

1ST QUARTERLY REPORT
SEPTEMBER 30,
2015



ITTEHAD CHEMICALS LIMITED



ITTEHAD CHEMICALS LIMITED

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2015
(UN-AUDITED)



Corporate Information	3
Directors' Report	4
Condensed Interim Balance Sheet	5
Condensed Interim Profit and Loss Account	6
Condensed Interim Statement of Comprehensive Income	7
Condensed Interim Cash Flow Statement	8
Condensed Interim Statement of Changes in Equity	9
Notes to the Condensed Interim Financial Information	10



Corporate Information

Board of Directors	Mr. Muhammad Siddique Khatri Mr. Abdul Sattar Khatri Mr. Abdul Ghafoor Khatri Ms. Farhana Abdul Sattar Khatri Mr. Waqas Siddiq Khatri Mr. Ahmed Mustafa Mr. Pervaiz Ahmad Khan	Chairman Director/CEO Director Director Director Director Director	Non-Executive Director Executive Director Non-Executive Director Non-Executive Director Executive Director Non-Executive Director Independent Director
Audit Committee	Mr. Ahmed Mustafa Mr. Abdul Ghafoor Khatri Mr. Pervaiz Ahmad Khan	Chairman Member Member	
HR & Remuneration Committee	Mr. Abdul Ghafoor Khatri Mr. Ahmed Mustafa Mr. Waqas Siddiq Khatri	Chairman Member Member	
Chief Financial Officer	Mr. Javed Iqbal		
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, E-mail: info@ittehadchemicals.com		
Plant	G.T. Road, Kala Shah Kaku, District Sheikhpura Ph: 042 - 37950222-25, Fax: 042 - 37950206		
Shares Registrar	M/s. Corplink (Pvt.) Limited Corporate and Financial Consultants Wings Arcade, 1-K Commercial, Model Town, Lahore Ph: 042 - 35839182, Fax: 042 -35869037		
Bankers	Askari Bank Limited Allied Bank Limited Al-Baraka Bank (Pakistan) Limited Burj Bank Limited Dubai Islamic Bank Faysal Bank Limited Habib Metro Bank Limited KASB Bank Limited MCB Bank Limited National Bank of Pakistan NIB Bank Limited Pak Libya Holding Co. (Pvt.) Limited Pakistan Kuwait Investment Co. (Pvt.) Limited Pak Brunei Investment Co. (Pvt.) Limited Standard Chartered Bank (Pakistan) Limited The Bank of Punjab United Bank Limited		
Auditors	M/s. BDO Ebrahim & Co., Chartered Accountants 2 nd Floor, Block- C, Lakson Square Building No.1 Sarwar Shaheed Road, Karachi Ph: 021 - 35683189, 35683498, Fax: 021 - 35684239		
Legal Advisors	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, 2015.

During the period under review, the company regained upward momentum and posted net sales revenue of Rupees 1,122 Million with an increase of 17% (2014: Rupees 961 Million). The cost of sales stood at Rupees 894 Million (2014: Rupees 804 Million) bringing gross profit to Rupees 228 Million (2014: Rupees 158 Million). As a result, gross profit margin improved to 20% from 16% vis-à-vis corresponding period. The recent inclusion of Company's state of the art cost efficient Plant IEM Plant-2 (Phase I) in company's operations significantly contributed to improve profitability. The bottom line showed a net profit of Rupees 65 million (2014: profit Rupees 15 Million) which yielded earnings per share of Rupees 1.30 (2014: Rupees 0.29 per share).

The Management remained committed to achieve operational excellence and is taking suitable measures to address the future challenges. Presently, the company is in the process of meeting regulatory requirements relating to 30% Right Issue in order to fetch equity portion for its cost efficient IEM Plant-2 (phase II) project which is underway as planned. Financial close of the project is anticipated by the end of October 2015 and LC will be established in early November 2015. The project is likely to be commissioned during the first quarter of FY 2016-17. This will eventually improve the operational performance and profitability of the Company.

