



ITTEHAD CHEMICALS LIMITED

1st Quarterly Report
September 30, 2013





ITTEHAD CHEMICALS LIMITED
Condensed Interim Financial Statements
for the quarter ended September 30, 2013
(Unaudited)

CONTENTS

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 Statements	10

PAGE INTENTIONALLY LEFT BLANK



Corporate Information

BOARD OF DIRECTORS	Mr. Muhammad Siddique Khatri Mr. Abdul Sattar Khatri Mr. Abdul Ghafoor Khatri Ms. Farhana Abdul Sattar Khatri Mr. Fowad Yousaf Khatri Ms. Rushda Mustafa Mr. Waqas Siddiq Khatri	Chairman & Chief Executive Director Director Director Director Director Director
AUDIT COMMITTEE	Mr. Abdul Ghafoor Khatri Mr. Abdul Sattar Khatri Mr. Fowad Yousaf Khatri	Chairman Member Member
HUMAN RESOURCE & REMUNERATION COMMITTEE	Mr. Fowad Yousaf Khatri Mr. Abdul Ghafoor Khatri Mr. Muhammad Siddique Khatri	Chairman Member Member
CHIEF FINANCIAL OFFICER	Mr. Javed Iqbal	
COMPANY SECRETARY	Mr. Waheed Ashraf	
REGISTERED OFFICE/HEAD OFFICE	39-Empress Road, P.O. Box 1414, Lahore-54000. Tel : 042 - 36306586 - 88, Fax: 042 - 36365697 www.ittehadchemicals.com E-mail: info@ittehadchemicals.com	
PLANT	G.T. Road, Kala Shah Kaku, District Sheikhupura. Ph : 042 - 37950222-25, Fax : 042 - 37950206	
SHARE REGISTRARS	M/s. Corplink (Pvt.) Limited Corporate and Financial Consultants Wings Arcade, 1-K Commercial, Model Town, Lahore. Ph: 042 - 35839182, Fax: 042 - 35869037	
BANKERS TO THE COMPANY	Askari Bank Limited Allied Bank Limited Al-Barka Bank (Pakistan) Limited Burj Bank Limited Faysal Bank Limited Habib Metro Bank Limited KASB Bank Limited MCB Bank Limited National Bank of Pakistan Pak Libya Holding Co. (Pvt.) Limited Pakistan Kuwait Investment Co. (Pvt.) Limited Pak Brunei Investment Co. (Pvt.) Limited Standard Chartered Bank (Pakistan) Limited Summit Bank 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	M/s. Tahir Ali Tayebi & Co. C-23/l, Block-4, Clifton, Karachi. Ph : 021-35370458 Fax : 021-35370459	



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, 2013.

During the month of August due to accumulation of rain water in the areas adjoining the factory, the Company had to shut down its plant for eight days, which adversely impacted the production and sales of the Company. In addition to this the cost of production has increased tremendously, due to 56% increase in electricity tariff by LESCO this coupled with the acute power shortages, has resulted in decreased profitability of the Company for the quarter.

During the period under review your Company has posted net sales of Rs. 875.537 million against the sales of Rs. 1,070.153 million for the corresponding period of last year, representing a decrease of 18%. The gross profit has decreased by 31% over the corresponding period of last year and amounts to Rs. 207.930 million. The profit before tax for the period under review is Rs. 89.964 million as compared to profit before tax of Rs. 166.304 million for the corresponding period of last year. Profit after tax has decreased to Rs. 55.771 million as compared to Rs. 122.048 million for the last year denoting a decrease of 54%. As a consequence the Earnings per share (EPS) for the period stands at Rs. 1.55 as compared to Rs. 3.39 for the corresponding period of last year.

The ICL management is looking forward to complete various BMR projects during the current financial year. The coal-fired hot air furnace for Calcium Chloride Plant has arrived at site and the commissioning shall be completed by the end of December 2013.

The Financial Close of the Ion Exchange Membrane (IEM) Plant phase I has now been achieved. The IEM Plant shall arrive at site by the end of March 2014 and the commissioning shall be completed by the end of September 2014. New plant is cost efficient and shall improve the Company's profitability in time to come.

We appreciate the Company's staff for their continuous dedication and support. We also express our gratitude to our shareholders, bankers, customers and suppliers for their continued support and cooperation for the progress and prosperity of the Company.

On behalf of the Board

Muhammad Siddique Khatri
Chief Executive

October 28, 2013
Lahore.



