

1<sup>st</sup> Quarterly Report  
September 30,

○ 2019



# Expanding Possibilities



ITTEHAD CHEMICALS LIMITED

# ITTEHAD CHEMICALS LIMITED

## CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE 1<sup>ST</sup> QUARTER ENDED SEPTEMBER 30, 2019

(UN-AUDITED)

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# Corporate Information

## BOARD OF DIRECTORS

Mr. Muhammad Siddique Khatri	Chairman	Non-Executive Director
Mr. Abdul Sattar Khatri	Director/CEO	Executive Director
Ms. Farhana Abdul Sattar Khatri	Director	Non-Executive Director
Mr. Waqas Siddiq Khatri	Director	Executive Director
Mr. Abdullah Mustafa	Director	Non-Executive Director
Mr. Pervaiz Ahmad Khan	Director	Independent Director
Mr. Pervez Ismail	Director	Independent Director

## AUDIT COMMITTEE

Mr. Pervez Ismail	Chairman
Mr. Abdullah Mustafa	Member
Mr. Pervaiz Ahmad Khan	Member

## HR & REMUNERATION COMMITTEE

Mr. Pervaiz Ahmad Khan	Chairman
Mr. Abdullah Mustafa	Member
Mr. Waqas Siddiq Khatri	Member

## RISK MANAGEMENT COMMITTEE

Mr. Muhammad Siddique Khatri	Chairman
Mr. Abdul Sattar Khatri	Member
Mr. Waqas Siddiq Khatri	Member

## CHIEF FINANCIAL OFFICER

Mr. Shahbaz Ali

## COMPANY SECRETARY

Mr. Abdul Mansoor Khan

## REGISTERED OFFICE/HEAD OFFICE

39-Empress Road, P.O. Box 1414, Lahore-54000.  
Tel: 042 - 36306586 - 88, Fax: 042 - 36365697  
Website: [www.ittehadchemicals.com](http://www.ittehadchemicals.com), E-mail: [info@ittehadchemicals.com](mailto:info@ittehadchemicals.com)

## PLANT

G.T. Road, Kala Shah Kaku, District Sheikhpura.  
Ph: 042 - 37950222 - 25, Fax: 042 - 37950206

## SHARES REGISTRAR

M/s. Hameed Majeed Associates (Pvt) Limited  
1<sup>st</sup> Floor, H.M. House, 7 Bank Square  
The Mall, Lahore.

## BANKERS

### Banks - Conventional Side

Askari Bank Limited  
Allied Bank Limited  
Faysal Bank Limited  
Habib Metro Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
JS Bank Limited  
Pak Libya Holding Co. (Pvt.) Ltd.  
Pakistan Kuwait Inv. Co. (Pvt.) Ltd.  
Pak Brunei Inv. Company Ltd.  
The Bank of Punjab  
United Bank Limited

### Banks - Islamic Window Operations

Al-Baraka Bank (Pakistan) Limited  
The Bank of Punjab (Taqwa Islamic Banking)  
Dubai Islamic Bank (Pak) Limited  
Bank Alfalah Limited - Islamic-Banking

## AUDITORS

M/s. BDO Ebrahim & Co., Chartered Accountants,  
2<sup>nd</sup> Floor, Block- C, Lakson Square Building No.1,  
Sarwar Shaheed Road, Karachi.  
Ph: 021 - 35683189, 35683498, Fax : 021 - 35684239

## LEGAL ADVISOR

Cornelius, Lane & Mufti  
Advocates & Solicitors  
Nawa-e-Waqt House  
4 - Shahrah-e-Fatima Jinnah  
Lahore-54000

## DIRECTORS' REPORT

The Directors of your Company take pleasure in presenting the un-audited condensed interim financial statements of the Company for the first quarter ended September 30, 2019.

During the quarter under review, Company's newly launched state of the art LABSA Plant significantly contributed to the sales volume and the Company posted net sales revenue of Rupees 2,084 Million denoting an increase of 60% over corresponding period of last year (2018: Rupees 1,304 Million). The cost of sales stood at Rupees 1,866 Million (2018: Rupees 1,065 Million) bringing gross profit to Rupees 218 Million (2018: Rupees 239 Million). The gross profit margin dropped to 10% from 18% vis-à-vis corresponding period of last year on account of non-availability of System Gas during the period, highest ever RLNG / LESCO Tariff Rates and inflationary pressures. The finance cost increased due to higher interest rates on long term loan obtained for CAPEX in previous years.

