



engro polymer & chemicals

**FINANCIAL STATEMENTS FOR THE
PERIOD ENDED SEPTEMBER 30, 2020**

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COMPANY INFORMATION

Chairman	Mr. Ghiasuddin Khan
Chief Executive Officer	Mr. Jahangir Piracha
Directors	Mr. Eram Hasan Mr. Feroz Rizvi Mr. Noriyuki Koga Mr. Nadir Salar Quershi Mr. Nazoor Ali Baig Mr. Rizwan Masood Raja
Board Audit Committee	Mr. Feroz Rizvi Mr. Noriyuki Koga Mr. Nazoor Ali Baig Mr. Eram Hasan
Chief Financial Officer	Mr. Syed Abbas Raza
Company Secretary	Mr. Khawaja Haider Abbas
Corporate Audit Manager	Mr. Kalimuddin A. Khan
Bankers / Lenders	Allied Bank Ltd Askari Bank Ltd Al Baraka Bank (Pakistan) Limited Bank Alfalah Ltd Bank Al Habib Ltd Bank of China Bank Islami Pakistan Ltd Citi NA Dubai Islamic Bank Pakistan Ltd Faysal Bank Ltd Habib Bank Ltd Habib Metropolitan Bank Ltd Industrial & Commercial Bank of China Ltd JS Bank Ltd MCB Bank Ltd MCB Islamic Bank Ltd Meezan Bank Ltd National Bank of Pakistan Standard Chartered Bank Ltd Summit Bank Ltd Samba Bank Ltd The Bank of Punjab United Bank Ltd
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
Registered Office	12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban-e-Iqbal. Karach
Plant	EZ/1/P-11-1, Eastern Zone, Bin Qasim, Karachi
Regional Sales Office	Office No. 601, 6th Floor, Haly Tower, Lalick Chowk, DHA, Lahore UAN: 111 211 211
Share Registrar	FAMCO Associates (Private) Limited 8-F, Next to Hotel Faran, Nursery, Block 6, P.E.C.H.S. Shahra-e-Faisal, Karachi-74000 Tel: +92(21) 34380101-5 lines
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ENGRO POLYMER & CHEMICALS LIMITED

DIRECTOR'S REVIEW TO THE SHAREHOLDERS

ON UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

On behalf of the Board of Directors of Engro Polymer & Chemicals Limited, we would like to present the unaudited Financial Information of the Company for the nine months ended September 30, 2020

Business Review

The Asian PVC market has shown a strong recovery during Q3' 2020 owing to an increase in demand in the region post easing of lockdown. International PVC prices continued its upward trajectory from Q2'2020 levels due to improving demand and tightening global supply, as few major players declared force majeure in the aftermath of hurricane Laura in US. On the other hand, ethylene prices remained stable for most of the quarter, however, an upward shift was seen towards the end of Q3'2020. The shift was mainly attributable to turnaround at major Asian producer and increasing demand ahead of national holidays in China.

Domestic PVC market recorded a healthy volumetric increase of 29% quarter on quarter basis in Q3'2020. The main drivers of the demand were national relaxation in lockdown which led to resumption of business activities in various sectors, construction package announced by the Government and CNIC relaxation on unregistered buying / selling by FBR. Caustic domestic market also followed the similar trend as that of PVC. Overall operating rates of caustic downstream segment increased significantly from 54% in Q2 to 86% in Q3. Impetus to the operating rates was provided by the textile sector on back of inflow of healthy export orders.

On the operational front, PVC production reached its highest level for the ongoing year during Q3' 2020 as the operating days normalized after turn around, gas leakage incident and easing of COVID-19 lockdown restrictions.

The Company remained committed to expansion and efficiency projects as per the plan, despite various challenges caused by COVID -19 pandemic. Latest updates on the projects are as follows;

- PVC III expansion and VCM debottlenecking remained on track during the quarter and is forecasted to be completed by Q'1 2021;
- Work on Hydrogen Peroxide is likely to resumed in Q4' 2020 and the project is expected to achieve COD in Q4' 2022;
- LABSA project is currently on hold and the timelines are being reviewed;
- Work on other efficiency projects including OVR and HTDC is underway and they are expected to come online in 2021 and 2022, respectively.

During the Q3' 2020, the Company concluded Pre IPO disbursements for preference shares amounting to Rs. 2,600 million and LTFF disbursement amounting to Rs. 1,950 million. The administrative formalities of both transactions is expected to be completed in Q4' 2020.

The Company recorded an increase in revenue of Rs. 823 million as compared to Q3' 2019. The topline increase is also reflected in a positive PAT variation of 48% as compared to same period last year. High PVC international prices and significant devaluation of PKR in comparison with same period last year, were the main the reason for healthy growth.

During 9M' 2020, the Company recorded a revenue of Rs. 22,932 million as compared to Rs. 27,834 million in the same period last year. The Company posted a Profit After Tax of Rs. 2,103 million translating into Earnings Per Share (EPS) of Rs. 2.31 compared to PAT of Rs. 2,814 million translating into EPS of Rs. 3.10 for the same period last year. Decline in demand due to lockdown restrictions and

suspension of plant operations on account of COVID-19, prolonged turnaround and gas leakage incident were the major contributors towards the decline in revenue and profitability of the Company as compared to same period last year.

Outlook

Going forward, as the current supply tightness eases out on account of turnarounds completion and recovery from hurricane Laura, we expect PVC prices to decline towards the end of the year. Domestic market for PVC is expected to remain strong on account of various public and private construction projects and post monsoon demand. Caustic market segments are expected to record further increase in their operating rates as more textile orders will be shifted to Pakistan on account of US-China trade war and lockdown restrictions in India & Bangladesh.

However, commodities market, both domestic and global, will be impacted by uncertainties caused due to anticipation of second wave of pandemic and vaccine development.



Jahangir Paracha
Chief Executive Officer



Feroz Rizvi
Director

**ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2020**

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2020


(Amounts in thousand)

	Note	(Unaudited) September 30, 2020	(Audited) December 31, 2019
-----Rupees-----			
ASSETS			
Non-Current Assets			
Property, plant and equipment	6	36,307,155	31,433,441
Right-of-use asset		2,435,829	2,747,801
Intangible assets		90,519	78,966
Financial assets at amortized cost	7	4,830,000	5,421,150
Long-term loans and advances		33,596	72,078
Deferred tax asset	8	-	115,822
		<u>43,697,099</u>	<u>39,869,258</u>
Current Assets			
Stores, spares and loose tools		1,726,341	1,568,929
Stock-in-trade	9	4,603,344	4,302,841
Trade debts - considered good	10	432,824	469,613
Loans, advances, deposits, prepayments and other receivables	11	1,077,664	1,035,144
Income tax payments less provision		176,861	85,522
Financial assets at amortized cost	7	966,000	-
Financial assets at fair value through profit and loss		10,533,895	9,395,853
Cash and bank balances		694,244	792,057
		<u>20,211,173</u>	<u>17,649,959</u>
TOTAL ASSETS		<u><u>63,908,272</u></u>	<u><u>57,519,217</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		9,089,233	9,089,233
Share premium		3,874,953	3,874,953
Advance against preference shares issuance	12	2,625,000	-
Unappropriated profits		6,733,486	4,811,970
		<u>22,322,672</u>	<u>17,776,156</u>
Non-Current Liabilities			
Long-term borrowings	13	19,864,007	19,388,880
Provisions	14	2,879,096	-
Lease liabilities		3,762,858	4,543,830
Deferred tax liability	8	180,269	-
		<u>26,686,230</u>	<u>23,932,710</u>
Current Liabilities			
Current portion of long term borrowings	13	1,870,167	-
Current portion of lease liabilities		1,366,044	987,487
Service benefit obligations		64,395	61,049
Short-term borrowings		-	2,158,836
Trade and other payables	15	7,874,449	6,547,455
Unclaimed dividend		28,474	31,333
Derivative financial instruments		-	154
Accrued interest / mark-up		299,353	366,272
Provisions	14	3,396,488	5,657,765
		<u>14,899,370</u>	<u>15,810,351</u>
		<u>41,585,600</u>	<u>39,743,061</u>
Contingencies and Commitments	16		
TOTAL EQUITY AND LIABILITIES		<u><u>63,908,272</u></u>	<u><u>57,519,217</u></u>

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



Jahangir Piracha
Chief Executive



Syed Abbas Raza
Chief Financial Officer



Feroz Rizvi
Director

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2020

(Amounts in thousand except for earnings per share)

	Quarter ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	-----Rupees-----			
Net revenue	10,057,226	9,233,901	22,931,520	27,834,222
Cost of sales	(6,839,987)	(7,064,478)	(17,808,687)	(21,779,837)
Gross profit	3,217,239	2,169,423	5,122,833	6,054,385
Distribution and marketing expenses	(87,886)	(79,183)	(201,089)	(229,472)
Administrative expenses	(122,159)	(142,347)	(369,142)	(425,017)
Other expenses	(102,537)	(17,465)	(742,725)	(1,106,104)
Other income	243,155	273,066	930,661	710,679
Operating profit	3,147,812	2,203,494	4,740,538	5,004,471
Finance costs	(453,724)	(472,314)	(1,820,605)	(1,199,902)
Profit for the period before taxation	2,694,088	1,731,180	2,919,933	3,804,569
Taxation	(813,400)	(461,091)	(816,624)	(990,086)
Profit for the period after taxation	1,880,688	1,270,089	2,103,309	2,814,483
Earnings per share - basic and diluted	2.07	1.40	2.31	3.10

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



Jahangir Piracha
Chief Executive



Syed Abbas Raza
Chief Financial Officer



Feroz Rizvi
Director

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2020

(Amounts in thousand)

	Quarter ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	-----Rupees-----			
Profit for the period after taxation	1,880,688	1,270,089	2,103,309	2,814,483
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Gain on cashflow hedge during the period	-	(282,176)	-	70,872
Deferred tax charge relating to cashflow hedge	-	81,833	-	(20,552)
Other comprehensive income for the period - net of tax	-	(200,343)	-	50,320
Total comprehensive income for the period	1,880,688	1,069,746	2,103,309	2,864,803

