



LOTTE CHEMICAL
PAKISTAN LTD

People.
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Profit.



QUARTERLY REPORT
JAN - MAR 2023

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Company Information

As at 13 April 2023

Board of Directors

Sang Hyeon Lee	Chairman
Young Dae Kim	Chief Executive
IL Kyu Kim	Non-Executive
Jae Sun Park	Non-Executive
Pervaiz Akhtar	Independent
Adnan Afridi	Independent
Mohammad Zubair	Independent
Tariq Nazir Virk	Executive

Audit Committee

Pervaiz Akhtar	Chairman
IL Kyu Kim	Member
Adnan Afridi	Member
Faisal Abid	Secretary

HR & Remuneration Committee

Pervaiz Akhtar	Chairman
Sang Hyeon Lee	Member
Young Dae Kim	Member
Waheed U Khan	Secretary

Shares Sub Committee

Young Dae Kim	Chairman
Sang Hyeon Lee	Member
Mohammad Zubair	Member

Executive Management Team

Young Dae Kim	Chief Executive
Tariq Nazir Virk	Director Manufacturing
Waheed U Khan	Director Admin, HR & IT
Ashiq Ali	Chief Financial Officer
Muhammed Talha Khan	General Manager Commercial

Chief Financial Officer

Ashiq Ali

Company Secretary

Faisal Abid

Bankers

Askari Bank Limited
Citibank NA
Deutsche Bank AG
Faysal Bank Limited
Habib Bank Limited
Industrial and Commercial Bank of China
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
United Bank Limited
Habib Metropolitan Bank Ltd

External Auditors

A. F. Ferguson & Co.,
Chartered Accountants

Legal Advisor

Naz Toosy
148, 18th East Street,
Phase 1, DHA, Karachi

Registered Office

EZ/I/P-4, Eastern Industrial Zone,
Port Qasim, Karachi

Shares Registrar

Famco Associates (Pvt) Limited
8-F, Near Hotel Faran, Nursery,
Block 6, P.E.C.H.S.,
Shahrah-e-Faisal, Karachi

Directors' Review

For the first quarter ended 31 March 2023

The Directors are pleased to present their review report for the first quarter ended 31 March 2023 together with the un-audited condensed interim financial information of the Company as at and for the first quarter ended 31 March 2023.

BUSINESS OVERVIEW

The current state of the economy is worrisome as it is facing multiple challenges such as low foreign reserves, a weakening currency, and soaring inflation. Moreover, the CAD (Current Account Deficit) has narrowed more than previously expected, primarily due to significant import curtailment measures. Although progress has been made towards completing the 9th review under the IMF's EFF program, recent strains in the global banking system have further tightened global liquidity and financial conditions. Dwindling foreign reserves, import restrictions, flood impacts, high fuel costs, policy uncertainty, and the slowdown in domestic and global demand have affected industry and service sector activity in the Country.

The year commenced with Crude Oil (WTI) prices rebounding due to an optimistic demand outlook from OPEC and the International Energy Agency (IEA) amidst Chinese economic recovery. Prices were also supported by elevated consumption on account of holiday mobility in the U.S. and Europe. However, the remainder of the quarter saw bearishness in prices as intractable inflation led to further increments in interest rates which raised concerns of global economic deceleration. Furthermore, supply remained ample as indicated by consecutive inventory builds in the U.S, while Russian production also remained more resilient than expected despite various sanctions. The Crude Oil prices plummeted towards the quarter-end following the default of two western banks exacerbating recession concerns which may reduce fuel demand. Nevertheless, the prices eventually stabilized due to prompt and effective interventions by the governments to avoid a contagion. The average price for the quarter was US\$ 76.34 per barrel, down by 8.3% from the previous quarter.

Paraxylene (PX) prices exhibited bullishness at the start of the quarter in-line with the Crude Oil market, however, as the quarter progressed, the PX market maintained the uptrend in contrast to the upstream Oil prices. Uptick in demand ahead of the Lunar New Year Holiday coinciding with removal of COVID-19 restrictions in mainland China ignited the market sentiment, boosting prices for prompt supply. However, as the quarter progressed, demand from downstream PTA market declined as lack of recovery in the downstream polyester sector resulted in weak market fundamentals. Plant shutdowns in the region as well as diversion of feedstock to produce gasoline blends kept spot PX availability tight, elevating the PX-Naphtha spread to above US\$ 400 per tonne mark. The average PX price for the quarter was US\$ 1,033.64 per metric tonne while the PX-Naptha spread averaged at US\$ 344 per tonne.