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



Muhammad Siddique Khatri
Chairman

October 21, 2015
Lahore

Condensed Interim Balance Sheet as at September 30, 2015

		(Un-audited) September 30, 2015	(Audited) June 30, 2015
	Note	(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	6	3,707,057	3,756,179
Operating fixed assets	7	36,062	21,606
Capital work in progress		3,743,119	3,777,785
Intangible assets		11,202	12,788
Investment properties		87,000	87,000
Long term deposits		36,557	36,557
		3,877,878	3,914,130
CURRENT ASSETS			
Stores, spares and loose tools		502,173	468,376
Stock in trade		347,511	171,440
Trade debts		497,006	461,589
Loans and advances		88,340	80,635
Trade deposits and short term prepayments		8,989	7,766
Tax refunds due from Government		15,563	43,096
Taxation - net		116,341	84,880
Cash and bank balances		158,861	119,390
		1,734,784	1,437,172
TOTAL ASSETS		5,612,662	5,351,302
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	8.1	1,000,000	1,000,000
Issued, subscribed and paid up capital	8.2	500,000	500,000
Unappropriated profit		1,143,391	1,078,189
		1,643,391	1,578,189
SURPLUS ON REVALUATION OF FIXED ASSETS		794,848	794,848
NON CURRENT LIABILITIES			
Long term financing	9	402,529	390,278
Long term diminishing musharaka	10	362,436	360,875
Liabilities against assets subject to finance lease		-	196
Deferred liabilities		200,145	181,782
		965,110	933,131
CURRENT LIABILITIES			
Trade and other payables		924,914	801,591
Mark-up accrued		40,469	48,076
Short term borrowings		941,904	862,742
Current portion of long term liabilities		302,026	332,725
		2,209,313	2,045,134
CONTINGENCIES AND COMMITMENTS	11	-	-
TOTAL EQUITY AND LIABILITIES		5,612,662	5,351,302

The annexed notes from 1 to 16 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

**Condensed Interim Profit And Loss Account (Un-audited)
for the quarter ended September 30, 2015**

	Note	Quarter ended September 30,	
		2015	2014
		(Rupees in thousand)	
Sales - net		1,122,246	961,455
Cost of sales	12	(894,410)	(803,556)
Gross profit		227,836	157,899
Selling and distribution expenses		(55,181)	(68,427)
General and administrative expenses		(40,915)	(38,025)
Other operating expenses		(4,660)	(2,184)
Other operating income		2,859	5,336
		(97,897)	(103,300)
Operating profit		129,939	54,599
Financial charges		(46,412)	(34,405)
Profit before taxation		83,527	20,194
Taxation		(18,325)	(5,480)
Profit after taxation		65,202	14,714
Earnings per share - basic and diluted (Rupee)	13	1.30	0.29

The annexed notes from 1 to 16 form an integral part of these financial statements.



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CHIEF EXECUTIVE

[Signature]
DIRECTOR

**Condensed Interim Statement of Comprehensive Income (Un-audited)
for the quarter ended September 30, 2015**

	Quarter ended September 30,	
	2015	2014
	— (Rupees in thousand) —	
Profit for the period	65,202	14,714
Other comprehensive income	-	-
Total comprehensive income for the period	<u>65,202</u>	<u>14,714</u>

The annexed notes from 1 to 16 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR



Condensed Interim Cash Flow Statement (Un-audited) for the quarter ended September 30, 2015

	Quarter ended September 30,	
	2015	2014
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	83,527	20,194
Adjustments for items not involving movement of funds:		
Depreciation	74,490	43,626
Amortization of intangible assets	1,586	1,029
Provision for gratuity	3,451	4,987
Gain on sale of fixed assets	-	(317)
Gain on foreign exchange	(916)	(4,578)
Bad debts written off	11	469
Financial charges	46,412	34,405
Net cash flow before working capital changes	208,561	99,815
Decrease / (increase) in current assets		
Stores, spares and loose tools	(33,797)	10,824
Stock in trade	(176,071)	32,941
Trade debts	(34,512)	121,474
Loans and advances	(7,705)	(5,808)
Trade deposits and short term prepayments	(1,223)	(2,343)
Tax refunds due from the Government	27,533	7,576
	(225,775)	164,664
Increase / (decrease) in current liabilities		
Trade and other payables	123,327	70,353
Cash generated from operations	106,113	334,832
Income taxes paid	(32,563)	(26,588)
Gratuity paid	(2,315)	(605)
Financial charges paid	(54,019)	(44,198)
Net cash inflow from operating activities	17,216	263,441
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to operating fixed assets-net	(2,230)	(2,840)
Additions to capital work in progress	(37,594)	(171,905)
Proceeds from sale of operating fixed assets	-	2,035
Long term deposits	-	(930)
Net cash (outflow) from investing activities	(39,824)	(173,640)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of long term financing	(18,305)	(30,111)
Proceeds from long term diminishing musharaka	1,561	87,270
Repayment of finance lease liabilities	(339)	-
Short term borrowings	79,162	(117,624)
Net cash inflow / (outflow) from financing activities	62,079	(60,465)
Net increase in cash and cash equivalents	39,471	29,336
Cash and cash equivalents at the beginning of the period	119,390	145,024
Cash and cash equivalents at the end of the period	158,861	174,360

The annexed notes from 1 to 16 form an integral part of these financial statements.