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



Jahangir Piracha
Chief Executive



Syed Abbas Raza
Chief Financial Officer



Feroz Rizvi
Director

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2020

(Amounts in thousand)

	CAPITAL		RESERVES		Total
	Share capital	Share premium	Hedging reserve	Unappropriated profit	
-----Rupees-----					
Balance as at January 1, 2019 (Audited)	9,089,233	3,874,953	-	1,933,964	14,898,150
Transaction with owners					
Final cash dividend for the year ended December 31, 2018 - Re. 0.30 per share	-	-	-	(272,677)	(272,677)
Total comprehensive income for the period ended September 30, 2019					
Profit for the period ended September 30, 2019	-	-	-	2,814,483	2,814,483
Other comprehensive income for the period ended September 30, 2019	-	-	50,320	-	50,320
	-	-	50,320	2,814,483	2,864,803
Balance as at September 30, 2019 (Unaudited)	9,089,233	3,874,953	50,320	4,475,770	17,490,276
Transaction with owners					
Interim cash dividend for the year ended December 31, 2019 - Re. 0.60 per share	-	-	-	(545,354)	(545,354)
Total comprehensive income for the period ended December 31, 2019					
Profit for the period ended December 31, 2019	-	-	-	881,554	881,554
Other comprehensive loss for the period ended December 31, 2019	-	-	(50,320)	-	(50,320)
	-	-	(50,320)	881,554	831,234
Balance as at December 31, 2019 (Audited)	9,089,233	3,874,953	-	4,811,970	17,776,156
Transaction with owners					
Final cash dividend for the year ended December 31, 2019 - Re. 0.20 per share	-	-	-	(181,793)	(181,793)
Total comprehensive income for the period ended September 30, 2020					
Profit for the period ended September 30, 2020	-	-	-	2,103,309	2,103,309
Other comprehensive income for the period ended September 30, 2020	-	-	-	-	-
	-	-	-	2,103,309	2,103,309
Balance as at September 30, 2020 (Unaudited)	9,089,233	3,874,953	-	6,733,486	19,697,672

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



Jahangir Piracha
Chief Executive



Syed Abbas Raza
Chief Financial Officer



Feroz Rizvi
Director

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2020

(Amounts in thousand)

	Note	Nine months ended	
		September 30, 2020	September 30, 2019
-----Rupees-----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	17	6,983,624	7,957,584
Long-term loans and advances		38,482	(8,877)
Retirement benefits paid		(37,655)	(36,737)
Income tax paid		(611,867)	(172,226)
Net cash generated from operating activities		6,372,584	7,739,744
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment and intangible assets		(5,735,481)	(11,038,704)
Proceeds from disposal of property, plant and equipment		-	2,474
Income on short-term investment and bank deposits		860,075	658,070
Net cash utilized in investing activities		(4,875,406)	(10,378,160)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long-term borrowings		-	(7,500,000)
Proceed from issuance of Sukuk bonds - net of transaction cost		-	8,601,540
Proceed from Long term financing facility - net of transaction cost		1,936,270	-
Advance against preference shares		2,625,000	-
Finance costs paid		(1,667,415)	(716,421)
Lease rentals paid		(1,007,316)	(889,284)
Dividend payment		(184,652)	(299,907)
Net cash utilized in financing activities		1,701,887	(804,072)
Net decrease in cash and cash equivalents		3,199,065	(3,442,488)
Cash and cash equivalents at the beginning of the period		8,029,074	9,160,054
Cash and cash equivalents at the end of the period	18	11,228,139	5,717,566

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



Jahangir Piracha
Chief Executive



Syed Abbas Raza
Chief Financial Officer



Feroz Rizvi
Director

ENGRO POLYMER AND CHEMICALS LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL
STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2020

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

- 1.1 The "Group" consists of Engro Polymer and Chemicals Limited and its wholly owned subsidiary companies, Think PVC (Private) Limited, Engro Peroxide (Private) Limited and Engro Plasticizer (Private) Limited.

Engro Polymer and Chemicals Limited (the Company) was incorporated in Pakistan in 1997 under the (now repealed) Companies Ordinance, 1984. The Company is listed on the Pakistan Stock Exchange Limited.

- 1.2 The Company is a subsidiary of Engro Corporation Limited (the Holding Company) which is a subsidiary of Dawood Hercules Corporation Limited (the Ultimate Parent Company). The Company's principal activity is to manufacture, market and sell Poly Vinyl Chloride (PVC), Vinyl Chloride Monomer (VCM), Caustic soda and other related chemicals. The Company is also engaged in the supply of surplus power generated from its power plants to Engro Fertilizers Limited (a related party).
- 1.3 The registered office of the Company is situated at 12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban-e-Iqbal, Karachi. The plant is located at EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi, Pakistan, whereas, the Chlor-Vinyl facility is at Port Bin Qasim Industrial Area. The regional sales office of the Company is on the 6th Floor, Haly Tower Office, Lalik Chowk, Phase II, DHA, Lahore.
- 1.4 During the period, major turnaround maintenance was planned resulting in closure of plant. Further, on March 6, 2020, the Company's management reported an isolated incident of gas leak occurred at the Engro Polymer & Chemicals Plant, Port Qasim happened on March 6, 2020, through Pakistan Stock Exchange (PSX). On March 9, 2020, the Company's management reported through PSX that a notice under Section 21(2) of Sindh Environmental Protection Act, 2014 was received from the Environmental Protection Agency of Government of Sindh directed the Company to stop all production activities at the plant and fixed a hearing on March 10, 2020. On March 16, 2020, the Company's management reported through PSX the resumption of production activities in its plant. Due to the incident the production facilities of the Company were closed from March 9, 2020 to March 16, 2020.
- 1.5 Furthermore, during the period, Engro Plasticizer in their meeting held on February 4, 2020 have approved to discontinue the Chlorine Paraffin Wax project.

(Amounts in thousand)**2. BASIS OF PREPARATION****2.1 Statement of compliance**

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

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

- 2.2 These consolidated condensed interim financial statements for the half year ended June 30, 2020 are unaudited. However, these have been subjected to limited scope review by the statutory auditors of the Company and are being submitted to the shareholders as required by the listing regulations of Pakistan Stock Exchange Limited and section 237 of the Act.

These consolidated condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual audited consolidated financial statements of the Group for the year ended December 31, 2019.

- 2.3 These condensed interim financial statements denote the consolidated financial statements of the Group. The unconsolidated condensed interim financial statements of the Company and its subsidiary have been presented separately.

3. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES AND CHANGES THEREIN

- 3.1 The significant accounting policies and the methods of computation applied in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the annual audited consolidated financial statements of the Group for the year ended December 31, 2019.

There are certain amendments to published International Financial Reporting Standards and interpretations that are mandatory for the financial year beginning on January 1, 2020. These are considered not 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.

- 3.2 The financial risk management objectives and policies of the Group are also consistent with those disclosed in the annual audited consolidated financial statements of the Group for the year ended December 31, 2019.

- 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. ACCOUNTING ESTIMATES

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 the management to exercise its judgments in the process of applying the Company's accounting policies. Estimates and judgement 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.

(Amounts in thousand)

The significant estimates, judgments and assumptions made by the management in the preparation of the consolidated condensed interim financial statements are the same as those that were applied in the audited financial statements of the Group as at and for the year ended December 31, 2019 except for changes in the management assessment in relation to projections of future taxable income and tax planning strategies for recognition of deferred tax asset. However, the change has no material impact on the consolidated condensed interim financial statements.

5. IMPACT OF COVID-19

During the period, the World Health Organisation (WHO) declared COVID-19 (the Virus) a pandemic. Covid-19 has impacted the global economy significantly. Due to the COVID situation, as per the government directives there was a complete lockdown for a period of approximately 1 month from March 23, 2020 and production facilities of the Company were closed till the end of April 2020. As a result of lockdown, significant decline was observed in the sales of the Company. Moreover, the production of goods by the Company was halted in the aforementioned period. These factors have majorly contributed to the decline in profits for the period.

On March 31, 2020, the Company's management reported a foreseeable delay in the Liner Alkyl Benzene Sulphonic Acid (LABSA) and Hydrogen Peroxide, through PSX, on account of COVID-19 in Pakistan. Further, on April 23, 2020, the Company's management reported foreseeable delays in PVC III & VCM Debottlenecking projects through PSX and has issued Force Majeure Notices to its contractors working on these projects, on account of COVID-19 in Pakistan. Moreover, the Company's management remains committed to these projects.

Expansion projects were also impacted as some of the equipment deliveries and project construction work was also suspended as a precautionary measure. From May, production and sales were resumed and business has recovered well to date. Activities on expansion projects have also been resumed and work is now progressing as per the revised schedule. Based on the Company's management assessment no impairment loss has been recognized.

Unaudited September 30, 2020	Audited December 31, 2019
-----Rupees-----	

6. PROPERTY, PLANT AND EQUIPMENT

Operating assets, at net book value - notes 6.1 and 6.2	19,219,003	18,305,349
Capital work-in-progress - note 6.3	17,024,360	13,064,300
Capital spares	63,792	63,792
	36,307,155	31,433,441

6.1 Additions to operating assets during the period / year were as follows:

Leasehold land	18,524	939,528
Building on leasehold land	54,336	1,980
Plant and machinery	1,673,653	1,627,267
Pipeline - EDC	-	98,288
Furniture, fixtures and equipment	109,321	82,618
Vehicles	3,102	3,571
	1,858,936	2,753,252

(Amounts in thousand)

6.2 During the period, computer hardware equipment costing Rs. 424 (December 31, 2019: Rs. 10,091), having net book value of Rs. 322 (December 31, 2019: Rs. 3,607) was disposed off for Rs. Nil (December 31, 2019: Rs. 2,809). Further, as an outcome of physical verification exercise carried out in respect of furniture, fixtures and equipment and vehicles, assets having cost of Rs. 107,003 (December 31, 2019: Nil) having net book value of Rs. 5,440 (December 31, 2019: Nil) have been written off.

