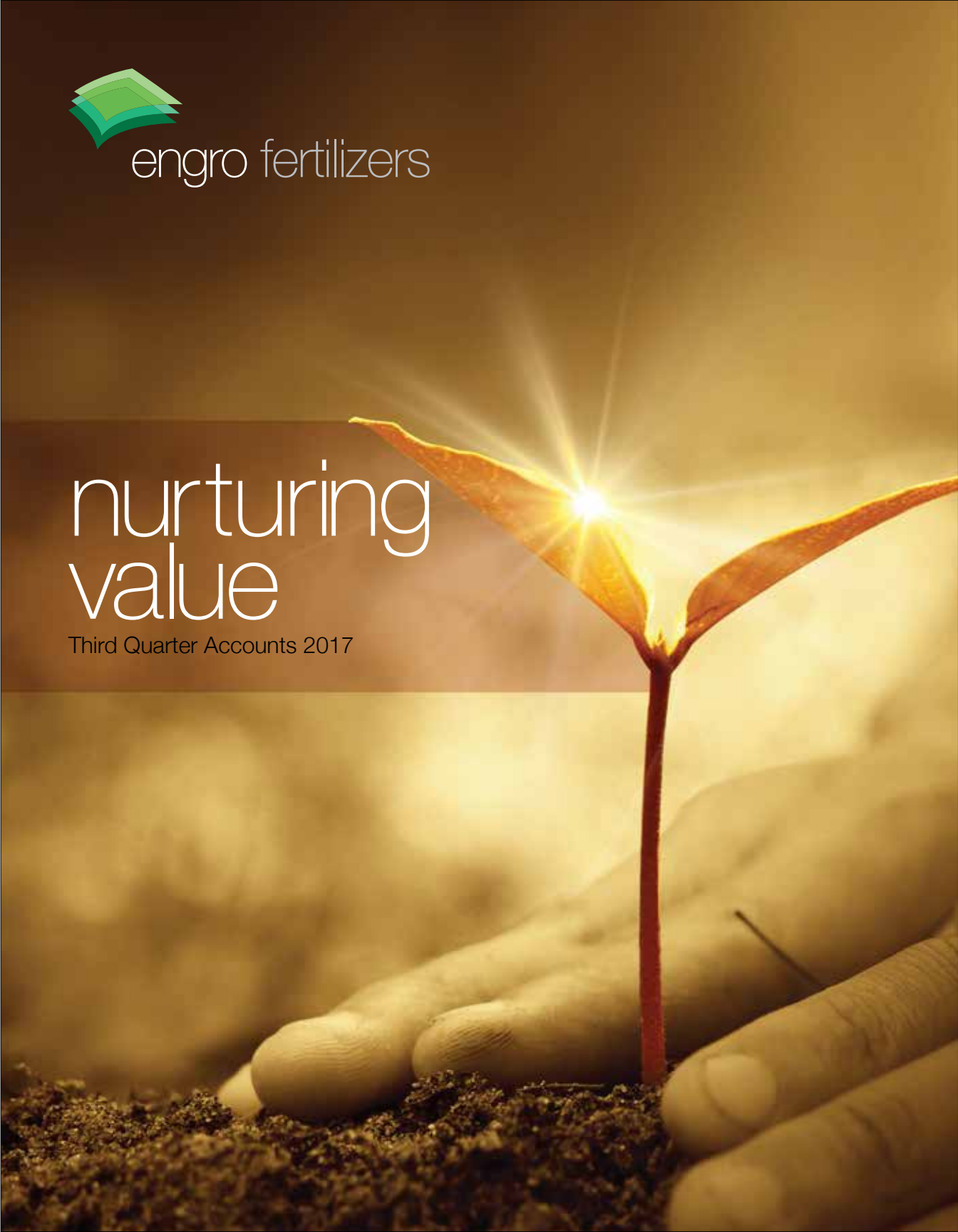


engro fertilizers

nurturing value

Third Quarter Accounts 2017





engro fertilizers

company information

Board of Directors

Mr. Ghias Khan (Chairman)
Mr. Ruhail Mohammed (Chief Executive)
Mr. Abdul Samad Dawood
Mr. Asad Said Jafar
Mr. Asim Murtaza Khan
Mr. Javed Akbar
Mr. Nadir Salar Qureshi
Ms. Sadia Khan

Chief Financial Officer

Atif Kaludi

Company Secretary

Sarah Farooq

Bankers

Conventional

Allied Bank Limited
Askari Bank Limited
Bank Al Habib Limited
Bank Alfalah Limited
CIMB Bank
Citi Bank .N.A.
CITI Bank Dubai
Faysal Bank Limited
Habib Bank Limited
Habib Bank Limited Dubai
Habib Metropolitan Bank Limited
JS Bank Limited
Mashreq Bank
MCB Bank Limited
National Bank of Pakistan
Samba Bank Limited
Silk Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
The Bank of Punjab
United Bank Limited
United Bank Limited Dubai

Shariah Compliant

Bank Islami Pakistan Limited
Al Baraka Islamic Bank (Pakistan) Limited
Dubai Islamic Bank (Pakistan) Limited
Meezan Bank Limited
Summit Bank Limited
Noor Bank

Auditors

A.F. Ferguson & Company
Chartered Accountants
State Life Building No. 1-C
I.I. Chundrigar Road
Karachi-74000, Pakistan
Tel: +92(21) 32426682-6 / 32426711-5
Fax +92(21) 32415007 / 32427938

Cost Auditors

J.A.S.B. & Associates
Chartered Accountants
1104, Uni Tower
I.I. Chundrigar Road
Karachi-74000, Pakistan
Tel: +92(21) 32468154-5 / 32468158
Fax: +92(21) 32468157

Registered Office

7th Floor, The Harbor Front Building,
HC # 3, Marine Drive, Block 4, Clifton,
Karachi-75600, Pakistan
Tel: +92(21) 35297501-10
Fax: +92(21) 35810669
e-mail: info@engrofertilizers.com
Website: www.engrofertilizers.com
www.engro.com

Share Registrar

M/s. FAMCO Associates (Pvt) Limited
8-F, Next to Hotel Faran, Block-6, PECHS, Shahrah-e-Faisal
Karachi – Pakistan
Tel: +92(21) 3438 0104-5, 3438 4621-3
Fax +92(21) 3438 0106

directors' report

On behalf of the Board of Directors of Engro Fertilizers Limited, we are pleased to present the unaudited financial statements for the period ended September 30, 2017.

Pakistan Fertilizer Market

During 9M 2017, domestic urea offtake significantly improved to 4,088KT vs corresponding period last year at 3,472KT, a growth of 18%. Domestic demand was catalyzed by lower urea prices prevailing throughout 9M 2017 & improved agronomic demand. On the export front, the industry exported 439KT of urea in 9M 2017.

Urea production during 9M 2017 clocked in at 4,321KT compared to 4,493KT, a decline of 4%. The lower production is attributable to intermittent operations of LNG based fertilizer plants. With improved industry sales and significant exports during the period, industry inventory closed in at 0.8MT. International urea prices rebounded from USD 200/T to USD 280/T towards the end of the quarter, buoyed mainly by the impact of recent hurricanes in North America, spur in Indian demand and annual turnarounds by Chinese producers.

While the domestic urea prices are gradually increasing, the domestic industry continues to face challenge in the form of subsidy accumulation and long lead time in its disbursements. As an industry, we continue to engage with the government for streamlining subsidy disbursement mechanism and payment of outstanding dues.

DAP demand in the local market increased by a significant 35% as compared to last year, with sales recorded at 1,247KT vs 922KT for 9M 2016. Lower domestic prices vs last year, continuation of government support on DAP (cash subsidy replaced by reduced sales tax on DAP), and improved farmer economics contributed to the increase in offtake. On the international front, DAP prices remained firm throughout the quarter, increasing to USD 380/T towards the end of the quarter.

Company's Operating Performance

The Company's urea production in 9M 2017 stood at 1,400KT compared to 1,397KT in the corresponding period last year. Sales during the period clocked in at 1,231KT compared to 1,022KT in 9M 2016, an increase of 20% which was further boosted by export sales of 211KT during the period. Overall, company's urea domestic market share stood at 30% (branded urea market share: 32%) vs 29% (branded urea market share: 30%) last year.

DAP sales during 9M 2017 stood at 234KT vs 242KT last year, resulting in a lower market share of 19% vs 26% for the same period last year. Sales were primarily dented during the start of this year due to pricing cap which had made imports unfeasible during that period.