CHIEF EXECUTIVE


DIRECTOR

Condensed Interim Statement of Changes in Equity (Un-audited) for the quarter ended September 30, 2015

	Share Capital	Unappropriated profit (Rupees in thousand)	Total
Balance as at July 01, 2014	500,000	1,040,602	1,540,602
Total Comprehensive income for the period	-	14,714	14,714
Balance as at September 30, 2014	500,000	1,055,316	1,555,316
Final cash dividend 2014: Re. 1 per share	-	(50,000)	(50,000)
Total Comprehensive income for the period			
Profit for the period	-	69,773	69,773
Remeasurement of defined benefit liability - net	-	3,100	3,100
	-	72,873	72,873
Balance as at June 30, 2015	500,000	1,078,189	1,578,189
Total Comprehensive income for the period	-	65,202	65,202
Balance as at September 30, 2015	<u>500,000</u>	<u>1,143,391</u>	<u>1,643,391</u>

The annexed notes from 1 to 16 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR



Notes to the Condensed Interim Financial Information (Un-audited) for the quarter ended September 30, 2015

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 when 90% of the shares were transferred to the buyer.

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 registered office of the Company is situated at 39, Empress Road, Lahore. The Company is engaged in business of manufacturing and selling caustic soda and other allied chemicals.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements are unaudited and are being submitted to the members as required under Section 245 of the Companies Ordinance, 1984.

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 Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 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, 2015.

2.2 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention, except for the recognition of 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.

2.3 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.

3 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, 2015.

4 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.

5 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, 2015.

		(Un-audited) September 30, 2015	(Audited) June 30, 2015
	Note	— (Rupees in thousand) —	
6 OPERATING FIXED ASSETS			
Opening book value (NBV)		3,756,179	2,484,852
Additions (at cost) during the period / year	6.1	25,368	1,464,202
		<u>3,781,547</u>	<u>3,949,054</u>
Disposals (at NBV) during the period / year	6.2	-	(2,777)
Depreciation charged during the period / year		(74,490)	(190,098)
		<u>(74,490)</u>	<u>(192,875)</u>
Closing net book value (NBV)		<u>3,707,057</u>	<u>3,756,179</u>

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

Land	-	49,529
Building	-	100,505
Plant and machinery	23,138	1,289,565
Other equipment	-	9,742
Furniture and fixtures	94	127
Office and other equipment	578	729
Vehicles	1,558	14,005
	<u>25,368</u>	<u>1,464,202</u>

	(Un-audited) September 30, 2015	(Audited) June 30, 2015
	— (Rupees in thousand) —	
6.2 Details of disposals (at NBV) during the period / year are as follows:		
Vehicles	-	(2,777)
	-	(2,777)
7 CAPITAL WORK IN PROGRESS		
Plant and machinery	36,062	21,606
	36,062	21,606
7.1 An amount of Rs. 23.138 million (June 30, 2015: Rs. 1,386.018 million) has been transferred to operating fixed assets during the period.		
8 SHARE CAPITAL		
8.1 Authorized share capital		
75,000,000 (June 30, 2015: 75,000,000) ordinary shares of Rs. 10/- each	750,000	750,000
25,000,000 (June 30, 2015: 25,000,000) preference shares of Rs. 10/- each	250,000	250,000
	1,000,000	1,000,000
8.2 Issued, subscribed and paid up share capital		
100,000 (June 30, 2015: 100,000) ordinary shares fully paid in cash	1,000	1,000
24,900,000 (June 30, 2015: 24,900,000) issued for consideration other than cash	249,000	249,000
25,000,000 (June 30, 2015: 25,000,000) fully paid bonus shares	250,000	250,000
	500,000	500,000

	(Un-audited) September 30, 2015	(Audited) June 30, 2015
	— (Rupees in thousand) —	
9 LONG TERM FINANCING		
From banking companies and financial institutions- secured		
Balance as at July 01	594,353	293,389
Obtained during the period / year	-	385,992
Repayments made during the period / year	<u>(18,305)</u>	<u>(85,028)</u>
	576,048	594,353
From directors and others - unsecured		
Balance as at July 01	4,810	4,810
	<u>580,858</u>	<u>599,163</u>
Current portion shown under current liabilities	<u>(178,329)</u>	<u>(208,885)</u>
	<u>402,529</u>	<u>390,278</u>
10 LONG TERM DIMINISHING MUSHARAKA		
From banking companies and financial institutions- secured		
Balance as at July 01	484,572	365,586
Obtained during the period / year	1,561	118,986
	<u>486,133</u>	<u>484,572</u>
Current portion shown under current liabilities	<u>(123,697)</u>	<u>(123,697)</u>
	<u>362,436</u>	<u>360,875</u>

