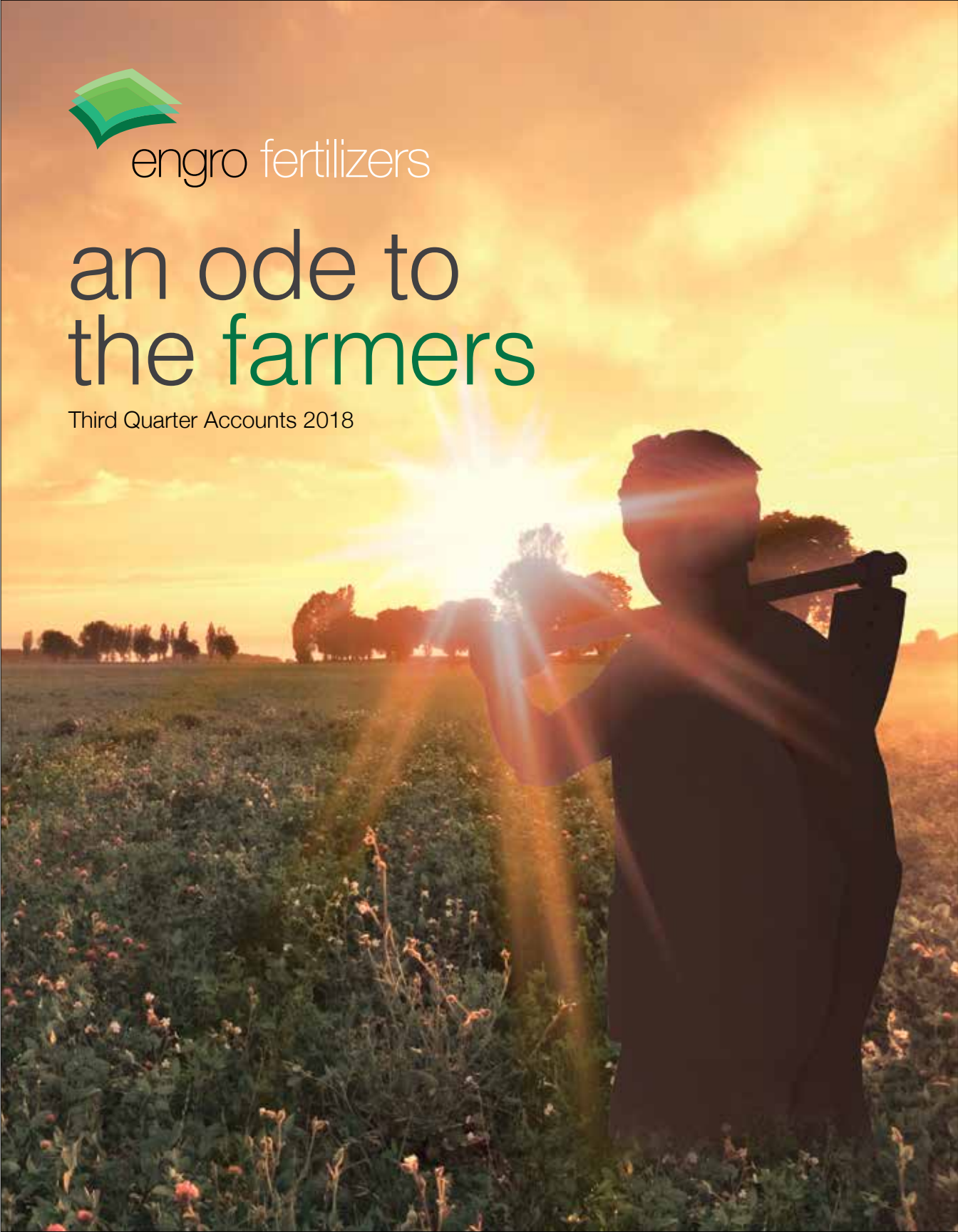




engro fertilizers

an ode to the farmers

Third Quarter Accounts 2018





engro fertilizers

company information

Board of Directors

Mr. Ghias Khan (Chairman)
Mr. Ruhail Mohammed (Chief Executive)
Mr. Abdul Samad Dawood
Mr. Asad Said Jafar
Mr. Asim Murtaza Khan
Mr. Javed Akbar
Mr. Nadir Salar Qureshi
Ms. Sadia Khan

Chief Financial Officer

Mr. Imran Ahmed

Company Secretary

Ms. Sarah Farooq

Bankers

Conventional

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

Shariah Compliant

Al Baraka Islamic Bank (Pakistan) Limited
Bank Islami Pakistan Limited
Dubai Islamic Bank (Pakistan) Limited
Meezan Bank Limited
Noor Bank

Auditors

A.F. Ferguson & Co.
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
1104, Uni Tower
I.I. Chundrigar Road,
Karachi-74000, Pakistan
Tel: +92(21) 32468154-5 / 32468158
Fax : +92(21) 32468157

Registered Office

7th & 8th Floor, The Harbor Front Building,
HC # 3, Marine Drive, Block 4, Clifton,
Karachi-75600, Pakistan
Tel: +92(21) 35297501-10
Fax: +92(21) 35810669
Website: www.engrofertilizers.com
www.engro.com

Share Registrar

FAMCO Associates (Pvt) Limited
8-F, Near Hotel Faran, Block-6, PECHS, Shahrah-e-Faisal
Karachi – Pakistan
Tel: +92(21) 3438 0104-5, 3438 4621-3
Fax +92(21) 3438 0106
e-mail: info.shares@famco.com.pk

directors' report

On behalf of the Board of Directors of Engro Fertilizers Limited, we are pleased to present the unaudited financial statements for the period ended September 30, 2018.

Pakistan Fertilizer Market

Local urea demand remained stable in 9M 2018, with urea offtake at 4,132 KT up 1% from 4,088 KT in the corresponding period last year. The industry exported 75 KT during the first quarter, utilizing the entire export quota of 635 KT allotted by ECC since 2017.

In contrast to offtakes, urea production during 9M 2018 reduced to 4,096 KT compared to 4,321 KT during the same period last year, a decline of 5%. Lower production is attributable to shutdown of LNG based fertilizer plants due to limited gas avails and unfavorable margins. With improved industry sales, lower production and significant exports, industry inventory has depleted to 130 KT compared to 787 KT at the end of nine months last year.

In order to avoid the issue of urea shortage, the Government has allowed import of 100 KT urea in 4Q 2018 and has also allocated subsidized LNG to Agritech and Fatima Fertilizers Limited for 4 months starting September 2018. This is expected to bring additional ~300 KT urea for the Rabi season. During the period, OGRA increased fertilizer industry gas prices by ~40% with effect from September 27, 2018. Resultantly, urea prices have increased to PKR 1,740/bag from PKR 1,610/bag in October.

While the subsidy on sale price of urea has been discontinued, the domestic industry continues to face challenge in the form of prior subsidy receivable and long lead time in its disbursement. As an industry, we continue to engage with the Government for streamlining subsidy disbursement mechanism and payment of outstanding dues.

On the international front, urea prices jumped to USD 365/T (landed equivalent PKR 2,850-3,000/bag) from USD 263/T in Q2 2018, after India issued tenders for urea and excluded Iran as a potential exporter.

Despite significant rise in international Urea prices, the Fertilizer industry continues to transfer benefit to the farmer, which translates to PKR 20 Billion for the year, over and above the feed gas price difference.

DAP demand in the local market declined by 3% compared to last year, with sales recorded at 1,236 KT vs 1,279 KT in 9M 2017. Lower industry sales during 9M 2018 were due to abnormally high sales last year, in anticipation of rise in local prices in 4Q 2017. On the international front, DAP prices are expected to range between USD 433/T to USD 435/T, with most of Indian demand for Q4 already procured.

Company's Operating Performance

The Company's urea production in 9M 2018 stood at 1,428 KT compared to 1,400 KT in the corresponding period last year. Sales during the period clocked in at 1,496 KT compared to 1,231 KT in 9M 2017, a whopping increase of 22% which was further boosted by export sales of 12 KT during the period. Overall, company's urea domestic market share stood at 36% vs 30% last year.

DAP sales during 9M 2018 stood at 327 KT vs 234 KT last year, resulting in a higher market share of 27% vs 18% for the same period last year. Higher sales were due to better product availability.

