

First Quarter Report September 30, 2022



**EXCELLENCE.
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**Sitara Chemical
Industries Limited**

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COMPANY INFORMATION

Board of Directors

Chairman
Chief Executive Officer
Directors

Mr. Ahmad Hassan
Mr. Muhammad Adrees
Mr. Haseeb Ahmad
Mr. Haroon Ahmad Zuberi
Mr. Ahmad Nawaz
Mr. Najmul Hoda Khan
Mrs. Shala Waheed Sher
Mr. Mazhar Ali Khan

Company Secretary

Chief Financial Officer

Mr. Zakir Hussain (FCA)

Audit Committee

Chairman
Members

Mr. Haroon Ahmad Zuberi
Mr. Najmul Hoda Khan
Mr. Ahmad Nawaz

Human Resource & Remuneration Committee

Chairman
Members

Mr. Ahmad Hassan
Mr. Muhammad Adrees
Mrs. Shala Waheed Sher

Head of Internal Audit

Mr. Ghulam Abbas (ACA)

External Auditors

M/s. Yousuf Adil
Chartered Accountants

Legal Advisor

Mr. Sahibzada Muhammad Arif

Shariah Advisor

M/s. Alhamd Shariah Advisory Services (Pvt) Limited

Bankers

Meezan Bank Limited
Bank Alfalah Limited
Habib Bank Limited
Standard Chartered Bank Pakistan Limite
Al-Baraka Bank (Pakistan) Limited
Faysal Bank Limited
National Bank of Pakistan
MCB Bank Limited
MCB Islamic Bank Limited
Dubai Islamic Bank Pakistan Limited
Bank Islami Pakistan Limited
The Bank of Khyber
Askari Bank Islamic Banking
The Bank of Punjab
United Bank Limited
Soneri Bank Limited
Bank Al-Habib Limited
Habib Metropolitan Bank Limited
Allied Bank Limited

Website of the Company

www.sitara.com.pk

Registered Office

601-602 Business Centre, Mumtaz Hassan Road, Karachi-74000

Share Registrar Address

THK Associates (Private) Limited
Plot No. 32-C, Jami Commercial Street 2, DHA, Phase VII, Karachi-75500

Factories

28 / 32 KM - Faisalabad - Sheikhpura Road, Faisalabad, Pakistan

DIRECTORS' REPORT

In the name of Allah, the Most Beneficent, the Most Gracious, the Most Merciful. On behalf of the Board of Directors of Sitara Chemical Industries Limited, we are pleased to present the un-audited condensed interim financial statements of the Company for the 1st quarter ended on September 30, 2022.

Business Overview:

During the 1st quarter of financial year 2022-23 under review, Company has recorded a net sales of Rs. 5,199 million and gross profits of Rs. 477 million as compared with net sales of Rs. 3,856 million and gross profits of Rs. 475 million in the corresponding period of last year witnessing a growth of 34.8% in net sales. Growth in net sale figure is attributable to increased sale prices of Caustic and other allied chemicals during the quarter under review as compared with sale prices prevalent in last year's corresponding period. Gross margins of chemical segment contracted during the period due to prices. Textile segment of the company faced some unprecedented challenges during the quarter i.e. non-availability of gas supply at the start of this quarter followed by Eid holiday and thereafter low availability of gas supply for captive power plants by SNGPL for the remainder period of the quarter leading to low quantitative production of yarn; heavy flood hitting the country damaging the cotton crop of the country resulting into substantial increase in local and imported cotton price; decline in finished yarn price in local market due to low sale demand from textile exporters. All these factors have resulted into decline in production and quantitative sale of yarn, and decline in gross margins.

Increase in sales and distribution cost is mainly attributable to higher POL prices during quarter as compared with the POL prices prevalent during the corresponding quarter of the last year. Financial cost also increased significantly during the period under review due to consistent increase in policy rate by SBP during the FY 2022. In view of the said economic and operational scenario, company happened to post a loss after tax of Rs. 171 million translating into loss per share of Rs. 7.98/- as against profit after tax of Rs. 35 million during the corresponding quarter of last year with earnings per share of Rs. 1.62/-.

Future Outlook:

Civil work on expansion of coal fired power plant (CFPP) has started. Major LCs of BTG Equipment (Boiler, Turbine and Generator) have already been established with banks, while LCs / local procurement of remainder equipment is under design vetting phase.

