

PARTNERS IN
PROGRESS



HALF YEARLY REPORT

DECEMBER 31, 2021



Descon Oxychem Limited

Vision

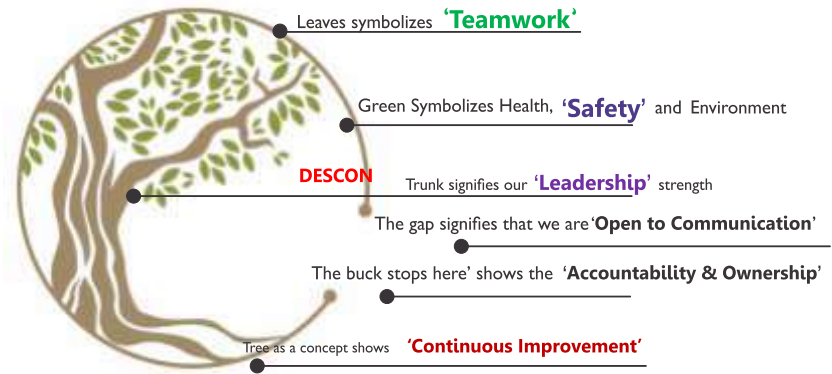
Winning together with our customers, our ambition is to enhance local and regional footprint while delivering sustainable value to all stakeholders.

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."

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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
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

DIRECTORS REPORT TO THE SHAREHOLDERS

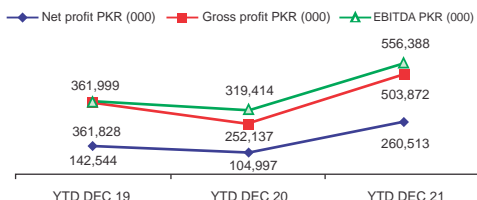
For the six months ended December 31, 2021

The Board of Directors of the company are pleased to present the six months report along with the Financial Statements for the period ended December 31, 2021.

Your Company has performed significantly better than last year helped mainly by the international demand and supply conundrum. Despite head winds in terms of expensive RLNG and global supply chain disruptions leading to significant increase in raw material costs and inventory levels, the company due to improved planning, placement of volume and better price implementation has been able to achieve excellent results. The summarized financial performance appears below.

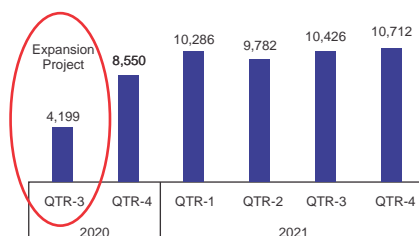
	Quarter ended		Half year ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	Rupees in '000		Rupees in '000	
Sales	1,136,734	704,995	1,925,015	1,325,509
Cost of goods sold	(722,002)	(516,958)	(1,421,143)	(1,073,372)
Gross profit	414,732	188,037	503,872	252,137
Profit from operations	343,019	144,988	387,507	172,053
EBITDA	428,498	230,383	556,388	319,414
Profit before taxation	331,780	129,504	363,146	151,254
Tax	93,683	38,573	102,633	46,257
Profit for the period	238,097	90,931	260,513	104,997
Earnings per share – Basic	1.36	0.52	1.49	0.60
Production - MT	10,712	8,550	21,138	12,749
Sales Volume-MT	11,031	9,181	22,570	17,522

Your company generated an EBITDA of PKR 556 million vs PKR 319 million in the corresponding period last year (Increase of 74%) . In line with EBITDA your company also made an impressive net profit of PKR 261 million during the six months compared with a net profit of PKR 105 million in the corresponding period last year (Increase of 149%).



It is pertinent to note Company's expansion during 2020 and efficient ramp up of production post expansion has given the company strategic competitive advantage to benefit from upswing in demand and pricing. In addition to this the increased capacity has led to economies of scale through improved control on Fixed costs helping the company to post PKR 156 million increase in net profit (increase of 149%).

We are pleased to inform that the company has achieved highest ever production during the 2nd Quarter of FY-22 strengthening its position as a market leader and showcasing its capacity to deliver despite a challenging environment.



