

PARTNERS IN  
PROGRESS



QUARTERLY  
**REPORT**

SEPTEMBER 30, 2021  
(UN-AUDITED)



Descon Oxychem Limited

# Vision

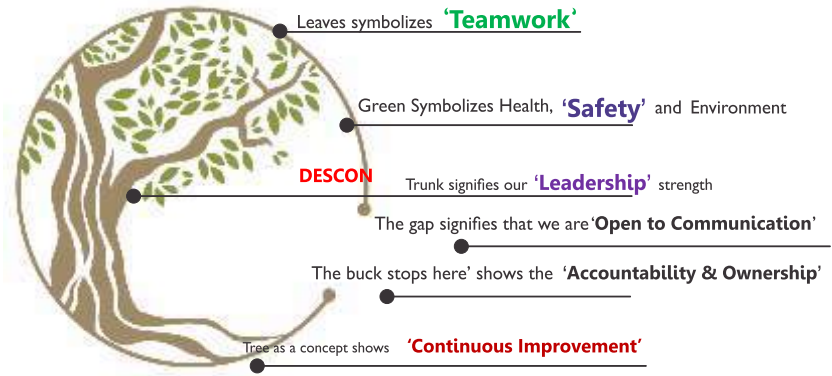
Winning together with our customers, our ambition is to enhance local and regional footprint while delivering sustainable value to all stakeholders.

We are determined to:

- Strengthen our domestic market leadership position
- Establish a footprint in new segments & regional markets
- Achieve success through winning together with our customers driven by best cost propositions, motivated people and effective teamwork

# Mission

# 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."

# Contents

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03	Company Information
04	Directors' Report - English
05	Directors' Report - Urdu
06	Condensed Interim Statement of Financial Position
07	Condensed Interim Statement of Profit or Loss Account
08	Condensed Interim Statement of Comprehensive Income
09	Condensed Interim Statement of Changes in Equity
10	Condensed Interim Statement of Cash Flows
11	Notes to the Condensed Interim Financial Statements

# 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
M. Mohsin Zia	Chief Executive Officer

## Muhammad Rizwan Qaiser

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  
Bank Alfalah 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-53000 Pakistan.  
Tel: +92 42 35923721-9

## Plant Site

18-KM Lahore - Sheikhpura Road,  
Lahore, Pakistan.  
Tel: +92 42 37971822-24  
Fax: +92 42 3797 1834

## Web Presence

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

# DIRECTORS REPORT TO THE SHAREHOLDERS

For the quarter ended September 30, 2021

The Board of Directors are pleased to present the financial statements of the Company for the quarter ended September 30, 2021. The financial highlights for the quarter are;

	Quarter ended	
	September 30, 2021	September 30, 2020
	Rupees in '000	
Sales value	788,281	620,514
Cost of sales	699,141	556,414
Gross profit	89,140	64,100
Gross Profit %age	11.3%	10.3%
Profit from operations	44,488	27,065
Profit after tax	22,416	14,066
Sales (MT)	11,539	8,341
Volume Growth Q1 2021 vs Q1 2020	38%	
Earnings per share – Basic – Rupees	0.13	0.10

Revenue and profitability of the Company has gone up primarily driven by increase in profitable sales. The cost of Sales has also increased on the back of high raw material cost owing to upswing in global commodity market prices and supply chain disruption in post COVID scenario.

It is pertinent to note that post capacity expansion performed in 2020, the company is perfectly aligned to take advantage of the increased textile exports leading to increased demand for our product. In addition to this the increased capacity will lead to economies of scale and would help strengthen the company's position in Pakistani as well as international H2O2 market. We are pleased to inform that during the month of Aug 2021 the company has achieved highest ever production as well as higher ever sales in a month. With strong downstream demand owing to government export focused thrust and recovery of the H2O2 prices in the international market, your company foresees significant improvement in both revenue and profitability as more product will be available for sale from the additional capacity which will not only substitute imports in the country as well as help the company establish itself as an international player.