The PTA prices tracked the movement of the upstream PX prices but were unable to match the gains as polyester demand failed to recover to seasonal high levels due to depressed consumerism and poor export-related demand. Additionally, inventory pressure, and inability to pass down costs to downstream buyers resulted in PTA-PX spread to remain below US\$ 100 per tonne for most of quarter, thereby forcing producers to rationalize operations. However, the PTA prices rallied towards the end of the quarter following the price hike in the feedstock PX market, spurt in polyester demand due to peak summer season, and unexpected shutdowns, thereby supporting the PTA-PX spread. The average PTA price for the quarter was US\$ 775.14 per metric tonne, whereas the average PTA margin over PX for the quarter was US\$ 93 per metric tonne.

The domestic polyester market operated at the rate of 63% during the first quarter of 2023. Producers were forced to curtail operations due to reduced availability of major Raw Material PTA through domestic as well as imported supply due to operational constraints caused by limited availability of Foreign Exchange for establishing Letter of Credits. However, demand remained relatively resilient as the market geared up for the peak season demand ahead of the holy month of Ramadan.

OPERATIONS

Due to the current economic situation prevalent in the country in relation to the foreign exchange reserves and its impact on the ability of banks to open letter of credit for import of raw materials, the Company had to temporarily suspend its Plant operations for 17 days in March 2023.

As a result, Production volume during the quarter at 82,874 tonnes was 25% lower than the corresponding period last year while Sales volume, comprising of domestic sales only, at 91,372 tonnes was 18% lower than the corresponding quarter last year.

Directors' Review

For the first quarter ended 31 March 2023

FINANCIAL PERFORMANCE

Despite the economic instability in the Country, the Management made all the efforts for continuation of plant operations and to minimize the impact on the business performance.

Revenue for the quarter was 9% higher than the corresponding period last year mainly due to higher PTA price. This coupled with lower non-PX conversion cost resulted in a gross profit of Rs 4,439 million for the quarter as compared to gross profit of Rs 4,010 million during the same period last year.

Distribution and selling expenses were 5% lower than Q1 2022 while Administrative and general expenses were 21% higher than the corresponding period last year due to overall impact of inflation. The taxation charge for the quarter is based on statutory income tax rate and tax under Final Tax Regime (FTR) as adjusted by the movement in the deferred tax account. The taxation charge is higher due to imposition of Super tax at the rate of 4% for Tax year 2023.

Earnings per share (EPS) for the quarter stood at Rs 1.68 per share as compared to Rs 1.73 per share for Q1 2022.

POST BALANCE SHEET EVENT

The Board of Directors in its meeting held on 13 April 2023 has approved an interim cash dividend of Rs 2 per share for the year ending 31 December 2023.

FUTURE OUTLOOK

Moving forward, Crude Oil (WTI) prices are expected to trend upwards as IEA and OPEC have forecasted a notable surge in demand going forward in 2023, mostly driven by boost in economic activity in China. Furthermore, the recent supply disruption of Iraqi Crude from the Kurdistan region following a legal dispute, and the proposed supply cut by OPEC+ of around 1.66 million barrels per day is likely to drive the price higher. However, threat of potential recession is anticipated to weigh on the market sentiment.

Paraxylene (PX) prices are likely to trend upwards in the next quarter supported by increased demand against the start up of new downstream PTA capacities as well as the diversion of product into gasoline blends ahead of the driving season in the West. Furthermore, upcoming scheduled maintenance shutdowns may cause the market to tighten.

PTA market is expected to pick-up due to the improved seasonal demand for the downstream polymer chain which may support PTA prices. However, new PTA capacities coming online in the next quarter may undermine the price trend. Nonetheless, recessionary concerns will continue to play a crucial role in determining the price direction.

The domestic Polyester market is expected to continue its struggle in such turbulent economic times. Depressed consumerism due to unprecedented inflation and the uncertain economic situation of the country going forward poses a threat to domestic industrial operations in the entire chain. However, the market may find intermittent strength on the back of peak season demand as well as the optimistic view of a global demand recovery.