6.3 Movement in capital work-in-progress during the period / year is as follows:

	Unaudited September 2020	Audited December 31, 2019
-----Rupees-----		
Balance as the beginning of the period / year	13,064,300	2,751,067
Add: Additions during the period / year - note 6.3.1	5,735,481	13,114,040
Add: Borrowing cost capitalized during the period	120,580	-
Less: Write-off of plant and machinery items	(6,000)	-
Less: Transferred to:		
- Operating assets	(1,858,936)	(2,753,252)
- Intangible assets	(31,065)	(47,555)
	<u>17,024,360</u>	<u>13,064,300</u>

6.3.1 As at September 30, 2020, this includes procurement of goods from Chematur Engineering AB and China TianChen Engineering Corporation amounted to Rs. 777,289 (December 31, 2019: Rs. 317,292) and Rs. 217,000 (December 31, 2019: Rs. Nil) respectively for Company's hydrogen peroxide plant. The plant is intended for construction on the land to be sub-let, subject to the approval of Port Qasim Authority, by the Holding Company at Port Bin Qasim Industrial Area.

	Unaudited September 2020	Audited December 31, 2019
-----Rupees-----		

7. FINANCIAL ASSETS AT AMORTIZED COST

Investment in Term Deposit Receipts - note 7.1	<u>5,796,000</u>	<u>5,421,150</u>
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7.1 These denote term deposits aggregating to USD 35 million maintained with Dubai Islamic Bank Pakistan Limited. These carry profit at the rate of six months LIBOR + 0.89% per annum and are due to mature in six equal semi-annual installments of \$ 5.833 million starting from July 15, 2021 and ending on January 15, 2024.

(Amounts in thousand)

Unaudited Audited
September 30, December 31,
2020 2019
 -----Rupees-----

8. DEFERRED TAXATION

Debit balances arising due to:

- recoupable carried forward tax losses	8,587	1,267
- recoupable minimum turnover tax	343,918	558,991
- recoupable alternative corporate tax	200,471	369,224
- unpaid liabilities	139,763	128,170
- leases recognized under IFRS 16	757,675	783,120
- provision for Gas Infrastructure Development Cess and Special Excise Duty	1,623,691	1,451,279
- provision for slow moving stores and spares	102,345	102,345
- provision for bad debts	-	2,055
- share issuance cost, net to equity	57,830	57,830
	3,234,280	3,454,281
Credit balances arising due to:	(3,414,549)	(3,338,459)
- accelerated tax depreciation		
	<u>(180,269)</u>	<u>115,822</u>

9. STOCK-IN-TRADE

- 9.1 This includes stock held at Engro Vopak Terminal Limited, a related party, as at September 30, 2020 amounted Rs. 1,246,196 (December 31, 2019: 1,284,031).
- 9.2 This includes carrying value of trading product, net of realizable value reduction of Rs. 9,078 (December 31, 2019: Nil).

Unaudited Audited
September 30, December 31,
2020 2019
 -----Rupees-----

10. TRADE DEBTS

These include unsecured receivables from the following related parties:

- Engro Fertilizers Limited	14,531	6,176
- Engro Powergen Thar (Private) Limited	-	599
	<u>14,531</u>	<u>6,775</u>

(Amounts in thousand)

	Unaudited	Audited
	September 30,	December 31,
	2020	2019
	-----Rupees-----	

11. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

These include unsecured receivables from the following related parties:

- Engro Fertilizers Limited	-	2,119
- Sindh Engro Coal Mining Company Limited	-	53
- FrieslandCampina Engro Pakistan Limited	-	5
- Engro Corporation Limited	-	23,725
- Engro Energy Limited	1,092	1,531
- Engro Powergen Qadirpur Limited	-	9
	1,092	27,442
	1,092	27,442

12. ADVANCE AGAINST PREFERENCE SHARES

On February 14, 2020, the shareholders of the Company in the Extra Ordinary General Meeting passed a special resolution to authorize Company to issue perpetual, cumulative, convertible listed preference shares of Rs. 3,000,000,000 by way of pre-IPO placements and public offering at a price of Rs. 10 per share in cash, carrying markup of 6 months KIBOR + 3.5%. The objective of the preference share issuance is to finance PVC-III expansion and VCM debottlenecking projects. The Company will have an option to call and redeem in full or in part after the expiry of twelve months from the issue date. The preference shares may be convertible into ordinary shares of the Company at the option of the preference shares holder after the expiry of eighty months from the issue date based on 1:1 ratio. The Company is in the process of fulfilling the legal formalities before the issue.

	Unaudited	Audited
	September 30,	December 31,
	2020	2019
	-----Rupees-----	

13. LONG-TERM BORROWINGS

- Loan from International Finance Corporation (IFC) - notes 13.1	5,736,321	5,343,839
- Islamic long term financing facility - note 13.2	1,936,270	-
- Bilateral Loan - notes 13.3	5,421,500	5,421,500
- Sukuk certificates - note 13.4	8,640,083	8,623,541
	21,734,174	19,388,880
Less: Current portion shown under current liabilities	1,870,167	-
	19,864,007	19,388,880

13.1 In 2018, the Company had entered into a financing agreement with International Finance Corporation for a total of US Dollars 35,000 the draw down of which was made in December 2019. The principal is repayable in six semi-annual instalments commencing from July 2021 and carries markup at the rate of six months LIBOR plus 3.25% payable semi annually.

The borrowing is by way of hypothecation charge of present and future fixed assets of the Company (excluding land and building) which shall rank pari passu with the charges created in favour of the existing creditors.

(Amounts in thousand)

13.2 On September 14, 2020, the Company obtained Islamic Long Term Financing Facility (ILTFF) of the State Bank of Pakistan through Musharaka agreement entered with financial institutions to finance its PVC-III expansion project. The amount is repayable over 10 years in equal quarterly installments of Rs. 60,938 each with the first payment commencing from December 2022. These are secured by way of hypothecation charge of present and future fixed assets of the Company (excluding land and building) which shall rank pari passu with the charges created in favour of the existing creditors.

13.3 In 2019, the Company entered into a musharaka agreement with Dubai Islamic Bank Pakistan Limited (DIBPL). The principal is repayable in six semi-annual installments commencing from July 2021 and carries a markup at a rate of six months KIBOR payable semi annually.

The borrowing is secured by way of hypothecation charge of present and future fixed assets of the Company (except land and building), ranking subordinate and subservient to the charges created in favour of the existing creditors, and a lien and a right of set-off over the Term Deposit Receipt maintained with DIBPL as referred to in note 7.

13.4 In 2019, the Company issued sukuk bonds of Rs. 8,750,000 to eligible institutional and other investors by way of private placement. These are repayable over a period of 7.5 years in five equal annual installments of Rs. 1,750,000 each with the first repayment commencing in July 2024. These are secured by way of hypothecation charge of present and future fixed assets of the Company (excluding land and building) which shall rank pari passu with the charges created in favour of the existing creditors.

Unaudited	Audited
September 30,	December 31,
2020	2019
-----Rupees-----	

14. PROVISIONS

- Provision for Gas Infrastructure Development Cess	5,758,192	5,140,373
- Provision for gas price revision	517,392	517,392
	<u>6,275,584</u>	<u>5,657,765</u>

On August 13, 2020, the Honorable Supreme Court of Pakistan announced the decision rendering the GIDC Act 2015 intra virus to the constitution and directs the Gas supply companies to recover the dues in 24 monthly instalments. The company, aggrieved of the decision has filed a review petition in Honorable Supreme Court against its decision.

(Amounts in thousand)

Unaudited September 30, 2020	Audited December 31, 2019
-----Rupees-----	

15. TRADE AND OTHER PAYABLES

Include amounts due to the following related parties:

- Engro Corporation Limited	197,948	88,305
- Engro Fertilizers Limited	32,000	40,926
- Engro Fertilizers Limited	151	-
- Engro Powergen Thar (Private) Limited	613	613
- Engro Vopak Terminal Limited	144,951	139,849
	375,663	269,693

16. CONTINGENCIES AND COMMITMENTS

- 16.1 The material change in the contingencies from those disclosed in the annual consolidated financial statements for the year ended December 31, 2019, is stated in following note.
- 16.2 Through the notice dated January 20, 2020 the Additional Commissioner Inland Revenue (ACIR) raised issues inter alia with respect to the adjustment of carried forward minimum taxes from the tax liability of Tax Year 2019 and required the Company to pay Rs. 552,331 being the amount short paid with the return. The Company filed a Constitutional Petition in the High Court of Sindh (SHC) challenging the notice, which through order dated February 4, 2020, dismissed the case based on the decision of the SHC in respect of another company. However, the SHC directed the department to refrain from passing the order on the bases of the aforesaid notice for a period of thirty days which was then extended for further 30 days to enable the Company to approach the Supreme Court (SC). The Company has filed Civil Petition for Leave to Appeal I against SHC order in Supreme Court, which was heard on March 18, 2020 and an interim stay has been granted to the Company subject to the submission of Bank Guarantee equivalent to the order amount, which has been duly submitted by the Company. The Company based on legal advisor view continues to recognise a deferred tax asset on recoupable minimum turnover tax in respect of current period amounting to Rs. 343,918 (December 31, 2019: Rs. 21,486) based on its financial projections, expects to recoup it in the ensuing years.
- 16.3 The aggregate facilities for issuance of performance guarantees by the banks on behalf of the Company as at June 30, 2020 amounts to Rs. 3,248,000 (December 31, 2019: Rs. 3,248,000). The amount utilized there against as at September 30, 2020 is Rs.3,012,921 (December 31, 2019: Rs. 2,166,587).
- 16.4 The facility for opening letters of credit as at June 30, 2020 aggregates to Rs. 24,898,898 (December 31, 2019: Rs. 29,607,000). The amount utilized thereagainst as at September 30, 2020 Rs. 4,030,589 (December 31, 2019: Rs. 4,336,782). These facilities carry commission at rates running between 0.05% and 0.1% (December 31, 2019: 0.05% and 0.1%).
- 16.5 The Group has entered into operating lease arrangements with Al-Rahim Trading Company (Private) Limited for the storage and handling of Ethylene Di Chloride (EDC) in respect of which future lease commitments aggregate to Rs. 6,085 (December 31, 2019 : Rs Nil). The rentals shall be settled within a period of 1 year.