Based on improved cash flow over the past 18 months the company has been able to prepay its long-term loan to the tune of PKR 500 million which will reduce the finance cost significantly as well as improve the Debt-to-Equity ratio. Stringent controls over fixed costs coupled with efficient working capital management will contribute to improved profitability. Your company has been able to achieve minimal working capital loan during the quarter due to efficient working capital management.

## Future Outlook

The challenge for your Company is to sustain the strong financial performance by maintaining its margins in an environment of significant cost increases owing to increased raw material costs. Management is consistently working on strategies to ensure these challenges are met effectively. Efforts to penetrate new segments and markets have been successfully implemented alongside organic growth in Textile and Mining sectors. Your company is also targeting to improve consumption factors in line with the management target to achieve economies of scale post expansion. Our target is to become the lowest cost producer in the region by implementing a well thought through manufacturing excellence program. Your company also targets to enhance its footprint in the international arena diversifying against local price/demand fluctuations. The business continues to invest in areas which reinforce its advantageous position in safety, manufacturing efficiency and building market leadership in key geographies.

We would like to thank all stakeholders for their contribution and support in the quarter.

For and on behalf of the Board

Lahore  
October 25, 2021

  
CHIEF EXECUTIVE

  
DIRECTOR

## ڈائریکٹرز رپورٹ برائے حصص داران

بورڈ آف ڈائریکٹرز 30 ستمبر 2021ء کو اختتام پذیر سرمایہ کاری ایجنٹس پیش کرتے ہوئے خوش محسوس کرتے ہیں۔ اس سرمایہ کے لئے مالیاتی خلاصہ حسب ذیل ہے

سرمایہ تختہ		
30 ستمبر 2020ء	30 ستمبر 2021ء	
'000 روپوں میں		
620,514	788,281	کیلز کا حجم
556,414	699,141	کیلز پر لاگت
64,100	89,140	مجموعی منافع
10.3%	11.3%	مجموعی منافع (اوسطاً)
27,065	44,488	آپریٹنگ سے منافع
14,066	22,416	منافع علاوہ ٹیکس
8,341	11,539	کیلز (نیٹ)
	38%	نمو کا حجم پہلی سرمایہ 2020ء کے مقابلے
0.10	0.13	فی فیصد کمائی (روپے)

بنیادی طور پر منافع بخش فروخت کے باعث کمپنی کی آمدنی اور منافع کا گراف اوپر کیا ہے۔ عالمی منڈیوں میں ایشیائی ضروریہ کی قیمتوں میں اضافہ اور کرناٹا ایئر کے بعد چائے چین میں رکاوٹوں کی وجہ سے خام مال کی قیمتوں میں اضافہ کے باعث کیلز پر لاگت میں اضافہ دیکھا گیا۔

یہ بیان کرنا ہماری ہمت ہے کہ 2020ء میں صلاحیت بڑھانے کے توسیعی منصوبہ مکمل ہونے کے بعد کمپنی مصنوعات کی بڑھتی ہوئی طلب کے باعث ٹیکسٹائل کی برآمدات میں اضافہ سے بھرپور فائدہ اٹھانے کے لئے تیار ہے۔ علاوہ ازیں، بڑھتی ہوئی صلاحیت کی وجہ سے کمپنی کی پوزیشن نام صرف پاکستان بلکہ H2O2 کی بین الاقوامی منڈی میں بھی مضبوط ہوگی۔ ہم بعد میں آگاہ کرتے ہیں کہ اگست 2021ء کے دوران کمپنی تاریخ کی بہترین پیداوار اور ایک ماہ میں اعلیٰ ترین فروخت کا ہدف حاصل کرنے میں کامیاب ہوئی۔ حکومت کی جانب سے برآمدات پر بھرپور توجہ دینے کی وجہ سے ہماری طلب اور بین الاقوامی منڈی میں H2O2 کی قیمتوں میں استحکام کے ساتھ آپ کی کمپنی آمدنی اور منافع میں نمایاں پیش رفت کی توقع رکھتی ہے کیونکہ اضافی صلاحیت کے باعث زیادہ مصنوعات فروخت کے لئے دستیاب ہوں گی۔ اس طرح نہ صرف ملک میں درآمدات کا متبادل ملے گا بلکہ بطور بین الاقوامی پلیئر کمپنی اپنی مسابقت قائم کرنے میں کامیاب ہوگی۔

