا نقطہ نظر

کمپنی کو مالیاتی استحکام کے علاوہ لاگت میں اضافہ کی وجہ سے نفع کو برقرار رکھنا اور شدید متاثر ہونے والے نیگٹائل شعبہ کی کاروباری آمدنی پر منفی اثرات سے نبرد آزما ہونا جیسے بڑے چیلنجز کا سامنا رہے گا۔ سینی ڈول، کیئر آکس کا تعارف کم آمدنی کے بڑے اثرات سے نبرد آزما ہونے کا ایک کلیہ ہے جس سے نیگٹائل شعبہ کی ابتری کے اثرات سے بچا جاسکتا ہے۔ مؤثر مینوفیکچرنگ کے لئے آپ کی کمپنی کے مؤثر اقدامات سے مثبت نتائج ملنا شروع ہو گئے ہیں آپ کی کمپنی نے پیداواری صلاحیت میں توسیع کے منصوبہ کی تکمیل میں تیز رفتار پیش رفت کی ہے۔ ہمیں یقین ہے کہ منصوبہ مقررہ مدت میں مکمل ہو جائے گا۔ کاروباران شعبوں میں سرمایہ داری جاری رکھے ہوئے جو تحفظ، پیداواری صلاحیت اور اہم علاقوں میں مارکیٹ پر غلبہ حاصل کرنے میں مددگار ثابت ہو رہے ہیں۔ ہم لگاتار مسلسل حمایت کے لئے تمام سرپرستوں کا تہدول سے شکریہ ادا کرتے ہیں۔

برائے اور مخائب بورڈ آف ڈائریکٹرز

*Sanjeev*  
ڈائریکٹر

*Haroon Anwer*  
چیف ایگزیکٹو

لاہور،

21 اپریل، 2020ء

# CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED) AS AT MARCH 31, 2020

|   | Note | Un-audited<br>March 31,<br>2020<br>(Rupees in thousand) | Audited<br>June 30,<br>2019 |
|---|------|---|-----------------------------|
| <b>EQUITY AND LIABILITIES</b>   |      |   |                             |
| <b>SHARE CAPITAL AND RESERVES</b>   |      |   |                             |
| Authorized capital  |      |   |                             |
| 220,000,000 (June 30, 2019: 110,000,000)<br>ordinary shares of Rs 10 each |      | 2,200,000   | 1,100,000                   |
| NIL (June 30, 2019: 110,000,000)<br>preference shares of Rs 10 each       |      | -   | 1,100,000                   |
|   |      | -   | 1,100,000                   |
| Issued, subscribed and paid up capital                                    |      |   |                             |
| 150,888,866 (June 30, 2019: 102,000,000)<br>ordinary shares of Rs 10 each | 4    | 1,508,889   | 1,020,000                   |
| Share premium   | 4    | 244,444   | -                           |
| Accumulated profit / (loss)   |      | 33,357  | (236,441)                   |
|   |      | 1,786,690   | 783,559                     |
| <b>NON-CURRENT LIABILITIES</b>  |      |   |                             |
| Long term finances - secured  | 6    | 194,298   | 877,631                     |
| Deferred taxation   |      | 180,335   | 133,254                     |
|   |      | 374,633   | 1,010,885                   |
| <b>CURRENT LIABILITIES</b>  |      |   |                             |
| Finances under mark up arrangements - secured                             | 7    | 13,353  | 124,317                     |
| Trade and other payables  |      | 294,927   | 312,085                     |
| Dividend payable  |      | 1,542   | 2,396                       |
| Accrued finance cost  |      | 7,032   | 14,945                      |
|   |      | 316,854   | 453,743                     |
| <b>CONTINGENCIES AND COMMITMENTS</b>                                      |      |   |                             |
|   | 8    |   |                             |
|   |      | 2,478,177   | 2,248,187                   |
| <b>ASSETS</b>   |      |   |                             |
| <b>NON-CURRENT ASSETS</b>   |      |   |                             |
| Property, plant and equipment   | 9    | 1,575,734   | 1,483,894                   |
| Intangible assets   |      | 24,873  | 29,723                      |
| Long term deposits  |      | 17,654  | 17,654                      |
|   |      | 1,618,261   | 1,531,271                   |
| <b>CURRENT ASSETS</b>   |      |   |                             |
| Stores and spares   |      | 290,070   | 271,162                     |
| Stock in trade  |      | 151,010   | 72,454                      |
| Trade debts   |      | 59,559  | 80,742                      |
| Advances, deposits, prepayments<br>and other receivables                  | 10   | 160,468   | 171,507                     |
| Income tax recoverable  |      | 102,450   | 90,058                      |
| Short term investments  |      | 40,406  | -                           |
| Bank balances   |      | 55,953  | 30,993                      |
|   |      | 859,916   | 716,916                     |
|   |      | 2,478,177   | 2,248,187                   |

