engro fertilizers

# company information

## Board of Directors

Khalid Siraj Subhani - Chairman
Ruhail Mohammed - Chief Executive Officer
Javed Akbar
Abdul Samad Dawood
Asim Murtaza Khan
Naz Khan
Sadia Khan
Asad Said Jafar

## Company Secretary

Faiz Chapra

## Bankers

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Bank Islami Pakistan Limited
The Bank of Punjab
Burj Bank Limited
Citi Bank .N.A.
Dubai Islamic Bank (Pakistan) Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Samba Bank Limited
Silk Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
United Bank Limited

## Auditors

A.F. Ferguson & Company
Chartered Accountants
State Life Building No. 1-C
I.I. Chundrigar Road
Karachi-74000, Pakistan
Tel: +92(21) 32426682-6 / 32426711-5
Fax +92(21) 32415007 / 32427938

## Cost Auditors

J.A.S.B. & Associates
Chartered Accountants
No. 4 Uni Tower
I.I. Chundrigar Road
Karachi-74000, Pakistan
Tel: +92(21) 32468154-5 / 32468158
Fax +92(21) 32468157

## Registered Office

7th Floor, The Harbor Front Building,
HC # 3, Marine Drive, Block 4, Clifton,
Karachi-75600, Pakistan
Tel: +92(21) 35297501 – 35297510
Fax:+92(21) 35810669
Website: www.engrofertilizers.com



# directors' report

On behalf of the Board of Directors of Engro Fertilizers Limited, we are pleased to present the unaudited financial statements for the three months ended March 31, 2016.

## Pakistan Fertilizer Market

Domestic Urea industry sales dropped significantly to 767 KT translating to a 49% decrease from 1Q 2015. The decline was mainly due to extremely poor crop economics, falling international urea prices, and rumors of subsidy on urea. Resultantly, channel inventories have been drawn down to fulfill urea demand.

On the other hand total industry urea production increased to 1,411 KT vs. 1,216 KT during corresponding period last year i.e. an increase of 16% due to higher production by plants on the Mari network and supply of additional gas from LNG. This has resulted in industry closing inventory reaching 1,200 KT mark, at the end of 1Q 2016.

Domestic Urea prices relatively stabilized at PKR 1,818 per bag level towards end of the quarter. International Urea prices have showed some respite and have currently stabilized around USD 220-230/ton towards the end of the quarter, which translates to a landed equivalent price of slightly below Rs. 1,800 per bag.

Domestic DAP industry sales increased to 236 KT vs. 186 KT last year (growth of 27%) mainly due to softening of phosphate prices and subsidy on phosphates.

## Company's Operating Performance

The company's urea production for the quarter stood at 514 KT as compared to 486 KT in the first quarter of the last year i.e. an increase of 6% mainly due to better gas availability. However, the prevailing industry situation restricted sales to 286 KT in 1Q 2016 vs. 481 KT in 1Q 2015, registering a decline of 41%. Urea market share stood at 37% (branded urea market share of 38%) vs. 32% (branded urea market share of 40%) last year.

The Company sold 65 KT of DAP vs. 36 KT in 1Q 2015 which also resulted in an improved market share of 28% vs. 19% last year.

The Company's blended fertilizers' (Zarkhez & Engro NP) sales for the quarter decreased by 36% to 18 KT from 28 KT in 1Q 2015. The overall Pakistan's Potash market declined by 9% during 1Q 2016 to 6.5 KT compared to 7.1 KT (nutrient tons) in 1Q 2015. However, the market share of Zarkhez increased to 49% (43% in 1Q 2015) contributing to a lower than industry decline in actual sales volumes.

Post enactment of the GIDC Act 2015, the Company obtained stay orders against the retrospective applicability of GIDC in 2015. However, on the request of the Government, and without compromising its legal stance, the Company continues to pay GIDC on all non-concessionary gas.

The Company also obtained a stay order against GIDC applicability on concessionary gas in 2015, and therefore, no GIDC is being paid or accrued for concessionary gas supplied to the new urea plant. GIDC on concessionary gas is in direct contravention with the Fertilizer Policy and our Gas supply contracts on the basis of which we invested USD 1.1 Billion to expand our fertilizer manufacturing capacity.

Following the ECC decision dated February 18th, 2016, directing that the 60mmscfd of gas flowing to the Company be re allocated to the original allottees, the Company is in discussion with various relevant parties for allocation of surplus gas to ensure continued two plant operation.

The Gross profit for the period was PKR 4,938 Million as compared to PKR 6,770 Million in the same period last year. The decrease was mainly on account of depressed volumetric sales due to reasons explained above, partly offset by impact of concessionary pricing which was implemented from March 16, 2015.

Finance cost was also significantly lower than last year (PKR 751 Million vs. PKR 1,262 Million last year), as a result of loan repayments, lower interest rates and repricing of various long term loans.

As a result of the above, the Company's Net Profit stood PKR 2.1 Billion compared to PKR 3.1 Billion for the same period last year which has resulted in an EPS of PKR 1.59 per share vs PKR 2.30 per share in the comparative period last year. Company's consolidated Net Profit stood at PKR 2.1 Billion for the period, resulting in an EPS of PKR 1.59 per share.

## Near Term Outlook

Local urea demand is expected to pick-up in the upcoming months due to Kharif season, and with sufficient inventory available locally, there does not seem to be a need to import in the near future. Given the better gas availability due to additional gas from Mari and LNG, the industry will continue to remain in a long supply situation The country can earn valuable foreign exchange and open new avenues for enhancing tax revenue, if an opportunity is given to the urea manufacturers to export a portion of the current surplus inventory.

Further, softening of International Urea prices may exert some pressure on domestic Urea. International DAP prices are also expected to remain under pressure due to soft commodity prices.

Ruhail Mohammed
Chief Executive Officer

Javed Akbar
Director



engro fertilizers

# condensed interim financial information (unaudited) for the three months ended march 31, 2016

# condensed interim balance sheet as at march 31, 2016

(Amounts in thousand)

| | Note | Unaudited March 31, 2016 | Audited December 31, 2015 |
|---|---|---|---|
| | | (Rupees) | |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 4 | 71,851,571 | 72,192,289 |
| Intangible assets | | 99,149 | 106,487 |
| Investment in subsidiary | 5 | 4,383,000 | 4,383,000 |
| Long term loans and advances | | 148,372 | 159,778 |
| | | 76,482,092 | 76,841,554 |
| Current assets | | | |
| Stores, spares and loose tools | | 4,807,941 | 4,639,142 |
| Stock-in-trade | | 9,862,133 | 6,942,110 |
| Trade debts | | 2,598,486 | 2,261,747 |
| Derivative financial instruments | | 5,763 | 29,207 |
| Subordinated loan to subsidiary | | 900,000 | 900,000 |
| Loans, advances, deposits and prepayments | | 691,970 | 588,247 |
| Other receivables | | 885,776 | 1,329,998 |
| Short term investments | | 741,232 | 10,984,555 |
| Cash and bank balances | | 247,914 | 865,302 |
| | | 20,741,215 | 28,540,308 |
| TOTAL ASSETS | | 97,223,307 | 105,381,862 |