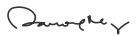
گذشتہ 18 ماہ کے سرمایہ کی بہتر صورت حال کی بنیاد پر کمپنی 500 ملین روپے مالیت کا طویل مدتی قرضہ ادا کرنے کے قابل ہوئی ہے جس سے قرضوں کی لاگت میں نمایاں کمی اور قرضہ نام ایجوکیشن شرح میں بہتری ہوگی۔ مستقل لاگت پر مربوط کنٹرول اور معقول درگت کمپنیل کا انتظام آمدنی میں اضافہ میں اہم کردار ادا کرے گا۔ آپ کی کمپنی نے ورکنگ کپٹل کے معقول انتظام کے باعث زیر جائزہ سرمایہ کے دوران بہت کم درگت کمپنیل قرضے پر اصرار کیا ہے۔


## مستقبل کا منظر نامہ

خام مال کی بڑھتی ہوئی قیمتوں کے باعث لاگت میں نمایاں اضافہ کے اس ماحول میں منافع کا ہدف طے کر کے مستحکم مالیاتی کارکردگی کو برقرار رکھنے میں آپ کی کمپنی مشکلات سے دوچار ہے۔ انتظامیہ مشکلات پر مؤثر انداز میں قابو پانے کے لئے مسلسل کام کر رہی ہے۔ ٹیکسٹائل اور منگنٹ کے شعبوں میں آرکیٹک گروٹھ کے ساتھ ساتھ نئے شعبوں اور منڈیوں میں داخل ہونے کی کوششوں کے شرارتی آغاز ہو گئے ہیں۔ آپ کی کمپنی توسیع کے بعد پیداوار میں اضافہ کو مد نظر رکھتے ہوئے کچھت کے عوامل کو کنٹرول کرنے پر بھرپور توجہ دے رہی ہے۔ بہترین پیداواری عملگی پروگرام کے نفاذ کے ذریعے ہمارا ہدف علاقے کی کم لاگت پیداواری کمپنی بنانا ہے۔ آپ کی کمپنی ملکی سطح پر قیمتوں/طلب میں اتار چڑھاؤ کے باعث بین الاقوامی میدان میں اپنے قدم جمانے پر بھی بھرپور توجہ دے رہی ہے۔ کمپنی ایسے شعبوں میں سرمایہ داری کر رہی ہے جس کی مدد سے تحفظ، پیداواری عملگی اور اہم علاقوں کی منڈیوں میں قبضہ جمانے میں مدد ملے گی۔

ہم مذکورہ سرمایہ کے دوران اپنے تمام ٹیکس ہولڈرز کے حصص اور ضمانت پران کا ٹیکس ایڈوائس کیا ہے۔