Condensed Interim Balance Sheet
as at September 30, 2013

		(Unaudited) September 30, 2013	(Audited) June 30, 2013
	Note	Rupees in thousand	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	7	2,456,233	2,495,976
Capital work in progress	8	23,106	19,833
		2,479,339	2,515,809
Intangible assets		20,825	22,133
Investment properties		73,800	73,800
Long term investments		-	-
Long term deposits		39,220	39,260
		2,613,184	2,651,002
CURRENT ASSETS			
Stores, spares and loose tools		506,281	446,420
Stock in trade		260,822	273,876
Trade debts		510,914	608,526
Loans and advances		65,257	51,336
Trade deposits and short term prepayments		7,387	7,107
Other receivables		65,414	10,414
Tax refunds due from Government		31,116	19,221
Taxation - net		440	21,085
Cash and bank balances		178,123	180,671
		1,625,754	1,618,656
TOTAL ASSETS		4,238,938	4,269,658
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	9.1	750,000	750,000
Issued, subscribed and paid up capital	9.2	360,000	360,000
Reserves		1,071,997	1,016,226
		1,431,997	1,376,226
SURPLUS ON REVALUATION OF FIXED ASSETS		760,819	760,819
NON CURRENT LIABILITIES			
Long term financing	10	52,778	76,390
Long term diminishing musharaka	11	-	-
Long term murabaha	12	-	-
Deferred liabilities		331,333	334,697
		384,111	411,087
CURRENT LIABILITIES			
Trade and other payables		682,057	831,447
Mark-up accrued		17,561	23,644
Short term borrowings		870,639	649,959
Current portion of long term liabilities		91,754	216,476
		1,662,011	1,721,526
CONTINGENCIES AND COMMITMENTS	13	-	-
TOTAL EQUITY AND LIABILITIES		4,238,938	4,269,658

The annexed notes from 1 to 18 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR



Condensed Interim Profit and Loss Account (Unaudited)
for the quarter ended September 30, 2013

	Note	Quarter ended September 30,	
		2013 Rupees in thousand	2012
Sales - net		875,537	1,070,153
Cost of sales	14	(667,607)	(768,283)
Gross profit		207,930	301,870
Selling and distribution expenses		(47,449)	(54,575)
General and administrative expenses		(40,971)	(35,325)
Other operating expenses		(7,347)	(12,487)
Other operating income		5,790	2,318
		(89,977)	(100,069)
Operating profit		117,953	201,801
Financial charges		(27,989)	(35,497)
Profit before taxation		89,964	166,304
Taxation		(34,193)	(44,256)
Profit after taxation		55,771	122,048
Earnings per share - basic and diluted (Rupees)	16	1.55	3.39

The annexed notes from 1 to 18 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR



Condensed Interim Statement of Comprehensive Income (Unaudited)
for the quarter ended September 30, 2013

Note	Quarter ended September 30,	
	2013 Rupees in thousand	2012
Profit for the period	55,771	122,048
Other comprehensive income	-	-
Total comprehensive income for the period	<u>55,771</u>	<u>122,048</u>

The annexed notes from 1 to 18 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR



Condensed Interim Cash Flow Statement (Unaudited)
for the quarter ended September 30, 2013

Note	Quarter ended September 30,	
	2013	2012
	Rupees in thousand	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	89,964	166,304
Adjustments for items not involving movement of funds:		
Depreciation	43,895	46,241
Amortization of intangible assets	1,307	44
Provision for gratuity	2,774	2,641
Gain on sale of fixed assets	-	(615)
Gain on foreign exchange	(4,526)	(640)
Bad debts written off	723	106
Financial charges	27,990	35,497
Net cash flow before working capital changes	162,126	249,578
Decrease / (increase) in current assets		
Stores, spares and loose tools	(59,861)	(10,857)
Stock in trade	13,054	(93,540)
Trade debts	101,415	756
Loans and advances	(13,921)	(8,219)
Trade deposits and short term prepayments	(280)	(1,530)
Other receivables	(55,000)	(19,980)
Tax refunds due from the Government	(11,895)	-
	(26,488)	(133,370)
Increase / (decrease) in current liabilities		
Trade and other payables	(148,834)	7,613
Cash generated from operations	(13,196)	123,821
Income taxes paid	(17,979)	24,975
Gratuity paid	(1,705)	(568)
Financial charges paid	(34,072)	(56,405)
Net cash (outflow) / inflow from operating activities	(66,952)	91,823
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to operating fixed assets-net	(1,399)	(13,249)
Additions to capital work in progress	(6,027)	(25,264)
Additions to intangible assets	-	(190)
Proceeds from sale of operating fixed assets	-	1,889
Long term deposits	40	-
Net cash (outflow) from investing activities	(7,386)	(36,814)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of long term financing	(26,112)	(30,716)
Repayment of long term diminishing musharaka	(83,333)	(83,333)
Repayment of long term murabaha	(38,889)	(38,889)
Dividend paid	(556)	-
Short term borrowings	220,680	108,238
Net cash inflow / (outflow) from financing activities	71,790	(44,700)
Net (decrease) / increase in cash and cash equivalents	(2,548)	10,309
Cash and cash equivalents at the beginning of the period	180,671	130,406
Cash and cash equivalents at the end of the period	178,123	140,715