(Amounts in thousand)

| | Note | Unaudited March 31, 2016 | Audited December 31, 2015 |
|---|---|---|---|
| | | (Rupees) | |
| EQUITY & LIABILITIES | | | |
| Equity | | | |
| Share capital | | 13,309,323 | 13,309,323 |
| Share premium | | 3,132,181 | 3,132,181 |
| Hedging reserve | | (25) | (4,536) |
| Remeasurement of post employment benefits | | (40,664) | (40,664) |
| Unappropriated profit | | 24,257,723 | 26,129,716 |
| | | 27,349,215 | 29,216,697 |
| Total Equity | | 40,658,538 | 42,526,020 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Borrowings | 6 | 20,073,448 | 25,289,658 |
| Deferred liabilities | | 6,926,671 | 6,493,030 |
| Service benefits obligations | | 109,103 | 124,367 |
| | | 27,109,222 | 31,907,055 |
| Current liabilities | | | |
| Trade and other payables | 7 | 13,037,550 | 16,886,856 |
| Accrued interest / mark-up | | 300,428 | 843,803 |
| Taxes payable | | 1,983,802 | 2,060,723 |
| Current portion of: | | | |
| - borrowings | 6 | 13,559,069 | 10,736,586 |
| - service benefits obligations | | 48,232 | 48,232 |
| Short term running finance | | 263,883 | - |
| Unclaimed dividend | | 8,953 | 6,103 |
| Derivative financial instruments | | 253,630 | 366,484 |
| | | 29,455,547 | 30,948,787 |
| Total Liabilities | | 56,564,769 | 62,855,842 |
| Contingencies and Commitments | 8 | | |
| TOTAL EQUITY & LIABILITIES | | 97,223,307 | 105,381,862 |

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

| | |
|---|---|
| Ruhail Mohammed<br>Chief Executive Officer | Javed Akbar<br>Director |

# condensed interim profit and loss account (unaudited) for the three months ended march 31, 2016

(Amounts in thousand except for earnings per share)

| | Note | Three months ended March 31,2016 | Three months ended March 31,2015 |
|---|---|---|---|
| | | -----------------(Rupees) | ----------------------- |
| Net sales | | 12,605,007 | 17,673,439 |
| Cost of sales | | (7,666,832) | (10,903,802) |
| Gross profit | | 4,938,175 | 6,769,637 |
| Selling and distribution expenses | | (855,001) | (1,095,886) |
| Administrative expenses | | (243,814) | (225,019) |
| | | 3,839,360 | 5,448,732 |
| Other income | | 272,652 | 774,602 |
| Other operating expenses | | (273,714) | (369,772) |
| Finance cost | | (750,687) | (1,261,981) |
| | | (1,024,401) | (1,631,753) |
| Profit before taxation | | 3,087,611 | 4,591,581 |
| Taxation | | (966,807) | (1,532,759) |
| Profit for the period | | 2,120,804 | 3,058,822 |
| Earnings per share - basic | 9 | 1.59 | 2.30 |
| Earnings per share - diluted | 9 | 1.55 | 2.30 |

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

Ruhail Mohammed
Chief Executive Officer

Javed Akbar
Director



# condensed interim statement of comprehensive income (unaudited) for the three months ended march 31, 2016

(Amounts in thousand)

| | Note | Three months ended March 31,2016 | Three months ended March 31,2015 |
|---|---|---|---|
| | | -----------------(Rupees) | --------------------- |
| Profit for the period | | 2,120,804 | 3,058,822 |
| Other comprehensive income: | | | |
| Items potentially re-classifiable to Profit | | | |
| Hedging reserve - cash flow hedges | | | |
| Losses arising during the period | | (68,474) | (3,166) |
| Adjustment for amounts transferred to profit and loss account | | 75,012 | 20,838 |
| Income tax (Deferred) relating to hedging reserve | | (2,027) | (5,832) |
| | | 4,511 | 11,840 |
| Other comprehensive income for the period, net of tax | | 4,511 | 11,840 |
| Total comprehensive income for the period | | 2,125,315 | 3,070,662 |

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

Ruhail Mohammed
Chief Executive Officer

Javed Akbar
Director

# condensed interim statement of changes in equity (unaudited) for the three months ended march 31, 2016

(Amounts in thousand)

| | Share capital | Reserve: Capital – Share premium | Reserve: Revenue – Hedging reserve | Reserve: Revenue – Remeasurement of post employment benefits | Reserve: Revenue – Unappropriated profit | Total |
|---|---|---|---|---|---|---|
| | ----------- | ----------- | (Rupees) | ----------- | ----------- | ----------- |
| Balance as at January 1, 2015 (Audited) | 13,183,417 | 2,260,784 | (39,831) | (14,103) | 19,087,828 | 34,478,095 |
| Transactions with owners : | | | | | | |
| Shares issued during the period | 125,906 | 871,397 | - | - | - | 997,303 |
| Total comprehensive income for the three months ended March 31, 2015 | | | | | | |
| Profit for the period | - | - | - | - | 3,058,822 | 3,058,822 |
| Other comprehensive income | | | | | | |
| - cash flow hedges, net of tax | - | - | 11,840 | - | - | 11,840 |
| | - | - | 11,840 | - | 3,058,822 | 3,070,662 |
| Balance as at March 31, 2015 (unaudited) | 13,309,323 | 3,132,181 | (27,991) | (14,103) | 22,146,650 | 38,546,060 |
| Balance as at January 1, 2016 (Audited) | 13,309,323 | 3,132,181 | (4,536) | (40,664) | 26,129,716 | 42,526,020 |
| Total comprehensive income for the three months ended March 31, 2016 | | | | | | |
| Profit for the period | - | - | - | - | 2,120,804 | 2,120,804 |
| Final dividend - 2015 | - | - | - | - | (3,992,797) | (3,992,797) |
| Other comprehensive income | - | - | 4,511 | - | - | 4,511 |
| | - | - | 4,511 | - | (1,871,993) | (1,867,482) |
| Balance as at March 31, 2016 (unaudited) | 13,309,323 | 3,132,181 | (25) | (40,664) | 24,257,723 | 40,658,538 |

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

Ruhail Mohammed
Chief Executive Officer

Javed Akbar
Director



# condensed interim statement of cash flows (unaudited) for the three months ended march 31, 2016

(Amounts in thousand)

| | Note | Three months ended March 31,2016 | Three months ended March 31,2015 |
|---|---|---|---|
| | | ----(Rupees) | ---- |
| **Cash flows from operating activities** | | | |
| Cash used in operations | 10 | (5,994,441) | (963,724) |
| Retirement and other service benefits paid | | (41,565) | (38,825) |
| Taxes paid | | (611,214) | (609,148) |
| Finance cost paid | | (1,356,324) | (1,850,063) |
| Long term loans and advances | | 11,406 | (15,072) |
| Net cash utilised in operating activities | | (7,992,138) | (3,476,832) |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment and intangibles | | (839,066) | (637,531) |
| Proceeds from disposal of property, plant and equipment | | 2,081 | 7,103 |
| Proceeds from Investments- net | | 393,597 | 14,217,880 |
| Income on deposits / other financial assets | | 116,016 | 524,450 |
| Net cash (used in) / generated from investing activities | | (327,372) | 14,111,902 |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings - net | | 6,000,000 | - |
| Dividends paid | | (272) | - |
| Unclaimed dividend | | 3,122 | - |
| Repayments of borrowings | | (8,414,337) | (3,529,074) |
| Net cash utilised in financing activities | | (2,411,487) | (3,529,074) |
| Net (decrease) / increase in cash and cash equivalents | | (10,730,997) | 7,105,996 |
| Cash and cash equivalents at beginning of the period | | 11,456,260 | 5,283,421 |
| Cash and cash equivalents at end of the period | 11 | 725,263 | 12,389,417 |

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

Ruhail Mohammed
Chief Executive Officer

Javed Akbar
Director

# notes to the condensed interim financial information (unaudited) for the three months ended march 31, 2016

(Amounts in thousand)

## 1. Legal Status and Operations

1.1 Engro Fertilizers Limited ('the Company') is a public company incorporated on June 29, 2009 in Pakistan under the Companies Ordinance, 1984 as a wholly owned subsidiary of Engro Corporation Limited (the Parent Company) which is a subsidiary of Dawood Hercules Corporation (the Ultimate Parent Company). The principal activity of the Company is manufacturing, purchasing and marketing of fertilizers. The Company's registered office is situated at 7th & 8th floors, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme Number 5, Clifton, Karachi.

1.2 The Company is listed on Pakistan Stock Exchange Limited . The Company has also issued Term Finance Certificates (TFC's) which are listed at the Pakistan Stock Exchange Limited.

## 2. Basis of Preparation

2.1 This condensed interim financial information is unaudited and has been prepared in accordance with the requirements of IAS 34 'Interim financial reporting'. This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2015 which have been prepared in accordance with IFRS.