DIRECTORS REPORT TO THE SHAREHOLDERS

For the six months ended December 31, 2021

In response to record production your company has also been able to efficiently deploy sales volume in the most profitable segments. The sales volume during the period has increased by 29% as compared to the same period last year.

With strong downstream demand and governments export focused approach the company foresees a significant increase in demand of hydrogen per oxide in short term as well as long term. In addition to existing market demand, development of additional segments of the market will also create potential for significant demand increase in future.

The Company's cash flows before working capital have also improved to PKR 555 million from PKR 319 million in the corresponding period last year (Increase of 74%). Based on improved EBITDA, and cash flows the company has been able to prepay its long-term loan to the tune of PKR 600 million which will reduce the finance cost significantly as well as improve the Debt-to-Equity position. The decrease in debt will hedge the company's profitability against current and future increase in discount rates linked with increased inflation in the economy. In line with the increased profitability company has also incurred income tax expense of PKR 103 million significantly adding to the national exchequer. The company has significantly contributed to the balance of payments of the country through import substitution and saved USD 10 million in foreign currency with local production of this critical raw material mainly for the textile industry.

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 global supply chain disruptions. Your company 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 consistent improvement in raw material consumption in line with the management target to achieve economies of scale post expansion. Our target is to become the lowest cost producer to become a dominant player in the region by implementing a well thought through manufacturing excellence and international market development programs. Your company also targets to enhance its footprint in the international arena in existing and new segments 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.

For and on behalf of the Board

Lahore
February 14, 2022


CHIEF EXECUTIVE


DIRECTOR

ڈائریکٹرز رپورٹ برائے شیئر ہولڈرز

31 دسمبر 2021 کو ختم ہونے والی ششماہی کے لیے ڈائریکٹرز کی حصص داران کو رپورٹ

کھین کی بورڈ آف ڈائریکٹرز 31 دسمبر 2021 کو ختم ہونے والی مدت کے مالیاتی گوشواروں کے ساتھ ششماہی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

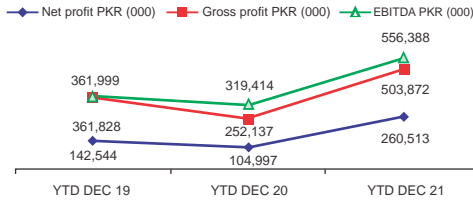
آپ کی کھین نے گزشتہ سال کے مقابلے میں نمایاں طور پر بہتر کارکردگی کا مظاہرہ کیا ہے جس میں بنیادی طور پر بین الاقوامی طلب اور سرحدی وجہ سے مدہلی ہے۔ ہنگی RLNG اور عالمی سپلائی چین میں رکاوٹوں کے باوجود خام مال کی قیمتوں اور انونٹری کی سطحوں میں نمایاں اضافہ ہوا۔ کھین بہتر منصوبہ بندی، جھمکی پلیٹ فارم کے ترقیاتی اور قیمتوں کے بہتر نفاذ کی وجہ سے بہترین نتائج حاصل کرنے میں کامیاب رہی ہے۔ مالیاتی کارکردگی کا خلاصہ ذیل میں بیان کیا گیا ہے۔

مالیاتی جھکیاں

تختہ ششماہی		تختہ سہ ماہی		تفصیل
31 دسمبر 2020	31 دسمبر 2021	31 دسمبر 2020	31 دسمبر 2021	
روپے ہزاروں میں		روپے ہزاروں میں		
1,325,509	1,925,015	704,995	1,136,734	فروخت
(1,073,372)	(1,421,143)	(516,958)	(722,002)	فروخت شدہ سامان کی لاگت
252,137	503,872	188,037	414,732	مجموعی منافع
172,053	387,507	144,988	343,019	آپریٹنگ سے منافع
319,414	556,388	230,383	428,498	EBITDA
151,254	363,146	129,504	331,780	گھس سے پیپل منافع
46,257	102,633	38,573	93,683	گھس
104,997	260,513	90,931	238,097	مدت کے لیے منافع
0.60	1.49	0.52	1.36	فی شیئر آمدنی - بنیادی
12,749	21,138	8,550	10,712	پیداوار - میٹرک ٹن
17,522	22,570	9,181	11,031	فروخت جھمکی میٹرک ٹن