Sang Hyeon Lee
Chairman



Young Dae Kim
Chief Executive

Date: 13 April 2023

Karachi

Condensed Interim Statement of Financial Position

As at 31 March 2023

Amounts in Rs '000

	Note	31 March 2023 (Un-audited)	31 December 2022 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	4	6,135,862	6,259,826
Intangible assets		35,167	38,632
Right-of-use assets	5	1,048,343	1,110,524
Long-term loans		75,271	83,931
Long-term prepayments		84,039	66,115
Deferred taxation - net		1,861,571	1,589,704
		9,240,253	9,148,732
Current assets			
Stores and spare parts		1,568,795	1,416,265
Stock-in-trade		2,527,317	8,529,047
Trade debts	6	13,565,747	7,053,875
Loans and advances		34,014	37,171
Trade deposits and short-term prepayments	7	9,714,463	107,221
Interest accrued		7,462	39,996
Other receivables		5,967	5,662
Short-term investments - at amortised cost	8	5,870,552	11,952,850
Sales tax refunds due from government	9	-	547,221
Taxation - net		-	97,959
Cash and bank balances	10	4,184,396	4,397,066
		37,478,713	34,184,333
Total assets		46,718,966	43,333,065
Equity and liabilities			
Share capital and reserves			
Issued, subscribed and paid-up capital 1,514,207,208 (31 December 2022: 1,514,207,208) ordinary shares of Rs 10 each		15,142,072	15,142,072
Capital reserve		2,345	2,345
Revenue reserve - Unappropriated profit		10,411,766	7,869,409
Total equity		25,556,183	23,013,826
Liabilities			
Non-current liabilities			
Retirement benefit obligations		202,390	198,723
Lease liability		1,970,899	1,660,096
		2,173,289	1,858,819
Current liabilities			
Trade and other payables	11	12,770,945	13,202,137
Lease liability		405,403	314,484
Accrued interest	12	431,670	344,413
Unclaimed dividend		25,213	25,653
Unpaid dividend		4,573,153	4,573,733
Taxation - net		783,110	-
		18,989,494	18,460,420
Total liabilities		21,162,783	20,319,239
Contingencies and commitments	13		
Total equity and liabilities		46,718,966	43,333,065

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.


Sang Hyeon Lee
Chairman


Young Dae Kim
Chief Executive


Ashiq Ali
Chief Financial Officer

Condensed Interim Statement of Profit or Loss (Un-audited)

For the first quarter ended 31 March 2023

Amounts in Rs '000

	Note	Quarter ended 31 March (Un-audited)	
		2023	2022
Revenue - net	14	22,112,698	20,331,599
Cost of sales	15	(17,673,713)	(16,321,611)
Gross profit		4,438,985	4,009,988
Distribution and selling expenses		(36,867)	(38,788)
Administrative and general expenses		(151,633)	(124,945)
Other operating expenses	16	(297,524)	(275,573)
Operating profit		3,952,961	3,570,682
Other income	17	585,156	375,682
Finance cost	18	(755,507)	(276,934)
Profit before taxation		3,782,610	3,669,430
Taxation	19	(1,240,253)	(1,054,471)
Profit after taxation		2,542,357	2,614,959
----- Amount in Rupees -----			
Earnings per share - basic and diluted		1.68	1.73

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.


Sang Hyeon Lee
 Chairman


Young Dae Kim
 Chief Executive


Ashiq Ali
 Chief Financial Officer

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the first quarter ended 31 March 2023

Amounts in Rs '000

	Quarter ended 31 March (Un-audited)	
	2023	2022
Profit after taxation	2,542,357	2,614,959
Other comprehensive income	-	-
Total comprehensive income for the period	2,542,357	2,614,959

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.


Sang Hyeon Lee
Chairman


Young Dae Kim
Chief Executive


Ashiq Ali
Chief Financial Officer

Condensed Interim Statement of Changes in Equity (Un-audited)

For the first quarter ended 31 March 2023

Amounts in Rs '000

	Share capital		Reserves		Total equity
	Issued, subscribed and paid-up capital	Capital reserves	Unappropriated profit / (accumulated losses)	Sub-total	
Balance as at 1 January 2022	15,142,072	2,345	3,832,102	3,834,447	18,976,519
Total comprehensive income for the first quarter ended 31 March 2022					
- Profit for the first quarter ended 31 March 2022	-	-	2,614,959	2,614,959	2,614,959
- Other comprehensive income for the first quarter ended 31 March 2022	-	-	-	-	-
	-	-	2,614,959	2,614,959	2,614,959
Balance as at 31 March 2022	<u>15,142,072</u>	<u>2,345</u>	<u>6,447,061</u>	<u>6,449,406</u>	<u>21,591,478</u>
Balance as at 1 January 2023	15,142,072	2,345	7,869,409	7,871,754	23,013,826
Total comprehensive income for the first quarter ended 31 March 2023					
- Profit for the first quarter ended 31 March 2023	-	-	2,542,357	2,542,357	2,542,357
- Other comprehensive income for the first quarter ended 31 March 2023	-	-	-	-	-
	-	-	2,542,357	2,542,357	2,542,357
Balance as at 31 March 2023	<u>15,142,072</u>	<u>2,345</u>	<u>10,411,766</u>	<u>10,414,111</u>	<u>25,556,183</u>

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.