11 CONTINGENCIES AND COMMITMENTS

11.1 Contingent liabilities

- a) The Company has received an order under section 161/205 of the Income Tax Ordinance, 2001 for tax year 2004 creating demand of Rs. 12.069 million (June 30, 2014: Rs. 12.069 million). The Company challenged it before Commissioner of Inland Revenue (Appeals) Zone-1 who decided the case in favour of the Company. The department had filed an appeal before Appellate Tribunal Inland Revenue. The Hon'ble ATIR (Appellate Tribunal Inland Revenue) remanded the case back to the Commissioner (Appeals) Zone-1 to pass a speaking order. 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. 12.069 million.
- b) The taxation authorities have amended the deemed assessment for tax year 2006 by passing an order u/s 122(5A) of the Income Tax Ordinance, 2001. The Company challenged the same before Commissioner Inland Revenue (Appeals) who partially set aside and partially decided against the Company. The Company has filed an appeal before Appellate Tribunal Inland Revenue against the said order. 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. 18.737 million.



- c) 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 us. The Company has filed appeal before Appellate Tribunal Inland Revenue. 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. 12.570 million.
- d) 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. 3.407 million (June 30, 2015: Rs. 3.407 million) against these claims.
- e) Letters of guarantee outstanding as at September 30, 2015 were Rs. 215.053 million (June 30, 2015: Rs. 226.613 million).

11.2 Commitments

Commitments as on September 30, 2015 were as follows:

- a) Against letters of credit amounting to Rs. 242.996 million (June 30, 2015: Rs. 139.733 million).
- b) Against purchase of land amounting to Rs. 1.838 million (June 30, 2015: Rs. 1.838 million).

- c) Ujrah payments under Ijarah:

Not later than one year

	(Un-audited) September 30, 2015	(Audited) June 30, 2015
	—— (Rupees in thousand) ——	
	9,555	14,528
	<u>9,555</u>	<u>14,528</u>

	(Un-audited)	
	Quarter ended September 30,	
	2015	2014
	— (Rupees in thousand) —	
12 COST OF SALES		
Raw materials consumed	176,764	88,557
Other overheads		
Stores, spares and consumables	58,746	60,697
Packing materials consumed	11,702	9,631
Salaries, wages and other benefits	94,116	83,163
Fuel and power	604,238	441,051
Repair and maintenance	8,152	10,978
Rent, rates and taxes	5,029	11,643
Insurance	3,646	3,194
Depreciation	72,923	42,296
Vehicle running expenses	4,750	4,571
Telephone, telex and postage	225	209
Printing and stationery	39	34
Other expenses	814	401
	<u>864,380</u>	<u>667,868</u>
Opening work in process	25,666	29,490
Closing work in process	(28,208)	(27,920)
	<u>(2,542)</u>	<u>1,570</u>
Cost of goods manufactured	<u>1,038,602</u>	<u>757,995</u>
Cost of stores traded	2,044	12,478
Opening stock of finished goods	71,417	179,702
Closing stock of finished goods	(217,653)	(146,619)
	<u>(146,236)</u>	<u>33,083</u>
	<u>894,410</u>	<u>803,556</u>

	(Un-audited)	
	Quarter ended September 30,	
	2015	2014
13 EARNINGS PER SHARE - BASIC AND DILUTED		
Profit after taxation - (Rupees in thousand)	<u>65,202</u>	<u>14,714</u>
Weighted average number of ordinary shares - (In thousand)	<u>50,000</u>	<u>50,000</u>
Earnings per share - basic and diluted - (Rupees)	<u>1.30</u>	<u>0.29</u>

There is no dilutive effect on the basic earnings per share of the Company.

14 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:

Relationship with the Company	Nature of transaction	(Un-audited)	
		Quarter ended September 30, 2015	2014
		— (Rupees in thousand) —	
Associated company	Sale of goods	478	-
Other related party	Marketing services charges	5,334	4,140
Other related party	Loan received	1,500	-
Retirement benefit plans	Contribution to staff retirement benefit plans	99	77
Key management personnel	Remuneration and other benefits	24,295	24,788

15 DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 21, 2015 by the Board of Directors of the Company.

16 GENERAL

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




CHIEF EXECUTIVE


DIRECTOR



ITTEHAD
GROUP

www.ittehadchemicals.com

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