



Gatron (Industries) Limited

QUARTERLY REPORT
SEPTEMBER 30, 2018



Contents

Parent Company Presentation

Corporate Information	02
Directors' Report	03
Directors' Report (in Urdu)	08
Condensed Interim Statement of Financial Position	09
Condensed Interim Statement of Profit or Loss	10
Condensed Interim Statement of Comprehensive Income	11
Condensed Interim Statement of Cash Flows	12
Condensed Interim Statement of Changes in Equity	13
Notes to the Condensed Interim Financial Statements	14

Consolidated Presentation

Directors' Report	25
Directors' Report (in Urdu)	26
Condensed Interim Statement of Financial Position	27
Condensed Interim Statement of Profit or Loss	28
Condensed Interim Statement of Comprehensive Income	29
Condensed Interim Statement of Cash Flows	30
Condensed Interim Statement of Changes in Equity	31
Notes to the Condensed Interim Financial Statements	32
Notes for Members	44



Corporate Information

Board of Directors

Haji Haroon Bilwani	- Chairman
Peer Mohammad Diwan	- Chief Executive
Abdul Razak Diwan	
Zakaria Bilwani	
Usman Bilwani	
Iqbal Bilwani	
Shabbir Diwan	
Muhammad Taufiq Bilwani	
Muhammad Waseem	

Audit Committee Members

Iqbal Bilwani	- Chairman
Haji Haroon Bilwani	
Usman Bilwani	
Muhammad Waseem	

HR & Remuneration Committee Members

Usman Bilwani	- Chairman
Iqbal Bilwani	
Muhammad Waseem	

Company Secretary / Chief Financial Officer

Mohammad Yasin Bilwani

Auditors

M/s. Kreston Hyder Bhimji & Company
Chartered Accountants,
Karachi.

Legal Advisor

Naeem Ahmed Khan
Advocates
Quetta.

Share Registrar

C&K Management Associates (Private) Limited
Room No. 404, Trade Tower,
Abdullah Haroon Road, Near Metropole Hotel,
Karachi-75530 - Pakistan.
Phone: 021-35687839, 35685930

Bankers

Bank Alfalah Limited
Bank Al-Habib Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Samba Bank Limited
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

Plant

Plot No.441/49-M2, Sector "M",
H.I.T.E., Main R.C.D. Highway,
HUB, District Lasbela,
Balochistan, Pakistan.

Registered Office

Room No.32, First Floor,
Ahmed Complex,
Jinnah Road, Quetta - Pakistan.

Liaison/Correspondence Office

11th Floor, G&T Tower,
18 Beaumont Road,
Civil Lines-10,
Karachi-75530 - Pakistan.
Phone: 021-35659500-9
Fax: 021-35659516

Email

headoffice@gatron.com

Website

www.gatron.com



Directors' Report

Dear Shareholders,

The Directors of Gatron (Industries) Limited are pleased to present the quarterly report and the unaudited condensed interim financial statements, for the quarter ended September 30, 2018.

FINANCIAL REVIEW

The financial synopsis for the period under review is as below:

- Net sales Rs.3,826 million,
- Operating profit Rs. 440 million,
- Investment income Rs. 226 million,
- Profit before income tax Rs.665 million,
- Profit after income tax Rs. 606 million,
- Earnings per share Rs. 15.81.

By the grace of Almighty Allah, your Company observed another good quarter in financial terms. Margin over raw material in Polyester Filament Yarn (PFY) did not change appreciably, however, operating results of yarn segment improved mainly due to the continuous increase of unit values of product, pushed up mainly due to increasing raw material PTA/MEG prices, which resulted in a continuous cycle during the the period where lower priced inputs purchased before the increase, fetched higher product price enhancing the profitability. Furthermore two devaluations of June 2018 and July 2018 (combined Rs 8.5/\$) resulted in increased in rupee unit value of sale, while lower rupee cost inventory of raw material and finished goods was used for such sale resulting in realization of significant inventory gains on account of raw materials utilized to produce goods as well as on the finished goods themselves.

Revenue increased by 43% as compared to corresponding period of last year. This is mainly due increase in unit value of finished products due to above noted reasons as well as increase in sales volume of PFY.

Company has achieved highest quarterly production ever in its history due to better utilization of production capacity as well as actual increase in capacity. More additions on the way as noted below.

As stated above margin over raw material has so far not changed appreciably, so when rupee valuation against US dollar and raw material prices settle down, the profits may shrink in subsequent periods where devaluation does not occur or where raw material prices go down.

As reported in previous reports, the same situation continues on the anti-dumping duties (ADDs) which still have not become truly and fully effective due to litigation on composition of National Tariff Commission (NTC) (resulting in repeated stay orders in different High Courts) and the generous attitude of NTC of helping in circumvention of the duties, whereby NTC sets aside the anti-dumping duties for all importers without any security, rather than only the petitioners getting the stay. Moreover, the ADDs are set as low as to 3.25% to 4.9% on the major 3 Chinese suppliers, while the injury to the Pakistan Filament Yarn Industry was exceeding 20% by the Chinese dumped imports as calculated by the NTC in the said anti-dumping investigation and whereas the dumping duty on China imposed by Turkey and India on these same producers was in excess of 10%.



Preforms segment results remained satisfactory in view of international margins, on the other end the increasing raw material prices and devaluation of rupee helped to improve results.

On the Balance Sheet front as compared to June 30, 2018 stocks increased by Rs. 77 million to reach amounting to Rs. 2,812 million. Debtors increased by Rs. 65 million to reach Rs. 1,194 million while creditors decreased by Rs. 264 million to reach Rs. 1,952 million.

CHALLENGES FACED AND FUTURE OUTLOOK

- The low anti-dumping duty of 3.25% on mega Chinese producers has not provided enough protection against dumping as well as its circumvention by importers and frequent suspension across the board for all importers on account of generous attitude towards the importers by the NTC has not even made this low duty truly effective. However, imposition of regulatory duty has helped in better output level of operations of Yarn segment.
- Keeping in view the opportunity for substitution of significant imports of Polyester Filament Yarn in Pakistan, as well as support by the Government by imposition of Regulatory Duty (RD) on imports, your Company is in the process of significantly increasing its actual capacity in coming periods and with the LCs being opened by December 2018, the production level at mix deniers is expected to be in excess of 54,000 MT at the end of 2018-2019 and 65,000 MT in 2019-2020. If the LCs for expansion, planning for opening in December 2019 goes ahead the production level is expected to be in excess of 75,000 MT by 2020-2021 Insha Allah. This is a first major expansion of Filament Yarn capacity of the Company since the year 2002-2003.
- As already reported in previous directors' reports that there also appears an element of subsidy schemes helping the Chinese and Malaysian exporters to export at much low prices. The NTC did not initiate the countervailing proceedings due to some legal limitation, on the previous application by the Filament Yarn Industry. Many countries like Canada and USA have calculated anti-subsidy duties on China on various polyester products which demonstrate that Chinese producers have available subsidy on their exports. Of course USA, Canada and Europe have also imposed anti-subsidy duties on numerous other Chinese products besides polyester.
- The Company's significant funds are stuck in Sales Tax and Income Tax refunds, which are unnecessarily increasing financial cost and affecting liquidity of the Company.
- To overcome shortage of water supply from Hub Dam, water is being arranged from alternate sources which has increased manufacturing cost.

OTHER MATTERS

- During the period operations of wholly owned subsidiary Messrs. Gatro Power (Private) Limited remained satisfactory. The subsidiary company paid cash dividends amounting to Rs. 225.750 million during the period.
- Your Company is in process to set up another power generating company as 100% subsidiary to fulfill power need.



APPROPRIATION

During the quarter, the Board of Directors does not recommend any interim cash dividend.

The directors have recommended to transfer Rs. 1,175 million from unappropriated profit to General reserve. These condensed interim financial statements do not include the effect of this transfer.

EARNINGS PER SHARE

The earnings per share of the Company for the quarter ended on September 30, 2018 is Rs. 15.81.

MATERIAL CHANGES AND COMMITMENTS

No material changes and commitments effecting the financial position of the company occurred during the period to which the balance sheet relates and the date of this report.

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

The consolidated condensed interim financial statements of the Group along with notes thereto, have also been included in this report.

ACKNOWLEDGMENT

We are grateful to our customers for their continued patronage of our products and wish to acknowledge the efforts of the entire Gatron team, including our staff, vendors, dealers and all business partners for their untiring efforts in these challenging times and look to their continued support.

Peer Mohammad Diwan
Chief Executive

Haji Haroon Bilwani
Chairman / Director

October 20, 2018



اہم تبدیلیاں اور معاہدے

بیلنس شیٹ کی تاریخ اور رپورٹ ہذا کی تاریخ کے درمیان کمپنی کی مالیاتی حیثیت میں تبدیلی لانے والی نہ کوئی اہم بات رونما ہوئی اور نہ ہی ایسے معاہدے ہوئے۔

جامع مالیاتی گوشوارے

زیر نظر رپورٹ میں گروپ ہذا کے جامع عبوری مالیاتی گوشوارے (Consolidated Interim Financial Statements) ہمارے ڈیٹا کے ساتھ منسلک کر دیئے گئے ہیں۔

اظہار تشکر

کمپنی کی مصنوعات کی حوصلہ افزائی جاری رکھنے پر ہم اپنے معزز گاہکوں کے تہدیدل سے مشکور ہیں اور گیسٹروں کی پوری ٹیم بشمول اسٹاف، ویبڈیزائنرز، ڈیٹا انٹری اور تمام برنس پارٹنرز کے بھی مشکور ہیں جنہوں نے ان مشکل حالات میں اپنی جدوجہد جاری رکھی اور ہم سے تعاون میں کی نہیں آنے دی۔ ہم امید کرتے ہیں کہ ان کی یہ اعانت جاری رہے گی۔

حاجی ہارون ہلوانی
چیئرمین/ڈائریکٹر

پیر محمد دیوان
انصر علی

مورخہ: 20 اکتوبر، 2018ء

پری فارم سیگمنٹ کے نتائج عالمی منڈیوں میں خام مال کی قیمتوں میں اضافے اور روپے کی قدر میں کمی کی وجہ سے تسلی بخش رہے۔

30 جون 2018ء کے مقابلے میں اسٹاکس میں 77 ملین روپے کا اضافہ ہوا جو 2,812 ملین روپے تک پہنچ گیا۔ قابل وصول قرضوں کی مابیت 65 ملین روپے بڑھ کر 1,194 ملین روپے تک پہنچ گئی۔ جبکہ قرضداری 264 ملین روپے کم ہو کر 1,952 روپے تک پہنچی۔

درپیش چیلنجز اور مستقبل پر ایک نظر

☆ چینی مینوفیکچر پر 3.25% کی انتہائی کم ADDs نے ڈمپنگ کے خلاف مناسب تحفظ فراہم نہیں کیا۔ نیز درآمد کنندگان کی جانب سے اس کی حصار بندی اور NTC کی جانب سے درآمد کنندگان کیلئے ضابطہ سازی کی وجہ سے تمام درآمد کنندگان پر یہ کم ڈیوٹی بھی حقیقی طور پر موثر نہیں تھی۔ تاہم ریگولیٹری ڈیوٹی سے یارن سیگمنٹ کے آپریٹرز کی پیداواری سطح کو بہتر کرنے میں مدد ملی۔

☆ پاکستان میں PFY کی نمایاں درآمدات اور سرکاری جانب سے ریگولیٹری ڈیوٹی کے نفاذ کے پیش نظر آپ کی کمپنی PFY کی پیداواری صلاحیتوں میں اضافہ کر رہی ہے اور دسمبر 2018ء میں لیٹ آف کریڈٹ (LCs) کو کھولے جانے کے بعد کس ڈینینرز (Mix Deniers) میں پیداواری صلاحیت 2018-19 کے اختتام پر 54,000 میٹرک ٹن اور 2019-20 میں 65,000 میٹرک ٹن سے زیادہ رہنے کی امید ہے اور اگر دسمبر 2019ء کی LCs پیداواری صلاحیت کی منصوبہ بندی کے تحت کھل جاتی ہیں تو انشاء اللہ 2020-21 کے اختتام پر پیداواری صلاحیت 75,000 میٹرک ٹن سے زیادہ تک پہنچنے کی امید ہے۔ 2002-2003 کے بعد کمپنی کی فلامنٹ یارن کی پیداواری صلاحیت میں پہلی بڑی توسیع ہے۔