Sang Hyeon Lee
Chairman


Young Dae Kim
Chief Executive


Ashiq Ali
Chief Financial Officer

Condensed Interim Statement of Cash Flows (Un-audited)

For the first quarter ended 31 March 2023

Amounts in Rs '000

	Note	Quarter ended	
		31 March (Un-audited)	
		2023	2022
Cash flows from operating activities			
Cash (used in) / generated from operations	20	(5,911,127)	1,340,493
Finance costs paid		(11,923)	(14,846)
Payments to retirement benefit obligations		(906)	(603)
Long-term loans and advances - net		8,660	2,853
Long-term deposits and prepayments - net		(17,924)	112
Taxes paid		(676,747)	(528,163)
Interest received		531,318	375,250
Net cash (used in) / generated from operating activities		(6,078,649)	1,175,096
Cash flows from investing activities			
Payments for capital expenditure		(122,490)	(603,835)
Proceeds from disposal of property, plant and equipment		62,626	1,365
Redemption of short-term investments (net of purchases)		(89,184)	(7,782,802)
Net cash used in investing activities		(149,048)	(8,385,272)
Cash flows from financing activities			
Dividend paid		(1,020)	(1,537)
Payment of lease liability		(155,435)	(105,682)
Net cash used in financing activities		(156,455)	(107,219)
Net decrease in cash and cash equivalents		(6,384,152)	(7,317,395)
Cash and cash equivalents at 1 January		13,782,547	15,305,673
Cash and cash equivalents at 31 March	21	7,398,395	7,988,278

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.


Sang Hyeon Lee
Chairman


Young Dae Kim
Chief Executive


Ashiq Ali
Chief Financial Officer

Notes to the Condensed Interim Financial Statements (Un-audited)

For the first quarter ended 31 March 2023

1. STATUS AND NATURE OF BUSINESS

1.1 Lotte Chemical Pakistan Limited ("the Company") was incorporated in Pakistan on 30 May 1998 under Companies Ordinance 1984 (Repealed with enactment of the Companies Act 2017 on 30 May 2017) and is listed on Pakistan Stock Exchange Limited. The principal activity of the Company is to manufacture and sale of Purified Terephthalic Acid (PTA).

1.2 The geographical location and addresses of business units are as under:

Location	Address
Registered Office	EZ/1/P-4, Eastern Industrial Zone, Port Qasim, Karachi.
City Office	Al-Tijarah Centre, 14th Floor, 32/1-A, Main Shahrah-e-Faisal, Block 6, P.E.C.H.S., Karachi.

1.3 The Company is a subsidiary of Lotte Chemical Corporation, South Korea ("LCC Korea") and its ultimate parent company is South Korean Conglomerate Lotte.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements of the Company for the three months period ended 31 March 2023 have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34 or IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.1.1 These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2022. However, selected explanatory notes are included to explain events and transactions that are significant to understanding of changes in Company's financial position and performance since the last annual financial statements.

2.2 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention except for retirement benefit obligations and lease liability, which have been measured at present value.

2.3 Functional and presentation currency

The condensed interim financial statements are presented in Pak Rupee which is also the functional currency of the Company and rounded off to the nearest thousand, unless otherwise stated.

3. ACCOUNTING POLICIES, ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended 31 December 2022.

Notes to the Condensed Interim Financial Statements (Un-audited)

For the first quarter ended 31 March 2023

Amounts in Rs '000

The preparation of these condensed interim financial statements, in conformity with accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from the estimates. During the preparation of these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation and assumptions are consistent with those that were applied to the annual audited financial statements of the Company for the year ended 31 December 2022.

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements for the year ended 31 December 2022.

