engro polymer & chemicals

Head Office
12th Floor, Ocean Tower, G-3, Block 9,
Clifton, Khayaban-e-Iqbal, Karachi - 75600
PABX : +92-21-35166863-64
UAN : 111 411 411
www.engropolymer.com

Plant
EZ/1/P-ii-1, Eastern Zone,
Bin Qasim, Karachi.

evolve | adapt | grow

annual report | 2020

engro polymer & chemicals

annual report 2020

evolve | adapt | grow

engro polymer & chemicals

# annual report 2020

Engro Polymer & Chemicals is proud to present its annual report for the year 2020.

This report focuses on stakeholder information, corporate governance, the directors' report and financial statements for the year ended December 31, 2020.

For any feedback, suggestions or queries kindly contact the following:


**Syed Abbas Raza**
Chief Financial Officer
saraza@engro.com

**Syed Sajid Hafeez**
Business Analyst
sajid.hafeez@engro.com

**Anoosha Naushad**
Assistant Manager Accounting and Reporting
anaushad@engro.com

**Alina Zuberi**
Assistant Manager Corporate Communications
t_azuberi@engro.com


This report is also available on our website:
www.engropolymer.com

# about the theme

## our theme

EPCL believes in being in a constant state of evolution that requires quick adaptation skills in order to achieve long-term growth for the organization and consequently for our people and our nation!

This past year, we managed to resiliently remain on course, showed agility and adaptation that paved way for successes, despite the challenges that the pandemic posed. We also made considerable strides in the past year and accomplished the completion of PVC III in March 2021, marking new growth opportunities for the many years to come.

Hence, this Annual Report is in celebration of that journey, and in celebration of our aim of taking our people and our nation along with us.

## aim and scope

Our Annual Report for 2020 aims to present itself as a consolidated document that gives a bird's eye view of the company's portfolio in coherence with a detailed run-through of our strategies, financial performance, and external parallels.

Throughout this report we will be uncovering how the company has and continues to create and sustain value over time through short-term, medium, and long-term approaches, thereby aligning said approach with the methods and practices of an integrated reporting structure.

We also hope to equip our stakeholders with information that is necessary and comprehensive, thus facilitating their evaluation of what our organization currently entails and our ability to do more in the coming years.

Our report will be broken into nine sections and will be organized in a composition as follows:

1. **Organizational Overview and Strategy**
   In this section we will be looking at EPCL's overall business, the values it upholds, major achievements and a brief overview of company's strategy in place.

2. **Stakeholder Engagement and Relationship**
   Looks at EPCL's policies and approach towards building healthy relationship with our stakeholders.

3. **Governance**
   Covers EPCL's governance structure with the profiles of our board, management committee, the director's report along with the reviews of the Chairman and CEO.

4. **External Environment & EPCL**
   Assess EPCL in terms of the domestic market, thereby analyzing its current positioning along with the assessment of risks and opportunities.

5. **Sustainability & Corporate Social Responsibility**
   We will cover various initiatives undertaken by EPCL under the ambit of corporate social responsibility and its alignment with the UN's sustainable development goals.

6. **Moving Forward**
   Sheds light on the outlook of the company and the status of the projects in progress.

7. **Financial Performance & Position**
   We will present a detailed financial analysis of the company's performance, rationalizing major variations from prior periods.

8. **Financial Statements**
   Present EPCL's standalone & consolidated financial statements.

9. **Shareholder's Information**
   Provides secretarial information like AGM notice, proxy form and accounts circulation request form for the facilitation of our shareholders.

## adopted framework

This Report has been prepared in compliance with the following frameworks:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act);
- Provision of and directives issued under the Companies Act, 2017.
- Reporting requirements of the listed companies Code of Corporate Governance, 2019 and listing regulations of Pakistan Stock Exchange.
- Best practices on corporate reporting promoted by joint committee of Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP) and South Asian Federation of Accountants (SAFA).

Where provisions of and directives issued under the Act differ from the IFRSs, the provisions of and directives issued under the Act have been followed.

## approval of the board

The Board of Directors of Engro Polymer & Chemicals Limited acknowledges its responsibility to ensure the integrity of this Annual Report. The Directors' Report and financial statements included in the report have been approved by the Board for circulation in its meeting held on February 10, 2021.

| external review | |
|---|---|
| Review Report on Compliance with Code of Corporate Governance | A. F. Ferguson & Co. Chartered Accountants |
| Independent Auditor's Report on the Audit of Financial Statements | A. F. Ferguson & Co. Chartered Accountants |
| Independent Assurance Report on Statement of Compliance with the Sukuk (Privately Placed) Regulations, 2017 | A. F. Ferguson & Co. Chartered Accountants |
| Entity Credit Rating | PACRA |

engro polymer & chemicals

# table of contents

## organizational overview & strategy



## stakeholder engagement & relationship



## governance



## external environment & EPCL



## sustainability & corporate social responsibility



## moving forward



## financial performance & position



## financial statements



## shareholder's information

# organizational overview and strategy


Lead Pakistan in polymers & allied chemicals with international footprint.

# mission


To achieve innovative growth which creates value for country, stakeholders, customers and employees. Our commitment is to maintain the highest standards of ethics, safety and environmental responsibility.

# EPCL at a glance

Engro Polymer & Chemicals Limited (EPCL) is the only integrated chlor-vinyl chemical complex in Pakistan.

EPCL is the sole manufacturer of PVC resin in Pakistan. Besides this the company also produces Chlor Alkali products like Caustic Soda, Sodium Hypochlorite and Hydrochloric Acid. It is a subsidiary of Engro Corporation, involved in the manufacturing, marketing and distribution of PVC under the brand name 'SABZ' and other quality Chlor-Vinyl allied products.

EPCL's triple bottom line philosophy – People, Planet and Profit are critical and indispensable elements for its growth and success.

# history of major events

## 1997
- Engro Asahi Polymer & Chemicals Limited established

## 1999
- PVC-I Plant commissioned with 100 KT capacity

## 2006
- Expansion / backward integration project launched
- Asahi Glass divested its shareholding

## 2008
- PVC-II plant (50 KT) started up in Q4 2008
- Listed on the stock exchange in 2008

## 2010
- Back-integration completed
- Commercial production declared in 2010

## 2014
- Completed debottlenecking of PVC capacity to 174 KT

## 2017
- Further debottlenecking increased plant capacity to 195 KT
- Announcement of an extensive expansion plan including increase of PVC capacity by 100 KT & VCM by 50 KT

## 2018
- Announcement of Hydrogen Peroxide diversification project
- Rights shares issuance of Rs. 5.4 billion

## 2019
- Commencement of Caustic Flakes plant with a capacity of 20 KT
- Announcement of HTDC efficiency and LABSA diversification projects

## 2020
- Highest ever profitability in EPCL's history
- Preference shares issuance of Rs. 3 billion. IPO was oversubscribed by 5.4 times

# polyvinyl chloride (PVC)

**Raw Material Exporting Countries**

- **Ethylene** – Middle East, Europe, USA, South East Asia, and Singapore
- **Ethylene Dichloride (EDC)** – Middle East, USA, and Europe

**PVC Importing Countries**

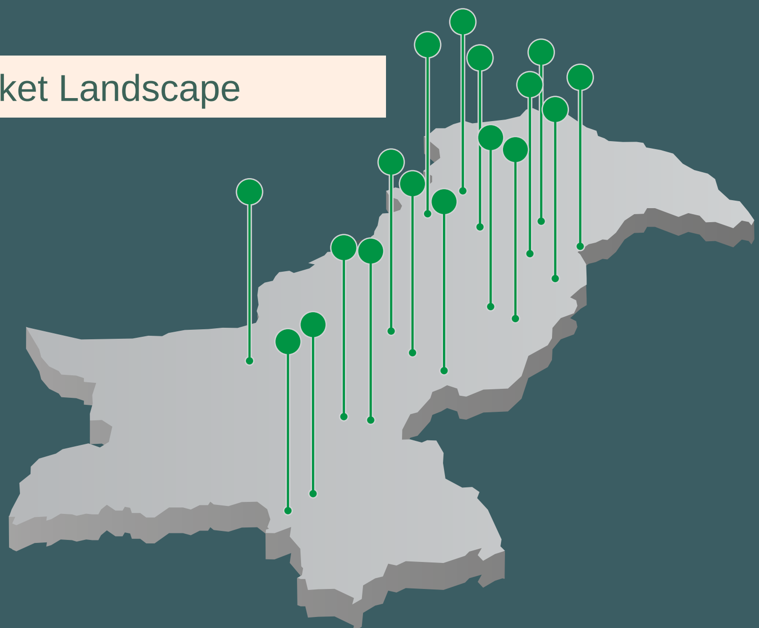
- **Polyvinyl Chloride** – Kenya, Sri Lanka, Bangladesh, Nepal

**PVC Products**

The Company manufactures and markets four grades (AU 60, AU 67 R, AU 67 S, AU 72) of suspension PVC under the brand name 'SABZ'

## PVC Domestic Market Landscape

- Karachi
- Multan
- Lahore
- Bahawalpur
- Hattar
- Peshawar
- Rawalpindi
- Quetta
- Swat
- Larkana
- Faisalabad
- Sukkur
- Gujranwala
- Islamabad
- Gadoon
- Hyderabad
- Gujrat



## PVC & Intermediary Plant

**Capacities**

- PVC 195 KTA
- EDC 127 KTA
- VCM 204 KTA

# caustic & allied chemicals

**Raw Material**

Salt is our primary raw material for caustic and allied chemicals.

**Production Design Capacities**

| Caustic Liquid | Hypo | HCL | Caustic Flakes |
|---|---|---|---|
| 106 KTA | 30 KTA | 60 KTA | 20 KTA |


1. **Caustic Soda / Flakes** — Dyeing and mercerizing in textile sector, free fatty acids removal from edible oil & ghee, soap and water purification
2. **Hydrogen** — Used in the manufacturing of terephthalic acid
3. **Hydrochloric Acid** — Pickling, oil well acidizing, water treatment, cleaning, food processing and medicine
4. **Sodium Hypochlorite** — Water treatment, detergents, denim bleaching and paper bleaching


# domestic market landscape

### Caustic Soda

- Karachi
- Hub
- Hyderabad
- Multan
- Rahim Yar Khan
- Faisalabad
- Lahore
- Daharki
- Gujranwala
- Quetta
- Rawalpindi

### Hydrogen

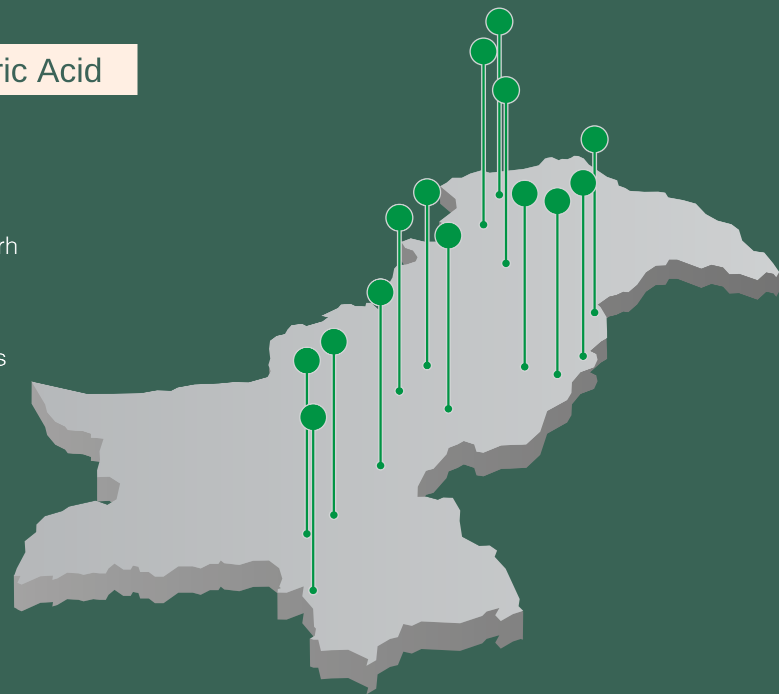
- Karachi

### Hydrochloric Acid

- Hyderabad
- Hub
- Guddu
- Muzaffargarh
- Multan
- Sadiqabad
- Mirpur Khas

### Sodium Hypochlorite

- Karachi
- Hyderabad
- Hub
- Ghotki
- Sadiqabad
- Daharki



# company information

## Board of Directors

Mr. Ghias Khan
Mr. Jahangir Piracha
Mr. Nadir Salar
Mr. Eram Hasan
Mr. Rizwan Masood Raja
Mr. Feroz Rizvi
Mr. Noriyuki Yoga
Mr. Nazoor Ali Baig
Ms. Ayesha Aziz

## Bankers

Allied Bank Ltd.
Askari Bank Ltd.
Al-Baraka Bank (Pakistan) Ltd.
Bank Alfalah Ltd.
Bank Al Habib Ltd.
Bank Islami Pakistan Ltd.
Dubai Islamic Bank Pakistan Ltd.
Faysal Bank Ltd.
Habib 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 Pakistan Ltd.
Samba Bank Ltd.
The Bank of Punjab
United Bank Ltd.

## Company Secretary

Mr. Khawaja Haider Abbas

## Share Registrar

M/s. FAMCO Associates (Pvt) Limited
8-F, Next to Hotel Faran, Block-6,
PECHS, Shahrah-e-Faisal Karachi Pakistan.
Tel: +92(21) 34380104-5, 34384621-3
Fax: +92(21) 34380106

## Registered Office

12th Floor, Ocean Tower, G-3, Block 9,
Clifton, Khayaban-e-Iqbal,
Karachi-75600
PABX: +92-21-35166863-64
UAN: 111 411 41

## CEO Message (Video Link)

www.engropolymer.com/knowledge-center/media-gallery/

## 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

## Plant

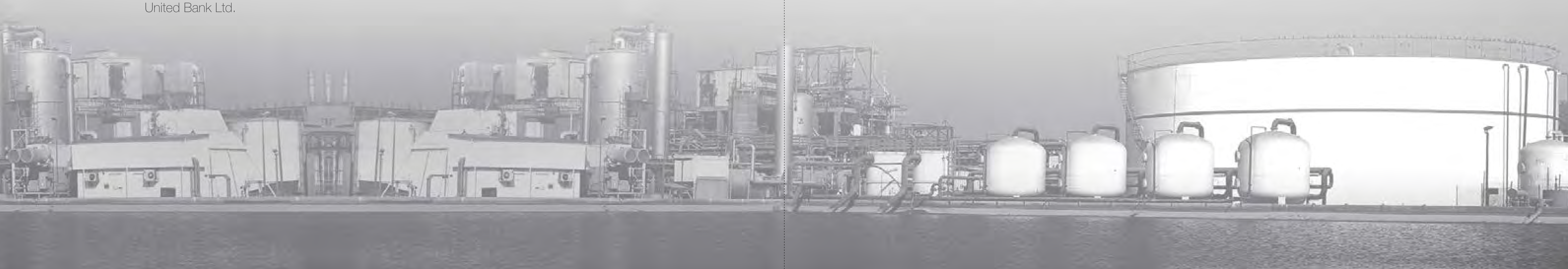
EZ/1/P-ii-1, Eastern Zone, Bin Qasim,
Karachi.

## Lahore Office

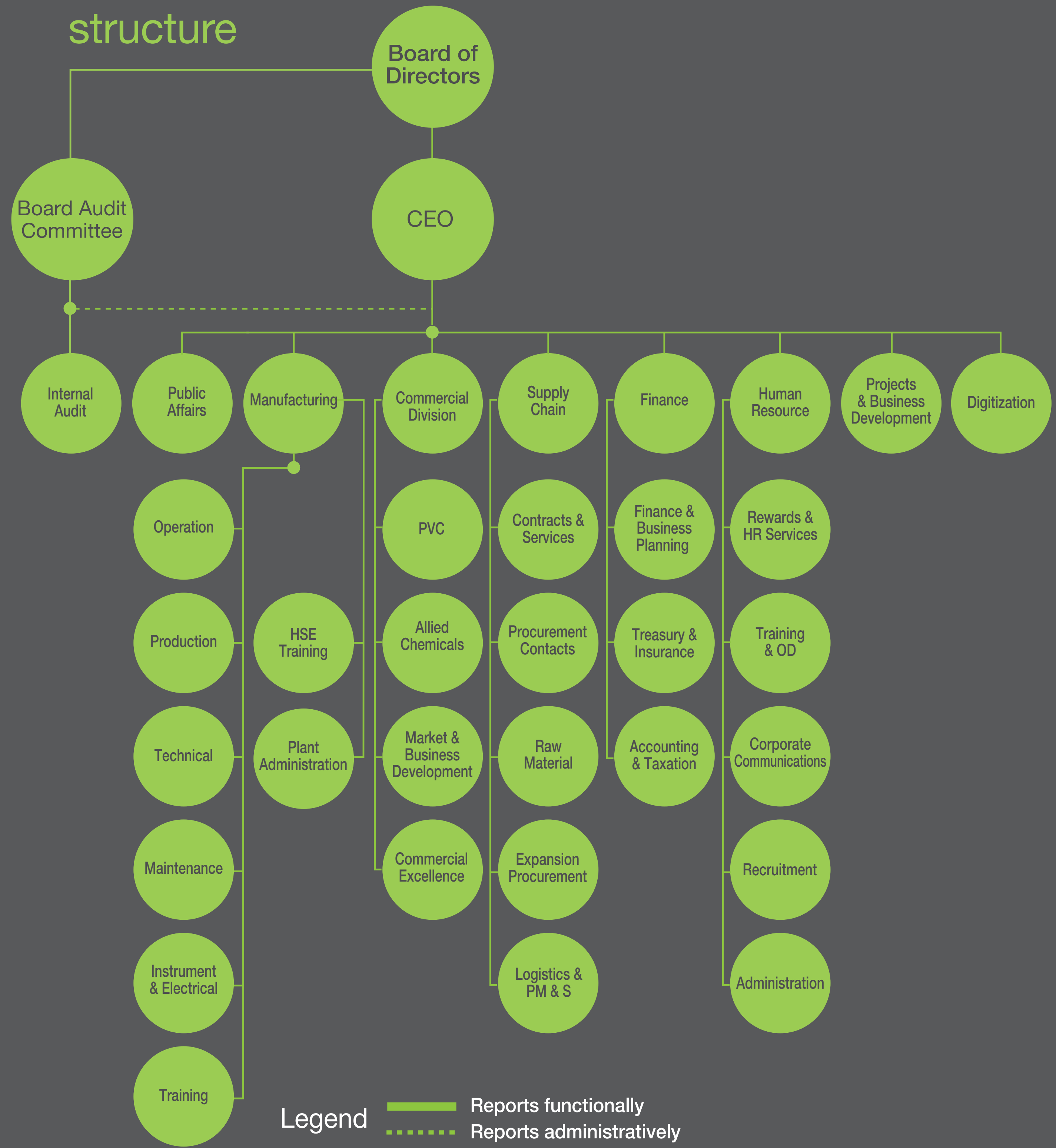
Office No. 601, 6th Floor, Haly Tower,
Lalik Chowk, DHA, Lahore.
UAN: 111 211 211

## Website

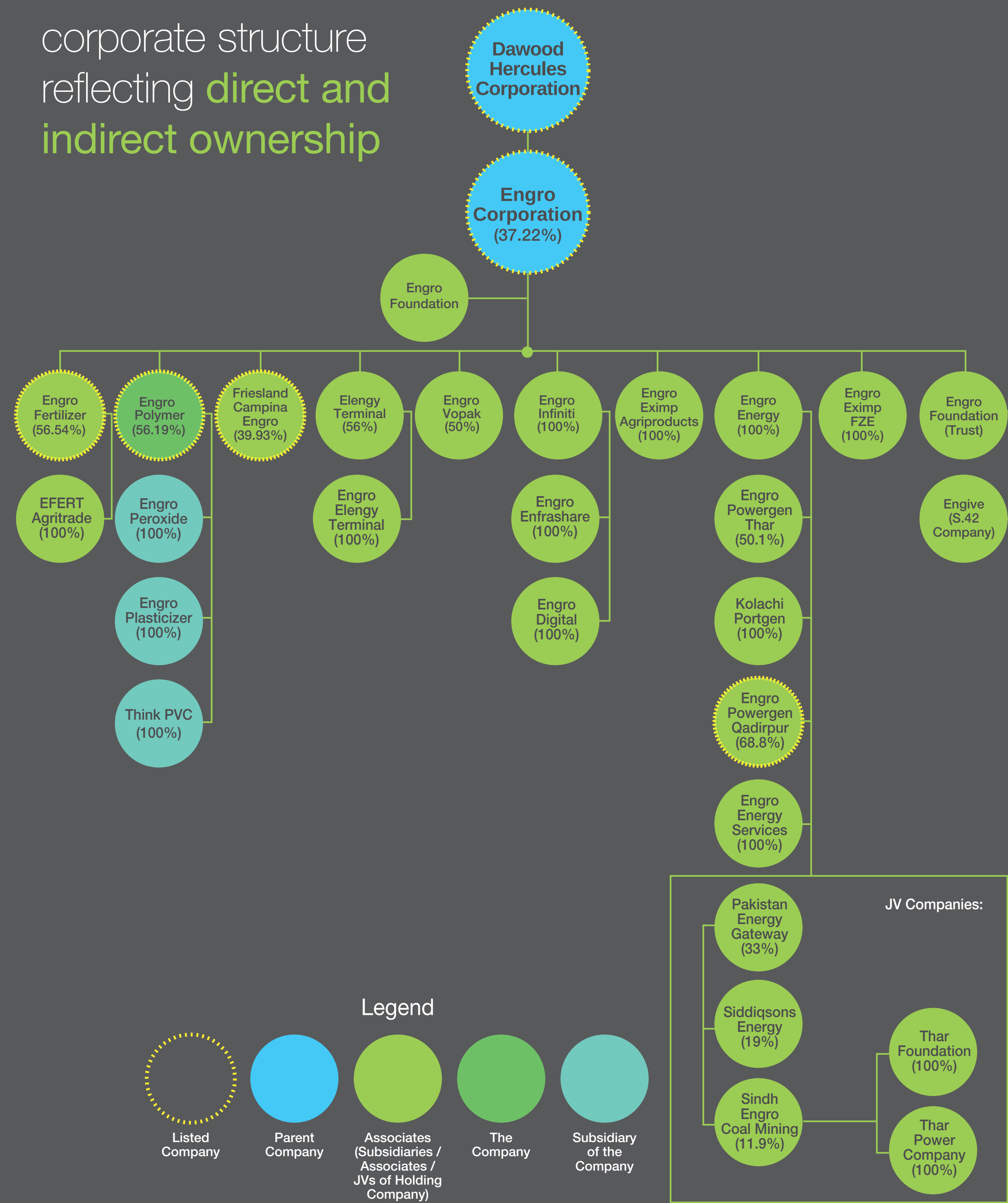
www.engropolymer.com



# organizational **structure**

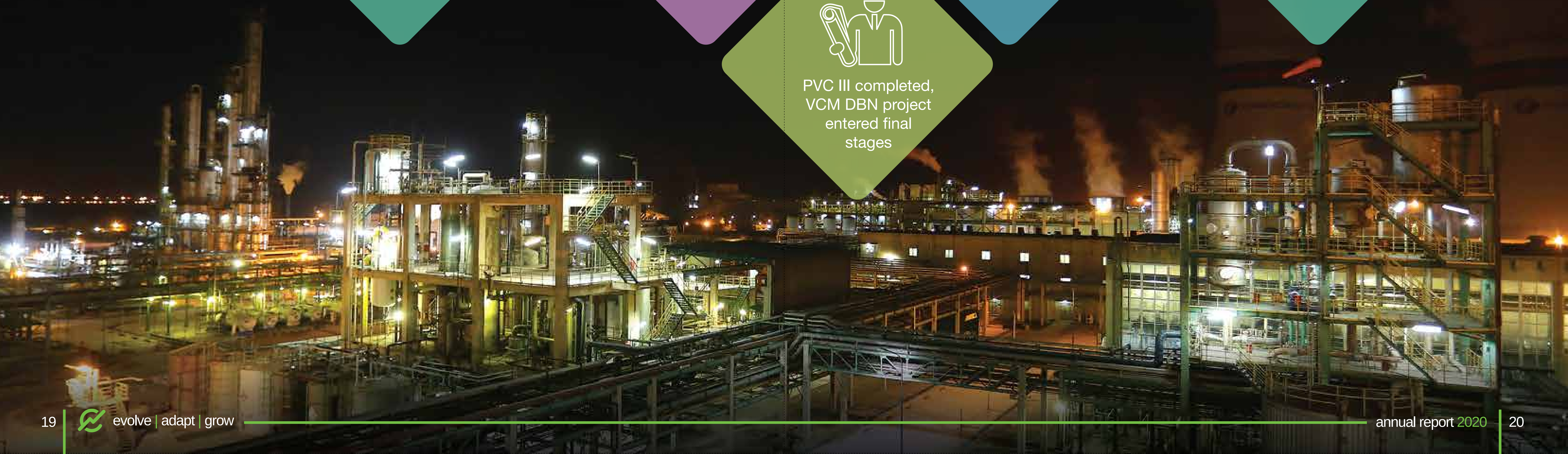



# corporate structure reflecting **direct and indirect ownership**



# key highlights
# & major achievements

- Engagement survey 83% response rate
- Efficient and effective COVID management
- Highest ever profitability
- Strong credit rating reflects investors' confidence in the company
- Formation of digitization division
- PVC III completed, VCM DBN project entered final stages
- Preference shares issuance, IPO oversubscribed by 5.4 times
- Annual report award by ICAP and SAFA
- Serving the community
  Two new TCF schools



# awards, achievements & accreditations

## QMS – ISO 9001 certification

The Company has been ISO 9001 (Quality Management System) certified since 1999, which meant increased customer satisfaction via documented systems and procedures. The company continues to remain ISO 9001 certified for Manufacturing and Sales of PVC Resin and Allied Chlor Vinyl Products vide the certification audit carried out by URS in 2020 according to the latest standard (ISO 9001:2015), during which no non-compliance was reported.

## Chlorine Institute Membership

In 2020, EPCL received membership from The Chlorine Institute (CI). This membership will be highly beneficial for the company in terms of operation safety, and the production of chlorine, sodium and potassium hydroxides, and sodium hypochlorite. Moreover, the CI guidelines are being used to achieve excellence in process safety understanding and implementation.

## EMS – ISO 14001 certification

The Company is ISO 14001 (Environment Management System) certified by a credible third party (URS). Accordingly, the organization has amplified its focus on Health, Safety and Environmental Policies through re-certification. The company was audited in 2020 according to the latest standard (ISO 14001:2015), during which no non-compliance was reported.

## OHSAS – ISO 45001 certification

The Company implemented OHSAS ISO 18001 (Occupational Health & Safety Administrative Series) in 2013. The company was audited in 2020 according to the latest standard (ISO 45001:2015), during which no non-compliance was reported.

## Annual Report Award

Third position awarded by ICAP in chemical and fertilizer sector and merit certificate by SAFA.

## CSR awards

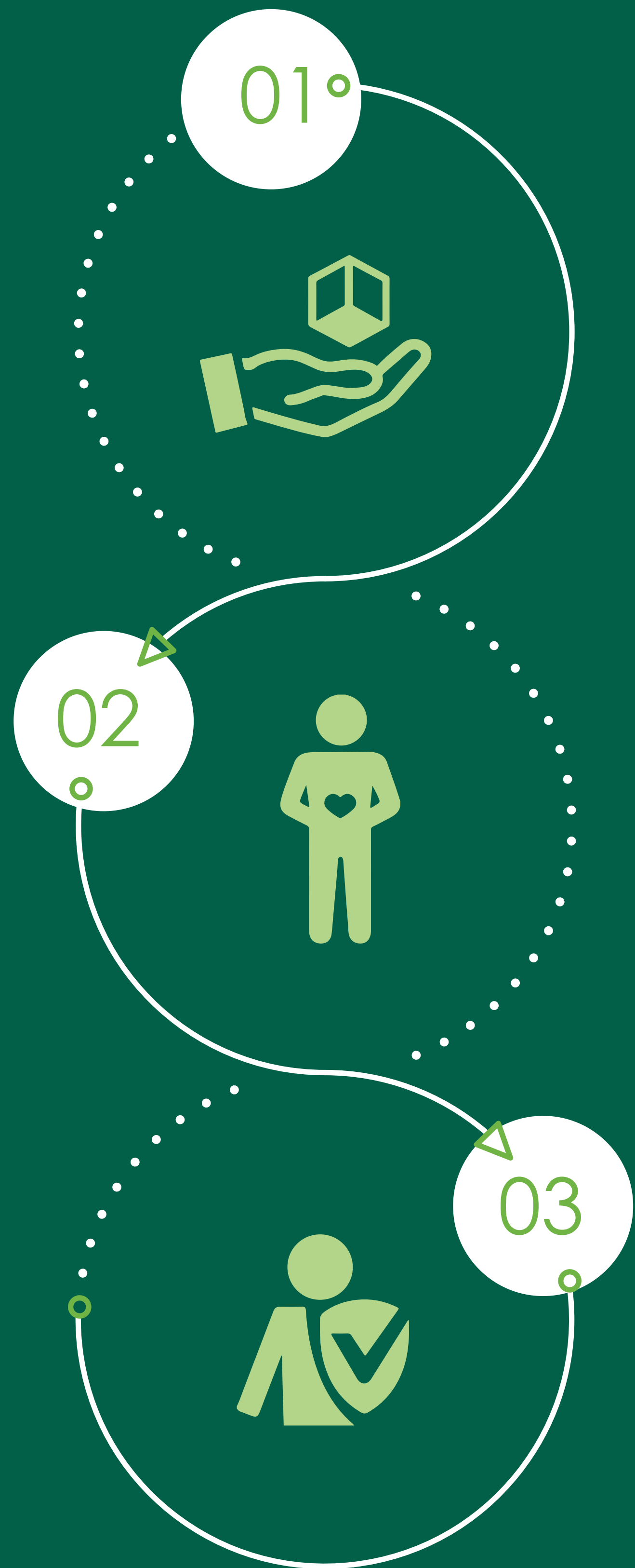
EPCL was awarded 4 CSR awards at the 13th National Forum for Environment & Health International CSR awards. Winning categories were Public Health, Education & Scholarship, Community Development & Services, and Waste Management / Recycling. EPCL also won 3 awards at 10th International Corporate Social Responsibility Summit & Awards in the categories of Education / Scholarship, Public Health and Corporate Community Scholarships.