The bottom line showed a net loss after tax of Rupees 57 Million (2018: Profit Rupees 44 Million) which yielded loss per share of Rupees 0.67 (2018: Earnings per share Rupees 0.52). The Company issued Bonus shares amounting to Rupees 77 Million after corresponding period of last year; hence EPS for corresponding period has been restated accordingly. Further, corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison, the effect of which is not material.

Moving forward, the Management is focusing to achieve operational excellence through product and process innovation, increase in sales volume in local as well as in international markets through competitive marketing strategies, improvements in product quality and reduction in operating costs. However, ever increasing energy cost will remain challenge for the chemical industry.

The Board is thankful to the valuable Members, Customers, Banks and Government departments for their trust, confidence, persistent support and patronage and would like to place on record its gratitude to all the Employees of the company for their contribution, dedication and hard work.

On behalf of the Board



Lahore  
October 24, 2019

Abdul Sattar Khatri  
Chief Executive Officer



Muhammad Siddique Khatri  
Chairman

## ڈائریکٹرز رپورٹ


آپ کی کمپنی کے ڈائریکٹرز 30 ستمبر 2019ء کو اختتام پزیر ہونے والی پہلی سہ ماہی کے غیر پڑتال شدہ بین المدتی مختصر مالی گوشوارے پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔


زیر جائزہ سہ ماہی میں کمپنی کے جدت کے حامل LABSA پلانٹ کا آغاز کمپنی کی فروخت میں نمایاں اضافہ کا سبب رہا کمپنی کی فروخت %160 اضافہ کے ساتھ 2,084 ملین روپے (2018: 1,304 ملین روپے) رہی۔ فروخت کی لاگت 1,866 ملین روپے (2018: 1,065 ملین روپے) رہی جس سے کمپنی کا خام منافع 218 ملین روپے (2018: 239 ملین روپے) بنتا ہے۔ خام منافع کا تناسب گزشتہ سال کے اسی عرصہ کے مقابلے میں قدرتی گیس کی بندش، LESCO/RLNG کی تاریخی بلند ترین قیمتیں اور افراط زر کے دباؤ کی وجہ سے %18 سے کم ہو کر %10 تک ہو گیا۔ مالیاتی اخراجات میں اضافہ گزشتہ سالوں میں کئے گئے CAPEX کے لئے حاصل کردہ طویل مدتی قرض پر شرح سود میں بڑھوتی کی وجہ سے ہے۔

ٹیکس کی ادائیگی کے بعد گوشوارے کی آخری سطر مبلغ 57 ملین روپے (2018: 44 ملین روپے منافع) کا خالص نقصان ظاہر کرتی ہے جس کے نتیجے میں مبلغ 0.67 روپے فی حصص (2018: 0.52 روپے آمدنی فی حصص) نقصان ہوا۔ گزشتہ سال کے اسی عرصہ کے بعد کمپنی نے 77 ملین روپے کے بونس شیرز تقسیم کئے چنانچہ EPS دوبارہ سے کہی گئی ہے۔ اسکے علاوہ جہاں ضروری تھا اعداد و شمار کو دوبارہ ترتیب دیا گیا اور دوبارہ ترمیم کی گئی جس کا اثر نہیں ہے۔

آگے بڑھتے ہوئے انتظامیہ مصنوعات اور اسکے عمل میں جدت، تقابلی مارکیٹنگ حکمت عملی کے ذریعے ملکی اور غیر ملکی منڈیوں میں فروخت میں اضافہ، مصنوعات کے معیار میں بہتری اور آپریننگ لاگت میں کمی کے ذریعے سے اعلیٰ مہارت حاصل کرنے کے لئے اپنی توجہ مرکوز کر رہی ہے۔ تاہم توانائی کی بڑھتی قیمتیں کیمیکل انڈسٹری کے لئے ہمیشہ کی طرح چیلنج ہیں۔