(Amounts in thousand)

	Unaudited September 30, 2020	Audited December 31, 2019
	-----Rupees-----	
16.6 Commitments in respect of capital commitments and other operational items	2,045,713	3,090,692
	Unaudited September 30, 2020	Unaudited September 30, 2019
	-----Rupees-----	
17. CASH GENERATED FROM OPERATIONS		
17.1 Profit for the period before taxation	2,919,933	3,804,569
Adjustments for non-cash charges and other items:		
Provision for staff retirement and other service benefits	41,001	37,965
Provision for GIDC	617,819	765,622
Write-off of trade debts	331	-
Provision for slow moving stores and spares	-	2,265
Provision for net realizable value of stock-in-trade, net	9,078	-
Write-off of stores and spares	4,330	-
Depreciation on operating assets	939,520	907,936
Write-off of operating assets	11,440	-
Depreciation on Right-of-use asset	311,972	300,035
Amortization on intangible asset	19,512	13,850
Income on short-term investments and bank deposits	(860,075)	(658,070)
Amortisation of transaction cost on sukuks and IFC loan	31,874	16,500
Gain on derivative financial instrument	(154)	-
Exchange loss on revaluation of financial asset and liabilities	373,950	650,823
Interest cost on IFRS 16	233,246	239,239
Finance costs	1,479,916	944,163
Loss/(gain) on disposal of operating assets - note 6.2	322	(1,782)
Working capital changes - note 17.2	849,609	934,469
	<u>6,983,624</u>	<u>7,957,584</u>
17.2 Working capital changes		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(161,742)	(19,275)
Stock-in-trade	(309,581)	(1,295,743)
Trade debts - considered good	36,458	24,346
Loans, advances, deposits, prepayments and other receivables - net	(42,520)	54,028
	<u>(477,385)</u>	<u>(1,236,644)</u>
Increase in current liabilities		
Trade and other payables	1,326,994	2,171,113
	<u>849,609</u>	<u>934,469</u>
	Unaudited September 30, 2020	Audited December 31, 2019
	-----Rupees-----	
18. CASH AND CASH EQUIVALENTS		
Cash and bank balances	694,244	792,057
Financial assets at fair value through profit and loss	10,533,895	9,395,853
Short-term borrowings	-	(2,158,836)
	<u>11,228,139</u>	<u>8,029,074</u>

(Amounts in thousand)**19. SEGMENT INFORMATION**

19.1 The basis of segmentation and reportable segments presented in these consolidated condensed interim financial statements are same as disclosed in the annual financial statements of the Group for the year ended December 31, 2019.

	September 30, 2020				September 30, 2019			
	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power Supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total
	Rupees							
Revenue								
At a point in time	19,648,504	3,093,909	-	22,742,413	23,325,441	4,454,842	-	27,780,283
Over time	-	-	60,740	60,740	-	-	53,939	53,939
	19,648,504	3,093,909	60,740	22,803,153	23,325,441	4,454,842	53,939	27,834,222
Cost of sales	(15,519,107)	(2,771,753)	(58,634)	(18,349,494)	(19,423,412)	(2,888,432)	(52,073)	(22,363,917)
Distribution and marketing expenses	(156,424)	(43,284)	-	(199,708)	(180,673)	(48,800)	-	(229,473)
Administrative expenses	(331,395)	(37,747)	-	(369,142)	(375,367)	(54,997)	-	(430,364)
Other operating expenses	(323,711)	(41,791)	(704)	(366,206)	(334,025)	(130,439)	(138)	(464,602)
Other operating income	513,789	414,859	2,013	930,661	350,421	360,228	29	710,678
Finance costs	(1,576,890)	(10,268)	(201)	(1,587,359)	(946,423)	(14,150)	(85)	(960,658)
Taxation	(675,561)	(114,559)	(802)	(790,922)	(587,595)	(494,600)	(485)	(1,082,680)
Profit after tax	1,579,205	489,366	2,412	2,070,983	1,828,367	1,183,652	1,187	3,013,206
Others, net of tax				(27,458)				-
Impact of IFRS 16 (post tax)				59,784				(198,723)
Profit after tax	1,579,205	489,366	2,412	2,103,309	1,828,367	1,183,652	1,187	2,814,483

	September 30, 2020				December 31, 2019			
	Poly Vinyl Chloride and Allied Chemicals	Caustic soda and Allied Chemicals	Power supply	Total	Poly Vinyl Chloride and Allied Chemicals	Caustic soda and Allied Chemicals	Power supply	Total
Total segment assets	35,360,803	8,872,698	26,716	44,260,217	31,479,624	4,866,795	17,886	36,364,305
Unallocated assets	-	-	-	19,648,055	-	-	-	21,154,912
Total assets				63,908,272				57,519,217

19.2 Segment assets consist primarily of property, plant and equipment, right-of-use assets, stores and spares, stock-in-trade and trade debts.

19.3 The segment results for the period are prepared in line with basis of allocation adopted in the annual financial statements for the year ended December 31, 2019.

(Amounts in thousand)

20. TRANSACTIONS WITH RELATED PARTIES

20.1 Transactions with related parties, other than those which have been disclosed elsewhere in these consolidated condensed interim financial statements, are as follows:

		Unaudited	
		Nine months ended	
		September 30, 2020	September 30, 2019
-----Rupees-----			
Nature of relationship	Nature of transactions		
Holding Company			
- Engro Corporation Limited	Reimbursements made	20,906	8,077
	Reimbursements received	24,341	1,592
	Intangible asset - software	200,141	58,738
	Purchase of services	243,971	193,989
	Medical contribution	-	194
	Life insurance	-	537
Associated Companies			
- Mitsubishi Corporation	Purchase of goods	84,519	665,806
Members of the Group			
- Engro Fertilizers Limited	Sale of goods	3,850	11,305
	Sale of steam and electricity	93,903	82,727
	Reimbursement received	2,016	1,822
	Reimbursement made	13,448	12,498
	Purchase of services	43,272	-
	Payment against purchase of land	-	722,122
- Engro Vopak Terminal Limited	Purchase of services	1,238,168	1,201,220
	Reimbursement made	8,796	2,902
	Reimbursement received	-	917
- Engro Energy Limited	Reimbursement received	1,596	4,040
- Engro Digital Limited	Purchase of services	6,428	32
- Engro Powergen Thar (Private) Limited		1,277	2,970
	Sale of goods		
- Sindh Engro Coal Mining Company Limited	Reimbursements received	549	-
Directors	Fee	950	800
Contribution to staff retirement benefits	Managed and operated by the Holding Company		
	Provident fund	35,475	32,306
	Gratuity fund	37,186	22,322
	Pension fund	1,524	2,508
Key management personnel	Managerial remuneration	170,711	54,996
	Retirement benefit funds	8,885	11,039
	Bonus	23,504	14,243
	Other benefits	12,184	15,433

(Amounts in thousand)

21. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

The table below analyses 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 the 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); and
- Inputs for the asset or liability that are not based on observable market data (level 3).

As at June 30, 2020	Level 1	Level 2	Level 3	Total
	-----Rupees-----			
Financial assets at fair value through profit or loss				
- Units of mutual funds	-	-	-	-
- Term Deposit Receipt	-	6,061	-	6,061
- Treasury bills	-	10,527,834	-	10,527,834
	<u>-</u>	<u>10,533,895</u>	<u>-</u>	<u>10,533,895</u>
As at December 31, 2019	Level 1	Level 2	Level 3	Total
	-----Rupees-----			
Financial assets at fair value through profit or loss				
- Treasury bills	-	7,617,915	-	7,617,915
- Pakistan Investment Bonds (PIBs)	-	1,700,045	-	1,700,045
	<u>-</u>	<u>9,395,853</u>	<u>-</u>	<u>9,317,960</u>

For the remaining assets and liabilities, the fair values are considered not to be materially different from their respective carrying amounts since the instruments are either short-term in nature or are periodically re-priced.

22. 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 annual audited financial statements of the preceding financial year, whereas, the consolidated condensed interim statement of profit or loss, the consolidated condensed interim statement of profit or loss and other 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 the comparable year-to-date period of the immediately preceding financial year.

During the period, these reclassifications have been made:

Description	Reclassified		Amount	
	From	To	Quarter ended	Nine months ended
			September 30, 2019	
Sales promotion	Distribution and marketing expenses	Administrative expenses	-	15,246
Purchased services	Administrative expenses	Cost of sales	72,239	193,270
Accrued mark-up	Loans, advances, deposits prepayments and other receivables	Financial assets at fair value through profit and loss	-	77,893

(Amounts in thousand)

23. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

- 23.1 The Board of Directors of the Company in its meeting held on October 15, 2020 has approved an interim cash dividend of Rs. NIL per share for the period ended June 30, 2020 amounting Rs. NIL. These consolidated condensed interim financial statements do not include the effect of the said interim dividend.

24. DATE OF AUTHORIZATION FOR ISSUE

These consolidated condensed interim financial statements were authorized for issue on October 15, 2020 by the Board of Directors of the Company.

25. GENERAL

Figures have been rounded off to the nearest thousand Rupees unless otherwise stated.