The Company's blended fertilizer (Zarkhez, Engro NP and other micronutrients) sales stood at 145 KT vs 103 KT in 9M 2017, an increase of 41%. Potash market share for the Company was at 44% as compared to 42% last year as a result of better potash avails this year and application of potash on non-conventional crops.

The Company continues to explore opportunities within the agriculture sector in Pakistan to create value for its stakeholders by leveraging its strong position in the Agri space. The Company continued to expand its footprint in the Crop Sciences business and is evaluating other business opportunities in the local agri space to improve farmer productivity. EFERT's Crop Sciences Division earned a revenue of PKR 371 M in YTD 2018.

Gross Profit for the Company was recorded at PKR 23,896 M for 9M 2018, compared to PKR 14,933 M in the same period last year, an increase of 60%. Standalone profit for 9M 2018 stood at PKR 12,536 M compared to PKR 6,696 M last year, resulting in an EPS of PKR 9.39 vs PKR 5.01 in 9M 2017. Company's consolidated profit stood at PKR 12,249 M vs. PKR 6,924 M in the corresponding period last year, resulting in an EPS of PKR 9.17 vs PKR 5.19 last year.

Higher profitability was led by higher urea and DAP offtake, higher domestic prices on the back of reduced inventory levels and one-off tax effects arising out of the Budget announcement of reducing tax rate from 30% in phases to 25%. Finance cost was lower at PKR 1,420 M (vs PKR 2,003 M last year) as a result of improved working capital.

The Board is pleased to recommend an interim cash dividend of PKR 4 per share for the period ended September 30, 2018. This is in addition to the interim dividend already declared and paid of PKR 4 per share.

In line with the industry, EFERT continues to withhold GIDC on all non-concessionary gases in lieu of the interim order by the High court in October 2016, striking down the GIDC Act. The Company had 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 of the Fertilizer Policy 2001 and our Gas Supply Contracts, on the basis of which we invested USD 1.1 Billion to expand our fertilizer manufacturing capacity.

Near Term Outlook

IRSA has projected water avails of 23.1 MAF for upcoming Rabi (38% short vs average system use and 4% lower than last year). This, along with increase in fertilizer prices, is expected to negatively impact fertilizer demand going forward but with the current demand supply dynamics, no significant change is expected this year. International DAP prices are expected to oscillate between current levels.



Ruhail Mohammed
Chief Executive



Ghias Khan
Chairman



engro fertilizers

consolidated condensed
interim financial statements
(unaudited) for the
nine months ended
september 30, 2018

consolidated condensed interim statement of financial position as at september 30, 2018

(Amounts in thousand)

	Note	Unaudited September 30, 2018	Audited December 31, 2017
		Rupees	
ASSETS			
Non-current assets			
Property, plant and equipment	4	68,127,494	68,923,195
Intangible assets		4,478,735	4,475,474
Long term loans and advances		163,041	134,535
		<u>72,769,270</u>	<u>73,533,204</u>
Current assets			
Stores, spares and loose tools		5,461,652	5,279,794
Stock-in-trade		19,476,359	7,636,214
Trade debts		7,014,239	5,418,748
Loans, advances, deposits and prepayments		1,725,893	1,160,729
Other receivables		8,352,572	8,803,356
Short term investments	5	1,744,454	8,188,275
Cash and bank balances		651,572	1,795,929
		<u>44,426,741</u>	<u>38,283,045</u>
TOTAL ASSETS		<u><u>117,196,011</u></u>	<u><u>111,816,249</u></u>

(Amounts in thousand)

	Note	Unaudited September 30, 2018	Audited December 31, 2017
Rupees			
EQUITY & LIABILITIES			
Equity			
Share capital		13,352,993	13,352,993
Share premium		3,384,904	3,384,904
Exchange revaluation reserve		243,852	83,183
Remeasurement of post employment benefits		(47,315)	(47,315)
Unappropriated profit		28,597,938	25,695,946
		32,179,379	29,116,718
TOTAL EQUITY		45,532,372	42,469,711
Liabilities			
Non-current liabilities			
Borrowings	6	22,487,624	22,784,014
Deferred liabilities		7,585,608	9,453,556
Service benefits obligations		175,335	174,784
		30,248,567	32,412,354
Current liabilities			
Trade and other payables		29,938,548	21,966,241
Accrued interest / mark-up		368,890	595,441
Taxes payable		3,703,962	913,246
Current portion of:			
- borrowings	6	3,338,524	8,119,864
- service benefits obligations		54,795	50,271
Short term borrowings	7	3,957,101	5,264,228
Unclaimed dividend		53,252	24,893
		41,415,072	36,934,184
TOTAL LIABILITIES		71,663,639	69,346,538
Contingencies and Commitments	8		
TOTAL EQUITY AND LIABILITIES		117,196,011	111,816,249

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



Imran Ahmed
Chief Financial Officer



Ruhail Mohammed
Chief Executive



Ghias Khan
Chairman

consolidated condensed interim statement of profit or loss (unaudited) for the nine months ended september 30, 2018

(Amounts in thousand except for earnings per share)

Note	Quarter ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	Rupees			
Net sales	28,098,690	21,162,095	69,215,104	48,473,114
Cost of sales	(18,223,228)	(14,997,619)	(45,319,338)	(33,540,093)
Gross profit	9,875,462	6,164,476	23,895,766	14,933,021
Selling and distribution expenses	(1,974,961)	(1,748,036)	(5,245,967)	(4,900,979)
Administrative expenses	(299,419)	(302,161)	(812,240)	(749,731)
	7,601,082	4,114,279	17,837,559	9,282,311
Other income	10 213,899	1,001,134	1,867,985	4,244,732
Other operating expenses	(452,526)	(248,254)	(1,025,180)	(869,864)
Finance cost	(533,734)	(694,102)	(1,419,875)	(2,003,274)
	(986,260)	(942,356)	(2,445,055)	(2,873,138)
Profit before taxation	6,828,721	4,173,057	17,260,489	10,653,905
Taxation	(1,729,009)	(1,365,512)	(5,011,401)	(3,729,888)
Profit for the period	5,099,712	2,807,545	12,249,088	6,924,017
Earnings per share - basic and diluted	3.82	2.10	9.17	5.19

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



Imran Ahmed
Chief Financial Officer



Ruhail Mohammed
Chief Executive



Ghias Khan
Chairman

consolidated condensed interim statement of comprehensive income (unaudited) for the nine months ended september 30, 2018

(Amounts in thousand)

	Quarter ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Profit for the period	5,099,712	2,807,545	12,249,088	6,924,017
Other comprehensive income:				
Items potentially re-classifiable to profit and loss				
Exchange differences on translation of foreign operations	32,704	8,453	160,669	8,464
Hedging reserve - cash flow hedges				
Loss arising during the period	-	-	-	(10,886)
Less: Adjustment for amounts transferred to profit or loss	-	-	-	10,886
Other comprehensive income for the period, net of tax	32,704	8,453	160,669	8,464
Total comprehensive income for the period	5,132,416	2,815,998	12,409,757	6,932,481

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



Imran Ahmed
Chief Financial Officer



Ruhail Mohammed
Chief Executive



Ghias Khan
Chairman

consolidated condensed interim statement of changes in equity (unaudited) for the nine months ended september 30, 2018

(Amounts in thousand)