بورڈ اپنے تمام معزز حصص داران، کسٹمرز، بینکوں اور حکومتی محکموں کی جانب سے ہم پر اعتماد مسلسل تعاون سرپرستی کے لیے مشکور ہیں۔ سخت محنت اور لگن سے کام کرنے پر کمپنی کے تمام ملازمین کا شکریہ ادا کرتے ہیں۔

منجانب بورڈ  
  
 محمد صدیق کھتری  
 چیئرمین

  
 عبدالستار کھتری  
 چیف ایگزیکٹو آفیسر

24 اکتوبر 2019ء

لاہور

## Condensed Interim Statement of Financial Position as at September 30, 2019

		(Un-audited) September 30, 2019	(Audited) June 30, 2019
	Note	(Rupees in thousand)	
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	7	6,175,783	6,334,613
Operating fixed assets		66,322	35,541
Capital work in progress	8	6,242,105	6,370,154
Intangible assets		6,445	6,445
Investment properties		133,125	133,125
Long term deposits		52,087	51,906
		6,433,762	6,561,630
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		456,353	407,749
Stock in trade		624,394	788,704
Trade debts		685,892	664,516
Loans and advances		302,810	216,651
Trade deposits and short term prepayments		11,132	10,730
Tax refunds due from Government		398,850	526,492
Taxation - net		321,203	189,989
Cash and bank balances		110,282	109,892
		2,910,916	2,914,723
		9,344,678	9,476,353
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital	9.1	1,250,000	1,250,000
Issued, subscribed and paid up capital	9.2	847,000	847,000
Share premium		330,000	330,000
Unappropriated profit		1,797,274	1,853,951
Surplus on revaluation of fixed assets		972,734	972,734
		3,947,008	4,003,685
<b>NON CURRENT LIABILITIES</b>			
Long term financing	10	233,333	266,667
Long term diminishing musharaka	11	1,346,205	1,413,628
Deferred liabilities		308,196	331,589
		1,887,734	2,011,884
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,665,414	1,648,478
Unclaimed dividend		1,040	1,040
Mark-up accrued		148,805	125,554
Short term borrowings		1,327,465	1,379,519
Current portion of long term liabilities		367,212	306,193
		3,509,936	3,460,784
<b>CONTINGENCIES AND COMMITMENTS</b>			
	12	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,344,678</b>	<b>9,476,353</b>

The annexed notes from 1 to 17 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

## Condensed Interim Statement of Profit and Loss Account (Un-audited) for the quarter ended September 30, 2019

	Note	Quarter ended September 30,	
		2019	2018
		(Rupees in thousand)	
Sales - net		2,083,736	1,303,897
Cost of sales	13	(1,865,901)	(1,065,281)
<b>Gross profit</b>		217,835	238,616
Selling and distribution expenses		(138,458)	(84,642)
General and administrative expenses		(51,364)	(43,749)
Other operating expenses		(26,531)	(5,445)
Other operating income		27,861	8,010
		(188,492)	(125,826)
<b>Operating profit</b>		29,343	112,790
Financial charges		(117,499)	(53,721)
<b>Profit/(Loss) before taxation</b>		(88,156)	59,069
Taxation		31,479	(15,172)
<b>Profit/(Loss) after taxation</b>		(56,677)	43,897
<b>Earnings per share - basic and diluted (Rupee)</b>	14	(0.67)	0.52

The annexed notes from 1 to 17 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

**Condensed Interim Statement of Comprehensive Income (Un-audited)  
for the quarter ended September 30, 2019**

	Quarter ended September 30,	
	2019	2018
	(Rupees in thousand)	
<b>Profit/(Loss) for the period</b>	(56,677)	43,897
<b>Other comprehensive income</b>	-	-
<b>Total comprehensive income for the period</b>	<u>(56,677)</u>	<u>43,897</u>

The annexed notes from 1 to 17 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