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

  
CHIEF EXECUTIVE

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)**  
FOR THE THREE-MONTH AND NINE-MONTH PERIOD ENDED MARCH 31, 2020

|                                | Note | Three-month period ended |                       | Nine-month period ended |                       |
|--------------------------------|------|--------------------------|-----------------------|-------------------------|-----------------------|
|                                |      | March<br>31, 2020        | March<br>31, 2019     | March<br>31, 2020       | March<br>31, 2019     |
| (Rupees in thousand)           |      |                          |                       |                         |                       |
| Sales                          | 11   | 715,897                  | 639,508               | 2,086,635               | 2,039,021             |
| Cost of sales                  | 12   | <u>(478,090)</u>         | <u>(492,463)</u>      | <u>(1,487,000)</u>      | <u>(1,347,221)</u>    |
| <b>Gross profit</b>            |      | 237,807                  | 147,045               | 599,635                 | 691,800               |
| Administrative expenses        |      | (22,619)                 | (25,466)              | (76,600)                | (66,026)              |
| Distribution and selling costs |      | (15,546)                 | (18,398)              | (39,359)                | (51,327)              |
| Other income                   |      | 5,250                    | 4,851                 | 8,909                   | 13,934                |
| Other operating expenses       |      | (13,246)                 | (17,539)              | (30,913)                | (45,210)              |
| <b>Profit from operations</b>  |      | <u>191,646</u>           | <u>90,493</u>         | <u>461,672</u>          | <u>543,171</u>        |
| Finance costs                  |      | (9,545)                  | (31,666)              | (76,516)                | (44,907)              |
| <b>Profit before taxation</b>  |      | <u>182,101</u>           | <u>58,827</u>         | <u>385,156</u>          | <u>498,264</u>        |
| Taxation                       |      | (54,847)                 | 42,533                | (115,358)               | (81,324)              |
| <b>Profit for the period</b>   |      | <u><b>127,254</b></u>    | <u><b>101,360</b></u> | <u><b>269,798</b></u>   | <u><b>416,940</b></u> |
| <b>Earnings per share</b>      |      |                          |                       |                         |                       |
| - Basic - Rupees               | 13.1 | <u>0.94</u>              | <u>0.99</u>           | <u>2.38</u>             | <u>4.09</u>           |
| - Diluted - Rupees             | 13.2 | <u>0.94</u>              | <u>0.99</u>           | <u>2.38</u>             | <u>2.60</u>           |

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

  
CHIEF EXECUTIVE

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
**FOR THE THREE-MONTH AND NINE-MONTH PERIOD ENDED MARCH 31, 2020**

|  | <u>Three-month period ended</u> |                                 | <u>Nine-month period ended</u>  |                                 |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|  | <u>March</u><br><u>31, 2020</u> | <u>March</u><br><u>31, 2019</u> | <u>March</u><br><u>31, 2020</u> | <u>March</u><br><u>31, 2019</u> |
|  | .....(Rupees in thousand).....  |                                 |                                 |                                 |
| Profit for the period  | 127,254                         | 101,360                         | 269,798                         | 416,940                         |
| <b>Other comprehensive income</b>                                    |                                 |                                 |                                 |                                 |
| - Items that may be reclassified subsequently to profit or loss      | -                               | -                               | -                               | -                               |
| - Items that will not be reclassified subsequently to profit or loss | -                               | -                               | -                               | -                               |
| <b>Total comprehensive income for the period</b>                     | 127,254                         | 101,360                         | 269,798                         | 416,940                         |