	RESERVE					Total
	CAPITAL		REVENUE			
	Share capital	Share premium	Exchange revaluation reserve	Remeasurement of post employment benefits	Unappropriated profit	
Rupees						
Balance as at January 1, 2018 (Audited)	13,352,993	3,384,904	83,183	(47,315)	25,695,946	42,469,711
Transactions with owners						
Dividend Paid:						
- Final 2017: Rs.3 per share	-	-	-	-	(4,005,898)	(4,005,898)
- 1st interim 2018: Rs.4 per share	-	-	-	-	(5,341,198)	(5,341,198)
	-	-	-	-	(9,347,096)	(9,347,096)
Total comprehensive income for the nine months ended September 30, 2018						
Profit for the period	-	-	-	-	12,249,088	12,249,088
Other comprehensive income:						
- exchange revaluation	-	-	160,669	-	-	160,669
	-	-	160,669	-	12,249,088	12,409,757
Balance as at September 30, 2018 (Unaudited)	13,352,993	3,384,904	243,852	(47,315)	28,597,938	45,532,372
Balance as at January 1, 2017 (Audited)	13,309,323	3,132,181	10,802	(26,646)	25,222,724	41,648,384
Transactions with owners						
Shares issued at exercise of conversion option	43,670	252,723	-	-	-	296,393
Dividend Paid:						
- Final 2016: Rs.2.5 per share	-	-	-	-	(3,338,251)	(3,338,251)
- 1st interim 2017: Rs.2.5 per share	-	-	-	-	(3,338,251)	(3,338,251)
	-	-	-	-	(6,676,502)	(6,676,502)
Total comprehensive income for the nine months ended September 30, 2017						
Profit for the period	-	-	-	-	6,924,017	6,924,017
Other comprehensive income:						
- exchange revaluation	-	-	8,464	-	-	8,464
	-	-	8,464	-	6,924,017	6,932,481
Balance as at September 30, 2017 (Unaudited)	13,352,993	3,384,904	19,266	(26,646)	25,470,239	42,200,756

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



Imran Ahmed
Chief Financial Officer



Ruhail Mohammed
Chief Executive



Ghias Khan
Chairman

consolidated condensed interim statement of cash flows (unaudited) for the nine months ended september 30, 2018

(Amounts in thousand)

	Note	Nine months ended	
		September 30, 2018	September 30, 2017
		Rupees	
Cash flows from operating activities			
Cash generated from operations	11	11,716,464	14,938,735
Retirement and other service benefits paid		(49,418)	(46,256)
Taxes paid		(4,668,527)	(2,278,137)
Finance cost paid		(1,637,489)	(2,217,434)
Long term loans and advances - net		(28,506)	(13,164)
Net cash generated from operating activities		5,332,524	10,383,744
Cash flows from investing activities			
Purchases of property, plant and equipment and intangibles		(3,160,802)	(2,275,242)
Proceeds from disposal of property, plant and equipment		8,837	5,524
Purchase / disposals of investments - net		-	(1,068,417)
Income on deposits / other financial assets		441,927	30,336
Net cash utilised in investing activities		(2,710,038)	(3,307,799)
Cash flows from financing activities			
Proceeds from borrowings - net		3,000,000	1,500,000
Dividends paid		(3,977,539)	(3,338,251)
Repayments of :			
- short term borrowings		-	(800,000)
- long term borrowings		(8,086,667)	(4,898,772)
Net cash utilised in financing activities		(9,064,206)	(7,537,023)
Net decrease in cash and cash equivalents		(6,441,720)	(461,078)
Cash and cash equivalents at beginning of the period		4,719,976	14,365
Exchange gain translation on foreign operations		160,669	8,464
Cash and cash equivalents at end of the period	12	(1,561,075)	(438,249)

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



Imran Ahmed
Chief Financial Officer



Ruhail Mohammed
Chief Executive



Ghias Khan
Chairman

notes to the consolidated condensed interim financial statements (unaudited) for the nine months ended september 30, 2018

(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 repealed Companies Ordinance, 1984 (the Ordinance), [now the Companies Act, 2017] as a wholly owned subsidiary of Engro Corporation Limited (the Parent Company), which is a subsidiary of Dawood Hercules Corporation Limited (the Ultimate Parent Company). The Holding Company is listed on Pakistan Stock Exchange Limited. 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 'Group' consists of:

Holding Company: Engro Fertilizers Limited

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

	Note	%age of holding	
		September 30, 2018	December 31, 2017
Engro Eximp FZE	1.2.1	100	100
EFERT Agritrade (Private) Limited	1.2.2	100	100

1.2.1 Engro Eximp FZE (EEF) was incorporated in the Jebel Ali Free Zone, Emirate of Dubai, on August 4, 2011 as a wholly owned subsidiary of Engro Eximp (Private) Limited (EEPL).

1.2.2 EFERT Agritrade (Private) Limited (EAPL) was incorporated as a wholly owned subsidiary of the Holding Company on July 6, 2017 to carry out trading and distribution of imported fertilizer as part of the business reorganization. The Holding Company transferred its business of trading and distribution of imported fertilizer to the new subsidiary and holds 10,000 ordinary shares of Rs. 10 each in EAPL.

2. Basis for Preparation

2.1 These consolidated condensed interim financial statements 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 34, 'Interim Financial Reporting' (IAS 34), 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, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 The preparation of these consolidated condensed interim financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group'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 these estimates.

During the preparation of these consolidated condensed interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation and uncertainty are the same as those that were applied to audited annual consolidated financial statements of the Group for the year ended December 31, 2017.

(Amounts in thousand)

3. Accounting Policies

- 3.1 The accounting policies and the methods of computation adopted in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2017.
- 3.2 There are certain amendments to published International Financial Reporting Standards and interpretations that are mandatory for the financial year beginning on January 1, 2018. 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 these consolidated condensed interim financial statements. Further, third and fourth schedules to the Companies Act, 2017 will be applicable to the Group for the first time in the preparation of annual consolidated financial statements for the year ending December 31, 2018 which have added / amended certain disclosure requirements.
- 3.3 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

4. Property, Plant and Equipment

Operating assets at net book value (note 4.1)
Capital work-in-progress (note 4.2)
Major spare parts and stand-by equipment

	Unaudited September 30, 2018	Audited December 31, 2017
	Rupees	
	63,012,859	65,115,401
	4,669,350	3,396,331
	445,285	411,463
	<u>68,127,494</u>	<u>68,923,195</u>

- 4.1 Additions to and disposals from operating assets during the period are as follows:

	Additions (Unaudited) (at cost)		Disposals (Unaudited) (at net book value)	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	Rupees			
Building on freehold land	29,866	78,349	-	-
Plant and machinery	1,318,239	638,576	-	-
Catalyst	213,900	-	-	-
Office equipment	142,696	68,173	-	112
Vehicles	126,025	38,073	1,393	1,103
	<u>1,830,726</u>	<u>823,171</u>	<u>1,393</u>	<u>1,215</u>

The above disposals represent assets having a cost of Rs. 13,941 (September 30, 2017: Rs. 11,196) which were disposed off for Rs. 8,836 (September 30, 2017: Rs. 5,524).

4.2 Capital work-in-progress

Balance at begning of the period / year
Add: Additions during the period / year

Transferred to:
- operating assets
- intangible assets

Balance at end of the period / year

	Unaudited September 30, 2018	Audited December 31, 2017
	Rupees	
	3,396,331	2,443,486
	3,126,980	3,899,216
	(1,830,726)	(2,895,606)
	(23,235)	(50,765)
	<u>4,669,350</u>	<u>3,396,331</u>

(Amounts in thousand)

5. Short Term Investments

Holding Company

Includes Treasury Bills amounting to Rs: 400,893 (December 31, 2017: Nil), Pakistan Investment Bonds amounting to Rs. Nil (December 31, 2017: Rs. 4,999,436) and other local currency placements with various banks.

Subsidiary Companies

Represents investments in Term Deposits having value of US \$ 10,032 (December 31, 2017: US \$10,231).

6. Borrowings - Secured

	Unaudited September 30, 2018	Audited December 31, 2017
	Rupees	
Long term finance utilized under mark-up arrangements (notes 6.1 and 6.2)	24,708,961	28,672,179
Sukuk certificates (note 6.1)	1,117,187	2,231,699
	<u>25,826,148</u>	<u>30,903,878</u>
Less: Current portion shown under current liabilities	3,338,524	8,119,864
Balance at end of the period / year	<u>22,487,624</u>	<u>22,784,014</u>

- 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.

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.

- 6.2 During the period, the Holding Company fully repaid its long term loans from MCB Bank Limited, Allied Bank Limited, Standard Chartered Bank Limited, Faysal Bank Limited and National Bank of Pakistan amounting to Rs. 3,000,000, Rs. 2,000,000, Rs. 1,000,000, Rs. 500,000 and Rs. 166,667 respectively. Principal repayments of long term loans from Samba Bank Limited, Standard Chartered Bank Limited and local syndicate were also made during this period, amounting to Rs. 100,000, Rs. 200,000 and Rs. 1,120,000 respectively.

A new loan of Rs. 3,000,000 was also availed from MCB Bank Limited during the period.