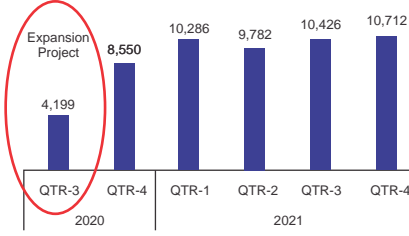
آپ کی کھین نے گزشتہ سال کی اسی مدت میں 319 ملین روپے کے مقابلے میں 556 ملین روپے کا EBITDA پیدا کیا (74% کا اضافہ)۔ EBITDA کے مطابق آپ کی کھین نے ششماہی کے دوران 261 ملین روپے کا متاثر کن خالص منافع بھی کمایا جبکہ پچھلے سال کی اسی مدت میں 105 ملین روپے کا خالص منافع ہوا تھا (149% کا اضافہ)۔

یہ بیان کرنا بہت اہم ہے کہ 2020 کے دوران کھینوں کی توسیع اور توسیع کے بعد پیداوار کے موثر اضافے نے کھین کو طلب اور قیمتوں میں اتار چڑھاؤ سے فائدہ اٹھانے کے لیے اسٹریٹجک مسابقتی فائدہ دیا ہے۔ اس کے علاوہ اس اضافی صلاحیت نے معقرہ اخراجات پر بہتر کنٹرول کے ذریعے بڑے پیمانے پر معیشتوں کو ختم دیا جس سے کھین کو خالص منافع میں 156 ملین روپے اضافہ (149% کا اضافہ) درج کرنے میں مدد ملی ہے۔



ہمیں یہ بتاتے ہوئے خوشی محسوس ہے کہ کھین نے 2021 کی پچھٹی سہ ماہی کے دوران اب تک کی سب سے زیادہ پیداوار حاصل کی ہے اور مارکیٹ لیڈر کے طور پر اپنی پوزیشن کو مضبوط کیا اور چیلنجت محول کے باوجود ڈی لیور کرنے کی اپنی صلاحیت کا مظاہرہ کیا ہے۔

ریکارڈ پیداوار کے جواب میں آپ کی کھین سب سے زیادہ منافع بخش شیعوں میں فروخت جھمکیوں کو ٹریڈ سے لگانے میں بھی کامیاب رہی ہے۔ اس عرصے کے دوران فروخت جھمکیوں کے گزشتہ سال کی اسی مدت کے مقابلے میں 29% بھید بڑھ گیا ہے۔



طلب کے مضبوط بہاؤ اور حکومت کے برآمدات پر مرکز نقطہ نظر کے ساتھ کمپنی مختصر مدت کے ساتھ ساتھ طویل مدتی میں پائیدار رجحان پر آکسائیڈ کی طلب میں نمایاں اضافے کی پیش گوئی کرتی ہے۔ موجودہ مارکیٹ طلب کے علاوہ، مارکیٹ کے اضافی شعبوں کی ترقی مستقبل میں طلب میں نمایاں اضافے کے امکانات بھی پیدا کرے گی۔

ورلڈ کلاس سے پہلے کمپنی کا کیش فلو بھی بہتر ہو کر 555 بلین روپے ہو گیا ہے جو پچھلے سال کی اسی مدت میں 319 بلین روپے تھا (74% کا اضافہ)۔ EBITDA اور نقد بہاؤ کی بنیاد پر کمپنی 649 بلین کے اپنے طویل مدتی قرض کی قبل از وقت ادائیگی کرنے میں کامیاب رہی ہے جس سے مالیاتی لاگت میں نمایاں کمی آئے گی اور ساتھ ہی Debt-to-Equity کی پوزیشن میں بھی بہتری آئے گی۔ قرض میں کمی معیشت میں بڑھتی ہوئی اخراجات سے منسلک رعایتی شرحوں میں موجودہ اور مستقبل میں اضافے کے خلاف کمپنی کے منافع کو روک دے گی۔ زیادہ منافع کے مطابق کمپنی نے 103 ملین روپے کا انکم ٹیکس بھی ادا کیا جس سے سٹی ٹیکس خزانے میں نمایاں اضافہ ہوا ہے۔ کمپنی نے درآمدی تبادلے کے ذریعے ملک کی ادائیگیوں کے توازن میں نمایاں کردار ادا کیا ہے اور بنیادی طور پر ٹیکسٹائل انڈسٹری کے لیے اس اہم خام مال کی مقامی پیداوار کے ساتھ غیر ملکی کرنسی میں 10 ملین امریکی ڈالر کی بچت کی ہے۔