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

  
**CHIEF EXECUTIVE**

  
**CHIEF FINANCIAL OFFICER**

  
**DIRECTOR**

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE THREE-MONTH AND NINE-MONTH PERIOD ENDED MARCH 31, 2020**

|  | Share Capital                  |                          |                | Accumulated Profit /(loss) | Total            |
|--|--------------------------------|--------------------------|----------------|----------------------------|------------------|
|  | Ordinary Share Capital         | Preference Share Capital | Share Premium  |                            |                  |
|  | .....(Rupees in thousand)..... |                          |                |                            |                  |
| <b>Balance as on July 1, 2018 (audited)</b>  | 1,020,000                      | 1,100,000                | -              | (344,272)                  | 1,775,728        |
| Profit for the period  | -                              | -                        | -              | 416,940                    | 416,940          |
| Other comprehensive income for the period  | -                              | -                        | -              | -                          | -                |
| <b>Total comprehensive income for the period</b>   | -                              | -                        | -              | 416,940                    | 416,940          |
| <b>Transactions with owners, recognised directly in equity</b>                               |                                |                          |                |                            |                  |
| Preference dividend @ Rs 1.2 per share   | -                              | -                        | -              | (184,438)                  | (184,438)        |
| Ordinary dividend @ Rs 1 per share   | -                              | -                        | -              | (102,000)                  | (102,000)        |
| Redemption during the period   | -                              | (1,100,000)              | -              | -                          | (1,100,000)      |
|  | -                              | (1,100,000)              | -              | (286,438)                  | (1,284,438)      |
| <b>Balance as on March 31, 2019 (un-audited)</b>   | <u>1,020,000</u>               | <u>-</u>                 | <u>-</u>       | <u>(213,770)</u>           | <u>908,230</u>   |
| <b>Balance as on July 1, 2019 (audited)</b>  | 1,020,000                      | -                        | -              | (236,441)                  | 783,559          |
| Profit for the period  | -                              | -                        | -              | 269,798                    | 269,798          |
| Other comprehensive income for the period  | -                              | -                        | -              | -                          | -                |
| <b>Total comprehensive income for the period</b>   | -                              | -                        | -              | 269,798                    | 269,798          |
| <b>Issuance of 48,888,866 ordinary shares of Rs. 10 per share plus premium of Rs. 5 each</b> | 488,889                        | -                        | 244,444        | -                          | 733,333          |
| <b>Transactions with owners, recognised directly in equity</b>                               | -                              | -                        | -              | -                          | -                |
| <b>Balance as on March 31, 2020 (un-audited)</b>   | <u>1,508,889</u>               | <u>-</u>                 | <u>244,444</u> | <u>33,357</u>              | <u>1,786,690</u> |