Jahangir Piracha
Chief Executive



Syed Abbas Raza
Chief Financial Officer



Feroz Rizvi
Director

**ENGRO POLYMER AND CHEMICALS LIMITED
UNCONSOLIDATED CONDENSED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2020**

ENGRO POLYMER AND CHEMICALS LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2020

(Amounts in thousand)

	Note	(Unaudited) September 30, 2020	(Audited) December 31, 2019
-----Rupees-----			
ASSETS			
Non-Current Assets			
Property, plant and equipment	6	35,205,965	31,064,266
Right-of-use asset		2,435,829	2,747,801
Intangible assets		90,519	78,966
Long-term investments		1,625,000	1,625,000
Financial assets at amortized cost	7	4,830,000	5,421,150
Long-term loans and advances		33,596	72,078
Deferred tax asset	8	-	114,510
		<u>44,220,909</u>	<u>41,123,771</u>
Current Assets			
Stores, spares and loose tools		1,726,341	1,568,929
Stock-in-trade	9	4,603,344	4,302,841
Trade debts - considered good	10	432,824	469,613
Loans, advances, deposits, prepayments and other receivables	11	1,088,849	1,092,270
Income tax payments less provision		179,454	88,886
Financial assets at amortized cost	7	966,000	-
Financial assets at fair value through profit and loss		9,902,881	8,042,313
Cash and bank balances		689,233	777,823
		<u>19,588,926</u>	<u>16,342,675</u>
TOTAL ASSETS		<u><u>63,809,835</u></u>	<u><u>57,466,446</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		9,089,233	9,089,233
Share premium		3,874,953	3,874,953
Advance against preference shares issuance	12	2,625,000	-
Unappropriated profit		6,632,861	4,766,837
		<u>22,222,047</u>	<u>17,731,023</u>
Non-Current Liabilities			
Long-term borrowings	13	19,864,007	19,388,880
Provisions	14	2,879,096	-
Lease liabilities		3,762,858	4,543,830
Deferred tax liability	8	188,901	-
		<u>26,694,862</u>	<u>23,932,710</u>
Current Liabilities			
Current portion of long term borrowings	13	1,870,167	-
Current portion of lease liabilities		1,366,044	987,487
Service benefit obligations		64,395	61,049
Short-term borrowings		-	2,158,836
Trade and other payables	15	7,868,005	6,539,817
Unclaimed dividend		28,474	31,333
Derivative financial instruments		-	154
Accrued interest / mark-up		299,353	366,272
Provisions	14	3,396,488	5,657,765
		<u>14,892,926</u>	<u>15,802,713</u>
Contingencies and Commitments	16	41,587,788	39,735,423
TOTAL EQUITY AND LIABILITIES		<u><u>63,809,835</u></u>	<u><u>57,466,446</u></u>

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



Jahangir Piracha
Chief Executive



Syed Abbas Raza
Chief Financial Officer



Feroz Rizvi
Director

ENGRO POLYMER AND CHEMICALS LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2020

(Amounts in thousand except for earnings per share)

	Quarter ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	-----Rupees-----			
Net revenue	10,057,226	9,233,901	22,931,520	27,834,222
Cost of sales	(6,839,987)	(7,064,478)	(17,808,687)	(21,779,837)
Gross profit	3,217,239	2,169,423	5,122,833	6,054,385
Distribution and marketing expenses	(84,907)	(79,183)	(175,817)	(229,472)
Administrative expenses	(122,037)	(142,347)	(368,811)	(425,017)
Other expenses	(100,786)	5,807	(739,754)	(1,082,804)
Other income	223,382	269,799	840,389	702,099
Operating profit	3,132,891	2,223,499	4,678,840	5,019,191
Finance costs	(453,723)	(464,514)	(1,820,599)	(1,192,101)
Profit for the period before taxation	2,679,168	1,758,985	2,858,241	3,827,090
Taxation	(811,298)	(460,597)	(810,424)	(988,768)
Profit for the period after taxation	1,867,870	1,298,388	2,047,817	2,838,322
Earnings per share - basic and diluted	2.06	1.43	2.25	3.12

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



Jahangir Piracha
Chief Executive



Syed Abbas Raza
Chief Financial Officer



Feroz Rizvi
Director

ENGRO POLYMER AND CHEMICALS LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2020

(Amounts in thousand)

	Quarter ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	-----Rupees-----			
Profit for the period after taxation	1,867,870	1,298,388	2,047,817	2,838,322
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss</i>				
(Loss)/ gain on cashflow hedge during the period	-	(282,178)	-	70,872
Deferred tax charge relating to cashflow hedge	-	81,833	-	(20,552)
Other comprehensive income for the period - net of tax	-	(200,345)	-	50,320
Total comprehensive income for the period	1,867,870	1,098,043	2,047,817	2,888,642

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



Jahangir Piracha
Chief Executive



Syed Abbas Raza
Chief Financial Officer



Feroz Rizvi
Director

ENGRO POLYMER AND CHEMICALS LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2020

(Amounts in thousand)

	CAPITAL		RESERVES			Total
	Share capital	Share premium	Advance against preference shares	Hedging reserve	Unappropriated profit	
	-----Rupees-----					
Balance as at January 1, 2019 (Audited)	9,089,233	3,874,953	-	-	1,881,366	14,845,552
Transaction with owners						
Final cash dividend for the year ended December 31, 2018 - Re. 0.30 per share	-	-	-	-	(272,677)	(272,677)
Total comprehensive income for the period ended September 30, 2019						
Profit for the period ended September 30, 2019	-	-	-	-	2,838,322	2,838,322
Other comprehensive income for the period ended September 30, 2019	-	-	-	50,320	-	50,320
	-	-	-	50,320	2,838,322	2,888,642
Balance as at September 30, 2019 (Unaudited)	9,089,233	3,874,953	-	50,320	4,447,011	17,461,517
Transaction with owners						
Interim cash dividend for the year ended December 31, 2019 - Re. 0.60 per share	-	-	-	-	(545,354)	(545,354)
Total comprehensive income for the period ended December 31, 2019						
Profit for the period ended December 31, 2019	-	-	-	-	865,180	865,180
Other comprehensive loss for the half year ended December 31, 2019	-	-	-	(50,320)	-	(50,320)
	-	-	-	(50,320)	865,180	814,860
Balance as at December 31, 2019 (Audited)	9,089,233	3,874,953	-	-	4,766,837	17,731,023
Transaction with owners						
Final cash dividend for the year ended December 31, 2019 - Re. 0.20 per share	-	-	-	-	(181,793)	(181,793)
Advance against preference shares	-	-	2,625,000	-	-	2,625,000
Total comprehensive income for the period ended September 30, 2020						
Profit for the half year ended September 30, 2020	-	-	-	-	2,047,817	2,047,817
Other comprehensive income for the period ended September 30, 2020	-	-	-	-	-	-
	-	-	-	-	2,047,817	2,047,817
Balance as at September 30, 2020 (Unaudited)	9,089,233	3,874,953	2,625,000	-	6,632,861	22,222,047

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



Jahangir Piracha
Chief Executive



Syed Abbas Raza
Chief Financial Officer



Feroz Rizvi
Director

ENGRO POLYMER AND CHEMICALS LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2020

(Amounts in thousand)

	Note	Nine months ended	
		September 30, 2020	September 30, 2019
		-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	17	7,059,010	7,948,109
Long-term loans and advances		38,482	(8,877)
Retirement benefits paid		(37,655)	(36,737)
Income tax paid		(597,578)	(171,124)
Net cash generated from operating activities		6,462,259	7,731,371
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment and intangible assets		(5,003,135)	(11,028,493)
Proceeds from disposal of property, plant and equipment		-	2,474
Investment in subsidiary companies		-	(15,000)
Income on short-term investment and bank deposits		769,803	649,490
Net cash utilized in investing activities		(4,233,332)	(10,391,529)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long-term borrowings		-	(7,500,000)
Proceed from issuance of Sukuk bonds - net of transaction cost		-	8,601,540
Proceed from Long term financing facility - net of transaction cost		1,936,270	-
Advance against preference shares		2,625,000	-
Finance costs paid		(1,667,415)	(708,620)
Lease rentals paid		(1,007,316)	(889,284)
Dividend payment		(184,652)	(299,907)
Net cash utilized in financing activities		1,701,887	(796,271)
Net decrease in cash and cash equivalents		3,930,814	(3,456,429)
Cash and cash equivalents at the beginning of the period		6,661,300	9,062,267
Cash and cash equivalents at the end of the period	18	10,592,114	5,605,838

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



Jahangir Piracha
Chief Executive



Syed Abbas Raza
Chief Financial Officer



Feroz Rizvi
Director

ENGRO POLYMER AND CHEMICALS LIMITED
NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL
STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2020

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

- 1.1 Engro Polymer and Chemicals Limited (the Company) was incorporated in Pakistan in 1997 under the now repealed Companies Ordinance, 1984. The Company is listed on the Pakistan Stock Exchange Limited.
- 1.2 The Company is a subsidiary of Engro Corporation Limited (the Holding Company) which is a subsidiary of Dawood Hercules Corporation Limited (the Ultimate Parent Company). The Company's principal activity is to manufacture, market and sell Poly Vinyl Chloride (PVC), Vinyl Chloride Monomer (VCM), Caustic soda and other related chemicals. The Company is also engaged in the supply of surplus power generated from its power plants to Engro Fertilizers Limited (a related party).
- 1.3 The registered office of the Company is situated at 12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban-e-Iqbal, Karachi. The plant is located at EZ/II-P-II-I Eastern Zone, Bin Qasim, Karachi, Pakistan, whereas, the Chlor-Vinyl facility is at Port Bin Qasim Industrial Area. The regional sales office of the Company is on the 6th Floor, Haly Tower Office, Lalik Chowk, Phase II, DHA, Lahore.
- 1.4 During the period, major turnaround maintenance was planned resulting in closure of plant. Further, on March 6, 2020, the Company's management reported an isolated incident of gas leak occurred at the Engro Polymer & Chemicals Plant, Port Qasim happened on March 6, 2020, through Pakistan Stock Exchange (PSX). On March 9, 2020, the Company's management reported through PSX that a notice under Section 21(2) of Sindh Environmental Protection Act, 2014 was received from the Environmental Protection Agency of Government of Sindh directed the Company to stop all production activities at the plant and fixed a hearing on March 10, 2020. On March 16, 2020, the Company's management reported through PSX the resumption of production activities in its plant. Due to the incident the production facilities of the Company were closed from March 9, 2020 to March 16, 2020.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

(Amounts in thousand)

- 2.2 These unconsolidated condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended December 31, 2019.
- 2.3 These unconsolidated condensed interim financial statements are the separate condensed interim financial statements of the Company in which investment in subsidiary companies namely Think PVC (Private) Limited, Engro Peroxide (Private) Limited and Engro Plasticizer (Private) Limited have been accounted for at cost less accumulated impairment losses, if any. The consolidated condensed interim financial statements of the Company and its subsidiary companies have been presented separately.

3. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES AND CHANGES THEREIN

- 3.1 The significant accounting policies and the methods of computation applied in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the annual audited financial statements of the Company for the year ended December 31, 2019.

There are certain amendments to published International Financial Reporting Standards and interpretations that are mandatory for the financial year beginning on January 1, 2020. These are considered not to have any significant effect on the Company's financial reporting and operations and are, therefore, not disclosed in these unconsolidated condensed interim financial statements.