# credibility

## PACRA credit ratings

Owing to the Company's promising fundamentals and strong liquidity, PACRA maintained "AA– / A1+" long-term / short-term credit ratings of EPCL, which is the highest ever in the history of the Company. Strong rating is a testimony to the fact that the Company has achieved operational consolidation and has promising fundamentals.

# our core values




Has impeccable character and lives by highest standards of integrity and accountability

Nurtures passion to serve country, community and company, with strong belief in the dignity and value of people

Cares deeply about environmental impact and safety of people

# strategy & resource allocation

## objective and strategy

At EPCL, we believe that strategy is the core of any business. In this regard, extensive deliberations are done at management and board levels. In line with the strategy, objectives are developed and cascaded down to divisions.

## corporate objectives

1. Manage and utilize resources and operations in a way that ensures the health and safety of our people, neighbors, customers, and visitors
2. Enhance site reliability and ensure product availability
3. Execute Board-approved capital structure
4. Execute expansion, diversification, sustainability and operational efficiency projects successfully within Board-approved timelines
5. Create value for Pakistan by increasing import substitution
6. Ensure availability of talent base and motivated employees for achieving organizational objectives
7. Deliver a common set of business processes, standard master data, and quality information in a timely fashion, all of which will improve the speed of decision-making, especially:
   a. Execute digitization strategy with the objective to make EPCL a model and agile organization with digitized and automated business processes leveraging the latest technologies
   b. Implementation of state-of-the-art end to end ERP "SAP S4 HANA", including FIORI and success factors

| | Strategic Objectives | Strategic Actions |
|---|---|---|
| Short-term | Continuity of safe operations while minimizing the risk of COVID-19 transmission | Adequate measures such as continuous testing, housing facility at site, medical staff deployment, rota system to ensure stringent implementation of COVID-19 protocols |
| | Develop marketing strategies for additional PVC volumes and other upcoming products | Remain in constant touch with our potential customers and appraise them of product quality and benefits |
| | Optimize sales mix to ensure maximum value creation for all stakeholders | Continuously monitor product margins and recalibrate product mix as per business needs |
| | Focus on overheads and create cost efficiencies | Conduct in-depth analysis of cost structure to identify potential savings opportunities and realize them in a timely manner |

| | Strategic Objectives | Strategic Actions |
|---|---|---|
| Medium-term | Enter new markets to diversify product base | The company is entering into new products i.e. Hydrogen Peroxide and LABSA while study of other businesses is underway. In order to ensure social distancing measures at projects site, work on LABSA project is currently on hold. |
| | Maintain and enhance plant reliability by ensuring regular maintenance | Conduct plant turnaround within aligned time frames and allocated resources. Preventive maintenance and testing of critical equipment is done |
| | Develop domestic PVC markets by introducing the latest applications | Establish PVC Branded Outlet, a concept which showcases the latest PVC applications to retail consumers and sells PVC products of our downstream customers with the view of broadening their acceptance in Pakistan. Launch of outlet is targeted in early 2021. |
| | Ensure manufacturing excellence | Introduce efficient processes in our manufacturing to ensure maximum utilization of resources. Work on our earlier announced efficiency projects is on track with targeted COD in 2021. |
| Long-term | Identify and monitor enterprise risks. Also implement adequate mitigating measures. | Remain cognizant of changes in internal and external environment to identify key risks being faced by the entity and development of mitigating factors to eliminate or reduce the risk to an acceptable level |
| | Corporate social responsibility | Focusing on improving the quality of life of communities residing near Port Qasim |
| | Automation and digitization of business processes | Detailed strategy with 4 pillars already executed (i.e. going paperless, wireless systems upgrade, workplace agility enhancement, and automation of sales operations). Digital transformation division has been formed with specific focus on digitizing plant reliability processes |
| | Develop & retain talent, and increase workforce diversity | Attrition rates and diversity ratios are monitored and reported regularly. Job rotations / enrichment are planned to ensure retention of talent and diverse workforce |

# functional objectives and strategies

Based on the corporate objectives, functional objectives are set for all divisions and strategy is crafted.

## Health, Safety and Environment

**Objectives**

- Ensure a safe working environment
- Carry out external independent assessments about Health, Safety and Environment (HSE)
- Ensure HSE standards are maintained for expansion and operational efficiency projects
- Minimize environmental impact

**Critical Performance Indicator**

- Reduced Total Recordable Incident Rate (TRIR) and Fleet Accident Frequency Rate (FAFR)
- DuPont Ratings
- Keeping all safety ratios intact during completion of expansion projects
- Performance is measured against several international benchmarks and is also verified by external authorities

**Strategy**

- Implementation of best practices as prescribed by DuPont Framework and regular monitoring of numbers at management / BoD levels
- Carry out DuPont Audit and implement findings accordingly
- A new team has been assigned responsibility for maintaining high safety standards with tangible KPIs and regular reporting to the management
- Environmental impact studied for all projects and implementation is carefully planned to ensure compliance with stringent environmental benchmarks

**Future Relevance**

- The CPIs shall remain relevant in the future

**Resource Allocation**

- Human capital, manufactured capital, and financial capital

## Manufacturing

**Objectives**

- Maintain and enhance plant reliability
- Maintain optimal production levels at benchmark costs
- Maintain and optimize raw material / energy consumption ratios
- Satisfactory completion of growth, efficiency and reliability projects

**Critical Performance Indicator**

- Number of unplanned shutdowns, production loss and tasks completed
- Production targets are set for all products
- Raw material and energy consumption ratios have been set for all products against which performance would be compared
- Progress report / status is monitored by senior management and BoD regularly

**Strategy**

- Conduct plant turnaround within specific time frames and allocated resources. Preventive maintenance is done and critical equipments are tested for reliability regularly
- Monitoring the production facility / processes on a timely basis to identify and eliminate bottlenecks
- Regular monitoring of production / consumption ratios is done at all levels and an action plan is devised in case of deviation for immediate rectification
- Strategic milestones are established and performance is measured against them to ensure satisfactory completion of projects within prescribed time and resources. Post completion analysis is also conducted and reported

**Future Relevance**

- The CPIs shall remain relevant in the future

**Resource Allocation**

- Human capital, manufactured capital, and financial capital

## Marketing

**Objectives**

- Maximize profitability across businesses by increasing customer engagement & optimizing sales mix
- Ensure strategic alignment to future market gaps and organizational aspirations
- Ensure customer satisfaction through timely product & service availability
- Capacity building of all stakeholders

**Critical Performance Indicator**

- Customer retention & delight
- Position to venture into prospective businesses

**Strategy**

- Evaluation of market segments & their drivers
- Ensuring optimum sales mix
- Market development to identify areas for growth
- Customer voice through survey & relationship management

**Future Relevance**

- The CPIs shall remain relevant in the future

**Resource Allocation**

- Human capital, manufactured capital, financial capital, and social & relationship capital

## Human Resources

**Objectives**

- Develop & retain talent, and increase workforce diversity
- Improve diversity & inclusion
- Improve employee engagement
- Availability of requisite human resources in all aspects of operations

**Critical Performance Indicator**

- Attrition ratios and diversity ratio
- Employee Engagement Survey
- Uninterrupted operations in all departments

**Strategy**

- Attrition rates and diversity ratios are monitored and reported regularly. Job rotations / enrichment is planned to ensure retention of talent and to ensure diverse workforce
- Implement action items from previous employee surveys to ensure better employee engagement. CEO conducts regular open house sessions with employees to discuss potential concerns and to encourage conducive workplace environment
- Development of a succession plan for all key positions within the organization

**Future Relevance**

- The CPIs shall remain relevant in the future

**Resource Allocation**

- Human capital, financial capital, and social & relationship capital

## Finance & Digitization

**Objectives**

- Execute approved capital structure
- Automation and digitization of business processes
- Focus on overheads and cost efficiencies
- Identify and monitor enterprise risks. Also implement adequate mitigating measures.

**Critical Performance Indicator**

- Capital structure and financial ratios targets
- Automation of major processes and a significant reduction in paper usage
- Cost optimization and reduction
- Earlier identification of critical risks that may arise and adoption of measures to eliminate those risk or reduce them to an acceptable level

**Strategy**

- Robust cash flow projections-based financing plan is conducted to meet cash requirements. The company also secured LTTF at SBP concessionary rate and issued pref shares with the view of funding various projects.
- Detailed strategy with 4 pillars (i.e. going paperless, wireless systems upgrade, workplace agility enhancement, and automation of sales operations). Digital transformation division has been formed with specific focus on digitizing plant reliability process
- Reviewing fixed and variable costs for each division and identify areas of improvement to ensure reduction in fixed cost
- Continuous cross departmental collaboration and cognizant of changes in internal and external environment to identify key risks being faced by the entity

**Future Relevance**

- The CPIs shall remain relevant in the future

**Resource Allocation**

- Human capital, financial capital, and intellectual capital





## resource allocation plan

At EPCL, the focus is always to realize the maximum potential of our resources with the ultimate objective of increasing the shareholder value, customer satisfaction and the development of resources. For each of the above strategic objective, the Company has put in place a stringent resource allocation process which scrutinizes various aspects including criticality of objective, resource availability, and potential synergies, before the resource is dedicated towards an objective. Thereafter, the management continues to monitor the changes in external and internal environment to capitalize on better resource allocation opportunities.

The Company aims to become Pakistan's leading player in polymer & allied chemicals with international footprint. To achieve this, we will utilize the most optimal mix of our resources and leverage our rich experience in manufacturing and marketing of chemical products in Pakistan as well as in international markets.


## strategy to overcome liquidity problems

Cashflow projections are regularly monitored and analyzed for the identification of either short-term and long-term financing needs or investment opportunities. The Company remains on the look out for optimized means of financing & invest time to ensure optimal costs on this front.

Cash generated from operating activities is optimally invested to ensure ready availability without significant compromise on investment returns. The Company has readily available bank lines to meet any short-term liquidity gaps whereas long-term financing arrangements are also in place for funding of existing expansion and efficiency projects. The Company successfully drew-down the subsidized Islamic Long Term Finance Facility loan this year enabling low-cost financing for its expansion project. The company's product offtake is majorly skewed toward cash-based sales, and generation of operating cash flows are robust enough to ensure comfortable debt servicing. In addition, the options of getting extended supplier credit and discounting the credit sales have been tested and are utilized as per business needs.

## significant plans and decisions

During the year, the Company made significant strides on earlier announced expansion, diversification and efficiency projects despite the manning and other logistical challenges imposed by the COVID-19 pandemic. The Company decided to put one of diversification projects "LABSA" temporarily on hold to ensure social distancing protocols at project site.

With the company having established its strong foothold in upstream PVC product line over the years, we now plan to leverage our experience and expertise and promote downstream PVC market in Pakistan. We believe there is a huge potential in downstream market given the low per capita PVC consumption of our country and low penetration of a diverse range of PVC applications. To take our plan forward, we have invested in our THINK PVC branded outlet project which is in its final stages of completion.

The outlet will act as a platform to introduce and promote various PVC applications for all downstream stakeholders including retail consumers, builders, interior designers etc. The launch of the outlet is targeted in Q1 2021.

## significant changes in objectives and strategies from prior years

The Company remains cognizant of changes in the internal and external environment, which may call for change in objectives or strategic adjustments. In FY2020, in light of significant developments that took place on the global and domestic landscape, the Company added prevention of COVID-19 transmission while ensuring continuity of safe operations in its short-term objectives and risk identification and development of mitigating measures as its long-term objectives.

# stakeholder engagement and relationship

# engaging stakeholders

**Policy for Engaging Stakeholders**

Engro Polymer & Chemicals Limited recognizes the significance of its stakeholders and has therefore devised a policy that looks to engage them both formally and informally, periodically and regularly.


## Media

Our engagement with print and visual media takes place through regular press releases on key achievements and activities as well as through informal conversations on Company news and updates throughout the year.

## Investors, Lenders and Shareholders

Investors, lenders and shareholders look forward to our Annual General Meeting as well as Corporate Reports (Annual and Sustainability Reports), which include comprehensive information on both financial and non-financial matters related to the organization.

## Suppliers and Customers

Our suppliers and customers are engaged through periodic formal and informal meetings / conferences. We regularly provide them with technical assistance related to their businesses, to benefit both the industry and the economy in which we operate.

## Host Communities (local to our facilities and throughout Pakistan)

We consider ourselves responsible for our host communities and hold regular interactions in order to understand how we can improve our relationships. The Company is extremely active in health, education, livelihood, and environmental projects for the betterment of these communities.

## Employees

EPCL concentrates on employee engagement as it is key to performance. A survey is carried out every year to assess the levels of engagement and motivation at the workplace and based on feedback, areas of weakness are improved and strengths held stable.

## Regulators

The Company complies with all regulatory requirements and in this regard maintains close coordination with relevant regulators including the Pakistan Stock Exchange, Securities and Exchange Commission of Pakistan (SECP), and FBR.

## Analysts

EPCL engages analysts from security markets by conducting analyst briefings at the end of each quarter at least, exceeding the regulatory requirement. EPCL also coordinates with the analysts as and when needed through formal meetings and discussions.

# details of analyst briefings held during the year

| Period | Date | Place |
|---|---|---|
| Q4 2019 / FY 2019 | February 6, 2020 | Harbour Front Building, Karachi |
| Q1 2020 | April 17, 2020 | Video link facility |
| Q2 2020 | August 10, 2020 | Video link facility |
| Q3 2020 | October 19, 2020 | Video link facility |

## brief summary of matters discussed during analyst briefings

Matters discussed during the briefings normally pertain to an overview of the performance of the Company from a financial and operational perspective, ECPL's stance on any significant ongoing issue that has implications for the wider industry, an update on the Company's projects under progress, and an outlook of the market dynamics. In addition, a comprehensive Q & A session also takes place to address queries and clarifications from the attendees.

## management actions to encourage minority shareholders

The notice of the annual general meeting and extraordinary general meetings are sent to all shareholders of the company at least twenty-one days prior to the meeting. The notice is published in both Urdu and English, in at least one issue of a daily newspaper with nationwide circulation for each respective language. Further, a notice of the AGM is sent to the exchange and is also placed on the Company's website. The Company encourages minority shareholders to also participate in quarterly analyst briefing sessions, the date of which are announced through the stock exchange.

The company entertains meeting requests from minority shareholders where their queries are addressed and they are also encouraged to attend general meetings.

## investors' relations section

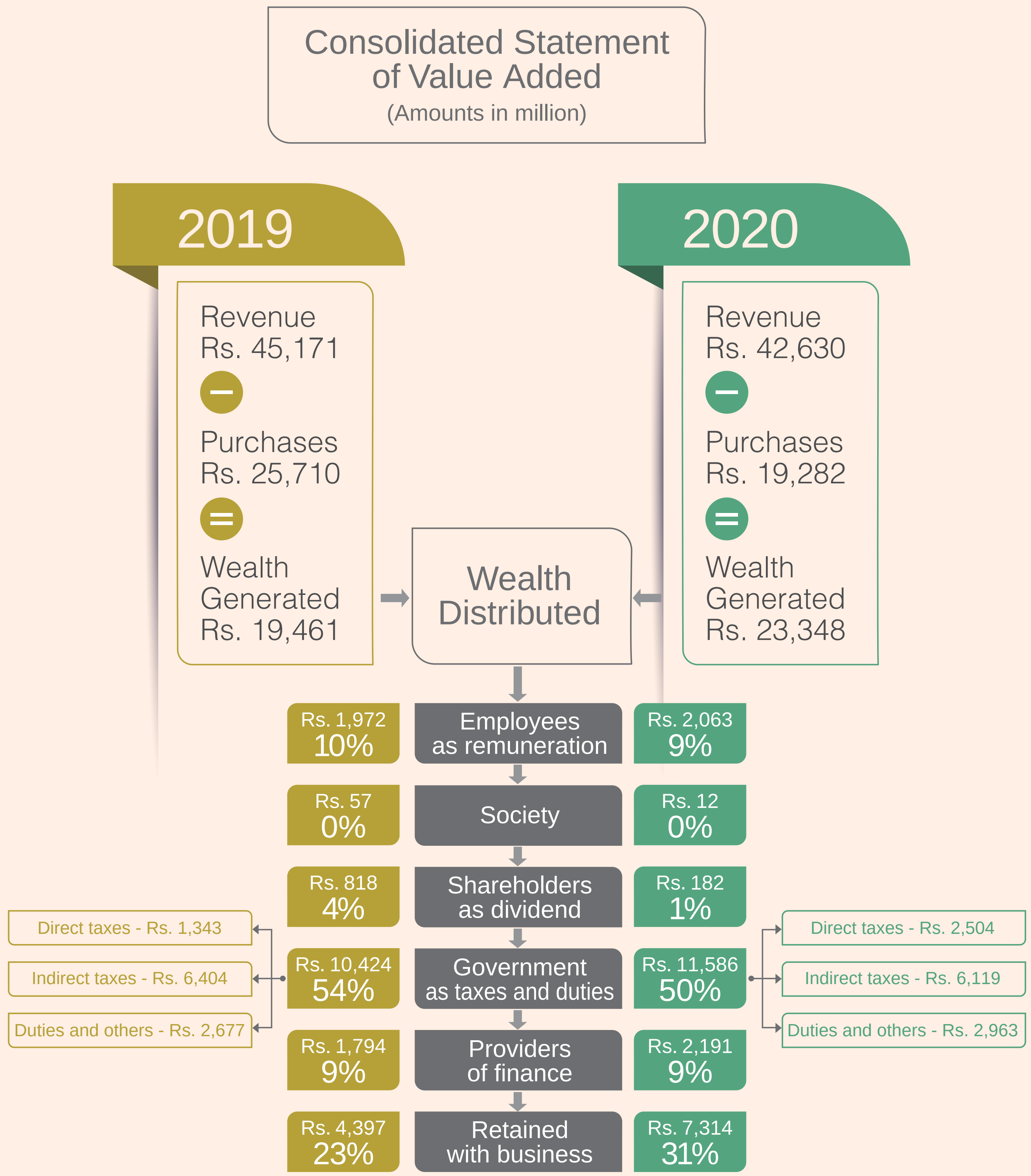
For investor queries or complaints please find our contact details on the company information page of this report or go to the investor relations webpage of our website by using the link below:

www.engropolymer.com

## AGM issues and responses

The Company's Annual General Meeting (AGM) was held on April 23, 2020, which was attended by the Chairman of the Board, Chairman of Board Audit Committee, Chief Executive Officer and other senior management of the Company to address queries and clarifications sought by the shareholders. During the last AGM, queries and clarifications were sought on the Company's financial statements, which were resolved to the satisfaction of the Shareholders. Apart from the said queries, no significant issues or concerns were raised by the shareholders.





# governance

# board of **directors**

# Ghias Uddin Khan

## Chairman

Ghias Uddin Khan is the Chief Executive Officer of Engro Corporation Limited. Before being appointed President and CEO on December 1, 2016, he had held several executive and board roles across Dawood Hercules Group of companies.

Joining Dawood group via acquisition in 2005, Ghias was the CEO of Inbox Business Technologies, one of Pakistan's largest technology companies. During his 15 years at Inbox, Ghias grew the employees to over 1,900 and pivoted the company from a computer manufacturer to a systems integrator and then again to a technology enabled digital services company.

Most recently, Ghias was the Executive Director & Head of the Chairman's Corporate Office at Dawood Hercules. He was the principal aide of the Chairman of the Group on a range of matters of institutional importance including, but not limited to, board governance, communications, external relationships, and special projects. Ghias also served as Chairman of Elixir Securities from 2011-2014. Ghias is a strong believer in social enterprise and the responsibility of businesses to environmental and human wellbeing. Ghias holds an MBA from the Institute of Business Administration in Karachi. He also serves on the boards of the following companies:

- Engro Corporation Limited (CEO)
- Engro Eximp Agriproducts (Private) Limited
- Karachi School of Business Leadership (KSBL)
- Sindh Engro Coal Mining Company Limited
- Thar Power Company Limited
- Engro Fertilizers Limited
- Engro Foundation (Trustee)
- Engro Digital Limited
- Engro Infinity (Pvt.) Limited
- Engro Enfrashare (Pvt.) Limited
- Engro Energy Limited

# Jahangir Piracha

## Chief Executive Officer

Jahangir Piracha is the Chief Executive Officer for Engro Polymer & Chemicals Limited. In his most recent role, Jahangir served as Chief Executive Officer of Engro Vopak Terminal Limited and Engro Elengy Terminal Limited since March 2017. Earlier, he served as the Chief Executive Officer for Engro Powergen Qadirpur Limited.

Prior to that, he served as Vice President – Manufacturing, and General Manager Human Resource & Corporate Services at Engro Polymer & Chemicals Ltd. He has also previously worked as the Production and HSE Manager at Engro Fertilizers Limited. Prior to joining Engro, he worked for ICI Pakistan Ltd.

Jahangir has 25 years of corporate experience in functions like Manufacturing, Human Resource and Procurement. He received his bachelors' degree in Chemical Engineering from the University of Engineering and Technology, Lahore, Pakistan.

He also serves on the boards of the following companies:

- Engro Foundation
- Arabian Sea Country Club
- Reon Energy
- Green Go (Pvt.) Limited
- Pakistan Energy Gateway
- Engro Peroxide (Pvt.) Limited
- Engro Plasticizer (Pvt.) Limited
- Think PVC (Pvt.) Limited



# Nadir Salar Qureshi

## Director

Nadir Salar Qureshi is the Chief Executive Officer of Engro Fertilizers Limited, since December 2018. He joined Engro Corporation Limited in March 2017 as Chief Strategy Officer. He completed his MBA from Harvard Business School, and his Bachelors and Masters degrees in Nuclear Engineering from MIT. He brings with him expertise in multiple sectors across the GCC, Turkey, Australia, ASEAN, and the EU. He is also experienced in consulting, private equity, and finance. Nadir began his career with Engro Chemical Pakistan Limited as a Business Analyst and then moved on to organizations such as Hub Power Company, Bain & Company, Carrier Corporation, and Abraaj Capital, leading up to his most recent role as Chief Investment Officer at Makara Capital in Singapore. Nadir also serves as a director on the boards of:

- Engro Fertilizers Limited - CEO
- Efert Agritrade (Pvt.) Limited
- Pakistan Energy Gateway Limited
- Engro Vopak Terminal Limited
- Engro Energy Limited

# Eram Hasan

## Director

Eram Hasan joined Engro as the Chief Information and Transformation Officer (CITO) in November 2019. Eram is responsible for managing and developing the following operating functions in line with Engro's central idea – IT, ECTD, Admin, Procurement, and Engro Foundation – in addition to the special transformation projects such as OneSAP and Catalyst.

Eram joins with over 25 years of international general management experience in diverse areas of Operations, Digitalization, Strategy, Business Development, Sales, Customer Services, and Supply Chain. He last served as the Chief Strategy Officer / Managing Director at K-Electric. In his previous roles, he was associated with Coca-Cola Beverages Pakistan Ltd. as Chief Operating Officer and Unilever Pakistan as Head of Sales & Operations. He was also associated with Alcoa, USA, as Business Director and Alcoa Asia / Middle East as Regional Vice President. Eram holds a MBA degree from Harvard Business School and a Masters and Bachelors in Materials Science & Engineering from MIT.

He also serves on the board of Engro Enfrashare (Pvt.) Ltd.

## Rizwan Masood Raja
### SVP & Chief People Officer

Rizwan Masood Raja joined Engro Corporation as SVP & Chief People Officer in February 2019.

Rizwan's experience spans over 25 years. He was with SCB for over 15 years and, prior to that, with Jaffer Group for 9 years. He has held multiple senior roles within HR with a focus on Retail Banking, SME Business, Financial Crime Compliance & Talent Acquisition across strategic markets such as Pakistan, Hong Kong, Singapore, China, Taiwan and South Korea. Prior to his HR career, he managed businesses P&L and finance for Jaffer Group's companies based in Pakistan.

Prior to joining Engro, Rizwan was serving as the Managing Director and Head of HR for Retail Banking and Wealth Management, Greater China and North Asia, at SCB. Always driven by new challenges, Rizwan was instrumental in developing and delivering projects on strategic workforce planning, leading multiple Transformation projects related to client-centricity & digitalization for Retail Bank, and being part of the Global HR transformation's design team. One of the key achievements was the successful build up of the Virtual Bank in Hong Kong; a first for SCB globally.

Rizwan speaks regularly at various forums on topics close to his heart, such as future of work & evolution of HR function in the digital age. He is passionate about community development and is an avid cricketer.

He also serves on the board of the following companies:

- Engro Enfrashare (Pvt.) Limited
- Karachi School of Business Leadership (KSBL)

## Ayesha Aziz
### Director

Ayesha Aziz has over 25 years of financial sector experience in senior roles with proven track record of establishing operations and creating value for stakeholders. She comes with a broad based experience in strategy, origination and management of businesses across diverse areas including Project and Structured Finance, Debt Capital Markets and Private Equity. She has a BBA and MBA from the Institute of Business Administration Karachi, and is a CFA. She's held several board positions in various organizations such as: Pakistan Mercantile Exchange Ltd., Punjab Board of Investment and Trade, Sindh Enterprise Development Board, Awwal Modaraba Management Ltd., Primus Leasing Ltd. etc. She is also a member of the CFA Society Pakistan, Corporate Leaders Advisory Board, Institute of Business Administration Management Committee, Overseas Investors Chamber of Commerce and Industry Intellectual Property Rights Committee.

She also serves on the boards of the following companies:

- Awwal Modaraba Management Limited
- Pak Brunei Investment Company (Managing Director)
- KSB Pumps Company Limited
- Primus Leasing Limited

## Noriyuki Koga
### Director

Noriyuki Koga joined Mitsubishi Corporation in 1992 and has held several positions during his time there. He is currently the General Manager of Mitsubishi Corporation's Chlor-Alkali Department and has a degree in Law from Keio University in Japan. He joined the EPCL Board in 2017.

He also serves on the board of the following companies:

- Mitsukojima Transshipment Co. Ltd.
- Kashima Chemicial Co. Ltd.
- Exportadora De Sal S.A. DE C.V
- Baja Bulk Carriers S.A.
- Philippine Resins Industries, Inc.
- PT. Asahimas Chemical
- AGC Chemicals Vietnam Company Ltd.

## Nazoor Ali Baig
### Director

Mr. Baig is a retiree from Detroit Edison Company a subsidiary of DTE Energy Company and currently associated with Hubco since 2014. He is an Electrical Engineer by profession and has worked in the utility industry for over 30 years. His experience includes working in Operations, Maintenance, Engineering, Project Management, Outage Management, Coal handling facility with state of the art blending systems, Business Management, Large Systems Change Management, etc.

He also serves on the board of **Hub Power Services Ltd.**

## Feroz Rizvi
### Director

Feroz qualified as a Chartered Accountant from England and Wales. On his return to Pakistan, he joined ICI Pakistan Ltd. and moved through various businesses and functions, including a period of secondment to the ICI Head Office in London and retired from the company as Finance Director. Mr. Rizvi has vast experience in the field of Corporate Finance, Strategy, Corporate Restructuring, Mergers and Acquisitions. He has worked in Pakistan, the UK and Saudi Arabia. He also serves on the boards of the following companies:

- Honda Atlas Cars (Pakistan) Limited
- Al Meezan Investment Management Ltd.
- Pakistan Oxygen Limited
- POL Pension Fund (Trustee)

## Principal Board Committees

### Board Audit Committee (BAC)

The Board Audit Committee meets at minimum once every quarter and assists the Board in fulfilling its oversight responsibilities, primarily in reviewing and reporting financial and non-financial information to shareholders, systems of Internal Control, Risk Management, and the Audit Processes. The BAC has the power to call for information from the Management and to consult directly with external auditors or their advisors, as considered appropriate. The Chief Financial officer and the Head of Internal Audit regularly attend BAC meetings by invitation to discuss matters relating to financial statements and audits. The Committee also frequently meets with external auditors independently.

The Members of the Committee are as follows:

- **Mr. Feroz Rizvi**
  Independent Director
- **Mr. Eram Hasan**
  Non Executive Director
- **Mr. Noriyuki Koga**
  Non Executive Director
- **Mr. Nazoor Ali Baig**
  Non Executive Director
- **Mr. Kalimuddin A. Khan**
  Secretary

### Board People's Committee (BPC)

(Human Resource and Remuneration Committee)

The Board People's Committee meets with the aim of reviewing and recommending all elements of the compensation system, as well as, the organization and employee development policies relating to Senior Executives, including Members of the Management Committee. It reviews the key human resource initiatives and the organisational structure of the Company.