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

  
**CHIEF EXECUTIVE**

  
**CHIEF FINANCIAL OFFICER**

  
**DIRECTOR**

**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)**  
FOR THE NINE-MONTH PERIOD ENDED MARCH 31, 2020

|   | Note | Nine-month period ended |                   |
|---|------|-------------------------|-------------------|
|   |      | March<br>31, 2020       | March<br>31, 2019 |
| <b>Cash flows from operating activities</b>                     |      |                         |                   |
| Cash generated from operations                                  | 15   | 522,061                 | 491,771           |
| Finance cost paid   |      | (103,977)               | (14,212)          |
| Profit on deposits received                                     |      | 3,856                   | 10,929            |
| Income tax paid   |      | (87,564)                | (143,041)         |
| <b>Net cash generated from operating activities</b>             |      | <b>334,376</b>          | <b>345,447</b>    |
| <b>Cash flows from investing activities</b>                     |      |                         |                   |
| Fixed capital expenditure (including intangibles)               |      | (207,192)               | (145,965)         |
| Proceeds from sale of fixed assets                              |      | -                       | 316               |
| <b>Net cash used in investing activities</b>                    |      | <b>(207,192)</b>        | <b>(145,649)</b>  |
| <b>Cash flows from financing activities</b>                     |      |                         |                   |
| Proceeds from long term finance- net                            |      | 50,000                  | 1,038,889         |
| Redemption of preference shares                                 |      | -                       | (1,100,000)       |
| Dividend paid - ordinary  |      | -                       | (29,110)          |
| Dividend paid - preference                                      |      | (854)                   | (184,390)         |
| <b>Net cash generated from / (used in) financing activities</b> |      | <b>49,146</b>           | <b>(274,611)</b>  |
| <b>Net increase in cash and cash equivalents</b>                |      | <b>176,330</b>          | <b>(74,813)</b>   |
| <b>Cash and cash equivalents at beginning of the period</b>     |      | <b>(93,324)</b>         | <b>113,085</b>    |
| <b>Cash and cash equivalents at the end of the period</b>       | 16   | <b>83,006</b>           | <b>38,272</b>     |

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

  
CHIEF EXECUTIVE

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

## 1. The Company and its operations

The Company was incorporated in Pakistan as a private limited company on November 12, 2004 under the Companies Ordinance, 1984 and was converted into a public limited company with effect from February 28, 2008. Subsequently, on September 15, 2008, it was listed on Karachi Stock Exchange (now Pakistan Stock Exchange). The registered office of the company is situated at 18-KM Ferozepur Road, Lahore and the factory is situated at 18-KM Lahore-Sheikhupura Road, Lahore. It is principally engaged in the manufacture, procurement and sale of hydrogen peroxide and allied products. The Company commenced its commercial production on March 1, 2009.

## 2. Basis of preparation

2.1 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 (IAS) 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 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.

2.2 These condensed interim financial statements do not include all the information and disclosures required in the annual audited financial statements, and should be read in conjunction with the Company's annual audited financial statements for the year ended June 30, 2019.

## 3. Significant accounting policies

3.1 The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of preceding annual financial statements of the Company for the year ended June 30, 2019. Further, the basis of significant estimates are same as those that were applied to the financial statements for the year ended June 30, 2019, except for estimation of provision for taxation as referred to in note 5 and changes to accounting policies on adoption of IFRS 16 as discussed in note 3.2.1.

### 3.2 Standards, amendments and interpretations to published approved accounting standards

#### 3.2.1 Standards, amendments and interpretations to existing standards effective in current period

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on July 1, 2019. However, these do not have any significant impact on the Company's financial reporting and, therefore, are not detailed in these condensed interim financial statements.

IFRS 16, 'Leases', This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. The Company adopted this standard on July 01, 2019 using modified retrospective approach and changed its accounting policies in these condensed interim financial statements. However, the changes laid down by this standard does not have any significant impact on these condensed interim financial statements of the Company.

### 3.2.2 Standards, amendments and interpretations to existing standards that are not early adopted by the Company

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after January 01, 2020 or later periods, but the Company has not early adopted them:

|   | <b>Effective date<br/>(accounting periods<br/>beginning on or after)</b> |
|---|--|
| Amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs regarding a consistent definition of materiality | January 01, 2020   |
| Amendments to IFRS 9, 'Financial Instruments', IFRS 7, 'Financial instruments' and IAS 39, 'Financial Instruments: recognition and measurement' in connection with interest rate benchmark reform                                       | January 01, 2020   |

## 4. Share Capital

The Securities and Exchange Commission of Pakistan, vide its order dated January 10, 2020, on the basis of special resolution passed by members on November 27, 2019, has allowed the Company to issue 48,888,866 ordinary shares of Rs. 10 per share at a premium of Rs. 5 per share to Descon Engineering Limited (DEL) by way of other than right under clause (b) of sub-section(1) of Section 83 of the Companies Act, 2017. The Company issued 48,888,866 ordinary shares of Rs. 10 per share at a premium of Rs. 5 per share to DEL on January 29, 2020, against long term loan of Rs 733.33 million from DEL.