مستقبل کا نقطہ نظر

آپ کی کمپنی کے لیے یہ چیلنج ہے کہ عالمی سپلائی چین میں رکاوٹوں کی وجہ سے لاگت میں نمایاں اضافے کے ماحول میں اپنے مارجن کو برقرار رکھتے ہوئے مضبوط مالی کارکردگی کو برقرار رکھا جائے۔ آپ کی کمپنی مسلسل سکتے عملوں پر کام کر رہی ہے تاکہ یہ یقینی بنایا جاسکے کہ ان چیلنجوں کا مؤثر طریقے سے مقابلہ کیا جائے۔ ٹیکسٹائل اور کان کنی کے شعبوں میں نامیاتی نمو کے ساتھ ساتھ نئے شعبوں اور منڈیوں تک رسائی کی کوششوں کو کامیابی کے ساتھ نافذ کیا گیا ہے۔ آپ کی کمپنی خام مال کی کثرت میں مسلسل بہتری کو بھی مدد بخاری ہے تاکہ انتظامی ہدف کے مطابق توسیع کے بعد کی معیشتوں کو حاصل کیا جاسکے۔ ہمارا ہدف ہینوفیکچرنگ ایکسی لینس اور بین الاقوامی مارکیٹ کی نمو کے ذریعے اچھی سوچ کو نافذ کر کے خطے میں ایک نمایاں کھلاڑی بننے کے لیے سب سے کم لاگت پر ڈیویسز بنانا ہے۔ آپ کی کمپنی مقامی قیمت / طلب کے اتار چڑھاؤ کے خلاف متنوع ہوتے ہوئے موجودہ اور نئے شعبوں میں بین الاقوامی میدان میں اپنے نقش کو بڑھانے کا ہدف بھی رکھتی ہے۔ کاروبار ان شعبوں میں سرمایہ کاری کرتا رہتا ہے جو حفاظت، ہینوفیکچرنگ کی کارکردگی اور گائیڈی ڈھرائٹوں میں مارکیٹ قیادت کی تعمیر میں اس کی فائدہ مند پوزیشن کو تقویت دیتے ہیں۔

ہم تمام اسٹیک ہولڈرز کی شرکت اور تعاون کے لیے ان کا شکریہ ادا کرتے ہیں۔

منجانب / برائے بورڈ آف ڈائریکٹرز

Dameer
ڈائریکٹر

Chin
چیف ایگزیکٹو

لاہور

14 فروری 2022ء

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF DESCON OXYCHEM LIMITED

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Descon Oxychem Limited as at December 31, 2021 and the related 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, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the three-month periods ended December 31, 2021 and December 31, 2020 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended December 31, 2021

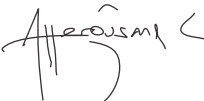
Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditor's report is Asad Aleem Mirza.



**Chartered Accountants
Lahore**

Date: February 24, 2022

UDIN: RR202110128OgR9m2Vt3

*A.F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
23-C, Aziz Avenue, Canal Bank, Gulber-V, P.O.Box 39, Lahore-54660, Pakistan
Tel: +92 (42) 3571 5868-71 / 35775747-50 Fax: +92 (42) 3577 5754 www.pwc.com/pk*