4. PROPERTY, PLANT AND EQUIPMENT

	31 March 2023	31 December 2022
Note	(Un-audited)	(Audited)
Operating property, plant and equipment	5,359,099	5,636,713
Capital work-in-progress	776,763	623,113
4.1	<u>6,135,862</u>	<u>6,259,826</u>

4.1 The following property, plant and equipment have been added / disposed off during the three months period ended 31 March:

	2023		2022	
	Additions cost	Disposals net book value	Additions cost	Disposals net book value
Property, plant and equipment				
Operating assets - owned				
Plant and machinery	10,960	2,573	448,767	-
Furniture and equipment	3,490	-	5,221	-
Motor vehicles	-	-	529	-
Capital work-in-progress - net	<u>108,040</u>		<u>147,852</u>	
Intangible assets	-	-	1,466	-

5. RIGHT-OF-USE ASSETS

	31 March 2023	31 December 2022
Note	(Un-audited)	(Audited)
Cost	1,936,026	1,936,026
Accumulated depreciation	(887,683)	(825,502)
Net book value	<u>1,048,343</u>	<u>1,110,524</u>

6. TRADE DEBTS

	31 March 2023	31 December 2022
Note	(Un-audited)	(Audited)
Trade receivable - PTA and related products	13,539,346	7,010,116
Trade receivable - electricity	26,401	43,759
	<u>13,565,747</u>	<u>7,053,875</u>

6.1 All of the Company's trade debts are secured by letters of credit of 30 to 120 days issued by various banks and receivable from K-Electric against the sale of electricity is secured against post dated cheques. These balances are neither past due nor impaired and are considered good.

Notes to the Condensed Interim Financial Statements (Un-audited)

For the first quarter ended 31 March 2023

Amounts in Rs '000

		31 March 2023	31 December 2022
	Note	(Un-audited)	(Audited)
7 Trade deposits and short-term prepayments			
<i>Trade deposits</i>			
Deposits - unsecured and considered good		31,433	30,867
Margin on import letters of credit		9,545,993	28,934
		9,577,426	59,801
<i>Short-term prepayments</i>			
Current portion of Amortization of loans to employees		125,664	29,925
		11,373	17,495
		9,714,463	107,221
8 SHORT-TERM INVESTMENTS - at amortised cost			
Term Deposit Receipts (TDRs)	8.1	3,213,999	9,385,481
Treasury Bills	8.2	2,656,553	2,567,369
		5,870,552	11,952,850
8.1	The interest rates on term deposit receipts as of reporting date carry a profit rate ranged from 18.5% to 20.0% per annum (31 December 2022: 14.3% to 15.0% per annum) having original maturities of less than three months.		
8.2	This represents the Company's investment in T-Bills as of reporting date having face value of Rs 2,717.0 million (31 December 2022: Rs 2,717.0 million) for the period up to 12 months with maturity up to 01 June 2023 having yield of 15.35% (31 December 2022: 15.35%).		
		31 March 2023	31 December 2022
	Note	(Un-audited)	(Audited)
9 SALES TAX REFUNDS DUE FROM GOVERNMENT			
Input sales tax	9.1	956,580	1,964,404
Output sales tax		(1,165,525)	(1,230,590)
Provision for impairment		(186,593)	(186,593)
Sales tax (payable) / refundable	11	(395,538)	547,221
9.1	This includes Rs 27.65 million (31 December 2022: Rs 27.65 million) on account of input tax arising from sales tax charged to the Company under the Sindh Sales Tax on Services Act, 2011 which is administered by the Sindh Revenue Board with effect from 01 July 2011. This is being deferred due to procedural issues between Federal and Provincial Tax collecting agencies, resulting in lack of verification by the refund issuing authority i.e. the Federal Board of Revenue (FBR). The Company had approached Federal Tax Ombudsman (FTO) for resolution of the matter. The FTO in its order dated 02 May 2013 have directed FBR, with certain recommendations, to resolve the issue. The Company has filed a Suit No. 537 of 2014 before the Sindh High Court (SHC) to resolve this issue as per the prevailing Sales Tax Law. The SHC passed an order dated 14 January 2015 directing the FBR to verify exact amount of refund of sales tax to which plaintiff is entitled and submit their report accordingly.		
		31 March 2023	31 December 2022
	Note	(Un-audited)	(Audited)
10 CASH AND BANK BALANCES			
Cash in hand		65	65
With banks in local currency:			
Current accounts		4,144,889	4,387,597
Saving account	10.1	39,442	9,404
		4,184,331	4,397,001
		4,184,396	4,397,066
10.1	These carry interest at 14.50% to 15.50% per annum (31 December 2022: 8.25% to 14.50% per annum).		