The Members of the Committee are as follows:

- **Mr. Feroz Rizvi**
  Independent Director
- **Mr. Rizwan Masood Raja**
  Non Executive Director
- **Mr. Nadir Salar Qureshi**
  Non Executive Director
- **Mr. Salman Hafeez**
  Secretary

## Functional Committees

### Management Committee

- **Jahangir Piracha**
  (Chairman)
- **Jahangir Waheed**
  (Member)
- **Syed Abbas Raza**
  (Member)
- **Syed Ali Akbar**
  (Member)
- **Fahd Khawaja**
  (Member)
- **Salman Hafeez**
  (Member)
- **Aneeq Ahmed**
  (Member)
- **Mahmood Siddiqui**
  (Member)
- **Asghar Ali Khan**
  (Member)
- **Salima Hasham**
  (Secretary)

### Corporate HSE

- **Jahangir Piracha**
  (Chairman)
- **Jahangir Waheed**
  (Member)
- **Syed Abbas Raza**
  (Member)
- **Syed Ali Akbar**
  (Member)
- **Fahd Khawaja**
  (Member)
- **Salman Hafeez**
  (Member)
- **Aneeq Ahmed**
  (Member)
- **Mahmood Siddiqui**
  (Member)
- **Asghar Ali Khan**
  (Member)
- **Zeshan Bukhari**
  (Secretary)

### Inquiry Committee

(Harassment of Women at the Workplace Act 2010)

- **Jahangir Waheed**
  (Chairman)
- **Kalimuddin Khan**
  (Secretary)
- **Salima Hasham**
  (Member)

# management committee

## Jahangir Piracha
### Chief Executive Officer

Jahangir Piracha is the Chief Executive Officer for Engro Polymer & Chemicals Limited. In his most recent role, Jahangir was serving as Chief Executive Officer of Engro Vopak Terminal Limited and Engro Elengy Terminal Limited since March 2017. Earlier, he served as the Chief Executive Officer for Engro Powergen Qadirpur Limited.

Prior to this, he served as Vice President – Manufacturing, and General Manager Human Resource & Corporate Services at Engro Polymer & Chemicals Ltd. He has also worked as the Production and HSE Manager at Engro Fertilizers Limited. Prior to joining Engro, he worked for ICI Pakistan Ltd.

Jahangir has 25 years of corporate experience in functions like Manufacturing, Human Resource and Procurement. He received his bachelor's degree in Chemical Engineering from the University of Engineering and Technology, Lahore, Pakistan.

## Jahangir Waheed
### Vice President Business Development and Projects

Jahangir Waheed is Vice President Business Development and Projects at Engro Polymer & Chemicals. He brings with him almost 30 years of manufacturing experience, and has held key positions at Engro Fertilizer, Engro Powergen and SAFCO KSA. Jahangir completed his Masters in Chemical Engineering with specialization in Research in Industrial Computerized Control from King Fahd University KSA in 1987.

## Syed Abbas Raza
### Chief Financial Officer

Abbas is an experienced professional with degrees in Management Accounting, Business Administration and Electrical Engineering. Prior to joining EPCL, he worked for General Mills, a US multinational, as Finance Director for their South East Asia business. Before General Mills, he had a distinguished career with Procter & Gamble spanning almost 2 decades during which he worked in various senior positions in Pakistan, Middle East, Europe and Africa. His last position was CFO, Procter & Gamble, Pakistan.

## Syed Ali Akbar
### Vice President Operations

Ali has been associated with EPCL since 1998, he has held several positions in the Company including Services and Training Manager, Operations Manager and Commissioning and Startup Manager. He has a Bachelors in Chemical Engineering from Dawood College of Engineering and Technology.

## Salman Hafeez
### General Manager Human Resources

Salman has over 12 years of experience in Talent Acquisition, Learning & Organization Development, Employee Relations as well as HR Business Partnership in FMCG, Banking and Telecommunication Industry.

Prior to joining EPCL, he was associated with Jazz (previously known as Mobilink) as Regional Head HR (South). He has also worked at Standard Chartered Bank as Senior Talent Acquisition Manager and for Philip Morris Pakistan as a HR Business Partner.

He holds a Masters degree from Iqra university.

## Aneeq Ahmed
### Vice President Supply Chain

Aneeq Ahmed started his career at Engro Polymer & Chemicals as graduate trainee engineer and is currently heading the Company's Supply Chain Division. In his illustrious career spanning over 16 years, he has held several key positions and roles in the Company including Unit Manager Stationary and Rotary Equipment Maintenance, Maintenance Department Head, and PVC / VCM Plants' Debottlenecking and Capacity Enhancement Project Lead.

Aneeq has a bachelor's degree in Mechanical Engineering from N.E.D University of Engineering and Technology and a master's degree in Business Administration from Institute of Business Administration.

## Mahmood Siddiqui
### Vice President Manufacturing

Mahmood Siddiqui started his career with Engro Chemicals Pakistan Limited as a graduate trainee engineer and is currently leading Engro Polymer & Chemicals' Manufacturing division as the Vice President. With over 25 years of operations, commissioning, health & safety, and business development experience, he has immensely contributed in building the backbone of Engro's health & safety systems of all the subsidiaries, manufacturing operations of Engro Polymer and Engro Fertilizers, new projects at fertilizers, energy, digital and foods segments of Engro.

Apart from leading business departments and divisions at Engro, Mahmood has also led Engro's key community programs including Sahara Welfare Society, schools in Kacha, Community Emergency Response program and Engro Model School. Mahmood is a Chemical Engineer from University of the Punjab.

## Fahd Khawaja
### Vice President Commercial

Fahd Khawaja is currently serving as the Vice President of Commercial at Engro Polymer & Chemicals. Prior to joining EPCL, Fahd was associated with Efert as VP Global Sourcing & Commercial Head Phosphates Business, where he conceived the idea of making Phosphates a business unit and formulated and implemented business strategy, which resulted in the highest ever PAT for the business in 2018.

Fahd brings with him extensive experience of working in various leadership roles in Business Management, Marketing & Sales, Supply Chain, Global Sourcing and Trading. He has also worked as Department Head for Sales, Specialty Fertilizer Business and Supply Chain in the Commercial Division. Fahd is also an ASQ certified Six Sigma Black Belt and holds a master's degree in Business Administration with concentration in Marketing and Finance.

## Asghar Ali Khan
### General Manager Digital Transformation

Asghar is serving as the General Manager for Digital Transformation at EPCL. He has brought a wealth of diverse and extensive professional experience as he has worked in the Maintenance, Planning, Warehouse and Workshop functions at all three major fertilizer companies of Pakistan. Some of his key achievements include the full automation of safety gloves manufacturing as Head of Business at Midas Safety, integration of 17 robots for the manufacturing process in Hi-Tech Alloy Wheels as Chief Operating Officer and two SAP implementations as Project Manager at Sabic and Engro Fert Daharki.

With a bachelor's in industrial engineering from Purdue University USA, Asghar has also completed PMP certification from PMI.

# chairman's review

**Dear Shareholders,**

I am pleased to present to you the financials of Engro Polymer & Chemicals Limited ("EPCL") for the period ended December 31, 2020. The outgoing year proved to be one of the most challenging years in our history on multiple fronts. On the economic side, Pakistan's smooth progress towards stability after a turbulent 2019 was severely affected as the COVID-19 pandemic hit Pakistan late in February 2020. It dampened the overall demand and resulted in massive supply chain disruptions. Weak macro-economic environment, owing to the COVID-19 pandemic, led to a contraction in Pakistan's real GDP in FY 2020. Thereafter, due to the commendable measures adopted by Government, including smart lockdowns, industry stimulus package, and various other regulatory interventions, the economy showed recovery, which is evident from the improved fiscal and external numbers as well as buoyancy in the Large Scale Manufacturing sector. We hope that the government's resolve to bring institutional reforms will restore business and consumer confidence in the economic prospects of the country.

For EPCL, 2020 proved to be a year of resilience and agility. These traits helped us rise above the challenges posed by COVID-19 and achieve the highest ever profitability in the Company's history. Proactive and timely measures adopted by the management for stringent implementation of COVID-19 protocols not only resulted in zero cross transmission, but also ensured continuity of safe operations in all areas of business.

Amidst the COVID-19 induced bearish market sentiments, the Company successfully concluded preference shares pre-IPO placement and IPO listing, which is a one-of-a-kind event in the history of PSX, the IPO was oversubscribed by 5.4 times. With PVC expansion expected to come online in early 2021 and with completion of other announced efficiency projects, we believe the Company is optimally positioned to bring exciting possibilities to the domestic polymer market.

During the year, an unfortunate isolated event of chlorine leakage occurred at our plant site. The affected personnel were immediately provided sufficient and appropriate medical treatment. Subsequently, the incident was thoroughly investigated by an independent committee. I am pleased to report that we have achieved significant progress in the closure of the majority of the proposed recommendations. Here, I would like to reaffirm our commitment to ensuring the safety of our people and operations, and to take all necessary steps to ensure the implementation of the highest safety measures throughout the organization.

While we remain focused and vigilant on our commitment to maximize stakeholder value and to play an active part in the economic progress of Pakistan, our efforts need Government support in crucial matters, such as strict measures to curtail PVC dumping and continuous gas availability. The Government's recently announced guidelines on gas supply to captive power plants are quite encouraging and we feel it will enable us to consistently supply to all our export oriented caustic soda customers.

We are looking forward to a proactive approach by the Government to create an enabling business environment in the country.

I am pleased to report that the EPCL Board remained steadfast in steering the company through the challenging year. In addition, EPCL's Board continues to deliver the best governance practices through our Board People's Committee (BPC) and Board Audit Committee (BAC).

Moving ahead, EPCL will continue its journey towards value addition for all its stakeholders while adhering to the highest standards of business ethics and safety practices.

I would also like to take this opportunity to thank Imran Anwer who after taking charge as EPCL's CEO in 2015 completed his term in April 2020. During this time, he played a pivotal role in making EPCL a major player in the chemicals sector in Pakistan by spearheading numerous growth and efficiency related initiatives.

On behalf of the board,
I would like to thank him for his invaluable contributions to the success of the company. I would also like to welcome our new board members and look forward to working with them in enabling the company to deliver higher shareholder value.

**Mr. Ghias Uddin Khan**
Chairman - Board of Directors


# ceo's review

**The outgoing year, 2020, proved to be a year of unparalleled challenges and unmatched resilience.**

The COVID-19 pandemic tested the agility and grit of organizations as never experienced before in recent times. I am proud to share that EPCL, banking on the strength of its people and able leadership, not only embraced all these challenges but also produced results that speak volumes about resilience, adaptability, and the character of our team.

Starting with profitability, the Company posted its highest ever profit after tax of Rs. 5,730 million against profit after tax of Rs. 3,696 million posted last year. Historically high levels of international PVC prices in the later part of the year, effective COVID-19 management, and stringent cost control measures were primary drivers in achieving this landmark.

On the COVID-19 front, the Company demonstrated the highest level of commitment towards strict implementation of preventive measures and protocols that helped us achieve zero cross transmission at the manufacturing facility, smooth operations in other aspects of the business and continuity of construction activities at our expansion site.

We are pleased to report that despite a challenging macro-economic environment, the Company achieved major milestones in securing long term finances. We obtained a LTFF facility of Rs. 2 billion at concessionary SBP rate and successfully closed a one-of-a-kind preference shares IPO listing on the PSX, which was oversubscribed by 5.4 times.

With all these achievements, the year also witnessed an isolated unfortunate event of chlorine leakage at our plant. All affected employees were provided timely medical treatment, the majority of whom required only minor medical assistance. The incident has been thoroughly investigated by a competent team of independent experts and we are pleased to inform that all major recommendations have been implemented and significant steps are being taken to avoid any such incidents in the future.

On the international front, the PVC market remained extremely volatile throughout the outgoing year, with 1H 2020 witnessing international prices plummeting to historically low levels caused by demand erosion and low ethylene prices which crashed to an all time low in April 2020. The 2H 2020, however, proved, to be different, with the resumption of economic activities after the easing of lockdowns and the push towards construction activities by several countries leading to improved demand. This situation gained further impetus due to supply side constraints caused by hurricanes in the US, production issues with Asian & European suppliers resulting in the declaration of force majeure events, and high freight rates due to global port congestions. The collective impact of all these factors drove the PVC global prices upward with prices touching historic highs. The domestic market followed the same trend with recovery in demand in 2H driven by positive Government measures to boost economic activities, and the announcement of a construction package.

On the chlor-alkali front, the global demand contracted by ~5% in 2020 as key operators reduced their operating rates owing to global slowdown in downstream industry caused by the COVID-19. Domestic market also demonstrated considerable volatility with changing dynamics, with 1H 2020 severely affected by sluggish global demand and lockdowns, and 2H 2020 showing demand improvement driven by the diversion of orders due to Pakistan's early recovery from the pandemic.

As per Government's recently announced guidelines on gas supply to captive power plant based on energy audits, we are confident of the continuity of gas supply as we operate one of the most efficient co-generation power plants in the country, which in turn will help us to supply consistently to all our export-oriented caustic soda customers, as it remains an important feedstock for this sector.

To improve efficiencies of business processes, the Company has taken several measures to build the skills and learning of our human resource and adapt to the new norms of working with technology. On the technological front, our efforts to digitize our operations bore fruit, and to further streamline our technological initiatives, a dedicated team for digital transformation has been put in place, which will continue to work on leveraging artificial intelligence applications and to implement industry 4.0 practices to enhance productivity.

EPCL also remains committed to serving communities around Port Qasim, where our plant is located. In collaboration with TCF, EPCL established two new purpose-built schools which started operating in October 2020, and through this network of four schools, we shall continue to play an active role in the provision of quality education to students of the Ghaghar Phatak area. Alongside, our health care facility established in collaboration with SINA continues to provide free health care services to ~100 patients every day. The Company has also established 5 water filtration plants which provide more than 5000 households access to clean drinking water.

On the expansion front, the project progressed at a steady pace after the resumption of activities post-lockdown, which had affected the completion deadlines of these projects. Alhamdulillah, PVC-III has commenced commercial operations in March 2021 and VCM DBN is in the final stages with expected COD in 2Q 2021. Progress on the efficiency projects is also on track with expected completion in the current year. Work on Hydrogen Peroxide is also underway with expected commissioning in the second half of 2022. The LABSA project is currently on hold. We will update our shareholders on future developments regarding this project.

As your company, we would like to reiterate our commitment towards contributing to economic prosperity, creating shareholder value, adhering to world class HSE standards and investing in sustainability driven and environment-friendly practices. Lastly, I would like to express my gratitude to all our stakeholders, including but not limited to our shareholders, customers, employees, suppliers, technology providers, business partners, regulatory bodies and Government for putting their trust in us, and we look forward to building an even stronger company in the coming years.

**Mr. Jahangir Piracha**
Chief Executive Officer

CEO Message (Video Link)
www.engropolymer.com/knowledge-center/media-gallery/

# directors' report

The Directors of Engro Polymer & Chemicals Limited are pleased to submit the annual report and audited accounts for the year ended December 31, 2020.

During the year, the Company posted Revenue of Rs. 35,331 million, against Rs. 37,837 million and Profit After Tax of Rs. 5,730 million as compared to Rs. 3,696 million last year, translating into earning per share of Rs. 6.30 per share against Rs. 4.07 per share last year. The Board of Directors approved final cash dividend of Rs. 1.247 per ordinary share and Rs. 0.042 per preference share.

## principal activities

Engro Polymer & Chemicals Limited ("EPCL" or "The Company") is a subsidiary of Engro Corporation Limited ("ECL" or "The Holding Company of EPCL"), which is a subsidiary of Dawood Hercules Corporation Limited ("DH Corp" or "The Holding Company of ECL"). EPCL was incorporated in 1997 as a Public Limited Company under the Repealed Companies' Ordinance 1984 and commenced commercial operations in 1997. Shares of the Company are listed on Pakistan Stock Exchange. The principal activity of the Company is to produce and market Chlor-Vinyl products which include Polyvinyl Chloride (PVC), Vinyl Chloride Monomer (VCM), Caustic Soda Liquid, Caustic Soda Flakes, Hydrochloric Acid and Sodium Hypochlorite. The Company's flagship brand 'SABZ' has become synonymous with quality PVC in the country. EPCL strongly endorses its triple bottom line philosophy – People, Planet and Profit.

## nature of business & business model

Engro Polymer & Chemicals Limited operates in the Chlor-Vinyl segment and its profitability is a function of the business context within which it operates.


## macroeconomic environment

The journey of Pakistan's economy towards stability from the challenging times of 2019 was well on track in Q1 2020 through prudent monetary and fiscal policies. It was further complemented by IMF's Extended Fund Facility program. However, just as the promising economic recovery indicators in the form of contraction in twin deficits and restoration of consumer and business confidence started to emerge, the coronavirus pandemic hit the country and the first case was reported on February 26, 2020.

The containment measures adopted by the government in response to COVID-19, which included lockdowns that followed tightening fiscal and monetary policies prior to outbreak, severely affected the industries and the economy at large. The effects translated into a contraction in real GDP by 0.4%, the first ever in decades. The contraction was mainly driven by the large-scale manufacturing sector, which contracted by 10% in FY 2020 due to the high policy rates prior to the pandemic, and the plunging domestic and global demand thereafter. On the fiscal front, due to a decline in economic activity, growth of tax revenues were inevitably dented in March–June 2020 period, and a considerable rise in government spending on social safety and health care needs, the primary surplus accumulated in the first three quarters turned into a deficit. On the other hand, current account deficit shrunk from 4.8% of GDP in FY2019 to 1.1% in FY 2020. Improvement in balance of payment mainly owed to falling imports as the crude prices crashed globally and increased workers' remittances. However, it was slightly offset by contracting exports, which declined by 7.5% in FY 2020 as limited retail sales in advanced economies led to a fall in export orders. On the inflation front, CPI rose to 10.7% in FY 2020 vs. an average of 6.8% in FY 2019. The major factors contributing to the increase were food inflation, hikes in administered energy prices, and a weaker rupee, which depreciated ~5% against the US dollar in FY 2020.

In response to the pandemic, the Economic Coordination Committee (ECC) approved a fiscal stimulus of Rs. 1.2 trillion on March 30, 2020. The SBP reduced the monetary rates by 625 bps over 3 months and rolled out multiple schemes to extend support, which included deferment of principal repayments, subsidized financing for firms to pay salaries to their employees, relaxations in operational criteria for export related refinance schemes, and concessionary finance facilities for investment projects and hospitals.

Effective national level strategy and policy measures adopted by the government and regulatory bodies not only helped contain the virus in Pakistan but also helped the economy recover from the pandemic. During H2 2020, the LSM sector showed encouraging signs of buoyancy, as the construction package announced by the government helped cement dispatches and growth of allied industries, and as export orders were diverted to Pakistan. The external and fiscal sector indicators improved as well, as the current account recorded a surplus of USD 1.1 billion for the first six months of FY2021 as compared to a deficit of over USD 2 billion during 6MFY 20.

During the outgoing year, Supreme Court issued judgement on Gas Infrastructure Development Cess (GIDC) where it declared GIDC as intra vires to the constitution and disposed all the cases and stay orders against the recovery. Since the company continued to record provision in previous years, the impact of this decision on the Profit and Loss statement is curtailed to the extent of financial charges on cash outflows because of this decision. However, the Company has currently obtained a stay order from Sindh High Court on the plea that it does not pass on the GIDC impact to its customers. For a more comprehensive view of the matter, please refer to note 20 of standalone financial statements.

With recent development on gas supply to captive power plants, we remain hopeful for continuity of gas supply as the operators of one of the most efficient cogeneration power plants in the industry. We also reaffirm our commitment to work towards further improving our operational efficiencies and reduce gas consumption per ton to minimize the impact of gas prices and availability on overall business.

# EPCL and COVID-19 pandemic rising above the challenge

Undoubtedly, the novel coronavirus brought changes to almost every aspect of life: work from home, the shift towards e-commerce, supply chain localization, changing government spending priorities etc. It was not just another turn of the business cycle, it was the dawn of a "new normal". As the new normal paved its way, it presented numerous social, health and economic challenges. EPCL was no exception to those challenges. The most pressing issues that we faced were:

- Suspension of operations during lockdown at base plant and expansion sites, as per Govt. of Sindh directives
- Plant situated in Karachi declared COVID-19 hotspot
- Management of over 1,000 manpower at site
- Sourcing of critical raw material amid global supply chain disruptions
- Ensuring timely outbound and inbound logistics to ensure consistent supplies to customers

Through our strong leadership, committed workforce and unparalleled resilience, EPCL undertook several timely measures to ensure the health and safety of our people along with continuity of our operations. Some of our key responses were:

- Formation of dedicated COVID-19 oversight committee
- Establishment of on-site accommodation for workforce
- Establishment of in-house rapid testing facility
- Early adoption of preventive measures prior to the announcement of the lockdown
- Deployment of Work Safe Analytics software, which helps to monitor and control COVID-19 SOP implementation
- Arranged sourcing of key raw materials from alternate sources
- Held virtual customer meetings during lockdowns
- Managed cash flow issues in a robust fashion

Effective implementation of measures helped us through the most critical times and we are proud to share that the outgoing year was the most profitable one in the history of EPCL.

## pandemic recovery plan

As our economy started to recover from the pandemic, our leadership put together a plan to ensure EPCL's smooth journey through the recovery. Some of the plan highlights are:

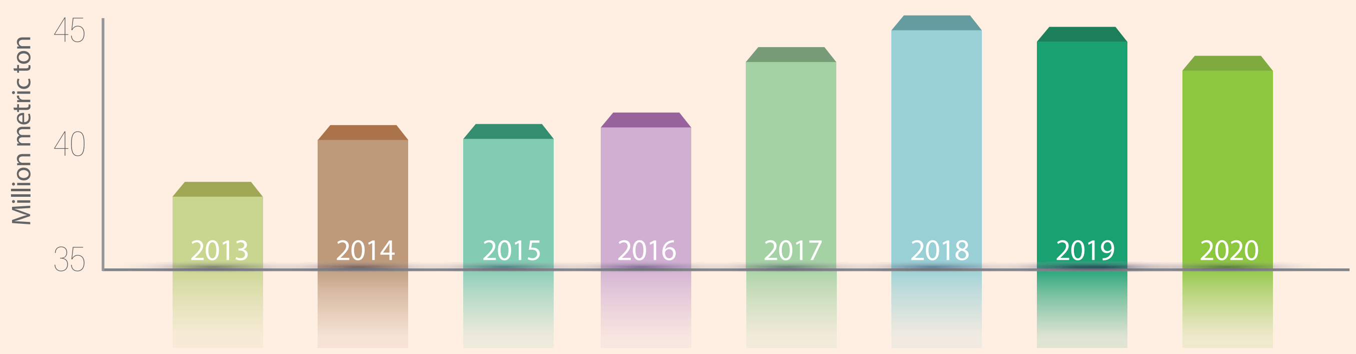
- Establishing rota system at site and HO to ensure stringent implementation and monitoring of SOPs
- Enhancing customer engagement activities to reinforce relationships
- Normalizing the sourcing of raw material through contract management
- Obtaining financing facilities at subsidized rate
- Departmental task force formation to continuously monitor the situation



# vinyl market overview

Global PVC demand declined by 6% in 2020 as havoc caused by the pandemic brought economic activities almost to a halt. Furthermore, in the latter half of 2020, when the global economy started to recover, the international PVC market was hit with severe supply tightness as major PVC producers in the US and Europe faced production issues due to hurricanes in the US. Supply tightness was further aggravated due to port congestions and shortage of containers, especially in Asia. The worsening demand-supply gap was prominently reflected on international price trends, which remained on upward trajectory throughout the second half of 2020. Going forward, given the current global supply dynamics, prices are expected to remain firm in short run.

Global PVC Demand




## north america

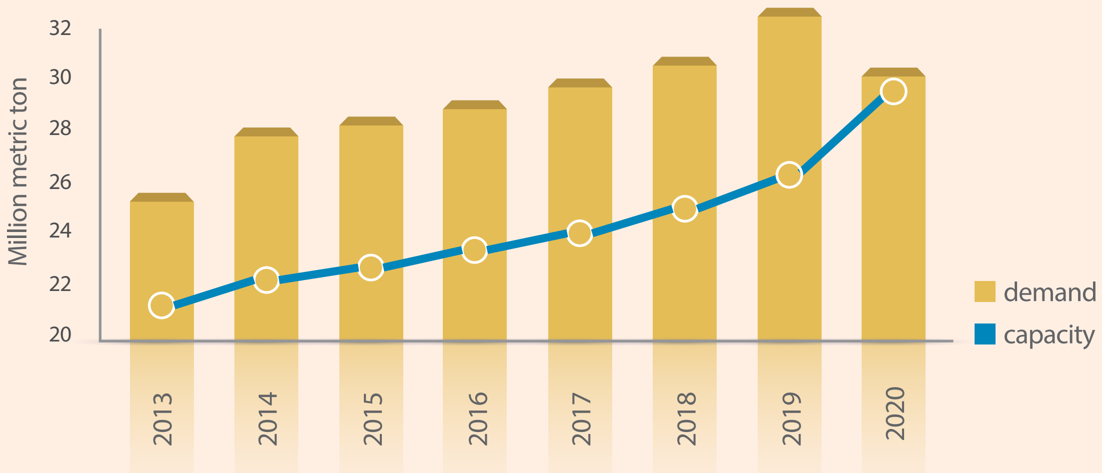
The COVID-19 pandemic impacted PVC demand in North America unlike any other past event, not even the 2008/09 recession. New construction activity dropped by more than 20% in March with declining builder confidence. COVID-19 induced decline in demand led to many converters reducing rates, while others were forced to shut down facilities in compliance with lockdown restrictions imposed by the government. In 2H 2020, construction activities started to pick up, after the lifting of lockdown restrictions, owing to the boom in the US housing sector due to low mortgage rates, which helped in keeping the average annual decline in regional demand to ~6.8% versus 2019.

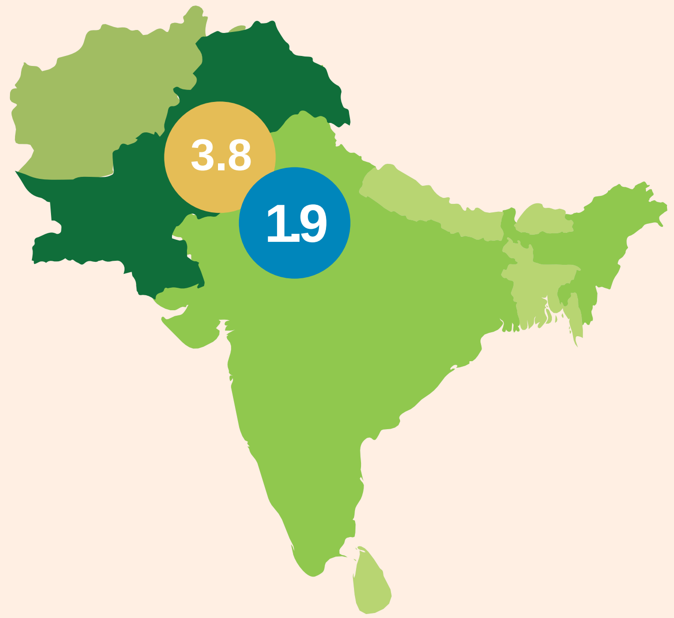
Supply was largely impacted in 2H by hurricanes in 2H 2020 which resulted in Westlake Chemicals, the second largest PVC producer representing 25% of the total regional capacity, declaring force majeure, which remained in effect for the rest of the year. In addition, Formosa Plastics USA, also one of the major world producers, declared force majeure in August amidst operational issues. The dynamics led to dip in regional operating rates to ~75% in 2020 as compare to 87% in 2019 on an annual average basis.

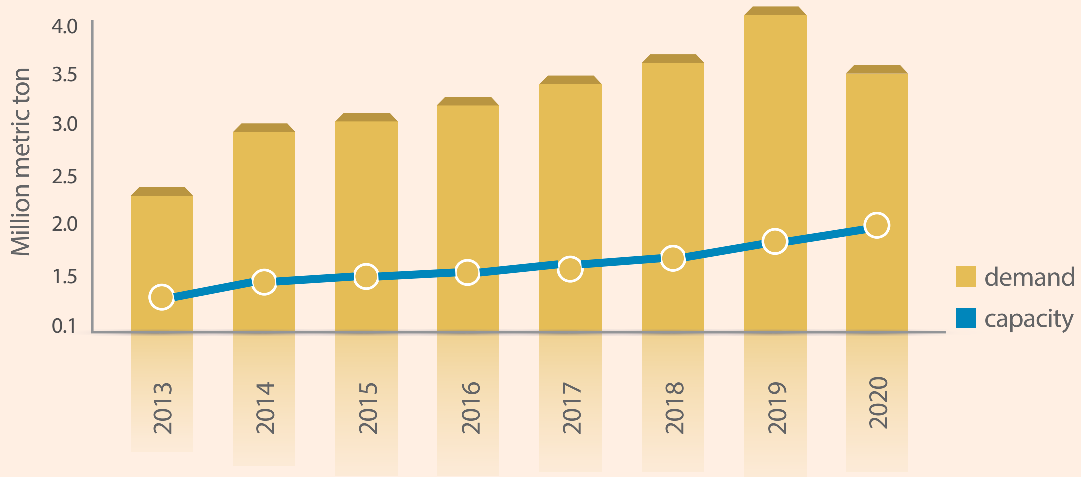
## asia

Asia is an important market for PVC owing to its historic contribution to the overall demand growth where developing economies like China and India have provided growth impetus. Regional demand followed the global trend and contracted in 2020 mainly due to slow down of Chinese and Indian economies owing to series of lockdown policies from the end of March to early June. The extended monsoon season in India and heavy floods in China further contracted demand. After the lifting of lockdown restrictions, accelerated recovery was observed as many countries executed policies to boost demand and floated stimulus packages.