2.2 The preparation of this condensed interim financial information is in conformity with the approved accounting standards which requires the use of certain critical accounting estimates. 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 historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

During the preparation of this condensed interim financial information, changes in the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty from those that applied to financial statements of the Company for the year ended December 31, 2015 do not have any material impact.

## 3. Accounting Policies

3.1 The accounting polices and the methods of computation adopted in preparation of this condensed interim financial information are consistent with those applied in the preparation of the audited annual financial statements of the Company for the year ended December 31, 2015.

3.2 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

3.3 There are certain new International Financial Reporting Standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 1, 2016. These are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and are, therefore, not disclosed in this condensed interim financial information.

## 4. Property, Plant and Equipment

| | Unaudited March 31, 2016 | Audited December 31, 2015 |
|---|---|---|
| | (Rupees) | |
| Operating assets at net book value | 68,686,630 | 69,753,076 |
| Capital work in progress | 2,712,960 | 1,946,598 |
| Major spare parts and stand-by equipment | 451,981 | 492,615 |
| | 71,851,571 | 72,192,289 |



(Amounts in thousand)

## 5. Investment in Subsidiary

Last year, the company acquired 100% shareholding of Engro Eximp (Pvt.) Limited (EEPL). As resolved by the Board of Directors of EEPL at the meeting held on February 9, 2015, EEPL has discontinued its Coal and Agricultural commodities businesses. Moreover, the imported fertilizer business of EEPL is also being phased out to the Company as part of the proposed corporate restructuring scheme of Engro Corporation to further strengthen synergies between the Company business ventures and to allow the Group to create value and increase its footprint in agricultural inputs.

The Board of Directors of EEPL in its meeting held on April 23, 2015 and the Board of Directors of the Company on August 10, 2015 gave approvals to proceed with the proposed Scheme of Amalgamation (Scheme) of EEPL with the Company and after relevant approvals, formalities and the Scheme being sanctioned by the Court, EEPL will amalgamate into the Company. On March 28, 2016 the scheme of amalgamation was duly approved by the shareholders of the Company in the Extra Ordinary General Meeting (EOGM).

## 6. Borrowings - Secured (Non - participatory)

| | Unaudited March 31, 2016 | Audited December 31, 2015 |
|---|---|---|
| | (Rupees) | |
| Long term finance utilized under mark-up arrangements (notes 6.1, 6.2, 6.3, 6.4 and 6.5) | 30,702,725 | 27,019,972 |
| Certificates (note 6.1) | 2,929,792 | 9,006,272 |
| | 33,632,517 | 36,026,244 |
| Less: Current portion shown under current liabilities | 13,559,069 | 10,736,586 |
| Balance at end of the period / year | 20,073,448 | 25,289,658 |

6.1 All senior debts are secured by an equitable mortgage upon immovable property of the Company and equitable charge over current and future fixed assets excluding immovable property of the Company.

Loans from the International Finance Corporation (IFC), Subordinated Dubai Islamic Bank Pakistan Limited (DIBPL) loan and Privately Placed Subordinated Sukuk (PPSS) are secured by a sub-ordinated mortgage upon immovable property of the Company and sub-ordinated charge over all present and future fixed assets excluding immovable property of the Company.

The Holding Company has issued corporate guarantees in respect of all debts excluding a bilateral loan from UBL, a Subordinated DIBPL loan, Privately Placed Subordinated Sukuk (PPSS) and three new loans from MCB, ABL and SCB taken in March 2016.

6.2 The Company availed a loan of USD 30,000 from the IFC, divided into (i) 30% convertible loan on the shares of the Company at Rs. 24 per ordinary share calculated at the dollar rupee exchange rate prevailing on the business day prior to the date of the notice issued by IFC to exercise the conversion option and (ii) 70% non-convertible loan. This conversion option is exercisable upto March 31, 2017. Option of USD 8,000 (out of USD 9,000) was exercised in prior years. The fair value of the remaining conversion option, included in derivative financial instruments, amounts to Rs.222,077.

6.3 The company exercised the call option of the Privately Placed Term Finance Certificates (PPTFCs) during the period. The PKR 6,000,000 was refinanced through three bilateral loans from MCB (PKR 3,000,000), ABL (PKR 2,000,000) and SCB (PKR 1,000,000). The new loans have a pricing of 6M Kibor + 0.80% and will mature in March 2018. Furthermore, the loans are part of our Senior debts.

6.4 During the period the pricing of the IFC loans (USD 30,000 and USD 50,000) have been revised to 6M LIBOR + 3.0% from 6M LIBOR + 6.0% effective February 15, 2016.

(Amounts in thousand)

6.5 The above finance also includes offshore Islamic Finance Facility of USD 36,000 with Habib Bank Limited and National Bank of Pakistan and Rs. 3,618,000 with Faysal Bank, Dubai Islamic Bank Pakistan Limited and Standard Chartered Bank (Pakistan) Limited. During the period Habib Bank Limited bought out SAMBA Financial Group's portion in the USD portion of the facility.

## 7. Trade and Other Payables

This includes Rs. 3,992,797 (2015: Nil) on account of the final dividend payable for the year ended December 31,2015.

## 8. Contingencies and Commitments

Contingencies

8.1 Bank guarantees of Rs.1,402,976 (December 31, 2015: Rs. 1,402,223) have been issued in favour of third parties.

8.2 Claims, including pending lawsuits, against the Company not acknowledged as debts amounted to Rs. 123,389 (December 31, 2015: Rs. 109,685).

8.3 As at March 31, 2016, there is no material change in the status of matters reported as contingencies in the notes to the financial statements of the Company for the year ended December 31, 2015.

| | Unaudited March 31, 2016 | Audited December 31, 2015 |
|---|---|---|
| 8.4 Commitments | (Rupees) | |
| Commitments in respect of capital expenditure and other operational items | 1,972,931 | 995,392 |

## 9. Earnings Per Share (EPS)

Basic earnings per share has been calculated by dividing the profit attributable to equity holders of the Company by weighted average number of ordinary shares in issue during the period.

Diluted earnings per share has been calculated by adjusting the weighted average number of ordinary shares outstanding for assumed conversion of equity option on IFC loan throughout the period.

The information necessary to calculate basic and diluted earnings per share is as follows:



(Amounts in thousand)

| | Unaudited Three months ended March 31, 2016 | Unaudited Three months ended March 31, 2015 |
|---|---|---|
| | (Rupees) | |
| Profit for the period | 2,120,804 | 3,058,822 |
| Add: - Interest on IFC loan - net of tax | 872 | 1,844 |
| - (Gain) / loss on revaluation of conversion options on IFC loan - net of tax | (49,253) | 4,483 |
| Profit used for the determination of Diluted EPS | 2,072,423 | 3,065,149 |
| | Numbers (in thousands) | |
| Weighted average number of ordinary shares at the beginning of period | 1,330,932 | 1,318,342 |
| Add : Weighted average adjustments for: | | |
| Shares issued during the period (including conversion of option - note 6.2) | - | 9,233 |
| Weighted average number of shares for determination of basic EPS | 1,330,932 | 1,327,575 |
| Assumed conversion of USD 1,000 IFC loan | 2,994 | 2,966 |
| Exercise of conversion option on USD 3,000 IFC loan | - | 2,534 |
| Weighted average number of shares for determination of diluted EPS | 1,333,926 | 1,333,075 |

(Amounts in thousand)

## 10. Cash Generated from Operations

| | Unaudited March 31, 2016 | Unaudited March 31, 2015 |
|---|---|---|
| | ---(Rupees)--- | |
| Profit before taxation | 3,087,611 | 4,591,581 |
| Adjustment for non-cash charges and other items: | | |
| Depreciation | 1,177,703 | 1,179,174 |
| Amortization | 6,373 | 5,565 |
| Gain on disposal of property, plant and equipment | - | (2,323) |
| Provision for service benefits | 26,301 | 12,930 |
| Income on deposits / other financial assets | (98,500) | (653,608) |
| Financial charges | 750,687 | 1,261,981 |
| Provision for surplus and slow moving stores and spares | 21,247 | 14,120 |
| Working capital changes (note 10.1) | (10,965,863) | (7,373,144) |
| | (5,994,441) | (963,724) |