Notes to the Condensed Interim Financial Statements (Un-audited)

For the first quarter ended 31 March 2023

Amounts in Rs '000

		31 March 2023	31 December 2022
	Note	(Un-audited)	(Audited)
11	TRADE AND OTHER PAYABLES		
Trade creditors including bills payable		3,003,830	4,244,858
Accrued expenses		638,585	627,636
Captive Gas Tariff differential		230,518	233,501
Contract liabilities - advances from customers		31,877	42,673
Sales tax payable	9	395,537	-
Withholding tax payable		4,949	3,300
Infrastructure Cess		4,522,041	4,371,509
Provision for GIDC		3,113,744	3,113,744
Workers' Profit Participation Fund (WPPF)		203,971	45,660
Workers' Welfare Fund (WWF)		457,381	363,864
Retention money		8,508	6,880
Others	11.1	160,004	148,512
		<u>12,770,945</u>	<u>13,202,137</u>

11.1 This includes stale cheques amounting to Rs 141.32 million (31 December 2022: Rs 141.10 million).

12 ACCRUED INTEREST

This represents interest payable to Mortar Investments International Limited amounting to USD 1.52 million (31 December 2022: USD 1.52 million) on long-term loans previously repaid by ICI Pakistan Limited. The amount is still unpaid due to certain legal and procedural complexities with respect to foreign remittance.

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

There is no significant change in the status of contingencies as reported in the annual audited financial statements for the year ended 31 December 2022, except for the following:

Super Tax

Tax Year 2022

Subsequent to the Sindh High Court (SHC) Order dated 22 December 2022 the Federal Board of Revenue (FBR) has filed application in the Supreme Court of Pakistan (SCP).

The SCP in its Order dated 16 February 2023 has directed the respondent taxpayers to deposit 4% of super tax as against of 10% within one week and in the case respondents have furnished bank guarantee on the direction of High Courts shall be encashed by the Petitioner (FBR) to the extent of 4% tax.

The SHC through its Order dated 24 February 2023 has directed the Nazir of the SHC to discharge all securities furnished by the petitioners (taxpayers) and directed the Commissioner/respondents to approach the Nazir's office for assistance and compliance to pay 4% to FBR and furnish 6% as bank guarantee/cheque till the finalization of the case.

The Company on prudent basis has made full provision in these financial statements.

13.2 Commitments and Guarantees

13.2.1 Commitments for capital expenditure as at 31 March 2023 amounted to Rs 185.88 million (31 December 2022: Rs 221.97 million).

Notes to the Condensed Interim Financial Statements (Un-audited)

For the first quarter ended 31 March 2023

Amounts in Rs '000

13.2.2 Commitments for rentals under ljarah contracts for vehicles are as follows:

	31 March 2023	31 December 2022
	(Un-audited)	(Audited)
Not later than 1 year	54,998	27,961
Later than 1 year and not later than 5 years	161,139	55,407
	216,137	83,368

13.2.3 Outstanding guarantees of the Company as at 31 March 2023 were Rs 5,114.1 million (31 December 2022: Rs 5,114.1 million).

13.2.4 Letters of credit issued on behalf of the Company as at 31 March 2023 were Rs 6,362.7 million (31 December 2022: Rs 2,705.0 million).

	Quarter ended	
	31 March (Un-audited)	
	2023	2022
14 REVENUE - net		
Manufactured goods		
Local sales	25,171,003	22,890,203
Less: sales tax and excise duty	(3,752,336)	(3,325,927)
price settlements and discounts / rebates	76,565	(49,124)
	21,495,232	19,515,152
Trading goods		
Local sales	624,424	687,236
Less: sales tax and excise duty	(93,831)	(99,855)
price settlements and discounts / rebates	(4,450)	(4,085)
	526,143	583,296
Sale of electricity		
Local sales	107,294	272,787
Less: sales tax	(15,971)	(39,636)
	91,323	233,151
	22,112,698	20,331,599
15 COST OF SALES		
Manufactured goods		
Opening stock of raw and packing materials	6,237,395	4,489,456
Purchases	9,771,531	16,883,926
Closing stock of raw and packing materials	(1,617,622)	(7,105,158)
Raw and packing materials consumed	14,391,304	14,268,224
Manufacturing costs	1,526,706	1,355,986
Cost of goods manufactured	15,918,010	15,624,210
Opening stock of finished goods	2,123,326	899,009
	18,041,336	16,523,219
Closing stock of finished goods	(718,899)	(938,597)
Cost of goods manufactured sold	17,322,437	15,584,622
Trading goods		
Opening stock	168,326	460,127
Purchases	285,974	283,509
Closing stock	(190,796)	(230,413)
Cost of trading goods sold	263,504	513,223
Cost to produce electricity	87,772	223,766
	17,673,713	16,321,611