Asian PVC prices started an upward trajectory from the beginning of the second half and continued until the end of the year as global supply tightness kept the pressure on the regional market. High freight cost due to port congestions and shortage of containers, especially in India, also supported the price hike. Going forward, given the current global supply dynamics, prices are expected to remain firm in short run.

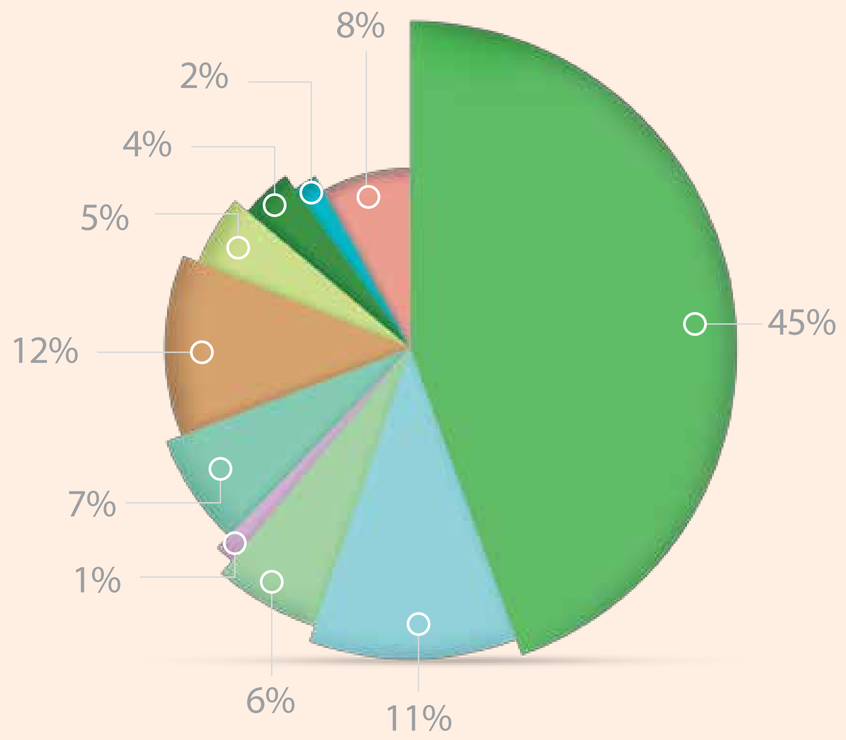




## south asia

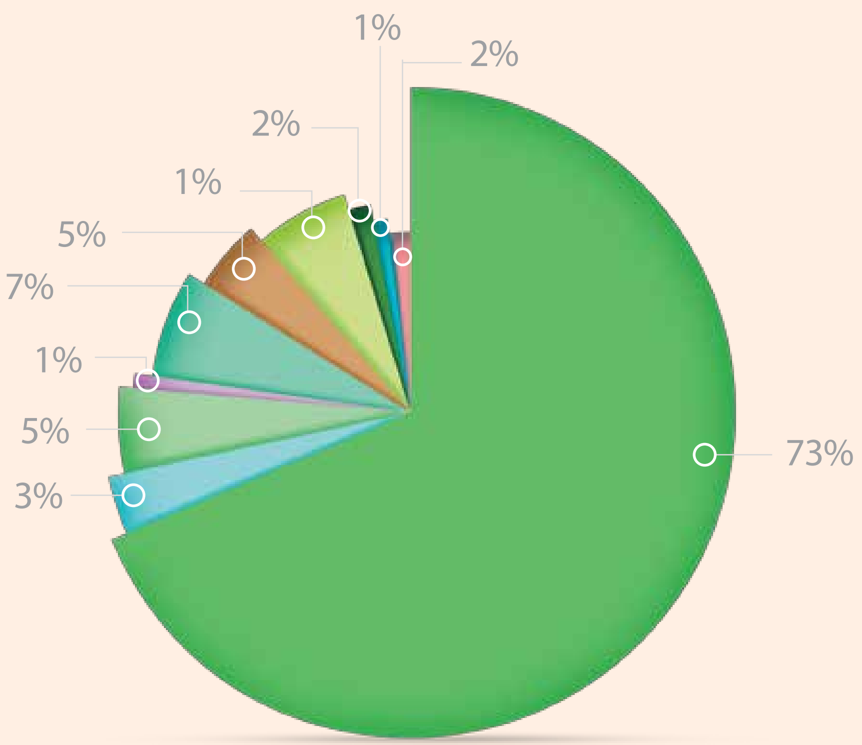
The region's PVC demand declined by 10% in 2020 due to the impact of the COVID-19 pandemic. The lengthy monsoon season in India, which accounts for 86% of the region's consumption, also contributed to the demand contraction. Average operating rates of regional producers also posted a sharp drop from 85% to 77% in 2020 owing to lockdown measures adopted by countries in the region. Regional demand recovery from the pandemic started in September as governments turned their focus to construction and infrastructure development activities to stimulate respective economies. However, increasing demand could not be matched by the supply due to production issues faced by global suppliers and heavy maintenance period of regional producers, which led to historically high prices. The outlook for the market recovery is still very optimistic, as it will be supported by recently announced Indian government initiatives to develop the country's infrastructure and the construction package announced by Government of Pakistan.

South Asia continues to be a crucial market in the vinyl world due to its large supply deficits both for PVC and feedstocks, and serves as an important lever in balancing the global vinyl supply and demand.
The potential for growth in the region remains enormous for at least the next decade based on the large population of over 2 billion and a per capita consumption of only 2 kg which in comparison with global average of 6 kg per person is considerably low.
The importance of agriculture in the region cannot be emphasized enough in terms of PVC demand. Pipes and fitting account for 73% of total PVC regional demand, which considerably outweighs the global proportion of 45%. Other applications like chlorinated PVC pipes, wire and cable, and PVC profiles continue to gain wider acceptance in the region owing to their better value proposition compared to competitive products. The PVC industry in Pakistan is also slowly diversifying and is developing a wider range of finished products such as PVC flooring, garden hose, garden furniture, PVC roofing, wall panels and ceiling.
Therefore, outlook for demand growth remains healthy in the region on the back of low per capita consumption, increasing construction activities and further introduction of new applications.




## global PVC usage

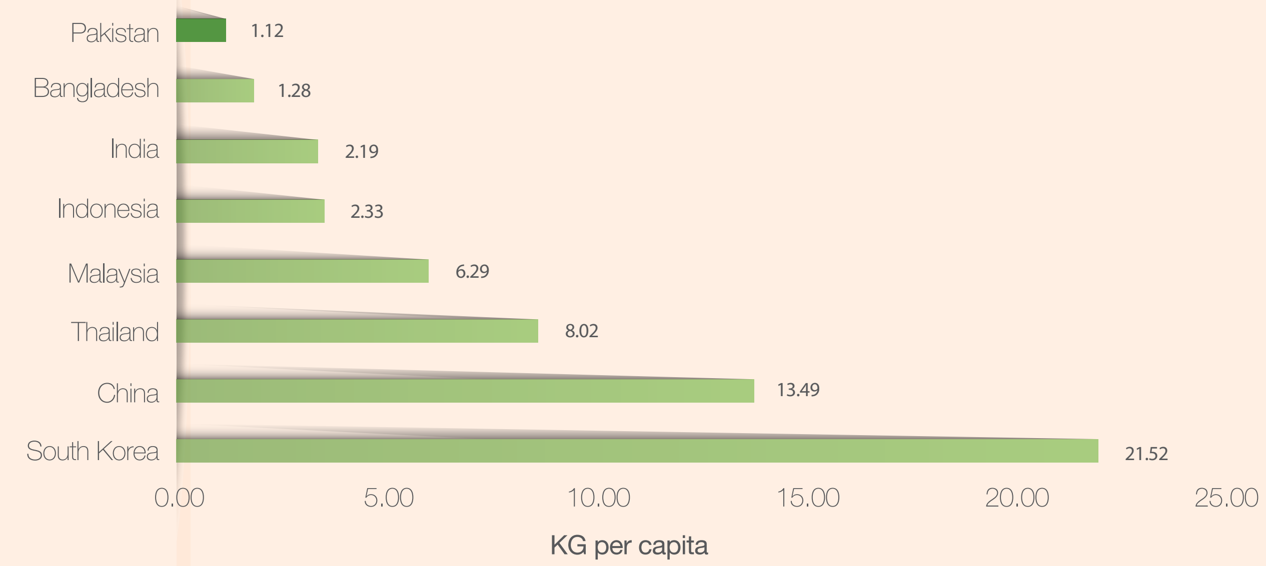
- Pipe & Fittings
- Profiles
- Film & Sheet - Flexible
- Bottles
- Wire & Cable
- Film & Sheet - Rigid
- Profiles & Tubes
- Floorings
- Coatings
- All Others




## south asia PVC usage

- Pipe & Fittings
- Profiles
- Film & Sheet - Rigid
- Bottles
- Wire & Cable
- Film & Sheet - Flexible
- Profiles & Tubes
- Floorings
- Coatings
- All Others

## Per Capita PVC Consumption




## Pakistan

The domestic PVC market in the first half of 2020 saw a decline of 15% YoY due to the national lockdown imposed by the government in response to the pandemic and the diversion of government spending from development projects to COVID-19 prevention and support programs. However, a remarkable recovery was observed in the second half on the back of the stimulus package announced by the government and containment of the virus through effective implementation of preventive measures (smart lockdowns). The PVC market recorded an increase of 38% from the first half, which translated into overall market increase of 3.3% in 2020 in comparison to a 7% decline in 2019.

Major highlight of the domestic market in 2020 was the highest ever imports of 90KT as PVC importers capitalized on historically low global prices amidst the international commodity crash and lower domestic production because of the lockdown. Despite the imports, domestic sales remained robust and we sold all the product we produced. We are pleased to share that our additional capacity of 100KT will be coming online soon and would like to reaffirm our commitment to supporting the economic development, saving the country's valuable foreign exchange, and ensuring that we meet domestic demand.

Moving forward, in view of the government's focus on affordable housing, expected improvement in economic growth and our continued efforts to develop downstream applications, we are hopeful that the country's per capita PVC consumption will increase in the years to come and converge towards international levels.

## market development activities

Market Development faced unprecedented challenges in 2020 because of the COVID-19 pandemic and the imposition of lockdowns and travel restrictions across Pakistan. However, the resilience of our team resulted in important breakthroughs in promoting PVC as a material of choice across various sectors. Our major focus areas remained construction, sanitation, and irrigation sectors, for which various meetings were held with higher government authorities on the inclusion of PVC applications. These applications include PVC doors and windows, flooring in construction, U-PVC and spiro pipes in sanitation and PVC geomembrane in irrigation.

## branded outlet

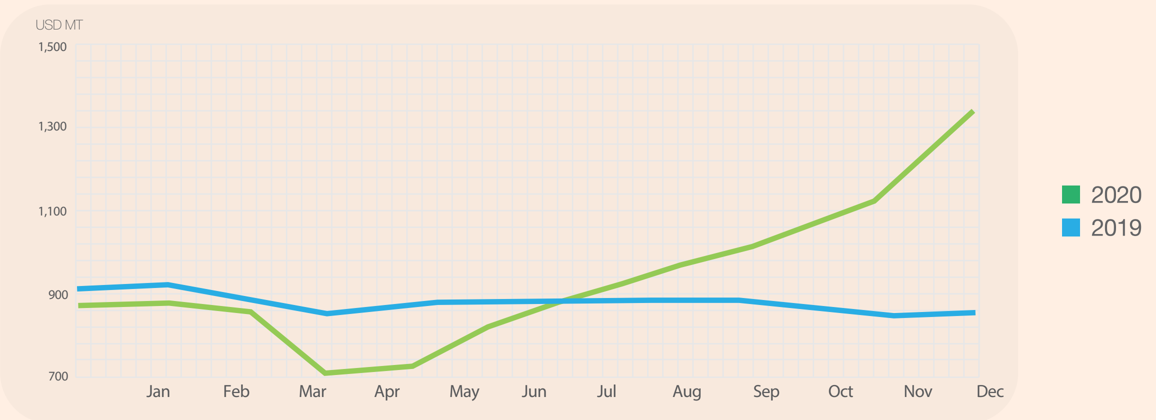
THINK PVC Branded Outlet is the flagship project of EPCL – a retail outlet dedicated to PVC Downstream products showcasing the versatility of the material and becoming a platform for engaging stakeholders in the construction sector including builders, developers, interior designers and furniture makers. Major construction activities of the outlet were completed in 2020, with stringent implementation of SOPs in place, with the official launch in the first quarter of 2021.

## international vinyl chain prices

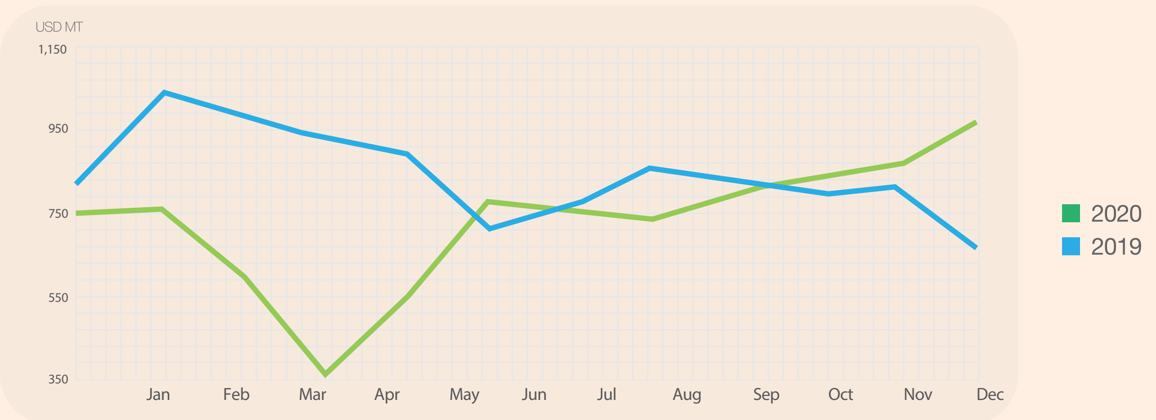
Despite being a globally traded commodity, PVC prices vary across regions. For Pakistan the relevant pricing benchmark is South Asian prices (applicable in India/Pakistan/Bangladesh/Sri Lanka). PVC prices crashed in Q1 2020 when the overall demand dropped globally due to the pandemic. Although, from the onset of 2H 2020, a healthy increase in demand was observed but it could not be met as major suppliers went offline on account of planned maintenance, operational issues and disruptions caused by hurricanes in the US, which at one point resulted in global capacity loss of ~18%. In addition, freight cost also recorded considerable increase (almost 3 times the usual rates) due to port congestions and shortage of containers due to global shipping line disruptions. Therefore, on the back of severe supply constraints and inflated freight cost, prices remain firm throughout the 2H of 2020 amidst healthy demand.

Ethylene, the primary raw material for PVC is also used in the production of other polymers including Polyethylene. During the outgoing year, the price war on crude oil between Russia and Saudi Arabia and the decline in demand caused by the pandemic resulted in crude prices hitting historic lows. Being a derivative of crude oil, Ethylene prices also hit record low level. However, prices showed sharp improvement due to supply tightness as major crackers went offline for maintenance and the slight recovery of crude prices during 2H20.

PVC International Prices (South Asia)




Ethylene Prices




## outlook

Operational issues, longer than expected turnarounds, disruptions caused by hurricanes and higher freight cost have kept PVC prices on an upward trend. Moving ahead, given the current global supply dynamics, prices are expected to remain firm in short run. Ethylene prices are also expected to follow suit.

## chlor alkali market

Chlor alkali market followed suit of all other commodities market trends and was significantly impacted by the pandemic. On the back of a fall in demand of key derivatives, caustic soda demand contracted by an estimated 5.2% in 2020. International prices followed downward trajectory throughout the year as demand remained sluggish in different sectors including textile, alumina, pulp and paper, and finished goods manufacturing. Sector exception to weak demand included medical equipment, viscose staple fiber, pharmaceutical manufacturing and food industries. However, demand lift from these sectors was insufficient to offset overall weakness in demand.

Demand-Supply equilibrium took another dive around August 2020 when Asian producers came back online after the maintenance period. To improve the situation, the producers tried cutting the output deliberately. This phenomenon, on one hand, caused production cuts on chlorine derivatives causing price surge in the EDC market, while, on the other hand, caustic soda prices remained lull as the inherent product demand was not supporting the dynamics.

The demand situation, however, started improving in Q4 2020 with the easing of lockdowns and amid packages announced by governments globally to boost economic activities. Although bulls took over the consumer markets, no uptick could be seen in the alumina sector, which accounts for the highest consumption of caustic soda.

Overall, the domestic caustic soda market declined by ~10% from its 2019 level. 2020 was a year of considerable volatility in the domestic market. It started off on a high note as the textile sector drove the demand on the back of increased export orders in Q1. However, as the pandemic swept across the world, textile exports suffered due to the impact of the lockdown at the regional and global levels, which impacted caustic soda demand. Moving on, as the lockdowns started easing off, demand began recovering towards the end of Q2. In late 2H 2020, domestic demand received a significant impetus on the back of considerable increase in textile sector operating rates. Major factors that contributed to the increase in operating rates were export orders for PPEs and hospital supplies, steady exports to US due to US–China trade war and extended lockdowns in Bangladesh and India diverting export orders to Pakistan.

Sodium Hypochlorite and Hydrochloric Acid form part of the company's Chlor-Alkali portfolio. The former is used mainly by the textile industry as a bleaching agent, while its other applications include disinfectant and as water treatment agent. In Pakistan, HCL is used in steel galvanizing industry, water waste treatment, power plants, gelatin segment amongst others. Moving ahead we recognize growth potential in the downstream applications of these chemicals may come from the water purification segment and expansion in power sector for Sodium Hypochlorite and Hydrochloric Acid respectively.

## outlook

Local industry dynamics drive domestic Chlor-Alkali prices and, therefore, they do not move in line with international prices. Moving forward, the domestic market provides a bullish outlook because of factors such as the worsening trade war between the US and China, the extension of GSP plus status until 2022, and the recovery in large-scale manufacturing sector.

## operational efficiencies

Improving operational efficiencies is a key business focus at EPCL as it contributes positively to the environment and to the bottom line. In relation to this, EPCL completed hydrogen venting project this year. The project helps in utilizing gas as fuel which was previously being vented.

Moreover, the biggest turnaround in EPCL history was also performed to improve reliability and efficiency of the plant.

# energy management and conservation

At EPCL, we strive to achieve maximum environmental conservation and efficiency in resource utilization to deliver maximum value for all stakeholders and contribute positively towards sustainability efforts. Considering maximum energy conservation, we are also currently working on two efficiency projects, i.e. Transfer Line Exchangers (TLEx) and Oxy Vent Recycle (OVR). These projects are expected to reduce the company's energy requirement thereby reducing the drain on the country's depleting gas reserves and improve raw material efficiency thereby limiting imports. This will also offer the company some shield from gas price hikes and future PKR devaluation. EPCL also made progress on previously announced High Temperature Direct Chlorination (HTDC) project, which will bring further energy efficiencies and reduce carbon dioxide emissions by 2022.

# financial overview and management

## sales review

In 2020, EPCL's revenue decreased by ~7% in comparison to 2019, mainly on account of the decline in PVC and Caustic volumes by 15% and 27% YoY, respectively, due to prolonged turnaround, gas incident and plant shutdown during the lockdown. The fall in volumes were slightly offset by higher PVC prices (7% YoY), which rallied throughout 2H 2020 on account of global supply constraints.

| domestic sales (KT) | 2020 | 2019 | YoY |
|---|---|---|---|
| PVC | 163 | 191 | -15% |
| Caustic Soda | 61 | 83 | -27% |
| Caustic Flakes | 2 | 1 | 100% |

## profitability

The Company recorded highest ever profitability in its history clocking at Rs. 5,730 million owing to high PVC prices and the management's vigilant focus on cost control. The extraordinary performance was also a result of adaptive and proactive management on various fronts amidst the COVID-19 challenges.

## one-time item

Considering the recent events and developments in the GIDC case (including the judgement and the review petition decision), the Institute of Chartered Accountants of Pakistan (ICAP) released financial reporting guidance on the "Accounting of GIDC" via Circular No. 1/2021 dated January 19, 2021 (the Circular), which discusses key accounting considerations for gas consumer companies. Keeping in view the financial reporting guidelines of ICAP and giving due consideration to the latest available information and the expected timing of the settlement (i.e. monthly installment rather than lump sum amount), the Company has remeasured its previously undiscounted provision at its present value to incorporate the effect of time value of money arising from the expected settlement based on an installment plan, and has accordingly recognized remeasurement gain on the provision for GIDC amounting to Rs. 681 Mn.

# dividend

The Board of Directors of the company have approved a final cash dividend of Rs. 1.247 per ordinary share and Rs. 0.042 per preference share.

# contribution to national exchequer

During 2020, EPCL contributed over Rs. 9.6 billion to the government treasury in the form of taxes, excise duty, custom duty, income tax and sales tax.

# liquidity and cash flows

During the year, the Company generated Rs. 12.5 billion from operations. A strong liquidity position allowed the Company to withstand the pressure posed by the pandemic. Excess short-term cash was invested in debt market instruments and TDRs for efficient cash management.

# financing

During the year, the Company raised Rs. 1,950 million from the SBP's subsidized financing scheme of Long-Term Finance Facility (LTFF). The loan has a tenor of 10 years with a grace period of 2 years.

Additionally, the Company successfully concluded the issuance of Perpetual, Cumulative, Callable, Convertible and Listed Preference shares of Rs. 3,000 million. This is the first time any company has successfully issued Preference shares on non-rights basis. Proceeds from the issuance would support the Company in availing tax credit under section 65E of Income Tax Ordinance, 2001.

# credit rating

In 2020, Pakistan Credit Rating Agency Limited (PACRA) awarded EPCL a long-term and short-term rating of AA- and A1+, respectively. This rating implies low credit risk, based on the company's ability to meet its financial commitments in a timely manner.

# capital structure

The assets of the Company were financed by debt and equity in the ratio of 47:53, as compared to 57:43 in 2019. The shift in capital structure comes as EPCL makes further strides towards the implementation of our previously announced projects for which the company has raised funding.

# risk management framework

EPCL launched its Lean Enterprise Risk Management (ERM) framework in 2011. It is the policy of the company to view risk management as integral to the creation, protection and enhancement of shareholder value by managing the uncertainties and risks that may possibly influence the achievement of our corporate goals and objectives.

We recognize that the company operates in a complex business environment and it mandates assessment of the organization's strategy and quantum of risk that the entity is willing to accept by adequately assigning responsibilities throughout the organization. EPCL entrusts accountability at all levels and requires monitoring, communicating and reporting changes in the risk environment and the effectiveness of actions taken to manage identified risks on an ongoing basis.

Risks are identified across the organization and are ranked based on their impact on probability. Upon identification of risks, a strategy is devised to mitigate its impact which is regularly monitored by the Management Committee. Risk Management process is led by Chief Risk Officer (CRO) and endorsed by the Board Audit Committee (BAC).

**Strategic Risk**

**Disruption in Plant Operations**

**Strategy**
The company has a strong maintenance regimen to ensure smooth functioning of the facility (also undertook biggest turnaround in 2020). Furthermore, the company continues to invest in world-class technological solutions to improve efficiency and focus on predictive analysis.

**Result**
Plant ran smoothly throughout the year despite an isolated chlorine leakage incident on which company has implemented majority of recommendations.

**Resurgence of Global Pandemic or Lockdown on Plant Operations**

**Strategy**
The company has strategized its functions to cope with possible challenges posed by the resurgence of the virus. A dedicated committee has also been formed which continuously monitors the situation.

**Result**
Smooth and safe running of operations at the plant as well as on projects. Zero transmission of cases at site. Furthermore, we managed continuous operations in marketing and supply chain with minimum disruptions.

## Commercial / Operational Risk

### International Commodity Prices

**Strategy**
Strengthen internal business intelligence and established network with international olefins analysts to have better insight of international price trend and fundamentals defining market dynamics.

**Result**
The management regularly evaluates pricing trends of final products and primary raw materials. Based on these analyses, pricing / procurement strategies are developed to capitalize on market dynamics.

### Energy Prices

**Strategy**
Study and implement energy efficiency projects to reduce consumption and identify cheaper energy options.

**Result**
The impact of recent increase in gas price is being managed through operational efficiency enhancement.

### Gas Availability

**Strategy**
In addition to working on alternate sources for long-term gas availability, we have effectively communicated our stance to various authorities that being a feedstock provider to export-oriented sector, curtailment of gas to EPCL puts operations of the wider industry at risk.

**Result**
We have ensured continuity of supply of gas with minimal curtailment in peak winter season.

## Financial Risk

### Liquidity Risk / Interest Rate Risk

**Strategy**
During the year EPCL raised 1.95 Bn through SBP's long term finance facility. The loan has a base rate of 2% has a tenor of 10 years with grace period of 2 years. In addition, concluded Preference share issue of Rs. 3 Bn.

**Result**
The company has optimized the financing cost through fixed rate concessionary borrowing and has also ensured even distribution of principal repayments.

### Foreign Exchange Risk

**Strategy**
Closely follow key macro-economic indicators to identify potential risks and work with banks to hedge foreign exchange exposure.

**Result**
Reduced impact of PKR devaluation by delaying USD drawdown and efficiently managed intl. supplier credit.

# business continuity plan

We recognize our responsibility towards consistent operations while ensuring adequate measures to safeguard against any potential disruption. With this vision and intent, we initiated our Business Continuity Plan in 2013 and have upgraded it regularly. The plan was tested from the onset of the lockdown imposed by the Government in response to the pandemic, and was successfully implemented by the management to ensure smooth and safe continuity of operations.

The plan ensures smooth functioning of critical business processes in the event of an unforeseen disaster and has the following objectives:

- To provide a framework for building resilience and the capability for an effective response that safeguards the interests of key stakeholders, company reputation and brand image, and value creating activities
- To assess the risks to our operations and to understand the impact of the risks if they materialize while considering business priorities and organizational interdependency
- To manage the response to and aftermath of any potential disruption, in an effective and appropriate manner to minimize business impact
- To recover business operations to an acceptable level as quickly as possible in a pre-determined time window, should an incident result in disruption to our critical business operations or support services
- To test and review at regular intervals, and revise as required, the plans supporting business continuity

The plan encompasses our response strategy, minimum operating requirements, BCP team organization, damage assessment, and primary site restoration activities. It ensures preservation of critical data by mapping out key elements of the process of disaster recovery. Our management regularly evaluates the threats to its business and infrastructure and has developed a strategy to adequately respond to any unpredictable challenges it might face.

# responsible citizenship & CSR activities

EPCL is a socially responsible organization with a well-crafted CSR strategy. EPCL has heavily focused its efforts towards uplifting the standard of living in Ghaggar Pathak, a community close to the Port Qasim Plant. These are elaborated below

## education

### School Construction Program with TCF

In collaboration with The Citizens Foundation, EPCL established two new purpose-built schools at a cost of Rs. 50.5 million to benefit the children of less-privileged communities of Ghaggar Phattak villages and adjoining areas. These two schools started operating in October 2020. EPCL will be playing an active role in the provision of quality education in Ghaggar Phattak area for more than 1,000 students through a total of four schools.

### Extracurricular Activities for TCF Students

EPCL employees actively engaged TCF Engro students in various activities and learnings that went beyond the classroom. From carrying out educational field trips, to setting up libraries and organizing celebratory events, students were given various platforms to enhance their knowledge and showcase their potential.

## healthcare

### Collaboration with SINA

EPCL has established a primary healthcare clinic for the nearby community residents of Ghaggar Phattak villages, Bin Qasim Town to improve their health conditions with a spending of approximately Rs. 16 million to date. The services include screening, OPD, doctor's consultation, immunization, lab collection point, and lab testing. The facility also includes an ultrasound facility, a pharmacy for prescribed medicines with a range of 150 medicines, preventive healthcare on diabetes and a hypertension, eye and TB program with its partners.

The clinic started operations in July 2019 and is operating 6 days providing 100% free-of-cost services to approximately 100 patients every day. EPCL has also installed solar power systems at the clinic to fulfill the electricity needs of the facility.


### Water Purification Plants in Partnership with The Water Foundation

Five water filtration plants have been successfully installed at various locations across Ghaggar Phattak to provide clean drinking water to over 5,000 households. Clean drinking water is a luxury for many living in remote villages and far flung areas. EPCL took on this responsibility and established long-term solutions. All these water filtration plants are based on solar power.


## business ethics and anti-corruption

Business ethics is fundamental to EPCL and lies at the heart of what we do. The board of directors of the Company has unequivocally set down the acceptable business practices and behaviors in the "Code of Conduct" to ensure that all our business dealings are undertaken whilst maintaining highest standards of ethical values. We uphold a zero-tolerance policy against all sorts of unethical practices, no matter how adverse the outcome. This is ascertained through the implementation of effectively designed and executed audit plans and assurance procedures, which proscribe all sorts of unethical behaviors and highlight matters causing concerns regarding business conduct. In addition, multiple channels are available to our stakeholders to speak out, and identify practices and behaviors that are unacceptable to our fundamental and core values.