## 5. Taxation

The provision for taxation for the quarter and nine months ended March 31, 2020 has been made using the tax rate that would be applicable to expected total annual earnings.

|  | <b>Un-audited<br/>March<br/>31, 2020</b> | <b>Audited<br/>June<br/>30, 2019</b> |
|--|--|--------------------------------------|
|  | <b>(Rupees in thousand)</b>              |                                      |
| <b>6. Long term finances - secured</b> |  |                                      |
| Opening balance                        | 877,631                                  | -                                    |
| Net proceeds during the period/ year   | 50,000                                   | 1,244,298                            |
| Repayments during the period/ year     | -  | (366,667)                            |
| Converted to ordinary share capital    | - note 4 (733,333)                       | -                                    |
| Closing balance                        | <u>194,298</u>                           | <u>877,631</u>                       |

#### **7. Finances under mark up arrangements - secured**

|                       |               |                |
|-----------------------|---------------|----------------|
| Allied Bank Limited   | -             | 89,045         |
| Bank Al-Habib Limited | <u>13,353</u> | <u>35,272</u>  |
|                       | <u>13,353</u> | <u>124,317</u> |

#### **8. Contingencies and commitments**

##### **8.1 Contingencies**

Guarantee issued to Sui Northern Gas Pipeline Limited against the performance of a contract amounting to Rs 48.64 million (June 30, 2019: Rs 48.64 million).

Guarantee issued to Pakistan State Oil against the performance of a contract amount to Rs 3.50 million (June 30, 2019: Rs 3.50 million).

##### **8.2 Commitments**

- i) Letters of credit other than capital expenditure aggregating to Rs 36.9 million (June 30, 2019: Rs 15.79 million).
- ii) Letters of credit and contracts for capital expenditure aggregating to Rs 138.4 million (June 30, 2019: Rs 165.84 million).

| <b>Un-audited<br/>March<br/>31, 2020</b> | <b>Audited<br/>June<br/>30, 2019</b> |
|--|--------------------------------------|
| <b>(Rupees in thousand)</b>              |                                      |

#### **9. Property, plant and equipment**

|   |                      |                  |
|---|----------------------|------------------|
| Operating assets  | - note 9.1 1,147,738 | 1,212,314        |
| Capital work-in-progress  | 350,855              | 213,388          |
| Major spare parts, catalysts and standby equipment [including in transit Rs. 4.5 million (June 30, 2019: 17.159 million)] | <u>77,141</u>        | <u>58,192</u>    |
|   | <u>1,575,734</u>     | <u>1,483,894</u> |

|  | Un-audited<br>March<br>31, 2020 | Audited<br>June<br>30, 2019 |
|--|---------------------------------|-----------------------------|
| <b>9.1 Operating assets</b>  |                                 |                             |
| Opening book value   | 1,212,314                       | 1,304,289                   |
| Add: Additions during the period / year - note 9.1.1                     | 70,324                          | 97,009                      |
|  | <u>1,282,638</u>                | <u>1,401,298</u>            |
| Less: Disposals during the period / year<br>(at book value) - note 9.1.2 | (13)                            | (2,617)                     |
| Less: Impairment loss  | -                               | (12,783)                    |
| Less: Depreciation charged during the period / year                      | (134,887)                       | (173,584)                   |
| Closing book value   | <u>1,147,738</u>                | <u>1,212,314</u>            |