☆ جیسا کہ گزشتہ ڈائریکٹرز رپورٹس میں ذکر کیا گیا کہ سبسڈی اسکیموں کا ایک ایسا عنصر محسوس ہوتا ہے جس کی وجہ سے چینی اور ملائیشیائی درآمد کنندگان کو انتہائی ارزاں نرخ پر درآمدات کرنے میں مدد ملتی ہے۔ مقامی فلامنٹ یارن صنعت کی جانب سے اس معاملہ کے متعلق گزشتہ داخل کردہ درخواست پر چند قانونی پابندیوں کے باعث NTC بروقت اقدام کرنے سے قاصر رہا دیگر مالک جیسا کہ کمپنی نے چین کی دیگر پولیسٹر مصنوعات پر ایٹنی سبسڈی ڈیوٹی عائد کی ہے جس سے پتہ چلتا ہے کہ چینی پروڈیوسرز کی درآمدات میں سبسڈی شامل ہے۔ امریکہ، کینیڈا اور یورپ نے چین کی دیگر مصنوعات پر بھی ایٹنی سبسڈی ڈیوٹی عائد کر رکھی ہے۔

☆ کمپنی کی خطیر رقم سلیڈنگس اور انکم ٹیکس ری فنڈ میں پھنسی ہوئی ہے جس کے سبب مالیاتی لاگت میں غیر ضروری اضافہ کمپنی کی لیکویڈٹی پر اثر انداز ہو رہا ہے۔

☆ حسب ڈیم سے پائی کی فراہمی کی قلت پر قابو پانے کے لیے، متبادل ذرائع سے پائی کا بندوبست کیا جا رہا ہے جس سے پیداواری لاگت میں خاطر خواہ اضافہ ہو رہا ہے۔

دیگر امور

☆ زیر جائزہ مدت کے دوران کمپنی کے مکمل ملکیتی ماتحت ادارے میسرز گیٹر و پاور (پرائیویٹ) لمیٹڈ کے آپریٹرز تسلی بخش رہے۔ ذیلی ادارے نے اس مدت کے دوران مبلغ 225.750 ملین روپے کا نقد منافع ادا کیا۔

☆ بڑھتی ہوئی بجلی کی ضروریات کو پورا کرنے کے لیے آپ کی کمپنی ایک مکمل ملکیتی ماتحت پاور جنریشن کمپنی کو قائم کرنے جارہی ہے۔

تصرف

اس سماہی کے دوران بورڈ آف ڈائریکٹرز نے کسی عبوری منافع منقسمہ کی تجویز پیش نہیں کی۔

ڈائریکٹرانے 1,175 ملین روپے کو un-appropriated profit کے general reserve میں منتقلی کی سفارش کی ہے جس کا اثر زیر جائزہ عبوری مالیاتی گوشواروں میں شامل نہیں ہے۔

منافع فی حصہ

30 ستمبر 2018ء کو اختتام پزیر ہونے والی سماہی مدت کیلئے منافع فی حصہ مبلغ 15.81 روپے رہا۔

ڈائریکٹرز کی جائزہ رپورٹ

معزز ممبران،

گیٹرون (انڈسٹریز) لمیٹڈ کے ڈائریکٹرز 30 ستمبر، 2018ء کو اختتام پذیر ہونے والی سہ ماہی مدت کیلئے رپورٹ اور نمبر آڈٹ شدہ جموری مالیاتی گوشوارے پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

مالیاتی جائزہ

زیر جائزہ مدت کا مالیاتی خلاصہ درج ذیل ہے:

●	خالص فروخت	.....	ملین روپے 3,826
●	آپریٹنگ منافع	.....	ملین روپے 440
●	آمدنی بذریعہ سرکاری	.....	ملین روپے 226
●	منافع قبل از ٹیکس	.....	ملین روپے 665
●	منافع بعد از ٹیکس	.....	ملین روپے 606
●	آمدنی فی حصہ	.....	ملین روپے 15.81

اللہ تعالیٰ کے فضل و کرم سے آپ کی کمپنی نے موجودہ مالیاتی مدت کی سہ ماہی میں اچھے نتائج کا مظاہرہ کیا۔ پولیمر فلامنٹ یارن (PFY) پر خام مال کے مارجنز میں کوئی نمایاں تبدیلی نہیں آئی البتہ یارن کے آپریٹنگ نتائج میں بہتری کی اہم وجہ پروڈکٹ کی یونٹ قدر میں مستقل اضافہ ہے جو خام مال PTAM/MEG کی بڑھتی ہوئی قیمتوں کی وجہ سے جولائی 2018ء میں روپے کی گرتی قدر (مشترکہ 8.5 روپے/ڈالر) کے سبب رہا۔ دوسری جانب کم قیمت خام مال اور تیار شدہ مال کے ذخیرے کو بڑھتی ہوئی قیمتوں پر فروخت انویٹری منافعوں کا باعث بنا۔

گزشتہ سال کی اسی مدت کے مقابلے پر فروخت میں 43 فیصد اضافہ ہوا جس کی وجہ تیار شدہ پروڈکٹس کی یونٹ ویلیو میں مذکورہ بالا وجوہات کے ساتھ ساتھ PFY کے فروخت کے حجم میں اضافہ بھی شامل ہے۔

پیداواری گنجائش میں اضافے اور اس کو بہتر طریقے سے استعمال کرنے کی سبب کمپنی کی سہ ماہی پیداوار میں تاریخی اضافہ نظر آیا مزید آنے والے وقت میں پیداواری گنجائش میں توسیع متوقع ہے۔

جیسا کہ اوپر بیان کیا گیا کہ خام مال کے مارجنز میں اب تک کوئی تبدیلی نہیں ہوئی اس لیے جب ڈالر کے مقابلے میں روپے کی قدر اور خام مال کی قیمتوں میں ٹھہراؤ آئے گا تب آنے والی سہ ماہیوں میں منافع میں کمی واقع ہو سکتی ہے۔

جیسا کہ پچھلی رپورٹس میں تذکرہ کیا گیا اب بھی ایٹمی ڈمپنگ ڈیوٹی (ADDs) پر مسلسل وہی کیفیت برقرار ہے جو کہ نیشنل ٹریف کمیشن (NTC) کی تشکیل پر مقدمہ بازی کی وجہ سے موثر طور پر نافذ نہیں ہو سکیں۔ مختلف اعلیٰ عدالتوں میں NTC کی تشکیل پر متواتر اسٹے آرڈر اور مقدمہ بازی کے ساتھ ساتھ NTC کے ضابطہ رو کی بنا پر ADDs ابھی تک صحیح معنوں میں مکمل طور پر موثر نہیں ہوئی جبکہ NTC نے کسی سیکوریٹی کے بغیر تمام درآمد کنندگان کے لئے ADDs منسوخ کر دیں جبکہ صرف درخواست گزاران اسٹے حاصل کر رہے ہیں۔ اعلیٰ عدالت سے اسٹے آرڈر خارج ہونے کے باوجود NTC نے ADDs وصول نہیں کی۔ مزید برآں تین بڑے چینی سپلائرز پر ADDs کم سطح 3.25% تا 4.9% ہے جبکہ متذکرہ ایٹمی ڈمپنگ تحقیقات میں NTC نے تعین کیا تھا کہ پاکستان فلامنٹ یارن انڈسٹری کو چائینز ڈمپنگ ایپوٹس کے ذریعہ نقصان 20% سے زیادہ ہے۔ ان ہی چائینز پروڈیوسرز پر ترکی اور انڈیا نے 10% سے زیادہ ایٹمی ڈمپنگ ڈیوٹی عائد کی ہے۔



Condensed Interim Statement of Financial Position

AS AT SEPTEMBER 30, 2018

	Note	(Rupees in Thousand)	
		September 2018 (Un-audited)	June 2018 (Audited)
ASSETS			
Non - current Assets			
Property, plant and equipment	5	2,033,294	1,843,643
Long term investments		597,563	597,563
Long term loans		30	88
Long term deposits		1,802	1,832
Deferred taxation		2,067	-
		2,634,756	2,443,126
Current Assets			
Stores, spare parts and loose tools		591,485	539,823
Stock in trade	6	2,811,715	2,734,755
Trade debts	15	1,193,762	1,128,940
Loans and advances	15	118,705	99,778
Trade deposits and short term prepayments	15	70,440	36,010
Other receivables	15	150,202	137,324
Advance income tax		-	30,000
Taxes refund due from Federal Government		305,252	305,252
Cash and bank balances		71,616	47,399
		5,313,177	5,059,281
TOTAL ASSETS		7,947,933	7,502,407
EQUITY AND LIABILITIES			
EQUITY			
Share capital	7	383,645	383,645
Capital reserve - share premium		383,645	383,645
General reserve		2,075,000	2,075,000
Unappropriated profit		2,037,519	1,431,079
		4,879,809	4,273,369
LIABILITIES			
Non - current Liabilities			
Deferred liabilities	8	342,559	337,260
Current Liabilities			
Trade and other payables	9 & 15	1,952,352	2,216,006
Unclaimed dividend		11,236	11,238
Accrued mark up		449	142
Short term borrowings		666,647	580,017
Provision for income tax less payments		94,881	84,375
		2,725,565	2,891,778
CONTINGENCIES AND COMMITMENTS	10		
TOTAL EQUITY AND LIABILITIES		7,947,933	7,502,407

The notes 1 to 17 annexed herewith form an integral part of these condensed interim financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

MOHAMMAD YASIN BILWANI
Chief Financial Officer



Condensed Interim Statement of Profit or Loss (Un-audited)

FOR THE QUARTER ENDED SEPTEMBER 30, 2018

		(Rupees in Thousand)	
	Note	Jul-2018 to Sep-2018	Jul-2017 to Sep-2017
Sales		3,825,761	2,684,823
Cost of sales		3,243,127	2,531,025
Gross profit		582,634	153,798
Distribution and selling costs		48,783	29,670
Administrative expenses		51,496	50,396
Other operating expenses		44,821	12,614
		145,100	92,680
		437,534	61,118
Other income		2,707	1,872
Operating profit		440,241	62,990
Finance costs		1,099	8,112
		439,142	54,878
Investment income - Dividend	11	225,750	-
Profit before income tax		664,892	54,878
Income tax - Current	12	63,077	18,239
Deferred		(4,625)	2,206
		58,452	20,445
Profit after income tax		606,440	34,433
Earnings per share - Basic and diluted (Rupees)		15.81	0.90

The notes 1 to 17 annexed herewith form an integral part of these condensed interim financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

MOHAMMAD YASIN BILWANI
Chief Financial Officer



Condensed Interim Statement of Comprehensive Income (Un-audited)

FOR THE QUARTER ENDED SEPTEMBER 30, 2018

	(Rupees in Thousand)	
	Jul-2018 to Sep-2018	Jul-2017 to Sep-2017
Profit after income tax	606,440	34,433
Other comprehensive income	-	-
Total comprehensive income	<u>606,440</u>	<u>34,433</u>

The notes 1 to 17 annexed herewith form an integral part of these condensed interim financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

MOHAMMAD YASIN BILWANI
Chief Financial Officer



Condensed Interim Statement of Cash Flows (Un-audited)