مخاطب/برائے بورڈ آف ڈائریکٹرز

  
ڈائریکٹر

  
چیف ایگزیکٹو

لاہور

25 اکتوبر 2021ء

# CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED) AS AT SEPTEMBER 30, 2021

		Un-audited September 30, 2021	Audited June 30, 2021
		(Rupees in thousand)	
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital 2,200,000 (June 30, 2021: 2,200,000) ordinary shares of Rs 10 each		2,200,000	2,200,000
Issued, subscribed and paid up capital 175,031,084 (2021: 175,031,084) Ordinary shares of Rs 10 each		1,750,311	1,750,311
Share Premium		3,022	3,022
Accumulated Profit		332,212	309,796
		2,085,545	2,063,129
<b>NON-CURRENT LIABILITIES</b>			
Long term finance - unsecured	5	495,172	929,178
Deferred grant		34,632	24,041
Lease Liabilities		4,804	8,513
Deferred taxation		227,016	229,202
		761,624	1,190,934
<b>CURRENT LIABILITIES</b>			
Current Portion of Non Current Liabilities		119,499	201,911
Finances under mark up arrangements - secured	7	4,950	57,500
Trade and other payables		383,682	356,112
Dividend payable		2,208	2,222
Accrued finance cost		9,429	20,863
		519,768	638,608
<b>CONTINGENCIES AND COMMITMENTS</b>			
	8		
		3,366,937	3,892,671
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	2,375,956	2,439,580
Intangible assets		18,175	20,123
Long term deposits		17,554	17,554
		2,411,685	2,477,257
<b>CURRENT ASSETS</b>			
Stores and spares		365,629	339,041
Stock-in-trade		103,996	154,557
Trade debts - unsecured	10	125,709	72,448
Advances, deposits, prepayments and other receivables	11	117,898	134,587
Income tax recoverable		105,260	96,853
Short Term Investments		-	560,622
Cash and bank balances	12	136,760	57,306
		955,252	1,415,414
		3,366,937	3,892,671

The annexed notes 1 to 23 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 PERIOD ENDED SEPTEMBER 30, 2021

	Note	Three-month period ended	
		September 30, 2021	September 30, 2020
		...(Rupees in thousand)...	
Sales	13	788,281	620,514
Cost of goods sold	14	(699,141)	(556,414)
<b>Gross profit</b>		89,140	64,100
Administrative expenses		(23,963)	(20,857)
Distribution and selling costs		(22,071)	(16,700)
Other income		3,529	2,149
Other operating expenses		(2,147)	(1,627)
<b>Profit from operations</b>		44,488	27,065
Finance cost		(13,122)	(5,315)
<b>Profit before taxation</b>		31,366	21,750
Taxation		(8,950)	(7,684)
<b>Profit for the period</b>		<b>22,416</b>	<b>14,066</b>
<b>Earnings per share</b>			(Restated)
- Basic & Diluted - Rupees	15.1	0.13	0.10

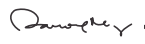
The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
**FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2021**

	<b>Three-month period ended</b>	
	<b>September 30, 2021</b>	<b>September 30, 2020</b>
	...(Rupees in thousand)...	
Profit for the period	22,416	14,066
<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>	<u>22,416</u>	<u>14,066</u>

The annexed notes 1 to 23 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 PERIOD ENDED SEPTEMBER 30, 2021**

	(Rupees in thousand)			
	Share Capital		Revenue Reserves	
	Ordinary share capital	Preference share capital	Accumulated loss / profit	Total
	.....(Rupees in thousand).....			
<b>Balance as on July 1, 2020 (audited)</b>	1,508,889	244,444	181,982	1,935,315
Profit for the period	-	-	14,066	14,066
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	14,066	14,066
<b>Balance as on September 30, 2020 (un-audited)</b>	<u>1,508,889</u>	<u>244,444</u>	<u>196,048</u>	<u>1,949,381</u>
<b>Balance as on July 1, 2021 (audited)</b>	1,750,311	3,022	309,796	2,063,129
Profit for the period	-	-	22,416	22,416
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	22,416	22,416
<b>Balance as on September 30, 2021 (un-audited)</b>	<u>1,750,311</u>	<u>3,022</u>	<u>332,212</u>	<u>2,085,545</u>

The annexed notes 1 to 23 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 THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2021

	Note	Three-month period ended	
		September 30, 2021	September 30, 2020
<b>Cash flows from operating activities</b>			
Cash generated from operations	17	141,172	255,365
Finance cost paid		(24,556)	(4,782)
Profit on deposits received		1,689	173
Income tax paid		(19,543)	(18,868)
<b>Net cash generated / (used in) from operating activities</b>		<b>98,762</b>	<b>231,888</b>
<b>Cash flows from investing activities</b>			
Fixed capital expenditure (including intangibles)		(17,830)	(557,367)
Sale of Short Term Investment		560,622	-
<b>Net cash used in investing activities</b>		<b>542,792</b>	<b>(557,367)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from long term finance		(505,827)	179,525
Principle element of lease payments		(3,709)	(3,258)
Dividend paid		(14)	31
<b>Net cash generated from financing activities</b>		<b>(509,550)</b>	<b>176,298</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>132,004</b>	<b>(149,181)</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>(194)</b>	<b>(25,338)</b>
<b>Cash and cash equivalents at the end of the period</b>	18	<b>131,810</b>	<b>(174,519)</b>

The annexed notes 1 to 23 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, 2021.