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED) AS AT DECEMBER 31, 2021

	Note	Un-audited December 31, 2021 (Rupees in thousand)	Audited June 30, 2021
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
220,000,000 (June 30, 2021: 220,000,000) ordinary shares of Rs 10 each		2,200,000	2,200,000
Issued, subscribed and paid up capital			
175,031,084 (June 30, 2021: 175,031,084) ordinary shares of Rs 10 each		1,750,311	1,750,311
Share premium		3,022	3,022
Accumulated profits		395,278	309,796
		2,148,611	2,063,129
NON CURRENT LIABILITIES			
Long term finances - secured	5	372,830	929,178
Lease liabilities		-	8,513
Deferred taxation		210,249	229,202
Deferred grant		28,545	24,041
		611,624	1,190,934
CURRENT LIABILITIES			
Current portion of non current liabilities		98,749	193,993
Finances under mark up arrangements - secured		21,207	57,500
Current portion of deferred grant		9,160	7,918
Trade and other payables	6	502,874	356,112
Dividend payable		4,019	2,222
Accrued finance cost		7,551	20,863
		643,560	638,608
CONTINGENCIES AND COMMITMENTS			
	7		
		3,403,795	3,892,671
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	8	2,394,850	2,439,580
Intangible assets		16,227	20,123
Long term deposits		17,554	17,554
		2,428,631	2,477,257
CURRENT ASSETS			
Stores and spares	9	408,406	339,041
Stock in trade	10	189,459	154,557
Trade debts		121,581	72,448
Advances, deposits, prepayments and other receivables	11	184,100	134,587
Short term investments		-	560,622
Income tax recoverable		19,219	96,853
Bank balances		52,399	57,306
		975,164	1,415,414
		3,403,795	3,892,671

The annexed notes 1 to 22 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 SIX-MONTH PERIOD ENDED DECEMBER 31, 2021

	Note	Three-month period ended		Six-month period ended	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
(Rupees in thousand)					
Sales	12	1,136,734	704,995	1,925,015	1,325,509
Cost of sales	13	(722,002)	(516,958)	(1,421,143)	(1,073,372)
Gross profit		414,732	188,037	503,872	252,137
Administrative expenses		(32,148)	(29,595)	(56,111)	(50,452)
Distribution and selling costs		(14,350)	(7,285)	(36,421)	(23,898)
Other income		3,894	3,448	7,423	5,597
Other operating expenses		(29,109)	(9,617)	(31,256)	(11,331)
Profit from operations		343,019	144,988	387,507	172,053
Finance costs		(11,239)	(15,484)	(24,361)	(20,799)
Profit before taxation		331,780	129,504	363,146	151,254
Taxation		(93,683)	(38,573)	(102,633)	(46,257)
Profit for the period		238,097	90,931	260,513	104,997

Earnings per share

- basic and diluted - Rupees	14	1.36	0.52	1.49	0.60
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The annexed notes 1 to 22 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 SIX-MONTH PERIOD ENDED DECEMBER 31, 2021

	Three-month period ended		Six-month period ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
(Rupees in thousand).....			
Profit for the period	238,097	90,931	260,513	104,997
Other comprehensive income				
- Items that may be reclassified subsequently to profit or loss	-	-	-	-
- Items that will not be reclassified subsequently to profit or loss	-	-	-	-
Total comprehensive income for the period	238,097	90,931	260,513	104,997

The annexed notes 1 to 22 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 SIX-MONTH PERIOD ENDED DECEMBER 31, 2021

	Share capital	Capital reserve	Revenue reserve	Capital and reserves
	Ordinary share capital	Share premium	Accumulated (loss) / profits	Total
(Rupees in thousand).....			
Balance as on July 1, 2020 (audited)	1,508,889	244,444	181,982	1,935,315
Profit for the period	-	-	104,997	104,997
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	104,997	104,997
Transactions with owners, recognised directly in equity				
Final dividend for the year ended June 30, 2020 @ 10% (Rs 1 per share)	-	-	(150,889)	(150,889)
16% bonus shares issued	241,422	(241,422)	-	-
	241,422	(241,422)	(150,889)	(150,889)
Balance as on December 31, 2020 (un-audited)	1,750,311	3,022	136,090	1,889,423
Balance as on July 1, 2021 (audited)	1,750,311	3,022	309,796	2,063,129
Profit for the period	-	-	260,513	260,513
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	260,513	260,513
Transactions with owners, recognised directly in equity				
Final dividend for the year ended June 30, 2021 @ 10% (Rs 1 per share)	-	-	(175,031)	(175,031)
Balance as on December 31, 2021 (un-audited)	1,750,311	3,022	395,278	2,148,611

The annexed notes 1 to 22 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 SIX-MONTH PERIOD ENDED DECEMBER 31, 2021