## 10.1 Working capital changes

| | | |
|---|---|---|
| (Increase) / decrease in current assets | | |
| - Stores, spares and loose tools | (190,046) | (38,404) |
| - Stock-in-trade | (2,920,023) | (510,931) |
| - Trade debts | (336,739) | (134,061) |
| - Loans, advances, deposits and prepayments | (103,723) | 70,955 |
| - Other receivables (net) | 426,706 | (8,852) |
| | (3,123,825) | (621,293) |
| Decrease in trade and other payables | (7,842,038) | (6,751,851) |
| | (10,965,863) | (7,373,144) |

## 11. Cash and Cash Equivalents

| | | |
|---|---|---|
| Cash and bank balances | 247,914 | 1,977,202 |
| Short term investment | 741,232 | 10,412,215 |
| Short term running finance | (263,883) | - |
| | 725,263 | 12,389,417 |

## 12. Financial Risk Management and Financial Instruments

12.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

There have been no changes in the risk management policies during the period, consequently this condensed interim financial information does not include all the financial risk management information and disclosures required in the annual financial statements.



(Amounts in thousand)

12.2 Fair value estimation

The table below analyzes financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (level 3)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | ---(Rupees)--- | | | |
| **Assets** | | | | |
| Financial assets at fair value through profit and loss | | | | |
| - Derivative financial instruments | - | 5,763 | - | 5,763 |
| - Short term investments | - | 741,232 | - | 741,232 |
| | - | 746,995 | - | 746,995 |
| **Liabilities** | | | | |
| Derivatives | | | | |
| - Derivative financial instruments | - | 31,553 | - | 31,553 |
| - Conversion option on IFC loans | - | 222,077 | - | 222,077 |
| | - | 253,630 | - | 253,630 |

12.3 There were no transfers between Levels 1 and 2 during the period. Further, there were no changes in valuation techniques during the period.

12.4 Valuation techniques used to derive Level 2 fair values

Level 2 fair valued instruments comprise short term investments and hedging derivatives which include forward exchange contracts, interest rate swaps and conversion option on IFC loans. These forward foreign exchange contracts have been fair valued using forward exchange rates that are received from the contracting banks and financial institutions. Interest rate swaps are fair valued using mark to market rates received from the banks and financial institutions. The fair value of conversion options on IFC loan is determined using the option pricing model where its determinants are derived from observable market inputs.

12.5 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the condensed interim financial information approximate their fair value.

(Amounts in thousand)

## 13. Transactions with Related Parties

Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in this condensed interim financial information, are as follows:

| | Unaudited March 31, 2016 | Unaudited March 31, 2015 |
|---|---|---|
| | (Rupees) | |
| **Parent Company** | | |
| Purchases and services | 60,788 | 52,218 |
| Services provided to Parent Company | 6,293 | 5,989 |
| Royalty | 134,240 | 232,517 |
| Reimbursements | 29,559 | 42,202 |
| Use of assets | 93 | 311 |
| **Subsidiary companies** | | |
| Purchase of Product | 2,110,956 | - |
| Reimbursements | 50,024 | - |
| Funds collected against sales made on behalf of Subsidiary | 16,677 | - |
| Mark-up on Short term sub-ordinated loan | 16,806 | - |
| **Associated companies** | | |
| Purchases and services | 29,221 | 29,594 |
| Services provided | 21,086 | 18,956 |
| Reimbursements | 46,602 | 125,596 |
| Payment of mark-up on TFCs and repayment of principal amount | 54,847 | 2,806 |
| Donation | 21,900 | 20,000 |
| Funds collected against sales made on behalf of Associates | - | 1,952,078 |
| Use of assets | 247 | 2,091 |
| **Contribution to staff retirement benefits** | | |
| Pension fund | 4,812 | 4,822 |
| Gratuity fund | 22,452 | 17,678 |
| Provident fund | 26,092 | 23,146 |
| **Others** | | |
| Remuneration of key management personnel | 47,923 | 42,773 |



(Amounts in thousand)

## 14. Seasonality

The Company's fertilizer business is subject to seasonal fluctuations as a result of two different farming seasons viz, Rabi (from October to March) and Kharif (from April to September). On an average fertilizer sales are more tilted towards Rabi season. The Company manages seasonality in the business through appropriate inventory management.

## 15. Corresponding Figures

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison, the effects of which are not material.

## 16. Date of Authorisation for Issue

This condensed interim financial information was authorized for issue on April 25, 2016 by the Board of Directors of the Company.

Ruhail Mohammed
Chief Executive Officer

J.Akbar

Javed Akbar
Director

engro fertilizers

# consolidated condensed interim financial information (unaudited) for the three months ended march 31, 2016

# consolidated condensed interim balance sheet march 31, 2016

(Amounts in thousand)

| | Note | Unaudited March 31, 2016 | Audited December 31, 2015 |
|---|---|---|---|
| | | ----------------(Rupees) | ------------- |
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | 71,856,990 | 72,198,393 |
| Intangible assets | 5 | 4,454,264 | 4,461,716 |
| Deferred taxation | | 79,843 | 73,472 |
| Long term loans and advances | | 148,372 | 160,353 |
| | | 76,539,469 | 76,893,934 |
| Current assets | | | |
| Stores, spares and loose tools | | 4,807,941 | 4,639,142 |
| Stock-in-trade | | 9,908,626 | 7,029,437 |
| Trade debts | | 2,611,205 | 2,261,747 |
| Taxes recoverable | | 705,134 | 705,129 |
| Derivative financial instruments | | 5,763 | 29,207 |
| Loans, advances, deposits and prepayments | | 722,203 | 594,608 |
| Other receivables | | 839,556 | 1,358,578 |
| Short term investments | | 1,408,120 | 11,650,389 |
| Cash and bank balances | | 401,112 | 923,555 |
| | | 21,409,660 | 29,191,792 |
| TOTAL ASSETS | | 97,949,129 | 106,085,726 |

(Amounts in thousand)

| | Note | Unaudited March 31, 2016 | Audited December 31, 2015 |
|---|---|---|---|
| | | ----------------(Rupees) | ------------- |
| **EQUITY & LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | | 13,309,323 | 13,309,323 |
| Share premium | | 3,132,181 | 3,132,181 |
| Exchange revaluation reserve | | 14,759 | 13,805 |
| Hedging reserve | | (25) | (4,536) |
| Remeasurement of post employment benefits | | (40,310) | (40,310) |
| Unappropriated profit | | 24,049,860 | 25,921,266 |
| | | 27,156,465 | 29,022,406 |
| Total Equity | | 40,465,788 | 42,331,729 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Borrowings | 6 | 20,073,448 | 25,289,658 |
| Deferred liabilities | | 6,926,671 | 6,493,030 |
| Service benefits obligations | | 109,103 | 124,653 |
| | | 27,109,222 | 31,907,341 |
| Current liabilities | | | |
| Trade and other payables | 7 | 13,837,644 | 17,701,544 |
| Accrued interest / mark-up | | 302,128 | 851,684 |
| Taxes payable | | 1,983,802 | 2,060,723 |
| Current portion of: | | | |
| - borrowings | 6 | 13,559,069 | 10,736,586 |
| - service benefits obligations | | 48,232 | 48,232 |
| Unclaimed dividend | | 8,953 | 6,103 |
| Short term running finance | | 380,661 | 75,300 |
| Derivative financial instruments | | 253,630 | 366,484 |
| | | 30,374,119 | 31,846,656 |
| Total Liabilities | | 57,483,341 | 63,753,997 |
| Contingencies and Commitments | 8 | | |
| TOTAL EQUITY & LIABILITIES | | 97,949,129 | 106,085,726 |

The annexed notes from 1 to 16 form an integral part of this consolidated condensed interim financial information.