## **3. Significant accounting policies**

**3.1** The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of preceding annual published financial statements of the Company for the year ended June 30, 2021. Further, the basis of significant estimates are same as those that were applied to the financial statements for the year ended June 30, 2021, except for estimation of provision for taxation as referred to in note 4 and adoption of accounting policy as set out in note 3.2.

### **3.2 Government grants**

**3.2.1** Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

### **3.3 Standards, amendments and interpretations to published approved accounting standards**

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

Certain standards, amendments and interpretations to International Financial Reporting Standards ('IFRS') are effective for accounting periods beginning on July 1, 2021, but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these condensed interim financial statements.

### 3.3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

There are certain standards, amendments to the accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after July 01, 2021 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these condensed interim financial statements.

## 4. Taxation

The provision for taxation for the quarter ended September 30, 2021 has been made using the tax rate that would be applicable to expected total annual earnings.

		Un-audited September 2021 (Rupees in thousand)	Audited June 2021
<b>5 Long term finance - secured</b>	Note		
Syndicate term finance facility (STFF)	5.1	420,526	966,173
Long term finance facility (LTFF)	5.2	34,318	41,613
Temporary economic refinance facility (TERF)	5.3	134,917	99,862
		<u>589,761</u>	<u>1,107,648</u>
Less : Current portion shown under current liabilities		(94,589)	(178,470)
		<u>495,172</u>	<u>929,178</u>

### 5.1 Syndicate Term Finance (STFF)

This represent outstanding balance against aggregate facility of Rs 1,100 million from syndicate of financial institutions (Allied Bank Limited and Pak China Investment Company Limited) to finance the capacity expansion project. During the current period, the Company has prepaid Rs. 500 million against this facility to Pak China Investment Limited Company. Portion of STFF of Rs 174.81 million from the Allied Bank Limited was converted into Temporary economic refinance facility (TERF) as referred to in note 5.3.

#### Terms of markup

The facility carries mark-up at 3 months KIBOR + 0.9% per annum payable quarterly.

#### Terms of repayment

It is repayable in thirteen equal bi-annual installments commencing from October 8, 2021.

### **Security**

It is secured against first charge by way of hypothecation over all present and future fixed assets (excluding land and building) of the Company.

## **5.2 Long Term Finance Facility (LTFF)**

This represent disbursement against aggregate facility of Rs 58.3 million from Allied Bank Limited to pay salaries and wages under State Bank of Pakistan's Refinance Scheme for payment of Wages and Salaries.

### **Terms of markup**

The facility carry markup at SBP rate plus 1% per annum. The Markup has been accrued during the period at effective rate. Markup is payable quarterly in arrears.

### **Terms of repayment**

The balance is repayable in six equal quarterly installments ending on November 17, 2022.

### **Security**

It is secured by first pari passu charge over all present and future current assets of the Company with 25% margin. It is also secured by an aggregate sum of Rs 80 million by a ranking charge over all present and future plant and machinery of the Company.

## **5.3 Temporary Economic Refinance Facility (TERF)**

This represents the amount converted from the portion of STFF obtained from Allied Bank Limited under the SBP's Temporary Economic Refinance Facility. The Company has utilized Rs 174.81 million (Jun 30, 2021: 129.61 million).

### **Terms of markup**

The facility carries markup at 2.00% per annum. The mark-up has been accrued using effective rates method. Mark-up is payable quarterly in arrears.

### **Terms of repayment**

It is repayable in twenty six equal quarterly installments commencing from September 23, 2022.

### **Security**

Along with the STFF, it is secured against first charge by way of hypothecation over all present and future fixed assets (excluding land and building) of the Company.