The Company's blended fertilizer (Zarkhez and Engro NP) sales clocked in at 101KT vs 71KT last year, an increase of 42%. The overall potash market increased to 32KT vs 22KT in 9M 2016, buoyed by lower prices, subsidy on potash and improved farmer economics. Market share of the Company was at 41% as compared to 47% last year as a result of aggressive sales by private importers.

Gross Profit of the Company was recorded at PKR 14.9B for 9M 2017, compared to PKR 11.6B in the same period last year, an increase of 28%. Higher profitability was led by exports of 211KT of urea, higher urea offtake and regularization of gas prices for Plant I post allocation. Finance cost was lower at PKR 2,003M (vs PKR 2,386M last year) as a result of loan repayments, lower benchmark interest rates and re-pricing of various long-term loans. This was partially offset by higher working capital needs due to excess inventory and piling up of subsidy and GST refunds.

Net profit for 9M 2017 stood at PKR 6.7B compared to PKR 5.7B last year, resulting in an EPS of PKR 5.01 vs. PKR 4.25 in 9M 2016. Company's consolidated profit stood at PKR 6.9B vs. PKR 5.7B in the corresponding period last year, resulting in EPS of PKR 5.19 vs. last year's EPS of PKR 4.32.

The Board is pleased to recommend an interim cash dividend of PKR 3.00 per share for the period ended September 30, 2017. This is in addition to the interim dividend already declared and paid of PKR 2.50 per share.

In line with the industry, EFERT continues to withhold GIDC on all non-concessionary gases in lieu of the interim order by the High court in October 2016, striking down the GIDC Act. The Company had also obtained a stay order against GIDC applicability on concessionary gas in 2015, and therefore, no GIDC is being paid or accrued for concessionary gas supplied to the new urea plant. GIDC on concessionary gas is in direct contravention with the Fertilizer Policy and our Gas Supply Contracts, on the basis of which we invested USD 1.1B to expand our fertilizer manufacturing capacity.

Near Term Outlook

Improved farmer economics and lower urea prices will continue to support domestic urea demand during the upcoming season. We expect industry to export the entire quota of 600KT. On the international pricing front, after a bullish run of urea prices during the last quarter, prices are expected to stabilize during Q4, on the back of normalization of demand supply factors. International DAP prices on the other hand are expected to witness an upward pressure due to seasonal buying in Q4.



Ruhail Mohammed
Chief Executive



Ghias Khan
Chairman



engro fertilizers

condensed interim financial
information (unaudited)
for the nine months ended
september 30, 2017

condensed interim balance sheet as at september 30, 2017

(Amounts in thousand)

	Note	Unaudited September 30, 2017	Audited December 31, 2016
		Rupees	
ASSETS			
Non-current assets			
Property, plant and equipment	4	68,826,449	70,168,266
Intangible assets		4,476,281	4,450,606
Investment in subsidiaries		560,416	560,316
Long term loans and advances		133,801	120,637
		73,996,947	75,299,825
Current assets			
Stores, spares and loose tools		5,260,404	4,886,674
Stock-in-trade		5,991,391	6,820,161
Trade debts		9,391,906	7,585,312
Loans, advances, deposits and prepayments		568,951	678,351
Other receivables		8,729,121	6,986,069
Short term investments		90,958	142,729
Cash and bank balances		907,172	28,473
		30,939,903	27,127,769
TOTAL ASSETS		104,936,850	102,427,594

(Amounts in thousand)

	Note	Unaudited September 30, 2017	Audited December 31, 2016
		Rupees	
EQUITY & LIABILITIES			
Equity			
Share capital		13,352,993	13,309,323
Share premium		3,384,904	3,132,181
Reserve on amalgamation		(304,027)	(304,027)
Remeasurement of post employment benefits		(27,000)	(27,000)
Unappropriated profit		25,191,777	25,172,422
		28,245,654	27,973,576
TOTAL EQUITY		41,598,647	41,282,899
LIABILITIES			
Non-current liabilities			
Borrowings	5	23,145,232	29,379,946
Deferred liabilities		7,263,975	7,561,108
Service benefits obligations		156,359	156,619
		30,565,566	37,097,673
Current liabilities			
Trade and other payables		20,243,569	14,959,537
Accrued interest / mark-up		390,064	583,632
Taxes payable		2,850,125	1,104,141
Current portion of:			
- borrowings	5	7,939,730	5,171,515
- service benefits obligations		49,227	49,157
Short term borrowings	6	1,280,991	1,909,843
Unclaimed dividend		18,931	19,544
Derivative financial instruments		-	249,653
		32,772,637	24,047,022
TOTAL LIABILITIES		63,338,203	61,144,695
Contingencies and Commitments	7		
TOTAL EQUITY & LIABILITIES		104,936,850	102,427,594

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.



Atif Kaludi
Chief Financial Officer



Ruhail Mohammed
Chief Executive



Ghias Khan
Chairman

condensed interim profit and loss account (unaudited) for the nine months ended september 30, 2017

(Amounts in thousand except for earnings per share)

	Note	Quarter ended		Nine months ended	
		September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
		Rupees			
Net sales		20,421,060	18,633,189	47,732,079	40,892,233
Cost of sales		(14,511,590)	(13,780,037)	(33,114,880)	(29,450,537)
Gross profit		5,909,470	4,853,152	14,617,198	11,441,696
Selling and distribution expenses		(1,748,036)	(1,644,811)	(4,900,979)	(3,425,382)
Administrative expenses		(298,343)	(215,726)	(739,746)	(632,380)
		3,863,091	2,992,615	8,976,473	7,383,934
Other income	9	988,761	2,325,121	4,263,467	4,392,149
Other operating expenses		(248,254)	(349,706)	(869,864)	(769,511)
Finance cost		(677,890)	(799,839)	(1,977,945)	(2,363,381)
		(926,144)	(1,149,545)	(2,847,809)	(3,132,892)
Profit before taxation		3,925,708	4,168,191	10,392,131	8,643,191
Taxation		(1,331,898)	(1,305,541)	(3,696,274)	(2,987,200)
Profit for the period		2,593,810	2,862,650	6,695,857	5,655,991
Earnings per share - basic		1.94	2.15	5.01	4.25
Earnings per share - diluted		1.94	2.10	5.01	4.18

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.



Atif Kaludi
Chief Financial Officer



Ruhail Mohammed
Chief Executive



Ghias Khan
Chairman

condensed interim statement of comprehensive income (unaudited) for the nine months ended september 30, 2017

(Amounts in thousand)

	Quarter ended		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
	Rupees			
Profit for the period	2,593,809	2,862,650	6,695,857	5,655,991
Other comprehensive income:				
Items potentially re-classifiable to Profit and Loss Account				
Hedging reserve - cash flow hedges				
Loss arising during the period	-	(37,500)	(10,886)	(140,754)
Less: Adjustment for amounts transferred to profit and loss account	-	37,499	10,886	148,298
Tax relating to hedging reserve	-	(669)	-	(3,008)
	-	(670)	-	4,536
Items not potentially re-classifiable to Profit and Loss Account				
Effect of change in Income tax rate on remeasurement of post employment benefits obligations	-	-	-	(588)
Other comprehensive income for the period, net of tax	-	(670)	-	3,948
Total comprehensive income for the period	2,593,809	2,861,980	6,695,857	5,659,939

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.