Ruhail Mohammed
Chief Executive Officer

Javed Akbar
Director

# consolidated condensed interim profit and loss account (unaudited) for the three months ended march 31, 2016

(Amounts in thousand except for earnings per share)

| | Note | Three months ended March 31,2016 | Three months ended March 31,2015 |
|---|---|---|---|
| | | ----------------(Rupees)---------------- | |
| Net sales | | 12,613,227 | 17,673,439 |
| Cost of sales | | (7,665,993) | (10,903,802) |
| Gross profit | | 4,947,234 | 6,769,637 |
| Selling and distribution expenses | | (856,285) | (1,095,886) |
| Administrative expenses | | (253,623) | (225,019) |
| | | 3,837,326 | 5,448,732 |
| Other income | | 272,414 | 774,602 |
| Other operating expenses | | (275,267) | (369,772) |
| Finance cost | | (752,646) | (1,261,981) |
| | | (1,027,913) | (1,631,753) |
| Profit before taxation | | 3,081,827 | 4,591,581 |
| Taxation | | (960,436) | (1,532,759) |
| Profit for the period | | 2,121,391 | 3,058,822 |
| Earnings per share - basic | 9 | 1.59 | 2.30 |
| Earnings per share - diluted | 9 | 1.55 | 2.30 |

The annexed notes from 1 to 16 form an integral part of this consolidated condensed interim financial information.

Ruhail Mohammed
Chief Executive Officer

Javed Akbar
Director

# consolidated condensed interim statement of comprehensive income (unaudited) for the three months ended march 31, 2016

(Amounts in thousand)

| | Three months ended March 31,2016 | Three months ended March 31,2015 |
|---|---|---|
| | ----------------(Rupees)---------------- | |
| Profit for the period | 2,121,391 | 3,058,822 |
| Other comprehensive income: | | |
| Items potentially re-classifiable to Profit and Loss Account | | |
| Exchange differences on translation of foreign operations | 954 | - |
| Hedging reserve - cash flow hedges | | |
| Loss arising during the period | (68,474) | (3,166) |
| Adjustment for amounts transferred to profit and loss account | 75,012 | 20,838 |
| Income tax (Deferred) relating to hedging reserve | (2,027) | (5,832) |
| | 4,511 | 11,840 |
| Other comprehensive income for the period, net of tax | 5,465 | 11,840 |
| Total comprehensive income for the period | 2,126,856 | 3,070,662 |

The annexed notes from 1 to 16 form an integral part of this consolidated condensed interim financial information.

Ruhail Mohammed
Chief Executive Officer

Javed Akbar
Director

# consolidated condensed interim statement of changes in equity (unaudited) for the three months ended march 31, 2016

(Amounts in thousand)

| | Share capital | Capital: Share premium | Capital: Exchange revaluation reserve | Revenue: Hedging reserve | Revenue: Remeasurement of post employment benefits | Revenue: Unappropriated profit | Total |
|---|---|---|---|---|---|---|---|
| | ------------------------------ | ------------------------------ | ------------------------------ | (Rupees) | ------------------------------ | ------------------------------ | ------------------------------ |
| Balance as at January 1, 2015 (Audited) | 13,183,417 | 2,260,784 | - | (39,831) | (14,103) | 19,087,828 | 34,478,095 |
| Transactions with owners: | | | | | | | |
| Shares issued during the period | 125,906 | 871,397 | - | - | - | - | 997,303 |
| Total comprehensive income for the three months ended March 31, 2015 | | | | | | | |
| Profit for the period | - | - | - | - | - | 3,058,822 | 3,058,822 |
| Other comprehensive income | | | | | | | |
| - cash flow hedges, net of tax | - | - | - | 11,840 | - | - | 11,840 |
| | - | - | - | 11,840 | - | 3,058,822 | 3,070,662 |
| Balance as at March 31, 2015 (unaudited) | 13,309,323 | 3,132,181 | - | (27,991) | (14,103) | 22,146,650 | 38,546,060 |
| Balance as at January 1, 2016 (Audited) | 13,309,323 | 3,132,181 | 13,805 | (4,536) | (40,310) | 25,921,266 | 42,331,729 |
| Total comprehensive income for the three months ended March 31, 2016 | | | | | | | |
| Profit for the period | - | - | - | - | - | 2,121,391 | 2,121,391 |
| Final dividend - 2015 | - | - | - | - | - | (3,992,797) | (3,992,797) |
| Other comprehensive income | | | | | | | |
| - exchange revaluation | - | - | 954 | - | - | - | 954 |
| - cash flow hedges, net of tax | - | - | - | 4,511 | - | - | 4,511 |
| | - | - | 954 | 4,511 | - | (1,871,406) | (1,865,941) |
| Balance as at March 31, 2016 (unaudited) | 13,309,323 | 3,132,181 | 14,759 | (25) | (40,310) | 24,049,860 | 40,465,788 |

The annexed notes from 1 to 16 form an integral part of this consolidated condensed interim financial information.

Ruhail Mohammed
Chief Executive Officer

Javed Akbar
Director



# consolidated condensed interim statement of cash flows (unaudited) for the three months ended march 31, 2016

(Amounts in thousand)

| | Note | Three months ended March 31,2016 | Three months ended March 31,2015 |
|---|---|---|---|
| | | ------------------(Rupees) | ------------------ |
| **Cash flows from operating activities** | | | |
| Cash used in operations | 10 | (5,916,278) | (963,724) |
| Retirement and other service benefits paid | | (41,565) | (38,825) |
| Exchange loss on revaluation of non cash items | | 954 | - |
| Taxes paid | | (611,219) | (609,148) |
| Finance cost paid | | (1,364,464) | (1,850,063) |
| Long term loans and advances | | 11,981 | (15,072) |
| Net cash utilised in operating activities | | (7,920,591) | (3,476,832) |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment and intangibles | | (839,066) | (637,531) |
| Proceeds from disposal of property, plant and equipment | | 2,081 | 7,103 |
| Proceeds from Investments- net | | 437,241 | 14,217,880 |
| Income on deposits / other financial assets | | 99,210 | 524,450 |
| Net cash (utilised in) / generated from investing activities | | (300,534) | 14,111,902 |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | 6,000,000 | - |
| Dividends paid | | (272) | - |
| Unclaimed dividend | | 3,122 | - |
| Repayments of borrowings | | (8,489,857) | (3,529,074) |
| Net cash utilised in financing activities | | (2,487,007) | (3,529,074) |
| Net (decrease) / increase in cash and cash equivalents | | (10,708,132) | 7,105,996 |
| Cash and cash equivalents at beginning of the period | | 11,469,815 | 5,283,421 |
| Cash and cash equivalents at end of the period | 11 | 761,683 | 12,389,417 |

The annexed notes from 1 to 16 form an integral part of this consolidated condensed interim financial information.

Ruhail Mohammed
Chief Executive Officer

Javed Akbar
Director

# notes to the consolidated condensed interim financial information (unaudited) for the three months ended march 31, 2016

(Amounts in thousand)

## 1. Legal Status and Operations

1.1 Engro Fertilizers Limited ('the Holding Company') is a public company incorporated on June 29, 2009 in Pakistan under the Companies Ordinance, 1984 as a wholly owned subsidiary of Engro Corporation Limited (the Parent Company) which is a subsidiary of Dawood Hercules Corporation (the Ultimate Parent Company). The principal activity of the Holding Company is manufacturing, purchasing and marketing of fertilizers. The Holding Company's registered office is situated at 7th & 8th floors, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme Number 5, Clifton, Karachi.

1.2 The Holding Company is listed on Pakistan Stock Exchange Limited. The Holding Company has also issued Term Finance Certificates (TFC's) which are listed at the Pakistan Stock Exchange Limited.