FOR THE QUARTER ENDED SEPTEMBER 30, 2018

	(Rupees in Thousand)	
	Jul-2018 to Sep-2018	Jul-2017 to Sep-2017
Cash Flows (towards)/from Operating Activities		
Profit before income tax	664,892	54,878
Adjustments for:		
Depreciation	66,200	72,347
Provision for defined benefit plan	9,279	7,898
Gain on disposal of property, plant and equipment	(1,687)	(1,694)
Loss on disposal of property, plant and equipment	33	-
(Reversal)/provision for doubtful trade debts - net	(467)	6,922
Provision for slow moving stores, spare parts and loose tools - net	2,186	892
Investment income - Dividend	(225,750)	-
Finance costs	1,099	8,112
Profit on deposits	(11)	-
	<u>(149,118)</u>	<u>94,477</u>
	515,774	149,355
(Increase)/decrease in current assets:		
Stores, spare parts and loose tools	(53,848)	4,033
Stock in trade	(76,960)	284,652
Trade debts	(64,355)	735,298
Loans and advances	(19,620)	(12,351)
Trade deposits and short term prepayments	(34,430)	(18,653)
Other receivables	(12,878)	154,220
	<u>(262,091)</u>	<u>1,147,199</u>
Decrease in Trade and other payables	(263,944)	(320,239)
Cash flows (towards)/from operations	<u>(10,261)</u>	976,315
(Payments for)/receipts of:		
Long term loans	751	(848)
Long term deposits	30	-
Defined benefit plan	(1,422)	(7,341)
Profit on deposits	11	-
Finance costs	(792)	(9,949)
Income tax	(22,571)	(14,648)
Net cash flows (towards)/from operating activities	<u>(34,254)</u>	943,529
Cash Flows (towards)/from Investing Activities		
Additions in property, plant and equipment	(258,101)	(46,434)
Proceeds from disposal of property, plant and equipment	4,194	4,310
Dividend received	225,750	-
Net cash flows towards investing activities	<u>(28,157)</u>	(42,124)
Cash Flows towards Financing Activities		
Dividend paid	(2)	(2)
Net cash flows towards financing activities	<u>(2)</u>	<u>(2)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(62,413)</u>	901,403
Cash and cash equivalents at the beginning of the period	<u>(532,618)</u>	<u>(2,111,373)</u>
Cash and cash equivalents at the end of the period	<u>(595,031)</u>	<u>(1,209,970)</u>
CASH AND CASH EQUIVALENTS COMPRISE OF :		
Cash and bank balances	71,616	44,997
Short term borrowings	(666,647)	(1,254,967)
	<u>(595,031)</u>	<u>(1,209,970)</u>

The notes 1 to 17 annexed herewith form an integral part of these condensed interim financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

MOHAMMAD YASIN BILWANI
Chief Financial Officer

Quarterly Report September 30, 2018



Condensed Interim Statement of Changes In Equity (Un-audited)

FOR THE QUARTER ENDED SEPTEMBER 30, 2018

(Rupees in Thousand)

	Share Capital	Capital reserve Share Premium	General reserve	Unappropriated profit	Total
Balances as at July 01, 2017	383,645	383,645	2,075,000	529,248	3,371,538
Total comprehensive income for the quarter ended September 30, 2017	-	-	-	34,433	34,433
Balances as at September 30, 2017	383,645	383,645	2,075,000	563,681	3,405,971
Total comprehensive income for the nine months ended June 30, 2018	-	-	-	944,127	944,127
Transactions with owners					
Interim cash dividend for the year ended June 30, 2018 at Rs.2.00 per share i.e. @20%	-	-	-	(76,729)	(76,729)
Balances as at June 30, 2018	383,645	383,645	2,075,000	1,431,079	4,273,369
Total comprehensive income for the quarter ended September 30, 2018	-	-	-	606,440	606,440
Balances as at September 30, 2018	383,645	383,645	2,075,000	2,037,519	4,879,809

The notes 1 to 17 annexed herewith form an integral part of these condensed interim financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

MOHAMMAD YASIN BILWANI
Chief Financial Officer

Quarterly Report September 30, 2018



Notes To The Condensed Interim Financial Statements (Un-audited)

FOR THE QUARTER ENDED SEPTEMBER 30, 2018

1 THE COMPANY AND ITS OPERATIONS

- 1.1 The Company was incorporated in Pakistan in 1980 as a Public Limited Company and its shares are quoted at Pakistan Stock Exchange since 1992. The principal business of the Company is manufacturing of Polyester Filament Yarn through its self-produced Polyester Polymer/Chips. The Company also produces Pet Preforms and is also capable of producing PET Bottle Grade Chips. The registered office of the Company is situated at Room No. 32, 1st floor, Ahmed Complex, Jinnah Road, Quetta whereas the plant of the Company is situated at Plot No 441/49-M2, Sector "M", H.I.T.E., Main R.C.D. Highway, Hub, District Lasbela, Balochistan and Liaison office of the Company is situated at 11th Floor, G&T Tower, # 18 Beaumont Road, Civil Lines-10, Karachi.
- 1.2 The Company wholly owns following Subsidiary Companies:
- Gatro Power (Private) Limited, which is engaged in power generation.
 - Global Synthetics Limited, which has yet to commence its operations.

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 comprises of International Accounting Standards (IAS) 34, interim financial reporting, issued by International Accounting Standard Board (IASB) as notified under the Companies Act, 2017 and provision of and directives issued under the Companies Act, 2017. Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirement of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.
- 2.2 These condensed interim financial statements are the separate financial statements of the Company in which investments in subsidiaries and associate have been accounted for at cost less accumulated impairment losses, if any.
- 2.3 These condensed interim financial statements are unaudited and do not include all the information and disclosures of the annual financial statements and should be read in conjunction with the audited financial statements of the Company for the year ended June 30, 2018.
- 2.4 **Change in accounting standards, interpretations and amendments to published approved accounting standards**
- a) **Amendments to published approved accounting standards which are effective during the quarter ended September 30, 2018:**
- There are certain amendments to approved accounting standards which are mandatory for the Company's annual accounting period which began on July 1, 2018. However, these do not have any significant impact on the Company's financial reporting and, therefore, have not been detailed in these condensed interim financial statements.
- b) **Standards and amendments to published approved accounting standards that are not yet effective:**
- There are certain new standards and amendments to the approved accounting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2019. However, these amendments will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these condensed interim financial statements.



2.5 Functional and reporting currency

These condensed interim financial statements are presented in Pakistani Rupee, which is the Company's functional currency.

3 ACCOUNTING ESTIMATES AND JUDGEMENTS

Judgements and estimates made by the management in the preparation of these condensed interim financial statements were the same as those applied to the audited financial statements as at and for the year ended June 30, 2018.

4 SIGNIFICANT ACCOUNTING POLICIES

These condensed interim financial statements have been prepared, following the same accounting policies as were applied in the preparation of the audited financial statements as at and for the year ended June 30, 2018.

5 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets (note 5.1)
Capital work in progress (note 5.2)

(Rupees in Thousand)	
September 2018 (Un-audited)	June 2018 (Audited)
1,689,017	1,687,066
344,277	156,577
<u>2,033,294</u>	<u>1,843,643</u>

5.1 Following are the cost of additions and net book value (NBV) of assets disposed off during the period:

Additions at cost during the period including transferred from Capital work in progress

	Quarter ended September 2018	Quarter ended September 2017
Plant and machinery	44,119	139,092
Furniture and fixture	574	464
Factory equipment	1,786	6,431
Office equipment	262	319
Motor vehicles	23,950	6,851
	<u>70,691</u>	<u>153,157</u>

Disposals at NBV during the period

Motor vehicles	<u>2,540</u>	<u>2,616</u>
----------------	--------------	--------------

5.2 Additions to capital work in progress and transfers during the period amounted to Rs.231.356 million and Rs.43.656 million respectively (September 2017: additions to capital work in progress and transfers amounted to Rs.30.851 million and Rs.137.700 million respectively).

6 STOCK IN TRADE

These include items costing Rs.84.510 million (June 2018: Rs.109.514 million) valued at net realisable value of Rs.59.892 million (June 2018: Rs.79.949 million).

**7 SHARE CAPITAL**

(Number of Shares)		(Rupees in Thousand)		
September 2018	June 2018	September 2018	June 2018	
(Un-audited)	(Audited)	(Un-audited)	(Audited)	
7.1 Authorised capital				
44,000,000	44,000,000	Ordinary shares of Rs. 10 each	440,000	440,000
7.2 Issued, subscribed and paid up capital				
30,136,080	30,136,080	Ordinary shares of Rs.10 each allotted for consideration paid in cash	301,361	301,361
8,228,400	8,228,400	Ordinary shares of Rs.10 each allotted as fully paid bonus shares	82,284	82,284
38,364,480	38,364,480		383,645	383,645

8 DEFERRED LIABILITIES

Income tax - net	-	2,558
Defined benefit plan	342,559	334,702
	342,559	337,260

9 TRADE AND OTHER PAYABLES

Trade and other payables includes provision in respect of following:

- a) The Oil and Gas Regulatory Authority (OGRA) had enhanced gas rate from Rs.488.23 per MMBTU for industrial and Rs.573.28 per MMBTU for captive power to Rs.600 per MMBTU with effect from September 01, 2015. The Company alongwith several other companies filed suit in the Sindh High Court challenging the increase in rate. The Honorable Sindh High Court had initially granted interim relief, whereby recovery of enhanced rate has been restrained. In May 2016, The Single Bench of Sindh High Court decided the case in favour of the petitioners. However, in June 2016, defendants filed appeal before Double Bench of Sindh High Court which also decided in favor of the Petitioners. Meanwhile, OGRA had issued another notification dated December 30, 2016 overriding the previous notification and Messrs. Sui Southern Gas Company Limited (SSGCL) billed @ Rs.600 per MMBTU instead of Rs.488.23 per MMBTU. However the Company alongwith others filed a suit in the Sindh High Court on January 19, 2017 against OGRA, SSGCL and others. The Honorable Sindh High Court granted interim relief and instructed SSGCL to revise bills at previous rate against securing the differential amount with the Nazir of the court. Accordingly, the Company has provided bankers' verified cheque to Nazir of High Court amounting to Rs.45.522 million (June 2018: Rs.37.827 million). As an abundant precaution, the Company has made total provision of Rs.40.194 million (June 2018: Rs.35.374 million). On October 04, 2018, OGRA has issued another notification to increase gas tariff with effect from September 27, 2018 for different categories. The Company is in consultation with legal counsel, if any legal action need to be taken in this regard.



- b)** In August 2013, OGRA had enhanced gas rate from Rs.488.23 per MMBTU to Rs.573.28 per MMBTU for captive power and accordingly, SSGCL started charging rate prescribed for captive power to the Company with effect from September 2013. The Company along with several other companies filed suit in the Sindh High Court on December 21, 2015 against OGRA, SSGCL and others challenging the charging of captive power tariff instead of industrial tariff. The Honorable Sindh High Court has granted interim relief, whereby recovery of captive power rate has been restrained. As an abundant precaution, the Company has made provision of Rs.15.977 million (June 2018: Rs.14.213 million) pertaining to the period of November 2015 to September 2018 and did not create receivable of Rs.13.629 million in respect of period from August 2013 to October 2015. On October 04, 2018, OGRA has issued another notification to increase gas tariff with effect from September 27, 2018 for different categories. The Company is in consultation with legal counsel, if any legal action need to be taken in this regard.
- c)** Provision of Sindh Sales Tax on rent payable to an associated company Messrs. Novatex Limited amounted to Rs.4.953 million (June 2018: Rs.4.815 million). The associated company had file a suit in the Sindh High Court against Sindh Revenue Board and Province of Sindh etc. On August 28, 2018, the Single Bench of Sindh High Court decided the case in favour of the associated company. Based on advice of legal counsel, the Company is holding provision, as the High Court judgement is going to be challenged in the Supreme Court of Pakistan.
- d)** The Company had filed a petition in the Sindh High Court at Karachi on May 25, 2011 against Province of Sindh and Excise and Taxation Department, challenging the levy of Infrastructure Cess on imports. Through an interim order dated May 31, 2011, the Honorable Sindh High Court ordered to pay 50% in cash of this liability effective from December 28, 2006 and to submit bank guarantee for the rest of 50% until the final order is passed. In April 2017, the Government of Sindh has promulgated the Sindh Development and Maintenance of Infrastructure Cess Act, 2017. The Company has also challenged the new Act in the Sindh High Court on October 23, 2017 against Province of Sindh and Excise and Taxation Department and similar stay has been granted by the Honorable Sindh High Court. Till reporting date, the Company has provided bank guarantee amounting to Rs.158.365 million (June 2018: Rs.148.365 million) in favour of Excise and Taxation Department, in respect of consignments cleared after December 27, 2006. Based on the legal advise, the management believes that the case will be decided in favour of the Company. However, full provision after December 27, 2006 has been made in these condensed interim financial statements as an abundant precaution.
- e)** The Federal Board of Revenue (FBR) vide SRO 491(I)/2016 dated June 30, 2016 made certain amendments in SRO 1125(I)/2011 dated December 31, 2011 including disallowance of input tax adjustment on packing material of textile products. Consequently, input tax adjustment on packing material of textile product is not being allowed for adjustment with effect from July 01, 2016. The Company has challenged the disallowance of input tax adjustment on packing material in the Sindh High Court on January 16, 2017 against Federation of Pakistan and others. The Honorable Sindh High Court has granted interim relief order and allowed the Company to claim input tax adjustment.

Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Company. However, as an abundant precaution, the Company has made provision of Rs.65.752 million (June 2018: Rs.65.752 million).

- f) The FBR vide SRO 450(I)/2013 dated May 27, 2013 made certain amendments in SRO 490(I)/2004 dated June 12, 2004 and disallow input tax adjustment on building materials with effect from May 28, 2013. The Company has challenged the restriction so placed before the Islamabad High Court on December 21, 2015 against Federation of Pakistan. The Court has granted interim relief order and allowed the Company to claim input tax adjustment on building material.

Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Company. However, as an abundant precaution, the Company has made provision of Rs.6.485 million (June 2018: Rs.5.192 million).

- g) Provision of Gas Infrastructure Development Cess Rs.5.989 million (June 2018: Rs.5.757 million) and rate difference of gas tariff Rs.1.727 million (June 2018: Rs.1.597 million) on account of common expenses payable to an associated company Messrs. Novatex Limited.

10 CONTINGENCIES AND COMMITMENTS

The detail of contingencies and commitments as at reporting date are as follows:

10.1 Contingencies

- a) FBR initiated action against few buyers of the Company for violating/non compliance of the provisions of SRO 1125 dated December 31, 2011 and alleging the Company to provide them assistance and illegal facilitation. The dispute relates to the period of time when supplies were zero rated and as a result of which the Company had to pay Rs.27.762 million and had also to submit post-dated cheques of Rs.83.287 million under protest in favour of Chief Commissioner Inland Revenue.

The Company has, however, challenged the action before the Honorable Sindh High Court on December 23, 2013 against Federation of Pakistan and others realizing the facts of the case, circumstances and legal position and the Honorable Sindh High Court has granted interim relief whereby encashment of above mentioned post dated cheques has been restrained.

By way of abundant precaution, the amount of Rs.27.762 million has been charged to statement of profit or loss in previous period. Based on the merits of the case and discussion held with the legal counsel, the management is confident that the case will be decided in favour of the Company. Accordingly no provision has been made for the amount of post dated cheques of Rs.83.287 million.

- b) The Parliament passed the Gas Infrastructure Development Cess (GIDC) Act 2015 in May 2015, which seeks to impose GIDC levy since 2011. The Company alongwith several other companies filed suit in the Sindh High Court on July 16, 2015 against OGRA and others challenging the validity and promulgation of GIDC Act 2015. The Single Bench of Honorable Sindh High Court had decided the case in favour of petitioners. However, defendants have filed appeal on November 10, 2016 before the Double Bench of Sindh High Court.

Considering previous decision of Honorable Supreme Court and legal advisor opinion, the Company is confident that the case will be decided in favour of the petitioners. Total amount of enhanced GIDC upto September 30, 2018 worked out at Rs.123.183 million (June 2018: Rs.115.218 million), however the Company has provided Rs.83.845 million (June 2018: Rs.75.880 million) pertaining to the period of July 2014 to September 2018 for Captive Power and June 2015 to September 2018 for Industrial as an abundant precaution in view of reason stated above.



- c) The Company along with several other companies has filed a Constitution Petition in the Sindh High Court on April 13, 2016 against Employment Old Age Benefits Institution (EOBI) and others against a notice issued by the EOBI to the Company to pay contribution at the revised rate of wages with retrospective effect. The Honorable Sindh High Court has already restrained EOBI from taking any coercive action against the Company. No provision of the amount involved i.e. Rs.19.304 million (June 2018: Rs.18.504 million) has been made in these condensed interim financial statements as the Company is confident of the favorable outcome of the Petition.
- d) The Company filed four appeals on 2nd, 9th, 17th May and 20th June 2018 before the Commissioner Inland Revenue (Appeals) (CIR(A)) – 2, Large Taxpayers Unit, Karachi for the tax periods July 2012 to December 31, 2016 against the assessment orders passed by the Deputy Commissioner Inland Revenue (DCIR), Large Taxpayers Unit, passed under section 11 (2) of the Sales Tax Act, 1990 through which cumulative demand for the aforesaid periods amounting to Rs.55.423 million excluding default surcharge was created. In the assessment orders, major areas on which impugned demand has been raised relates to disallowance of input tax on purchases and recovery of sales tax on sales to subsequently suspend / blacklisted person. The Company has already deposited Rs.28 million under protest into the Government treasury for stay against the full recovery. The CIR(A) has issued judgment in respect of impugned order for tax periods July 2012 to June 2013 wherein the entire order of the Tax Officer has been held as illegal and unconstitutional. No provision has been made in these condensed interim financial statements as the Company is confident that the matter will be decided in favour of the appellate authorities.
- e) Income tax department issued order under section 122(5A) of the Income Tax Ordinance, 2001 wherein income tax demand of Rs. 37.7 million was raised on various issues. Out of the total amount, the Company has paid Rs. 3.7 million under protest. Appeal was filed before the CIR(A) and the CIR(A) has decided the case partially in favor of the Company whereas major issues have been decided in favor of the tax department. Based on the judgment of the CIR(A), the revised demand comes out to Rs. 28.2 million. Against the order of the CIR(A), the Company has filed appeal before the Appellate Tribunal Inland Revenue (ATIR). Based on the advice of our legal counsel, no provision has been made in these condensed interim financial statements as the management is hopeful for a favorable outcome.

	(Rupees in Thousand)	
	September 2018 (Un-audited)	June 2018 (Audited)
10.2 Guarantees		
Bank Guarantees in favour of:		
The Director Excise and Taxation, Karachi	158,365	148,365
The Electric Inspector, President Licencing Board, Quetta	10	10
Pakistan State Oil Company Limited	40,000	30,000
K-Electric Limited	11,560	11,560
Letters of Credit in favour of:		
Sui Southern Gas Company Limited for Gas	30,992	30,992
	240,927	220,927



(Rupees in Thousand)

September 2018 (Un-audited) June 2018 (Audited)

10.3 Commitments

The Company's commitments, against which the banks have opened Letters of Credit, in favor of different suppliers, are as follows:

Foreign currency:		
Property, plant and equipment	140,428	345,212
Raw material	318,368	424,044
Spare parts and others	72,012	78,202
	530,808	847,458
Local currency:		
Raw material	151,442	108,585
	682,250	956,043

Quarter ended September 2018 Quarter ended September 2017

11 INVESTMENT INCOME - DIVIDEND

From wholly owned subsidiary company - Messrs. Gatro Power (Private) Limited

225,750	-
----------------	---

12 INCOME TAX

Provision for taxation has been net off with tax credit available under section 65B of Income Tax Ordinance, 2001.

13 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

MEASUREMENT OF FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company's certain accounting policies and disclosure requires use of fair value measurement and the Company while assessing fair value maximize the use of relevant of observable inputs and minimize the use of unobservable inputs establishing a fair value hierarchy, i.e., input used in fair value measurement is categorized into following three levels:

- Level 1 Inputs are the quoted prices in active markets for identical assets or liabilities that can be assessed at measurement.
- Level 2 Inputs are inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Inputs are unobservable inputs for the asset or liability.

As at reporting date, the fair value of all the assets and liabilities approximates to their carrying values except property, plant and equipment and long term investments in subsidiaries and associate. The property, plant and equipment is carried at cost less accumulated depreciation and impairment if any, except free-hold land, lease-hold land and capital work in progress which are stated at cost, whereas long term investments in subsidiaries and associate carried at cost less accumulated impairment if any. The Company does not expect that unobservable inputs may have significant effect on fair values.



14 SEGMENT REPORTING

14.1 Reportable segments

The Company's reportable segments are as follows:

- Polyester Filament Yarn - it comprises manufacturing of Polyester Filament Yarn and its raw material.
- Polyester PET Preforms - it comprises manufacturing of Polyester PET Preforms and its raw material.

Other operating expenses, other income, finance cost and taxation are managed at Company level.

14.2 Segment results:

The segment information for the reportable segments for the quarter ended September 30, 2018 is as follows:

(Rupees in Thousand)

	September 2018			September 2017		
	Polyester Filament Yarn	Polyester PET Preforms	Total	Polyester Filament Yarn	Polyester PET Preforms	Total
External sales	<u>2,610,847</u>	<u>1,214,914</u>	<u>3,825,761</u>	<u>1,666,670</u>	<u>1,018,153</u>	<u>2,684,823</u>
Segment result before depreciation	<u>300,851</u>	<u>247,704</u>	<u>548,555</u>	(8,805)	154,884	146,079
Less: Depreciation	<u>(49,347)</u>	<u>(16,853)</u>	<u>(66,200)</u>	(52,646)	(19,701)	(72,347)
Segment result after depreciation	<u>251,504</u>	<u>230,851</u>	<u>482,355</u>	<u>(61,451)</u>	<u>135,183</u>	<u>73,732</u>
Reconciliation of segment results with Profit before income tax:						
Total results for reportable segments			<u>482,355</u>			73,732
Other operating expenses			<u>(44,821)</u>			(12,614)
Other income			<u>2,707</u>			1,872
Finance costs			<u>(1,099)</u>			(8,112)
Investment income - Dividend			<u>225,750</u>			-
Profit before income tax			<u>664,892</u>			<u>54,878</u>

Assets and liabilities by segments are as follows:

	September 2018 (Un-audited)			June 2018 (Audited)		
Segment assets	<u>4,480,261</u>	<u>1,949,857</u>	<u>6,430,118</u>	<u>3,927,058</u>	<u>2,015,436</u>	<u>5,942,494</u>
Segment liabilities	<u>572,645</u>	<u>384,868</u>	<u>957,513</u>	<u>711,383</u>	<u>676,663</u>	<u>1,388,046</u>

Reconciliation of segments assets and liabilities with total in the condensed interim statement of financial position is as follows:

	September 2018		June 2018	
	Assets	Liabilities	Assets	Liabilities
Total for reportable segments	<u>6,430,118</u>	<u>957,513</u>	<u>5,942,494</u>	<u>1,388,046</u>
Unallocated	<u>1,517,815</u>	<u>2,110,611</u>	<u>1,559,913</u>	<u>1,840,992</u>
Total as per condensed interim statement of financial position	<u>7,947,933</u>	<u>3,068,124</u>	<u>7,502,407</u>	<u>3,229,038</u>

Other segment information is as follows:

	September 2018			September 2017		
Depreciation	<u>49,347</u>	<u>16,853</u>	<u>66,200</u>	<u>52,646</u>	<u>19,701</u>	<u>72,347</u>
Capital expenditures incurred during the period	<u>248,607</u>	<u>6,502</u>	<u>255,109</u>	41,014	5,000	46,014
Unallocated capital expenditure incurred during the period			<u>2,992</u>			420
Total			<u>258,101</u>			<u>46,434</u>



14.3 98.83% (September 2017 : 99.28%) out of total sales of the Company relates to customers in Pakistan.

14.4 All non - current assets of the Company as at September 30, 2018 are located in Pakistan.

14.5 The Company does not have transaction with any external customer which amount to 10 percent or more of the Company's revenue.