Atif Kaludi
Chief Financial Officer



Ruhail Mohammed
Chief Executive



Ghias Khan
Chairman

condensed interim statement of changes in equity (unaudited) for the nine months ended september 30, 2017

(Amounts in thousand)

	RESERVE						
	CAPITAL			REVENUE			
	Share capital	Share premium	Reserve on amalgamation	Hedging reserve	Remeasurement of post employment benefits	Unappropriated profit	Total
	Rupees						
Balance as at January 1, 2017 (Audited)	13,309,323	3,132,181	(304,027)	-	(27,000)	25,172,422	41,282,899
Transactions with owners							
Shares issued at exercise of conversion option (note 5.2)	43,670	252,723	-	-	-	-	296,393
Dividend Paid:							
- Final 2016: Rs.2.50 per share	-	-	-	-	-	(3,338,251)	(3,338,251)
- 1st interim 2017: Rs.2.50 per share	-	-	-	-	-	(3,338,251)	(3,338,251)
	-	-	-	-	-	(6,676,502)	(6,676,502)
Total comprehensive income for the nine months ended September 30, 2017							
Profit for the period	-	-	-	-	-	6,695,857	6,695,857
Balance as at September 30, 2017 (Unaudited)	13,352,993	3,384,904	(304,027)	-	(27,000)	25,191,777	41,598,647
Balance as at January 1, 2016 (Audited)	13,309,323	3,132,181	-	(4,536)	(40,664)	26,129,716	42,526,020
Transactions with owners							
Dividend Paid:							
- Final 2015: Rs. 3.00 per share	-	-	-	-	-	(3,992,797)	(3,992,797)
- 1st interim 2016: Rs. 2.00 per share	-	-	-	-	-	(2,661,865)	(2,661,865)
	-	-	-	-	-	(6,654,662)	(6,654,662)
Total comprehensive income for the nine months ended September 30, 2016							
Profit for the period	-	-	-	-	-	5,655,991	5,655,991
Other comprehensive income:							
- cash flow hedges, net of tax	-	-	-	4,536	-	-	4,536
- remeasurements, net of tax	-	-	-	-	(588)	-	(588)
	-	-	-	4,536	(588)	5,655,991	5,659,939
Reserve created upon amalgamation	-	-	(304,027)	-	-	-	(304,027)
Balance as at September 30, 2016 (Unaudited)	13,309,323	3,132,181	(304,027)	-	(41,252)	25,131,045	41,227,270

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.



Atif Kaludi
Chief Financial Officer



Ruhail Mohammed
Chief Executive



Ghias Khan
Chairman

condensed interim statement of cash flows (unaudited) for the nine months ended september 30, 2017

(Amounts in thousand)

	Note	Nine months ended	
		September 30, 2017	September 30, 2016
		Rupees	
Cash flows from operating activities			
Cash generated from / (utilised in) operations	10	14,951,960	(5,684,067)
Retirement and other service benefits paid		(46,255)	(43,618)
Taxes paid		(2,244,525)	(2,124,453)
Finance cost paid		(2,192,501)	(2,846,172)
Long term loans and advances - net		(13,164)	32,538
Net cash generated from / (utilised in) operating activities		10,455,515	(10,665,772)
Cash flows from investing activities			
Purchases of property, plant & equipment and intangibles		(2,275,242)	(2,751,455)
Investment in EFert Agritrade (Private) Limited		(100)	-
Transfers on amalgamation of Engro Eximp (Private) Limited		-	(20,388)
Proceeds from disposal of:			
- Property, plant & equipment		5,524	9,265
- Investments - net		-	393,597
Income on deposits / other financial assets		7,105	158,294
Net cash utilised in investing activities		(2,262,712)	(2,210,687)
Cash flows from financing activities			
Proceeds from borrowings - net		1,500,000	16,000,000
Dividends paid		(3,338,251)	(3,986,923)
Repayments of:			
- Long term borrowings		(4,898,772)	(15,735,153)
- Short term borrowings		(800,000)	-
Net cash utilised in financing activities		(7,537,023)	(3,722,076)
Net increase / (decrease) in cash and cash equivalents		655,780	(16,598,535)
Cash and cash equivalents at beginning of the year		(938,641)	11,456,260
Cash and cash equivalents at end of the period	11	(282,861)	(5,142,275)

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.



Atif Kaludi
Chief Financial Officer



Ruhail Mohammed
Chief Executive



Ghias Khan
Chairman

notes to the condensed interim financial information (unaudited) for the nine months ended september 30, 2017

(Amounts in thousand)

1. Legal Status and Operations

- 1.1 Engro Fertilizers Limited ('the Company') is a public company incorporated on June 29, 2009 in Pakistan under the Companies Ordinance, 1984 as a wholly owned subsidiary of Engro Corporation Limited (the Parent Company), which is a subsidiary of Dawood Hercules Corporation (the Ultimate Parent Company). The principal activity of the Company is manufacturing, purchasing and marketing of fertilizers. The Company's registered office is situated at 7th floor, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme Number 5, Clifton, Karachi.
- 1.2 The Company is listed on Pakistan Stock Exchange Limited (the Exchange).
- 1.3 During the period, EFert Agritrade (Private) Limited was incorporated as a wholly owned subsidiary of the Company and is engaged in the trading business of fertilizers.

2. Basis for Preparation

This condensed interim financial information is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provision of or directives issued under the Ordinance, have been followed. The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as clarified by the Securities and Exchange Commission of Pakistan (SECP) vide its circular dated October 04, 2017, this condensed interim financial information has been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984. This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2016. This condensed interim financial information represents the condensed interim financial information of the Company on a standalone basis. The consolidated condensed interim financial information of the Company and its subsidiary companies is presented separately.

3. Accounting Policies

- 3.1 The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are consistent with those applied in the preparation of the financial statements of the Company for the year ended December 31, 2016.
- 3.2 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.
- 3.3 There are certain new International Financial Reporting Standards (IFRS), amendments to published IFRS and interpretations that are mandatory for the financial year beginning on January 1, 2017. These are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and are, therefore, not disclosed in the condensed interim financial information.

4. Property, Plant and Equipment

Operating assets at net book value (note 4.1)
Capital work-in-progress
Major spare parts and stand-by equipment

(Unaudited) September 30, 2017	(Audited) December 31, 2016
Rupees	
64,564,876	67,314,224
3,847,200	2,443,486
414,373	410,556
<u>68,826,449</u>	<u>70,168,266</u>

(Amounts in thousand)

4.1 Additions to and disposals from operating assets during the period are as follows:

	Additions (Unaudited) (at cost)		Disposals (Unaudited) (at net book value)	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
	Rupees			
Building on freehold land	78,349	88,012	-	-
Plant and machinery	638,576	62,474	-	-
Office equipment	68,173	112,442	112	2
Vehicles	38,073	48,264	1,103	9,263
	<u>823,171</u>	<u>311,192</u>	<u>1,215</u>	<u>9,265</u>

The above disposals represent assets having a cost of Rs. 11,196 (September 30, 2016: Rs. 38,340) which were disposed-off for Rs. 5,524 (September 30, 2016: Rs. 9,265).

5. Borrowings - Secured (Non - participatory)

Long term finances utilised under mark-up
arrangements (notes 5.1, 5.2, and 5.3)
Certificates (note 5.1)

	(Unaudited) September 30, 2017	(Audited) December 31, 2016
	Rupees	
	28,855,936	31,691,287
	<u>2,229,026</u>	<u>2,860,174</u>
	31,084,962	34,551,461
Less: Current portion shown under current liabilities	7,939,730	5,171,515
Balance at end of the period / year	<u>23,145,232</u>	<u>29,379,946</u>

5.1 All senior debts are secured by an equitable mortgage upon immovable property of the Company and equitable charge over current and future fixed assets excluding immovable property of the Company. Loans from Dubai Islamic Bank Pakistan Limited (DIBPL) and Privately Placed Subordinated Sukuk (PPSS) are secured by a sub-ordinated mortgage upon immovable property of the Company and sub-ordinated charge over all present and future fixed assets excluding immovable property of the Company.

5.2 The Company had availed a loan of US\$ 30,000 from International Finance Corporation (IFC), divided into (i) 30% convertible loan on the shares of the Company at Rs. 24 per ordinary share calculated at the US Dollar to Pakistan Rupee exchange rate prevailing on the business day prior to the date of the notice issued by IFC to exercise the conversion option, and (ii) 70% non-convertible loan. IFC had exercised the conversion option equivalent to US\$ 8,000 up till 2016. During the period, the Company received a notice dated March 1, 2017 for the exercise of remaining conversion option on US\$ 1,000. Consequently 4,367,083 ordinary shares of the Company have been allotted to the IFC on March 15, 2017. Further, during the current period the Company has fully repaid remaining outstanding balance of the said loan.

5.3 During the period, the Company availed a Rs. 1,500,000 bilateral loan from Commercial bank to finance capital expenditure.

5.4 During the period, the Company has fully repaid its Offshore Islamic Finance USD facility and the Local Islamic Syndicate loan.

(Amounts in thousand)

6. SHORT TERM BORROWINGS

The facilities for short term running finances, available from various banks, aggregate to Rs. 17,400,000 (December 31, 2016: Rs. 14,000,000). The mark-up rates on these facilities range from 1 to 3 months KIBOR plus 0.50% to 1.50% per annum. These arrangements are secured by floating charge upon all present and future stocks including raw and packaging materials, finished goods, stores and spares and other merchandise and on all present and future book debts, outstanding monies, receivable claims and bills of the Company. As at September 30, 2017, the Company has utilized Rs. 1,280,991 (December 31, 2016: Rs. 1,909,843) out of the aforementioned facilities.