Low sale demand of chemicals and textile products after contraction of global and domestic economic outlook, low / non-availability of RLNG supply during upcoming winter season, probable increase in electricity tariff etc. shall remain the key challenges for the company in the remainder period of the ongoing financial year.

Acknowledgments:

We would like to extend our appreciations to our valued business partners and stakeholders for their continued support, cooperation and trust for the progress and prosperity of the Company. Company also appreciates its staff for their continuous dedication, commitment and support.



Muhammad Adrees
Chief Executive Officer
Date: October 21, 2022
Faisalabad.



Ahmad Hassan
Director

ڈائریکٹرز رپورٹ

اللہ تعالیٰ کے بابرکت نام سے جو بڑا مہربان اور نہایت رحم کرنے والا ہے۔ ستارہ کیمیکلز انڈسٹریز لمیٹیڈ کے بورڈ آف ڈائریکٹرز کی طرف سے ہم 30 ستمبر 2022 کو ختم ہونے والی پہلی سہ ماہی کے غیر آڈٹ شدہ اکاؤنٹس پیش کرتے ہوئے پُرسرت ہیں۔

کاروباری جائزہ:

زیر جائزہ مالی سال 2022-23 کی پہلی سہ ماہی کے دوران آپ کی کمپنی نے 5,199 ملین روپے کی خالص فروخت کی ہے۔ اور مجموعی منافع 477 ملین روپے رہا۔ جبکہ پچھلے سال اسی سہ ماہی میں خالص فروخت 3,856 ملین روپے اور مجموعی منافع 475 ملین روپے تھا، خالص فروخت میں 34.8 فیصد اضافہ دیکھا گیا۔ زیر جائزہ سہ ماہی کے دوران فروخت کے اعداد میں اضافہ کا سبب اور دیگر متعلقہ کیمیکلز کی فروخت کی قیمت میں اضافے سے منسوب ہے، جو کہ گذشتہ سال کے مقابلے میں اسی عرصہ کے دوران مروجہ تھیں۔ اسی مدت کے دوران توانائی اور خام مال کی قیمت میں اضافے کی وجہ سے کیمیکل کے شعبے کا مجموعی مارجن دباؤ کا شکار رہا۔ کمپنی کے ٹیکسٹائل ڈویژن کو زیر جائزہ سہ ماہی کے دوران کچھ چیلنجز کا سامنا کرنا پڑا۔ یعنی اسی سہ ماہی کے آغاز میں گیس کی عدم دستیابی، عید کی تعطیلات اور سہ ماہی کی بقیہ مدت کے لیے SNGPL کی جانب سے کپٹو پاور پلانٹس کے لیے گیس کی عدم دستیابی سوت کی کم پیداوار، ملک میں آنے والے شدید سیلاب نے ملک کی کپاس کی فصل کو نقصان پہنچایا۔ جس کے نتیجے میں مقامی اور درآمدی کپاس کی قیمت میں خاطر خواہ اضافہ ہوا۔ ٹیکسٹائل برآمد کنندگان کی جانب سے فروخت کی طلب میں کمی کی وجہ سے مقامی مارکیٹ میں تیار سوت کی قیمت میں کمی ہوئی، ان تمام عوامل کے نتیجے میں یارن کی پیداوار اور مقداری فروخت اور مجموعی مارجن میں کمی واقع ہوئی ہے۔

سیلز اور ڈسٹری بیوٹن کی لاگت میں اضافہ بنیادی طور پر سہ ماہی کے دوران POL کی زیادہ قیمتوں سے منسوب ہے جو کہ گذشتہ سال کی اسی سہ ماہی کے دوران POL کی مروجہ قیمتیں تھیں۔ مالی سال 2022 کے دوران اسٹیٹ بینک کی جانب سے پالیسی ریٹ میں مسلسل اضافے کی وجہ سے زیر جائزہ مدت کے دوران مالیاتی لاگت میں بھی نمایاں اضافہ ہوا۔ مذکورہ اقتصادی اور آپریشنل منظر نامے کے پیش نظر کمپنی کو ٹیکس کے بعد 171 ملین روپے کا نقصان ہوا، جس کی وجہ سے فی حصص نقصان 7.98 روپے اٹھانا پڑا، جبکہ پچھلے سال اسی مدت کے دوران ٹیکس کے بعد منافع 35 ملین روپے رہا اور فی حصص آمدنی 1.62 روپے تھی۔