## **6. Deferred grant**

Deferred grant has been recognized as the difference between the fair value and proceeds received under LTFF and TERF as referred to in note 5.2 & 5.3 in accordance with the accounting policy as referred to in note 3.2. There are no unfulfilled conditions or contingencies attached to this grant effecting its recognition at the reporting date. The grant will be amortized in line with the tenure of the LTFF and TERF.

Un-audited September 30, 2021 (Rupees in thousand)	Audited June 30, 2021
-	52,550
4,950	4,950
<u>4,950</u>	<u>57,500</u>

## 7 Finances under mark up arrangements - secured

Allied Bank Limited  
Bank Al-Habib Limited

## 8 Contingencies and commitments

### 8.1 Contingencies

- i) Guarantee issued to Sui Northern Gas Pipeline Limited against the performance of a contract of Rs 57 million (June 30, 2021: Rs 50 million).
- ii) Guarantee issued to Pakistan State Oil against the performance of a contract of Rs 3.5 million (June 30, 2021: Rs 3.5 million).
- iii) The Honorable Supreme Court of Pakistan ('SCP') in its decision dated August 13, 2020 held that Gas Infrastructure Development Cess ('GIDC'), as initially levied through Gas Infrastructure Development Cess Act, 2011 and modified via different notifications issued from time to time and thereafter re-levied through the Gas Infrastructure Development Cess Ordinance, 2014, stands payable to SNGPL in twenty four (24) equal monthly installments with immediate effect.

Pursuant to the order of the SCP, Sui Northern Gas Pipelines Limited raised a demand for the collection of the GIDC arrears. The company filed a writ petition under article 199 of the Constitution of Islamic Republic of Pakistan, 1973 in the Honorable Lahore High Court ('HLHC') against the demand raised, pleading that demanding arrears of GIDC are illegal, unlawful and ultra vires to the first proviso to section 8 (2) of the Gas Infrastructure Development Cess Act, 2015. The writ petition was decided in favor of the Company by HLHC vide its order dated June 17, 2021.

The Company's legal advisor is of the opinion that the judgement of the Honorable Supreme Court of Pakistan does not apply to arrears under the Gas Infrastructure Development Cess Act, 2011 and Gas Infrastructure Development Ordinance 2014 that are, in terms of first proviso of section 8 (2) of the Gas Infrastructure Development Cess Act, 2015, not to be collected. The applicability of first proviso of section 8 (2) is subject to the determination by High Level Committee ('Committee') of Sui Northern Gas Pipelines Limited. The decision has not been made by the Committee on the applicability of arrears to the Company until the decision of the Committee, the Company has provided guarantee of Rs 55.321 million to SNGPL. The Company is hopeful of a favorable outcome. Accordingly, the Company has not recognized the provision of Rs 55.321 million in these financial statements.

### Commitments

- i) Letters of credit and contracts of capital expenditure amounting to Rs 15.97 million (June 30, 2021: Rs 21.66 million).
- ii) Letter of credit other than capital expenditure amounting to Rs 112.80 million (June 30, 2021: Rs 92.81 million)
- iii) Post dated cheques issued in favor of National Tariff Commission of Pakistan and Collector of customs aggregating to Rs 2.38 million (June 30, 2021: 2.38 million).

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2021

		<b>Un-audited September 30, 2021 (Rupees in thousand)</b>	<b>Audited June 30, 2021</b>
<b>9</b>	<b>Property, plant and equipment</b>		
	Operating assets:		
	- Owned Assets	2,093,466	2,168,190
	- Right of Use Assets	18,366	22,039
	Capital work-in-progress	152,344	144,842
	Major spare parts, catalysts and standby equipment [including in transit of Rs NIL (June 30, 2021: Rs. NIL)]	111,780	104,509
		<u>2,375,956</u>	<u>2,439,580</u>
<b>9.1</b>	<b>Operating assets</b>		
	Opening book value	2,168,190	1,109,058
	Add: Additions during the period / year	3,379	1,353,142
		<u>2,171,569</u>	<u>2,462,200</u>
	Less: Disposals during the period / year (at book value)	(375)	(1,628)
	Less: Depreciation charged during the period / year	(77,728)	(292,382)
	Closing book value	<u>2,093,466</u>	<u>2,168,190</u>
<b>9.1.1</b>	<b>Additions during the period / year</b>		
	Buildings on freehold land	-	18,561
	Plant, machinery and equipment	1,409	1,327,545
	Laboratory equipment	-	291
	Tools and equipment	-	1,435
	IT equipments	298	1,779
	Office equipment & Appliances	-	1,414
	Furniture and fixture	1,672	2,117
		<u>3,379</u>	<u>1,353,142</u>
<b>9.1.2</b>	<b>Disposals during the period / year</b>		
	Plant, machinery and equipment	-	(1,628)
	Office equipment & Appliances	(167)	-
	IT equipments	(208)	-
		<u>(375)</u>	<u>(1,628)</u>