7. Short Term Borrowings

Holding Company

The facilities for short term running finances, available from various banks, aggregate to Rs. 15,592,000 (December 31, 2017: Rs. 17,250,000). The mark-up rates on these facilities range from 1 to 3 months KIBOR plus 0.2% to 1.5% per annum. These arrangements are secured by floating charge upon all present and future stocks including raw and packaging materials, finished goods, stores and spares and other merchandise and on all present and future book debts, outstanding monies, receivable claims and bills of the Holding Company. As at September 30, 2018, the Holding Company has utilised Rs.1,390,839 (December 31, 2017: Rs. 1,671,732) out of the aforementioned facilities.

(Amounts in thousand)

Subsidiary Companies

The facilities for short term running finances, available from various banks, aggregate to Rs. 10,600,000 (December 31, 2017: Rs. 7,900,000). The mark-up rate on these facilities is 1 month KIBOR plus 0.20% to 0.50% per annum. These arrangements are secured by floating charge upon all present and future stocks including raw and packaging materials, finished goods, stores and spares and other merchandise and on all present and future book debts, outstanding monies, receivable claims and bills of the Holding Company. As at September 30, 2018, the EAPL has utilised Rs. 2,566,262 (December 31, 2017: Rs. 3,592,496) out of the aforementioned facilities.

8. Contingencies and Commitments

Contingencies

- 8.1 Bank guarantees of Rs. 2,812,453 (December 31, 2017: Rs. 2,430,860) have been issued in favour of third parties.
- 8.2 Claims, including pending lawsuits, against the Group not acknowledged as debts amounted to Rs. 58,680 (December 31, 2017: Rs. 58,680).
- 8.3 As at September 30, 2018, there is no material change in the status of matters reported as contingencies in the audited annual consolidated financial statements of the Group for the year ended December 31, 2017.

8.4 Commitments

Commitments in respect of capital expenditure and other operational items

Unaudited September 30, 2018	Audited December 31, 2017
Rupees	
1,907,810	2,626,904

9. Financing Structure / Mode

Conventional mode:

Assets

Short term investments
Cash and bank balances

1,744,454	8,186,275
525,993	1,703,338
2,270,447	9,889,613

Liabilities

Borrowings
Short term borrowings

23,709,445	26,473,438
3,653,544	5,264,228
27,362,989	31,737,666

Shariah compliant mode:

Assets

Short term investments
Cash and bank balances

-	2,000
125,579	92,591
125,579	94,591

Liabilities

Borrowings
Short term borrowings

2,116,703	4,430,440
303,557	-
2,420,260	4,430,440

(Amounts in thousand)

	Unaudited Quarter ended		Unaudited Nine months ended	
	Septemeber 30, 2018	Septemeber 30, 2017	Septemeber 30, 2018	Septemeber 30, 2017
10. Other Income	Rupees			
Income from sales under Government subsidy	-	947,485	1,304,329	4,127,639
On financial assets:				
Income on bank accounts under:				
- arrangements permissible under Shariah	-	6	72	123
- interest / mark-up arrangements	1,691	33	6,551	7,915
Income on treasury bills, term deposit certificates and Pakistan Investment Bonds	84,321	6,348	396,560	26,157
Gain on fair valuation of IFC loan conversion option	-	-	-	3,415
Others	-	1,850	-	2,723
	86,012	8,237	403,183	40,333
On non-financial assets:				
Commission income	-	4,139	-	4,139
Gain on disposal of property, plant and equipment	-	-	7,443	4,309
Rental income	40,558	1,682	40,558	3,784
Gain on disposal of spares / scrap	-	32,438	2,174	54,133
Others	87,329	7,153	110,298	10,395
	127,887	45,412	160,473	76,760
	<u>213,899</u>	<u>1,001,134</u>	<u>1,867,985</u>	<u>4,244,732</u>
			Unaudited September 30, 2018	Unaudited September 30, 2017
			Rupees	
11. Cash Generated from Operations				
Profit before taxation			17,260,489	10,653,905
Adjustment for non-cash charges and other items:				
Depreciation			3,931,874	3,571,303
Amortization - net			17,932	15,968
Gain on disposal of property, plant and equipment			(7,443)	(4,309)
Provision for service benefits			54,493	46,228
Income on deposits / other financial assets			(403,183)	(31,601)
Financial charges			1,419,875	2,003,274
Provision for stock in trade			33,874	-
Provision for surplus and slow moving stores and spares			14,816	4,436
Working capital changes (note 11.1)			(10,606,263)	(1,320,469)
			<u>11,716,464</u>	<u>14,938,735</u>

(Amounts in thousand)

	Unaudited September 30, 2018	Unaudited September 30, 2017
	Rupees	
11.1 Working capital changes		
Decrease / (Increase) in current assets		
- Stores, spares and loose tools	(196,674)	(378,166)
- Stock-in-trade	(11,874,019)	(1,858,659)
- Trade debts	(1,595,491)	(2,064,027)
- Loans, advances, deposits and prepayments	16,772	31,378
- Other receivables - net	412,040	(1,685,643)
	<u>(13,237,372)</u>	<u>(5,955,117)</u>
Increase in trade and other payables	2,631,109	4,634,648
	<u>(10,606,263)</u>	<u>(1,320,469)</u>
12. Cash and Cash Equivalents		
Cash and bank balances	651,572	996,281
Short term investments	1,744,454	91,058
Short term borrowings	(3,957,101)	(1,525,588)
	<u>(1,561,075)</u>	<u>(438,249)</u>
13. Financial Risk Management and Financial Instruments		
13.1 Financial risk factors		
The Group's activities expose it to a variety of financial risks including: market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk.		
There have been no changes in the risk management policies during the period, consequently these consolidated condensed interim financial statements donot include all the financial risk management information and disclosures required in the annual consolidated financial statements.		
13.2 Fair value of financial assets and liabilities		
The carrying value of all financial assets and liabilities reflected in these consolidated condensed interim financial statements approximate their fair value.		

(Amounts in thousand)

14. Transactions with Related Parties

Related parties comprises of Parent Company, associated companies, retirement benefit funds, directors and key management personnel. Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in these consolidated condensed interim financial statements, are as follows:

	Unaudited September 30, 2018	Rupees	Unaudited September 30, 2017
Parent company			
Purchases and services received	306,524		193,640
Services provided	39,133		23,181
Royalty charged to the Company	694,222		536,432
Reimbursements made:			
- to the Company	45,880		51,466
- by the Company	73,895		15,136
Dividend paid by the Company	2,253,936		3,756,560
Use of assets	-		320
Associated companies			
Purchases and services received	78,059		77,152
Sale of product by the Company	-		2,645
Services provided by the Company	98,104		84,315
Reimbursements made:			
- by the Company	42,658		45,221
- to the Company	9,227		17,471
Payment of mark-up on TFCs and repayment of principal amount	306		5,209
Contribution to Engro Foundation under Corporate Social Responsibilities	40,000		40,000
Use of assets	-		1,732
Contribution to staff retirement benefits			
Pension fund	13,844		14,043
Gratuity fund	90,159		71,659
Provident fund	100,163		83,307
Dividend paid to staff retirement benefits			
Pension fund	429		-
Gratuity fund	909		-
Provident fund	1,988		-
Others			
Remuneration of key management personnel	195,684		162,195

(Amounts in thousand)

15. **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.

16. **Corresponding Figures**

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the consolidated condensed interim statement of financial position has been compared with the balances of audited annual consolidated financial statements of preceding financial year, whereas the consolidated condensed interim statement of profit or loss, consolidated condensed interim statement of comprehensive income, consolidated condensed interim statement of changes in equity and consolidated condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

17. **Non-adjusting Event after Statement of Financial Position Date**

The Board of Directors of the Holding Company in their meeting held on October 18, 2018 has approved an interim cash dividend of Rs. 4 per share for the year ending December 31, 2018 amounting to Rs. 5,341,198. These consolidated condensed interim financial statements do not include the effect of the said interim dividend.

18. **Date of Authorisation**

These consolidated condensed interim financial statements were authorised for issue on October 18, 2018 by the Board of Directors of the Holding Company.