Corporate governance affects the way we direct our company and the relationships we have with interested parties. Management has placed due emphasis on transparency and ethical practices, which play a fundamental role in developing our employees and those dealing with us in the capacity of vendors and customers as responsible professionals and corporate citizens.

## health, safety and environment

COVID-19 presented the most unprecedented challenges to HSE ever. The most pressing of the issues that EPCL confronted this year were:

- Ensuring compliance with COVID-19 protocols
- Managing daily logistical movement of heavy workforce
- Accommodating the expansion workforce at site to reduce outside exposure

With the safety of our people remaining our prime focus, we undertook various proactive and timely measures to subdue the challenges posed by the pandemic. Some of the highlights of those measures include:

- Implementation of preventive measures before the announcement of the lockdown
- Development of in-house testing facility, which conducted over 3,000 tests on site
- 8 paramedics and doctors employed at site
- Frequent COVID-19 audits in line with international guidelines

By the grace of almighty and unparalleled resilience shown by our people, we exceedingly succeeded in our efforts and ensured zero transmission of COVID-19 on site. However, during the year, unfortunately one of our colleagues succumbed to the illness. We deeply sympathize the loss of valuable life and pray that Allah blesses the soul with eternal peace.

In the beginning of 2020, an unfortunate isolated event of chlorine leakage occurred at site. The company ensured all affected staff had timely access to appropriate medical care. In relation to the incident, a complete investigation has been conducted by a competent incident review committee and most of the recommendations proposed by the committee have been implemented. We would like to reiterate our resolve to ensure the safety of our people and will take all necessary steps to ensure implementation of the highest safely measures throughout the organization. Demonstrating our commitment, EPCL undertook several key HSE measures during the year, which included:

- benchmarking of practices and procedures with international standards to improve our SOPs
- Hosted MARSH Audit, IMS external audit new standards of ISO 9001, ISO 14001 and OHSAS 45001, Opera audit by ECTD and EMS 2nd party audit at site. Achieved satisfactory level in safety performances
- Several firefighting training sessions were conducted by external fire chiefs. New fire truck for site was also procured

EPCL is committed to green practices and pursue continuous development for environment. In addition to the carbon neutrality exercise this year, EPCL has also conducted multiple environment audits and acquire several approvals from SEPA, such as:

- Environment impact assessment (EIA) for H2O2 along with NOC for Construction phase
- Received NOC Renewal of Hazardous substance license from SEPA
- Approval of initial environment examination for TDS extension
- Received NOC for PVC – III operation

# information systems

EPCL has always maintained its reputation as an organization that keeps up with the latest technology and does not shy away from creativity and innovation. As the world moves towards digitization, EPCL is making sure it stays on top on this front as well.

In 2020, Digital Transformation Department was formed with the aim of digitizing and automating each department to improve their efficiency, make each process more secure, improve productivity, reduce human intervention, and go paperless so that each process/operation is accessible to its employees from anywhere, anytime and on any device. Keeping up with EPCL's vision, Digital Transformation Team was able to deploy several state-of-the-art digital solutions in technical and non-technical areas.

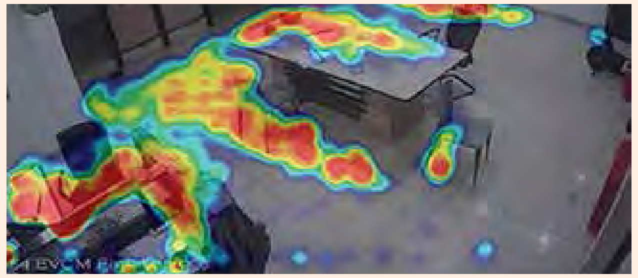
To cope with the pandemic and to encourage the observance of government issued SOPs, an AI-based solution called Work Safety Analytics was deployed. This system alerts the relevant authorities when SOPs are violated.

To pursue the idea of Paperless Engro, the daily logging/checklists were made digital using Digital Log, by logging the same data on tablets rather than on paper. Thus, reducing the paper usage and storing the valuable plant data for future usage.

Similarly, Virtual Info Center was launched so that all documents are available on one portal for users to access from anywhere, at any time. It is not only a step towards Paperless Engro but also an initiative to ease and improve remote work.

The sales department was also automated to minimize human intervention and improve the efficiency of sales processes by implementing Salesforce, a digital platform for customers to generate orders in real time and for our internal users to approve, dispatch and close orders on the go.

EPCL will continue to work with the same enthusiasm in the coming years to improve each and every process by introducing the latest digital technologies and becoming an exemplary digital industry in Pakistan.

# human resources

With an aim for continuous business excellence, EPCL was quick to adapt, and has remained successful in carrying out, work from home, without any compromise to our business and our people. We launched several new business initiatives and projects with an imperative focus on learning and development, that too virtually.

With a persistent focus on e-learning, we renewed our partnership with Harvard Manage Mentor and the learning platform has proven beneficial and successful because of its applicability and convenience. A total of 761 courses have been completed (an average of 3.2 courses per day) by different learners since the distribution of licenses in September 2019.

To further leverage the knowledge and learning provided by the platform, and to engage our people, EPCL HR initiated a series of Learning Podcasts comprising of six-hour long episodes on different business essential topics. The idea of a learning podcast is based on the concept of andragogy, which means adult learning and learning from each other. Each episode has a separate Management Committee executive acting as a learning facilitator. The role of the facilitator is to enable learning on a particular topic by sharing pertinent stories, experiences, and examples. The podcast series has been a huge success and the aggregate rating of all the episodes has been 4 out of 5 stars.


There were keen efforts towards the development and engagement of our people, and regardless of the distance we attained executional excellence by strengthening organization-level communications, and the consequent achievement of business goals. Initiatives such as gratitude day, celebration of national and international days and positive tips on working from home remained at the heart of the virtual employee engagement strategy. Moreover, our flagship program EPCL Cares, which was earlier suspended due to COVID-19, was resumed in September. EPCL Cares comes as a wholesome project that goes beyond corporate experiences and is about celebrating important moments in our employees' lives including their families.

Moreover, our recruitment successfully managed to pull off virtual information sessions, and virtual onboarding of our Graduate Trainees for 2020. In what seemed impossible at first, we also managed to successfully carry out the first ever Virtual Internship series. We managed to get the best talent from all over Pakistan in a learning environment with exciting projects, and though the entire internship was remote and virtual, the learning outcomes were not compromised!

With the 'new normal' and virtual technologies in place, it is also essential to mention the shift to digitized HR services, to a mobile based application platform, the aim of which is to make processes easier, smoother, and more efficient at both ends. It is anticipated that nearly 200,000 sheets of paper will be saved throughout the year. As part of the digitization, a performance management program was also automated during the year on Success Factors, where goal-setting, mid-year review, and final-year review are all online.







# stakeholder engagement and relations

EPCL believes in engaging with stakeholders across all levels. During the past year we have used several platforms including quarterly securities analyst briefings, press releases, plant visits, disclosure to the stock exchange on strategic matters and informal conversations to this effect.

To comply with all regulatory requirements, the company remains in close coordination with relevant authorities including tax agencies, stock exchange and Securities & Exchange Commission of Pakistan (SECP).

We use formal and informal media such as meetings and conferences to interact with our vendors and customers. Our interactions with customers often include technical assistance and business development related to their businesses in our effort to benefit the industry.

Employees are a core driving force behind the company's growth and, therefore, EPCL measures employee motivation on regular intervals, benchmarks its findings against industry standards, and shares them with respective managers to formulate appropriate strategies.

# support required from government

The Company seeks government support on the following matters:

**Gas Price Increase:** Since 2018, the domestic industry has already experienced multiple rounds of gas price increases, with the most recent one in late 2020, which impaired shareholder value. To ensure the local industry's competitiveness against international players, and continued growth in domestic industrial base, it is imperative for the government to control the continuous increase in energy prices.

**Gas Availability:** Uncertainty over availability of gas especially during the winter season exposes the company and the wider industry to severe operational risks. It also has potential adverse impact on the country's exports on the back of shortage of feedstock. Therefore, it is essential for the government to pursue long-term solutions to this burning issue, so that continuity of operations of the local industry can be ensured.

**GIDC case:** During the year, the Supreme Court issued an order on the GIDC matter, as a result of which the Company is liable to make GIDC payment in equal monthly installments. A review petition in this regard was also dismissed by the honorable court. We would like to highlight that, EPCL does not pass on the impact of GIDC to customers as our PVC pricing is benchmarked against international prices, whereas Caustic prices are determined through demand-supply forces. Currently, a stay order has been obtained from Sindh High Court against the recovery of GIDC on the grounds of no pass-through. We request the government to intervene in this matter and hold effective negotiations with all stakeholders for mutually beneficial resolution of the issue.

**Dumping of PVC:** The country continues to experience the dumping of PVC despite imposition of final anti-dumping duty on products from China, Taiwan, South Korea and Thailand. This has happened because importers have started to venture into other regions, such as Europe, North America and other Asian countries. The government's support in this area will allow the company to serve the nation by way of import substitution.

**Definition of Greenfield Projects:** The government had announced, with retrospective impact via Finance Amendment Ordinance, a definition of greenfield project, which stipulates the requirement of a completely new process or technology, whereas no such requirement was laid out in the original bill. We request the government to reconsider the measure or to stop retrospective application of this definition.

**Duty on PVC imports:** With reference to recent discussion among government authorities relating to tariff rationalization. There is expectation that duty will also be rationalized on PVC resin products. We would like to highlight that, EPCL has invested ~USD 150 million on various growth and efficiency projects to enhance domestic manufacturing of PVC and to add to the economic growth of our country.

We believe tariff rationalization will seriously impact our investment and dent the investor confidence in the long-term. Therefore, we request the government to keep the current level of duty structure intact and support us in our resolve to save valuable foreign exchange for the country.

## future outlook

Despite various challenges posed by the pandemic, which included lesser on-site manning and suspension of operations during lockdown, EPCL continued to work towards execution of its previously announced projects, while continuing its endeavors to identify new projects and markets. The timelines of the projects already under progress have inevitably been impacted, however, our commitment towards completion remains intact. The driving force behind these efforts emanates from our vision to lead Pakistan in polymers and allied chemicals with an international footprint.

Update on projects are as follows:

- **PVC / VCM Expansion:** The expansion entails additional PVC plant capacity of 100,000 MT (total capacity of 295,000 MT post completion) and VCM plant de-bottlenecking for incremental capacity of 50,000 MT. PVC III has achieved commercial operations in March 2021, while work on VCM project has entered its final stages and is expected to be completed in Q2 2021.
- **Oxygen-based VCM Production:** Operational efficiency is a core focus of the company owing to its positive impact on shareholder value. Resultantly, the Board of Directors approved this project with the objective of shifting VCM production form an air-based to oxygen-based process. This will reduce the overall raw material consumption by ~2%. The project is underway and is expected to be completed in 2021.
- **Hydrogen Peroxide:** The Company generates hydrogen as a by-product of its caustic manufacturing process, which is currently being used as fuel in our power plant. After completion of the project, hydrogen will be diverted to this manufacturing process, which will generate higher value as compared to its utilization as fuel. Hydrogen peroxide is mainly used as a bleaching agent in the textile industry, a sector we already serve through our Caustic product line. The project is ongoing and we will continue to keep shareholders updated on the timelines.
- **Linear Alkyl Benzene Sulphonic Acid (LABSA):** EPCL has continuously looked to create a diversified product base to create new profit streams and ensure it against commodity cycle risks. To this end, the Board of Directors decided to enter the LABSA market via a greenfield venture. (LABSA is an integral part of powder detergent recipe.) To ensure implementation of COVID-19 protocols, especially social distancing of human resource at expansion site, we have currently put this project on hold. We will update our shareholders on future developments regarding the project.
- **High Temperature Direct Chlorination (HTDC):** EPCL is always in search of energy efficient solutions and also to optimize its energy consumption. HTDC is an outcome of the company's efforts towards this objective. After completion, this will reduce the company's carbon footprint and bring further energy efficiency. The project is expected to come online in 2022

Looking ahead, the completion of the aforementioned projects will remain the core focus of EPCL. These will enable the company to continue its strong operational and financial performance.

## board evaluation

The Listed Companies (Code of Corporate Governance) Regulations, 2019 mandatorily requires evaluation of the Board of Directors as a whole, its committees and the contribution of each director to the strategic direction and steerage of the Company. In this regard, a comprehensive range of self-evaluation surveys were conducted in the Company with respect to the performance of its Board of Directors and Board Committees. Equally emphasized, the individual contribution of each Director was assessed and evaluated during the year by the Chairman of the Board.

## corporate review

The shareholding in the company as at December 31, 2020 is as follow:

| S No. | Shareholders Category | No. of Shareholders | No. of Shares | Percentage |
|---|---|---|---|---|
| 1 | Directors, Chief Executive Officer, and their spouse and minor children | 10 | 14,207 | 0 |
| 2 | Associated Companies, Undertakings, and related Parties | 3 | 611,827,854 | 67.31 |
| 3 | NIT and ICP | - | - | - |
| 4 | Banks, Development Financial Institutions, Non-Banking Financial Institutions | 12 | 17,133,696 | 1.89 |
| 5 | Insurance Companies | 13 | 28,329,388 | 3.12 |
| 6 | Mutual Funds | 90 | 102,051,402 | 11.23 |
| 7 | Shareholders holding 10% | 2 | 610,787,014 | 67.20 |
| 8 | General Public: | | | |
| | a. local | 27,003 | 119,735,485 | 13.17 |
| | b. foreign | - | - | - |
| 9 | Other | 194 | 29,831,301 | 3.28 |
| | Total (excluding share holders holding 10%) | 27,325 | 908,923,333 | 100.00 |

Information of Shareholding required under the reporting framework is as follows:

1. Associated Companies, Undertaking and Related Parties

| Shareholders' Category | No. of Shares Held |
|---|---|
| Engro Corporation Limited | 510,733,451 |
| Mitsubishi Corporation | 100,053,563 |
| EPCL Employees' Trust | 1,040,840 |
| | 611,827,854 |

2. Mutual Funds

| Name | Holding |
|---|---|
| ABL ISLAMIC DEDICATED STOCK FUND | 303,690 |
| ABL ISLAMIC PENSION FUND - EQUITY SUB FUND | 78,199 |
| ABL ISLAMIC STOCK FUND | 2,418,675 |
| ABL PENSION FUND - EQUITY SUB FUND | 71,699 |
| ABL STOCK FUND | 3,589,370 |
| AKD AGGRESSIVE INCOME FUND - MT | 110,000 |
| AKD INDEX TRACKER FUND | 75,097 |
| AL AMEEN ISLAMIC DEDICATED EQUITY FUND | 16,000 |
| AL MEEZAN MUTUAL FUND | 3,073,041 |
| AL-AMEEN ISLAMIC ASSET ALLOCATION FUND | 522,390 |
| AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND | 695,490 |
| AL-AMEEN SHARIAH STOCK FUND | 5,197,472 |
| ALFALAH GHP ALPHA FUND | 446,000 |
| ALFALAH GHP ISLAMIC DEDICATED EQUITY FUND | 208,000 |
| ALFALAH GHP ISLAMIC STOCK FUND | 1,262,500 |
| ALFALAH GHP STOCK FUND | 957,000 |
| ALFALAH GHP VALUE FUND | 266,000 |
| ALHAMRA ISLAMIC ASSET ALLOCATION FUND | 1,214,248 |
| ALHAMRA ISLAMIC STOCK FUND | 1,836,114 |
| APF-EQUITY SUB FUND | 122,000 |
| APIF - EQUITY SUB FUND | 153,500 |
| ASKARI ASSET ALLOCATION FUND | 141,500 |
| ATLAS INCOME FUND - MT | 304,000 |
| ATLAS ISLAMIC DEDICATED STOCK FUND | 82,000 |
| ATLAS ISLAMIC STOCK FUND | 859,000 |
| ATLAS STOCK MARKET FUND | 2,126,500 |
| AWT INCOME FUND | 33,000 |
| FAYSAL ASSET ALLOCATION FUND | 193,000 |
| FAYSAL ISLAMIC STOCK FUND | 1,221,000 |
| FAYSAL ISLAMIC DEDICATED EQUITY FUND | 6,189,000 |
| FAYSAL MTS FUND - MT | 160,000 |
| FAYSAL STOCK FUND | 922,500 |
| FIRST HABIB ASSET ALLOCATION FUND | 78,000 |
| FIRST HABIB ISLAMIC STOCK FUND | 91,000 |
| FIRST HABIB STOCK FUND | 70,000 |
| HBL - STOCK FUND | 536,079 |
| HBL EQUITY FUND | 187,500 |
| HBL IPF EQUITY SUB FUND | 80,885 |
| HBL ISLAMIC ASSET ALLOCATION FUND | 40,431 |
| HBL ISLAMIC DEDICATED EQUITY FUND | 16,000 |
| HBL ISLAMIC EQUITY FUND | 121,952 |
| HBL ISLAMIC STOCK FUND | 286,566 |
| HBL MULTI - ASSET FUND | 57,000 |
| HBL PF EQUITY SUB FUND | 65,500 |
| JS ISLAMIC DEDICATED EQUITY FUND (JSIDEF) | 24,902 |
| JS ISLAMIC FUND | 277,500 |
| JS ISLAMIC PENSION SAVINGS FUND-EQUITY ACCOUNT | 35,000 |
| JS LARGE CAP. FUND | 112,000 |
| JS PENSION SAVINGS FUND - EQUITY ACCOUNT | 103,000 |
| JS VALUE FUND | 315,000 |
| KSE MEEZAN INDEX FUND | 956,271 |
| LAKSON EQUITY FUND | 2,133,042 |
| LAKSON INCOME FUND - MT | 195,500 |
| LAKSON ISLAMIC TACTICAL FUND | 244,053 |
| LAKSON TACTICAL FUND | 244,778 |
| MCB DCF INCOME FUND | 1,500 |
| MCB PAKISTAN ASSET ALLOCATION FUND | 610,036 |
| MCB PAKISTAN STOCK MARKET FUND | 4,215,155 |
| MEEZAN ASSET ALLOCATION FUND | 1,026,261 |
| MEEZAN BALANCED FUND | 1,378,454 |
| MEEZAN DEDICATED EQUITY FUND | 637,144 |
| MEEZAN ISLAMIC FUND | 21,640,721 |
| MEEZAN TAHAFUZ PENSION FUND - EQUITY SUB FUND | 3,488,709 |
| NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II | 51,529 |
| NBP BALANCED FUND | 575,123 |
| NBP FINANCIAL SECTOR INCOME FUND - MT | 404,000 |
| NBP INCOME OPPORTUNITY FUND - MT | 43,500 |
| NBP ISLAMIC ACTIVE ALLOCATION EQUITY FUND | 443,416 |
| NBP ISLAMIC REGULAR INCOME FUND | 49,500 |
| NBP ISLAMIC SARMAYA IZAFA FUND | 2,130,500 |
| NBP ISLAMIC STOCK FUND | 4,309,980 |
| NBP MAHANA AMDANI FUND - MT | 617,000 |
| NBP SARMAYA IZAFA FUND | 530,857 |
| NBP SAVINGS FUND - MT | 51,000 |
| NBP STOCK FUND | 12,134,974 |
| NIT INCOME FUND - MT | 501,500 |
| PAK OMAN ADVANTAGE ASSET ALLOCATION FUND | 124,000 |
| PAK OMAN ISLAMIC ASSET ALLOCATION FUND | 222,500 |
| PAKISTAN CAPITAL MARKET FUND | 145,687 |
| PAKISTAN INCOME ENHANCEMENT FUND | 5,000 |
| PAKISTAN INCOME FUND | 500 |
| PICIC GROWTH FUND | 365,199 |
| PICIC INVESTMENT FUND | 265,462 |
| TRUSTEE JS GROWTH FUND | 835,000 |
| UBL ASSET ALLOCATION FUND | 137,368 |
| UBL DEDICATED EQUITY FUND | 15,113 |
| UBL INCOME OPPORTUNITY FUND | 77,000 |
| UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND | 690,872 |
| UBL STOCK ADVANTAGE FUND | 3,150,898 |
| UNIT TRUST OF PAKISTAN | 56,000 |
| **Total** | **102,051,402** |

3. Directors and their spouses and minor children

| Shareholders' Category | No. of Shares Held |
|---|---|
| MR. GHIAS UDDIN KHAN | 1 |
| MR. ERAM HASAN | 1 |
| MR. NADIR SALAR QURESHI | 1 |
| MR. NORIYUKI KOGA | 1 |
| MR. RIZWAN MASOOD RAJA | 1 |
| MS. AYESHA AZIZ | 501 |
| MR. FEROZ RIZVI | 1 |
| MR. NAZOOR ALI BAIG | 1 |
| MRS. KULSUM ASHFAQ W/O Mr. ERAM HASAN | 13,699 |
| **TOTAL** | **14,207** |

4. Executives

| Shareholders' Category | No. of Shares Held |
|---|---|
| Executives | 460,711 |

5. Public sector companies and corporations

| Shareholders' Category | No. of Shares Held |
|---|---|
| Public sector companies and corporations | - |

6. Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance, Takaful & Pension Funds

| Shareholders' Category | No. of Shares Held |
|---|---|
| Banks, Development Financial Institutions, Non-Banking Finance Companies, Insurance, Takaful & Pension Funds | 45,463,084 |

7. Shareholding five percent or more voting interest in the Company

| Names of holders | No. of Shares | Percentage of Holding |
|---|---|---|
| Engro Corporation Limited | 510,733,451 | 56.19 |
| Mitsubishi Corporation | 100,053,563 | 11.01 |

8. Details of purchase/sale of shares by Directors, Executives and their spouse/minor children

| Names | Shares Purchased | Shares Sold | Rate | Date of Purchase / Sale |
|---|---|---|---|---|
| Ayesha Aziz | 500 | - | 48.26 | 11.12.2020 |

9. Pattern of Shareholding – As at December 31, 2020

| No. of Shareholders | Size of Holding | | Total Shares |
|---|---|---|---|
| | From | To | |
| 515 | 1 | 100 | 13,193 |
| 17,689 | 101 | 500 | 8,371,213 |
| 5,469 | 501 | 1,000 | 4,000,374 |
| 2,124 | 1,001 | 5,000 | 5,232,553 |
| 526 | 5,001 | 10,000 | 4,109,803 |
| 190 | 10,001 | 15,000 | 2,497,301 |
| 128 | 15,001 | 20,000 | 2,372,636 |
| 97 | 20,001 | 25,000 | 2,238,229 |
| 65 | 25,001 | 30,000 | 1,835,083 |
| 48 | 30,001 | 35,000 | 1,596,779 |
| 23 | 35,001 | 40,000 | 873,919 |
| 25 | 40,001 | 45,000 | 1,074,157 |
| 44 | 45,001 | 50,000 | 2,151,338 |
| 26 | 50,001 | 55,000 | 1,384,827 |
| 17 | 55,001 | 60,000 | 987,454 |
| 12 | 60,001 | 65,000 | 759,112 |
| 15 | 65,001 | 70,000 | 1,033,982 |
| 14 | 70,001 | 75,000 | 1,035,987 |
| 11 | 75,001 | 80,000 | 858,999 |
| 10 | 80,001 | 85,000 | 823,119 |
| 9 | 85,001 | 90,000 | 786,282 |
| 5 | 90,001 | 95,000 | 466,672 |
| 26 | 95,001 | 100,000 | 2,585,969 |
| 2 | 100,001 | 105,000 | 205,746 |
| 5 | 105,001 | 110,000 | 546,328 |
| 3 | 110,001 | 115,000 | 338,788 |
| 5 | 115,001 | 120,000 | 587,946 |
| 8 | 120,001 | 125,000 | 991,248 |
| 2 | 130,001 | 135,000 | 268,159 |
| 9 | 135,001 | 140,000 | 1,241,349 |
| 3 | 140,001 | 145,000 | 427,445 |
| 6 | 145,001 | 150,000 | 895,687 |
| 4 | 150,001 | 155,000 | 608,182 |
| 6 | 155,001 | 160,000 | 952,683 |
| 3 | 160,001 | 165,000 | 491,500 |
| 1 | 165,001 | 170,000 | 170,000 |
| 5 | 170,001 | 175,000 | 866,478 |
| 2 | 175,001 | 180,000 | 358,500 |
| 3 | 180,001 | 185,000 | 551,248 |
| 3 | 185,001 | 190,000 | 567,000 |
| 2 | 190,001 | 195,000 | 387,500 |
| 8 | 195,001 | 200,000 | 1,595,500 |
| 1 | 200,001 | 205,000 | 205,000 |

| No. of Shareholders | Size of Holding | | Total Shares |
|---|---|---|---|
| | From | To | |
| 2 | 205,001 | 210,000 | 417,592 |
| 2 | 210,001 | 215,000 | 424,500 |
| 2 | 215,001 | 220,000 | 437,500 |
| 2 | 220,001 | 225,000 | 447,500 |
| 3 | 225,001 | 230,000 | 683,542 |
| 2 | 230,001 | 235,000 | 464,404 |
| 1 | 235,001 | 240,000 | 237,000 |
| 2 | 240,001 | 245,000 | 488,831 |
| 1 | 245,001 | 250,000 | 250,000 |
| 2 | 250,001 | 255,000 | 504,146 |
| 2 | 255,001 | 260,000 | 513,121 |
| 4 | 265,001 | 270,000 | 1,069,902 |
| 4 | 270,001 | 275,000 | 1,095,071 |
| 2 | 275,001 | 280,000 | 553,770 |
| 1 | 280,001 | 285,000 | 280,991 |
| 4 | 285,001 | 290,000 | 1,150,864 |
| 2 | 295,001 | 300,000 | 600,000 |
| 3 | 300,001 | 305,000 | 912,690 |
| 1 | 305,001 | 310,000 | 305,493 |
| 2 | 310,001 | 315,000 | 628,324 |
| 1 | 315,001 | 320,000 | 318,500 |
| 3 | 325,001 | 330,000 | 985,052 |
| 1 | 335,001 | 340,000 | 336,995 |
| 2 | 345,001 | 350,000 | 696,500 |
| 1 | 350,001 | 355,000 | 352,000 |
| 1 | 365,001 | 370,000 | 365,199 |
| 1 | 390,001 | 395,000 | 390,441 |
| 3 | 395,001 | 400,000 | 1,195,999 |
| 1 | 400,001 | 405,000 | 404,000 |
| 3 | 405,001 | 410,000 | 1,226,328 |
| 1 | 410,001 | 415,000 | 410,986 |
| 1 | 435,001 | 440,000 | 439,500 |
| 1 | 440,001 | 445,000 | 443,416 |
| 2 | 445,001 | 450,000 | 896,000 |
| 3 | 455,001 | 460,000 | 1,374,138 |
| 1 | 475,001 | 480,000 | 480,000 |
| 4 | 495,001 | 500,000 | 2,000,000 |
| 2 | 500,001 | 505,000 | 1,001,534 |
| 1 | 505,001 | 510,000 | 509,000 |
| 1 | 510,001 | 515,000 | 513,335 |
| 1 | 520,001 | 525,000 | 522,390 |
| 2 | 530,001 | 535,000 | 1,061,030 |
| 2 | 535,001 | 540,000 | 1,075,579 |
| 1 | 540,001 | 545,000 | 542,714 |
| 1 | 550,001 | 555,000 | 552,500 |

| No. of Shareholders | Size of Holding | | Total Shares |
|---|---|---|---|
| | From | To | |
| 1 | 570,001 | 575,000 | 575,000 |
| 2 | 575,001 | 580,000 | 1,154,909 |
| 2 | 595,001 | 600,000 | 1,200,000 |
| 1 | 610,001 | 615,000 | 610,036 |
| 1 | 615,001 | 620,000 | 617,000 |
| 1 | 635,001 | 640,000 | 637,144 |
| 2 | 680,001 | 685,000 | 1,369,956 |
| 1 | 685,001 | 690,000 | 689,088 |
| 1 | 690,001 | 695,000 | 690,872 |
| 1 | 695,001 | 700,000 | 695,490 |
| 1 | 740,001 | 745,000 | 743,500 |
| 1 | 745,001 | 750,000 | 750,000 |
| 1 | 760,001 | 765,000 | 763,000 |
| 1 | 780,001 | 785,000 | 785,000 |
| 1 | 790,001 | 795,000 | 792,041 |
| 1 | 820,001 | 825,000 | 821,973 |
| 1 | 830,001 | 835,000 | 835,000 |
| 1 | 845,001 | 850,000 | 846,905 |
| 1 | 855,001 | 860,000 | 859,000 |
| 1 | 865,001 | 870,000 | 869,278 |
| 1 | 895,001 | 900,000 | 900,000 |
| 1 | 910,001 | 915,000 | 914,462 |
| 1 | 920,001 | 925,000 | 922,500 |
| 2 | 955,001 | 960,000 | 1,913,271 |
| 1 | 965,001 | 970,000 | 968,500 |
| 1 | 995,001 | 1,000,000 | 1,000,000 |
| 1 | 1,000,001 | 1,005,000 | 1,000,500 |
| 1 | 1,025,001 | 1,030,000 | 1,026,261 |
| 1 | 1,040,001 | 1,045,000 | 1,040,840 |
| 1 | 1,065,001 | 1,070,000 | 1,067,000 |
| 1 | 1,195,001 | 1,200,000 | 1,200,000 |
| 1 | 1,210,001 | 1,215,000 | 1,214,248 |
| 1 | 1,220,001 | 1,225,000 | 1,221,000 |
| 1 | 1,260,001 | 1,265,000 | 1,262,500 |
| 1 | 1,365,001 | 1,370,000 | 1,369,956 |
| 1 | 1,375,001 | 1,380,000 | 1,378,454 |
| 1 | 1,385,001 | 1,390,000 | 1,388,000 |
| 1 | 1,405,001 | 1,410,000 | 1,405,016 |
| 1 | 1,725,001 | 1,730,000 | 1,728,199 |
| 1 | 1,805,001 | 1,810,000 | 1,807,000 |
| 1 | 1,835,001 | 1,840,000 | 1,836,114 |
| 2 | 1,995,001 | 2,000,000 | 4,000,000 |
| 1 | 2,125,001 | 2,130,000 | 2,126,500 |
| 2 | 2,130,001 | 2,135,000 | 4,263,542 |
| 1 | 2,415,001 | 2,420,000 | 2,418,675 |

| No. of Shareholders | Size of Holding | | Total Shares |
|---|---|---|---|
| | From | To | |
| 1 | 2,680,001 | 2,685,000 | 2,683,000 |
| 1 | 3,060,001 | 3,065,000 | 3,065,000 |
| 1 | 3,070,001 | 3,075,000 | 3,073,041 |
| 1 | 3,150,001 | 3,155,000 | 3,150,898 |
| 1 | 3,485,001 | 3,490,000 | 3,488,709 |
| 1 | 3,585,001 | 3,590,000 | 3,589,370 |
| 1 | 4,215,001 | 4,220,000 | 4,215,155 |
| 1 | 4,305,001 | 4,310,000 | 4,309,980 |
| 1 | 4,600,001 | 4,605,000 | 4,600,345 |
| 1 | 4,760,001 | 4,765,000 | 4,763,582 |
| 1 | 5,195,001 | 5,200,000 | 5,197,472 |
| 1 | 5,660,001 | 5,665,000 | 5,662,501 |
| 1 | 6,185,001 | 6,190,000 | 6,189,000 |
| 1 | 8,465,001 | 8,470,000 | 8,465,196 |
| 1 | 12,130,001 | 12,135,000 | 12,134,974 |
| 1 | 21,640,001 | 21,645,000 | 21,640,721 |
| 1 | 25,155,001 | 25,160,000 | 25,159,000 |
| 1 | 32,165,001 | 32,170,000 | 32,167,000 |
| 1 | 100,050,001 | 100,055,000 | 100,053,563 |
| 1 | 510,725,001 | 510,735,000 | 510,733,451 |
| 27,325 | | | 908,923,333 |

# board meetings and attendance

In 2020, the Board of Directors held 9 meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows:

| Director's Name | Meeting Attended |
|---|---|
| Ghias Uddin Khan | 9 |
| Eram Hasan | 9 |
| Nadir Salar Qureshi | 8 |
| Noriyuki Koga | 7 |
| Rizwan Masood Raja* | 3 |
| Ayesha Aziz*1 | 1 |
| Feroz Rizvi | 8 |
| Nazoor Ali Baig* | 4 |
| Jahangir Piracha*2 | 4 |
| Hasnain Moochhala*3 | 5 |
| Imran Anwer*3 | 5 |
| Rahat Kaunain Hassan*4 | 1 |

* Elected as Director with effect from April 23, 2020

*1 Co-opted as Director on November 5, 2020 in place of Ms. Rahat Kaunain Hassan

*2 Appointed as CEO on April 23, 2020

*3 Retired on completion of tenure on April 23, 2020

*4 Elected as Director with effect from April 23, 2020 and Resigned from board with effect from July 10, 2020



# board composition

| | |
|---|---|
| Male | 8 |
| Female | 1 |

| Categories | Names |
|---|---|
| Independent | Mr. Feroz Rizvi |
| | Mr. Nazoor Ali Baig |
| | Ms. Ayesha Aziz |
| Executive – CEO | Mr. Jahangir Piracha |
| Non-Executive | Mr. Ghias Khan |
| | Mr. Eram Hasan |
| | Mr. Nadir Salar Qureshi |
| | Mr. Noriyuki Koga |
| | Mr. Rizwan Masood Raja |

| Board Audit Committee | |
|---|---|
| Mr. Feroz Rizvi | Chairman |
| Mr. Eram Hasan | Member |
| Mr. Noriyuki Koga | Member |
| Mr. Nazoor Ali Baig | Member |

| Board Compensation Committee* | |
|---|---|
| Mr. Nadir Salar Qureshi | Member |
| Mr. Rizwan Masood Raja | Member |
| Mr. Feroz Rizvi | Member |

* Post resignation of Ms. Rahat Konain (Ex-Chairman BPC) during the year, Chairman of BPC will be appointed in the next meeting.