7. CONTINGENCIES AND COMMITMENTS

Contingencies

- 7.1 Bank guarantees of Rs. 2,315,813 (December 31, 2016: Rs. 2,178,048) have been issued in favour of third parties.
- 7.2 Claims, including pending lawsuits, against the Company not acknowledged as debts amounted to Rs. 58,680 (December 31, 2016: Rs. 58,680).
- 7.3 During the period, the High Court of Islamabad in its order dated June 8, 2017 declared that the income derived by M/s Snamprogetti Engineering (the Contractor) from its contract with the Company, is subject to tax as per Clause 4 of Article 5 of Double Taxation Treaty between Pakistan and the Netherlands. As per the terms of the contract, the Company is liable to reimburse the contractor for any taxes applied to the income of the Contractor under the contract by the taxation authorities. In respect thereof, the Contractor has preferred an appeal in the Supreme Court of Pakistan. The management of the Company based on the opinion of its legal counsel, is of the view that the income of the Contractor is exempt from tax under the aforementioned clause of the Double Taxation Treaty and the matter will be decided in favour of the Contractor and, hence, no provision in respect thereof has been made in this condensed interim financial information.
- 7.4 As at September 30, 2017, except for the aforementioned, there is no material change in the status of matters reported as contingencies in the financial statements of the Company for the year ended December 31, 2016.

7.5 Commitments

Commitments in respect of capital expenditure and other operational items

	(Unaudited) September 30, 2017	(Audited) December 31, 2016
	<u>2,126,699</u>	<u>2,483,898</u>

(Amounts in thousand)

	(Unaudited) September 30, 2017	(Audited) December 31, 2016
	Rupees	
8. Financing Structure / Mode		
Conventional mode:		
Assets		
Short term investments	88,958	140,729
Cash and bank balances	818,789	28,386
	<u>907,747</u>	<u>169,115</u>
Liabilities		
Borrowings	26,657,518	27,533,633
Short term borrowings	1,233,436	1,909,843
	<u>27,890,954</u>	<u>29,443,476</u>
Shariah compliant mode:		
Assets		
Short term investments	2,000	2,000
Cash and bank balances	88,383	87
	<u>90,383</u>	<u>2,087</u>
Liabilities		
Borrowings	4,427,444	7,017,828
Short term borrowings	47,555	-
	<u>4,474,999</u>	<u>7,017,828</u>

(Amounts in thousand)

(Unaudited) Quarter ended		(Unaudited) Nine months ended	
September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Rupees			

9. Other income

Income from sales under Government subsidy

947,485

2,300,897

4,127,639

4,060,373

On financial assets:

Income on bank accounts under:

- Shariah permissible arrangements
- interest / mark-up arrangements

Gain on fair valuation of IFC loan conversion option

Dividend income

Others

6

38

123

39

-

3,807

7,915

112,000

-

17,826

3,415

130,060

-

-

52,384

-

-

199

874

628

6

21,869

64,710

242,726

On non-financial assets:

Gain on disposal of property, plant and equipment

Rental income

Gain on disposal of spares / scrap

Others

-

2

4,309

2

1,682

1,141

3,784

3,482

32,438

15

54,133

8,178

7,150

1,197

8,892

77,388

41,270

2,355

71,118

89,050

988,761

2,325,121

4,263,467

4,392,149

10. Cash generated from / (utilised in) operations

Profit before taxation

10,392,131

8,643,191

Adjustment for non-cash charges and other items:

Depreciation

Amortisation - net

Gain on disposal of property, plant and equipment

Provision for service benefits

Income on deposits / other financial assets

Finance cost

Provision for surplus and slow moving stores and spares

Working capital changes (note 10.1)

3,571,304

3,536,488

15,968

13,415

(4,309)

-

46,065

63,191

(7,809)

(111,635)

1,977,945

2,363,381

4,436

18,601

(1,043,771)

(20,210,699)

14,951,960

(5,684,067)

(Amounts in thousand)

(Unaudited) Nine months ended	
September 30, 2017	September 30, 2016
Rupees	

10.1 Working capital changes

(Increase) / Decrease in current assets

- Stores, spares and loose tools
- Stock-in-trade
- Trade debts
- Loans, advances, deposits and prepayments
- Other receivables (net)

(378,166)	(696,731)
828,770	(9,371,354)
(1,806,594)	(4,528,651)
109,400	(199,812)
(1,742,348)	(4,065,611)
(2,988,938)	(18,862,159)
1,945,167	(1,348,540)
(1,043,771)	(20,210,699)

Increase / (Decrease) in trade and other payables

11. Cash and cash equivalents

- Cash and bank balances
- Short term investments
- Short term borrowings

907,172	33,936
90,958	642,787
(1,280,991)	(5,818,999)
(282,861)	(5,142,276)

12. Financial risk management and financial instruments

12.1 Financial risk factors

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

There have been no changes in the risk management policies during the period, consequently this condensed interim financial information does not include all the financial risk management information and disclosures required in the annual financial statements.

12.2 Fair value estimation

The table below analyzes financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (level 3)

	Level 1	Level 2 Rupees	Level 3
Assets			
Financial assets at fair value through profit and loss			
- Short term investments	-	90,958	-
Liabilities			
Derivatives			
- Derivative financial instruments	-	-	-

(Amounts in thousand)

There were no transfers amongst the levels during the period. Further, there were no changes in valuation techniques during the period.

12.3 Fair value of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the condensed interim financial information approximate their fair values.

13. Transactions with Related Parties

Related parties comprise of Parent company, Subsidiary companies, Associated companies and other companies with common directors, retirement benefit funds, directors and key management personnel. Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in this condensed interim financial information, are as follows:

	(Unaudited) Nine months ended	
	September 30, 2017	September 30, 2016
	Rupees	
Parent company		
Purchases and services	193,640	192,398
Services provided to Parent Company	23,181	19,103
Royalty	536,432	471,926
Reimbursements	66,602	106,368
Dividend paid	3,756,560	3,145,524
Use of assets	320	1,453
Repayment of sub-ordinated loan	-	3,000,000
Receipt of sub-ordinated loan	-	3,000,000
Mark-up paid on sub-ordinated loan	-	13,697
Subsidiary company		
Purchase of products	9,125,835	9,870,923
Reimbursements	63,627	61,853
Dividend received	52,420	-
Funds collected against sales made on behalf of Subsidiary Company	1,481,922	17,141
Mark-up on short term sub-ordinated loan	-	22,243
Associated companies		
Purchases and services	77,152	88,840
Sale of products	2,645	552
Services provided	84,315	62,653
Reimbursements	56,388	75,360
Payment of mark-up on TFCs and repayment of principal amount	5,209	54,847
Donations	40,000	45,765
Use of assets	1,732	812
Contribution to staff retirement benefits		
Pension fund	14,043	14,211
Gratuity fund	71,659	69,227
Provident fund	83,307	79,976
Others		
Remuneration of key management personnel	161,165	147,919

(Amounts in thousand)

14. Seasonality

The Company's fertilizer business is subject to seasonal fluctuations as a result of two different farming seasons viz, Rabi (from October to March) and Kharif (from April to September). On an average, fertilizer sales are more tilted towards Rabi season. The Company manages seasonality in the business through appropriate inventory management.

15. Corresponding Figures

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim balance sheet has been compared with the balances of annual financial statements of preceding financial year, whereas the condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

16. Non-adjusting event after balance sheet date

The Board of Directors in its meeting held on October 24, 2017 has approved an interim cash dividend of Rs. 3.00 per share for the quarter ended September 30, 2017 amounting to Rs. 4,005,898. This is in addition to interim cash dividend already declared and paid of Rs. 2.50 per share. This condensed interim financial information does not include the effect of dividend declared for quarter ended September 30, 2017.

17. Date of Authorisation

This condensed interim financial information was authorised for issue on October 24, 2017 by the Board of Directors of the Company.