15 TRANSACTIONS WITH RELATED PARTIES

The related parties include Subsidiaries, Associate and Other Related Group Companies, Key Management Personnel and Defined Contribution Plans (Provident Funds). The Company continues to have a policy whereby transactions with related parties are entered into at commercial terms, approved policy and at rate agreed under a contract / arrangement / agreement. Contributions to defined contribution plan (Provident Funds) are made as per the terms of employment. Remuneration of Key Management Personnel is in accordance with their terms of engagements. Details of transactions with related parties are as follows:

Name	Nature of relationship	Basis of relationship	Nature of transaction	(Rupees in Thousand)	
				Quarter ended September 2018	Quarter ended September 2017
Gatro Power (Private) Limited	Subsidiary Company	100% ownership	Purchase of power	480,249	383,784
			Receipt of dividend	225,750	-
			Plant operation arrangement	9,000	9,000
			Storage and handling	121	121
			Rent	2	2
			Reimbursement of expenses	24	27
Novatex Limited	Associated Company	Common directorship	Rendering of services	-	1,032
			Obtaining of services	134,643	126,089
			Purchase of raw material	-	1,431
			Rent	4,621	4,621
			Reimbursement of expenses	34,701	33,452
Krystalite Product (Private) Limited	Related Party	Common management	Sale of goods	168,428	53,654
			Reimbursement of expenses	205	-
Mushtaq & Company (Private) Limited	Related Party	Common management	Sale of goods	22,535	20,667
Gani & Tayub (Private) Limited	Related Party	Common directorship	Charges on account of handling	1,889	1,630
Gatron Foundation	Related Party	Common directorship	Payment of donation	760	-
Gatron (Industries) Limited Staff Provident Fund	Retirement benefit fund	Employees fund	Contribution made	5,179	4,938



Name	Nature of relationship	Basis of relationship	Nature of transaction	(Rupees in Thousand)	
				Quarter ended September 2018	Quarter ended September 2017
Gatron (Industries) Limited Workers Provident Fund	Retirement benefit fund	Employees fund	Contribution made	959	967

There are no transactions with Key Management Personnel other than remuneration under their terms of employment amounting to Rs.52.916 million (September 2017: Rs.41.181 million).

- The above figures are exclusive of sales tax, where applicable.
- Outstanding balances, as at reporting date, are disclosed as follows:

	As at Sep 30, 2018 (Un-audited)	As at Jun 30, 2018 (Audited)
Gatro Power (Private) Limited		
Other receivables	6,467	3,175
Trade and other payables	456,168	-
Novatex Limited		
Loans and advances	51,730	-
Trade deposits and short term prepayments	13,863	-
Other receivables	15,387	12,365
Trade and other payables	12,669	12,169
Krystalite Product (Private) Limited		
Trade debts	132,995	-
Other receivables	663	458
Mushtaq & Company (Private) Limited		
Trade debts	33,724	28,689
Gani & Tayub (Private) Limited		
Trade and other payables	680	478
Gatron (Industries) Limited Staff Provident Fund		
Trade and other payables	3,437	3,277
Gatron (Industries) Limited Workers Provident Fund		
Other receivables	846	-
Trade and other payables	-	209

16 DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on October 20, 2018 by the Board of Directors of the Company.

17 GENERAL

17.1 Charge for Workers' Profit Participation Fund, Workers' Welfare Fund, Deferred Tax and Income Tax (where applicable) are interim and final liability will be determined on the basis of annual results.

17.2 Figures have been rounded off to the nearest thousand of Rupees.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

MOHAMMAD YASIN BILWANI
Chief Financial Officer



**Gatron (Industries) Limited
and Subsidiary Companies**

**Consolidated Condensed Interim
Financial Statements
For the Quarter ended
September 30, 2018**



Directors' Report

On behalf of the Board of Directors of Messrs. Gatron (Industries) Limited, we are pleased to present the un-audited Consolidated Condensed Interim Financial Statements of the Group for the quarter ended September 30, 2018.

The Group

The Group comprises of Gatron (Industries) Limited and its subsidiaries i.e Gatro Power (Private) Limited and Global Synthetics Limited.

During the period operations of wholly owned subsidiary Messrs. Gatro Power (Private) Limited remained satisfactory. The subsidiary company paid cash dividend amounting to Rs. 225.750 million during the period.

Global Synthetics Limited has not yet commenced its operations till date.

CONSOLIDATED FINANCIALS

(Rupees in Thousand)

Operating results for the quarter ended September 30, 2018

Profit before share of profit in associated company	553,884
Share of profit after income tax in associated company	1,000,145
Profit before income tax	1,554,029
Income tax	208,334
Profit after income tax	1,345,695
Un - appropriated Profit brought forward	6,669,762
Un - appropriated Profit carried forward	8,014,520

State of Affairs as on September 30, 2018

Property, Plant and Equipment	2,819,534
Other non-current assets	6,974,229
Current assets	6,380,382
Total assets	16,174,145
Deduct:	
Non-current liabilities	1,302,142
Current liabilities	3,730,193
Total liabilities	5,032,335
Net assets financed by shareholders' equity	11,141,810

Peer Mohammad Diwan
Chief Executive

Haji Haroon Bilwani
Chairman / Director

October 20, 2018

گروپ کے جامع مالیاتی گوشواروں پر ڈائریکٹرز کی جائزہ رپورٹ

معزز ممبران،

میسرز گیٹرون (انڈسٹریز) لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے ہم 30 ستمبر، 2018ء کو اختتام پذیر ہونے والی سہ ماہی مدت کیلئے گروپ ہنڈا کے غیر آڈٹ شدہ عبوری جامع مالیاتی گوشوارے پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

گروپ

یہ گروپ میسرز گیٹرون (انڈسٹریز) لمیٹڈ اور اسکے مکمل ماتحت اداروں میسرز گیٹرون پاور (پرائیویٹ) لمیٹڈ اور میسز گلوبل سیٹھینک لمیٹڈ پر مشتمل ہے۔

زیر جائزہ مدت کے دوران کمپنی کے مکمل ملکیتی ماتحت ادارے میسرز گیٹرون پاور (پرائیویٹ) لمیٹڈ کے آپریشنز تسلی بخش رہے۔ ذیلی ادارے نے اس مدت کے دوران ملے 225.750 ملین روپے کا نقد منافع ادا کیا۔

کمپنی کے دوسرے مکمل ماتحت ادارے میسز گلوبل سیٹھینک لمیٹڈ نے ابھی اپنے آپریشن شروع نہیں کئے۔

جامع مالیات

(روپے 000)	
	آپریٹنگ نتائج برائے سہ ماہی مدت ختمہ 30 ستمبر، 2018ء
553,884	منافع قبل از تعین منافع منسلکہ کمپنیاں
1,000,145	منافع منسلکہ کمپنیاں بعد از انکم ٹیکس
1,554,029	منافع قبل از انکم ٹیکس
208,334	انکم ٹیکس
1,345,695	منافع بعد از انکم ٹیکس
6,669,762	غیر حصص منافع کر شدہ (Un-appropriated profit brought forward)
8,014,520	غیر حصص منافع جاریہ (Un-appropriated profit carried forward)
	30 ستمبر، 2018ء تک معاملات کی صورتحال
2,819,534	املاک، پلائنٹ اور ایکویپمنٹ
6,974,229	دیگر پائیدار اثاثہ جات
6,380,382	بدل پذیر اثاثہ جات
16,174,145	کل اثاثہ جات
	کٹوتی:
1,302,142	پائیدار واجبات
3,730,193	بدل پذیر واجبات
5,032,335	کل واجبات
11,141,810	خالص اثاثہ جات ادا شدہ مخائب ایکویٹی ہائے حصص یافتگان

حاجی ہارون پلوانی
چیئرمین/ڈائریکٹر

پیر محمد پلوان
انصر علی

مورخہ: 20 اکتوبر، 2018ء



Consolidated Condensed Interim Statement of Financial Position

AS AT SEPTEMBER 30, 2018

	Note	(Rupees in Thousand)	
		September 2018 (Un-audited)	June 2018 (Audited)
ASSETS			
Non - current Assets			
Property, plant and equipment	5	2,819,534	2,586,952
Long term investment		6,969,897	5,970,689
Long term loans		30	88
Long term deposits		4,302	4,332
		9,793,763	8,562,061
Current Assets			
Stores, spare parts and loose tools		828,264	779,255
Stock in trade	6	2,811,715	2,734,755
Trade debts	14	1,193,762	1,128,940
Loans and advances	14	125,657	114,155
Trade deposits and short term prepayments	14	80,140	36,263
Other receivables	14	138,943	134,836
Advance income tax		-	30,000
Taxes refund due from Federal Government		308,518	308,518
Cash and bank balances		893,383	1,377,617
		6,380,382	6,644,339
TOTAL ASSETS		16,174,145	15,206,400
EQUITY AND LIABILITIES			
EQUITY			
Share capital	7	383,645	383,645
Capital reserve - share premium		383,645	383,645
General reserve		2,360,000	2,360,000
Unappropriated profit		8,014,520	6,669,762
		11,141,810	9,797,052
LIABILITIES			
Non - current Liabilities			
Deferred liabilities	8	1,302,142	1,148,969
Current Liabilities			
Trade and other payables	9 & 14	2,957,030	3,584,631
Unclaimed dividend		11,236	11,238
Accrued mark up		449	142
Short term borrowings		666,647	580,017
Provision for income tax less payments		94,831	84,351
		3,730,193	4,260,379
CONTINGENCIES AND COMMITMENTS			
	10		
TOTAL EQUITY AND LIABILITIES		16,174,145	15,206,400

The notes 1 to 16 annexed herewith form an integral part of these consolidated condensed interim financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

MOHAMMAD YASIN BILWANI
Chief Financial Officer



Consolidated Condensed Interim Statement of Profit or Loss (Un-audited)

FOR THE QUARTER ENDED SEPTEMBER 30, 2018

		(Rupees in Thousand)	
	Note	Jul-2018 to Sep-2018	Jul-2017 to Sep-2017 (Restated)
Sales		3,744,119	2,619,580
Cost of sales		3,044,562	2,393,393
Gross profit		699,557	226,187
Distribution and selling costs		48,783	29,670
Administrative expenses		52,330	50,870
Other operating expenses		45,953	13,114
		147,066	93,654
		552,491	132,533
Other income		2,584	1,749
Operating profit		555,075	134,282
Finance costs		1,191	8,221
		553,884	126,061
Share of profit after income tax in associated company		1,000,145	213,567
Profit before income tax		1,554,029	339,628
Income tax - Current	11	63,077	18,239
Deferred		145,257	32,727
		208,334	50,966
Profit after income tax		1,345,695	288,662
Earnings per share - Basic and diluted (Rupees)		35.08	7.52

The notes 1 to 16 annexed herewith form an integral part of these consolidated condensed interim financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

MOHAMMAD YASIN BILWANI
Chief Financial Officer

Quarterly Report September 30, 2018



Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)

FOR THE QUARTER ENDED SEPTEMBER 30, 2018

	(Rupees in Thousand)	
	Jul-2018 to Sep-2018	Jul-2017 to Sep-2017 (Restated)
Consolidated Profit after income tax	1,345,695	288,662
Other comprehensive income		
<i>Items that will never be reclassified to profit or loss</i>		
Share of other comprehensive loss of associate - net of tax	(2,768)	(3,634)
<i>Items that may be reclassified subsequently to profit or loss</i>		
Share of other comprehensive income/(loss) of associate - net of tax	1,831	(6,461)
	(937)	(10,095)
Total comprehensive income	1,344,758	278,567

The notes 1 to 16 annexed herewith form an integral part of these consolidated condensed interim financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

MOHAMMAD YASIN BILWANI
Chief Financial Officer



Consolidated Condensed Interim Statement of Cash Flows (Un-audited)