1.3 The 'Group' consists of:

Holding Company: Engro Fertilizers Limited

Subsidiary Company is a Company in which the Holding Company owns over 50% of voting rights, or companies controlled by the Holding Company:

| | %age of holding | |
|---|---|---|
| | 2016 | 2015 |
| Engro Eximp (Private) Limited` | 100 | 100 |
| Engro Eximp FZE (through Engro Eximp (Private) Limited) | 100 | 100 |

Subsidiary Companies

1.3.1 Engro Eximp (Private) Limited

Engro Eximp (Private) Limited (EEPL) is a private limited company, incorporated in Pakistan on January 16, 2003 under the Companies Ordinance, 1984 (the Ordinance). EEPL is a wholly owned subsidiary of the Holding Company. The registered office of EEPL is situated at 7th & 8th floor, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme Number 5, Clifton, Karachi.

Last year, the company acquired 100% shareholding of Engro Eximp (Pvt.) Limited (EEPL). As resolved by the Board of Directors of EEPL at the meeting held on February 9, 2015, EEPL has discontinued its Coal and Agricultural commodities businesses. Moreover, the imported fertilizer business of EEPL is also being phased out to the Company as part of the proposed corporate restructuring scheme of Engro Corporation to further strengthen synergies between the Company business ventures and to allow the Group to create value and increase its footprint in agricultural inputs.

The Board of Directors of EEPL in its meeting held on April 23, 2015 and the Board of Directors of the Company on August 10, 2015 gave approvals to proceed with the proposed Scheme of Amalgamation (Scheme) of EEPL with the Company and after relevant approvals, formalities and the Scheme being sanctioned by the Court, EEPL will amalgamate into the Company. On March 28,2016 the scheme of amalgamation was duly approved by the shareholders of the Company in the Extra Ordinary General Meeting (EOGM).

1.3.2 Engro EXIMP FZE

Engro Eximp FZE (EEF) was incorporated in the Jebel Ali Free Zone, Emirate of Dubai, on August 4, 2011 and is a wholly owned subsidiary of Engro Eximp (Private) Limited (EEPL). EEF is engaged in the business of general trading.



(Amounts in thousand)

1.4 The acquisition of EEPL by the Holding Company has been accounted for as business combination under IFRS 3 'Business Combinations' and fair values of all assets and liabilities were determined as at the date of acquisition. The acquisition has resulted in recognition of right to use the brand and goodwill.

1.5 Right to use the brand entitles the Holding Company to use 'Engro' brand for selling Phosphate fertilizers, acquired under an agreement with Engro Corporation Limited which has been valued using Relief from Royalty Method and is considered to have an indefinite life.

1.6 Goodwill has been computed as follows:

| | Rupees |
|---|---|
| Consideration | 4,383,000 |
| Less: share in fair value of net assets acquired | 4,199,194 |
| Goodwill | 183,806 |

The goodwill arises from the factors including expected synergies through knowledge transfer, obtaining economies of scale by cost reductions from purchasing efficiencies and leveraging the common distribution network.

## 2. Basis of Preparation

2.1 This consolidated condensed interim financial information is unaudited and has been prepared in accordance with requirements of IAS 34 'Interim financial reporting'. This consolidated condensed interim financial information does not include all the information required for consolidated annual financial statements and therefore should be read in conjunction with the consolidated annual financial statements of the Holding Company for the year ended December 31, 2015 which have been prepared in accordance with IFRS.

2.2 The preparation of this consolidated condensed interim financial information is in conformity with the approved accounting standards which requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments 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 these estimates.

The comparative figures in the consolidated condensed interim financial information represents amounts based on audited financial statements and unaudited condensed interim financial information of the Holding Company for the year ended December 31,2015 and three months ended March 31, 2015 respectively.

## 3. Accounting Policies

3.1 The accounting polices and the methods of computation adopted in preparation of this consolidated condensed interim financial information are consistent with those applied in the preparation of the audited consolidated annual financial statements of the Holding Company for the year ended December 31, 2015.

(Amounts in thousand)

3.2 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

3.3 There are certain new International Financial Reporting Standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 1, 2016. These are considered not to be relevant or to have any significant effect on the Group's financial reporting and operations and are, therefore, not disclosed in this consolidated condensed interim financial information.

## 4. Property, Plant and Equipment

| | Unaudited March 31, 2016 | Audited December 31, 2015 |
|---|---|---|
| | (Rupees) | |
| Operating assets at net book value | 68,692,049 | 69,759,180 |
| Capital work in progress | 2,712,960 | 1,946,598 |
| Major spare parts and stand-by equipment | 451,981 | 492,615 |
| | 71,856,990 | 72,198,393 |

## 5. Intangible Assets

| | | |
|---|---|---|
| Goodwill (note 1.6) | 183,806 | 183,806 |
| Right to use the brand (note 1.5) | 4,170,995 | 4,170,995 |
| Other intangible assets | 99,463 | 106,915 |
| | 4,454,264 | 4,461,716 |

## 6. Borrowings - Secured (Non - Participatory)

| | | |
|---|---|---|
| Long term finance utilized under mark-up arrangements (notes 6.1, 6.2, 6.3, 6.4 and 6.5) | 30,702,725 | 27,019,972 |
| Certificates (note 6.1) | 2,929,792 | 9,006,272 |
| | 33,632,517 | 36,026,244 |
| Less: Current portion shown under current liabilities | 13,559,069 | 10,736,586 |
| Balance at end of the period / year | 20,073,448 | 25,289,658 |

6.1 All senior debts are secured by an equitable mortgage upon immovable property of the Holding Company and equitable charge over current and future fixed assets excluding immovable property of the Holding Company.

Loans from the International Finance Corporation (IFC), Subordinated Dubai Islamic Bank Pakistan Limited (DIBPL) loan and Privately Placed Subordinated Sukuk (PPSS) are secured by a sub-ordinated mortgage upon immovable property of the Holding Company and sub-ordinated charge over all present and future fixed assets excluding immovable property of the Holding Company.

The Ultimate Parent Company has issued corporate guarantees in respect of all debts excluding a bilateral loan from UBL, a Subordinated DIBPL loan, Privately Placed Subordinated Sukuk (PPSS) and three new loans from MCB, ABL and SCB taken in March 2016.



(Amounts in thousand)

6.2 The Holding Company availed a loan of USD 30,000 from the IFC, divided into (i) 30% convertible loan on the shares of the Holding Company at Rs. 24 per ordinary share calculated at the dollar rupee exchange rate prevailing on the business day prior to the date of the notice issued by IFC to exercise the conversion option and (ii) 70% non-convertible loan. This conversion option is exercisable upto March 31, 2017. Option of USD 8,000 (out of USD 9,000) was exercised in prior years. The fair value of the remaining conversion option, included in derivative financial instruments, amounts to Rs.222,077.

6.3 The Holding Company exercised the call option of the Privately Placed Term Finance Certificates (PPTFCs) during the period. The PKR 6,000,000 was refinanced through three bilateral loans from MCB (PKR 3,000,000), ABL (PKR 2,000,000) and SCB (PKR 1,000,000). The new loans have a pricing of 6M Kibor + 0.80% and will mature in March 2018. Furthermore, the loans are part of our Senior debts.

6.4 During the period the pricing of the IFC loans (USD 30,000 and USD 50,000) have been revised to 6M LIBOR + 3.0% from 6M LIBOR + 6.0% effective February 15, 2016.

6.5 The above finance also includes offshore Islamic Finance Facility of USD 36,000 with Habib Bank Limited and National Bank of Pakistan and Rs. 3,618,000 with Faysal Bank, Dubai Islamic Bank Pakistan Limited and Standard Chartered Bank (Pakistan) Limited. During the period Habib Bank Limited bought out SAMBA Financial Group's portion in the USD portion of the facility.

## 7. Trade and Other Payable

This includes Rs. 3,992,797 (2015: Nil) on account of the final dividend payable for the year ended December 31, 2015.

## 8. Contingencies and Commitments

Contingencies

8.1 Bank guarantees of Rs.2,029,976 (December 31, 2015: Rs. 2,029,223) have been issued in favour of third parties.

8.2 Claims, including pending lawsuits, against the Company not acknowledged as debts amounted to Rs. 123,389 (December 31, 2015: Rs. 109,685).