Atif Kaludi
Chief Financial Officer



Ruhail Mohammed
Chief Executive



Ghias Khan
Chairman



engro fertilizers

consolidated condensed interim
financial information (unaudited)
for the nine months ended
september 30, 2017

consolidated condensed interim balance sheet as at september 30, 2017

(Amounts in thousand)

		Audited September 30, 2017	Audited December 31, 2016
	Note	Rupees	
ASSETS			
Non-current assets			
Property, plant and equipment	4	68,826,449	70,168,266
Intangible assets		4,476,281	4,450,606
Long term loans and advances		133,801	120,637
		<u>73,436,531</u>	<u>74,739,509</u>
Current assets			
Stores, spares and loose tools		5,260,404	4,886,674
Stock-in-trade		8,657,674	6,799,015
Trade debts		9,649,339	7,585,312
Loans, advances, deposits and prepayments		651,217	682,595
Other receivables		8,673,107	6,986,199
Short term investments		1,159,475	1,039,782
Cash and bank balances		996,281	84,426
		<u>35,047,497</u>	<u>28,064,003</u>
TOTAL ASSETS		<u><u>108,484,028</u></u>	<u><u>102,803,512</u></u>

(Amounts in thousand)

	Note	Unaudited September 30, 2017	Audited December 31, 2016
		Rupees	
EQUITY & LIABILITIES			
Equity			
Share capital		13,352,993	13,309,323
Share premium		3,384,904	3,132,181
Exchange revaluation reserve		19,266	10,802
Remeasurement of post employment benefits		(26,646)	(26,646)
Unappropriated profit		25,470,239	25,222,724
		28,847,763	28,339,061
TOTAL EQUITY		42,200,756	41,648,384
LIABILITIES			
Non-current liabilities			
Borrowings	5	23,145,232	29,379,946
Deferred liabilities		7,263,975	7,561,108
Service benefits obligations		157,127	157,225
		30,566,334	37,098,279
Current liabilities			
Trade and other payables		22,942,878	14,969,365
Accrued interest / mark-up		390,459	583,632
Taxes payable		2,850,125	1,104,140
Current portion of:			
- borrowings	5	7,939,730	5,171,515
- service benefits obligations		49,227	49,157
Short term borrowings	6	1,525,588	1,909,843
Unclaimed dividend		18,931	19,544
Derivative financial instruments		-	249,653
		35,716,938	24,056,849
TOTAL LIABILITIES		66,283,272	61,155,128
Contingencies and Commitments	7		
TOTAL EQUITY AND LIABILITIES		108,484,028	102,803,512

The annexed notes from 1 to 17 form an integral part of this consolidated condensed interim financial information.



Atif Kaludi
Chief Financial Officer



Ruhail Mohammed
Chief Executive



Ghias Khan
Chairman

consolidated condensed interim profit and loss account (unaudited) for the nine months ended september 30, 2017

(Amounts in thousand except for earnings per share)

	Note	Quarter ended		Nine months ended	
		September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
		Rupees			
Net sales		21,162,095	18,633,189	48,473,114	40,910,757
Cost of sales		(14,997,619)	(13,714,026)	(33,540,093)	(29,335,423)
Gross profit		6,164,476	4,919,163	14,933,021	11,575,334
Selling and distribution expenses		(1,748,036)	(1,644,811)	(4,900,979)	(3,428,097)
Administrative expenses		(302,161)	(220,020)	(749,731)	(650,323)
		4,114,279	3,054,332	9,282,311	7,496,914
Other income	9	1,001,134	2,328,899	4,244,732	4,392,771
Other operating expenses		(248,254)	(349,706)	(869,864)	(771,067)
Finance cost		(694,102)	(800,106)	(2,003,274)	(2,386,286)
		(942,356)	(1,149,812)	(2,873,138)	(3,157,353)
Profit before taxation		4,173,057	4,233,419	10,653,905	8,732,332
Taxation		(1,365,512)	(1,305,541)	(3,729,888)	(2,987,200)
Profit for the period		2,807,545	2,927,878	6,924,017	5,745,132
Earnings per share - basic		2.11	2.20	5.19	4.32
Earnings per share - diluted		2.11	2.15	5.19	4.25

The annexed notes from 1 to 17 form an integral part of this consolidated condensed interim financial information.



Atif Kaludi
Chief Financial Officer



Ruhail Mohammed
Chief Executive



Ghias Khan
Chairman

consolidated condensed interim statement of comprehensive income (unaudited) for the nine months ended september 30, 2017

(Amounts in thousand)

	Quarter ended		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
	Rupees			
Profit for the period	2,807,545	2,927,878	6,924,017	5,745,132
Other comprehensive income:				
Items potentially re-classifiable to Profit and Loss Account				
Exchange differences on translation of foreign operations	8,453	(6,428)	8,464	(1,896)
Hedging reserve - cash flow hedges				
Loss arising during the period	-	(37,500)	(10,886)	(140,754)
Less: Adjustment for amounts transferred to profit and loss account	-	37,499	10,886	148,298
Income tax relating to hedging reserve	-	(669)	-	(3,008)
	-	(670)	-	4,536
Items not potentially re-classifiable to Profit and Loss Account				
Income tax rate relating to remeasurement of post employment benefits obligations	-	-	-	(588)
Other comprehensive income for the period, net of tax	-	(670)	-	3,948
Total comprehensive income for the period	2,815,998	2,920,780	6,932,481	5,747,184

The annexed notes from 1 to 17 form an integral part of this consolidated condensed interim financial information.



Atif Kaludi
Chief Financial Officer



Ruhail Mohammed
Chief Executive



Ghias Khan
Chairman

consolidated condensed interim statement of changes in equity (unaudited) for the nine months ended september 30, 2017

(Amounts in thousand)

	CAPITAL		RESERVE			Unappropriated profit	Total
Share capital	Share premium	Exchange revaluation reserve	Hedging reserve	Remeasurement of post employment benefits			
Rupees							
Balance as at January 1, 2017 (Audited)	13,309,323	3,132,181	10,802	-	(26,646)	25,222,724	41,648,384
Transactions with owners							
Shares issued at exercise of conversion option (note 5.2)	43,670	252,723	-	-	-	-	296,393
Dividends paid:							
- Final 2016: Rs. 2.50 per share	-	-	-	-	-	(3,338,251)	(3,338,251)
- 1st interim 2017: Rs. 2.50 per share	-	-	-	-	-	(3,338,251)	(3,338,251)
	43,670	252,723	-	-	-	(6,676,502)	(6,380,109)
Total comprehensive income for the nine months ended September 30, 2017							
Profit for the period	-	-	-	-	-	6,924,017	6,924,017
Other comprehensive income:							
- exchange revaluation	-	-	8,464	-	-	-	8,464
	-	-	8,464	-	-	6,924,017	6,932,481
Balance as at September 30, 2017 (Unaudited)	13,352,993	3,384,904	19,266	-	(26,646)	25,470,239	42,200,756
Balance as at January 1, 2016 (Audited)	13,309,323	3,132,181	13,805	(4,536)	(40,310)	25,921,266	42,331,729
Transactions with owners							
Dividends paid:							
- Final 2015: Rs. 3.00 per share	-	-	-	-	-	(3,992,797)	(3,992,797)
- 1st interim 2016: Rs. 2.00 per share	-	-	-	-	-	(2,661,865)	(2,661,865)
	-	-	-	-	-	(6,654,662)	(6,654,662)
Total comprehensive income for the nine months ended September 30, 2016							
Profit for the period	-	-	-	-	-	5,745,132	5,745,132
Other comprehensive income:							
- exchange revaluation	-	-	(1,896)	-	-	-	(1,896)
- cash flow hedges, net of tax	-	-	-	4,536	-	-	4,536
- remeasurements, net of tax	-	-	-	-	(588)	-	(588)
	-	-	(1,896)	4,536	(588)	5,745,132	5,747,184
Balance as at September 30, 2016 (Unaudited)	13,309,323	3,132,181	11,909	-	(40,898)	25,011,736	41,424,251

The annexed notes from 1 to 17 form an integral part of this consolidated condensed interim financial information.