FOR THE QUARTER ENDED SEPTEMBER 30, 2018

	(Rupees in Thousand)	
	Jul-2018 to Sep-2018	Jul-2017 to Sep-2017 (Restated)
Cash Flows (towards)/from Operating Activities		
Consolidated Profit before income tax	1,554,029	339,628
Adjustments for:		
Depreciation	90,280	86,663
Provision for defined benefit plan	9,338	7,945
Gain on disposal of property, plant and equipment	(1,687)	(1,694)
Loss on disposal of property, plant and equipment	33	-
(Reversal)/provision for doubtful trade debts - net	(467)	6,922
Provision for slow moving stores, spare parts and loose tools - net	3,185	1,392
Share of profit after income tax in associated company	(1,000,145)	(213,567)
Finance costs	1,191	8,221
Profit on deposits	(11)	-
	<u>(898,283)</u>	<u>(104,118)</u>
	655,746	235,510
(Increase)/decrease in current assets:		
Stores, spare parts and loose tools	(52,194)	(23,164)
Stock in trade	(76,960)	284,652
Trade debts	(64,355)	735,298
Loans and advances	(12,195)	(16,067)
Trade deposits and short term prepayments	(43,877)	(32,415)
Other receivables	(4,107)	91,192
	<u>(253,688)</u>	1,039,496
Decrease in Trade and other payables	(626,994)	(234,651)
Cash flows (towards)/from operations	<u>(224,936)</u>	1,040,355
(Payments for)/receipts of:		
Long term loans	751	(848)
Long term deposits	30	-
Defined benefit plan	(1,422)	(7,341)
Profit on deposits	11	-
Finance costs	(884)	(10,058)
Income tax	(22,597)	(14,666)
Net cash flows (towards)/from operating activities	<u>(249,047)</u>	1,007,442
Cash Flows (towards)/from Investing Activities		
Additions in property, plant and equipment	(326,009)	(105,231)
Proceeds from disposal of property, plant and equipment	4,194	4,310
Net cash flows towards investing activities	<u>(321,815)</u>	(100,921)
Cash Flows towards Financing Activities		
Dividend paid	(2)	(2)
Net cash flows towards financing activities	<u>(2)</u>	(2)
Net (decrease)/increase in cash and cash equivalents	<u>(570,864)</u>	906,519
Cash and cash equivalents at the beginning of the period	<u>797,600</u>	(922,657)
Cash and cash equivalents at the end of the period	<u>226,736</u>	(16,138)
CASH AND CASH EQUIVALENTS COMPRISE OF :		
Cash and bank balances	893,383	1,238,829
Short term borrowings	(666,647)	(1,254,967)
	<u>226,736</u>	(16,138)

The notes 1 to 16 annexed herewith form an integral part of these consolidated condensed interim financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

MOHAMMAD YASIN BILWANI
Chief Financial Officer

Quarterly Report September 30, 2018



Consolidated Condensed Interim Statement of Changes In Equity (Un-audited)

FOR THE QUARTER ENDED SEPTEMBER 30, 2018

(Rupees in Thousand)

	Share Capital	Capital reserve Share Premium	General reserve	Unappropriated profit	Total
Balances as at July 01, 2017	383,645	383,645	2,360,000	4,695,857	7,823,147
Total comprehensive income for the quarter ended September 30, 2017 - restated	-	-	-	278,567	278,567
Balances as at September 30, 2017 - restated	<u>383,645</u>	<u>383,645</u>	<u>2,360,000</u>	<u>4,974,424</u>	<u>8,101,714</u>
Total comprehensive income for the nine months ended June 30, 2018	-	-	-	1,772,067	1,772,067
Transactions with owners					
Interim cash dividend for the year ended June 30, 2018 at Rs.2.00 per share i.e. @ 20%	-	-	-	(76,729)	(76,729)
Balances as at June 30, 2018	<u>383,645</u>	<u>383,645</u>	<u>2,360,000</u>	<u>6,669,762</u>	<u>9,797,052</u>
Total comprehensive income for the quarter ended September 30, 2018	-	-	-	1,344,758	1,344,758
Balances as at September 30, 2018	<u>383,645</u>	<u>383,645</u>	<u>2,360,000</u>	<u>8,014,520</u>	<u>11,141,810</u>

(1) Included in un-appropriated profit, is a sum of Rs 6,402.897 million, representing proportionate share in un-appropriated profit of an associated company Messrs. Novatex Limited upto June 30, 2018, which is not available for distribution to the shareholder of the Parent Company, until realised.

(2) The notes 1 to 16 annexed herewith form an integral part of these consolidated condensed interim financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

MOHAMMAD YASIN BILWANI
Chief Financial Officer

Quarterly Report September 30, 2018



Notes To The Consolidated Condensed Interim Financial Statements (Un-audited)

FOR THE QUARTER ENDED SEPTEMBER 30, 2018

1 THE GROUP AND ITS OPERATIONS

The Group consists of :

- Gatron (Industries) Limited
- Gatro Power (Private) Limited
- Global Synthetics Limited

The Parent Company was incorporated in Pakistan in 1980 as a Public Limited Company and its shares are being quoted at Pakistan Stock Exchange since 1992. The principal business of the Parent Company is manufacturing of Polyester Filament Yarn through its self-produced Polyester Polymer/Chips. The Parent Company also produces Pet Preforms and is also capable of producing PET Bottle Grade Chips. The registered office of the Parent Company is situated at Room No. 32, 1st floor, Ahmed Complex, Jinnah Road, Quetta whereas the plant of the Parent Company is situated at Plot No 441/49-M2, Sector "M", H.I.T.E., Main R.C.D. Highway, Hub, District Lasbela, Balochistan and Liaison office of the Parent Company is situated at 11th Floor, G&T Tower, # 18 Beaumont Road, Civil Lines-10, Karachi.

Gatro Power (Private) Limited is a wholly owned subsidiary of Gatron (Industries) Limited. The principal business of the Subsidiary Company is to generate and sales electric power. The registered office of the Subsidiary Company is situated at Room no. 32, 1st floor, Ahmed Complex, Jinnah Road, Quetta. The plant of the Subsidiary Company is situated at Plot No 441/49-M2, Sector "M", H.I.T.E., Main R.C.D. Highway, Hub, District Lasbela, Balochistan and liaison office of the Subsidiary Company is situated at 11th Floor, G&T Tower, # 18 Beaumont Road, Civil Lines-10, Karachi.

Global Synthetics Limited is a wholly owned subsidiary of Gatron (Industries) Limited, which has yet to commence its operations. The registered office of the Subsidiary Company is situated at Room no.50, 2nd floor, Ahmed Complex, Jinnah Road, Quetta and liaison office of the Subsidiary Company is situated at 11th Floor, G&T Tower, # 18 Beaumont Road, Civil Lines-10, Karachi.

2 BASIS OF PREPARATION

2.1 These consolidated 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 comprises of International Accounting Standards (IAS) 34, interim financial reporting, issued by International Accounting Standard Board (IASB) as notified under the Companies Act, 2017 and provision of and directives issued under the Companies Act, 2017. Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirement of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 These consolidated condensed interim financial statements are unaudited and do not include all the information and disclosures of the annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended June 30, 2018.

2.3 Change in accounting standards, interpretations and amendments to published approved accounting standards

a) Amendments to published approved accounting standards which are effective during the quarter ended September 30, 2018:

There are certain amendments to approved accounting standards which are mandatory for the Group's annual accounting period which began on July 1, 2018. However, these do not have any significant impact on the Group's financial reporting and, therefore, have not been detailed in these consolidated condensed interim financial statements.



b) Standards and amendments to published approved accounting standards that are not yet effective:

There are certain new standards and amendments to the approved accounting standards that will be mandatory for the Group's annual accounting periods beginning on or after July 1, 2019. However, these amendments will not have any significant impact on the financial reporting of the Group and, therefore, have not been disclosed in these consolidated condensed interim financial statements.

2.4 Functional and reporting currency

These consolidated condensed interim financial statements are presented in Pakistani Rupee, which is the Group's functional currency.

3 ACCOUNTING ESTIMATES AND JUDGEMENTS

Judgements and estimates made by the management in the preparation of these consolidated condensed interim financial statements were the same as those applied to the audited consolidated financial statements as at and for the year ended June 30, 2018.

4 SIGNIFICANT ACCOUNTING POLICIES

These consolidated condensed interim financial statements have been prepared, following the same accounting policies as were applied in the preparation of the audited consolidated financial statements as at and for the year ended June 30, 2018.

5 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets (note 5.1)
Capital work in progress (note 5.2)

(Rupees in Thousand)	
September 2018 (Un-audited)	June 2018 (Audited)
2,392,660	2,399,123
<u>426,874</u>	<u>187,829</u>
<u><u>2,819,534</u></u>	<u><u>2,586,952</u></u>

5.1 Following are the cost of additions and net book value (NBV) of assets disposed off during the period:

Additions at cost during the period including transferred from Capital work in progress

	Quarter ended September 2018	Quarter ended September 2017
Plant and machinery	59,131	139,500
Furniture and fixture	574	464
Factory equipment	2,440	6,535
Office equipment	262	319
Motor vehicles	23,950	7,925
Overhauling of generators	-	10,020
	<u><u>86,357</u></u>	<u><u>164,763</u></u>

Disposals at NBV during the period

Motor vehicles	<u><u>2,540</u></u>	<u><u>2,616</u></u>
----------------	---------------------	---------------------



5.2 Additions to capital work in progress and transfers during the period amounted to Rs.297.713 million and Rs.58.668 million respectively (September 2017: additions to capital work in progress and transfers amounted to Rs.88.061 million and Rs.147.719 million respectively).

6 STOCK IN TRADE

These include items costing Rs.84.510 million (June 2018: Rs.109.514 million) valued at net realisable value of Rs.59.892 million (June 2018: Rs.79.949 million).

7 SHARE CAPITAL

(Number of Shares)		(Rupees in Thousand)	
September 2018 (Un-audited)	June 2018 (Audited)	September 2018 (Un-audited)	June 2018 (Audited)
7.1 Authorised capital			
44,000,000	44,000,000	Ordinary shares of Rs. 10 each	440,000 440,000
7.2 Issued, subscribed and paid up capital			
30,136,080	30,136,080	Ordinary shares of Rs.10 each allotted for consideration paid in cash	301,361 301,361
8,228,400	8,228,400	Ordinary shares of Rs.10 each allotted as fully paid bonus shares	82,284 82,284
38,364,480	<u>38,364,480</u>		383,645 <u>383,645</u>
8 DEFERRED LIABILITIES			
		Income tax - net	958,368 813,111
		Defined benefit plan	343,774 335,858
			1,302,142 <u>1,148,969</u>
9 TRADE AND OTHER PAYABLES			

Trade and other payables includes provision in respect of following:

- a) The Oil and Gas Regulatory Authority (OGRA) had enhanced gas rate from Rs.488.23 per MMBTU for industrial and Rs.573.28 per MMBTU for captive power to Rs.600 per MMBTU with effect from September 01, 2015. The Group alongwith several other companies filed suit in the Sindh High Court challenging the increase in rate. The Honorable Sindh High Court had initially granted interim relief, whereby recovery of enhanced rate has been restrained. In May 2016, The Single Bench of Sindh High Court decided the case in favour of the petitioners. However, in June 2016, defendants filed appeal before Double Bench of Sindh High Court which also decided in favor of the Petitioners. Meanwhile, OGRA had issued another notification dated December 30, 2016 overriding the previous notification and Messrs. Sui Southern Gas Company Limited (SSGCL) billed @ Rs.600 per MMBTU instead of Rs.488.23 per MMBTU. However the Group alongwith others filed suit in the Sindh High Court on January 19, 2017 against OGRA, SSGCL and others. The Honorable Sindh High Court granted interim relief and instructed SSGCL to revise bills at previous rate against securing the differential amount with the Nazir of the court. Accordingly, the Group has provided bankers' verified cheque to Nazir of High Court amounting to Rs.302.380 million (June 2018: Rs.250.700 million). As an abundant precaution, the Group has made total provision of Rs.159.264 million (June 2018: Rs.143.928 million). On October 04, 2018, OGRA has issued another notification to increase gas tariff with effect from September 27, 2018 for different categories. The Group is in consultation with legal counsel, if any legal action need to be taken in this regard.