مستقبل پر نظر:

کوئٹے سے چلنے والے پاور پلانٹ (CFPP) کی توسیع پر سول ورک شروع ہو گیا ہے۔ BTG آلات (بواکس، ٹربائن اور جزیٹر) کے بڑے ایل سیز پہلے ہی بینکوں کے ساتھ قائم کیے جا چکے ہیں۔ جبکہ باقی آلات کے ایل سیز، مقامی خریداری ڈیزائن کی جانچ کے مرحلے میں ہے۔

عالمی اور ملکی اقتصادی نقطہ نظر کے سگڑاؤ کے بعد کیمیکلز اور ٹیکسٹائل مصنوعات کی فروخت کی طلب میں کمی، آئندہ موسم سرما کے دوران آرائل این جی کی عدم دستیابی، بجلی کے نرخ میں ممکنہ اضافہ وغیرہ، کمپنی کے لیے جاری مالی سال کی بقیہ مدت میں اہم چیلنجز رہیں گے۔

اعترافات:

ہم اس موقع پر اپنے محترم کاروباری شراکت داروں کی مستقل حوصلہ افزائی، مدد اور اعتماد کا شکریہ ادا کرتے ہیں۔ کمپنی اپنے ملازمین کی مستقل مزاجی، محنت لگن اور صلاحیتوں کی معترف اور اس پر فخر کرتی ہے۔



محمد ادریس

چیف ایگزیکٹو آفیسر

فیصل آباد : 21 اکتوبر 2022



احمد حسن

ڈائریکٹر

Shariah Compliance Review Report

For the period ended September 30, 2022





ALHAMD SHARIAH ADVISORY SERVICES

(PVT) LIMITED

Oct 13, 2022

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

نحمده و نصلى على رسوله الكريم

Shariah Review Report

For the period ended 30th Sep 2022

We have reviewed the business activities of **Sitara Chemical Industries Limited** for the quarter ended 30th September, 2022 in accordance with the provisions of Shariah Governance Regulations, 2018; and in our opinion;

- the transactions, the documentations and the procedures adopted have been in accordance with principles of Shariah;
- the affairs have been carried out in accordance with rules and principal of Shariah; and
- The income received during the period was purified where necessary, and was treated in accordance with the requirements of Shariah Governance Regulations, 2018;

In the end; we pray to Allah Almighty to grant us success and help us at every step, keep us away from every hindrance and difficulty, and give financial success to Sitara Chemical Industries Limited.

And Allah Knows Best

Mufti Muhammad Ibrahim Essa
For and on behalf of
Alhamd Shariah Advisory Services (Pvt.) Limited

Mufti Ubaid Ur Rahman Zubairi
For and on behalf of
Alhamd Shariah Advisory Services (Pvt.) Limited



CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2022

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2022**

	Note	Un-audited September 30, 2022 (Rupees in thousand)	Audited June 30, 2022
ASSETS			
Non-current assets			
Property, plant and equipment	5	17,344,206	17,344,777
Intangible assets		8,170	8,379
Investment property	6	3,258,394	3,259,192
Long term investments		25,039	25,039
Long term loans and advances		696,978	677,477
Long term deposits		124,664	124,376
		21,457,451	21,439,240
Current assets			
Stores, spare parts and loose tools		1,198,383	1,128,055
Stock in trade		4,126,486	4,324,516
Trade debts	7	1,614,065	1,387,419
Loans and advances		2,550,231	1,836,642
Trade deposits, prepayments and other receivables		37,524	28,623
Advance income tax		1,329,285	1,479,354
Other financial assets	8	751,155	607,881
Cash and bank balances		179,540	322,690
		11,786,669	11,115,180
Total assets		33,244,120	32,554,420
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	9	214,294	214,294
Reserves		1,376,972	1,372,391
Unappropriated profits		10,804,439	10,925,711
Surplus on revaluation of property, plant and equipment		3,476,148	3,525,985
Total equity		15,871,853	16,038,381
Non-current liabilities			
Long term financing	10	1,883,924	1,825,505
Long term deposits		120,163	116,163
Deferred liabilities		2,796,523	2,857,892
		4,800,610	4,799,560
Current liabilities			
Trade and other payables		3,305,975	3,582,352
Profit / financial charges payable		301,336	240,566
Short term borrowings		8,136,106	6,839,823
Provision for taxation		63,535	199,042
Unclaimed dividend		25,137	25,144
Current portion of long term financing		739,568	829,552
		12,571,657	11,716,479
Total equity and liabilities		33,244,120	32,554,420
Contingencies and commitments			
	11		