Notes to the Condensed Interim Financial Statements (Un-audited)

For the first quarter ended 31 March 2023

Amounts in Rs '000

	Note	Quarter ended 31 March (Un-audited)	
		2023	2022
16 OTHER OPERATING EXPENSES			
Workers' Profit Participation Fund		204,007	197,250
Workers' Welfare Fund		93,517	78,323
		<u>297,524</u>	<u>275,573</u>
17 OTHER INCOME			
Income from financial assets			
Interest income		498,784	364,131
Income from non-financial assets			
Scrap sales		-	3,249
Gain on disposal of property, plant and equipment		60,053	1,365
Indenting commission - net		25,350	955
Rental income from tower on leasehold land		969	932
Income from sale of water		-	5,038
Others		-	12
		<u>86,372</u>	<u>11,551</u>
		<u>585,156</u>	<u>375,682</u>
18 FINANCE COSTS			
Interest on lease liability		64,877	50,416
Exchange loss - net		678,208	211,492
Bank, LCs and other charges		11,923	14,846
Interest on Workers' Profit Participation Fund		499	180
		<u>755,507</u>	<u>276,934</u>
19 TAXATION			
Current	19.1	1,512,120	1,126,675
Deferred		(271,867)	(72,204)
	19.2	<u>1,240,253</u>	<u>1,054,471</u>
19.1	This includes super tax at the rate of 4% of taxable profit for the current period. This new tax is applicable through Finance Act 2022 for TY 2023 and onwards.		

	Quarter ended 31 March (Un-audited)	
	2023	2022
19.2 Reconciliation of income tax expense for the period		
Profit before taxation	3,782,610	3,669,430
Applicable normal tax rate	29%	29%
Applicable super tax rate	4%	0%
Cumulative applicable tax rate	33%	29%
Tax calculated at the cumulative applicable tax rate	1,248,261	1,064,135
Tax effect of :		
- income chargeable to tax under FTR basis	(7,480)	(14,157)
- others	(528)	4,493
	<u>1,240,253</u>	<u>1,054,471</u>

Notes to the Condensed Interim Financial Statements (Un-audited)

For the first quarter ended 31 March 2023

Amounts in Rs '000

	Note	Quarter ended 31 March (Un-audited)	
		2023	2022
20 CASH GENERATED FROM OPERATIONS			
Profit before taxation		3,782,610	3,669,430
Adjustments for non-cash charges and other items:			
Depreciation and amortisation		309,527	290,072
Gain on disposal of property, plant and equipment		(60,053)	(1,365)
Provision for retirement benefit obligations		4,573	3,855
Finance cost		656,337	141,291
Interest income	17	(498,784)	(364,131)
Infrastructure Cess		150,532	186,736
		562,132	256,458
		4,344,742	3,925,888
Effect on cashflows due to working capital changes			
(Increase) / decrease in current assets:			
Stores and spare parts		(152,530)	83,781
Stock-in-trade		6,001,730	(2,425,576)
Trade debts		(6,511,872)	(2,392,914)
Loans and advances		3,157	6,630
Trade deposits and short-term prepayments		(9,607,242)	1,445
Other receivables		(305)	583,942
Sales tax refunds due from government		547,221	(103,177)
		(9,719,841)	(4,245,869)
(Decrease) / increase in trade and other payables		(536,028)	1,660,474
Cash (used in) / generated from operations		(5,911,127)	1,340,493
		31 March 2023	31 March 2022
	Note	(Un-audited)	(Un-audited)
21 CASH AND CASH EQUIVALENTS			
Cash and bank balances	10	4,184,396	46,328
TDRs with banks having maturity less than three months	8	3,213,999	7,941,950
		7,398,395	7,988,278
22 TRANSACTIONS WITH RELATED PARTIES			

The related parties comprise of parent company, related group companies, directors of the Company, companies where directors also hold directorships, key management personnel and staff retirement funds. All transactions with related parties are entered into at agreed terms. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in this condensed interim financial statements are as follows:

Relationship	Nature of transactions	Quarter ended 31 March (Un-audited)	
		2023	2022
Key management personnel	Salaries and other short-term benefits	27,025	19,368
	Retirement benefits	1,983	2,042
	Loans repaid	-	1,050
Others	Payments to retirement benefit funds	24,733	23,650

Notes to the Condensed Interim Financial Statements (Un-audited)

For the first quarter ended 31 March 2023

Amounts in Rs '000

23 FAIR VALUE OF FINANCIAL INSTRUMENTS

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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 or indirectly.