#### 9.1.1 Additions during the period / year

|   |               |               |
|---|---------------|---------------|
| Buildings on freehold land                | 5,319         | 4,862         |
| Plant, machinery and equipment            | 61,654        | 75,295        |
| Plant, machinery and equipment - catalyst | -             | 6,861         |
| Laboratory equipment                      | 440           | 710           |
| Material handling                         | -             | 108           |
| Tools and equipment                       | 1,337         | 2,278         |
| Computer equipment                        | 1,425         | 2,937         |
| Electrical equipment                      | -             | 571           |
| Office equipment                          | 116           | 1,952         |
| Furniture and fixture                     | 33            | 186           |
| Vehicles                                  | -             | 1,249         |
|   | <u>70,324</u> | <u>97,009</u> |

#### 9.1.2 Disposals during the period / year

|                                |           |              |
|--------------------------------|-----------|--------------|
| Plant, machinery and equipment | -         | 2,609        |
| Computer equipment             | 13        | 8            |
|                                | <u>13</u> | <u>2,617</u> |

10. These include sales tax recoverable of Rs 56.42 million (June 30, 2019: Rs 143.99 million) and contract assets of Rs 26.21 million (June 30, 2019: Rs 12.52 million).

|                           | Un-audited                                |                   | Un-audited                                |                   |
|---------------------------|---|-------------------|---|-------------------|
|                           | Three-month period ended                  |                   | Nine-month period ended                   |                   |
|                           | March<br>31, 2020<br>(Rupees in thousand) | March<br>31, 2019 | March<br>31, 2020<br>(Rupees in thousand) | March<br>31, 2019 |
| <b>11. Sales</b>          |   |                   |   |                   |
| Gross sales:              |   |                   |   |                   |
| - Local                   | 850,001                                   | 677,376           | 2,464,641                                 | 2,151,805         |
| - Export                  | 4,023                                     | 7,167             | 8,768                                     | 10,294            |
|                           | <u>854,024</u>                            | <u>684,543</u>    | <u>2,473,409</u>                          | <u>2,162,099</u>  |
| Less: Commission on sales | (15,294)                                  | (12,436)          | (44,824)                                  | (45,106)          |
| Less: Sales tax           | (122,833)                                 | (32,599)          | (341,950)                                 | (77,972)          |
|                           | <u>715,897</u>                            | <u>639,508</u>    | <u>2,086,635</u>                          | <u>2,039,021</u>  |

## 12. Cost of sales

|  |                 |                |                  |                  |
|--|-----------------|----------------|------------------|------------------|
| Raw material consumed  | 223,343         | 210,887        | 664,120          | 561,747          |
| Salaries, wages and other benefits                           | 27,593          | 25,926         | 86,101           | 76,547           |
| Repair and maintenance                                       | 18,374          | 7,952          | 55,002           | 38,830           |
| Fuel and power   | 97,319          | 66,922         | 261,337          | 203,765          |
| Packing material   | 703             | 953            | 2,936            | 2,583            |
| Quality assurance  | 168             | 95             | 822              | 797              |
| Services through contractors                                 | 14,886          | 10,568         | 44,346           | 31,744           |
| Travelling   | 734             | 602            | 2,720            | 1,336            |
| Annual shutdown expenses                                     | -               | -              | -                | 38,807           |
| Communication  | 234             | 104            | 788              | 492              |
| Printing and Stationery                                      | 38              | 214            | 1,014            | 1,032            |
| Rent & rates   | 7,208           | 11,687         | 23,177           | 28,917           |
| Depreciation and impairment on property, plant and equipment | 46,549          | 43,860         | 134,313          | 128,362          |
| Amortization of intangible assets                            | 1,566           | 1,874          | 4,850            | 2,142            |
| Insurance  | 3,272           | 2,683          | 9,805            | 8,050            |
| Safety items consumed  | 374             | 166            | 1,256            | 1,409            |
| Miscellaneous  | 957             | 2,100          | 5,441            | 4,167            |
|  | <u>443,318</u>  | <u>386,593</u> | <u>1,298,028</u> | <u>1,130,727</u> |
| Add: Opening work in process                                 | 8,075           | 7,711          | 4,218            | 5,285            |
| Less: Closing work in process                                | (6,805)         | (3,814)        | (6,805)          | (3,814)          |
|  | <u>1,270</u>    | <u>3,897</u>   | <u>(2,587)</u>   | <u>1,471</u>     |
| Cost of goods produced                                       | <u>444,588</u>  | <u>390,490</u> | <u>1,295,441</u> | <u>1,132,198</u> |
| Add: Opening finished goods                                  | 21,113          | 36,659         | 18,649           | 3,294            |
| Less: Closing finished goods                                 | (60,801)        | (22,586)       | (60,801)         | (22,586)         |
|  | <u>(39,688)</u> | <u>14,073</u>  | <u>(42,152)</u>  | <u>(19,292)</u>  |
| Cost of goods sold - own manufactured                        | <u>404,900</u>  | <u>404,563</u> | <u>1,253,289</u> | <u>1,112,906</u> |
| Cost of goods sold - purchase for resale                     | 65,116          | 87,900         | 205,280          | 234,315          |
| Cost of services   | 8,074           | -              | 28,431           | -                |
|  | <u>478,090</u>  | <u>492,463</u> | <u>1,487,000</u> | <u>1,347,221</u> |