		Un-audited September 30, 2021 (Rupees in thousand)	Audited June 30, 2021
<b>9.2</b>	<b>Right of Use Assets</b>		
	Opening Book Value	22,039	36,732
	Additions during the period / year	-	-
	Depreciation Charge during the period / year	(3,673)	(14,693)
		18,366	22,039
<b>10</b>	<b>Stock in trade</b>		
			<b>Note</b>
	Raw material [including in transit of Rs 14.85 million (June 30, 2021: Rs 40.01 million)]	75,243	104,762
	Work-in-process	4,793	13,942
	Finished goods	23,960	35,853
		103,996	154,557
<b>10.1</b>	Work-in-process include unused packing material of Rs 4.7 million (June 30, 2021: Rs 13.94 million).		
<b>10.2</b>	Finished goods includes stock purchased for resale Rs. 0.6 million (June 30, 2021 : Rs 0.6 million) and provision for obsolete stock of Rs. 0.2 million (June 30, 2021: Rs 1.9 million).		
<b>11.</b>	These include sales tax recoverable of Rs 67.4 million (June 30, 2021: Rs 85.82 million).		
<b>12</b>	<b>Cash and bank balances</b>	<b>Un-audited September 30, 2021 (Rupees in thousand)</b>	<b>Audited June 30, 2021</b>
	At banks on:		
	- Current accounts	40,703	43,365
	- Saving accounts	96,057	13,941
		136,760	57,306
		<b>Un-audited</b>	
		<b>Three-month period ended</b>	
		<b>September 30, 2021</b>	<b>September 30, 2020</b>
<b>13</b>	<b>Sales</b>		
	Gross sales:		
	- Local	922,650	719,355
	- Export	14,256	16,247
		936,906	735,602
	Less: Commission on sales	(16,888)	(12,528)
	Less: Sales tax	(131,737)	(102,560)
		788,281	620,514

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2021**

	<b>Un-audited</b>	
	<b>Three-month period ended</b>	
	<b>September 30, 2021</b>	<b>September 30, 2020</b>
	<b>(Rupees in thousand)</b>	
<b>14 Cost of goods sold</b>		
Raw material consumed	371,760	113,639
Salaries, wages and other benefits	33,137	30,281
Repair and maintenance	14,816	14,894
Annual shutdown expenses	-	33,648
Fuel and power	102,376	50,172
Packing material	1,775	1,207
Quality assurance	522	240
Services through contractors	12,863	10,620
Travelling	352	120
Communication	286	156
Rent & rates	2,084	3,210
Depreciation on property, plant and equipment	83,402	61,966
Insurance	3,466	3,248
Safety items consumed	318	443
Miscellaneous	2,138	650
	<u>629,295</u>	<u>324,494</u>
Add: Opening work in process	13,942	8,702
Less: Closing work in process	(4,793)	(12,670)
	<u>9,149</u>	<u>(3,968)</u>
Cost of goods produced	<u>638,444</u>	<u>320,526</u>
Add: Opening finished goods	35,214	99,872
Less: Closing finished goods	(23,960)	(8,850)
	<u>11,254</u>	<u>91,022</u>
Cost of goods sold - own manufactured	<u>649,698</u>	<u>411,548</u>
Cost of goods sold - purchase for resale	41,890	144,373
Cost of services	7,553	493
	<u><u>699,141</u></u>	<u><u>556,414</u></u>