## Condensed Interim Cash Flow Statement (Un-audited) for the quarter ended September 30, 2019

	Quarter ended September 30,	
	2019	2018
	(Rupees in thousand)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before taxation	(88,156)	59,069
Adjustments for items not involving movement of funds:		
Depreciation	141,195	114,984
Provision for gratuity	8,487	5,575
Loss / (gain) on sale of fixed assets	26,172	(725)
Gain on foreign exchange	(1,612)	(4,518)
Provision for bad debts	-	2,500
Provision for obsolete stores	6,000	6,000
Financial charges	117,499	53,721
Net cash flow before working capital changes	209,585	236,606
<b>Decrease / (increase) in current assets</b>		
Stores, spares and loose tools	(54,605)	(29,365)
Stock in trade	164,310	(158,016)
Trade debts	(19,765)	(37,369)
Loans and advances	(86,159)	(94,050)
Trade deposits and short term prepayments	(402)	(4,127)
Tax refunds due from the Government	38,142	26,305
	41,521	(296,622)
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	16,937	143,963
Cash generated from operations	268,043	83,947
Income taxes paid	(41,714)	(19,263)
Gratuity paid	(402)	(3,011)
Financial charges paid	(94,249)	(34,100)
Net cash inflow from operating activities	131,678	27,573
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additions to operating fixed assets-net	(1,207)	(7,660)
Additions to capital work in progress	(38,200)	(192,598)
Proceeds from sale of operating fixed assets	90	12,747
Long term deposits	(181)	(213)
Net cash (outflow) from investing activities	(39,498)	(187,724)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long term financing	-	-
Repayment of long term financing	(56,725)	(106,082)
Proceeds from long term diminishing musharaka	16,989	100,348
Repayment of long term diminishing musharaka	-	(20,000)
Dividend paid	-	(164)
Short term borrowings	(52,054)	171,102
Net cash inflow / (outflow) from financing activities	(91,790)	145,204
Net increase in cash and cash equivalents	390	(14,947)
Cash and cash equivalents at the beginning of the period	109,892	94,072
Cash and cash equivalents at the end of the period	110,282	79,125

The annexed notes from 1 to 17 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

## Condensed Interim Statement of Changes in Equity (Un-audited) for the quarter ended September 30, 2019

	Share Capital	Surplus on Revaluation of fixed assets	Share premium	Unappropriated profit	Total
	(Rupees in thousand)				
Balance as at July 01, 2018 - Reported	770,000	972,734	330,000	1,636,841	3,709,575
IFRS-9 Financial Instrument - Impact of Change in Accounting Policy	-	-	-	(20,975)	(20,975)
Balance as at July 01, 2018 - Restated	770,000	972,734	330,000	1,615,866	3,688,600
Total Comprehensive income for the period	-	-	-	43,897	43,897
Balance as at September 30, 2018	770,000	972,734	330,000	1,659,763	3,732,497
<b>Transaction with owners:</b>					
Final cash dividend 2018: Re. 1.1 per share	-	-	-	(84,700)	(84,700)
Issue of bonus shares	77,000	-	-	(77,000)	-
	77,000	-	-	(161,700)	(84,700)
<b>Total Comprehensive income for the period</b>					
Profit for the period	-	-	-	361,154	361,154
Remeasurement of defined benefit liability - net	-	-	-	(5,266)	(5,266)
	-	-	-	355,888	355,888
Balance as at June 30, 2019	847,000	972,734	330,000	1,853,951	4,003,685
<b>Total Comprehensive income for the period</b>					
	-	-	-	(56,677)	(56,677)
<b>Balance as at September 30, 2019</b>	<b>847,000</b>	<b>972,734</b>	<b>330,000</b>	<b>1,797,274</b>	<b>3,947,008</b>

The annexed notes from 1 to 17 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

## Notes to the Condensed Interim Financial Statements (Un-audited) for the quarter ended September 30, 2019

### 1 LEGAL STATUS AND OPERATIONS

Ittehad Chemicals Limited (the Company) was incorporated on September 28, 1991 to takeover the assets of Ittehad Chemicals and Ittehad Pesticides under a Scheme of Arrangement dated June 18, 1992 as a result of which the Company became a wholly owned subsidiary of Federal Chemical and Ceramics Corporation (Private) Limited. The Company was privatized on July 03, 1995. The Company is engaged in the business of manufacturing and selling caustic soda and other allied chemicals.

The Company was listed on Karachi Stock Exchange on April 14, 2003 when sponsors of the Company offered 25% of the issued, subscribed and paid up shares of the Company to the general public. The Company is now listed on Pakistan Stock Exchnage Limited.