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive Officer



Director

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2022**

	Note	Three months period ended	
		September 30, 2022	September 30, 2021
(Rupees in thousand)			
Revenue from contracts with customers - net	12	5,198,846	3,856,220
Cost of sales	13	(4,721,598)	(3,380,828)
Gross profit		477,248	475,392
Distribution cost		(132,991)	(85,305)
Administrative expenses		(214,018)	(169,603)
Other expenses		-	(801)
Finance cost		(360,981)	(183,289)
		(707,990)	(438,998)
Other income		58,786	33,290
(Loss) / profit before taxation		(171,956)	69,684
Provision for taxation	14	847	(34,868)
(Loss) / profit for the period		(171,109)	34,816
(Loss) / earnings per share - basic and diluted (Rupees)	15	(7.98)	1.62

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive Officer



Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2022**

	Three months period ended	
	September 30, 2022	September 30, 2021
	(Rupees in thousand)	
(Loss) / profit for the period	(171,109)	34,816
Items that may be reclassified subsequently to profit or loss		
Items that will not be reclassified to profit or loss		
Gain / (loss) on re-measurement of equity instruments as at FVTOCI	5,390	(1,776)
Related tax impact	(809)	-
Total items that will not be reclassified to profit or loss	4,581	(1,776)
Total comprehensive (loss) / income for the period	<u>(166,528)</u>	<u>33,040</u>

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive Officer



Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2022**

Share Capital	Reserves							Total Reserves	Total
	Capital			Revenue					
	Share Premium	Reserve on re-measurement of equity instruments as at FVTOCI	Reserve on re-measurement of post retirement benefits obligation - net of tax	Surplus on revaluation of property, plant and equipment - net of tax	General Reserve	Unappropriated profit			
(..... Rupees in thousand))									
Balance as at July 01, 2021	214,294	97,490	97,224	(6,014)	3,983,297	1,225,000	10,270,574	15,667,571	15,881,865
Total comprehensive income									
Profit for the three months period ended September 30, 2021	-	-	-	-	-	-	34,816	34,816	34,816
Other comprehensive income	-	-	(1,776)	-	-	-	-	(1,776)	(1,776)
	-	-	(1,776)	-	-	-	34,816	33,040	33,040
Transfer to unappropriated profit on account of incremental depreciation - net of tax	-	-	-	-	(58,649)	-	58,649	-	-
Balance as at September 30, 2021 - Un-audited	214,294	97,490	95,448	(6,014)	3,924,648	1,225,000	10,364,039	15,700,611	15,914,905
Total comprehensive income									
Profit for the nine months period ended June 30, 2022	-	-	-	-	-	-	620,823	620,823	620,823
Other comprehensive income	-	-	(41,142)	1,609	(243,520)	-	-	(283,053)	(283,053)
	-	-	(41,142)	1,609	(243,520)	-	620,823	337,770	337,770
Transfer to unappropriated profit on account of incremental depreciation - net of tax	-	-	-	-	(155,143)	-	155,143	-	-
Distribution to owners									
Final dividend for the year ended June 30, 2021 @ Rs. 10 per share	-	-	-	-	-	-	(214,294)	(214,294)	(214,294)
Balance as at June 30, 2022 - Audited	214,294	97,490	54,306	(4,405)	3,525,985	1,225,000	10,925,711	15,824,087	16,038,381
Total comprehensive (loss) / income									
Loss for the three months period ended September 30, 2022	-	-	-	-	-	-	(171,109)	(171,109)	(171,109)
Other comprehensive income	-	-	4,581	-	-	-	-	4,581	4,581
	-	-	4,581	-	-	-	(171,109)	(166,528)	(166,528)
Transfer to unappropriated profit on account of incremental depreciation - net of tax	-	-	-	-	(49,837)	-	49,837	-	-
Balance as at September 30, 2022 - Un-audited	214,294	97,490	58,887	(4,405)	3,476,148	1,225,000	10,804,439	15,657,559	15,871,853