- b) In August 2013, OGRA had enhanced gas rate from Rs.488.23 per MMBTU to Rs.573.28 per MMBTU for captive power and accordingly, SSGCL started charging rate prescribed for captive power to the Group with effect from September 2013. The Group alongwith several other companies filed suit in the Sindh High Court on December 21, 2015 against OGRA, SSGCL and others challenging the charging of captive power tariff instead of industrial tariff. The Honorable Sindh High Court has granted interim relief, whereby recovery of captive power rate has been restrained. As an abundant precaution, the Group has made provision of Rs.287.907 million (June 2018: Rs.254.800 million) pertaining to the period of November 2015 to September 2018 and did not create receivable of Rs.240.238 million in respect of period from August 2013 to October 2015. On October 04, 2018, OGRA has issued another notification to increase gas tariff with effect from September 27, 2018 for different categories. The Group is in consultation with legal counsel, if any legal action need to be taken in this regard.
- c) Provision of Sindh Sales Tax on rent payable by the Parent Company to an associated company Messrs. Novatex Limited amounted to Rs.4.953 million (June 2018: Rs.4.815 million). The associated company had file a suit in the Sindh High Court against Sindh Revenue Board and Province of Sindh etc. On August 28, 2018, the Single Bench of Sindh High Court decided the case in favour of the associated company. Based on advice of legal counsel, the Parent Company is holding provision, as the High Court judgement is going to be challenged in the Supreme Court of Pakistan.
- d) The Parent Company had filed a petition in the Sindh High Court at Karachi on May 25, 2011 against Province of Sindh and Excise and Taxation Department challenging the levy of Infrastructure Cess on imports. Through an interim order dated May 31, 2011, the Honorable Sindh High Court ordered to pay 50% in cash of this liability effective from December 28, 2006 and to submit bank guarantee for the rest of 50% until the final order is passed. In April 2017, the Government of Sindh has promulgated the Sindh Development and Maintenance of Infrastructure Cess Act, 2017. The Parent Company has also challenged the new Act in the Sindh High Court on October 23, 2017 against Province of Sindh and Excise and Taxation Department and similar stay has been granted by the Honorable Sindh High Court. Till reporting date, the Parent Company has provided bank guarantee amounting to Rs.158.365 million (June 2018: Rs.148.365 million) in favour of Excise and Taxation Department, in respect of consignments cleared after December 27, 2006. Based on the legal advise, the management believes that the case will be decided in favour of the Parent Company. However, full provision after December 27, 2006 has been made in these consolidated condensed interim financial statements as an abundant precaution.

The Subsidiary Company Messrs. Gatro Power (Private) Limited has filed a petition in the Sindh High Court at Karachi on April 13, 2018 against Province of Sindh and others challenging the levy of Infrastructure Cess on imports by the Government of Sindh through Sindh Development and Maintenance of Infrastructure Cess Act, 2017. Stay has been granted by the Honorable Sindh High Court ordered to pay 50% in cash of this liability and to submit bank guarantee for the rest of 50% until the final order is passed. Till reporting date, the Subsidiary Company has provided bank guarantee amounting to Rs.2.500 million (June 2018: Rs.2.500 million) in favour of Excise and Taxation Department, in respect of consignments cleared after April 13, 2018. Based on the legal advise, the management believes that the case will be decided in favour of the Subsidiary Company. However, full provision after April 13, 2018 has been made in these consolidated condensed interim financial statements as an abundant precaution.

- e) The Federal Board of Revenue (FBR) vide SRO 491(I)/2016 dated June 30, 2016 made certain amendments in SRO 1125(I)/2011 dated December 31, 2011 including disallowance of input tax adjustment on packing material of textile products. Consequently, input tax adjustment on packing material of textile product is not being allowed for adjustment with effect from July 01, 2016. The Parent Company has challenged the disallowance of input tax adjustment on packing material in the Sindh High Court on January 16, 2017 against Federation of Pakistan and others. The Honorable Sindh High Court has granted interim relief order and allowed the Parent Company to claim input tax adjustment.

Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Parent Company. However, as an abundant precaution, the Parent Company has made provision of Rs.65.752 million (June 2018: Rs.65.752 million).

- f) The FBR vide SRO 450(I)/2013 dated May 27, 2013 made certain amendments in SRO 490(I)/2004 dated June 12, 2004 and disallow input tax adjustment on building materials with effect from May 28, 2013. The Parent Company has challenged the restriction so placed before the Islamabad High Court on December 21, 2015 against Federation of Pakistan. The Court has granted interim relief order and allowed the Parent Company to claim input tax adjustment on building material.

Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Parent Company. However, as an abundant precaution, the Parent Company has made provision of Rs.6.485 million (June 2018: Rs.5.192 million).

- g) Provision of Gas Infrastructure Development Cess Rs.5.989 million (June 2018: Rs.5.757 million) and rate difference of gas tariff Rs.1.727 million (June 2018: Rs.1.597 million) on account of common expenses payable by the Parent Company to an associated company Messrs. Novatex Limited.

10 CONTINGENCIES AND COMMITMENTS

The detail of contingencies and commitments as at reporting date are as follows:

10.1 Contingencies

- a) The Subsidiary Company Messrs. Gatro Power (Private) Limited has not made any provision in respect of Workers' Profit Participation Fund on the ground that there is no worker as defined in The Companies Profits (Workers' Participation) Act, 1968 and accordingly, the said Act does not apply to the Subsidiary Company. The management of the Subsidiary Company is confident that no liability will arise on this account.
- b) FBR initiated action against few buyers of the Parent Company for violating/non compliance of the provisions of SRO 1125 dated December 31, 2011 and alleging the Parent Company to provide them assistance and illegal facilitation. The dispute relates to the period of time when supplies were zero rated and as a result of which the Parent Company had to pay Rs.27.762 million and had also to submit post-dated cheques of Rs.83.287 million under protest in favour of Chief Commissioner Inland Revenue.

The Parent Company has, however, challenged the action before the Honorable Sindh High Court on December 23, 2013 against Federation of Pakistan and others, realizing the facts of the case, circumstances and legal position and the Honorable Sindh High Court has granted interim relief whereby encashment of above mentioned post dated cheques has been restrained.

By way of abundant precaution, the amount of Rs.27.762 million has been charged to consolidated statement of profit or loss in previous period. Based on the merits of the case and discussion held with the legal counsel, the management is confident that the case will be decided in favour of the Parent Company. Accordingly no provision has been made for the amount of post dated cheques of Rs.83.287 million.



- c) The Parliament passed the Gas Infrastructure Development Cess (GIDC) Act 2015 in May 2015, which seeks to impose GIDC levy since 2011. The Group alongwith several other companies filed suit in the Sindh High Court on July 16, 2015 against OGRA and others challenging the validity and promulgation of GIDC Act 2015. The Single Bench of Honorable Sindh High Court had decided the case in favour of petitioners. However, defendants have filed appeal on November 10, 2016 before the Double Bench of Sindh High Court.

Considering previous decision of Honorable Supreme Court and legal advisor opinion, the Group is confident that the case will be decided in favour of the petitioners. Total amount of enhanced GIDC upto September 30, 2018 worked out at Rs.1,262.197 million (June 2018: Rs.1,179.928 million), however the Group has provided Rs.1,060.183 million (June 2018: Rs.977.914 million) pertaining to the period of July 2014 to September 2018 for Captive Power and June 2015 to September 2018 for Industrial as an abundant precaution in view of reason stated above.

- d) The Parent Company along with several other companies has filed a Constitution Petition in the Sindh High Court on April 13, 2016 against Employment Old Age Benefits Institution (EOBI) and others against a notice issued by the EOBI to the Parent Company to pay contribution at the revised rate of wages with retrospective effect. The Honorable Sindh High Court has already restrained EOBI from taking any coercive action against the Parent Company. No provision of the amount involved i.e Rs.19.304 million (June 2018: Rs.18.504 million) has been made in these consolidated condensed interim financial statements as the Parent Company is confident of the favorable outcome of the Petition.
- e) The Parent Company filed four appeals on 2nd, 9th, 17th May and 20th June 2018 before the Commissioner Inland Revenue (Appeals) (CIR(A)) – 2, Large Taxpayers Unit, Karachi for the tax periods July 2012 to December 31, 2016 against the assessment orders passed by the Deputy Commissioner Inland Revenue (DCIR), Large Taxpayers Unit, passed under section 11 (2) of the Sales Tax Act, 1990 through which cumulative demand for the aforesaid periods amounting to Rs.55.423 million excluding default surcharge was created. In the assessment orders, major areas on which impugned demand has been raised relates to disallowance of input tax on purchases and recovery of sales tax on sales to subsequently suspend / blacklisted person. The Parent Company has already deposited Rs.28 million under protest into the Government treasury for stay against the full recovery. The CIR(A) has issued judgment in respect of impugned order for tax periods July 2012 to June 2013 wherein the entire order of the Tax Officer has been held as illegal and unconstitutional. No provision has been made in these consolidated condensed interim financial statements as the Parent Company is confident that the matter will be decided in favour by the appellate authorities.
- f) Income tax department issued order under section 122(5A) of the Income Tax Ordinance, 2001 wherein income tax demand of Rs. 37.7 million was raised on various issues. Out of the total amount, the Parent Company has paid Rs. 3.7 million under protest. Appeal was filed before the CIR(A) and the CIR(A) has decided the case partially in favor of the Parent Company whereas major issues have been decided in favor of the tax department. Based on the judgment of the CIR(A), the revised demand comes out to Rs. 28.2 million. Against the order of the CIR(A), the Parent Company has filed appeal before the Appellate Tribunal Inland Revenue (ATIR). Based on the advice of our legal counsel, no provision has been made in these consolidated condensed interim financial statements as the management is hopeful for a favorable outcome.



g) The tax officer disallowed input tax amounted to Rs.0.042 million, claimed by the Subsidiary Company Messrs. Gatro Power (Private) Limited on building materials used for installation of plant and machinery. An appeal was filed against the said order before the CIR(A). The learned CIR(A) has remanded back the case to the tax officer with specific directions to first ascertain whether the building material was used for installation of plant and machinery or for any other purpose. In case the same was used for installation of plant and machinery then the tax officer has been directed to allow claim for the same. The Subsidiary Company has submitted documents evidencing usage of the said building material for installation of plant and machinery, however, the officer has not yet reverted back. No provision has been made in these consolidated condensed interim financial statements as the management is hopeful for a favorable outcome.

	(Rupees in Thousand)	
	September 2018 (Un-audited)	June 2018 (Audited)
10.2 Guarantees		
Bank Guarantees in favour of:		
The Director Excise and Taxation, Karachi	160,865	150,865
The Electric Inspector, President Licencing Board, Quetta	10	10
Pakistan State Oil Company Limited	40,000	30,000
K-Electric Limited	11,560	11,560
Letters of Credit in favour of:		
Sui Southern Gas Company Limited for Gas	161,937	161,937
	<u>374,372</u>	<u>354,372</u>

10.3 Commitments

The Group's commitments, against which the banks have opened Letters of Credit, in favor of different suppliers, are as follows:

Foreign currency:		
Property, plant and equipment	140,428	347,863
Raw material	318,368	424,044
Spare parts and others	189,152	257,493
	647,948	1,029,400
Local currency:		
Raw material	151,442	108,585
Spare parts and others	-	1,423
	151,442	110,008
	<u>799,390</u>	<u>1,139,408</u>



11 INCOME TAX

Provision for taxation has been net off with tax credit available under section 65B of Income Tax Ordinance, 2001.

12 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

MEASUREMENT OF FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group's certain accounting policies and disclosure requires use of fair value measurement and the Group while assessing fair value maximize the use of relevant of observable inputs and minimize the use of unobservable inputs establishing a fair value hierarchy, i.e., input used in fair value measurement is categorized into following three levels:

- Level 1 Inputs are the quoted prices in active markets for identical assets or liabilities that can be assessed at measurement.
- Level 2 Inputs are inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Inputs are unobservable inputs for the asset or liability.