### 2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The registered office of the Company is situated at 39, Empress Road, Lahore. The manufacturing facility of the Company is located at G.T Road Kala Shah Kaku District Sheikhpura and regional offices are located as follows:

Regional office	Office address
Karachi	Town House No. 44-N/1-A, Razi Road, Block-6, P.E.C.H.S. Karachi.
Faisalabad	3rd Floor, Habib Bank Building, Circular Road, Faisalabad.
Islamabad	2nd Floor, Quaid Plaza, office No.15, Markaz I-9, Islamabad.

### 3 BASIS OF PREPARATION

#### 3.1 Statement of compliance

These condensed interim financial statements are unaudited and are being submitted to the members as required under Section 237 of the Companies Act, 2017.

These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017. In case requirements differ, the provisions or directives of the Companies Act, 2017 shall prevail.

The disclosures made in these condensed interim financial statements have, however, been limited in accordance with the requirements of the International Financial Reporting Standards (IFRS) IAS - 34, Interim Financial Reporting. They do not include all the information and disclosures made in the annual published financial statements and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2019.

#### 3.2 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention, except as modified for fair value adjustment in freehold land, investment property, investments and certain staff retirement benefits at present value.

These condensed interim financial statements have been prepared following accrual basis of accounting except for cash flow information.

### 3.3 Functional and presentation currency

These condensed interim financial statements have been presented in Pak Rupees, which is the functional and presentation currency of the Company.

## 4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted and methods of computation followed in the preparation of these condensed interim financial statements are the same as those of the preceding published annual financial statements for the year ended June 30, 2019.

## 5 TAXATION

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

## 6 ESTIMATES

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the financial statements for the year ended June 30, 2019.

		(Un-audited) September 30, 2019	(Audited) June 30, 2019
	Note	(Rupees in thousand)	
<b>7 OPERATING FIXED ASSETS</b>			
Opening book value (NBV)		6,334,613	5,452,040
Additions / (adjustment) at cost during the period / year	7.1	8,627	1,431,359
		<u>6,343,240</u>	<u>6,883,399</u>
Disposals at NBV during the period / year	7.2	(26,262)	(56,934)
Depreciation charged during the period / year		(141,195)	(491,852)
		<u>(167,457)</u>	<u>(548,786)</u>
Closing net book value (NBV)		<u>6,175,783</u>	<u>6,334,613</u>

### 7.1 Details of additions / (adjustment) at cost during the period / year are as follows:

Land	-	55,720
Building	1,878	75,673
Plant and machinery	5,541	1,264,111
Other equipment	22	14,556
Furniture and fixtures	150	661
Office and other equipment	1,036	3,989
Vehicles	-	16,649
	<u>8,627</u>	<u>1,431,359</u>

(Un-audited)                      (Audited)  
September 30,                      June 30,  
2019                                      2019  
— (Rupees in thousand) —

**7.2 Details of disposals (at NBV) during the period / year are as follows:**

Building	-	(8,854)
Railway sidings	-	(776)
Plant and machinery	(26,234)	(47,150)
Office and other equipment	-	(35)
Vehicles	(28)	(119)
	<u>(26,262)</u>	<u>(56,934)</u>

**8 CAPITAL WORK IN PROGRESS**

Building	27,869	15,059
Plant and machinery	21,164	3,193
Advances	17,289	17,289
	<u>66,322</u>	<u>35,541</u>

**9 SHARE CAPITAL**

**9.1 Authorized share capital**

100,000,000 (June 30, 2019: 100,000,000) ordinary shares of Rs. 10/- each	1,000,000	1,000,000
25,000,000 (June 30, 2019: 25,000,000) preference shares of Rs. 10/- each	250,000	250,000
	<u>1,250,000</u>	<u>1,250,000</u>

**9.2 Issued, subscribed and paid up share capital**

27,100,000 (June 30, 2019: 27,100,000) ordinary shares fully paid in cash	271,000	271,000
24,900,000 (June 30, 2019: 24,900,000) issued for consideration other than cash	249,000	249,000
32,700,000 (June 30, 2019: 32,700,000) fully paid bonus shares	327,000	327,000
	<u>847,000</u>	<u>847,000</u>