Atif Kaludi
Chief Financial Officer



Ruhail Mohammed
Chief Executive



Ghias Khan
Chairman

consolidated condensed interim statement of cash flows (unaudited) for the nine months ended september 30, 2017

(Amounts in thousand)

Amounts in thousand)

		Nine months ended	
	Note	September 30, 2017	September 30, 2016
		Rupees	
Cash flows from operating activities			
Cash generated from / (utilized in) operations	10	14,938,735	(5,431,029)
Retirement and other service benefits paid		(46,256)	(43,619)
Taxes paid		(2,278,137)	(2,124,490)
Finance cost paid		(2,217,434)	(2,876,959)
Long term loans and advances - net		(13,164)	33,113
Net cash generated from / (utilised in) operating activities		10,383,744	(10,442,984)
Cash flows from investing activities			
Purchases of property, plant and equipment and intangibles		(2,275,242)	(2,746,059)
Proceeds from disposal of property, plant & equipment		5,524	9,751
Purchase / disposal of investments - net		(1,068,417)	1,104,129
Income on deposits / other financial assets		30,336	158,294
Net cash utilised in investing activities		(3,307,799)	(1,473,885)
Cash flows from financing activities			
Proceeds from borrowings - net		1,500,000	16,000,000
Dividends paid		(3,338,251)	(3,986,923)
Repayments of:			
- long term borrowings		(4,898,772)	(15,735,154)
- short term borrowings		(800,000)	(75,300)
Net cash utilised in financing activities		(7,537,023)	(3,797,377)
Net decrease in cash and cash equivalents		(461,078)	(15,714,246)
Cash and cash equivalents at beginning of the year		14,365	11,469,815
Exchange gain / (loss) translation on foreign operations		8,464	(1,896)
Cash and cash equivalents at end of the period	11	(438,249)	(4,246,327)

The annexed notes from 1 to 17 form an integral part of this consolidated condensed interim financial information.



Atif Kaludi
Chief Financial Officer



Ruhail Mohammed
Chief Executive



Ghias Khan
Chairman

notes to the consolidated condensed interim financial information (unaudited) for the nine months ended september 30, 2017

(Amounts in thousand)

1. Legal Status and Operations

- 1.1 Engro Fertilizers Limited ('the Holding Company') is a public company incorporated on June 29, 2009 in Pakistan under the Companies Ordinance, 1984 as a wholly owned subsidiary of Engro Corporation Limited (the Parent Company), which is a subsidiary of Dawood Hercules Corporation (the Ultimate Parent Company). The principal activity of the Holding Company is manufacturing, purchasing and marketing of fertilizers. The Holding Company's registered office is situated at 7th floor, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme Number 5, Clifton, Karachi.
- 1.2 The Holding Company is listed on Pakistan Stock Exchange Limited (the Exchange).

1.3 The 'Group' consists of:

Holding Company: Engro Fertilizers Limited

Subsidiary Company: A Company in which the Holding Company owns over 50% of voting rights, or companies controlled by the Holding Company:

	Note	%age of holding	
		2017	2016
Engro Eximp FZE	1.3.1	100%	100%
EFert Agritrade (Private) Limited	1.3.2	100%	-

1.3.1 Engro EXIMP FZE

Engro Eximp FZE (EEF) was incorporated in the Jebel Ali Free Zone, Emirate of Dubai, on August 4, 2011 as a wholly owned subsidiary of Engro Eximp (Private) Limited (EEPL). Subsequent to amalgamation, EEF is now a wholly owned subsidiary of the Holding Company.

1.3.2 EFert Agritrade (Private) Limited

EFert Agritrade (Private) Limited (EAL) was incorporated on July 6, 2017 as a wholly owned subsidiary of the the Holding Company and is engaged in the trading business of fertilizers.

2. Basis for Preparation

This consolidated condensed interim financial information is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provision of or directives issued under the Ordinance, have been followed. The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as clarified by the Securities and Exchange Commission of Pakistan (SECP) vide its circular dated October 04, 2017, this consolidated condensed interim financial information has been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984. This consolidated condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the consolidated financial statements of the Holding Company for the year ended December 31, 2016.

3. Accounting Policies

- 3.1 The accounting polices and the methods of computation adopted in the preparation of this consolidated condensed interim financial information are consistent with those applied in the preparation of the consolidated financial statements of the Holding Company for the year ended December 31, 2016.
- 3.2 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

(Amounts in thousand)

- 3.3 There are certain new International Financial Reporting Standards (IFRS), amendments to published IFRS and interpretations that are mandatory for the financial year beginning on January 1, 2017. These are considered not to be relevant or to have any significant effect on the Group's financial reporting and operations and are, therefore, not disclosed in the consolidated condensed interim financial information.

	(Unaudited) September 30, 2017	(Audited) December 31, 2016
	Rupees	
4. Property, Plant and Equipment		
Operating assets at net book value (note 4.1)	64,564,876	67,314,224
Capital work-in-progress	3,847,200	2,443,486
Major spare parts and stand-by equipment	414,373	410,556
	<u>68,826,449</u>	<u>70,168,266</u>

- 4.1 Additions to and disposals from operating assets during the period are as follows:

	Additions (Unaudited) (at cost)		Disposals (Unaudited) (at net book value)	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
	Rupees			
Building on freehold land	78,349	88,012	-	-
Plant and machinery	638,576	62,474	-	-
Office equipment	68,173	112,442	112	2
Vehicles	38,073	48,264	1,103	9,749
	<u>823,171</u>	<u>311,192</u>	<u>1,215</u>	<u>9,751</u>

The above disposals represent assets having a cost of Rs. 11,196 (September 30, 2016: Rs. 39,897) which were disposed-off for Rs. 5,524 (September 30, 2016: Rs. 9,751).

	(Unaudited) September 30, 2017	(Audited) December 31, 2016
	Rupees	
5. Borrowings - Secured (Non - participatory)		
Long term finances utilised under mark-up arrangements (notes 5.1, 5.2, and 5.3)	28,855,936	31,691,287
Certificates (note 5.1)	2,229,026	2,860,174
	<u>31,084,962</u>	<u>34,551,461</u>
Less: Current portion shown under current liabilities	7,939,730	5,171,515
Balance at end of the period / year	<u>23,145,232</u>	<u>29,379,946</u>

- 5.1 All senior debts are secured by an equitable mortgage upon immovable property of the Holding Company and equitable charge over current and future fixed assets excluding immovable property of the Holding Company. Loans from Dubai Islamic Bank Pakistan Limited (DIBPL) and Privately Placed Subordinated Sukuk (PPSS) are secured by a sub-ordinated mortgage upon immovable property of the Holding Company and sub-ordinated charge over all present and future fixed assets excluding immovable property of the Holding Company.

(Amounts in thousand)

- 5.2 The Holding Company had availed a loan of US\$ 30,000 from International Finance Corporation (IFC), divided into (i) 30% convertible loan on the shares of the Holding Company at Rs. 24 per ordinary share calculated at the US Dollar to Pakistan Rupee exchange rate prevailing on the business day prior to the date of the notice issued by IFC to exercise the conversion option, and (ii) 70% non-convertible loan. IFC had exercised the conversion option equivalent to US\$ 8,000 up till 2016. During the period, the Holding Company received a notice dated March 1, 2017 for the exercise of remaining conversion option on US\$ 1,000. Consequently 4,367,083 ordinary shares of the Holding Company have been allotted to the IFC on March 15, 2017.

Further, during the current period the Holding Company has fully repaid remaining outstanding balance of the said loan.

- 5.3 During the period, the Holding Company availed a Rs. 1,500,000 bilateral loan from Commercial Bank to finance capital expenditure.
- 5.4 During the period, the Holding Company has fully repaid its Offshore Islamic Finance USD facility and the Local Islamic Syndicate Loan.

6. Short Term Borrowings

The facilities for short term running finances, available from various banks, aggregate to Rs. 17,400,000 (December 31, 2016: Rs. 14,000,000). The mark-up rates on these facilities range from 1 to 3 months KIBOR plus 0.50% to 1.50% per annum. These arrangements are secured by floating charge upon all present and future stocks including raw and packaging materials, finished goods, stores and spares and other merchandise and on all present and future book debts, outstanding monies, receivable claims and bills of the Holding Company. As at September 30, 2017, the Group has utilized Rs. 1,525,588 (December 31, 2016: Rs. 1,909,843) out of the aforementioned facilities.

7. Contingencies and Commitments

Contingencies

- 7.1 Bank guarantees of Rs. 2,315,813 (December 31, 2016: Rs. 2,178,048) have been issued in favour of third parties.
- 7.2 Claims, including pending lawsuits, against the Holding Company not acknowledged as debts amounted to Rs. 58,680 (December 31, 2016: Rs. 58,680).
- 7.3 During the period, the High Court of Islamabad in its order dated June 8, 2017 declared that the income derived by M/s Snamprogetti Engineering (the Contractor) from its contract with the Holding Company, is subject to tax as per Clause 4 of Article 5 of Double Taxation Treaty between Pakistan and the Netherlands. As per the terms of the contract, the Holding Company is liable to reimburse the Contractor for any taxes applied to the income of the Contractor under the contract by the taxation authorities. In respect thereof, the Contractor has preferred an appeal in the Supreme Court of Pakistan. The management of the Holding Company based on the opinion of its legal counsel, is of the view that the income of the Contractor is exempt from tax under the aforementioned clause of the Double Taxation Treaty and the matter will be decided in favour of the Contractor and, hence, no provision in respect thereof has been made in this consolidated condensed interim financial information.
- 7.4 As at September 30, 2017, except for the aforementioned, there is no material change in the status of matters reported as contingencies in the consolidated financial statements of the Holding Company for the year ended December 31, 2016.