|  |                    | Un-audited                                |                   | Un-audited                                |                   |
|--|--------------------|---|-------------------|---|-------------------|
|  |                    | Three-month period ended                  |                   | Nine-month period ended                   |                   |
|  |                    | March<br>31, 2020<br>(Rupees in thousand) | March<br>31, 2019 | March<br>31, 2020<br>(Rupees in thousand) | March<br>31, 2019 |
| <b>13. Earnings per share</b>          |                    |   |                   |   |                   |
| <b>13.1 Basic earnings per share</b>   |                    |   |                   |   |                   |
| Profit for the period                  | Rupees in thousand | 127,254                                   | 101,360           | 269,798                                   | 416,940           |
| Weighted average number                |                    |   |                   |   |                   |
| of ordinary shares                     | Number in thousand | 135,846                                   | 102,000           | 113,244                                   | 102,000           |
| Earnings per share                     | Rupees             | 0.94                                      | 0.99              | 2.38                                      | 4.09              |
| <b>13.2 Diluted earnings per share</b> |                    |   |                   |   |                   |
| Profit for the period                  | Rupees in thousand | 127,254                                   | 101,360           | 269,798                                   | 416,940           |
| Weighted average number                |                    |   |                   |   |                   |
| of ordinary shares                     | Number in thousand | 135,846                                   | 102,000           | 113,244                                   | 102,000           |
| Add: Weighted average                  |                    |   |                   |   |                   |
| number of preference                   | Number in thousand | -   | -                 | -   | 58,425            |
| shares                                 |                    |   |                   |   |                   |
| Weighted average number                | Number in thousand | 135,846                                   | 102,000           | 113,244                                   | 160,425           |
| of outstanding shares                  |                    |   |                   |   |                   |
| Diluted earning per share              | Rupees             | 0.94                                      | 0.99              | 2.38                                      | 2.60              |