- 3.2 The financial risk management objectives and policies of the Company are also consistent with those disclosed in the annual audited financial statements of the Company for the year ended December 31, 2019.
- 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. ACCOUNTING ESTIMATES

The preparation of these unconsolidated condensed interim financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgments in the process of applying the Company's accounting policies. Estimates and judgement 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 significant estimates, judgments and assumptions made by the management in the preparation of the unconsolidated condensed interim financial statements are the same as those that were applied in the audited financial statements of the Company as at and for the year ended December 31, 2019 except for changes in the management assessment in relation to projections of future taxable income and tax planning strategies for recognition of deferred tax asset. However, the change has no material impact on the unconsolidated condensed interim financial statements.

(Amounts in thousand)

5 IMPACT OF COVID-19

During the period, the World Health Organisation (WHO) declared COVID-19 (the Virus) a pandemic. Covid-19 has impacted the global economy significantly. Due to the COVID situation, as per the government directives there was a complete lockdown for a period of approximately 1 month from March 23, 2020 and production facilities of the Company were closed till the end of April 2020. As a result of lockdown, significant decline was observed in the sales of the Company. Moreover, the production of goods by the Company was halted in the aforementioned period. These factors have majorly contributed to the decline in profits for the period.

On March 31, 2020, the Company's management reported a foreseeable delay in the Liner Alkyl Benzene Sulphonic Acid (LABSA) project, through PSX, due to restrictions on mobilization of local and overseas resources, on account of COVID-19 in Pakistan. Further, on April 23, 2020, the Company's management reported foreseeable delays in the PVC III & VCM Debottlenecking projects through PSX and has issued Force Majeure Notices to its contractors working on these projects, on account of COVID-19 in Pakistan. Moreover, the Company's management remains committed to these projects.

Expansion projects were also impacted as some of the equipment deliveries and project construction work was also suspended as a precautionary measure. From May, production and sales were resumed and business has recovered well to date. Activities on expansion projects have also been resumed and work is now progressing as per the revised schedule. Based on the Company's management assessment no impairment loss has been recognized.

Unaudited September 30, 2020	Audited December 31, 2019
-----Rupees-----	

6. PROPERTY, PLANT AND EQUIPMENT

Operating assets, at net book value - notes 6.1 and 6.2	19,217,819	18,304,481
Capital work-in-progress - note 6.3	15,924,353	12,695,993
Capital spares	63,792	63,792
	35,205,964	31,064,266

6.1 Additions to operating assets during the period / year were as follows:

Leasehold land	18,524	939,528
Building on leasehold land	54,336	1,980
Plant and machinery	1,673,653	1,627,267
Pipeline - EDC	-	98,288
Furniture, fixtures and equipment	108,675	81,726
Vehicles	3,102	3,571
	1,858,290	2,752,360

6.2 During the period, computer hardware equipment costing Rs. 424 (December 31, 2019: Rs. 10,091), having net book value of Rs. 322 (December 31, 2019: Rs. 3,607) was disposed off for Rs. Nil (December 31, 2019: Rs. 2,809). Further, as an outcome of physical verification exercise carried out in respect of furniture, fixtures and equipment and vehicles, assets having cost of Rs. 107,003 (December 31, 2019: Nil) having net book value of Rs. 5,440 (December 31, 2019: Nil) have been written off.

(Amounts in thousand)

6.3 Movement in capital work-in-progress during the period / year is as follows:

	Unaudited September 2020	Audited December 31, 2019
	-----Rupees-----	
Balance as at the beginning of the period / year	12,695,993	2,751,067
Add: Additions during the period / year	5,003,135	12,744,841
Add: Borrowing cost capitalized during the period	120,580	-
Less: Write-off of plant and machinery items	(6,000)	-
Less: Transferred to:		
- Operating assets	(1,858,290)	(2,752,360)
- Intangible assets	(31,065)	(47,555)
	<u>15,924,353</u>	<u>12,695,993</u>

7. FINANCIAL ASSETS AT AMORTIZED COST

Investment in Term Deposit Receipts - note 7.1	<u>5,796,000</u>	<u>5,421,150</u>
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7.1 These denote term deposits aggregating to USD 35 million maintained with Dubai Islamic Bank Pakistan Limited. These carry profit at the rate of six months LIBOR + 0.89% per annum and are due to mature in six equal semi-annual installments of \$ 5.833 million starting from July 15, 2021 and ending on January 15, 2024.

	Unaudited September 30, 2020	Audited December 31, 2019
	-----Rupees-----	

8. DEFERRED TAXATION

Debit balances arising due to:

- recoupable minimum turnover tax	343,918	558,991
- recoupable alternative corporate tax	200,426	369,179
- unpaid liabilities	139,763	128,170
- leases recognized under IFRS 16	757,675	783,120
- provision for Gas Infrastructure Development Cess and Special Excise Duty	1,623,691	1,451,279
- provision for slow moving stores and spares	102,345	102,345
- provision for bad debts	-	2,055
- share issuance cost, net to equity	57,830	57,830
	<u>3,225,648</u>	<u>3,452,969</u>

Credit balances arising due to:

- accelerated tax depreciation	(3,414,549)	(3,338,459)
	<u>(188,901)</u>	<u>114,510</u>

9. STOCK-IN-TRADE

9.1 This includes stock held at Engro Vopak Terminal Limited, a related party, as at September 30, 2020 amounted Rs. 1,246,196 (December 31, 2019: 1,284,031).

9.2 This includes carrying value of trading product, net of realizable value reduction of Rs. 9,078 (December 31, 2019: Nil).

(Amounts in thousand)

	Unaudited September 30, 2020	Audited December 31, 2019
-----Rupees-----		

10. TRADE DEBTS

These include unsecured receivables from the following related parties:

- Engro Fertilizers Limited	14,531	6,176
- Engro Powergen Thar (Private) Limited	-	599
	14,531	6,775

11. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

These include unsecured receivables from the following related parties:

- Engro Fertilizers Limited	-	2,119
- Think PVC (Private) Limited	17,009	2,212
- Engro Plasticizer (Private) Limited	-	3,109
- Sindh Engro Coal Mining Company Limited	-	53
- FrieslandCampina Engro Pakistan Limited	-	5
- Engro Peroxide (Private) Limited	4,930	70,036
- Engro Corporation Limited	-	23,725
- Engro Energy Limited	1,092	1,531
- Engro Powergen Qadirpur Limited	-	9
	23,031	102,799

12. ADVANCE AGAINST PREFERENCE SHARES

On February 14, 2020, the shareholders of the Company in the Extra Ordinary General Meeting passed a special resolution to authorize Company to issue perpetual, cumulative, convertible listed preference shares of Rs. 3,000,000,000 by way of pre-IPO placements and public offering at a price of Rs. 10 per share in cash, carrying markup of 6 months KIBOR + 3.5%. The objective of the preference share issuance is to finance PVC-III expansion and VCM debottlenecking projects. The Company will have an option to call and redeem in full or in part after the expiry of twelve months from the issue date. The preference shares may be convertible into ordinary shares of the Company at the option of the preference shares holder after the expiry of eighty months from the issue date based on 1:1 ratio. The Company is in the process of fulfilling the legal formalities before the issue.

(Amounts in thousand)**13. LONG-TERM BORROWINGS**

- Loan from International Finance Corporation (IFC) - note 13.1	5,736,321	5,343,839
- Islamic long term financing facility - note 13.2	1,936,270	-
- Bilateral Loan - note 13.3	5,421,500	5,421,500
- Sukuk certificates - note 13.4	8,640,083	8,623,541
	<u>21,734,174</u>	<u>19,388,880</u>
Less: Current portion shown under current liabilities	1,870,167	-
	<u>19,864,007</u>	<u>19,388,880</u>

- 13.1 In 2018, the Company had entered into a financing agreement with International Finance Corporation for a total of US Dollars 35,000 the draw down of which was made in December 2019. The principal is repayable in six semi-annual instalments commencing from July 2021 and carries markup at the rate of six months LIBOR plus 3.25% payable semi annually.

The borrowing is by way of hypothecation charge of present and future fixed assets of the Company (excluding land and building) which shall rank pari passu with the charges created in favour of the existing creditors.

- 13.2 On September 14, 2020, the Company obtained Islamic Long Term Financing Facility (ILTFF) of the State Bank of Pakistan through Musharaka agreement entered with financial institutions to finance its PVC-III expansion project. The amount is repayable over 10 years in equal quarterly installments of Rs. 60,938 each with the first payment commencing from December 2022. These are secured by way of hypothecation charge of present and future fixed assets of the Company (excluding land and building) which shall rank pari passu with the charges created in favour of the existing creditors.

- 13.3 In 2019, the Company entered into a musharaka agreement with Dubai Islamic Bank Pakistan Limited (DIBPL). The principal is repayable in six semi-annual installments commencing from July 2021 and carries a markup at a rate of six months KIBOR payable semi annually.

The borrowing is secured by way of hypothecation charge of present and future fixed assets of the Company (except land and building), ranking subordinate and subservient to the charges created in favour of the existing creditors, and a lien and a right of set-off over the Term Deposit Receipt maintained with DIBPL as referred to in note 7.

- 13.4 In 2019, the Company issued sukuk bonds of Rs. 8,750,000 to eligible institutional and other investors by way of private placement. These are repayable over a period of 7.5 years in five equal annual installments of Rs. 1,750,000 each with the first repayment commencing in July 2024. These are secured by way of hypothecation charge of present and future fixed assets of the Company (excluding land and building) which shall rank pari passu with the charges created in favour of the existing creditors.

Unaudited	Audited
September 30,	December 31,
2020	2019
-----Rupees-----	

14. PROVISIONS

- Provision for Gas Infrastructure Development Cess	5,758,192	5,140,373
- Provision for gas price revision	517,392	517,392
	<u>6,275,584</u>	<u>5,657,765</u>

On August 13, 2020, the Honorable Supreme Court of Pakistan announced the decision rendering the GIDC Act 2015 intra virus to the constitution and directs the Gas supply companies to recover the dues in 24 monthly instalments. The company, aggrieved of the decision has filed a review petition in Honorable Supreme Court against its decision.