(Amounts in thousand)

7.5 Commitments

Commitments in respect of capital expenditure and other operational items

(Unaudited) September 30, 2017	(Audited) December 31, 2016
Rupees	

4,825,134	2,483,898
-----------	-----------

(Unaudited) September 30, 2017	(Audited) December 31, 2016
Rupees	

8. Financing Structure / Mode

Conventional mode:

Assets

Short term investments
Cash and bank balances

1,157,475	1,037,782
890,437	84,339
2,047,912	1,122,121

Liabilities

Borrowings
Short term borrowings

26,657,519	27,533,633
1,478,033	1,909,843
28,135,552	29,443,476

Shariah compliant mode:

Assets

Short term investments
Cash and bank balances

2,000	2,000
105,844	87
107,844	2,087

Liabilities

Borrowings
Short term borrowings

4,427,443	7,017,828
47,555	-
4,474,998	7,017,828

(Amounts in thousand)

(Unaudited) Quarter ended		(Unaudited) Nine months ended	
September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Rupees			

9. Other income

Income from sales under Government subsidy

947,485

2,300,897

4,127,639

4,060,373

On financial assets:

Income on bank accounts under:

- Shariah permissible arrangements
- interest / mark-up arrangements

6

33

38

5,015

123

7,915

39

90,965

Income on treasury bills, term deposit certificates and

Pakistan Investment Bonds

6,348

2,549

26,157

9,056

Gain on fair valuation of IFC loan conversion option

-

17,826

3,415

130,060

Others

1,850

199

2,723

628

8,237

25,627

40,333

230,748

On non-financial assets:

Commission income

4,139

-

4,139

-

Gain on disposal of property, plant and equipment

-

2

4,309

2

Rental income

1,682

1,141

3,784

3,482

Gain on disposal of spares / scrap

32,438

15

54,133

8,178

Others

7,153

1,217

10,395

89,988

45,412

2,375

76,760

101,650

1,001,134

2,328,899

4,244,732

4,392,771

10. Cash generated from / (utilised in) operations

Profit before taxation

10,653,905

8,732,332

Adjustment for non-cash charges and other items:

Depreciation

3,571,303

3,536,488

Amortisation - net

15,968

13,417

Gain on disposal of property, plant and equipment

(4,309)

-

Provision for service benefits

46,228

63,349

Income on deposits / other financial assets

(31,601)

(111,635)

Finance cost

2,003,274

2,386,286

Provision for surplus and slow moving stores and spares

4,436

18,601

Working capital changes (note 10.1)

(1,320,469)

(20,069,867)

14,938,735

(5,431,029)

(Amounts in thousand)

		(Unaudited) Nine months ended	
		September 30, 2017	September 30, 2016
		Rupees	
10.1	Working capital changes		
	(Increase) / Decrease in current assets		
	- Stores, spares and loose tools	(378,166)	(701,438)
	- Stock-in-trade	(1,858,659)	(9,330,881)
	- Trade debts	(2,064,027)	(4,528,651)
	- Loans, advances, deposits and prepayments	31,378	(201,880)
	- Other receivables (net)	(1,685,643)	(3,958,651)
		(5,955,117)	(18,721,501)
	Increase / (Decrease) in trade and other payables	4,634,648	(1,348,366)
		(1,320,469)	(20,069,867)

11. Cash and cash equivalents

Cash and bank balances
Short term investments
Short term borrowings

996,281	196,272
91,058	1,376,400
(1,525,588)	(5,818,999)
(438,249)	(4,246,327)

12. Financial risk management and financial instruments

12.1 Financial risk factors

The Group's activities expose it to a variety of financial risks including market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

There have been no changes in the risk management policies during the period, consequently this consolidated condensed interim financial information does not include all the financial risk management information and disclosures required in the annual consolidated financial statements.

12.2 Fair value estimation

The table below analyzes financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (level 3)

	Level 1	Level 2 Rupees	Level 3
Assets			
Financial assets at fair value through profit and loss			
- Short term investments	-	1,159,475	-
Liabilities			
Derivatives			
- Derivative financial instruments	-	-	-

(Amounts in thousand)

There were no transfers amongst the levels during the period. Further, there were no changes in valuation techniques during the period.

12.3 Fair value of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the consolidated condensed interim financial information approximate their fair values.

13. Transactions with Related Parties

Related parties comprise of Parent company, Subsidiary companies, Associated companies and other companies with common directors, retirement benefit funds, directors and key management personnel. Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in this consolidated condensed interim financial information, are as follows:

	(Unaudited) Nine months ended	
	September 30, 2017	September 30, 2016
	Rupees	
Parent company		
Purchases and services	193,640	192,398
Services provided to Parent Company	23,181	19,103
Royalty	536,432	471,926
Reimbursements	66,602	106,368
Dividend paid	3,756,560	3,145,524
Use of assets	320	1,453
Repayment of sub-ordinated loan	-	3,000,000
Receipt of sub-ordinated loan	-	3,000,000
Mark-up paid on sub-ordinated loan	-	13,697
Associated companies		
Purchases and services	77,152	88,840
Sale of products	2,645	552
Services provided	84,315	62,653
Reimbursements	62,692	75,851
Payment of mark-up on TFCs and repayment of principal amount	5,209	54,847
Donations	40,000	45,765
Use of assets	1,732	1,934
Contribution to staff retirement benefits		
Pension fund	14,043	14,211
Gratuity fund	71,659	69,271
Provident fund	83,307	80,083
Others		
Remuneration of key management personnel	162,195	149,093

(Amounts in thousand)

14. Seasonality

The Group's fertilizer business is subject to seasonal fluctuations as a result of two different farming seasons viz, Rabi (from October to March) and Kharif (from April to September). On an average, fertilizer sales are more tilted towards Rabi season. The Group manages seasonality in the business through appropriate inventory management.

15. Corresponding Figures

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the consolidated condensed interim balance sheet has been compared with the balances of consolidated annual financial statements of preceding financial year, whereas the consolidated condensed interim profit and loss account, consolidated condensed interim statement of comprehensive income, consolidated condensed interim statement of changes in equity and consolidated condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

16. Non-adjusting event after balance sheet date

The Board of Directors in its meeting held on October 24, 2017 has approved an interim cash dividend of Rs. 3.00 per share for the quarter ended September 30, 2017 amounting to Rs. 4,005,898. This is in addition to interim cash dividend already declared and paid of Rs. 2.50 per share. This consolidated condensed interim financial information does not include the effect of dividend declared for quarter ended September 30, 2017.

17. Date of Authorisation

This consolidated condensed interim financial information was authorised for issue on October 24, 2017 by the Board of Directors of the Holding Company.



Atif Kaludi
Chief Financial Officer



Ruhail Mohammed
Chief Executive



Ghias Khan
Chairman

زیر جائزہ مدت میں کمپنی کا مجموعی نفع 14.9 ارب روپے رہا جبکہ سال 2016ء کے پہلے نو ماہ کی مدت میں کمپنی کا مجموعی نفع 11.6 ارب روپے تھا۔ یہ اضافہ 28 فیصد ہے، اس اضافے کی وجہ 211 کے ٹی یوریا کی برآمدات، پلانٹ کے لئے گیس کی قیمتوں کے ریگولائز ہو جانا اور بڑھتی ہوئی یوریا کی فروخت ہے۔ کمپنی کی فنانس لاگت میں بھی کمی رہی اور زیر جائزہ مدت میں کمپنی کی فنانس لاگت 2,003 ملین روپے ریکارڈ کی گئی جبکہ گزشتہ سال کی اسی مدت میں فنانس لاگت 2,386 ملین روپے رہی تھی۔ اس کی وجہ قرضوں کی بروقت ادائیگی، شرح سود میں کمی اور طویل مدتی قرضہ جات کی دوبارہ پرائسنگ تھی جبکہ زائد انویسٹری کے ساتھ ساتھ بڑھتے ہوئے سبسڈی اور جی ایس ٹی ریفرنڈز کی وجہ سے اضافی ورکنگ کپینٹل ضروریات نے اس کو جزوی طور پر آف سیٹ کیا۔