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive Officer



Director

**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2022**

	Note	Three months period ended	
		September 30, 2022	September 30, 2021
		(Rupees in thousand)	
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Operating cash flows before changes in working capital	18	476,728	554,446
WORKING CAPITAL CHANGES:			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		(70,328)	(92,455)
Stock-in-trade		198,030	246,426
Trade debts		(221,601)	(78,590)
Advance Sales Tax		(111,294)	171,525
Loans and advances		(602,920)	(674,032)
Trade deposits and short-term prepayments		(8,901)	(4,550)
(decrease) / increase in current liabilities			
Trade and other payables		(286,470)	(38,020)
		(1,103,484)	(469,696)
Cash (used in) / generated from operations		(626,756)	84,750
Finance cost paid		(300,210)	(164,972)
Employee benefits paid		(312)	(957)
Taxes paid		(38,072)	(60,180)
		(338,594)	(226,109)
Net cash used in operating activities		(965,350)	(141,359)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment including capital work in progress		(327,178)	(480,249)
Proceeds from disposal of property, plant and equipment		740	-
Proceeds from other financial assets		90,049	236,760
Purchase of investment property		-	(4,147)
Purchase of other financial assets		(213,875)	(167,496)
Long term deposits paid		(288)	(11)
Long term loans and advances paid		(665)	(2,167)
Dividend received		292	1,099
Profit received on bank deposits		4,414	1,006
Net cash used in investing activities		(446,511)	(415,205)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		201,640	42,583
Repayment of long term financing		(233,204)	(169,671)
Short term borrowings - net		1,296,282	662,087
Long term deposits		4,000	5,000
Dividend paid		(7)	-
Net cash generated from financing activities		1,268,711	539,999
Net decrease in cash and cash equivalents (A+B+C)		(143,150)	(16,565)
Cash and cash equivalents at beginning of the period		322,690	191,102
Cash and cash equivalents at end of the period		179,540	174,537

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive Officer



Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2022**

1 LEGAL STATUS AND OPERATIONS

1.1 Sitara Chemical Industries Limited ("the Company") was incorporated in Pakistan on September 08, 1981 as a public limited company under the Companies Act, 1913 (now the Companies Act, 2017). The Company is currently listed on the Pakistan Stock Exchange. The company is a Shariah Compliant Company certified by Securities & Exchange Commission of Pakistan (SECP) under Shariah Governance Regulation 2018. The principal activities of the Company are operating Chlor Alkali plant, Oleo chemical plant and yarn spinning unit. The registered office of the Company is situated at 601-602, Business Centre, Mumtaz Hasan Road, Karachi, in the province of Sindh and the manufacturing facilities are located at 28/32 K.M., Faisalabad - Sheikhpura Road, Faisalabad, in the province of Punjab.

The Company is currently organized into two operating divisions and these divisions are the basis on which the Company reports its primary segment information.

Principal business activities are as follows:

Chemical Division	Manufacturing of caustic soda, soap noodles and allied products
Textile Division	Manufacturing of yarn and fabric

1.2 These condensed interim financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency.

2 BASIS OF PREPARATION

2.1 These condensed interim financial statements of the Company for the three months period ended September 30, 2022 have been prepared in accordance with the International Accounting Standard - 34 "Interim Financial Reporting" provisions of and directives issued under the Companies Act, 2017. In case where requirements differ, the provisions of or directives issued under the Companies Act, 2017 have been followed.

2.2 These condensed interim financial statements should be read in conjunction with annual audited financial statements for the year ended June 30, 2022. Comparative statement of financial position is extracted from annual audited financial statement for the year ended June 30, 2022, whereas comparative statement of profit or loss, comparative statement of comprehensive income, comparative statement of changes in equity and comparative of statement of cash flows are stated from un-audited condensed interim financial statements for the three months period ended September 30, 2021.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, JUDGMENTS AND RISK MANAGEMENT

The significant accounting policies and methods of computation adopted in preparation of these condensed interim financial statements are the same as those applied in preparation of the annual audited financial statements of the Company for the year ended June 30, 2022.

4 ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on past experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. However, actual results may differ from these estimates.

During the preparation of this condensed interim financial information, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the audited annual financial statements for the year ended June 30, 2022.