Imran Ahmed
Chief Financial Officer



Ruhail Mohammed
Chief Executive



Ghias Khan
Chairman



engro fertilizers

condensed interim financial
statements (unaudited)
for the nine months ended
september 30, 2018

condensed interim statement of financial position as at september 30, 2018

(Amounts in thousand)

	Note	Unaudited September 30, 2018	Audited December 31, 2017
		Rupees	
ASSETS			
Non-current assets			
Property, plant and equipment	4	68,127,494	68,923,195
Intangible assets		4,478,735	4,475,474
Investment in subsidiaries		560,416	560,416
Long term loans and advances		161,701	134,535
		<u>73,328,346</u>	<u>74,093,620</u>
Current assets			
Stores, spares and loose tools		5,461,652	5,279,794
Stock-in-trade		3,085,428	3,528,439
Trade debts		3,491,287	3,484,501
Working capital loan to subsidiary	5	19,000,000	2,000,000
Loans, advances, deposits and prepayments		432,531	701,392
Other receivables		7,582,837	8,506,327
Short term investments	6	754,154	7,083,347
Cash and bank balances		572,155	1,655,406
		<u>40,380,044</u>	<u>32,239,206</u>
TOTAL ASSETS		<u><u>113,708,390</u></u>	<u><u>106,332,826</u></u>

(Amounts in thousand)

	Note	Unaudited September 30, 2018	Audited December 31, 2017
Rupees			
EQUITY & LIABILITIES			
Equity			
Share capital		13,352,993	13,352,993
Share premium		3,384,904	3,384,904
Reserve on amalgamation		(304,027)	(304,027)
Remeasurement of post employment benefits		(47,669)	(47,669)
Unappropriated profit		27,815,082	24,626,571
		30,848,290	27,659,779
TOTAL EQUITY		44,201,283	41,012,772
Liabilities			
Non-current liabilities			
Borrowings	7	22,487,624	22,784,014
Deferred liabilities		7,585,608	9,453,556
Service benefits obligations		173,321	173,811
		30,246,553	32,411,381
Current liabilities			
Trade and other payables		30,381,597	21,585,098
Accrued interest / mark-up		355,300	543,569
Taxes payable		3,686,467	913,246
Current portion of:			
- borrowings	7	3,338,524	8,119,864
- service benefits obligations		54,575	50,271
Short term borrowings	8	1,390,839	1,671,732
Unclaimed dividend		53,252	24,893
		39,260,554	32,908,673
TOTAL LIABILITIES		69,507,107	65,320,054
Contingencies and Commitments	9		
TOTAL EQUITY & LIABILITIES		113,708,390	106,332,826

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



Imran Ahmed
Chief Financial Officer



Ruhail Mohammed
Chief Executive



Ghias Khan
Chairman

condensed interim statement of profit or loss (unaudited) for the nine months ended september 30, 2018

(Amounts in thousand except for earnings per share)

Note	Quarter ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	Rupees			
Net sales	17,139,278	20,421,060	47,280,766	47,732,079
Cost of sales	(9,012,517)	(14,511,590)	(27,202,993)	(33,114,881)
Gross profit	8,126,761	5,909,470	20,077,773	14,617,198
Selling and distribution expenses	(1,577,719)	(1,748,036)	(4,340,270)	(4,900,979)
Administrative expenses	(289,394)	(298,343)	(779,734)	(739,746)
	6,259,648	3,863,091	14,957,769	8,976,473
Other income	11 1,932,824	988,761	3,909,114	4,263,467
Other operating expenses	(452,526)	(248,254)	(1,025,180)	(869,864)
Finance cost	(473,321)	(677,890)	(1,349,882)	(1,977,945)
	(925,847)	(926,144)	(2,375,062)	(2,847,809)
Profit before taxation	7,266,625	3,925,708	16,491,821	10,392,131
Taxation	(1,252,526)	(1,331,898)	(3,956,214)	(3,696,274)
Profit for the period	6,014,099	2,593,810	12,535,607	6,695,857
Earnings per share - basic and diluted	4.50	1.94	9.39	5.01

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



Imran Ahmed
Chief Financial Officer



Ruhail Mohammed
Chief Executive



Ghias Khan
Chairman

condensed interim statement of comprehensive income (unaudited) for the nine months ended september 30, 2018

(Amounts in thousand)

	Quarter ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	Rupees			
Profit for the period	6,014,099	2,593,810	12,535,607	6,695,857
Other comprehensive income:				
Items potentially re-classifiable to Profit or loss				
Hedging reserve - cash flow hedges				
Losses arising during the period	-	-	-	(10,886)
Less: Adjustment for amounts transferred to profit or loss	-	-	-	10,886
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period	6,014,099	2,593,810	12,535,607	6,695,857

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



Imran Ahmed
Chief Financial Officer



Ruhail Mohammed
Chief Executive



Ghias Khan
Chairman

condensed interim statement of changes in equity (unaudited) for the nine months ended september 30, 2018

(Amounts in thousand)

	RESERVE					Total
	CAPITAL		REVENUE			
	Share capital	Share premium	Reserve on amalgamation	Remeasurement of post employment benefits	Unappropriated profit	
	Rupees					
Balance as at January 1, 2018 (Audited)	13,352,993	3,384,904	(304,027)	(47,669)	24,626,571	41,012,772
Transaction with owners						
Dividend Paid:						
- Final 2017: Rs.3 per share	-	-	-	-	(4,005,898)	(4,005,898)
- 1st interim 2018: Rs.4 per share	-	-	-	-	(5,341,198)	(5,341,198)
	-	-	-	-	(9,347,096)	(9,347,096)
Total comprehensive income for the nine months ended September 30, 2018						
Profit for the period	-	-	-	-	12,535,607	12,535,607
Balance as at September 30, 2018 (Unaudited)	<u>13,352,993</u>	<u>3,384,904</u>	<u>(304,027)</u>	<u>(47,669)</u>	<u>27,815,082</u>	<u>44,201,283</u>
Balance as at January 1, 2017 (Audited)	13,309,323	3,132,181	(304,027)	(27,000)	25,172,422	41,282,899
Transaction with owners						
Shares issued at exercise of conversion option	43,670	252,723	-	-	-	296,393
Dividend Paid:						
- Final 2016: Rs.2.5 per share	-	-	-	-	(3,338,251)	(3,338,251)
- 1st interim 2017: Rs.2.5 per share	-	-	-	-	(3,338,251)	(3,338,251)
	-	-	-	-	(6,676,502)	(6,676,502)
Total comprehensive income for the nine months ended September 30, 2017						
Profit for the period	-	-	-	-	6,695,857	6,695,857
Balance as at September 30, 2017 (Unaudited)	<u>13,352,993</u>	<u>3,384,904</u>	<u>(304,027)</u>	<u>(27,000)</u>	<u>25,191,777</u>	<u>41,598,647</u>

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



Imran Ahmed
Chief Financial Officer



Ruhail Mohammed
Chief Executive



Ghias Khan
Chairman

condensed interim statement of cash flows (unaudited) for the nine months ended september 30, 2018

(Amounts in thousand)

	Note	Nine months ended	
		September 30, 2018	September 30, 2017
		Rupees	
Cash flows from operating activities			
Cash generated from operations	12	26,322,079	14,951,960
Retirement and other service benefits paid		(48,862)	(46,255)
Taxes paid		(3,048,899)	(2,244,525)
Finance cost paid		(1,529,214)	(2,192,501)
Long term loans and advances - net		(27,166)	(13,164)
Net cash generated from operating activities		21,667,938	10,455,515
Cash flows from investing activities			
Purchases of property, plant and equipment and intangibles		(3,160,802)	(2,275,242)
Investment in EFert Agritrade (Private) Limited		-	(100)
Proceeds from disposal of property, plant and equipment		8,837	5,524
Working capital loan to subsidiary - net		(17,000,000)	-
Income on deposits / other financial assets		416,682	7,105
Net cash utilised in investing activities		(19,735,283)	(2,262,712)
Cash flows from financing activities			
Proceeds from borrowings - net		3,000,000	1,500,000
Dividends paid		(3,977,539)	(3,338,251)
Repayments of short term borrowings		-	(800,000)
Repayments of long term borrowings		(8,086,667)	(4,898,772)
Net cash utilised in financing activities		(9,064,206)	(7,537,023)
Net (decrease) / increase in cash and cash equivalents		(7,131,551)	655,780
Cash and cash equivalents at beginning of the period		7,067,021	(938,641)
Cash and cash equivalents at end of the period	13	(64,530)	(282,861)

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



Imran Ahmed
Chief Financial Officer



Ruhail Mohammed
Chief Executive



Ghias Khan
Chairman

notes to the condensed interim financial statements (unaudited) for the nine months ended september 30, 2018

(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 repealed Companies Ordinance, 1984 (the Ordinance), [now the Companies Act, 2017] 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 Company is listed on Pakistan Stock Exchange. 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.