سال 2017ء کے پہلے نو ماہ کی مدت میں کمپنی کا نیٹ منافع 6.7 ارب روپے رہا جبکہ پچھلے سال کی اسی مدت میں کمپنی کا نیٹ منافع 5.7 ارب روپے رہا تھا۔ اس اضافے کا آمدنی فی شیئر پر بھی اثر پڑا ہے (5.01 روپے فی شیئر، بمقابلہ 4.25 روپے فی شیئر گزشتہ سال پہلے نو ماہ)۔ کمپنی کا کل منافع سال 2017ء کے پہلے نو ماہ کی مدت میں 6.9 ارب روپے رہا ہے۔ گزشتہ سال کمپنی نے 5.7 ارب روپے کا کل منافع حاصل کیا تھا۔ اس کی وجہ سے آمدنی فی شیئر 5.19 روپے رہی جبکہ پچھلے سال آمدنی فی شیئر 4.32 روپے تھی۔

بورڈ 30 ستمبر، 2017ء کو ختم ہونے والی مدت کے لئے 3 روپے فی شیئر اضافی عبوری پیش ڈیویڈنڈ کو مسرت سے پیش کرتا ہے۔

انڈسٹری کے نقطہ نظر کی روشنی میں اور عدالت عالیہ کے اکتوبر 2016ء کے حکم (جس میں عدالت نے جی آئی ڈی سی ایکٹ کو کالعدم قرار دیا) کے مطابق کمپنی نے رعایتی گیس پر جی آئی ڈی سی کسی بھی حوالے سے ادائیگی نہیں کیا۔ مزید برآں کمپنی نے 2015ء میں جی آئی ڈی سی پر حکم امتناعی بھی حاصل کیا اس لئے نئے یوریا پلانٹ کو فراہم کی جانے والی رعایتی گیس پر کوئی جی آئی ڈی سی ادائیگی نہیں کیا جا رہا۔ رعایتی گیس پر جی آئی ڈی سی فریڈلائزور پالیسی اور ہمارے گیس کی فراہمی کے معاہدوں کی براہ راست خلاف ورزی ہے۔ انہی معاہدوں کی بنیاد پر ہم نے اپنے یوریا مینوفیکچرنگ پلانٹ کو وسعت دینے کے لیے 1.1 ارب ڈالر کی سرمایہ کاری کی تھی۔

مستقبل قریب کا منظر نامہ

کسانوں کی معیشت میں بہتری اور یوریا کی کم قیمتیں مقامی طلب کو پورا کرنے میں معاون ثابت ہوتی رہیں گی۔ ہم توقع رکھتے ہیں کہ صنعت یوریا کے 600 کے ٹی کے تمام کولے کو ایکسپورٹ کرے گی۔ بین الاقوامی قیمتیں بھی چڑھاؤ کے بعد اب چوتھی سہ ماہی کے دوران مستحکم ہو سکتی ہیں کیونکہ اب طلب میں بھرپور اضافہ متوقع نہیں ہے۔ چوتھی سہ ماہی میں موسمی طلب کی وجہ سے بین الاقوامی قیمتوں میں اضافے کا امکان ہے۔

1.7.1

Ruhail Mohammed
Chief Executive

Ghias Khan

Ghias Khan
Chairman

ڈائریکٹر رپورٹ

اینگرفرنٹلائزر لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے ہم 30 ستمبر 2017ء کو اختتام پذیر تیسری سہ ماہی کی غیر آڈٹ شدہ مالیاتی معلومات پیش کرتے ہوئے مسرت محسوس کرتے ہیں۔

پاکستان کی فریلائزر مارکیٹ

سال 2017ء کے پہلے نو ماہ کی مدت میں یوریا کی فروخت میں خاصی بہتری دیکھنے میں آئی اور فروخت 18 فیصد نمو کے ساتھ 4,088 کے ٹی رہی جبکہ گزشتہ سال کی اسی مدت میں فروخت 3,472 کے ٹی ریکارڈ کی گئی تھی۔ سال 2017ء کے پہلے نو ماہ کی مدت میں مقامی طلب یوریا کی کم قیمتوں اور بہتر ایگریکولٹل طلب کی بنیاد پر مستحکم رہی۔ انڈسٹری نے زیر جائزہ مدت میں 439 کے ٹی یوریا برآمد کی۔

زیر جائزہ مدت میں یوریا کی پیداوار 4,321 کے ٹی رہی ہے۔ اس کے مقابلے میں گزشتہ سال کی اسی مدت میں پیداوار 4,493 کے ٹی تھی۔ یہ سال بسال کی بنیاد پر 4 فیصد کمی ہے۔ کم پیداوار کی ایک اہم وجہ ایل این جی سے چلنے والے فریلائزر پلانٹس کے غیر متواتر آپریشن ہیں۔ انڈسٹری کی مجموعی بہتر فروخت اور ڈائریکٹ برآمدات کی وجہ سے انڈسٹری کی انوینٹری 0.8 میٹرک ٹن رہی۔ یوریا کی بین الاقوامی قیمتیں 200 ڈالر فی ٹن سے بڑھ کر سال کی تیسری سہ ماہی کے اختتام پر 280 ڈالر فی ٹن ہو گئیں۔ شمالی امریکہ میں تباہی پھیلانے والے حالیہ سمندری طوفانوں، بھارت میں طلب میں اضافہ اور چینی پروڈیوسرز کی سالانہ تبدیلیوں نے قیمتوں کی بڑھوتی میں اہم کردار ادا کیا۔

یوں تو مقامی طلب میں بتدریج اضافہ ہو رہا ہے تاہم مقامی صنعت کو حکومتی سبسڈی ملنے کی طویل مدت سے چیلنجز کا سامنا ہے۔ بحیثیت صنعت ہم حکومت سے مسلسل رابطے میں رہتے ہیں تاکہ سبسڈی اسکیم کو کارگر بنایا جاسکے اور سبسڈی کی بقایا رقم کی بروقت ادائیگی کو یقینی بنایا جاسکے۔

ڈی اے پی کی مقامی طلب میں نمایاں 35 فیصد اضافہ دیکھا گیا۔ فروخت کا حجم 1,247 کے ٹی ریکارڈ کیا گیا جبکہ گزشتہ سال کی اسی مدت میں فروخت کا حجم 922 کے ٹی رہا۔ پچھلے سال کے مقابلے میں کم قیمتیں، ڈی اے پی میں حکومتی معاونت (ڈی اے پی پر کیش سبسڈی کے بجائے سیلز ٹیکس میں کمی) میں تسلسل اور کسانوں کی آمدن میں معقول اضافے نے ڈی اے پی کی فروخت کو بہتر بنایا۔ بین الاقوامی مارکیٹ میں ڈی اے پی کی قیمت سال 2017ء کے پہلے نو ماہ کی مدت میں 380 ڈالر فی ٹن کے آس پاس رہی۔

کمپنی کی آپریٹنگ کارکردگی

کمپنی کی یوریا پیداوار 2017ء کے پہلے نو ماہ کی مدت میں 1,400 کے ٹی رہی جبکہ پچھلے سال کے اسی دورانیہ میں پیداوار 1,397 کے ٹی تھی۔ زیر جائزہ مدت کے دوران فروخت پچھلے سال کی فروخت 1,022 کے ٹی کے مقابلے 20 فیصد اضافے کے ساتھ 1,231 کے ٹی دیکھی گئی جس کو یوریا کی 211 کے ٹی کی برآمدات نے بھی جلا بخشی۔ اسی دوران کمپنی کا یوریا مارکیٹ شیئر 30 فیصد رہا (برائڈ ڈیوریا مارکیٹ شیئر 32 فیصد) جبکہ گزشتہ اسی مدت میں یوریا کا مارکیٹ شیئر 29 فیصد (برائڈ ڈیوریا مارکیٹ شیئر 30 فیصد) تھا۔

2017ء کے پہلے نو ماہ کی مدت میں DAP کی فروخت 234 کے ٹی تھی۔ اس کے مقابلے میں گزشتہ سال کی اسی مدت میں 242 کے ٹی تھی۔ نتیجتاً سال 2017ء کی زیر جائزہ مدت میں مارکیٹ شیئر 19 فیصد رہا جو گزشتہ سال 26 فیصد تھا۔ فروخت میں کمی کی وجہ سال کے آغاز میں حکومت کی جانب سے لگایا گیا پرائس کنٹرول کیپ تھا جس کی وجہ سے درآمدات نسبتاً کم ہو گئیں تھیں۔

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