The annexed notes from 1 to 18 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR



Condensed Interim Statement of Changes In Equity (Unaudited)
for the quarter ended September 30, 2013

	Share Capital	Unappropriated profit Rupees in thousand	Total
Balance as at July 01, 2012 - restated	360,000	793,603	1,153,603
Total Comprehensive income for the period	-	122,048	122,048
Balance as at September 30, 2012	360,000	915,651	1,275,651
Total Comprehensive income for the period	-	172,575	172,575
Final dividend 2012: Rs. 1.50 per share	-	(54,000)	(54,000)
Interim dividend 2013: Re. 0.50 per share	-	(18,000)	(18,000)
Balance as at June 30, 2013	360,000	1,016,226	1,376,226
Total Comprehensive income for the period	-	55,771	55,771
Balance as at September 30, 2013	360,000	1,071,997	1,431,997

The annexed notes from 1 to 18 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR



Notes to the Condensed Interim Financial Statements - (Unaudited) for the quarter ended September 30, 2013

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 MERGER OF WHOLLY OWNED SUBSIDIARY

The Honorable Lahore High Court approved the Scheme of Arrangement for merger / amalgamation of Chemi Chloride Industries Limited (CCIL) wholly owned subsidiary, with the Company effective from October 03, 2012. Consequently, CCIL has been merged with the Company and these financial statements have been prepared in accordance with the said merger scheme.

As a result of merger of CCIL with the Company on the above mentioned effective date, the result of both entities have been combined for the purpose of preparation of these financial statements. Since the merger is between two companies under common control, International Financial Reporting Standard IFRS 3 - Business Combinations is not applicable. The financial statement items of the Company and CCIL for all periods presented are included in these financial statements as if they had been combined from the beginning of the earliest period presented.

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 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, 2013.

3.2 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.

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, 2013.

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, 2013.

		(Unaudited) September 30, 2013	(Audited) June 30, 2013
	Note	Rupees in thousand	
7 OPERATING FIXED ASSETS			
Opening book value (NBV)		2,495,976	2,514,774
Additions (at cost) during the period / year	7.1	4,152	206,101
		<u>2,500,128</u>	<u>2,720,875</u>
Disposals (at NBV) during the period / year	7.2	-	(41,204)
Depreciation charged during the period / year		(43,895)	(183,695)
		<u>(43,895)</u>	<u>(224,899)</u>
Closing net book value (NBV)		<u>2,456,233</u>	<u>2,495,976</u>



	(Unaudited) September 30, 2013	(Audited) June 30, 2013
	Rupees in thousand	
7.1 Details of additions (at cost) during the period / year are as follows:		
Land	30	7,225
Building	-	9,728
Plant and machinery	2,753	156,760
Other equipment	542	5,135
Furniture and fixtures	4	771
Office and other equipment	764	13,433
Vehicles	59	13,049
	<u>4,152</u>	<u>206,101</u>
7.2 Details of disposals (at NBV) during the period / year are as follows:		
Plant and machinery	-	37,672
Office and other equipment	-	88
Vehicles	-	3,444
	<u>-</u>	<u>41,204</u>
8 CAPITAL WORK IN PROGRESS		
Building	1,085	858
Plant and machinery	22,021	18,975
	<u>23,106</u>	<u>19,833</u>
8.1 An amount of Rs. 2.753 million (June 30, 2013: Rs.178.321 million) has been transferred to operating fixed assets during the period.		
9 SHARE CAPITAL		
9.1 Authorized share capital		
50,000,000 (June 30, 2013: 50,000,000) ordinary shares of Rs. 10/- each	500,000	500,000
25,000,000 (June 30, 2013: 25,000,000) preference shares of Rs. 10/- each	250,000	250,000
	<u>750,000</u>	<u>750,000</u>
9.2 Issued, subscribed and paid up share capital		
100,000 (June 30, 2013: 100,000) ordinary shares fully paid in cash	1,000	1,000
24,900,000 (June 30, 2013: 24,900,000) issued for consideration other than cash	249,000	249,000
11,000,000 (June 30, 2013: 11,000,000) fully paid bonus shares	110,000	110,000
	<u>360,000</u>	<u>360,000</u>