**14. Transactions with related parties**

| Relationship with<br>the Company                 | Nature of transaction                                     | Un-audited                                |                   |
|--|---|---|-------------------|
|  |   | Nine-month period ended                   |                   |
|  |   | March<br>31, 2020<br>(Rupees in thousand) | March<br>31, 2019 |
| i. Related parties other<br>than holding company | Purchase of goods and services                            | 187,327                                   | 48,758            |
|  | Sale of goods   | 51  | 23                |
|  | Share of common expenses charged<br>to the Company        | 18,762                                    | 30,603            |
|  | Share of common expenses charged<br>by the Company        | 2,369                                     | 875               |
|  | Mark-up expense on long term loan                         | 63,977                                    | 40,692            |
|  | Payment of preference dividend                            | -   | 184,096           |
|  | Payment of ordinary dividend                              | -   | 62,100            |
| ii. Post employment<br>benefit plans             | Expense charged in respect of<br>retirement benefit plans | 4,462                                     | 2,705             |
| iii. Key management<br>personnel                 | Salaries and other employee<br>benefits                   | 34,756                                    | 28,633            |
|  | Sale of fixed asset                                       | -   | 316               |
|  |   | <b>Un-audited</b>                         | <b>Audited</b>    |
|  |   | <b>March</b>                              | <b>June</b>       |
|  |   | <b>31, 2020</b>                           | <b>30, 2019</b>   |
|  |   | <b>(Rupees in thousand)</b>               |                   |

**Period-end balances**

|  |        |        |
|--|--------|--------|
| Payable to related parties                     | 3,478  | 14,009 |
| Advances to & receivables from related parties | 36,943 | 16,072 |
| Accrued finance cost                           | -      | 9,383  |

**Un-audited**

|  | <b>Nine-month period ended</b> |                 |
|--|--------------------------------|-----------------|
|  | <b>March</b>                   | <b>March</b>    |
|  | <b>31, 2020</b>                | <b>31, 2019</b> |
|  | <b>(Rupees in thousand)</b>    |                 |

**15. Cash generated from operations**

|  |                |                |
|--|----------------|----------------|
| Profit before taxation   | 385,156        | 498,264        |
| Adjustments for:   |                |                |
| - Depreciation and impairment on property, plant and equipment | 134,887        | 129,206        |
| - Amortization of intangible assets                            | 4,850          | 2,335          |
| - Finance costs  | 76,516         | 44,907         |
| - Interest on bank deposits                                    | (3,856)        | (10,929)       |
| - Exchange loss  | 1,761          | 776            |
| - Provision for Impairment of fixed assets                     | -              | 7,291          |
| - loss on sale of property, plant and equipment                | 13             | 1,343          |
| <b>Cash flows before working capital changes</b>               | <b>599,327</b> | <b>673,193</b> |

**Effect on cash flow due to working capital changes**

|   |                 |                  |
|---|-----------------|------------------|
| - Increase in stores and spares                                     | (18,908)        | (61,912)         |
| - Increase in stock-in-trade  | (78,556)        | (60,220)         |
| - Decrease / (Increase) in trade debts                              | 21,183          | (79,669)         |
| - Decrease in advances, deposits, prepayments and other receivables | 11,039          | 42,288           |
| - Decrease in trade and other payables                              | (12,024)        | (21,909)         |
|   | <b>(77,266)</b> | <b>(181,422)</b> |
| Cash generated from operations                                      | <b>522,061</b>  | <b>491,771</b>   |

**16. Cash and cash equivalents**

|  |               |               |
|--|---------------|---------------|
| Short term investments                       | 40,406        | -             |
| Bank balances                                | 55,953        | 96,892        |
| Finances under mark up arrangement - secured | (13,353)      | (58,620)      |
|  | <b>83,006</b> | <b>38,272</b> |

**17. Fair value of financial instruments**

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. The carrying values of all financial assets and liabilities reflected in these financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Specific valuation techniques used to value financial instruments include:

- 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 (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As of reporting date, There were no Level 1, 2 or 3 assets or liabilities during prior or current period.

## 18. Financial risk management

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

The condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at June 30, 2019.

There have been no significant changes in the risk management policies since the year end.

## 19. Date of authorization for issue

These condensed interim financial statements were authorized for issue on April 21, 2020 by the Board of Directors of the Company.

## 20. Corresponding figures

In order to comply with the requirements of IAS 34, the condensed interim statement of financial position has been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison and better presentation as per reporting framework. However no significant rearrangements have been made.

  
CHIEF EXECUTIVE

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

# BOOK POST



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