**10 LONG TERM FINANCING**

From banking companies and financial institutions- secured Balance as at July 01	488,450	514,064
Obtained during the period / year	-	300,000
Repayments made during the period / year	(56,725)	(325,614)
	<u>431,725</u>	<u>488,450</u>
Current portion shown under current liabilities	(198,392)	(221,783)
	<u>233,333</u>	<u>266,667</u>

	(Un-audited) September 30, 2019	(Audited) June 30, 2019
———— (Rupees in thousand) ————		

## 11 LONG TERM DIMINISHING MUSHARAKA

From banking companies and financial institutions- secured		
Balance as at July 01	1,498,038	867,664
Obtained during the period / year	16,989	798,930
Repayments made during the period / year	-	(168,556)
	1,515,027	1,498,038
Current portion shown under current liabilities	(168,822)	(84,410)
	1,346,205	1,413,628

## 12 CONTINGENCIES AND COMMITMENTS

### 12.1 Contingent liabilities

- a) The taxation authorities have amended the deemed assessment for the Tax Year 2010 by passing an order u/s 122(5A) of the Income Tax Ordinance, 2001 creating, thereby, income tax demand of Rs. 54.510 million. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) who partially set aside and remanded back and also partially decided in favour of the Company. The Company as well as tax department filed an appeal against the said order before Appellate Tribunal Inland Revenue which is still pending for adjudication. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in maximum tax payable of Rs. 54.510 million.
- b) Additional Commissioner has passed an order u/s 122(5A) of the Income Tax Ordinance, 2001 adding back tax credit u/s 65B of the Income Tax Ordinance, 2001 on Balancing, Modernization, and Replacement and tax credit on donations for Tax Year 2012. Tax amounting to Rs. 12.570 million has been assessed. The Company has challenged the case before Commissioner Inland Revenue (Appeals) who has decided it against the Company. The Company has filed appeal before Appellate Tribunal Inland Revenue. The ATIR remanded the case back to the Additional Commissioner Inland Revenue (ADCIR). In remand back proceedings the demand has been reduced to 2.922 million. The Company has preferred an appeal before Commissioner Inland Revenue (Appeals) CIR (A) against the demand. The CIR(A) has granted relief of Rs. 0.8 million and upheld the remaining demand. The Company has decided to contest the demand in ATIR. However, if the case is decided against the Company, it may result in tax payable of Rs. 2.122 million (June 2019 : Rs. 2.922 million).
- c) Proceedings u/s 161 were initiated by Deputy Commissioner Inland Revenue for the tax year 2013. The DCIR passed order u/s 161/205 and demand amounting to Rs. 1.423 million for tax year 2013 was created vide said order. The Company being aggrieved filled appeal before CIR (A), wherein case has been remanded back to DCIR for fresh assessment and in light of the directions issued by the CIR(A). The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 1.423 million.
- d) Demand amounting to Rs. 6.242 million has been created by DCIR vide order u/s 11 of Sales Tax Act, 2001 dated December 14, 2015 against the M/s Chemi Chloride Industries (Private) Limited, (now merged with and into the Company). The Company being aggrieved filed appeal before CIR (A). CIR (A) remanded back the case. The Company being aggrieved with

order passed by CIR (A) filed appeal before ATIR which is still pending for adjudication. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 6.242 million (2018: Rs. 6.242 million).