8.3 As at March 31, 2016, there is no material change in the status of matters reported as contingencies in the notes to the financial statements of the Company for the year ended December 31, 2015.

| 8.4 Commitments | Unaudited March 31, 2016 | Audited December 31, 2015 |
|---|---|---|
| | (Rupees) | |
| Commitments in respect of capital expenditure and other operational items | 1,972,931 | 995,392 |

(Amounts in thousand)

## 9. Earnings Per Share (EPS)

Basic earnings per share has been calculated by dividing the profit attributable to equity holders of the Group Company by weighted average number of ordinary shares in issue during the period.

Diluted earnings per share has been calculated by adjusting the weighted average number of ordinary shares outstanding for assumed conversion of equity option on IFC loan throughout the period.

The information necessary to calculate basic and diluted earnings per share is as follows:

| | Unaudited Three months ended March 31, 2016 | Unaudited Three months ended March 31, 2015 |
|---|---|---|
| | (Rupees) | |
| Profit for the period | 2,121,391 | 3,058,822 |
| Add: - Interest on IFC loan - net of tax | 872 | 1,844 |
| - (Gain) / Loss on revaluation of conversion options on IFC loan - net of tax | (49,253) | 4,483 |
| Profit used for the determination of Diluted EPS | 2,073,010 | 3,065,149 |
| | Numbers (in thousands) | |
| Weighted average number of ordinary shares at the beginning of period | 1,330,932 | 1,318,342 |
| Add : Weighted average adjustments for: | | |
| Shares issued during the period (including conversion of option - note 6.2) | - | 9,233 |
| Weighted average number of shares for determination of basic EPS | 1,330,932 | 1,327,575 |
| Assumed conversion of USD 1,000 IFC loan | 2,994 | 2,966 |
| Exercise of conversion option on USD 3,000 IFC loan | - | 2,534 |
| Weighted average number of shares for determination of diluted EPS | 1,333,926 | 1,333,075 |



(Amounts in thousand)

## 10. Cash Generated from Operations

| | Unaudited March 31, 2016 | Unaudited March 31, 2015 |
|---|---|---|
| | (Rupees) | |
| Profit before taxation | 3,081,827 | 4,591,581 |
| Adjustment for non-cash charges and other items: | | |
| Depreciation | 1,178,388 | 1,179,174 |
| Amortization | 6,487 | 5,565 |
| Gain on disposal of property, plant and equipment | - | (2,323) |
| Provision for service benefits | 26,301 | 12,930 |
| Income on deposits / other financial assets | (84,742) | (653,608) |
| Financial charges | 752,646 | 1,261,981 |
| Provision for surplus and slow moving stores and spares | 21,247 | 14,120 |
| Working capital changes (note 10.1) | (10,898,432) | (7,373,144) |
| | (5,916,278) | (963,724) |

### 10.1 Working capital changes

| | | |
|---|---|---|
| (Increase) / decrease in current assets | | |
| - Stores, spares and loose tools | (190,046) | (38,404) |
| - Stock-in-trade | (2,879,189) | (510,931) |
| - Trade debts | (349,458) | (134,061) |
| - Loans, advances, deposits and prepayments | (127,595) | 70,955 |
| - Other receivables (net) | 504,554 | (8,852) |
| | (3,041,734) | (621,293) |
| Decrease in trade and other payables | (7,856,698) | (6,751,851) |
| | (10,898,432) | (7,373,144) |

## 11. Cash and Cash Equivalents

| | | |
|---|---|---|
| Cash and bank balances | 401,112 | 1,977,202 |
| Short term investments | 741,232 | 10,412,215 |
| Short term running finance | (380,661) | - |
| | 761,683 | 12,389,417 |

## 12. Financial Risk Management and Financial Instruments

### 12.1 Financial risk factors

The Holding Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

There have been no changes in the risk management policies during the period, consequently this consolidated condensed interim financial information does not include all the financial risk management information and disclosures required in the annual financial statements.

(Amounts in thousand)

12.2 Fair value estimation

The table below analyzes financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

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

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2)

- Inputs for the asset or liability that are not based on observable market data (level 3)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | -------(Rupees)------- | | | |
| **Assets** | | | | |
| Financial assets at fair value through profit and loss | | | | |
| - Derivative financial instruments | - | 5,763 | - | 5,763 |
| - Short term investments | - | 1,408,120 | - | 1,408,120 |
| | - | 1,413,883 | - | 1,413,883 |
| **Liabilities** | | | | |
| Derivatives | | | | |
| - Derivative financial instruments | - | 31,553 | - | 31,553 |
| - Conversion option on IFC loans | - | 222,077 | - | 222,077 |
| | - | 253,630 | - | 253,630 |

12.3 There were no transfers between Levels 1 and 2 during the period. Further, there were no changes in valuation techniques during the period.

12.4 Valuation techniques used to derive Level 2 fair values

Level 2 fair valued instruments comprise short term investments and hedging derivatives which include forward exchange contracts, interest rate swaps and conversion option on IFC loans. These forward foreign exchange contracts have been fair valued using forward exchange rates that are received from the contracting banks and financial institutions. Interest rate swaps are fair valued using mark to market rates received from the banks and financial institutions. The fair value of conversion options on IFC loan is determined using the option pricing model where its determinants are derived from observable market inputs.

12.5 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the consolidated condensed interim financial information approximate their fair value.





## 13. Transactions with Related Parties

Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in this consolidated condensed interim financial information, are as follows:

| | Unaudited March 31, 2016 | Unaudited March 31, 2015 |
|---|---|---|
| | -------(Rupees)------- | |
| Parent Company | | |
| Purchases and services | 60,788 | 52,218 |
| Services provided to Parent Company | 6,293 | 5,989 |
| Royalty | 134,240 | 232,517 |
| Reimbursements | 29,559 | 44,202 |
| Use of assets | 93 | 311 |
| Associated companies | | |
| Purchases and services | 29,221 | 29,594 |
| Services provided | 21,086 | 18,956 |
| Reimbursements | 47,082 | 125,596 |
| Payment of mark-up on TFCs and repayment of principal amount | 54,847 | 2,806 |
| Donation | 21,900 | 20,000 |
| Funds collected against sales made on behalf of Associates | - | 1,952,078 |
| Use of assets | 1,370 | 2,091 |
| Contribution to staff retirement benefits | | |
| Pension fund | 4,812 | 4,822 |
| Gratuity fund | 22,496 | 17,678 |
| Provident fund | 26,199 | 23,146 |
| Others | | |
| Remuneration of key management personnel | 48,412 | 42,773 |

(Amounts in thousand)

## 14. Seasonality

The Group's fertilizer business is subject to seasonal fluctuations as a result of two different farming seasons viz, Rabi (from October to March) and Kharif (from April to September). On an average fertilizer sales are more tilted towards Rabi season. The Group manages seasonality in the business through appropriate inventory management.

## 15. Corresponding Figures

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison, the effects of which are not material.

## 16. Date of Authorisation for Issue

This consolidated condensed interim financial information was authorized for issue on April 25, 2016 by the Board of Directors of the Holding Company.