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

23.1 Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		31 March 2023 (Un-audited)					Fair value			
		Carrying amount				Fair value				
Note	Financial assets 'at fair value through other comprehensive income'	Financial assets 'at fair value through profit or loss'	Financial assets 'at amortised cost'	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	
Financial assets - not measured at fair value										
Loans and advances	23.1.1	-	-	89,336	-	89,336				
Trade deposits	23.1.1	-	-	9,577,426	-	9,577,426				
Trade debts	23.1.1	-	-	13,565,747	-	13,565,747				
Other receivables	23.1.1	-	-	5,967	-	5,967				
Short-term investments										
- TDRs	23.1.1	-	-	3,213,999	-	3,213,999				
- T-Bills	23.1.2	-	-	2,656,553	-	2,656,553	2,619,947			2,619,947
Interest accrued	23.1.1	-	-	7,462	-	7,462				
Cash and bank balances	23.1.1	-	-	4,184,396	-	4,184,396				
		-	-	33,300,886	-	33,300,886				
Financial liabilities - not measured at fair value										
Trade and other payables	23.1.1	-	-	-	3,810,927	3,810,927				
Accrued interest	23.1.1	-	-	-	431,670	431,670				
Unclaimed dividend	23.1.1	-	-	-	25,213	25,213				
Unpaid dividend	23.1.1	-	-	-	4,573,153	4,573,153				
Lease liability	23.1.1	-	-	-	2,376,302	2,376,302				
		-	-	-	11,217,265	11,217,265				
		31 December 2022 (Audited)					Fair value			
		Carrying amount				Fair value				
Note	Financial assets 'at fair value through other comprehensive income'	Financial assets 'at fair value through profit or loss'	Financial assets 'at amortised cost'	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	
Financial assets - not measured at fair value										
Financial assets - not measured at fair value										
Loans and advances	23.1.1	-	-	98,493	-	98,493				
Trade deposits	23.1.1	-	-	59,801	-	59,801				
Trade debts	23.1.1	-	-	7,053,875	-	7,053,875				
Other receivables	23.1.1	-	-	5,662	-	5,662				
Short-term investments										
- TDRs	23.1.1	-	-	9,385,481	-	9,385,481				
- T-Bills	23.1.2	-	-	2,567,369	-	2,567,369	2,537,974			2,537,974
Interest accrued	23.1.1	-	-	39,996	-	39,996				
Cash and bank balances	23.1.1	-	-	4,397,066	-	4,397,066				
		-	-	23,607,743	-	23,607,743				
Financial liabilities - not measured at fair value										
Trade and other payables	23.1.1	-	-	-	5,027,886	5,027,886				
Accrued interest	23.1.1	-	-	-	344,413	344,413				
Unclaimed dividend	23.1.1	-	-	-	25,653	25,653				
Unpaid dividend	23.1.1	-	-	-	4,573,733	4,573,733				
Lease liability	23.1.1	-	-	-	1,974,580	1,974,580				
		-	-	-	11,946,265	11,946,265				

Notes to the Condensed Interim Financial Statements (Un-audited)

For the first quarter ended 31 March 2023

Amounts in Rs '000

23.1.1 The Company has not disclosed fair values for these financial assets and financial liabilities because their carrying amounts are reasonable approximation of fair value.

23.1.2 Valuation techniques used in determination of fair values within level 2:

Investments in Market Treasury Bills are valued on the basis of the PKRVs announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.

24 EVENTS AFTER REPORTING PERIOD

24.1 The Board of Directors in its meeting held on 13 April 2023 has approved an interim cash dividend of Rs. 2 per share for the year ending 31 December 2023. These condensed interim financial statements do not include the effect of the said interim cash dividend.

25 GENERAL

25.1 Segment reporting

The financial information has been prepared on the basis of a single reportable segment. Geographically, all the sales were carried out in Pakistan. All non-current assets of the Company as at 31 March 2023 are located in Pakistan.

25.2 Date of Authorisation

These condensed interim financial statements were authorised for issue in the Board of Directors meeting held on 13 April 2023.



Sang Hyeon Lee
Chairman



Young Dae Kim
Chief Executive



Ashiq Ali
Chief Financial Officer



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