(Amounts in thousand)**15. TRADE AND OTHER PAYABLES**

Include amounts due to the following related parties:

- Engro Corporation Limited	197,948	88,305
- Engro Fertilizers Limited	32,000	40,926
- Engro Fertilizers Limited	151	-
- Engro Powergen Thar (Private) Limited	613	613
- Engro Vopak Terminal Limited	144,951	139,849
	<u>375,663</u>	<u>269,693</u>

16. CONTINGENCIES AND COMMITMENTS

16.1 The material change in the contingencies from those disclosed in the annual unconsolidated financial statements for the year ended December 31, 2019, is stated in following note.

16.2 Through the notice dated January 20, 2020 the Additional Commissioner Inland Revenue (ACIR) raised issues inter alia with respect to the adjustment of carried forward minimum taxes from the tax liability of Tax Year 2019 and required the Company to pay Rs. 552,331 being the amount short paid with the return. The Company filed a Constitutional Petition in the High Court of Sindh (SHC) challenging the notice, which through order dated February 4, 2020, dismissed the case based on the decision of the SHC in respect of another company. However, the SHC directed the department to refrain from passing the order on the bases of the aforesaid notice for a period of thirty days which was then extended for further 30 days to enable the Company to approach the Supreme Court (SC). The Company has filed Civil Petition for Leave to Appeal I against SHC order in Supreme Court, which was heard on March 18, 2020 and an interim stay has been granted to the Company subject to the submission of Bank Guarantee equivalent to the order amount, which has been duly submitted by the Company. The Company based on legal advisor view continues to recognise a deferred tax asset on recoupable minimum turnover tax in respect of current period amounting to Rs. 343,918 (December 31, 2019: Rs. 21,486) based on its financial projections, expects to recoup it in the ensuing years.

15.3 The aggregate facilities for issuance of performance guarantees by the banks on behalf of the Company as at September 30, 2020 amounts to Rs. 3,248,000 (December 31, 2019: Rs. 3,248,000). The amount utilized there against as at September 30, 2020 is Rs.3,009,421 (December 31, 2019: Rs. 2,163,090).

15.4 The facility for opening letters of credit as at September 30, 2020 aggregates to Rs.20,076,188 (December 31, 2019: Rs. 24,007,000). The amount utilized thereagainst as at September 30, 2020 was Rs. 3,420,194 (December 31, 2019: Rs. 3,120,000). These facilities carry commission at rates running between 0.05% and 0.1% (December 31, 2019: 0.05% and 0.1%).

15.5 The Company has entered into operating lease arrangements with Al-Rahim Trading Company (Private) Limited for the storage and handling of Ethylene Di Chloride (EDC) in respect of which future lease commitments aggregate to Rs. 6,085 (December 31, 2019 : Rs Nil). The rentals shall be settled within a period of 1 year.

	Unaudited	Audited
	September 30,	December 31,
	2020	2019
	-----Rupees-----	
15.6 Commitments in respect of capital commitments and other operational items	<u>2,045,713</u>	<u>3,090,692</u>

(Amounts in thousand)

Unaudited **Unaudited**
September 30, **December 31,**
2020 **2019**
 -----Rupees-----

17. CASH GENERATED FROM OPERATIONS

17.1	Profit for the period before taxation	2,858,241	3,827,090
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Adjustments for non-cash charges and other items:

	Provision for staff retirement and other service benefits	41,001	37,965
	Provision for GIDC	617,819	765,622
	Write-off of trade debts	331	-
	Provision for net realizable value of stock-in-trade, net	9,078	-
	Provision for slow moving stores and spares	-	2,265
	Write-off of stores and spares	4,330	-
	Depreciation on operating assets	939,190	907,936
	Write-off of operating assets	11,440	-
	Depreciation on Right-of-use asset	311,972	300,035
	Amortization on intangible asset	19,512	13,850
	Income on short-term investments and bank deposits	(769,803)	(649,490)
	Amortisation of transaction cost on sukuks and IFC loan	31,874	16,500
	Gain on derivative financial instrument	(154)	-
	Exchange loss on revaluation of financial asset and liabilities	373,951	650,823
	Interest cost on IFRS 16	233,246	239,239
	Finance costs	1,479,916	936,362
	Loss/(gain) on disposal of operating assets - note 6.2	322	(1,782)
	Working capital changes - note 17.2	896,744	901,694
		7,059,010	7,948,109

17.2 Working capital changes**(Increase) / decrease in current assets**

	Stores, spares and loose tools	(161,742)	(19,275)
	Stock-in-trade	(309,581)	(1,295,743)
	Trade debts - considered good	36,458	24,346
	Loans, advances, deposits, prepayments and other receivables - net	3,421	21,440
		(431,444)	(1,269,232)

Increase in current liabilities

	Trade and other payables	1,328,188	2,170,926
		896,744	901,694

Unaudited **Audited**
September 30, **December 31,**
2020 **2019**
 -----Rupees-----

18. CASH AND CASH EQUIVALENTS

	Cash and bank balances	689,233	777,823
	Financial assets at fair value through profit and loss	9,902,881	8,042,313
	Short-term borrowings	-	(2,158,836)
		10,592,114	6,661,300

(Amounts in thousand)**19. SEGMENT INFORMATION**

19.1 The basis of segmentation and reportable segments presented in these unconsolidated condensed interim financial statements are same as disclosed in the annual financial statements of the Company for the year ended December 31, 2019.

	September 30, 2020				September 30, 2019			
	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power Supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power Supply	Total
Rupees								
Revenue								
At a point in time	19,648,504	3,093,909	-	22,742,413	23,325,441	4,454,842	-	27,780,283
Over time	-	-	60,740	60,740	-	-	53,939	53,939
	<u>19,648,504</u>	<u>3,093,909</u>	<u>60,740</u>	<u>22,803,153</u>	<u>23,325,441</u>	<u>4,454,842</u>	<u>53,939</u>	<u>27,834,222</u>
Cost of sales	(15,519,107)	(2,771,753)	(58,634)	(18,349,494)	(19,423,412)	(2,888,432)	(52,073)	(22,363,917)
Distribution and marketing expenses	(131,152)	(43,284)	-	(174,436)	(180,673)	(48,800)	-	(229,473)
Administrative expenses	(331,395)	(37,416)	-	(368,811)	(375,367)	(54,997)	-	(430,364)
Other operating expenses	(323,539)	(38,992)	(704)	(363,235)	(330,871)	(110,293)	(138)	(441,302)
Other operating income	506,076	332,300	2,013	840,389	341,841	360,228	29	702,098
Finance costs	(1,576,888)	(10,264)	(201)	(1,587,353)	(945,740)	(7,032)	(85)	(952,857)
Taxation	(681,745)	(102,175)	(802)	(784,722)	(586,277)	(494,600)	(485)	(1,081,362)
Profit after tax	<u>1,590,754</u>	<u>422,325</u>	<u>2,412</u>	<u>2,015,491</u>	<u>1,824,942</u>	<u>1,210,916</u>	<u>1,187</u>	<u>3,037,045</u>
Others, net of tax				(27,458)				-
Impact of IFRS 16 (post tax)				59,784				(198,723)
Profit after tax	<u>1,590,754</u>	<u>422,325</u>	<u>2,412</u>	<u>2,047,817</u>	<u>1,824,942</u>	<u>1,210,916</u>	<u>1,187</u>	<u>2,838,322</u>

	September 30, 2020				December 31, 2019			
	Poly Vinyl Chloride and Allied Chemicals	Caustic soda and Allied Chemicals	Power supply	Total	Poly Vinyl Chloride and Allied Chemicals	Caustic soda and Allied Chemicals	Power supply	Total
Total segment assets	35,432,812	9,346,438	26,716	44,805,966	31,534,624	6,068,487	17,886	37,620,997
Unallocated assets	-	-	-	19,003,869	-	-	-	19,845,449
Total assets				<u>63,809,835</u>				<u>57,466,446</u>

19.2 Segment assets consist primarily of property, plant and equipment, right-of-use assets, stores and spares, stock-in-trade and trade debts.

19.3 The segment results for the period are prepared in line with basis of allocation adopted in the annual financial statements for the year ended December 31, 2019.

(Amounts in thousand)

20. TRANSACTIONS WITH RELATED PARTIES

20.1 Transactions with related parties, other than those which have been disclosed elsewhere in these unconsolidated condensed interim financial statements, are as follows:

		Unaudited	
		Nine months ended	
		September 30,	September 30,
		2020	2019
-----Rupees-----			
Nature of relationship	Nature of transactions		
Holding Company			
- Engro Corporation Limited	Reimbursements made	20,906	8,077
	Reimbursements received	24,341	1,592
	Intangible asset - software	200,141	58,738
	Purchase of services	243,971	193,989
	Medical contribution	-	194
	Life insurance	-	537
Subsidiary Company			
- Think PVC (Private) Limited	Expenses incurred for the Company	14,797	-
- Engro Plasticizer (Private) Limited	Expenses incurred for the Company	190	3,021
	Reimbursement received	3,299	-
- Engro Peroxide (Private) Limited	Expenses incurred for the Company	270,073	30,232
	Reimbursement received	335,179	-
Associated Companies			
- Mitsubishi Corporation	Purchase of goods	84,519	665,806
Members of the Group			
- Engro Fertilizers Limited	Sale of goods	3,850	11,305
	Sale of steam and electricity	93,903	82,727
	Reimbursement received	2,016	1,822
	Reimbursement made	13,448	12,498
	Purchase of services	43,272	-
	Payment against purchase of land	-	722,122
- Engro Vopak Terminal Limited	Purchase of services	1,238,168	1,201,220
	Reimbursement made	8,796	2,902
	Reimbursement received	-	917
- Engro Energy Limited	Reimbursement received	1,596	4,040
- Engro Digital Limited	Purchase of services	6,428	32
- Engro Powergen Thar (Private) Limited	Sale of goods	1,277	2,970
- Sindh Engro Coal Mining Company Limited	Reimbursements received	549	-
Directors			
	Fee	950	800
Contribution to staff retirement benefits			
	Managed and operated by the Holding Company		
	Provident fund	35,475	32,306
	Gratuity fund	37,186	22,322
	Pension fund	1,524	2,508
Key management personnel			
	Managerial remuneration	170,711	54,996
	Retirement benefit funds	8,885	11,039
	Bonus	23,504	14,243
	Other benefits	12,184	15,433

(Amounts in thousand)

21. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

The table below analyses 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 the 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); and
- Inputs for the asset or liability that are not based on observable market data (level 3).