# directors' remuneration

The remuneration paid to the members of the Board for attendance of Board and Committee meetings has been duly approved by the Board of Directors. The details of the aggregate amount of remuneration paid to the directors is disclosed in the financial statement.

The Board of Directors have duly approved the policy and procedure for remuneration of the Directors for attendance of Board and Committee meetings in accordance with the Companies Act, 2017 and the listed companies (Code of Corporate Governance) Regulations, 2019.

# major judgment areas

Main areas related to Income Taxes, provisions, contingencies/commitments, Deferred Tax Assets, and other areas involving subjective judgements that have material impact on financial statements are detailed in the notes to the financial statements.

# accounting standards

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provision of, and directives issued under, the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of, and directives issued under, the Companies Act, 2017 have been followed.

# provident fund

In 2013, the Company replaced its provident fund with the provident fund (the Fund) operated and managed by Engro Corporation Limited, the Holding Company.

Accordingly, the following information is based on the latest audited financial statements of the Fund maintained by the Holding Company as at June 30, 2020 and unaudited financial statements as at December 31, 2020.

Details of the fund are as follows:

| | December 31, 2020 | June 30, 2020 |
|---|---|---|
| Total Assets | 5,214,009,648 | 4,723,723,111 |
| Cost of Investments | 4,955,254,959 | 4,555,980,251 |
| Percentage of Investment made | 95.04% | 96.45% |
| Fair value of Investments | 5,086,128,397 | 4,699,070,565 |

# board's policy on gender diversity

The board fosters gender diversity at all levels with the organization. In relation to this, Ms. Ayesha Aziz was appointed as an independent director on EPCL board during the outgoing year.

# compliance with corporate governance

The Board of Directors reviews all significant matters of the Company. This includes, but is not limited to, the Company's strategic direction, annual business plans and targets, decisions on long-term investment and borrowings. The Board of Directors is committed to maintaining high standards of corporate governance.

The Board of Directors is pleased to report that:

- The financial statements prepared by the management present fairly its state of affairs, the results of its operations, cash flows and changes in equity
- Proper books of accounts have been maintained
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed
- The system of internal control is sound in design and has been effectively implemented and monitored
- There are no significant doubts about the ability of the Company to continue as a going concern
- There have been no departures from the best practices of corporate governance, as detailed in the listing regulations

# board's assessment of the principal risks

The Board has reviewed the risks facing the company, including but not limited to those that would threaten the business model, future performance, solvency or liquidity.

# training program for directors

The Directors Training program has been completed by Mr. Ghias Khan, Mr. Feroz Rizvi, Mr. Nadir Salar Qureshi, Mr. Eram Hasan, Ms. Ayesha Aziz during the preceding years from recognized institutions of Pakistan, approved by the SECP. Training of Mr. Rizwan Masood Raja was delayed due to COVID-19 and was held in January 2021.

# director orientation

The company's director come from diverse backgrounds and bring a wealth of experience with them. At the induction of a new director, they are briefed about the market dynamics that impact the company, its operations and its long-term strategy. They are also informed of their fiduciary responsibilities towards all stakeholders.

# security clearance of foreign director

The Company follows the SECP guidelines for appointment of any foreign director and subject to issuance of security clearance from the Ministry of Interior, foreign directors are appointed.

# board and management decision matrix

**(How the Board operates)**

The board of the company sets the strategic direction for the company and monitors its implementation plans and progress. Meanwhile the core responsibility of the management is to ensure the implementation of the strategies approved by the board. The management is empowered by the board to take necessary decisions to manage the operations of the company and execution of strategies.

# implementing governance practices exceeding legal requirements

Being a responsible corporate citizen, the Company has always conducted itself in a responsible and clear manner. To foster transparency the Company:

- benchmarks reporting requirements against ICAP / ICMAP and SAFA prescribed guidelines
- has adopted a stringent insider trading policy which goes beyond the legal requirement
- holds quarterly analyst briefings and regularly interacts with all stakeholders
- Implementation of health, safety, and environment policy as a testimony of our commitment to protect our people, community, and environment.
- Undertaking several health and education projects for improving the livelihood of surrounding communities
- Obligation on employees of group companies to follow the close period requirements
- Privately owned subsidiaries of the Company comply with benchmark governance practices

# shares traded and average prices

During the year 836 million shares of the Company were traded on Pakistan Stock Exchange. The average price of the Company's share, based on daily closing rates, was Rs. 34.38. The 52-week low-high during 2020 was Rs.  22.47 – 49.17 per share, respectively.

# dividends

The Board of Directors declared final cash dividend of Rs. 1.247 per ordinary share and Rs. 0.042 per preference share and is to be approved by the shareholders in Annual General meeting.

# auditors

The present auditors, M/s A.F. Ferguson & Co. retire, and offer themselves for reappointment. The Board Audit Committee has recommended the reappointment and the Board of Directors has endorsed the recommendation.

**Mr. Jahangir Piracha**
Chief Executive Officer

**Mr. Feroz Rizvi**
Director

## our statement of best practices

- Overall, work towards creating an environment which promotes the realization of our Vision and Values, by focusing on behavioral modification and systematic changes
- Challenge the status quo by experimenting and taking reasonable and calculated risks
- Think EPCL, by placing Company interest above individual, sectional and departmental interests
- Collectively develop clear, concise and realistic goals, also agreeing on the process of achieving these before implementation
- Balance task, team and individual needs, by keeping the helicopter view
- Work through teams, by valuing all ideas and effectively committing people through consensus building and active involvement
- Remind each other on the importance of using participatory processes, just as much as emphasizing attention on safety, quality and continuous improvement
- Recognize individual needs and help fulfill them
- Trust each other by delegating authority and decision making to the lowest possible level
- Encourage sharing clear, consistent, and timely feedback for learning and growth
- Give everyone a chance by listening patiently and thinking before speaking
- Recognize team and individual efforts to change by celebrating both lessons and successes

## our code of conduct

The policy of EPCL is one of the strict observances of all laws applicable to its business. Our policy does not stop there. Even where the law is permissive, EPCL chooses the course of the highest integrity. Local customs and traditions differ from place to place, and this must be recognized. But honesty is not subject to criticism in any culture. Shades of dishonesty simply invite demoralizing and reprehensible judgments. A well-founded reputation for scrupulous dealing is itself a priceless Company asset.

An overly-ambitious employee might have the mistaken idea that we do not care how results are obtained, as long as they get results. They might think it's best not to tell higher management all that they are doing, not to record all transactions accurately in their books and records, and to deceive the Company's internal and external auditors. They would be wrong on all counts.

We do care about how we get results. We expect compliance with our standards of integrity throughout the organization. We will not tolerate an employee who achieves results at the cost of violation of laws or unscrupulous dealing. By the same token, we support and we expect you to support, an employee who passes up an opportunity or advantage which can only be secured at the sacrifice of principle.

Equally important, we expect candor from managers at all levels and compliance with accounting rules and controls. We don't want employees to misrepresent facts, whether they are misrepresenting in a mistaken effort to protect us or to make themselves look good.

One of the kinds of harm that result when a manager conceals information from higher management and the auditors is that subordinates within his organization think they are being given a signal that Company policies and rules, including accounting and control rules, can be ignored whenever inconvenient.

This can result in corruption and demoralization of an organization. Our system of management will not work without honesty, including honest bookkeeping, honest budget proposals and honest economic evaluation of projects.

It has been and continues to be EPCL's policy that all transactions shall be accurately reflected in its books and records. This, of course, means that falsification of its books and records and any off-the-record bank accounts are strictly prohibited.

## implementing governance practices exceeding legal requirements

Being a responsible corporate citizen, the Company has always conducted itself in a responsible and clear manner. To foster transparency the Company:

- Benchmarks reporting requirements against ICAP / ICMAP and SAFA prescribed guidelines
- Has adopted a stringent insider trading policy which goes beyond the legal requirement
- Holds quarterly analyst briefings and regularly interacts with all stakeholders
- Implementation of health, safety, and environment policy as a testimony of our commitment to protect our people, community, and environment.
- Undertaking several health and education projects for improving the livelihood of surrounding communities
- Obligation on employees of group companies to follow the close period requirements
- Privately owned subsidiaries of the Company comply with benchmark governance practices

## governance framework

Our Governance Framework is designed to ensure that the Company embodies its core values and principles, institutionalizing excellence in everything that we do. Driven by the highest standards of integrity, transparency and zeal to protect stakeholders' value, EPCL has benchmarked its Governance Framework on the industry's best practices. The Board of Directors and Senior Management place significant emphasis on internal controls, which trickles down to each and every employee in the Company.

Our Corporate Governance is grounded on the basis of proper management policies and the organization conforms to accepted guidelines of Pakistan Stock Exchange Limited as well as the Securities and Exchange Commission of Pakistan (SECP). The Board of Directors is committed to honest, ethical, knowledgeable and comprehensive management and to implement good Corporate Governance as a means of accomplishing maximum success and effectiveness for the Company. Corporate Governance is a tool for enhancing and reinforcing our values and sustainable growth. Developing good Corporate Governance is an iterative process and aims to incorporate standards that are universally practiced and appreciated.

## the internal environment

The organization is structured in a way that corresponds well to its business plan, and responsibilities are clearly assigned to each department. High-quality personnel are hired and given continuous opportunities to develop knowledge, competencies and represent the Company's commitment to ethical and professional business standards. The organization also encourages employees to participate as well as understand their work, while instilling in them the responsibility of reducing risk. Work is consistently being upgraded, improved and fashioned in such a way that internal controls form an integral part of operations. Operating manuals of key functions have been produced to ensure efficiency of operations and avoid duplication of effort.

## internal control framework

### Responsibility

The Board is ultimately responsible for EPCL's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure in achieving business objectives and provides reasonable assurance against material misstatements or losses that the Company could possibly face.

The Board, whilst maintaining its overall responsibility for managing risk within the Company, has delegated the detailed design and operation of the system of internal controls to the Chief Executive Officer.

### Framework

An established control framework is maintained by the organization, constituting clear structures, authority limits and accountabilities. All policies and standard operating procedures are properly documented in operating manuals. Both corporate strategy and the Company's business objectives are established by the Board, after which they are integrated by divisional management into business strategies with supporting financial objectives.

### Risk Assessment

EPCL conducts its operations keeping in view the risks involved and has instituted measures to control risk and ensure that it remains manageable. In this way, damage due to risk is minimized and stability is ensured. Long-term and annual plans are designed ensuring that concrete measures of success can be obtained. Audit operations and insurance measures are also continuously improved with the help of various tools in the effort to reduce risk.

### Control Activities

The Company has determined a number of control activities that are in accordance with the nature of business operations and has assigned responsibilities in such a way that mutual supervision is in effect.

### Operating Paradigm of EPCL Board

The Board of the Company sets the strategic direction for the Company and monitors its implementation plans and progress. Meanwhile, the core responsibility of the management is to ensure the implementation of the strategies approved by the Board. The management is empowered by the Board to take the necessary decision to manage the operations of the company.

## evaluation of board, committees, CEO and the chairman

As at December 31, 2020 the Board comprises of one Executive Director, three Independent Directors, and five Non-Executive Directors, four of whom are executives in other Engro Group companies, who have the collective responsibility for ensuring that the affairs of the Company are managed competently and with integrity.

A Non-Executive Director, Mr. Ghias Uddin Khan, chairs the Board and the Chief Executive Officer is Mr. Jahangir Piracha. Biographical details of the Directors are given on pages 43 to 46 of the annual report.

A Board of Directors' meeting calendar is issued annually that schedules the matters reserved for discussion and approval. The Board met 9 times this year and discussed matters relating to inter alia current year performance and long-term planning, giving consideration both to the opportunities and risks of future strategy.

All Board members are given appropriate documentation in advance of each Board meeting. This normally includes a detailed analysis on businesses and full papers on matters where the Board will be required to make a decision or give its approval.

### Evaluation

The Listed Companies (Code of Corporate Governance) Regulations 2019 mandatorily requires evaluation of the Board of Directors as a whole, its Committees, and the contribution of each Director to the strategic direction and steerage of the Company. In this regard, a comprehensive range of self-evaluation surveys were conducted in the Company with respect to the performance of its Board of Directors and Board Committees. Purposive feedback from all Board members was solicited on areas of strategic clarity & beliefs, direction of business plan, and functional adequacy of its role.

Equal emphasis is given to evaluating and assessing the individual contribution of each Director during the year by the Chairman of the Board, highlighting significant areas of development for them.

The evaluation of the members of the Board and its committees (i.e. Board Audit Committee and Board Peoples Committees) is carried out **internally** on the following premise:

- **Timeliness:** The Board Members receive timely meeting notices, clearly describing the agenda of the meetings, followed by the duly circulation of its minutes.
- **Preparedness:** The Board Members are provided with the well-structured financial and non-financial reports on significant matters at least seven days before the meeting.
- **Participation and inclusivity:** The Board meetings are conducted in a manner that ensures open communication, meaningful participation, and timely resolution of issues. The Board Members respect the difference between the Board's policy- making role and CEO's management role.
- **Transparency:** The Board Members determine goals, expectation and concerns, and ensure its due communication to the CEO.

The evaluation of CEO and Chairman is also carried out on above criteria.

The overall performance of the Board, its committees, Chairman and CEO measured based on approved criteria remained satisfactory.

## formal orientation of our board

The Human Resource department chalks out a formal orientation plan, which is followed at the induction of a new Board member. The orientation plan is devised to familiarise the new member with the business. Each Divisional Head of the Company takes them through a presentation pertaining to their own divisions, and macro-level policies are discussed. During the year, orientations of Ms. Ayesha Aziz, Mr. Nazoor Ali Baig and Ms. Rahat Kaunain Hassan were conducted by the Management.

## training program for directors

The Directors Training program has been completed by Mr. Ghias Khan, Mr. Feroz Rizvi, Mr. Nadir Salar Qureshi, Mr. Eram Hasan and Ms. Ayesha Aziz during the preceding years from recognized institutions of Pakistan, approved by the SECP. Training of Mr. Rizwan Masood Raja was delayed due to COVID and was held in January 2021.

## role of chairman and CEO

### Responsibilities of the Chairman

Every meeting of the Board is to be headed by a Chairman. The Chairman of a Board is responsible to lead the Board and its proceedings and ensure that it plays an effective role in fulfilling its responsibilities. The Chairman is empowered and responsible to:

- Issue letter to directors setting out their role, obligations, powers, and responsibilities in accordance with the Company's Act, 2017, and the Articles of Association, their remuneration, and entitlement;
- Set the agenda of the Board meetings and ensure sufficient time is allocated for discussion of the same;
- Ensure that statutory requirements are fulfilled including the issuance, authentication and maintenance of the minutes of meetings of the Board of Directors; and
- Regulate and monitor the process of voting, including making demand of a poll.

### Responsibilities of the Chief Executive Officer (CEO)

The Board of Directors set the role and responsibilities of the Company's CEO. The CEO is entrusted with the general management of the Company's operations and to do all acts which include:

- Compliance with regulations and best practices
- Ensuring effective functioning of internal control system
- Identifying risks and designing mitigation strategies
- Safeguarding of Company's assets
- Development of human capital and good investor relations
- Sustainable growth of shareholder value
- Identification of potential diversification / investment projects
- Implementation of projects approved by the Board
- Preservation and promotion of the Company's image
- Endorse quarterly, half-yearly, and annual financial statements, after external auditors initials in case of half-yearly and annual financial statements, prior to placing and circulating for consideration and approval of the Board
- Placement of significant issues for the information, consideration, and decision, as the case may be, to the Board or its committees

## presence of chairman at the annual general meeting

The Company's Annual General Meeting (AGM) was held on April 23, 2020 which was attended by the Chairman of the Board along with the other Board members including CEO and other senior management.

## external consultancy for appointment of the chairman

No external search consultancy has been used in the appointment of the Chairman or Non-Executive Directors.

# chairman's significant commitments

Mr. Ghias Khan was reappointed as a Non-Executive Director and Chairman of the Board of EPCL on April 23rd, 2020. Mr. Ghias is the CEO of Engro Corporation Limited and serves on the boards of several companies. The details of his other engagements as Director, and Trustee are given in his profile. He does not have any significant commitment other than the one mentioned in his profile.

# sponsors, directors and executives shareholding

Information relating to shares held by Sponsor, Directors and Executives has been disclosed in Directors Report on page 85.

# companies where executive directors are serving as non-executive directors

Mr. Jahangir Piracha is the only Executive Director of the Company. The details of his directorships on the Board of other companies are mentioned in his respective profile on page 43 of this report.

# board audit committee

Following Directors served in the Board Audit Committee during the year:

- Mr. Feroz Rizvi – Chairman
- Mr. Nazoor Ali Baig – Member from April 23, 2020
- Mr. Eram Hasan – Member
- Mr. Noriyuki Koga – Member
- Mr. Hasnain Moochhala – Member untill April 23, 2020
- Ms. Rahat Kaunain – Member till July 10, 2020

The committee appoints secretary of the committee who shall either be the Company Secretary or Head of Internal Audit. Presently, this role is exercised by Mr. Kalimuddin A. Khan – General Manager Internal Audit.

The Chief Financial Officer is invited to attend the Committee's meetings as appropriate.

The terms of reference of the Committee include the following:

- Determination of appropriate measures to safeguard the Company's assets;
- Review of quarterly, half-yearly and annual financial statements of the listed company, prior to their approval by the Board of Directors;
- Ensuring coordination between the internal and external auditors of the Company; and
- Monitoring management's compliance with all Company's policies including complaints received through the Speak Out – Whistle Blower System

### Attendance of Board Audit Committee

During the year, seven meetings were held out of which four were conducted virtually:

| Director's name | Meetings attended |
|---|---|
| Mr. Feroz Rizvi | 7 |
| Mr. Nazoor Ali Baig | 3 |
| Mr. Eram Hasan | 3 |
| Mr. Noriyuki Koga | 4 |
| Mr. Hasnain Moochhala | 4 |
| Ms. Rahat Kaunain | 0 |

# board people's committee

Following Directors served in the Board People's Committee during the year:

- Mr. Feroz Rizvi – Member
- Mr. Nadir Salar Qureshi – Member
- Mr. Rizwan Masood Raja – Member from April 23, 2020
- Mr. Ghias Uddin Khan – Member till April 23, 2020
- Ms. Rahat Kaunain – Chairman & Member till July 10, 2020

The Secretary of the Committee is nominated by the Chairman and is either the Chief People's Officer (or duly authorized delegate) or the Company Secretary to the Board. Presently, this role is exercised by Mr. Salman Hafeez – General Manager Human Resouce.

The Chief Executive Officer is invited to attend the Committee's meetings as appropriate.

The terms of reference of the Committee include the following:

- Recommend to the Board the right HR Management policies and practices aligned to deliver best-in-class talent for Engro companies (and future portfolio needs);
- Recommend to the Board the right compensation framework for the CEO and direct reports, and an overall compensation philosophy that serves as the strategic driver for the organization;
- Recommend to the Board the selection, separation, and compensation of statutory positions (CEO, Company Secretary, CFO, and Head of Internal Audit);
- Recommend to the Board a compensation framework for directors and
- Recommend to the Board matters relating to the succession planning of key senior management positions reporting to the CEO.

### Attendance of Board People's Committee

During the year, four meetings were held out of which three were conducted virtually:

| Director's name | Meetings attended |
|---|---|
| Mr. Feroz Rizvi | 4 |
| Mr. Nadir Salar Quershi | 2 |
| Mr. Rizwan Masood Raja | 0 |
| Mr. Ghias Uddin Khan | 3 |
| Mr. Rahat Kaunain | 0 |

# details of board meetings held outside Pakistan during the year

During 2020, all Board meetings were held in Pakistan.

# beneficial (including indirect) ownership and flow chart of group shareholding

Complete disclosure of Engro Polymer & Chemicals Limited shareholders has been provided in Director's Report on page 82. In addition, group shareholding and direct & indirect ownerships of the Company are demonstrated on page 18.

# compliance with best practices of code of corporate governance

Information relating to compliance with the best practices of code of Corporate Governance have been provided on pages 177 - 179.

# board approved policies

### Board remuneration policy

The remuneration paid to the members of the Board for attendance of Board and Committee meetings has been duly approved by the Board of Directors. The details of the aggregate amount of remuneration paid to the Directors is disclosed in the Financial Statement.

The Board of Directors has duly approved the policy and procedure for remuneration of the Directors for attendance of Board and Committee meetings in accordance with the Companies Act, 2017 and the listed companies (Code of Corporate Governance) Regulations, 2019.

The remuneration of Directors is determined by the Board considering the following parameters:

a) The remuneration shall be appropriate and commensurate with the level of responsibility and expertise of the Directors;

b) It shall be aimed at attracting and retaining the Directors needed to govern the Company successfully and to encourage value addition;

c) It shall not be at a level that could be perceived to compromise or influence in any way the independence of the Director;

d) No Director shall determine his/her own remuneration nor of a Director who may be a related party;

e) No remuneration shall be paid to Executive Directors, Chief Executive Officer and Non-Executive Directors who are employees in other Engro entities, for attending meetings of the Board and its committees; and

f) The Board, if deems appropriate, may engage independent consultant to determine the appropriate level of remuneration of its Directors and recommend to the Board for consideration and approval.

## policy for security clearance of foreign directors

The Company follows the SECP guidelines for appointment of any foreign Director and subject to issuance of security clearance from the Ministry of Interior, foreign Directors are appointed.

## contracts / transactions with related parties

The Company has an established and approved policy of governing transactions between the Company and its Related Parties, in compliance with the requirements of Section 208 of the Companies Act, 2017 and the Companies (Related Party Transactions and Maintenance of Related Records) Regulations, 2018. The policy provides a framework for governance and reporting of Related Party Transactions, and is intended to ensure due and timely approval, disclosure including its pricing policy and reporting of transactions between the Company and any of its Related Parties in compliance with the applicable laws.

During the period, the Company has not entered into any contract or arrangement, other than ordinary course of business on an arm's length basis, with its related parties.

## conflict of interest policy

At Engro Polymer & Chemicals Limited, every employee, Director, and Executive is required to avoid any direct or indirect interests, which might conflict with the interests of the Company when dealing with customers, suppliers, contractors, competitors or any other person or organization doing or seeking to do business with the Company or any affiliate.

Additionally, in the event of such conflicts arising in the conduct of employees', executives' or directors' personal affairs, including transactions in securities of the Company, of any affiliate, or any unaffiliated company having a business relationship with Company interests, full compliance with the restrictions and set of disclosures requirements laid down by the Management should be ensured. A robust mechanism to report exceptions, if any, has been established within the Company.

## investor relations policy

Engro Polymer & Chemicals Limited. strives to develop and maintain trustworthy relations with its stakeholders, including shareholders and investors. It recognizes the importance of timely and fair disclosure of all material information to them, without advantage to any particular investor, group or investment advisor / analyst, in order to enable them to make informed decisions about investing in the Company's equity and other debt instruments. Accordingly, the Board has approved investor relations policy to manage the relationships with all stakeholders. The policy requires the Company to;

- Establish a portal to handle shareholders / other investors' complaints and tackle any problems that they may be facing with regard to their investments or access to relevant corporate communications
- Disclose all material information in a fair and transparent manner in compliance with legal requirements and listing regulations of the Pakistan Stock Exchange where it is listed
- Disclose, through designated spokespersons, other financial or non-financial information that it considers useful for enhancing stakeholders understanding. This may be done through analysts briefings, press releases, television programs or postings on the Company's website
- Observe a "quiet period" prior to the announcement of quarterly / annual results, during which it will decline to respond to inquiries about its business performance and related matters to prevent information leaks and maintain fairness in disclosure

## investors' grievance policy

The Company values the relationship it has with all its stakeholders and continuously strives to take measures to strengthen the same. To facilitate all stakeholders and provide them with access to communicate any query or complaint to the Company, a dedicated investor complaint section is maintained at Company's website www.engropolymer.com and Company contact details are also disclosed in "Company Information" section of this report. In addition, Corporate Communication department of the Company dedicatedly monitors all the queries and resolves them it timely manner. The complaints which mandate attention of the senior management are timely escalated to the relevant individuals with complete details.

## communication to investors

The investors' relations section on the Company's website (www.engropolymer.com) is updated regularly to provide detailed and latest company information including financial highlights, investor information and other requisite information. In addition, the Company quarterly holds analyst briefings where the CFO of the Company Brief the stakeholders about the financial and operational performance of the Company and holds a comprehensive Q&A session to address all queries and clarifications.

| Period | Date | Place |
|---|---|---|
| Q4 2019 / FY 2019 | February 6, 2020 | Harbour Front Building, Karachi |
| Q1 2020 | April 17, 2020 | Video link facility |
| Q2 2020 | August 10, 2020 | Video link facility |
| Q3 2020 | October 19, 2020 | Video link facility |

The Company holds its Annual General Meeting (AGM) of the shareholders considering the Companies Act, 2017, Rule Book of Pakistan Stock Exchange (PSX), Listed Companies (Code of Corporate Governance Regulations), 2019 and its Articles of Association.

During the meeting, several questions pertaining to the Company's business were asked by the shareholders which were answered satisfactorily by the CEO & CFO. Thereupon, the meeting was concluded without any pending query on the unresolved issue.