	Note	Un-audited September 30, 2022 (Rupees in thousand)	Audited June 30, 2022
5 PROPERTY, PLANT AND EQUIPMENT			
Operating assets	5.1	17,048,034	17,257,906
Capital work-in-progress		296,172	86,871
		<u>17,344,206</u>	<u>17,344,777</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

	Note	Un-audited September 30, 2022 (Rupees in thousand)	Audited June 30, 2022
5.1 Operating assets			
Opening written down value		17,257,906	16,859,588
Additions during the period / year:			
Freehold land		-	8,956
Buildings on freehold land - Mill		18	201,840
Plant and machinery		96,369	1,219,705
Grid station and electric installations		6,096	4,370
Containers and cylinders		-	-
Containers and cylinders		-	112
Factory equipment		166	35,262
Electric equipment		3,474	151,547
Office equipment		1,010	7,873
Furniture and fittings		57	6,303
Vehicles		10,686	77,495
		117,876	1,713,463
Written down value of assets disposed off during the period / year		(384)	(4,245)
Depreciation charged during the period / year		(327,364)	(1,310,900)
		17,048,034	17,257,906

5.2 The Company had revalued its freehold land, building and plant & machinery at June 30, 2019. The revaluation had been carried out by Hamid Mukhtar & Company (Private) Limited, an independent valuer not connected to the Company and is on the panel of Pakistan Banks Association as 'Any Amount' asset valuer. It is also on the panel of State Bank of Pakistan and possesses appropriate qualification and recent experience in the fair value measurements in the relevant locations. The fair value was determined using the comparable price method after performing detailed enquiries and verification from various estate agents, brokers and builders keeping in view the location of the property / project, condition, size, utilization, and other relevant factors.

The revaluation was performed at June 30, 2019. Out of the total revaluation surplus of Rs. 4,514 million, Rs. 3,476 million net of tax (June 30, 2022: 3,526 million) remains undepreciated as at September 30, 2022.

Details of the Company's revalued assets and information about fair value hierarchy, as at September 30, 2022 are as follows:

	Un-audited September 30, 2022			Audited June 30, 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	(.....Rupees in thousand.....)					
Land - freehold	-	1,300,875	-	-	1,300,875	-
Buildings on freehold land	-	1,846,031	-	-	1,893,285	-
Plant and machinery	-	12,312,967	-	-	12,451,482	-
	-	15,459,873	-	-	15,645,642	-

	Note	Un-audited September 30, 2022 (Rupees in thousand)	Audited June 30, 2022
6 INVESTMENT PROPERTY			
Land	6.1	3,223,315	3,223,315
Buildings	6.2	35,079	35,877
		3,258,394	3,259,192
6.1 Land			
Balance at the beginning of the period / year		3,223,315	3,270,232
Addition during the period / year		-	39,136
Disposal during the period / year		-	(77,079)
Transfer to property, plant and equipment		-	(8,974)
Balance at end of the period / year		3,223,315	3,223,315

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

	Note	Un-audited September 30, 2022 (Rupees in thousand)	Audited June 30, 2022
6.2 Buildings			
Cost:			
Balance at the beginning of the period / year		87,700	90,438
Addition during the period / year		-	-
Disposal during the period / year		-	-
Transfer to property, plant and equipment		-	(2,738)
Balance at the end of the period / year		87,700	87,700
Accumulated depreciation:			
At the beginning of the period / year		51,823	48,080
For the period / year		798	3,743
Accumulated depreciation on disposed asset		-	-
At the end of the period / year		(52,621)	(51,823)
Written down value at the end of the period / year		35,079	35,877

7 TRADE DEBTS

These include receivable from related parties amounting to Rs. 201 thousand (June 30, 2022: Rs. 55 thousand).

8 OTHER FINANCIAL ASSETS

Equity investments held at FVTOCI	8.1	221,140	215,750
Mutual funds held at FVTPL	8.2	530,015	392,131
		751,155	607,881
8.1 Investments designated as at fair value through other comprehensive income (FVTOCI)			
Fair value at July 01		215,750	266,874
Acquired during the period / year		-	30,355
		215,750	297,229
Disposed off during the period / year		-	(29,746)
		215,750	267,483
Gain / (loss) on fair value and disposal of investments during the period / year		5,390	(51,733)
		221,140	215,750
8.2 Investments measured at fair value through profit and Loss (FVTPL)			
Fair value at July 01		392,131	244,904
Acquired during the period / year		227,587	1,767,675
		619,718	2,012,579
Disposed off during the period / year		(90,049)	(1,621,960)
		529,669	390,619
Gain / (loss) on disposal of investments during the period / year		346	1,512
		530,015	392,131