2. Basis for Preparation

2.1 These condensed interim financial statements 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 34, 'Interim Financial Reporting' (IAS 34), 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, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 The preparation of these condensed interim financial statements in conformity with the approved accounting standards 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 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 these condensed interim financial statements, the significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty are the same as those that were applied to financial statements of the Company for the year ended December 31, 2017.

3. Accounting Policies

3.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the Company for the year ended December 31, 2017.

3.2 There are certain amendments to published International Financial Reporting Standards and interpretations that are mandatory for the financial year beginning on January 1, 2018. 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 these condensed interim financial statements. Further, third and fourth schedules to the Companies Act, 2017 will be applicable to the Company for the first time in the preparation of annual financial statements for the year ending December 31, 2018 which have added / amended certain disclosure requirements.

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

(Amounts in thousand)

4. Property, Plant and Equipment

Operating assets at net book value (note 4.1)
Capital work-in-progress (note 4.2)
Major spare parts and stand-by equipment

	Unaudited September 30, 2018	Audited December 31, 2017
	Rupees	
	63,012,859	65,115,401
	4,669,350	3,396,331
	445,285	411,463
	<u>68,127,494</u>	<u>68,923,195</u>

4.1 Additions to and disposals from operating assets during the period are as follows:

	Additions (Unaudited) (at cost)		Disposals (Unaudited) (at net book value)	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	Rupees			
Building on freehold land	29,866	78,349	-	-
Plant and machinery	1,318,239	638,576	-	-
Catalyst	213,900	-	-	-
Office equipment	142,696	68,173	-	112
Vehicles	126,025	38,073	1,393	1,103
	<u>1,830,726</u>	<u>823,171</u>	<u>1,393</u>	<u>1,215</u>

The above disposals represent assets having a cost of Rs. 13,941 (September 30, 2017: Rs. 11,196) which were disposed off for Rs. 8,836 (September 30, 2017: Rs. 5,524).

4.2 Capital work-in-progress

Balance at beginning of the period / year
Add: Additions during the period / year

Transferred to:
- Operating assets
- Intangible assets

Balance at end of the period / year

	Unaudited September 30, 2018	Audited December 31, 2017
	Rupees	
	3,396,331	2,443,486
	3,126,980	3,899,216
	(1,830,726)	(2,895,606)
	(23,235)	(50,765)
	<u>4,669,350</u>	<u>3,396,331</u>

5. Working Capital Loan to Subsidiary

During the period, the working capital loan facility limit given to EFERT Agritrade (Private) Limited (EAPL) has been extended upto Rs. 19,000,000 from Rs. 10,000,000. The mark up on this facility is receivable at the rate of 1 month KIBOR + 0.5% on quarterly basis. The total facility availed by EAPL as at the period end amounts to Rs. 19,000,000 (December 31, 2017: Rs. 2,000,000).

(Amounts in thousand)

6. Short Term Investments

Includes Treasury Bills amounting to Rs: 400,893 (December 31, 2017: Nil), Pakistan Investment Bonds amounting to Rs. Nil (December 31, 2017: Rs. 4,999,436) and other local currency placements with various banks.

7. Borrowings - Secured

Long term finance utilized under mark-up arrangements (notes 7.1 and 7.2)

Sukuk Certificates (note 7.1)

Less: Current portion shown under current liabilities

Balance at end of the period / year

	Unaudited September 30, 2018	Audited December 31, 2017
	Rupees	
	24,708,961	28,672,179
	1,117,187	2,231,699
	<u>25,826,148</u>	<u>30,903,878</u>
	3,338,524	8,119,864
	<u>22,487,624</u>	<u>22,784,014</u>

7.1 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.

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.

7.2 During the period, the Company fully repaid its long term loans from MCB Bank Limited, Allied Bank Limited, Standard Chartered Bank Limited, Faysal Bank Limited and National Bank of Pakistan amounting to Rs. 3,000,000, Rs. 2,000,000, Rs. 1,000,000, Rs. 500,000 and Rs. 166,667 respectively. Principal repayments of long term loans from Samba Bank Limited, Standard Chartered Bank Limited and local syndicate were also made during this period, amounting to Rs. 100,000, Rs. 200,000 and Rs. 1,120,000 respectively.

A new loan of Rs. 3,000,000 was also availed from MCB Bank Limited during the period.

8. Short Term Borrowings

The facilities for short term running finances, available from various banks, aggregate to Rs. 15,592,000 (December 31, 2017: Rs. 17,250,000). The mark-up rates on these facilities range from 1 to 3 months KIBOR plus 0.2% to 1.5% per annum. These arrangements are secured by floating charge upon all present and future stocks including raw and packaging materials, finished goods, stores and spares and other merchandise and on all present and future book debts, outstanding monies, receivable claims and bills of the Company. As at September 30, 2018, the Company has utilised Rs.1,390,839 (December 31, 2017: Rs. 1,671,732) out of the aforementioned facilities.

(Amounts in thousand)

9. Contingencies and Commitments

Contingencies

- 9.1 Bank guarantees of Rs. 2,512,453 (December 31, 2017: Rs. 2,280,860) have been issued in favour of third parties.
- 9.2 Claims, including pending lawsuits, against the Company not acknowledged as debts amounted to Rs. 58,680 (December 31, 2017: Rs. 58,680).
- 9.3 As at September 30, 2018, there is no material change in the status of matters reported as contingencies in the financial statements of the Company for the year ended December 31, 2017.

9.4 Commitments

Commitments in respect of capital expenditure and other operational items

	Unaudited September 30, 2018	Audited December 31, 2017
	Rupees	
	1,885,525	2,366,269

10. Financing Structure / Mode

Conventional mode:

Assets

Short term investments
Cash and bank balances
Working capital loan to subsidiary

754,154	7,081,347
446,576	1,562,815
19,000,000	2,000,000
<u>20,200,730</u>	<u>10,644,162</u>

Liabilities

Borrowings
Short term borrowings

23,709,445	26,473,438
1,087,282	1,671,732
<u>24,796,727</u>	<u>28,145,170</u>

Shariah compliant mode:

Assets

Short term investments
Cash and bank balances

-	2,000
125,579	92,591
<u>125,579</u>	<u>94,591</u>

Liabilities

Borrowings
Short term borrowings

2,116,703	4,430,440
303,557	-
<u>2,420,260</u>	<u>4,430,440</u>

(Amounts in thousand)

	Unaudited Quarter ended		Unaudited Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
11. Other Income				
Income from sales under Government subsidy	-	947,485	1,304,329	4,127,639
On financial assets:				
Income on bank accounts under:				
- arrangements permissible under Shariah	-	6	71	123
- interest / mark-up arrangements	1,691	-	6,551	7,915
Income on subordinated loan to subsidiary	255,094	-	369,257	-
Income on treasury bills, term deposit certificates and Pakistan Investment Bonds	74,878	-	371,316	-
Gain on fair valuation of IFC loan conversion option	-	-	-	3,415
Dividend income	1,405,000	-	1,474,088	52,384
Others	-	-	-	874
	1,736,663	6	2,221,283	64,710
On non-financial assets:				
Commission income	155,468	-	310,223	-
Gain on disposal of property, plant and equipment	-	-	7,443	4,309
Rental income	40,557	1,682	40,557	3,784
Gain on disposal of spares / scrap	-	32,438	2,174	54,133
Others	136	7,150	23,105	8,892
	196,161	41,270	383,502	71,118
	1,932,824	988,761	3,909,114	4,263,467
12. Cash Generated from Operations				
Profit before taxation			16,491,821	10,392,131
Adjustment for non-cash charges and other items:				
Depreciation			3,931,875	3,571,304
Amortization - net			17,931	15,968
Gain on disposal of property, plant and equipment			(7,443)	(4,309)
Provision for service benefits			52,676	46,065
Income on deposits / other financial assets			(377,938)	(7,809)
Financial charges			1,349,882	1,977,945
Provision for stock in trade			33,874	-
Provision for surplus and slow moving stores and spares			14,816	4,436
Working capital changes (note 12.1)			4,814,585	(1,043,771)
			26,322,079	14,951,960