## policy for safety records of the company

The Company has a policy in place relating to records retention for periods that exceeded the minimum requirement prescribed by Companies Act, 2017 and other applicable regulatory requirements. The Company has also strived to retain documents electronically through its Digitization drive.

The Company also has a policy governing the safety of business records maintained in the ERP system which covers following the aspects:

- Roles and responsibilities of all functions and departments to ensure that a proper mechanism is in place within their department for backup of electronic data and digitization and archival of critical hard copy documents.
- Arrangements for storage of ERP systems and business data at secure location with state-of-the-art protections against physical deterioration, fire, natural disasters.
- Availability of suitable alternate site for backup of critical information systems including defining the methodologies for replication of applications on the alternate site based on industry's best practices.
- Mechanism and arrangements for digitization (through a Document Management Solution) and archival of critical hard copy data and for backup of critical electronic data.

Moreover, the Company has a structed and an approved Business Continuity Plan (BCP) to deal with unforeseen circumstances disrupting the operations of the Company. This plan encompasses our response strategy, minimum operating requirements, BCP team organization, damage assessment, and primary site restoration activities. It ensures preservation of critical data by mapping out key elements of the process of disaster recovery.

# IT governance policy

Information Technology (IT) Governance is an integral part of enterprise governance and consists of the Leadership, Organizational Structures and Processes at EPCL. IT Governance aims to ensure that IT activities are aligned with business objectives and that stakeholder requirements of Value Delivery, Risk Optimization, and Resource Optimization are addressed. The Enterprise IT Governance Framework aims to achieve the following objectives:

- Alignment of IT goals with business
- Meet stakeholders' requirements relating to risk optimization, resource optimization and value delivery
- Support the decision-making process regarding governance and management of IT by providing sufficient information and reports
- Achieve effective and prudent IT project management and IT resources management processes
- Enabling enterprise business strategies by developing technological infrastructure and information systems
- Ensure the necessary protection of assets through optimization of IT Risk Management
- Comply with legal and regulatory requirements, internal controls and monitoring, and related policies and procedures
- Maximize the satisfaction level of end user with respect to IT services
- Employ a comprehensive sourcing strategy to manage third parties/vendors relationship

# whistleblower policy

Speak Out – the whistleblowing system has been established by the Board as an integral part of governance at EPCL and it acts as an additional measure to promote and strengthen high standards of governance and business conduct.

EPCL expects all employees, suppliers and contractors to not only abide by the Company's Code of Business Conduct but also encourages all to speak out about any concerns they have regarding business ethics including corruption, frauds, incorrect financial reporting, violation of applicable Health, Safety & Environmental standards, harassment, discrimination, other unfair employment practices, or other possible breaches of applicable laws and corporate policies.

All complaints and concerns should be reported on the Speakout platform at Speakout@engro.com for confidential investigation.

# human resource management policies

EPCL's Human Resource policy is designed to attract, induct, develop, retain and motivate high caliber talent who are qualified, capable and willing to contribute towards the company's long-term and short-term objectives. To accomplish this, the HR policies have been developed encompassing the following principles:

- Equal Opportunity
- Training and Development
- Performance Management
- Compensation and Benefits
- Diversity and Non-Discrimination

# succession planning

Every year at Engro Polymer & Chemicals Limited, "Talent Review Sessions" are conducted. The main objective of talent review process is to map the succession plan of a department with the capacity, potential, and career development needs of employees in order to develop a comprehensive Talent Management Plan. Talent review process is a series of structured, facilitated discussions where employees' performance (direct reports) are reviewed in terms of their key strengths, career goals, stage of readiness, and areas for development and action plans. Outcome of these sessions has helped the Company in increasing the rate of internal moves as well as replacements.

# diversity at EPCL

We at EPCL believe that we want to 'Deliver through Diversity.' And we embrace all forms of diversity.

However, to begin with we are focusing on the biggest contender from our demographics and that is women.

As we look back at the last year, we have come a long way. Our Diversity ratio increased to 5.5% in our overall population (including Trainees/Graduate Trainee Engineers and contractual staff).

We have been quite vocal about our Diversity agenda and it is through strong communication that we have established our seriousness towards it. Our strength in communication has been recognized by external bodies as well, as we have won an award from Global Diversity and Inclusion Benchmark (GDIB) for the same.

We will continue to strive towards this end, and we envision a day not very far off when our workforce will be representative of current external environment and demographics as we are striving to make our culture more and more inclusive, by creating affinity networks and bonds across the business.

To achieve this aim, internally D & I would continue to be a key agenda item on the table whenever we are discussing hiring, promotions, development, retention, and engagement. Externally, we will be focusing on building relationship and strategic partnerships with diverse associations and universities to enhance our talent outreach.

# social and environmental responsibility policy

The Company's community development and uplift policy focuses mainly on education, environment and water conservation-related initiatives. It has various diversified programs in place and is on its way to create visible social impact on communities within which it operates. It invests in programs that address the environmental and social challenges faced by its business, thus mitigating impact of its operations through taking these initiatives.

It also focuses on the element of sustainable business development and that is what is most visible in its key social investments.

# HSE policy

"To be recognized as a world class performer in the field of Health, Safety & Environmental Management."

EPCL will:

- Conduct its business in a manner that protects the health and safety of employees, contractors, others involved in our operations, and the community in which we operate.
- Continuously improve environmental performance to achieve sustainable development.
- Strengthen its business by making Health, Safety, & Environment (HSE) considerations an integral part of all business activities.
- Comply with all relevant laws & regulations.
- Practice transparent public reporting of the HSE performance.
- Ensure that HSE is a major responsibility of appropriately trained, empowered, & accountable employees & management.
- Promote a culture of learning & practicing HSE management among employees and contractors.
- Encourage off-the-job HSE awareness among employees and families.

To achieve these objectives, EPCL shall:

## health

- Identify and evaluate health risks related to its operations that could potentially affect its employees, contractors, or the public.
- Provide structured, risk-based occupational health and industrial hygiene program, with a focus on health promotion and prevention, reporting, and investigation of occupational illness.
- Implement programs and appropriate protective measures to control such risks, including appropriate monitoring of its potentially affected employees.
- Carry out pre-employment and periodic medical check-up of its employees.
- Provide or arrange for medical services necessary for the treatment of employees' occupational illness or injuries and for handling medical emergencies.

## safety

- Implement a rigorous system of Process Safety Risk Management.
- Institutionalize behavioral safety practices using the Personnel Safety Management System.
- Keep abreast of the latest international codes, standards and practices, and adopting the same where applicable.

## environment

- Comply with all applicable environmental laws, regulations, and apply responsible standards where laws and regulations do not exist.
- Conserve natural resources & energy by continuously improving our production processes and measuring performance.
- Continuously improve our processes to minimize pollution and waste

# cardinal rules

- Mandatory to report all on-the-job unsafe acts / conditions, near misses and incidents.
- Mandatory to follow Company Policies, Safety Rules, and all applicable laws. Contractors engaged by the Company shall strictly adhere and cause its employees to strictly adhere to Company Policies, Safety Rules, and all applicable laws.
- Work with a valid work permit.
- Wear mandatory PPEs in designated areas.
- Bypassing Safety Critical device without authorization is prohibited.
- Lighting a flame without authorization is prohibited.
- Walking under a suspended load is prohibited.
- Ensure that there is no violation of work at height protocols (not latching harness, not using protection like handrails, nets, lifelines, etc.).
- Engaging in or provoking horseplay or fighting within Company premises is prohibited.
- Damaging Company property intentionally is prohibited.
- Sleeping & carrying mobile phones in Plant operating areas are prohibited.
- Bringing weapon or any form of intoxicant on site is prohibited.
- Making a video or taking a picture of plant site areas is not allowed.

Willful negligence of all above protocols will be treated as misconducts and liable to penalties / accountability as per company's progressive motivation principals or any other action as the Company may deem fit.

# shariah advisor

Ehsan Shariah Advisor and Consultants (ESAAC) are the shariah advisor of the Company.

### Profile of Shariah Advisor

Ehsan Shariah Advisor and Consultants (ESAAC) is a Management Consulting & Shariah Advisory firm, providing innovative Ethical / Shariah based solutions & services. ESAAC offers proficient customized services to its clients by blending Shariah knowledge of scholars with financial skills of professionals. ESAAC works with leading organizations and offers its services to full-fledged Islamic Banks, Islamic Micro Finance Banks, Islamic Banking Divisions of Conventional Banks, Takaful Operators, Re-Takaful Companies, Islamic Mutual Funds, and Islamic Asset Management Companies.

# internal audit

At EPCL, Internal Audit is an independent department functionally reporting to the Board Audit Committee and administratively to the CEO.

The Internal Audit department is responsible for impartially assessing the key risks of the Organization, appraising and reporting on the adequacy and effectiveness of EPCL's Risk Management and Internal Controls in financial, information systems, and other business and operational areas. Internal Audit at EPCL provides recommendations which are taken up by the Management to remediate control lapses. The observations are shared on a regular basis with Board Audit Committee, Chief Executive Officer and the concerned Divisional Management.

Internal Audit is also responsible for monitoring and reporting of ethical issues. All allegations in relation to breach of the Company's Code of Business Conduct are thoroughly investigated by Internal Audit in cooperation with management and subsequently reported to the Audit Committee.

It works in collaboration with the Business by taking up coaching responsibilities, driving performance improvement initiatives, and closing internal control gaps. The role of Internal Audit Function continues to change in reaction to events, risk, and regulation affecting the Company while ensuring that its mandate is aligned with the organizational objectives and risks.

# salient features of internal audit charter

Internal Audit provides independent, objective assurance, and advisory services to evaluate and improve the effectiveness of the control environment, risk management, and compliance processes, and assesses whether these are adequate and functioning appropriately as intended to ensure:

- Significant financial, managerial, and operating information, is accurate, reliable, and timely.
- Significant statutory or regulatory issues impacting the Company are recognized and addressed appropriately.
- Resources are acquired economically, used efficiently, and protected adequately.
- Quality and continuous improvement are fostered in the Company's control process.
- Risks are appropriately identified and managed.
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.

# audit committee report

Dear Shareholder,
On behalf of the Board, I am pleased to present the Audit Committee's Report for the financial year ended December 31, 2020. Our key focus was to assist the Board of Directors in fulfilling their governance and stewardship responsibilities, ensuring integrity of financial reporting and robustness of internal controls and risk management process at Engro Polymer & Chemicals Limited.

## composition of the committee

Mr. Feroz Rizvi (Chairman) - Independent Director
Mr. Eram Hasan (Member) – Non-Executive Director
Mr. Nazoor Ali Baig (Member) - Independent Director
Mr. Noriyuki Koga (Member) - Non-Executive Director
Mr. Kalimuddin A. Khan (Secretary) - Head of Internal Audit

During the year, the BAC completed its tenure and new Audit Committee was formed, where Mr. Hasnain Moochhala left the BAC and Mr. Eram Hasan and Mr. Nazoor Ali Baig joined the BAC as members.

These Committee members possess sufficient business and commercial knowledge and have extensive experience in the field.

## meetings of board audit committee

Audit Committee meetings take place ahead of Board meetings and the Audit Committee Chairman provides an update to the Board on the key issues discussed during each Audit Committee meeting. The minutes of Audit Committee meetings are provided to the Board on regular basis and also to the External Auditor on request. The CFO and other departmental Heads are invited on a need basis for matters pertaining to their respective areas.
During the year 2020, the Committee met seven times. Furthermore, as required by the Code, the Committee also independently met external and internal auditors during the year.

## charter of the committee

The terms of the Audit Committee's mandate are governed by the Board of Directors and the Code of Corporate Governance. The terms of reference of the Committee are clearly defined in the Charter of the Committee which is duly approved by the Board of Directors. The salient features are stated below:

- To recommend to the Board the appointment and removal of external auditors;
- To review quarterly, half-yearly and annual financial statements;
- To review the internal control systems and internal audit function;
- To monitor management's compliance with all Company's policies including complaints received through the Speak Out – Whistle Blower System; and
- To monitor compliance of statutory requirements.

## role of audit committee

The Committee assists the Board to effectively carry out its supervisory oversight responsibilities on risk management, internal controls, financial reporting, compliance, and internal & external audit functions. The Audit Committee believes that it has carried out all its responsibilities, in accordance with the Terms of Reference approved by the Board. The evaluation of the Board performance, which also included members of the Audit Committee, was carried out separately and is included in the Annual Report.

During 2020, the following key responsibilities were satisfactorily carried out by the Audit Committee:

- Ensured compliance with the listed Companies (Code of Corporate Governance) Regulations 2019
- Reviewed quarterly, half-yearly, and annual financial statements of the Company prior to their approval by the Board of Directors, focusing on major judgmental areas, financial estimates, going concern assumption, compliance of accounting standards, local regulations, and other statutory / regulatory requirements
- Reviewed Related Party Transactions, ensuring that the pricing methods used were on terms equivalent to those that prevail on arm's length basis
- Ensured that proper, accurate, and adequate accounting records have been maintained by the Company
- Recommended the appointment of the external auditors to the Board to be confirmed by the Company shareholders in the Annual General Meeting
- Reviewed new policies / modifications to existing policies and Management's compliance with all Company's policies, procedures, and guidelines
- Reviewed and investigated whistleblower complaints lodged during the year
- The Company's system of internal control is sound in design and has been continually evaluated for effectiveness and adequacy
- Closed periods were duly determined and announced by the Company, preventing the directors, executives and all employees of all Engro companies from dealing in the shares of the Company, prior to each Board meeting.

## risk management and internal control

The Company has developed a sound mechanism for identification of risks, assigning appropriate criticality level and devising appropriate mitigation measures, which are regularly monitored and implemented by the management across all major functions of the Company and presented to the Audit Committee for information and review. The Company has devised and implemented an effective internal control framework which also includes an independent internal audit function. The Internal Audit department is responsible for monitoring of compliance, inherent and other risks associated with operations of the Company.

## external audit

The statutory auditors of the Company, A. F. Ferguson & Co., Chartered Accountants, have completed their audit of the Company's financial statements and the statement of compliance with the Code of Corporate Governance for the year ended December 31, 2020 and shall retire on the conclusion of the 23rd Annual General Meeting. Being eligible for reappointment under the Code of Corporate Governance, the Committee has recommended to the Board the reappointment of A.F. Ferguson and Co., Chartered Accountants for the year 2021. A resolution to this effect has been proposed at the forthcoming Annual General Meeting.

The Committee has reviewed and discussed audit observations with the external auditors; a meeting was also held with the external auditors in the absence of the management.

The external auditors have direct access to the Committee and Internal Audit Department, thereby ensuring the effectiveness, independence, and objectivity of the audit process.

A.F. Ferguson & Co., Chartered Accountants also provided taxation services to the Company; the statutory auditors have no financial or other relationship of any kind with the Company except that of External Auditor and Taxation Consultant. The performance, cost and independence of the external auditors is reviewed annually by the Committee. The Audit Committee obtained confirmation from the external auditors in its meeting that the engagement team, other partners and staff in the firm, and the firm have complied with the applicable requirements regarding independence.

## financial statements 2020

The Committee assessed the 2020 Financial Statements as fair, balanced, and understandable, and that it provided sufficient information to enable the shareholders to assess the performance.

**Mr. Feroz Rizvi**
Chairman of the Audit Committee
Engro Polymer and Chemicals Limited

# entity risk management

EPCL has Lean Enterprise Risk Management (ERM). It is the policy of EPCL to view Risk Management as integral to the creation, protection, and enhancement of shareholder value by managing the uncertainties and risks that could possibly influence the achievement of our corporate goals and objectives.

Operating in a highly dynamic environment mandates assessment of organization strategy and quantum of risks that the entity is willing to accept by adequately assigning responsibilities throughout the organization. It is a continuous cycle led by the Chief Risk Officer (CRO), endorsed by the Board of Directors and Management, with the objective of proactively managing risks across the company over the years.

| Risk | Impact | Strategy |
|---|---|---|
| Dumping of PVC Resin in Pakistan | Dumped products are available at less than market competitive rates hampering the pricing capability for EPCL. | EPCL presented its case to NTC, because of which final Anti-Dumping Duty has been imposed on China, Taiwan, South Korea and Thailand during 2018. However, dumping has started from other regions. Company is closely monitoring the situation. |
| Curtailment of gas supply | Gas curtailment would lead to disruption in operations which will impact the Company's bottom line | In addition to working on alternate sources for long term gas availability solution, we have effectively communicated our stance to various authorities that being feed stock provider to export oriented sector, curtailment of gas to EPCL puts operations of wider industry at risk |
| Disruptions in plant operations | Disruptions in plant operations will impact availability of product and profitability | The Company has strong maintenance paradigm (undertook biggest turnaround in history this year) to ensure smooth function of plant operations. Furthermore, we also have Business Interruption Insurance policy to neutralize the adverse impacts of unanticipated disruptions. |
| Volatility in international commodity prices | The Company's margin are a function of global PVC and ethylene prices where a decline in international core delta will directly impact profitability. | The Company has established strong network with international olefins analysts which helps in gaining better insight on international market dynamics. Meanwhile, we remain committed to our diversification projects to enter new markets. |
| Rationalization of Tariff on PVC products | Reduction in import duties on PVC resin products will lead to higher imports and will impact domestic market | EPCL continues to liaison with government through different forums such as Pakistan Business Council, OICCI to maintain the protective duties on PVC products |

# treasury management

## liquidity risk management

Liquidity Management is a crucial aspect of our business owing to a combination of various external factors including volatility in international commodity prices, currency exchange rate, and gas prices. The company diligently monitors its current and future cash position, keeping in perspective these variables that pose liquidity risk. Frequent cash forecasting enables the company to determine liquidity requirements, with a clear distinction between short term and long-term funding. Long term cash requirements are measured in our Corporate Planning Cycle over a 5-year horizon which comprehensively covers for shocks via scenario & stress testing. Peak cash cycles are mitigated using approved lines of credit. Excess cash is placed in various Board approved investment instruments to earn the best possible returns which include savings accounts, government securities and mutual fund units. Overall, the working capital cycle in days of the company, remains positive as our sales are mostly cash based while we enjoy credit from our raw material suppliers

# foreign exchange

## risk management

EPCL's revenues and import liabilities are subject to foreign exchange volatility. PVC revenue is determined in US Dollars with reference to international PVC pricing. PVC Revenue determination mechanism provides a natural hedge against foreign exchange fluctuation, specifically exposure on USD denominated liabilities. Furthermore, the company frequently monitors its net foreign currency liabilities exposure and takes decisions accordingly to restrict the downside from currency devaluation by hedging FCY loans and booking forward contracts on usance import LCs (in case they are available). The company also entered into a first of its kind landmark Shariah compliant synthetic FX hedge arrangement for its foreign currency long-term financing of $35 Mn.

# interest rate risk management

The company's capital structure involves sizeable leverage, mainly to fund expansion and efficiency projects, exposing EPCL to an interest rate risk. As of December 31, 2020 outstanding KIBOR based borrowings stood at Rs.14,067 Mn. whereas outstanding long term LIBOR based borrowings stood at US$ 35 Mn. As part of treasury operations, the company will continue to evaluate various options to hedge against interest rate risk (in case they are available).

The Company mitigated some of its interest rate fluctuation risk by successfully sourcing the Islamic Long Term Finance Facility (ILTFF) of Rs 1,950 Mn. at SBP's concessionary rate for our expansion project.

# credit risk management

The company diligently monitors and manages the credit quality of its financial assets. Exposure to credit risk is minimal as unsecured receivables from customers and advances to vendors are restricted. Most of trade debt is secured by bank guarantees accepted only through financial institutions with good credit ratings. Credit risk with regards to investments is limited, as the Company places its idle funds in government securities and with institutions approved by the Board or with institutions possessing minimum credit ratings as approved by the Board.

# business continuity plan

EPCL recognizes its responsibility towards consistent operations while ensuring adequate measures to safeguard against any potential disruption. With this vision and intent, we initiated our Business Continuity Plan in 2013 and have upgraded it regularly since 2018. The plan was tested from the onset of lockdown imposed by the Government in response to COVID-19 pandemic and successfully implemented by the management to ensure smooth & safe continuity of operations.

The plan ensures smooth functioning of critical business processes in the event of an unforeseen disaster and has the following objectives:

- To provide a framework for building resilience and the capability for an effective response that safeguards the interests of key stakeholders, company reputation and brand image, and value creating activities
- To assess the risks to our operations and to understand the impact of the risks if they materialize whilst considering business priorities and organizational inter-dependency.
- To manage the response to and aftermath of any potential disruption, in an effective and appropriate manner to minimize business impact
- To recover business operations at an acceptable level as quickly as possible in a pre-determined time window, should an incident result in disruption to our critical business operations or support services
- To test and review at regular intervals and revise as required, the plans supporting the Business Continuity

The plan encompasses our response strategy, minimum operating requirements, BCP team organization, damage assessment, and primary site restoration activities. It ensures preservation of critical data by mapping out key elements of the process of disaster recovery. Our management regularly evaluates the threats to its business and infrastructure & has developed a strategy to adequately respond to any unpredictable challenges it might face. The plan is reviewed by the Board and changes are suggested, if any.

## pandemic recovery plan

As our economy has started to recover from the pandemic, our leadership put together a plan to ensure EPCL smooth journey through the recovery. Some of the plan highlights are;

- Establishing rota system at site and HO to ensure stringent implementation and monitoring of SOPs
- Enhancing customer engagement activities to reinforce relationships
- Normalizing the sourcing of raw material through contract management
- Obtaining financing facilities at subsidized rate

  Departmental task force formation – to continuously monitor the situation



# external environment and EPCL

# business model

## our business

manufacturing, marketing, and distribution of quality chlor-vinyl allied products

## our focus

- maximizing shareholder value
- improving livelihood of our community
- protecting environment

| inputs | | outputs |
|---|---|---|
| Relationships with customers, suppliers, communities around our plant and other stakeholders | **social** | Customers - technical support, participation in trade fairs, promotion of alternate applications in Pakistan<br>Community - 4 TCF Schools, 5 Water Filtration Plants, Sina Clinic |
| Total Employees: 563 (480 at plant)<br>Competencies, Capabilities and Experience of Human Resource | **human** | Strong human resource development programs such as Harvard ManageMentor and the learning podcasts |
| Air, Water, Land, Minerals, Energy and Forests<br>Biodiversity and Eco-system | **natural** | EPCL strongly believes in enviromental conservation and has therefore undertaken HTDC project which will reduce our carbon footprint and improve energy effeiciency |
| Equity: 26.1 Bn<br>Long-term Debt: 21.6 Bn | **finance** | Profit after Taxation: 5.73 Bn<br>Earnings per Share: 6.30<br>Earning per share Diluted: 6.23<br>Dividend per ordinary share: 1.247 |
| PVC Capacity: 195 KTA<br>Caustic Soda Capacity: 106 KTA<br>Expansions: PVC III (incremental 100 KTA)<br>Diversification: Hydrogen Peroxide<br>Effeciency Projects: Oxygen Based VCM, High Temperature Direct Chlorination (HTDC) | **manufactured** | PVC Production 153 KTA<br>Caustic Soda Production 77 KTA<br>Improved Production Effeciencies |
| Experience of operating in polymer and chemical space in Pakistan<br>Company reputation as an honest member of the corporate community | **intellectual** | Strong Brand Image of SABZ which has become synonymous to quality PVC in the country |



# our approach towards value creation

Our Board of Directors is representative of our shareholders' interests and works with the CEO in deciding the overall strategic vision and direction of the Company.

Two principal Board Committees assist the Board in making decisions related to business management and compensation. Furthermore, there are numerous Functional Committees acting at the operational level in an advisory capacity to the CEO, providing suggestions and recommendations related to business, environment and employee matters.

Functional Heads provide advice and recommendations in their capacities and concerning their respective business areas. These include health and safety, technical matters relating to the plants, marketing and sales, finance, employee matters, supply chain, information technology, and logistics.

The Senior Management of the Company considers feedback as a significant contributor to the review of objectives and for the development of future plans and strategies.

# value chain

value creation remains the driving force of our existence

## Raw Material Sourcing

Critical raw materials include Ethylene, EDC, VCM & natural gas

## Manufacturing

PVC production: 153 KTA
Caustic Soda: 77 KTA
PVC expansion: 100 KTA

## Finished Goods

PVC suspension resin (primary product), caustic soda & allied chemicals

## Warehousing

Sufficient storage to ensure product availability

## Transportation

Strong logistics team and infrastructure across Pakistan ensuring safe & timely product delivery

## Customer

Trusted business partnering and strong technical support

## Downstream Consumer Products

PVC pipes, windows, doors, profiles, textile products & detergents

# swot analysis

## strengths

- Sole PVC resin manufacturer in Pakistan
- Integrated production facility capable of operating at high capacity utilization
- Established brand name and diversified product portfolio
- Strong human resource base and unique technical expertise in Chlor-Vinyl business
- Established domestic presence and access to global export markets
- Strong credit ratings reflecting financial strength and management depth

## weaknesses

- High exposure to volatility in international commodity prices limiting pricing power
- Dependence on consistent supply of imported raw material, such as Ethylene and EDC
- Over supplied caustic market
- Dependence on depleting natural resource for energy i.e natural gas

## opportunities

- Lower per capita PVC consumption in the country to lead to demand growth
- Uptick in PVC demand with Government's focus on construction industry
- Diversified downstream integration and new market segments development
- Increasing Caustic demand due to GSP plus extension till 2022
- Diversification into new product lines like Hydrogen peroxide leveraging existing manufacturing & marketing strengths
- Alternate energy and operational efficiency projects
- Sourcing raw material domestically or backward integration

## threats

- Rationalization in tariff and duty structures
- Uncertainty over continuous gas availability
- Dumping of PVC from regions where Anti-Dumping Duty has not been imposed
- Price war from Caustic players leading reduced margins
- Political domestic landscape and regional geopolitical unrest leading to difficulty in importing critical raw materials





# significant factors affecting the external environment

One aspect of maximizing the shareholder value is to remain vigilant towards ever changing political, social and environment factors that affect the organization and take proactive measures to mitigate the risk or capitalize on opportunities presented by the changing factors. Below provides the picture of how efficiently we do that at EPCL.

| | Factors | Organizational Response |
|---|---|---|
| Political | Government policies on import duties and tariff structures impact the imports of products manufactured by the Company | The Company vigilantly monitors the dumping practice of global players and timely notifies NTC to undertake measures to safeguard domestic industry |
| | Government export promotion strategies positively influence the demand of our chlor alkali products which are mostly used by export-oriented textile sector | Through our proactive and efficient planning we ensure availability of products as per the changing market demand dynamics |
| | Government spending on infrastructure development and public spending on construction activities impact the demand of PVC products | The Company remains in touch with government authorities and general public (THINK PVC outlet) for awareness and inclusion of various PVC applications |
| | Measure being considered by government on gas supply to industry impacts our operations | The Company keeps on highlighting its stance of being a key feedstock provider to export oriented sector on various forums meanwhile work on exploring long term energy solution is also underway |
| Economic | Improved macro-economic scenario will lead to higher business and consumer confidence in domestic market which ultimately improves overall demand | The Company has invested ~ 150 mn USD on various growth, efficiency & diversification projects to enhance local manufacturing and therefore save precious foreign exchange of our country |
| | Gas price hikes by the government impacts the profitability of the Company as it forms major part of cost of production | The Company remain focused on improving operational efficiencies to reduce gas consumption per ton to minimize the impact |
| | Interest rate variation impacts the cost of borrowing of the company | The Company has taken steps to optimized its financing cost including fixed rate concessionary borrowing |

| | Factors | Organizational Response |
|---|---|---|
| Social | Rising population level will provide impetus to housing demand which in turn will spur demand for PVC products | With our PVC-III expansion coming online we are optimally positioned to serve the increasing market demand |
| Social | Changing consumer patterns to converge per capita PVC consumption in Pakistan to international standards | Through our flagship THINK PVC retail outlet, we intend to showcase the versatility of PVC applications to all consumers class which will help in developing PVC market domestically |
| Technological | Introduction of various technological tools and applications in operations can impact the profitability of the company | In our strive to maximize operational efficiencies by leveraging technology we have now developed a dedicated digitization team to automate processes, improve productivity and reduce human intervention |
| Environmental | Pakistan remain one of the most vulnerable countries to climate change. Extreme & extended monsoon season, rising fog levels in winters and scarcity of water exposes businesses to operational risk | The company has invested in several projects including HTDC and OVR with the view of improving its environmental impact. Meanwhile minimizing CO2 emissions remain one of the most important KPIs |
| Legal | The GIDC decision announcement by honorable supreme court impacts the liquidity position of the company | The Company efficiently presented its stance to Sindh High Court that it does not pass on GIDC impact to customers, on the basis of which a stay order has been issued in the favor of the Company |
| Legal | Tariff rationalization measures being considered by government authorities may impact the domestic PVC market | The Company remains in coordination with various authorities to highlight the fact that such measures will severely dampen the investor confidence in domestic market and will also impact our committed investments of ~ USD 150 Mn |

# competitive landscape and market positioning

EPCL operates the only integrated chlor-vinyl complex and is the sole manufacturer of PVC resin in Pakistan. Our competitive landscape and market position vary in Vinyl and Chlor alkali product lines.

## competitive rivalry

In Vinyl product line, the Company is the sole domestic manufacturer and serve ~80% of total PVC market in Pakistan. Rest of the demand is met through imports. There is no major competition in Vinyl product line.