	(Unaudited) September 30, 2013	(Audited) June 30, 2013
Note	Rupees in thousand	
10 LONG TERM FINANCING		
From banking companies and financial institutions- secured Balance as at July 01	170,644	283,146
Repayments made during the period / year	(26,112)	(112,502)
	144,532	170,644
Current portion shown under current liabilities	(91,754)	(94,254)
	<u>52,778</u>	<u>76,390</u>
11 LONG TERM DIMINISHING MUSHARAKA		
From banking companies and financial institutions- secured Balance as at July 01	83,333	250,000
Repayments made during the period / year	(83,333)	(166,667)
	-	83,333
Current portion shown under current liabilities	-	(83,333)
	<u>-</u>	<u>-</u>
12 LONG TERM MURABAHA		
From banking companies - secured Balance as at July 01	38,889	116,667
Repayments made during the period / year	(38,889)	(77,778)
	-	38,889
Current portion shown under current liabilities	-	(38,889)
	<u>-</u>	<u>-</u>

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingent liabilities

- a) The Company had 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, 2013: 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. 19.964 million to the national exchequer.
- 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. 4.422 million (June 30, 2013: Rs. 4.422 million) against these claims.
- e) Letters of guarantee outstanding as at September 30, 2013 were Rs. 213.216 million (June 30, 2013: Rs. 215.786 million).

13.2 Commitments

Commitments as on September 30, 2013 were as follows:

- a) Against letters of credit amounting to Rs. 441.308 million (June 30, 2013: Rs. 27.943 million).
- b) Against purchase of land amounting to Rs. 1.838 million (June 30, 2013: Rs. 1.838 million).

Note	(Unaudited) September 30, 2013	(Audited) June 30, 2013
	Rupees in thousand	
c) Ujrah payments under Ijarah:		
Not later than one year	45,873	45,873
Later than one year and not later than five year	37,891	49,359
	83,764	95,232



	(Unaudited)	
	Quarter ended September 30,	
	2013	2012
	Rupees in thousand	
14 COST OF SALES		
Raw materials consumed	80,392	89,695
Other overheads		
Stores, spares and consumables	42,763	45,427
Packing materials consumed	7,125	8,231
Salaries, wages and other benefits	79,489	66,377
Fuel and power	351,711	535,911
Repair and maintenance	9,319	5,931
Rent, rates and taxes	11,638	8,528
Insurance	2,802	2,676
Depreciation	42,539	44,955
Vehicle running expenses	4,409	3,993
Postage, printing and stationery	186	114
Other expenses	276	266
	552,257	722,409
Opening work in process	25,250	12,711
Closing work in process	(24,576)	(12,758)
	674	(47)
Cost of goods manufactured	633,323	812,057
Cost of stores traded	27,198	17,107
Opening stock of finished goods	156,198	92,983
Closing stock of finished goods	(149,112)	(153,864)
	7,086	(60,881)
	667,607	768,283

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:

Relationship with the Company	Nature of transaction		
Other related party	Marketing services charges	8,091	-
Associated company	Sales of goods	-	45
Retirement benefit plans	Contribution to staff retirement benefit plans	73	71
Key management personnel	Remuneration and other benefits	18,460	19,257



	(Unaudited)	
	Quarter ended September 30,	
	2013	2012
16 EARNINGS PER SHARE - BASIC AND DILUTED		
Profit after taxation - (Rupees in thousand)	55,771	122,048
Weighted average number of ordinary shares - (In thousand)	36,000	36,000
Earnings per share - basic and diluted - (Rupees)	1.55	3.39

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

17 DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 28, 2013 by the Board of Directors of the Company.

18 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



MOODY
M
INTERNATIONAL
CERTIFICATION
ISO 9001:2008
APPROVED



ITTEHAD
GROUP

www.ittehadchemicals.com

Registered/Head Office: 39, Empress Road, Lahore, Pakistan. Tel: +92 42 3630 6586-88 Fax: +92 42 3636 5697

Karachi Office: Town House No. 43-H/II, Street 43, Block 6, P.E.C.H., Karachi, Pakistan. Tel: +92 21 3452 7314-15 Fax: +92 21 3452 7321

Factory: G.T. Road, Kala Shah kaku, District Sheikhpura, Pakistan. Tel: +92 42 3795 0222-25 Fax: +92 42 3795 0206