	Note	Six-month period ended	
		December 31, 2021	December 31, 2020
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	16	496,265	458,189
Finance cost paid		(34,180)	(16,730)
Profit received on deposits		3,630	627
Net income tax paid		(43,973)	(22,551)
Net cash generated from operating activities		421,742	419,535
Cash flows from investing activities			
Fixed capital expenditure		(120,255)	(647,463)
Proceeds from sale of short term investments		560,964	-
Net cash generated from/(used in) investing activities		440,709	(647,463)
Cash flows from financing activities			
Repayments of long term finances - secured		(649,011)	-
Net proceeds from long term finances - secured		-	479,525
Principal element of lease payments		(8,820)	(8,820)
Ordinary dividends paid		(173,234)	(149,829)
Net cash (used in)/generated from financing activities		(831,065)	320,876
Net increase in cash and cash equivalents		31,386	92,948
Cash and cash equivalents at beginning of the period		(194)	(25,338)
Cash and cash equivalents at the end of the period	17	31,192	67,610

The annexed notes 1 to 22 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 (now the Companies Act, 2017) 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. The Company 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 Statement of compliance

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.

2.3 The figures included in the condensed interim statement of profit or loss for the three months ended December 31, 2021 and in the notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the cumulative figures for the six months period ended December 31, 2021.

3. Significant accounting policies and estimates

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.

3.2 Standards, amendments and interpretations to published approved accounting standards

3.2.1 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.

3.2.2 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, 2022 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 and half year ended December 31, 2021 has been made using the tax rate that would be applicable to expected total annual earnings.

	Un-audited December 31, 2021	Audited June 30, 2021
(Rupees in thousand)		
5. Long term finances - secured		
Opening balance	1,107,648	223,131
Add: Receipts during the year	-	929,525
Less: Recognition of deferred grant - note 5.1	(10,593)	(36,090)
	<u>1,097,055</u>	<u>1,116,566</u>
Add: Accretion of finance cost	7,015	6,748
Less: Repayment during the year	(649,011)	(15,666)
	<u>455,059</u>	<u>1,107,648</u>
Less: current portion shown under current liabilities	(82,229)	(178,470)
	<u>372,830</u>	<u>929,178</u>

5.1 Deferred grant has been recognized as the difference between the fair value and proceeds received under Long Term Financing Facility (LTFF) and Temporary Economic Refinance Facility (TERF) schemes of State Bank of Pakistan. 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 December 31, 2021	Audited June 30, 2021
	(Rupees in thousand)	
6. Trade and other payables		
Trade creditors	153,916	118,804
Bills payable	172,753	96,684
Associated companies	954	4,663
Contract liability	24,693	31,864
Accrued liabilities	113,243	73,938
Worker's profit participation fund	19,057	20,374
Worker's welfare fund	16,120	8,342
Other liabilities	2,138	1,443
	502,874	356,112

7. Contingencies and commitments

7.1 Contingencies

- i) Descon Oxychem Limited has issued guarantees to the following parties:

Against performance of contracts:

Sui Northern Gas Pipelines Limited	93,260	50,000
Pakistan State Oil Company Limited	3,500	3,500
AI-Technique Corporation of Pakistan	18,700	-
	115,460	53,500
Others - shipping guarantee	26,640	-
	142,100	53,500

- ii) The Honorable Supreme Court of Pakistan ('HSCP') 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 HSCP, Sui Northern Gas Pipelines Limited (SNGPL) 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. SNGPL has filed an intra court appeal in HLHC which is pending adjudication.

The Company's legal advisor is of the opinion that the judgement 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 its applicability and the amount to be paid by the Company. Accordingly, the Company has not recognised the estimated provision of Rs 55.32 million (June 30, 2021: Rs 55.32 million) in these condensed interim financial statements. However, the Company has provided guarantee of Rs 55.32 million (June 30, 2021: Rs 55.32 million) to SNGPL.

7.2 Commitments

- i) Letters of credit other than capital expenditure aggregating to Rs 23.6 million (June 30, 2021: Rs 92.81 million).
- ii) Letters of credit and contracts for capital expenditure aggregating to Rs 94.09 million (June 30, 2021: Rs 21.66 million).
- iii) Post dated cheques issued in favour of National Tariff Commission of Pakistan and Collector of customs aggregating to Rs 2.14 million (June 30, 2021: Rs 2.38 million).