As at reporting date, the fair value of all the assets and liabilities approximates to their carrying values except property, plant and equipment. The property, plant and equipment is carried at cost less accumulated depreciation and impairment if any, except free-hold land, lease-hold land and capital work in progress which are stated at cost. The Group does not expect that unobservable inputs may have significant effect on fair values.

13 SEGMENT REPORTING

13.1 Reportable segments

The Group's reportable segments are as follows:

- Polyester Filament Yarn - it comprises manufacturing of Polyester Filament Yarn and its raw material.
- Polyester PET Preform - it comprises manufacturing of Polyester PET Preform and its raw material. This includes the results of Subsidiary Company Messrs. Global Synthetics Limited, which has not yet commenced its operations till date.
- Electric Power generation - it comprises operations of Subsidiary Company Messrs. Gatro Power (Private) Limited.

Other operating expenses, other income, finance costs and taxation are managed at Group level.

13.2 Segment results:

The segment information for the reportable segments for the quarter ended September 30, 2018 is as follows:

(Rupees in Thousand)

	September 2018					September 2017				
	Polyester Filament Yarn	Polyester PET Preforms	Total of Polyester Polymer	Power Generation	Group	Polyester Filament Yarn	Polyester PET Preforms	Total of Polyester Polymer	Power Generation	Group (Restated)
Sales	<u>2,610,847</u>	<u>1,214,914</u>	<u>3,825,761</u>	<u>480,249</u>	<u>4,306,010</u>	<u>1,666,670</u>	<u>1,018,153</u>	<u>2,684,823</u>	<u>383,784</u>	<u>3,068,607</u>
Segment result before										
depreciation	300,851	247,704	548,555	140,046	688,601	(8,805)	154,884	146,079	86,108	232,187
Less: Depreciation	(49,347)	(16,853)	(66,200)	(24,080)	(90,280)	(52,646)	(19,701)	(72,347)	(14,316)	(86,663)
Segment result after										
depreciation	<u>251,504</u>	<u>230,851</u>	<u>482,355</u>	<u>115,966</u>	<u>598,321</u>	<u>(61,451)</u>	<u>135,183</u>	<u>73,732</u>	<u>71,792</u>	<u>145,524</u>
Reconciliation of segment sales and results with sales and consolidated profit before income tax:										
Total sales for reportable segments				<u>4,306,010</u>						3,068,607
Elimination of inter-segment sales from subsidiary company Messrs. Gatro Power (Private) Limited				<u>(561,891)</u>						(449,027)
Sales				<u>3,744,119</u>						<u>2,619,580</u>
Total results for reportable segments			<u>482,355</u>	<u>115,966</u>	<u>598,321</u>			73,732	71,792	145,524
Other operating expenses			<u>(44,821)</u>	<u>(1,132)</u>	<u>(45,953)</u>			(12,614)	(500)	(13,114)
Other income			2,707	-	2,707			1,872	-	1,872
Finance costs			<u>(1,099)</u>	<u>(92)</u>	<u>(1,191)</u>			(8,112)	(109)	(8,221)
Investment income - Dividend			225,750	-	225,750			-	-	-
Share of profit after income tax in associated company Messrs. Novatex Limited					<u>1,000,145</u>					213,567
			<u>664,892</u>	<u>114,742</u>	<u>1,779,779</u>			<u>54,878</u>	<u>71,183</u>	<u>339,628</u>
Elimination of intra group transaction					<u>(225,750)</u>					-
Consolidated profit before income tax					<u>1,554,029</u>					<u>339,628</u>

Assets and liabilities by segments are as follows:

	September 2018 (Un-audited)					June 2018 (Audited)				
Segment assets	<u>4,480,261</u>	<u>1,949,944</u>	<u>6,430,205</u>	<u>2,333,917</u>	<u>8,764,122</u>	<u>3,927,058</u>	<u>2,015,523</u>	<u>5,942,581</u>	<u>2,339,113</u>	<u>8,281,694</u>
Segment liabilities	<u>572,645</u>	<u>384,892</u>	<u>957,537</u>	<u>1,478,744</u>	<u>2,436,281</u>	<u>711,383</u>	<u>676,687</u>	<u>1,388,070</u>	<u>1,372,932</u>	<u>2,761,002</u>



Reconciliation of segments assets and liabilities with total in the consolidated condensed interim statement of financial position is as follows:

	(Rupees in Thousand)			
	September 2018 (Un-audited)		June 2018 (Audited)	
	Assets	Liabilities	Assets	Liabilities
Total for reportable segments	8,764,122	2,436,281	8,281,694	2,761,002
Unallocated	8,040,712	3,071,046	7,083,602	2,651,545
Elimination of intra group balances	(630,689)	(474,992)	(158,896)	(3,199)
Total as per consolidated condensed interim statement of financial position	16,174,145	5,032,335	15,206,400	5,409,348

Other segment information is as follows:

	September 2018					September 2017				
	Polyester Filament Yarn	Polyester PET Preforms	Total of Polyester Polymer	Power Generation	Group	Polyester Filament Yarn	Polyester PET Preforms	Total of Polyester Polymer	Power Generation	Group
Depreciation	49,347	16,853	66,200	24,080	90,280	52,646	19,701	72,347	14,316	86,663
Capital expenditures incurred during the period	248,607	6,502	255,109	67,908	323,017	41,014	5,000	46,014	58,797	104,811
Unallocated capital expenditure incurred during the period					2,992					420
Total					326,009					105,231

13.3 All non - current assets of the Group as at September 30, 2018 are located in Pakistan. Parent Company's local sales represents sales to various external customers in Pakistan whereas export sales represents sales to customers in various countries.

13.4 The Group does not have transaction with any external customer which amount to 10 percent or more of the Group's revenue.

14 TRANSACTIONS WITH RELATED PARTIES

The related parties include Associate and Other Related Group Companies, Key Management Personnel and Defined Contribution Plans (Provident Funds). The Group continues to have a policy whereby transactions with related parties are entered into at commercial terms, approved policy and at rate agreed under a contract / arrangement / agreement. Contributions to defined contribution plan (Provident Funds) are made as per the terms of employment. Remuneration of Key Management Personnel is in accordance with their terms of engagements. Details of transactions with related parties are as follows:



Name	Nature of relationship	Basis of relationship	Nature of transaction	(Rupees in Thousand)	
				Quarter ended September 2018	Quarter ended September 2017
Novatex Limited	Associated Company	Common directorship	Rendering of services	-	1,032
			Obtaining of services	134,643	126,089
			Purchase of raw material	-	1,431
			Rent	4,621	4,621
			Reimbursement of expenses	34,701	33,452
Krystalite Product (Private) Limited	Related Party	Common management	Sale of goods	168,428	53,654
			Reimbursement of expenses	205	-
Mushtaq & (Private) Limited	Related Party	Common management	Sale of goods	22,535	20,667
Gani & Tayub (Private) Limited	Related Party	Common directorship	Charges on account of handling	1,889	1,630
Gatron Foundation	Related Party	Common directorship	Payment of donation	760	-
Gatron (Industries) Limited Staff Provident Fund	Retirement benefit fund	Employees fund	Contribution made	5,245	5,001
Gatron (Industries) Limited Workers Provident Fund	Retirement benefit fund	Employees fund	Contribution made	959	967

There are no transactions with Key Management Personnel other than remuneration under their terms of employment amounting to Rs. 54.303 million (September 2017: Rs. 41.978 million).

- The above figures are exclusive of sales tax, where applicable.
- Outstanding balances, as at reporting date, are disclosed as follows:

	(Rupees in Thousand)	
	As at Sep 30, 2018 (Un-audited)	As at Jun 30, 2018 (Audited)
Novatex Limited		
Loans and advances	51,730	-
Trade deposits and short term prepayments	13,863	-
Other receivables	15,387	12,365
Trade and other payables	12,669	12,169



	(Rupees in Thousand)	
	As at Sep 30, 2018 (Un-audited)	As at Jun 30, 2018 (Audited)
Krystalite Product (Private) Limited		
Trade debts	132,995	-
Other receivables	663	458
Mushtaq & Company (Private) Limited		
Trade debts	33,724	28,689
Gani & Tayub (Private) Limited		
Trade and other payables	680	478
Gatron (Industries) Limited Staff Provident Fund		
Trade and other payables	3,437	3,277
Gatron (Industries) Limited Workers Provident Fund		
Other receivables	846	-
Trade and other payables	-	209

15 DATE OF AUTHORISATION

These consolidated condensed interim financial statements were authorised for issue on October 20, 2018 by the Board of Directors of the Parent Company.

16 GENERAL

16.1 The latest available audited financial results of associate as on June 30, 2018, have been used for the purpose of application of equity method in valuation of long term investment.

16.2 Charge for Workers' Profit Participation Fund, Workers' Welfare Fund, Deferred Tax and Income Tax (where applicable) are interim and final liability will be determined on the basis of annual results.

16.3 Figures have been rounded off to the nearest thousand of Rupees.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

MOHAMMAD YASIN BILWANI
Chief Financial Officer

Notes for Members

Submission of Computerized National Identity Cards (CNIC) and (NICOP)

CNIC/NICOP numbers of the shareholders are mandatory requirement for payment of dividend. Shareholders are therefore, requested to submit copies of their CNIC/NICOP to the Shares Registrar. In case of non-receipt of valid CNIC/NICOP, the Company will be constrained to withhold the payment of dividend of such shareholders. The shareholders while sending CNIC/NICOP must quote their respective folio number and name of the company (in case of corporate shareholders).

Payment of Cash Dividend Electronically

As per provision of Section 242 of the Companies Act, 2017 any dividend payable in cash shall only be paid through electronic mode directly in to the bank account designated by the entitled shareholders. The shareholders who have not yet provided relevant information are requested to provide their folio number, name and details of bank account consisting of bank name, branch name, branch code, account number, title of account and IBAN in which they desire their dividend to be credited, failing which the company will be unable to pay the dividend through any other mode. Standard request form has also been placed on website of the company. Such information is to be sent to the Shares Registrar at the earliest possible.

Dividend payment to those shareholders who have not provided their valid IBAN and CNIC will be withheld and those dividends payment will be dealt with in accordance with the applicable laws and regulations.

Counterfoil Information of Cash Dividend

As per the Companies (Distribution of Dividend) Regulations, 2017 issued by Securities and Exchange Commission of Pakistan vide SRO No.1145(I)/2017 dated November 6, 2017 read with CDC Circular No. 6 dated 20-04-2018 all the listed companies announcing future cash dividend are required to provide a certificate to their shareholders through the Central Depository Company of Pakistan (CDC), specifying the calculation of dividend amount including the number of shares held, total amount of cash dividend, tax and zakat deductions and the net amount credited into the designated bank account of the shareholders. Shareholders (either holding shares in electronic or physical form) can by logging in CDC's e-Services portal i.e., <https://eservices.cdccexcess.com.pk> retrieve status of their dividends.

Unclaimed Shares/Dividends

Members of the company are once again requested to contact office of the company or the company's Shares Registrar for collection of their shares/dividends which they have not yet received due to any reason.

As per Section 244(1) of the Companies Act 2017 all unclaimed shares and unclaimed dividends of the members of the company for a period of three years from the date it is due and payable are required to be credited by the Company to the Federal Government.

www.jamapunji.pk



**Be aware, Be alert,
Be safe**

Learn about investing at
www.jamapunji.pk

Key features:

- 📄 Licensed Entities Verification
- 🔍 Scam meter*
- 🎮 Jamapunji games*
- 📊 Tax credit calculator*
- 🏢 Company Verification
- 📋 Insurance & Investment Checklist
- ?? FAQs Answered
- 📈 Stock trading simulator (based on live feed from KSE)
- 📖 Knowledge center
- 📊 Risk profiler*
- 📊 Financial calculator
- 📱 Subscription to Alerts (event notifications, corporate and regulatory actions)
- 📱 Jamapunji application for mobile device
- 📖 Online Quizzes



Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan

jamapunji.pk

[@jamapunji_pk](https://twitter.com/jamapunji_pk)

*Mobile apps are also available for download for android and ios devices



Gatron (Industries) Limited