As at September 30, 2020	Level 1	Level 2	Level 3	Total
	-----Rupees-----			
Financial assets at fair value through profit or loss				
- Term Deposit Receipt	-	6,061		6,061
- Treasury bills	-	9,896,820	-	9,896,820
	<u>-</u>	<u>9,902,881</u>	<u>-</u>	<u>9,902,881</u>
As at December 31, 2019	Level 1	Level 2	Level 3	Total
	-----Rupees-----			
Financial assets at fair value through profit or loss				
- Treasury bills	-	6,342,268	-	6,342,268
- Pakistan Investment Bonds (PIBs)	-	1,700,045	-	1,700,045
	<u>-</u>	<u>8,042,313</u>	<u>-</u>	<u>8,042,313</u>

For the remaining assets and liabilities, the fair values are considered not to be materially different from their respective carrying amounts since the instruments are either short-term in nature or are periodically re-priced.

22. CORRESPONDING FIGURES

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

During the period, these reclassifications have been made:

Description	Reclassified		Amount	
	From	To	Quarter ended	Nine months en
			September 30, 2019	
Sales promotion	Distribution and marketing expenses	Administrative expenses	-	15,246
Purchased services	Administrative expenses	Cost of sales	72,239	193,270
Accrued mark-up	Loans, advances, deposits prepayments and other receivables	Financial assets at fair value through profit and loss	-	77,893

(Amounts in thousand)

23. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

23.1 The Board of Directors in its meeting held on October 15, 2020 has approved an interim cash dividend of Rs. NIL per share for the period ended September 30, 2020 amounting to Rs. NIL. These unconsolidated condensed interim financial statements do not include the effect of the said interim dividend.

24. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on October 15, 2020 by the Board of Directors of the Company.

25. GENERAL

Figures have been rounded off to the nearest thousand Rupees unless otherwise stated.



Jahangir Piracha
Chief Executive



Syed Abbas Raza
Chief Financial Officer



Feroz Rizvi
Director

اینٹروپولیمرا اینڈ کیمیکلز لمیٹڈ

حصص یافتگان (شیر ہولڈرز) کے لئے 30 ستمبر 2020 کو ختم شدہ نو ماہ

کے حوالے سے غیر آڈٹ شدہ مجموعی عبوری مالیاتی گوشواروں پر ڈائریکٹرز کا جائزہ

ہم، اینٹروپولیمرا اینڈ کیمیکلز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے 30 ستمبر 2020ء کو ختم شدہ نو ماہ کے حوالے سے کمپنی کی غیر آڈٹ شدہ مالیاتی معلومات کو پیش کرنا چاہیں گے۔

کاروباری تجزیہ

Q3'2020 کے دوران لاک ڈاؤن میں نرمی کے بعد ایشیا PVC مارکیٹ میں مانگ میں اضافے کی وجہ سے بہتری آئی۔ طلب میں بہتری اور عالمی رسد کو سخت کرنے کی وجہ سے بین الاقوامی PVC کی قیمتوں نے Q2'2020 کی سطح سے اپنی اوپر کی رفتار جاری رکھی ہے، کیونکہ امریکہ میں سمندری طوفان لورا کے نتیجے میں ہنگامی صورتحال کی وجہ سے چند بڑی کمپنیوں کا کام تعطل کا شکار ہو گیا۔ دوسری جانب اس سہ ماہی میں اتھلیں کی زیادہ تر قیمتیں مستحکم رہیں تاہم Q3'2020 کے اختتام پر اس میں اضافہ دیکھنے میں آیا۔ چین میں قومی تعطیلات سے قبل ایشیائی صنعتوں نے Turnaround لیا جس کے نتیجے میں طلب میں اضافہ ہوا۔

مقامی PVC مارکیٹ نے سہ ماہی در سہ ماہی کی بنیاد پر Q3, 2020 میں 29 فیصد بہتر حجمی اضافہ ریکارڈ کیا۔ اس مانگ کے اہم محرکات لاک ڈاؤن میں ملکی سطح پر کی جانے والی نرمی تھی جس کی وجہ سے مختلف شعبوں میں کاروباری سرگرمیاں دوبارہ شروع ہوئیں، حکومت کی جانب سے تعمیراتی پیکیج کا اعلان کیا گیا اور ایف بی آر کے ذریعے غیر رجسٹرڈ خرید/فروخت پر قومی شناختی کارڈ کی آسانی دی گئی۔ کاسٹک کی مقامی مارکیٹ میں بھی PVC جیسا رجحان رہا۔ ٹیکسٹائل کے شعبے میں بہتر برآمدی آرڈرز کی وجہ سے کاسٹک کے تمام تر آپریٹنگ ریٹ Q2 میں 54 فیصد سے بڑھ کر Q3 میں 86 فیصد ہو گئے۔

آپریٹنگ محاذ پر، Q3'2020 کے دوران PVC کی پیداوار رواں سال کی بلند ترین سطح پر پہنچ گئی کیونکہ گیس لیکج کے واقعات، کورونا کی لاک ڈاؤن پابندیوں میں نرمی کے بعد کام کاج والی سرگرمیاں معمول پر آ گئیں۔

کووڈ 19 وبائی امراض کی وجہ سے مختلف چیلنجوں کے باوجود کمپنی منصوبے کے مطابق توسیع اور موثر منصوبوں کی پابند ہے۔ منصوبوں کے بارے میں تازہ ترین معلومات مندرجہ ذیل ہیں۔

☆ PVC III کی توسیع اور VCM ڈی بول نیکنگ پروجیکٹس اس سہ ماہی کے دوران ٹریک پر رہے، ان کی تکمیل کی Q1'2021 تک مکمل ہونے کی پیش گوئی کی گئی ہے۔

☆ ہانڈ روجن پراکسائیڈ پر کام Q4' 2020 میں دوبارہ شروع ہونے کا امکان ہے اور اس پروجیکٹ کے Q4'2022 میں COD حاصل کرنے کی توقع ہے۔

☆ LABSA پروجیکٹ کو فی الحال روک دیا گیا ہے اور اس کے مکمل ہونے کی تاریخوں پر نظر ثانی کی جا رہی ہے۔

☆ ایفیشینسی پروجیکٹس بشمول OVR اور HTDC پر کام جاری ہے اور توقع ہے کہ وہ بالترتیب 2021ء اور 2022ء میں آن لائن ہو جائیں گے۔

2020 Q3 کے دوران، کمپنی کو Pre IPO ترجیحی حصص کی مد میں جو رقم موصول ہوئی اس کی مالیت 2,600 ملین روپے اور LTFF کی رقم 1,950 ملین روپے بنتی ہے۔ توقع ہے کہ دونوں لین دین کی انتظامی رسی کارروائی Q4'2020 میں مکمل کر دی جائے گی۔

2019 Q3 کے مقابلے میں 823 ملین روپے کا اضافہ ریکارڈ کیا گیا۔ یہ ٹاپ لائن اضافہ گذشتہ سال کی اسی مدت کے مقابلے میں 48 فیصد کی مثبت PAT تغیر کی عکاسی کرتا ہے۔ گذشتہ سال کے اسی عرصے کے مقابلے پاکستانی روپے کی قدر میں نمایاں کمی اور PVC کی بین الاقوامی زیادہ قیمتیں صحت مند ترقی کی بنیادی وجہ تھیں۔

کمپنی کی آمدنی میں 2019ء کے نومبر کے 27,834 ملین روپے کے مقابلے میں 2020ء کے نومبر میں 22,932 ملین روپے کی آمدن کو ریکارڈ کیا گیا۔ کمپنی نے گذشتہ سال کی اسی مدت کے دوران ریکارڈ کی جانے والی 2,814 ملین روپے کے بعد از محصول نفع (جو کہ 3.10 روپے فی حصص کی آمدن میں تبدیل ہو رہا ہے) کے مقابلے میں اس سال 2,103 ملین روپے کا بعد از محصول نفع (جو کہ 2.31 روپے فی حصص کی آمدن میں تبدیل ہو رہا ہے) جاری کیا۔ گذشتہ سال کے مقابلے میں اس سال کووڈ-19 کی وجہ سے لاک ڈاؤن کی پابندیوں اور پلانٹ آپریشنز کے تعطل، طویل عرصے تک مارکیٹوں کی بندش اور گیس لیکچ کے واقعات نے کمپنی کی آمدنی اور منافع میں کمی میں بڑا کردار ادا کیا۔

مستقبل بینی

آگے بڑھتے ہوئے، کاروباری معاملات بحال ہونے سے رسد کی حالیہ پابندیاں نرم ہونے اور سمندری طوفان لورا سے بحالی کی وجہ سے ہم توقع کرتے ہیں کہ اس سال کے اختتام پر PVC کی قیمتوں میں کمی واقع ہوگی۔

توقع کی جاتی ہے کہ PVC کی مقامی مارکیٹ مستحکم رہے گی جس کی وجہ مختلف سرکاری اور نجی تعمیراتی صنعت میں نئے منصوبوں کا شروع ہونا ہے۔ مزید برآں، توقع کی جا رہی ہے کہ کاسٹک مارکیٹ سیگمنٹ کے آپریٹنگ نرخوں میں مزید اضافہ ریکارڈ ہوگا کیونکہ امریکہ اور چین کے مابین تجارتی جنگ اور بھارت اور بنگلہ دیش میں لاک ڈاون پابندی کے سبب ٹیکسٹائل کے مزید آرڈرز پاکستان منتقل کر دیئے جائیں گے۔

تاہم، وبائی مرض کورونا کی دوسری لہر اور ویکسین کیلئے کی جانے والی پیش رفت کے سبب، پیدا ہونے والی غیر یقینی صورتحال سے مقامی اور عالمی دونوں اجناس کی منڈی پر اثر پڑے گا۔



فیروز رضوی
ڈائریکٹر



جہانگیر پراچہ
چیف ایگزیکٹو آفیسر