		Un-audited December 31, 2021 (Rupees in thousand)	Audited June 30, 2021
8. Property, plant and equipment			
Operating assets			
- Owned assets	- note 8.1	2,041,129	2,168,190
- Right of use assets	- note 8.2	14,693	22,039
Capital work-in-progress [including in transit of Rs 45.40 million (June 30, 2021: Rs 3.44 million)]		216,638	144,842
Major spare parts, catalysts and standby equipment [including in transit of Rs 5.90 million (June 30, 2021: Nil)]		122,390	104,509
		2,394,850	2,439,580
8.1 Owned assets			
Opening book value		2,168,190	1,109,058
Add: Additions during the period / year	- note 8.1.1	30,578	1,353,142
		2,198,768	2,462,200
Less: Disposals during the period / year (at book value)	- note 8.1.2	-	(1,628)
Less: Depreciation charged during the period / year		(157,639)	(292,382)
Closing book value		2,041,129	2,168,190

	Un-audited December 31, 2021 (Rupees in thousand)	Audited June 30, 2021
8.1.1 Additions during the period / year		
Buildings on freehold land	5,851	18,561
Plant, machinery and equipment	18,832	1,327,545
Laboratory equipment	-	291
Tools and equipment	1,220	1,435
Computer equipment	959	1,779
Office equipment	1,011	1,414
Furniture and fixture	2,705	2,117
	30,578	1,353,142
8.1.2 Disposals during the period / year		
Plant, machinery and equipment	-	(1,628)
8.2 Right of use assets		
Add: Opening book value	22,039	36,732
Less: Depreciation charged during the period / year	(7,346)	(14,693)
	14,693	22,039
9. Stores and spares		
General stores and spares [including - note 9.1 in transit of Rs 16.56 million (2021: Rs 0.32 million)]	234,528	174,540
Working solution	180,536	171,159
Provision for obsolescence	(6,658)	(6,658)
	408,406	339,041
9.1 General stores and spares include raw material for working solution of Rs 91.42 million (June 30, 2021: Rs 31.10 million).		
10. Stock in trade		
Raw materials [including in transit of Rs 63.69 million (June 30, 2021: Rs 40.01 million)]	147,342	104,762
Work-in-process	11,495	13,942
Finished goods		
- purchased for resale	831	639
- own manufactured [including in transit of Rs 4.82 million (June 30, 2021: Nil)]	29,791	35,214
	189,459	154,557

- 11 These includes sales tax recoverable of Rs 30.15 million (June 30, 2021: Rs 85.82 million), contract assets of Rs 5.87 million (June 30, 2021: Rs 25.54 million) and advances to supplier of Rs 128.66 million (June 30, 2021: Rs 11.31 million).

	Un-audited		Un-audited	
	Three-month period ended		Six-month period ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
.....(Rupees in thousand).....				
12. Sales				
Gross sales:				
- Local	1,340,572	839,935	2,263,222	1,559,290
- Export	15,544	1,698	29,800	17,945
	1,356,116	841,633	2,293,022	1,577,235
Less: Commission and discount on sales	(26,909)	(17,352)	(43,797)	(29,880)
Less: Sales tax	(192,473)	(119,286)	(324,210)	(221,846)
	1,136,734	704,995	1,925,015	1,325,509
.....(Rupees in thousand).....				
13. Cost of sales				
Raw and packing material consumed	430,120	204,653	803,655	319,499
Salaries, wages and other benefits	37,994	40,148	71,131	70,429
Fuel and power	105,226	86,895	207,602	137,067
Services through contractors	15,725	11,088	28,588	21,708
Repair and maintenance	14,486	16,667	29,302	31,561
Shutdown expenses	-	40	-	33,688
Quality assurance	639	618	1,161	858
Travelling	669	711	1,021	831
Communication	204	368	490	524
Rent & rates	1,684	2,144	3,768	5,354
Depreciation on property, plant and equipment:				
- owned assets	79,681	79,277	157,462	135,597
- right of use assets	3,673	3,673	7,346	7,346
Amortization of intangible assets	1,843	1,894	3,791	3,867
Insurance	3,524	3,550	6,990	6,798
Safety items consumed	761	87	1,079	530
Miscellaneous	3,457	4,811	5,595	5,461
	699,686	456,624	1,328,981	781,118
Add: Opening work in process	4,793	12,670	13,942	8,702
Less: Closing work in process	(11,495)	(12,660)	(11,495)	(12,660)
	(6,702)	10	2,447	(3,958)
Cost of goods produced	692,984	456,634	1,331,428	777,160
Add: Opening finished goods	23,960	8,850	35,214	99,872
Less: Closing finished goods	(29,791)	(9,859)	(29,791)	(9,859)
	(5,831)	(1,009)	5,423	90,013
Cost of goods sold - own manufactured	687,153	455,625	1,336,851	867,173
Cost of goods sold - purchase for resale	18,879	43,658	60,769	188,031
Cost of services	15,970	17,675	23,523	18,168
	722,002	516,958	1,421,143	1,073,372