(Amounts in thousand)

	Unaudited September 30, 2018	Unaudited September 30, 2017
	Rupees	
12.1 Working capital changes		
Decrease / (Increase) in current assets		
- Stores, spares and loose tools	(196,674)	(378,166)
- Stock-in-trade	409,137	828,770
- Trade debts	(6,786)	(1,806,594)
- Loans, advances, deposits and prepayments	268,861	109,400
- Other receivables - net	884,746	(1,742,348)
	<u>1,359,284</u>	<u>(2,988,938)</u>
Increase in trade and other payables	3,455,301	1,945,167
	<u>4,814,585</u>	<u>(1,043,771)</u>

13. Cash and Cash Equivalents

Cash and bank balances	572,155	907,172
Short term investments	754,154	90,958
Short term borrowings	(1,390,839)	(1,280,991)
	<u>(64,530)</u>	<u>(282,861)</u>

14. Financial Risk Management and Financial Instruments

14.1 Financial risk factors

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

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

14.2 Fair value of financial assets and liabilities

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

(Amounts in thousand)

15. Transactions with Related Parties

Related parties comprise of Parent Company, associated companies, retirement benefit funds, directors and key management personnel. Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in these condensed interim financial statements, are as follows:

	Unaudited September 30, 2018	Rupees	Unaudited September 30, 2017
Parent company			
Purchases and services received	306,524		193,640
Services provided	39,133		23,181
Royalty charged to the Company	694,222		536,432
Reimbursements made:			
- to the Company	45,880		51,466
- by the Company	70,176		15,136
Dividend paid by the Company	2,253,936		3,756,560
Use of assets	-		320
Subsidiary companies			
Purchase of product for subsidiary	-		9,125,835
Purchases and services received	40,349		-
Reimbursements made:			
- by the Company	57,026		59,484
- to the Company	28,833		4,143
Dividend received by the Company	1,474,088		52,420
Payment of funds collected against sales made on behalf of subsidiary	21,438,651		1,481,922
Disbursements of working capital loan to subsidiary	26,711,700		-
Repayment received against working capital loan disbursed to subsidiary	9,711,700		-
Mark-up on working capital loan disbursed to subsidiary	369,257		-
Commission income earned from subsidiary	310,223		-
Associated companies			
Purchases and services received	78,059		77,152
Sale of product by the Company	-		2,645
Services provided by the Company	98,104		84,315
Reimbursements made:			
- by the Company	42,658		45,221
- to the Company	9,227		11,167
Payment of mark-up on TFCs and repayment of principal amount by the Company	306		5,209
Contribution to Engro Foundation under Corporate Social Responsibilities	40,000		40,000
Use of assets	-		1,732
Contribution to staff retirement benefits			
Pension fund	13,844		14,043
Gratuity fund	89,285		71,659
Provident fund	99,114		83,307

(Amounts in thousand)

	Unaudited September 30, 2018	Rupees	Unaudited September 30, 2017
Dividend Paid to staff retirement benefits			
Pension fund	429		-
Gratuity fund	909		-
Provident fund	1,988		-
Others			
Remuneration of key management personnel	181,341		161,165

16. 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.

17. Corresponding Figures

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim statement of financial position has been compared with the balances of annual financial statements of preceding financial year, whereas the condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

18. Non-adjusting Event after Statement of Financial Position Date

The Board of Directors in its meeting held on October 18, 2018 has approved an interim cash dividend of Rs. 4 per share for the year ending December 31, 2018 amounting to Rs. 5,341,198. These condensed interim financial statements do not include the effect of the said interim dividend.

19. Date of Authorisation

These condensed interim financial statements were authorised for issue on October 18, 2018 by the Board of Directors of the Company.



Imran Ahmed
Chief Financial Officer



Ruhail Mohammed
Chief Executive



Ghias Khan
Chairman

کمپنی کی مخلوط (بلینڈڈ) کھاد (زرخیز، اینگریو NP اور دیگر خفیف غذائی اجزاء) کی سیلز، 2017 کے 9 ماہ کی 103 کئی کے مقابلے میں 4.1 فیصد کے اضافے سے 145 کئی ہو گئیں۔ کمپنی کا پوناش کا مارکیٹ شیئر گزشتہ سال کے 42 فیصد کے مقابلے میں 44 فیصد تھا، جس کی وجہ اس سال بہتر پوناش کی دستیابی اور غیر روایتی فصلوں پر پوناش کا استعمال تھا۔

کمپنی، پاکستان میں زراعت کے شعبے میں اپنی مستحکم حیثیت سے بھرپور استفادہ کرتے ہوئے اپنے اسٹیک ہولڈرز کے لیے فائدوں اور سہولتوں کی تخلیق کے لیے نئے مواقع تلاش کرنے میں مسلسل مصروف عمل ہے۔ کمپنی، کراپ سائنسز کے کاروبار میں اپنے حلقہ اثر میں مسلسل اضافہ کر رہی ہے اور کسانوں کی پیداواری صلاحیت کو بہتر بنانے کے لیے مقامی زراعت کے شعبے میں دیگر کاروباری مواقع کا تجزیہ کر رہی ہے۔ اینگریو فریٹلائزرز کے کراپ سائنسز ڈویژن نے 2018 میں اب تک 371 ملین روپے کی آمدنی حاصل کر لی ہے۔

مجموعی منافع، گزشتہ سال 9 ماہ کے 14,933 ملین روپے کے مقابلے میں اسی مدت کے دوران 60 فیصد کے اضافے سے 2018 کے 9 ماہ میں 23,896 ملین روپے ریکارڈ کیا گیا۔ خالص منافع، 2018 کے 9 ماہ میں 12,536 ملین روپے رہا جو کہ گزشتہ سال 6,696 ملین روپے تھا، جس کے نتیجے میں کمپنی کا فی حصص منافع 2017 کے 9 ماہ میں 5.01 روپے فی حصص سے بڑھ کر 9.39 روپے فی حصص رہا۔ کمپنی کا مجتمع منافع، گزشتہ سال کی اسی مدت کے دوران 6,924 ملین روپے کے مقابلے میں 12,249 ملین روپے رہا، جس کے نتیجے میں فی حصص منافع، گزشتہ سال کے 5.19 روپے سے بڑھ کر 9.17 روپے ہو گیا۔

بلنڈڈ منافع کی وجہ یوریا اور DAP کی پہلے سے زیادہ مجموعی فروخت، تخفیف شدہ انویٹری لیولز کی پشت پر اضافہ شدہ مقامی قیمتیں اور ٹیکس کی شرح کو مختلف مراحل میں 30 فیصد سے کم کر کے 25 فیصد کرنے کے بجٹ اعلا سے باعث ہے۔ مالیاتی لاگت، بہتر عملی سرمائے کے نتیجے میں (گزشتہ سال کے 2,003 ملین روپے کے مقابلے میں) 1,420 ملین روپے کی کم تر سطح پر رہی۔


یورڈ، برائے اختتام سال 30 ستمبر، 2018 کے لیے 4 روپے فی شیئر کے عبوری کیش ڈیویڈنڈ کی خوشی تجویز پیش کرتا ہے۔ یہ پہلے سے اعلان اور ادا کردہ 4 روپے فی شیئر کے عبوری ڈیویڈنڈ کے علاوہ ہے۔

انڈسٹری سے ہم آہنگ رہتے ہوئے، اینگریو فریٹلائزرز نے اکتوبر 2016 میں ہائی کورٹ کے عبوری حکم نامے کے مطابق تمام غیر رعایتی گیسز پر GIDC کی ادائیگی کو روکا ہوا ہے۔ کمپنی نے رعایتی گیس پر GIDC کے اطلاق کے خلاف 2015 میں حکم التوا بھی حاصل کیا ہے، لہذا یوریا کے نئے پلانٹ کو فراہم کردہ رعایتی گیس کے ضمن میں کوئی GIDC ادائیگی نہیں کیا جا رہا، اور نہ ہی واجب الادا ہے۔ رعایتی گیس پر GIDC کا اطلاق فریٹلائزر پالیسی 2001 اور ہمارے گیس کی فراہمی کے معاہدوں کی براہ راست مخالفت ہے، جس کی بنیاد پر ہم نے اپنی کھاد کی پیداواری گنجائش کو بڑھانے کے لیے 1.1 ملین امریکی ڈالر کی سرمایہ کاری کی ہے۔