- f) Income tax Audit for TY 2014 & 2015 u/s 177 of Income Tax Ordinance, 2001 were selected by Commissioner Income Tax through his discretionary powers vested under this section. The Company challenged the selection before Honourable Lahore High Court where selection was upheld. Thereafter proceedings were conducted and concluded by DCIR and order u/s 122(1) has been issued for both years. As a result of these proceedings a demand of Rs 32.20 million and 21.50 million has been created for these years, respectively. The Company preferred appeal before CIR(A) in both cases wherein CIR(A) annulled the demand created by disallowance of tax credit U/S 65B of Income Tax Ordinance, 2001 and ordered reconsideration of the matter in light of certain directions. The CIR(A) has confirmed the additions having tax effect of Rs. 7.3 million. The company has decided to file the appeal before ATIR against the decision of CIR(A) on the grounds of being ultra vires. The company is confident of favourable outcome. However, if the cases are decided against the Company, it may result in tax payable of Rs. 7.3 million (June 2019: 53.70 million).
- g) The Company is facing claims, launched in the labour courts, pertaining to staff retirement benefits. In the event of an adverse decision, the Company would be required to pay an amount of Rs. 3.565 million (June 2019: Rs. 3.565 million) against these claims.
- h) Proceedings u/s 177 pertaining to CCIL were initiated by DCIR for the tax year 2013. The DCIR passed order u/s 177 and demand amounting to Rs. 22.032 million for tax year 2013 has been created. The Company being aggrieved filed appeal before CIR (A), which is pending for adjudication. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 22.032 million.
- i) Show cause notice was served by the ACIR whereby taxpayer is required to explain the alleged illegal input (sales tax) tax adjustment amounting to Rs. 28.725 million. Detailed reply was filed by the Company. In response to which ACIR issued assessment order and created demand amounting to Rs. 19.724 million along with penalty amounting to Rs. 0.986 million. The Company being aggrieved filed appeal before CIR (A) which is still pending for adjudication. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 19.724 million along with penalty amounting to Rs. 0.986 million.
- j) Letters of guarantee outstanding as at September 30, 2019 were Rs. 347.034 million (June 2019: Rs. 332.782 million).

## 12.2 Commitments

Commitments as on September 30, 2019 were as follows:

- a) Against letters of credit amounting to Rs. 315.625 million (June 2019: Rs. 259.730 million).
- b) Against purchase of land amounting to Rs. 1.639 million (June 2019: Rs. 1.639 million).

(Un-audited)  
Quarter ended September 30,  
2019 2018  
— (Rupees in thousand) —

### 13 COST OF SALES

Raw materials consumed	411,940	161,465
Other overheads		
Stores, spares and consumables	49,898	50,153
Packing materials consumed	29,231	9,595
Salaries, wages and other benefits	131,898	116,270
Fuel and power	1,057,377	746,172
Repair and maintenance	9,179	10,874
Rent, rates and taxes	290	265
Insurance	3,724	3,352
Depreciation	138,610	112,442
Vehicle running expenses	3,870	3,038
Telephone, telex and postage	230	147
Printing and stationery	24	24
Provision for obsolete stores	6,000	6,000
Other expenses	902	860
	<u>1,431,233</u>	<u>1,059,192</u>
Opening work in process	38,143	33,941
Closing work in process	(43,313)	(34,624)
	<u>(5,170)</u>	<u>(683)</u>
Cost of goods manufactured	<u>1,838,003</u>	<u>1,219,974</u>
Cost of stores traded	28	1,737
Opening stock of finished goods	446,016	142,601
Closing stock of finished goods	(418,146)	(299,031)
	<u>27,870</u>	<u>(156,430)</u>
	<u>1,865,901</u>	<u>1,065,281</u>

(Un-audited)  
Quarter ended September 30,  
2019 2018

### 14 EARNINGS PER SHARE - BASIC AND DILUTED

Profit/(Loss) after taxation - (Rupees in thousand)	(56,677)	43,897
		<b>Restated</b>
Weighted average number of ordinary shares - (In thousand)	84,700	84,700
Earnings per share - basic and diluted - (Rupees)	(0.67)	0.52

**14.1** There is no dilutive effect on the basic earnings per share of the Company. Prior period number of shares and earnings per share have been adjusted to give effect of bonus shares.

**15 TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise group companies, other associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings are given as under:

		(Un-audited)	
		Quarter ended September 30,	
		2019	2018
		—— (Rupees in thousand) ——	
Relationship with the Company	Nature of transaction		
Other related party	Marketing services charges	9,720	6,281
Retirement benefit plans	Contribution to staff retirement benefit plans	134	121
Key management personnel	Remuneration and other benefits	18,865	23,135

**16 DATE OF AUTHORIZATION**

These financial statements were authorized for issue on October 24, 2019 by the Board of Directors of the Company.

**17 GENERAL**

- i Figures have been rounded off to the nearest rupees in thousand unless stated otherwise.
- ii Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison, the effect of which is not material.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER



Ms Certification  
No of Certificate 236



**ITTEHAD**  
GROUP

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