		Un-audited	
		Three-month period ended	
		September 30, 2021	September 30, 2020
<b>15 Earnings per share</b>			
<b>15.1 Basic earnings per share</b>			
Profit for the period	<b>Rupees in thousand</b>	22,416	14,066
Weighted average number			
of ordinary shares	<b>Number in thousand</b>	175,031	146,580
Earnings per share	<b>Rupees</b>	0.13	0.10

**15.2** Effect of 24.142 million bonus shares have been incorporated from the earliest period presented and earnings per share of the prior year has been restated.

**15.3 Diluted earnings per share**

Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at September 30, 2021 and September 30, 2020, which would have any effect on the earnings per share if the option to convert is exercised.

**16. Transactions with related parties**

		Un-audited	
		Three-month period ended	
Relationship with the Company	Nature of transaction	September 30, 2021	September 30, 2020
		(Rupees in thousand)	
i. Related parties other than holding company	Purchase of goods and services	3,754	356,811
	Sale of Goods	282	526
	Share of common expenses charged to the Company	8,920	6,631
	Share of common expenses charged by the Company	960	1,171
	Royalty charged to the Company	3,941	3,056
ii. Post employment benefit plans	Expense charged in respect of retirement benefit plans	1,146	1,537
iii. Key management personnel	Salaries and other employee benefits	12,584	13,793
		<b>Un-audited September 30, 2021</b>	<b>Audited June 30, 2021</b>
		(Rupees in thousand)	
<b>Period-end balances</b>			
	Payable to Related Parties	32,745	34,498
	Advances from Related Parties	4	14

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2021

	Un-audited	
	Three-month period ended	
	September 30, 2021	September 30, 2020
<b>17 Cash generated from operations</b>	<b>(Rupees in thousand)</b>	
Profit before taxation	31,366	21,750
Adjustments for:		
- Depreciation on property, plant and equipment & amortization	83,402	61,966
- Finance cost	13,122	5,315
- Interest on bank deposits	(1,689)	(173)
- Exchange loss	321	55
<b>Cashflows before working capital changes</b>	<b>126,522</b>	<b>88,913</b>
<b>Effect on cash flow due to working capital changes</b>		
- Increase in stores and spares	(26,588)	(16,902)
- Decrease in stock-in-trade	50,561	87,300
- Increase in trade debts	(53,261)	(46,450)
- (Increase) / Decrease in advances, deposits, prepayments and other receivables	16,689	(64,000)
- Increase in trade and other payables	27,249	206,504
	<b>14,650</b>	<b>166,452</b>
Cash generated from operations	<b>141,172</b>	<b>255,365</b>
<b>18 Cash and cash equivalents</b>		
Cash and bank balances - note 12	136,760	9,453
Finances under mark up arrangement - secured - note 7	(4,950)	(183,972)
	<b>131,810</b>	<b>(174,519)</b>
<b>19 Fair value of financial instruments</b>		

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.

## 20 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, 2021.

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

## 21 Date of authorization for issue

These condensed interim financial statements were authorized for issue on October 25, 2021 by the Board of Directors of the Company.

## 22 Subsequent events

The Company has early prepaid an amount of Rs 100 million against outstanding balance of syndicate term finance facility to Allied Bank Limited.

The members of the Company at their Annual General Meeting held on October 25, 2021 has approved the final cash dividend of Rs. 1 per share for the year ended June 30, 2021 as proposed by the Board of Directors at their meeting held on September 07, 2021. These Financial Statements do not include the effect of these appropriations which will be accounted for in the period in which they are approved.

## 23 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.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

## BOOK POST



**Descon Oxychem Limited**  
Descon Headquarters, 18 km Ferozepur Road,  
Lahore - 54760, Pakistan  
T: +92 42 3 7971822-24  
F: +92 42 3 7971834  
W: [www.desconoxychem.com](http://www.desconoxychem.com)  
E: [dol@descon.com](mailto:dol@descon.com)