آگلی میعاد کا منظر نامہ

IRSA نے آئندہ رینج کے لیے 23.1 MAF (38 فیصد چھوٹے بہ موازنہ متوسط نظام کے استعمال اور گزشتہ سال کے مقابلے میں 4 فیصد کم) پانی کی دستیابی کے لیے تخمینہ بندی کی ہے۔ اس کے ساتھ ساتھ کھاد کی قیمتوں میں اضافے سے آئندہ کھاد کی طلب پر منفی اثرات مرتب ہونے کی توقع ہے۔ لیکن حالیہ طلب و رسد محرمات کے پیش نظر اس سال کسی نمایاں تبدیلی کی امید نہیں ہے۔ DAP کی بین الاقوامی قیمتوں کو موجودہ سطحوں کے درمیان ہی گردش میں رہنے کی توقع ہے۔

۱۰۔۶۔۱۰
روحیل محمد
چیف ایگزیکٹو آفیسر


غیاث خان
چیرمین

اینگرفریٹلائزر لمیٹڈ

ڈائریکٹرز رپورٹ برائے شیئر ہولڈرز

برائے اختتام مدت 30 ستمبر، 2018

ڈائریکٹرز رپورٹ

ہم انتہائی مسرت کے ساتھ، اینگرفریٹلائزر لمیٹڈ کے بورڈ آف ڈائریکٹرز کی طرف سے، غیر آڈٹ شدہ مالیاتی اکاؤنٹس برائے اختتام مدت 30 ستمبر، 2018 پیش کر رہے ہیں۔

پاکستان کی فریٹلائزر مارکیٹ

سال 2018 کے ابتدائی 9 ماہ میں مقامی یوریا کی طلب متحکم رہی، جس کے نتیجے میں یوریا کی مجموعی فروخت، گزشتہ سال کی اسی مدت میں 4,088 کے ٹی کے مقابلے میں 1 فیصد سے بڑھ کر 4,132 کے ٹی ہو گئی۔ انڈسٹری نے ECC کی جانب سے 2017 کے بعد سے مختص کردہ 635 کے ٹی کے مجموعی برآمدی کوٹے کو استعمال کرتے ہوئے پہلی سہ ماہی کے دوران 75 کے ٹی کی برآمدات کیں۔

خریداریوں کے برعکس، سال 2018 کے ابتدائی 9 ماہ کے دوران یوریا کی پیداوار، گزشتہ سال کی اسی مدت کے دوران 4,321 کے ٹی کے مقابلے میں 5 فیصد کمی کے ساتھ 4,096 کے ٹی ہو گئی۔ کم پیداوار کی وجہ، محدود گیس کی دستیابی اور منافعوں کی ناموافق حد کے باعث LNG کے ذریعے چلنے والے یوریا پائپس کا بند ہو جانا تھا۔ فروخت میں اضافے، کم پیداوار اور نمایاں برآمدات کی بدولت، انڈسٹری انٹرنیٹی پچھلے سال کے نومبر کے اختتام پر 787 کے ٹی کے مقابلے میں اس مرتبہ صرف 130 کے ٹی رہ گئی ہے۔

یوریا کی قلت کے مسئلے سے بچنے کے لیے حکومت نے 2018 کی چوتھی سہ ماہی میں 100 کے ٹی یوریا درآمد کرنے کی اجازت دے دی ہے اور ستمبر 2018 سے آغاز کرتے ہوئے 4 ماہ کے لیے ایگری ٹیک اور فاسٹ فریٹلائزر کے لیے سبسڈی شدہ LNG کو مختص کر دیا ہے۔ اس سے ریجن کے موسم میں اضافی 300 کے ٹی یوریا کی فراہمی متوقع ہے۔

اس میعاد کے دوران، OGRA نے 27 ستمبر، 2018 سے فریٹلائزر انڈسٹری کے لیے گیس کی قیمتوں میں تقریباً 40 فیصد اضافہ کر دیا۔ جس کے نتیجے میں یوریا کی قیمت 1,610 فی بیگ سے بڑھ کر، اکتوبر میں 1,740 فی بیگ ہو گئی ہے۔

یوریا کی قیمت فروخت پر سبسڈی ختم ہونے کے باوجود مقامی انڈسٹری کو سابقہ سبسڈی کی وصولیائی اور اس کی تقسیم کے لیے طویل دورانیے کی شکل میں تاحال مسائل کا سامنا ہے۔ ایک انڈسٹری کی حیثیت سے، ہم سبسڈی کے تقسیمی طریقے کا بہتر خطوط پر استوار کرنے اور واجب الادا قومی ادائیگی کے لیے حکومت کے ساتھ مستقل رابطے میں ہیں۔

بین الاقوامی محاذ پر، بھارت کی جانب سے یوریا کے ٹینڈرز جاری کرنے اور ایران کو مکمل برآمد کنندہ کی فہرست سے نکلنے کے بعد، یوریا کی قیمتیں 2018 کی دوسری سہ ماہی میں 263 امریکی ڈالرنی ٹن سے بڑھ کر 365 امریکی ڈالرنی ٹن (2,600 روپے فی بیگ کے مساوی) پر پہنچ گئیں۔

بین الاقوامی یوریا مارکیٹ میں نمایاں اضافے کے باوجود فریٹلائزر انڈسٹری کسانوں کو مسلسل فوائد مہیا کر رہی ہے جو کہ رواں سال کے دوران فیڈ گیس نرخ کی فرق کے علاوہ 20 بلین روپے تک جا پہنچے ہیں۔

مقامی مارکیٹ میں DAP کی طلب گزشتہ سال کے مقابلے میں 3 فیصد سے کم ہو گئی، جبکہ فروخت 2017 کے 9 ماہ کے 1,279 کے ٹی کے مقابلے میں کم ہو کر 1,236 کے ٹی رہ گئیں۔ 2018 کے 9 ماہ میں کم تر انڈسٹری سیکڑ کی وجہ، 2017 کی چوتھی سہ ماہی میں مقامی قیمتوں میں متوقع اضافوں کی بدولت گزشتہ سال انتہائی زیادہ سیکڑ کا ہونا تھا۔ بین الاقوامی محاذ پر، DAP کی قیمتیں 433 امریکی ڈالرنی ٹن سے 435 امریکی ڈالرنی ٹن کی حد میں رہنے کا امکان ہے، کیونکہ چوتھی سہ ماہی کے لیے زیادہ تر بھارتی طلب پہلے ہی خریدی جا چکی ہے۔

کمپنی کی عملی کارکردگی

کمپنی کی جانب سے یوریا کی پیداوار 2018 کے 9 ماہ میں 1,428 کے ٹی رہی جو کہ گزشتہ سال اسی مدت کے دوران 1,400 کے ٹی تھی۔ زبرد جائزہ سال کے دوران سیکڑ، 2017 کے 9 ماہ میں 1,231 کے ٹی کے مقابلے میں 22 فیصد کے شاندار اضافے کے ساتھ 1,496 کے ٹی ہو گئیں جسے مذکورہ مدت کے دوران 12 کے ٹی کی برآمدی سیکڑ نے مزید تقویت بخشی۔ مجموعی طور پر، کمپنی کی یوریا کی مقامی مارکیٹ کا حصہ گزشتہ سال کے 30 فیصد کے مقابلے میں 36 فیصد رہا۔

2018 کے ابتدائی 9 ماہ کے دوران DAP کی سیکڑ گزشتہ سال کے 234 کے ٹی کے مقابلے میں 327 کے ٹی رہیں، جس کے نتیجے میں کمپنی کا مقامی مارکیٹ کا حصہ 18 فیصد سے بڑھ کر 27 فیصد ہو گیا۔ سیکڑ میں اضافے کی وجہ پراڈکٹ کی بہتر دستیابی تھی۔



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