Ruhail Mohammed
Chief Executive Officer

Javed Akbar
Director



کمپنی نے 2015 میں رعایتی گیس پر GIDC کے اطلاق پر بھی اسٹے آرڈر لے لیا تھا، اس لئے نئے یوریا پلانٹ پر رعایتی گیس کی فراہمی پر کوئی GIDC ادا نہیں کیا جا رہا۔ GIDC فرٹیلائزر پالیسی اور ہمارے گیس کی فراہمی کے معاہدوں، جن کی بنیاد پر ہم نے فرٹیلائزر پلانٹ کی پیداواری گنجائش میں اضافہ کرنے کیلئے 1.1 بلین ڈالرز کی سرمایہ کاری کی، سے براہ راست متصادم ہے۔

ECC کے 18 فروری 2016 کے فیصلوں کی روشنی میں کمپنی کو حاصل ہونے والی 60 mmscfd گیس اس کے اصل الاٹیز کو تفویض کر دی جائے، کمپنی مختلف متعلقہ پارٹیوں سے مذاکرات کر کے اضافی گیس کے حصول کیلئے کام کر رہی ہے تاکہ دونوں پلانٹس کو گیس کی مسلسل فراہمی یقینی بنائی جاسکے۔

کمپنی کا زیر غور عرصے کیلئے مجموعی منافع گذشتہ سال کے مقابلے میں ہونے والے منافع 6,770 ملین روپے کے مقابلے میں 4,938 ملین روپے رہا۔ یہ کمی بنیادی طور پر فروخت کے کم حجم کی وجہ سے تھی، جن کی وضاحت اوپر کر دی گئی ہے۔ تاہم مارچ 2016 میں رعایتی نرخوں کی وجہ سے یہ نقصان کچھ کم رہا۔

فنانس کاسٹ بھی پچھلے سال کے مقابلے میں کم رہی (1,262 ملین روپے کے مقابلے میں 751 ملین روپے) جسکی وجہ قرضوں کی ادائیگی، کم شرح سود اور مختلف طویل المعیاد قرضوں کی رس پرائسنگ رہی۔

مندرجہ بالا کے نتیجے میں کمپنی کا خالص منافع گذشتہ سال کے مقابلے میں ہونے والے منافع 3.1 بلین روپے کے مقابلے میں 2.1 بلین روپے رہا۔ جس سے گذشتہ سال کے موازنہ میں 2.30 روپے فی حصص کے مقابلے میں اس سال فی حصص EPS، 1.59 روپے رہی۔ کمپنی کا مجموعی خالص منافع اس مدت کیلئے 2.1 بلین روپے رہا جس کے نتیجے میں فی شیئر EPS، 1.59 روپے فی حصص رہی۔

### آئندہ مدت کا تخمینہ

خریف سیزن کی وجہ سے آنے والے مہینوں میں یوریا کی طلب میں اضافہ متوقع ہے، اور مقامی طور پر مناسب مال کی دستیابی کی وجہ سے درآمدی کھاد کی ضرورت محسوس نہیں ہوگی۔ ماری نیٹ ورک پلانٹ اور ایل این جی سے اضافی گیس کی فراہمی کے باعث انڈسٹری میں کھاد کی مسلسل اور مناسب پیداوار جاری رہے گی۔ اگر ملک کی یوریا انڈسٹری کو موجودہ اضافی یوریا کا کچھ حصہ برآمد کرنے کی اجازت دے دی جائے تو ملک کو زیادہ زرمبادلہ حاصل ہوگا اور ٹیکس کے نئے مواقع میسر آئیں گے۔

مزید یہ کہ عالمی طور پر یوریا کی قیمتوں میں فرمی سے مقامی قیمتوں پر اثر پڑے گا۔ نرم کموڈیٹی پرائس کی وجہ سے غیر ملکی DAP کی قیمتیں بھی متاثر ہوں گی۔

Ruhail Mohammed
Chief Executive Officer

Javed Akbar
Director

# ڈائریکٹرز رپورٹ

اینگرو فرٹیلائزرز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے ہم بمسرت 31 مارچ 2016 کو ختم ہونے والی سہ ماہی کیلئے کمپنی کے غیر آڈٹ شدہ مالی گوشوارے پیش کرتے ہیں۔

## پاکستان فرٹیلائزر مارکیٹ

مقامی یوریا انڈسٹری کی پیداوار میں نمایاں کمی ہوئی اور یہ پیداوار 767 KT کی سطح پر آگئی یعنی 2015 کی پہلی سہ ماہی کے مقابلے میں 49 فیصد کم۔ اس کمی کی اہم وجہ پیداوار میں نمایاں کمی، بین الاقوامی مارکیٹ میں یوریا کی گرتی ہوئی قیمتیں اور یوریا پر سبسڈی کی افواہیں تھیں۔ نتیجتاً یوریا کی طلب کو پورا کرنے کیلئے چینل انوینٹری میں کمی کی گئی۔

دوسری طرف یوریا انڈسٹری میں اس سال پیداوار پچھلے سال اس مدت کے دوران پیدا ہونے والی 1,216 KT یوریا کے مقابلے میں 1,411 KT، یعنی ماری نیٹ ورک پلانٹ اور ایل این جی سے اضافی گیس کی فراہمی کے باعث 16 فیصد زیادہ پیداوار ریکارڈ کی گئی۔ اس کے نتیجے میں انڈسٹری کی کلوزنگ انوینٹری 2016 کی پہلی سہ ماہی کے اختتام تک 1,200 KT رہی۔

اس سہ ماہی کے اختتام تک مقامی یوریا کی قیمتیں نسبتاً مستحکم رہیں یعنی 1,818 روپے فی بیگ۔ غیر ملکی یوریا کی قیمتوں میں بھی کچھ توازن رہا جو اس سہ ماہی کے اختتام تک بھی 220 سے 230 ڈالر فی ٹن کے قریب مستحکم ہیں، یعنی مساویانہ قیمت سے کچھ کم، 1,800 روپے فی بیگ۔

مقامی DAP انڈسٹری کی سیل 236 KT رہی، جو پچھلے سال اس مدت کے دوران پیدا ہونے والی 186 KT کے مقابلے میں 27 فیصد زیادہ تھی، جسکی بڑی وجہ فاسفیٹ کی قیمتوں میں کمی اور سبسڈی ہے۔

## کمپنی کی آپریٹنگ کارکردگی

گذشتہ سال کی پہلی سہ ماہی کی پیداوار 486 KT کے مقابلے میں اس سہ ماہی میں کمپنی کی یوریا کی پیداوار 514 KT رہی، یعنی 6 فیصد زیادہ، جس کی اہم وجہ اضافی گیس کی فراہمی تھی۔ تاہم انڈسٹری کی موجودہ صورت حال کے باعث یوریا کی فروخت گذشتہ سال کی پہلی سہ ماہی کی فروخت 481 KT کے مقابلے میں اس سہ ماہی میں 286 KT رہی، یعنی مجموعی فروخت میں 41 فیصد کمی۔ اس سال مارکیٹ کا یوریا کا حصہ گذشتہ سال کے 32 فیصد کے مقابلے میں 37 فیصد رہا۔

کمپنی نے گذشتہ سال کی پہلی سہ ماہی میں 36 KT ڈی اے پی فروخت کی جبکہ اس سال یہ فروخت 65 KT رہی، جس سے گذشتہ سال کے 19 فیصد مارکیٹ شیئر کے مقابلے میں اس سال کمپنی کا مارکیٹ شیئر 28 فیصد رہا۔

کمپنی کی بلینڈڈ فرٹیلائزرز (زرخیز اور اینگرو NP) کی فروخت گذشتہ سال کی پہلی سہ ماہی میں 28 KT رہی جبکہ اس سال یہ فروخت 18 KT رہی، یعنی گذشتہ سال کے مقابلے میں فروخت میں 36 فیصد کمی۔ پاکستان کی مجموعی پوٹاش مارکیٹ 9 فیصد کمی کے ساتھ پچھلے سال کی 7.1 KT کے مقابلے میں 6.5 KT رہی۔ تاہم زرخیز کا مارکیٹ شیئر بڑھ کر 49 فیصد رہا، جو پچھلے سال 43 فیصد تھا۔ جس سے اصل فروخت کے حجم میں مارکیٹ کی مجموعی گراوٹ سے کم۔

GIDC ایکٹ 2015 کی قانون سازی کے بعد کمپنی نے 2015 میں GIDC کے غیر مؤثر اطلاق پر اسٹے آرڈر لے لیا تھا۔ تاہم حکومت کی درخواست پر اور اپنے قانونی موقف سے پیچھے ہٹے بغیر کمپنی نے تمام غیر رعایتی گیس پر GIDC ادا کرنا شروع کر دیا۔