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED DECEMBER 31, 2021

		Un-audited		Un-audited	
		Three-month period ended		Six-month period ended	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
14. Earnings per share					
14.1 Basic earnings per share					
Profit for the period	Rupees in thousand	238,097	90,931	260,513	104,997
Weighted average number of ordinary shares	Number in thousand	175,031	175,031	175,031	175,031
Earnings per share	Rupees	1.36	0.52	1.49	0.60

14.2 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 December 31, 2021 and December 31, 2020, which would have any effect on the earnings per share if the option to convert is exercised.

15. Transactions and balances with related parties

Relationship with the Company	Nature of transaction	Un-audited	
		Six-month period ended	
		December 31, 2021	December 31, 2020
		(Rupees in thousand)	
i. Associated companies	Purchase of goods and services	24,092	364,710
	Sale of goods	324	1,000
	Share of common expenses charged to the company	18,136	13,115
	Share of common expenses charged by the company	1,865	2,127
	Payment of ordinary dividend	108,054	94,341
	Royalty charged to the company	9,627	6,581
ii. Directors	Meeting fee	1,125	1,063
iii. Post employment benefit plans	Expense charged in respect of retirement benefit plans	2,639	3,222
iv. Key management personnel	Salaries and other employee benefits	36,607	37,051
		Un-audited December 31, 2021	Audited June 30, 2021
		(Rupees in thousand)	
Period-end balances			
	Payable to related parties	43,942	35,953
	Advances to related parties	1,519	-
	Advances from related parties	8	14

	Un-audited	
	Six-month period ended	
	December 31, 2021	December 31, 2020
	(Rupees in thousand)	
16. Cash generated from operations		
Profit before taxation	363,146	151,254
Adjustments for:		
- Depreciation on property, plant and equipment:		
- owned assets	157,639	136,085
- right of use assets	7,346	7,346
- Amortization of intangible assets	3,896	3,930
- Finance costs	24,361	20,799
- Interest on bank deposits	(3,630)	(627)
- Reversal of provision against doubtful receivables	(1,633)	-
- Gain on sale of short term investments	(342)	-
- Exchange loss	4,456	131
Cashflows before working capital changes	555,239	318,918
Effect on cash flow due to working capital changes		
- Increase in stores and spares	(69,365)	(16,509)
- (Increase) / decrease in stock-in-trade	(36,879)	64,293
- Increase in trade debts	(47,500)	(19,517)
- Increase in advances, deposits, prepayments and other receivables	(49,513)	(42,383)
- Increase in trade and other payables	144,283	153,387
	(58,974)	139,271
Cash generated from operations	496,265	458,189
17. Cash and cash equivalents		
Bank balances	52,399	72,560
Finances under mark up arrangements - secured	(21,207)	(4,950)
	31,192	67,610
18. 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 at June 30, 2021 the Company held investments in mutual funds carried at fair value based on level 1 input which were disposed off during the current period. Except for these short term investments, there were no Level 1, 2 or 3 assets or liabilities during prior or current period.

19. 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.

20. Date of authorization for issue

These condensed interim financial statements were authorized for issue on February 14, 2022 by the Board of Directors of the Company.

21. Subsequent event

There are no significant events after the statement of financial position date.

22. 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.



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED DECEMBER 31, 2021

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 except for the following:

	(Rupees in thousand)
Royalty expense previously classified under other operating expenses now classified in distribution and selling costs.	6581

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

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