8.3 FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly

(that is, as prices) 'or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the fair value hierarchy for financial assets which are carried at fair value:

	Un-audited September 30, 2022			Audited June 30, 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	(.....Rupees in thousand.....)					
Investments classified as						
- available for sale	751,155	-	-	607,881	-	-

There were no transfers between levels during the period / year. The carrying value of all other financial assets and liabilities reflected in these condensed interim financial statements approximate their fair values.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

9 SHARE CAPITAL

Un-audited September 30, 2022No of shares.....	Audited June 30, 2022		Un-audited September 30, 2022 (Rupees in thousand)	Audited June 30, 2022
40,000,000	40,000,000	Authorized Ordinary shares of Rs. 10 each	400,000	400,000
20,000,000	20,000,000	Class "A"	200,000	200,000
		Class "B"		
		Issued, subscribed and paid up Class "A" ordinary shares of Rs. 10/- each		
8,640,000	8,640,000	- fully paid in cash	86,400	86,400
10,804,398	10,804,398	- issued as fully paid bonus shares	108,044	108,044
1,985,009	1,985,009	- issued as fully paid under scheme of arrangement for amalgamation	19,850	19,850
21,429,407	21,429,407		214,294	214,294

9.1 Class "B" ordinary shares do not carry any voting rights.

9.2 Number of shares held by associated companies or related parties are 492,736 (June 30, 2022: 492,736).

9.3 The Company has no reserved shares under options or sales contracts.

10 LONG TERM FINANCING

Diminishing Musharka (from financial institutions - secured)

Balance at the beginning of the period / year	2,655,057	2,583,586
Obtained during the period / year	201,640	789,184
Re-paid during the period / year	(233,205)	(717,713)
	2,623,492	2,655,057
Less: Current portion	(739,568)	(829,552)
Balance at the end of the period / year	1,883,924	1,825,505

11 CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

Contingencies

11.1.1

11.1.1 There were no contingencies as at period end.

11.2 Commitments

Guarantees issued by banks on behalf of the Company

Outstanding letters of credit for plant & machinery, raw material and stores spare parts

-	-
246,500	262,047
1,700,777	1,565,472

**Un-audited
Three months period ended**

12 REVENUE FROM CONTRACTS WITH CUSTOMERS - NET

Local:

Chemicals

Yarn

Fabric

Waste

Export:

Chemicals

Less:

Commission and discount

Sales tax

September 30, 2022	September 30, 2021
5,752,098	3,587,936
322,715	1,000,089
45,816	23,091
639	7,229
6,121,268	4,618,345
116,039	52,484
6,237,307	4,670,829
(138,238)	(125,354)
(900,223)	(689,255)
(1,038,461)	(814,609)
5,198,846	3,856,220

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

		Un-audited Three months period ended	
		September 30, 2022	September 30, 2021
		(Rupees in thousand)	
13	COST OF SALES		
	Raw material consumed	840,871	888,864
	Fuel and power	3,463,617	1,781,311
	Salaries, wages and benefits	177,359	174,254
	Factory overheads	471,068	486,121
		<u>4,952,915</u>	<u>3,330,550</u>
	Work-in-process		
	Opening stock	40,929	23,661
	Closing stock	(32,200)	(67,392)
		<u>8,729</u>	<u>(43,731)</u>
	Cost of goods manufactured	4,961,644	3,286,819
	Finished goods		
	Opening stock	1,990,509	1,422,735
	Cost of testing of Soap Noodles Plant	-	(170,582)
	Closing stock	(2,230,555)	(1,158,144)
		<u>(240,046)</u>	<u>94,009</u>
		<u>4,721,598</u>	<u>3,380,828</u>
14	PROVISION FOR TAXATION		
	Current - for the period	63,535	(654)
	Deferred	(64,382)	35,522
		<u>(847)</u>	<u>34,868</u>
15	(LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED		
	(Loss) / profit for the period	(171,109)	34,816
	Weighted average number of ordinary shares outstanding during the period (No. of shares in thousand)	21,429	21,429
	(Loss) / earnings per share (Rupees)	(7.98)	1.62

16 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, other related group companies, directors of the company, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with its related parties. Details of transactions with related parties for the three months period ended are as follows:

		Un-audited Three months period ended	
		September 30, 2022	September 30, 2021
		(Rupees in thousand)	
Relationship with the Company	Nature of transactions		
Associated undertakings	Sale of goods	435	37
	Purchases	-	-
	Donation	10,402	8,012
Key management personnel	Remuneration to Executives	49,870	37,746

Following are the related parties with whom the Company had entered into transactions or have arrangement / agreement in place:

Company name	Basis of association
Sitara Developers (Private) Limited	Common directorship
Aziz Fatima Trust Hospital	Common directorship

The Company does not hold any shares in the above mentioned companies.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2022**

17 SEGMENT REPORTING

The Company has two reportable segments, which offer different products and are managed separately. The following summary describes the operations in each of the reportable segment of the Company;

- **Chemical division** : Manufacturing of caustic soda, soap noodles and allied products
- **Textile division**: Manufacturing of yarn and fabric

17.1 Information about operating segments is as follows:

 Operating segments					Total
	Chemical Division		Textile Division		Total	
 Un-audited					
 Three months period ended					
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	(-..... Rupees in thousand) (-..... Rupees in thousand)					
Revenue from contracts with customers - net	4,895,671	2,981,640	303,175	874,580	5,198,846	3,856,220
Depreciation on property, plant and equipment	304,405	299,536	22,959	23,754	327,364	323,290
Segment (loss) / profit	(214,401)	(82,641)	42,445	153,126	(171,956)	70,485
	Un-audited September 30, 2022	Audited June 30, 2022	Un-audited September 30, 2022	Audited June 30, 2022	Total Un-audited September 30, 2022	Total Audited June 30, 2022
	(-..... Rupees in thousand) (-..... Rupees in thousand)					
Capital expenditure	109,173	1,676,510	8,703	36,953	117,876	1,713,463
Segment assets	24,752,290	24,081,397	2,973,911	3,059,201	27,726,201	27,140,598
Segment liabilities	14,369,703	13,372,778	209,108	150,718	14,578,811	13,523,496

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2022**

	Un-audited Three months period ended	
	September 30, 2022	September 30, 2021
	(Rupees in thousand)	
17.2 Reconciliations of reportable segments are as follows:		
Revenue		
Total revenue for reportable segments	5,198,846	3,856,220
(Loss) / profit for the period		
Total (loss) / profit for reportable segments	(171,956)	70,485
Unallocated corporate income / (expenses)		
Other expenses	-	(801)
(Loss) / profit before taxation	(171,956)	69,684
	Un-audited September 30, 2022	Audited June 30, 2022
	(Rupees in thousand)	
Assets		
Total assets for reportable segments	27,726,201	27,140,598
Other unallocated corporate assets	5,517,919	5,413,822
Company's assets	33,244,120	32,554,420
Liabilities		
Total liabilities for reportable segments	14,578,811	13,523,496
Other unallocated corporate liabilities	2,793,456	2,992,543
Company's liabilities	17,372,267	16,516,039

17.3 The Company has no reportable geographical segment.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2022**

	Un-audited	
	Three months period ended	
	September 30, 2022	September 30, 2021
	(Rupees in thousand)	
18 OPERATING CASH FLOWS BEFORE CHANGES IN WORKING CAPITAL		
(Loss) / profit before taxation	(171,956)	69,684
Adjustments for:		
Depreciation on property, plant and equipment	327,364	323,290
Depreciation on investment property	798	887
Amortization on intangible assets	209	225
Finance cost	360,981	183,290
Exchange loss / (gain)	(5,045)	(378)
(Gain) / loss on disposal of property, plant and equipment	(355)	2,010
Provision for employee benefits	2,517	2,517
(Gain) / Loss on disposal of other financial assets	(346)	(480)
Dividend income	(14,814)	(4,645)
Unwinding of discount on deferred consideration	(18,211)	(20,948)
Markup on bank deposits	(4,414)	(1,006)
	648,684	484,762
	476,728	554,446

19 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information has been approved by the Board of Directors of the Company and authorized for issue on October 21, 2022.

20 GENERAL

Figures have been rounded to the nearest thousand of Pak Rupees, unless otherwise stated.



Chief Financial Officer



Chief Executive Officer



Director



Sitara Chemical Industries Limited

601-602 Business Centre, Mumtaz Hassan Road,
Off. I.I Chundrigar Road, Karachi-74000
Tel: 021-32420620, 32413944