In Chlor alkali products, our major competitors are commercial manufacturers of Caustic soda and allied chemicals. The Competitors are mostly North based, and we serve as the only major Caustic player in southern region of Pakistan. Caustic market remains highly competitive which drives an imminent risk of price war among players.

## threat of new entrants into the industry

Prospects of new player entering Vinyl products market remain remote owing to highly specialized nature of plant, capital intensiveness and scarcity of key raw material. The new entrant would require heavy financial and specialized human resources for setting up and operating the plant along with access to global suppliers for critical raw materials. Furthermore, high saturation and robust competitive nature of chlor alkali market creates further barrier for potential new entrants.

## power of suppliers

Suppliers hold a key position in our entire value chain due to scarcity of resources which are critical to our business. The Company has invested considerably in building resilient business relationship with our key suppliers. The strong relationship ensures smooth and timely delivery of materials at mutually beneficial terms.

Furthermore, the strong capability of Company to timely meet its financial commitments as also endorsed by the commendable credit rating of A1+ for short term and AA- for long term, enable us to negotiate better credit rates and terms with our credit suppliers.

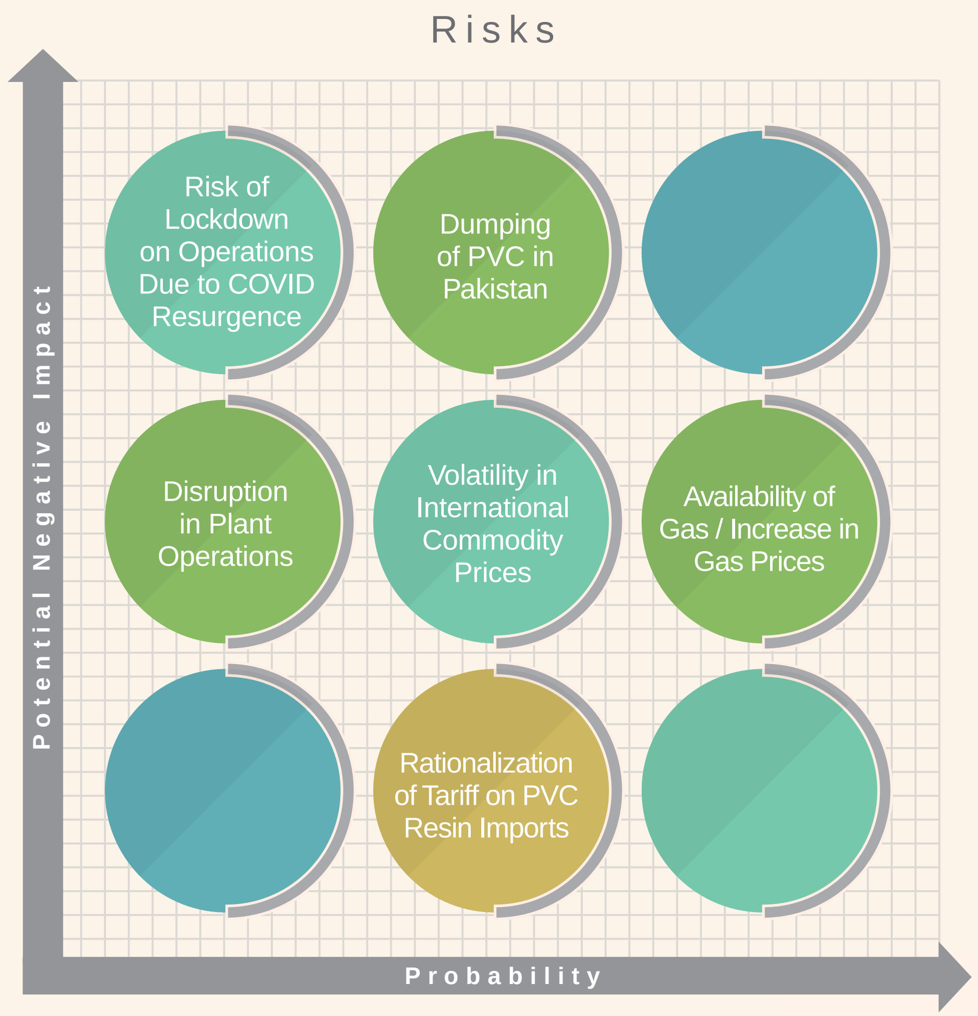
## power of customers

Despite being the sole manufacturers of PVC resin in the country, we always strive for higher value delivery to our customers through up to the mark product quality and after sale services. We are cognizant of the fact that our customers remain a key to our success, therefore, we look to build customer relationships beyond the commercial measures of discounts and credit terms.

## threat of substitute products

PVC remain the choice of customers especially in pipes and fittings application over substitute products owing to its significantly better value proposition in terms of strength, durability, and weather resistance. The Company is also launching its first retail outlet in early 2021 with a brand name of THINK PVC, the outlet will be dedicated to showcasing the various applications of PVC and their better value proposition over substitute products.

# risks and opportunities




## risk of lockdown on plant operations due to COVID resurgence

**Capital impacted:** Financial capital, social and relationship capital

**Nature:** Short term

**Source:** External

**Risk:** Imposition of lockdown induce by resurgence of COVID – 19 pandemic can jeopardize plant operations as well as project works.

**Mitigating risk:** The Company has strategized its functions to cope with possible challenges posed by the resurgence of the virus. A dedicated committee has also been formed which continuously monitors the developments on this front.

## dumping of PVC resin in Pakistan

**Capital impacted:** Financial capital, social and relationship capital

**Nature:** Short term

**Source:** External

**Risk:** Unfair practices exercised by global players impact the domestic business environment and shareholder value

**Mitigating risk:** The Company continuously monitors the developments on this front and notifies National Tariff Commission in this regard on timely basis. As a result, Anti-Dumping Duty was imposed on China, Taiwan, South Korea, and Thailand in 2018. However, dumping has started from other regions which the Company is evaluating and will approach NTC accordingly.

## volatility in international prices

**Capital impacted:** Financial capital, social and relationship

**Nature:** Long term

**Source:** external

**Risk:** The Company's margin are a function of global PVC and ethylene prices where a decline in international core delta will directly impact profitability.

**Mitigating risk:** The Company has established strong network with international olefins analysts which helps in gaining better insight on international market dynamics. Meanwhile, we remain committed to our diversification projects to enter new markets.

## availability of gas

**Capital impacted:** Financial capital, manufactured capital, social and relationship capital

**Nature:** Short term

**Source:** external

**Risk:** Acute gas shortage in winter season may lead to curtailment of gas supply to EPCL which can impact our volumes and profitability.

**Mitigating risk:** The Company remains in coordination with government authorities to highlight that being a feedstock provider to export oriented textile sector, any disruptions in our operations will impact the export sector as well. Meanwhile, we continue to work on alternate sources of energy for long term gas solution.

## increase in gas prices

**Capital impacted:** Financial capital, manufactured capital, social and relationship capital

**Nature:** Short-term

**Source:** external

**Risk:** Increase in gas prices can have substantial adverse impact on Company's profitability

**Mitigating risk:** EPCL has implemented several energy conservation projects and is in the process of executing several other energy efficiency projects which would partially insulate the bottom line from the impact of increasing natural gas prices. Meanwhile, the company is also exploring other energy sources.

## rationalization of tariff on PVC products

**Capital impacted:** Financial capital, manufactured capital, social and relationship capital

**Nature:** Medium term

**Source:** external

**Risk:** Reduction in import duties on PVC resin products will lead to higher imports and will impact domestic market

**Mitigating risk:** EPCL continue to liaison with government through different forums such as Pakistan Business Council, OICCI to maintain the protective duties on PVC products.


## low per capita PVC consumption

**Capital impacted:** Financial capital, social and relationship capital

**Nature:** Long term

**Source:** external

**Opportunity:** The per capita consumption of PVC for Pakistan is the lowest in the South Asian region standing at ~1.12KG / capita. This presents an opportunity to introduce other than conventional applications of PVC. In relation to this, the Company has invested considerably in THINK PVC branded outlet which is in its final stages. The outlet will act as a forum to introduce new PVC products including PVC Foam Board, PVC Wood Plastic and PVC Wall Panels to all stakeholders of downstream PVC market. Launch of outlet is targeted in early 2021.

## value added products in chemical business

**Capital impacted:** Financial Capital, Manufactured Capital, Intellectual Capital

**Nature**: Medium term

**Source:** Internal

**Opportunity:** EPCL remains on course to develop its footmark not only in polymer market landscape but also in allied chemicals as well. In 2019, the Company commissioned its caustic flakes plant. Meanwhile, we remain committed to hydrogen peroxide diversification project to broaden our product portfolio and diversify risk.

## regional PVC demand outpacing production capacity

**Capital impacted:** Financial Capital

**Nature:** Medium term

**Source:** External

**Opportunity:** Increasing growth in PVC consumption in South Asia with well below production capacity to match the demand opens an opportunity to export and strengthen international footmark for EPCL. With our new capacity coming online, we are optimally positioned to capitalized on this opportunity.

## recent housing scheme announced by government

**Capital impacted:** Financial Capital

**Nature:** Medium term

**Source:** External

**Opportunity:** Recently announced housing scheme by the government promises growth for construction sector which directly impact our primary PVC segment of pipes and fittings. Our additional capacity coming online will help us meet the potential increase in demand and earn higher profitability.

## alternative energy sources and energy efficiency

**Capital impacted:** Financial Capital, Manufactured Capital, Natural Capital

**Nature:** Long-term

**Source:** Internal

**Opportunity:** The Company is currently exploring alternative energy sources for its business as it looks to reduce its power cost and mitigate from the risk of a gas availability and price increase. Meanwhile, EPCL has announced efficiency projects to reduce power consumption in the manufacturing process.

# risk management policies established by board

EPCL has lean Enterprise Risk Management (ERM) framework. It is the policy of the company to view risk management as integral to the creation, protection and enhancement of shareholder value by managing the uncertainties and risks that may possibly influence the achievement of our corporate goals and objectives.

We recognize that the company operates in a complex business environment and it mandates assessment of the organization's strategy and quantum of risk that the entity is willing to accept by adequately assigning responsibilities throughout the organization. EPCL entrusts accountability at all levels and requires monitoring, communicating and reporting changes in the risk environment and the effectiveness of actions taken to manage identified risks on an ongoing basis.

Risks are identified across the organization and are ranked based on their impact on probability. Upon identification of risks, a strategy is devised to mitigate its impact which is regularly monitored by the Management Committee. Risk Management process is led by Chief Risk Officer (CRO) and endorsed by the Board Audit Committee (BAC).

## board's assessment of the principal risks

The Board has reviewed the risks facing the company including but not limited to those that would threaten the business model, future performance, solvency or liquidity.

## inadequacy in the capital structure and plans to address such inadequacy

EPCL has maintained an optimal capital structure during outgoing year

## composition of local vs imported material and sensitivity analysis due to foreign exchange fluctuations

The major raw material required for PVC production is being imported by the Company. However, foreign exchange volatility impact on raw material prices does not affect the Company on net profit basis, as our PVC pricing is also benchmarked with international PVC prices. Caustic production is mainly locally sourced and is therefore protected from forex fluctuations.

## significant changes from prior years (regarding the information disclosed in this section)

Significant changes from prior years are disclosed in relevant sections.

# sustainability

## and corporate social responsibility

# sustainability strategy & focus

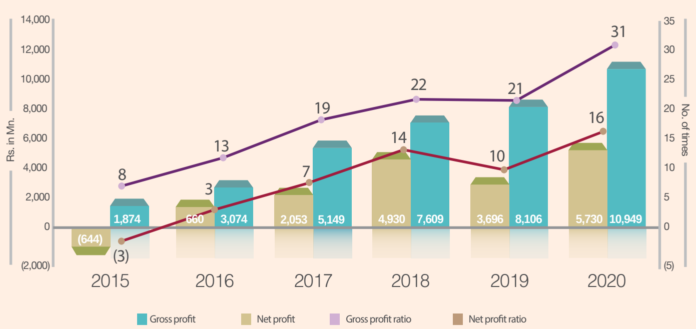
Our global future depends upon sustainability. By finding innovative ways to reduce harmful impact on our environment we move towards attaining greater sustainability for the future.

We achieve this through our sustainability strategy which is centered on our triple bottom line approach; People, Planet and Profit. Our focus goes beyond profit to provide sustainability for the people who are directly or indirectly connected to us and the planet we live on.

We are committed to take a wider view of sustainability and ensure that each step we take is in line with our core values. We strive to deliver profits to our stakeholders, but we do so by ensuring that we are able to invest in the needs of our broader shareholder community as well as the planet we live on.

The Company invests in innovative ideas that result in improved solutions and services. We understand the importance of the health and safety of our people and in preserving and protecting natural capital for own sustainability and the society as a whole for generations to come. The Company trains its employees through various educational programs that educate them on operational safety standards. Our management has been devoted to sustaining safe business processes by following world class safety systems such as DuPont Personal Safety Management & Process Safety and Risk Management.

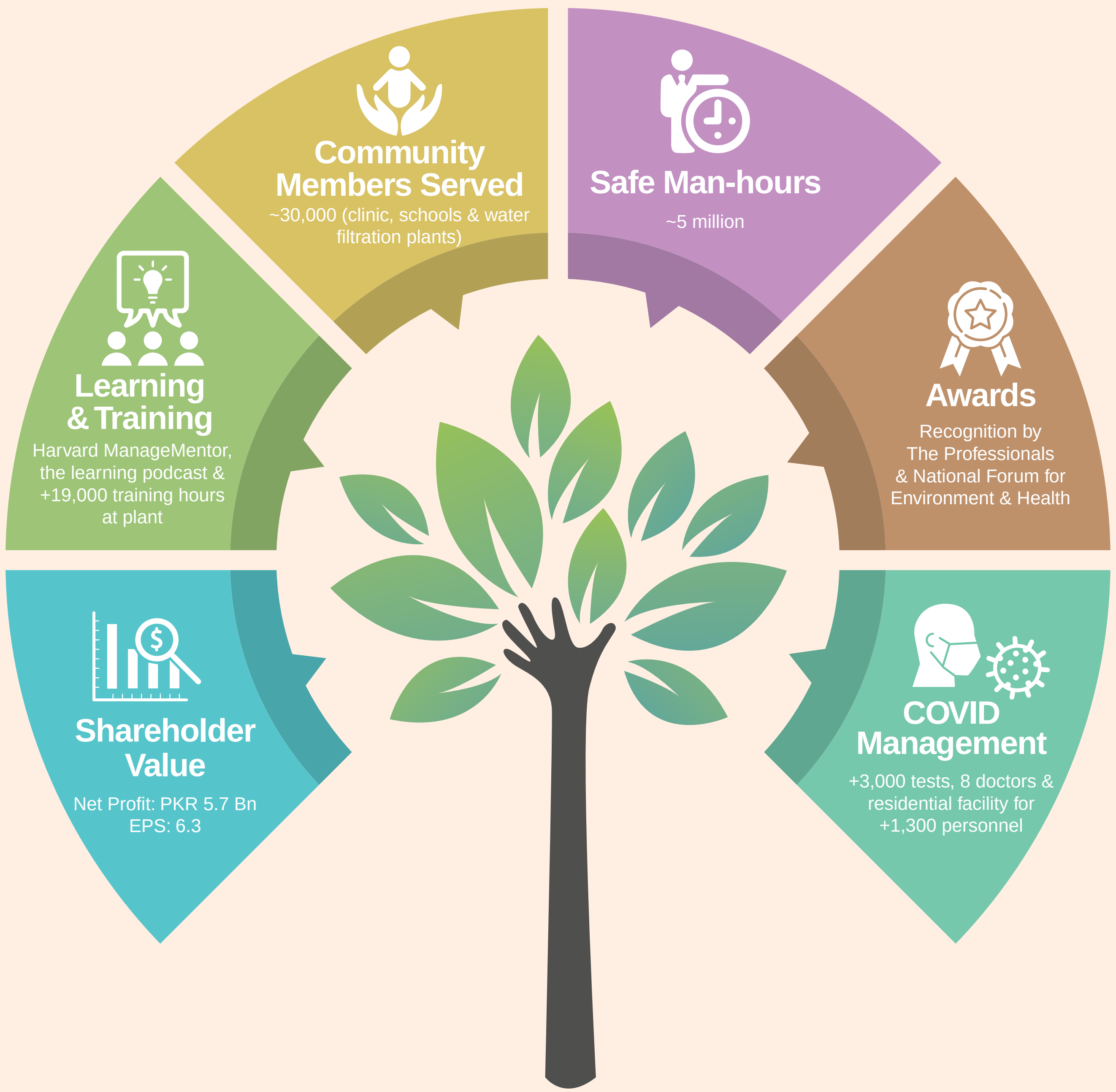
Profitability







# sustainability performance 2020 highlights



# UN sustainable development goals

Engro Polymer and Chemicals and the UN's Sustainable Development Goals (SDGs) seek to address the world's biggest challenges, including ending poverty, improving health and education, making cities sustainable and tackling climate change. Governments are responsible for prioritizing and implementing approaches that meet the SDGs, and many have started to articulate plans to meet the goals. But achieving these tasks will require unprecedented collaboration and collective action with business and civil society.

Engro Polymer and Chemicals welcomes the SDGs and believes that we have an important role to play in supporting these goals. All the SDGs are relevant to our business to varying degrees and we are already contributing to many of these goals.

Some of the key goals we are supporting are:

## Goal 1: No Poverty

## Goal 8: Decent Work and Economic Growth

Employment generation is the backbone of any country's economy and we fulfil our responsibility towards this goal by providing jobs and following applicable labour, health and safety standards. We encourage local businesses to be part of our supply chain and seek to ensure our suppliers meet our standards. Our Expansion, Efficiency and Diversification projects have generated employment for various labor classes and professionals. We work with governments and others to offer training to build local skills and expertise. We support downstream industries through various programmes like setting up the first PVC Branded Outlet in Pakistan which will help new entrepreneurs by developing the PVC market and introducing new usages. We also contribute to economic growth by paying taxes to local governments and helping in import substitution.


## Goal 3: Good Healthcare and Well-being

Engro Polymer and Chemicals has invested in the local communities to work towards this goal and promote good healthcare and well-being for local residents. EPCL has established a primary healthcare clinic for nearby community residents of Ghaggar Phattak villages, Bin Qasim Town to improve their health conditions. The services being offered include screening, OPD / doctor consultation, immunization, lab collection point, lab testing, ultrasound facility, pharmacy for prescribed medicines with a range of 150 medicines, preventive healthcare on diabetes, hypertension & eye, TB program with its partners, EPI vaccination programs for children under one year, and electronic medical record systems with complete history of each patient.

The clinic commenced operations from July 2019 and is operating 6 days a week and all facilities being provided are 100% free of cost. The clinic is treating around 100 patients per day totaling to around 2,500 patients per month. The clinic is operating under an installed solar power system.

## Goal 4: Quality Education

Education is an integral component for healthier societies and a long-term investment for sustainable economic development. Our interventions in the field of education help in uplifting the education level and the socio-economic development of the surrounding communities of Port Qasim.

In collaboration with The Citizens Foundation, the company has established two new purpose-built schools. The campuses will benefit the children of lesser-privileged communities of Ghaggar Phattak villages and adjoining areas. These two new schools have started operations in October, 2020. With the start of these schools EPCL is providing quality education in Ghaggar Phattak area for more than 1,000 students through a total of four schools.

## Goal 6: Clean Water and Sanitation

Clean drinking water is a luxury for many of our citizens living in remote villages and far flung areas. Engro Polymer and Chemicals has established five water filtration plants with The Water Foundation to help make clean drinking water accessible to people living in such areas. More than 5,000 residents are benefiting from clean water from these water filter plants. All these water filter plants are based on a solar power system.

## Goal 9: Industry, Innovation, and Infrastructure

Leveraging technology with our manufacturing and operational expertise has remained our focus over the time. Furthering this, we formed a dedicated digitization team in 2020 with the objective of digitizing and automating each department to improve their efficiency, make each process more secure, improve productivity, reduce the human intervention, and go paperless so each process/operation is accessible to its employees from anywhere, anytime and any device thus bridging the digital gap and promoting innovation across all processes to facilitate sustainable development.

## Goal 5: Gender equality

We at EPCL believe that we want to 'Deliver through Diversity.' And we embrace all forms of diversity. However, to begin with we are focusing on the biggest contender from our demographics and that is women. As we look back at the last year, we have come a long way. Our Diversity ratio increased to 5.5% in our overall population (including Trainees/Graduate Trainee Engineers and contractual staff).

We have been quite vocal about our Diversity agenda and it is through strong communication that we have established our seriousness towards it. Our strength in communication has been recognized by external bodies as well, as we have won an award from GDIB on the same.

We will continue to strive towards this end, and we envision a day not very far off when our workforce will be representative of current external environment and demographics as we are striving to make our culture more and more inclusive, by creating affinity networks and bonds across the business.

## Goal 12: Responsible Consumption and Production

We stand cognizant towards responsible consumption in order to create a sustainable environment for the generations to come. In relation to this, we have made significant investments in projects like Oxy Vent Recycle (OVR), High Temperature Direct Chlorination (HTDC) and Transfer Line Exchangers (TLEx). These projects are expected to reduce the company's energy requirement thereby reducing the drain on the country's depleting gas reserves, reduce Company's carbon footprint and improve raw material efficiency.

## Goal 13: Climate Action

EPCL is committed towards green practices and pursue continuous development for environment. In addition to carbon neutrality exercise this year, EPCL has also conducted multiple environment audits and acquire several approvals from SEPA. Such as;

- Environment impact assessment (EIA) for H2O2 along with NOC for Construction phase
- Received NOC Renewal of Hazardous substance license from SEPA
- Approval of initial environment examination for TDS extension
- NOC for PVC – III operation

# sustainable use of PVC

2020 was an unprecedented year globally especially for developing countries like Pakistan where health care system as well as the economy were put under severe pressure by the COVID-19 pandemic. Lockdown brought economic activities across the country to a halt and negatively affected domestic PVC market and impacted PVC business at EPCL as well. However, reduction in COVID-19 cases coupled with Prime Minister's package for construction industry provided much needed boost to PVC market in second half of the year.

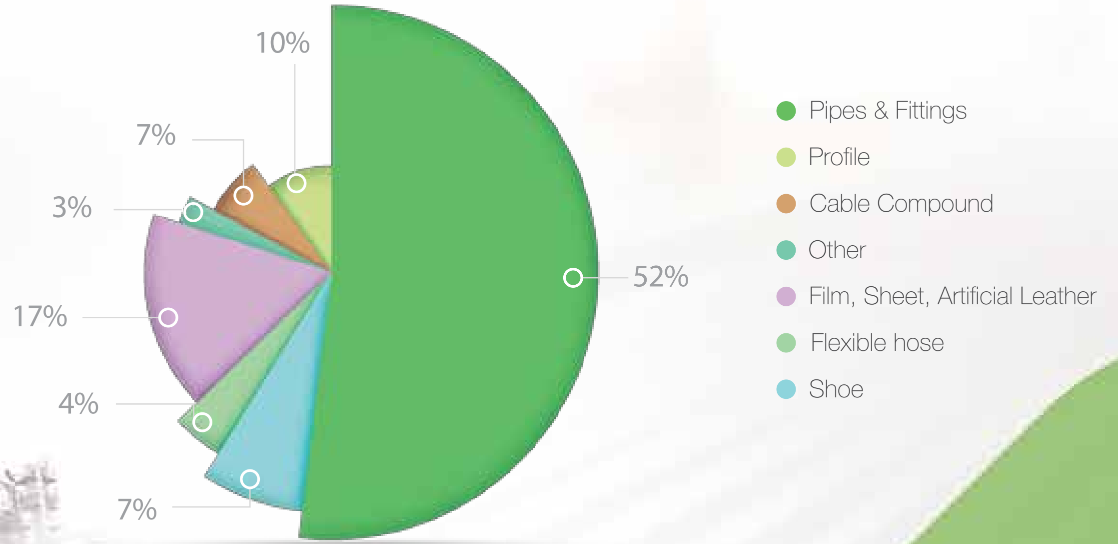
Amongst recent developments in PVC downstream applications in the domestic market are foam boards, wall and ceiling panels, roofing, flooring and door / window profiles, which have the benefit of being durable, easy to maintain, environmentally friendly, as well as, fire, pest, corrosion and water resistant, while possessing good insulation and sound proofing properties. Globally, most of these applications are well-recognized as being environmentally friendly & high on health and safety standards. Not only these products are suitable for areas with high moisture content such as kitchens, bathrooms, public partitions, and ceilings but are also beneficial for office and home furniture.

The extraordinary challenges posed by external factors to the PVC business did not deter EPCL from continuing its activities for promotion of PVC Downstream products. We worked on the design and prototype of PVC based portable structures including homes, offices, toilets etc through collaboration with young entrepreneurs. These portable structures incorporate PVC Downstream products ranging from pipes & fittings to wall, panels, flooring, roofing and others items, all made from PVC. EPCL is also installing such structures as part of a pilot project on its plant site at Port Qasim, Karachi and aims to promote them in public and private sector for addressing poor sanitation and housing issues impacting our country.

Meanwhile, our pilot THINK PVC outlet project has also entered its final stage with COD targeted in early 2021. The outlet, dedicated to PVC Downstream products showcasing the versatility of the material, will be a platform for engaging stakeholders in the construction sector including builders, developers, interior designers and furniture makers.

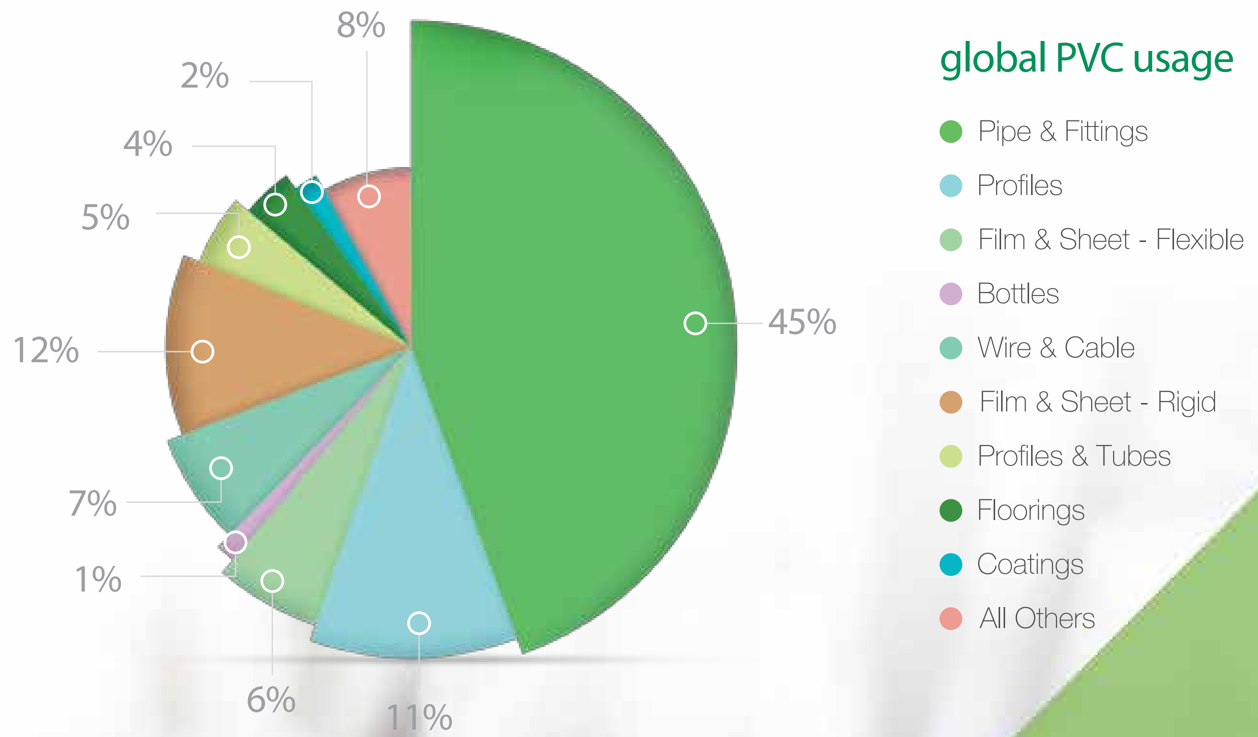
Through EPCL's rigorous efforts, there has been rapid growth and increased market penetration of downstream products in recent years. EPCL continues to focus on contributing towards the promotion of sustainable and durable PVC products in Pakistan.

As the graph below shows the largest share under the PVC applications in Pakistan has remained with the pipes and fittings component in line with global segmentation. We, at EPCL, are cognizant of the value and importance of this sector and are therefore quite strategically focused on its development and sustainability.



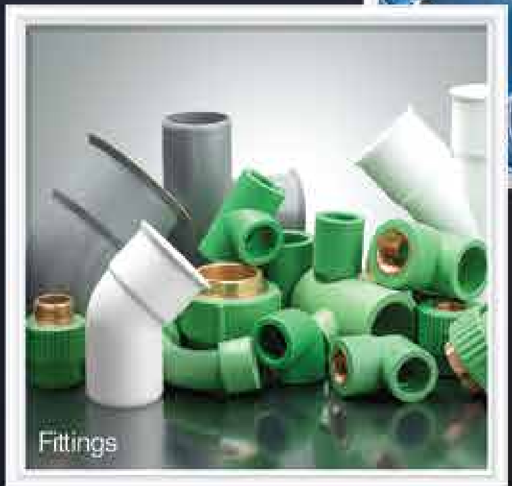

## PVC with its rich array of applications has entered the lives of many around the world. Has it entered yours?

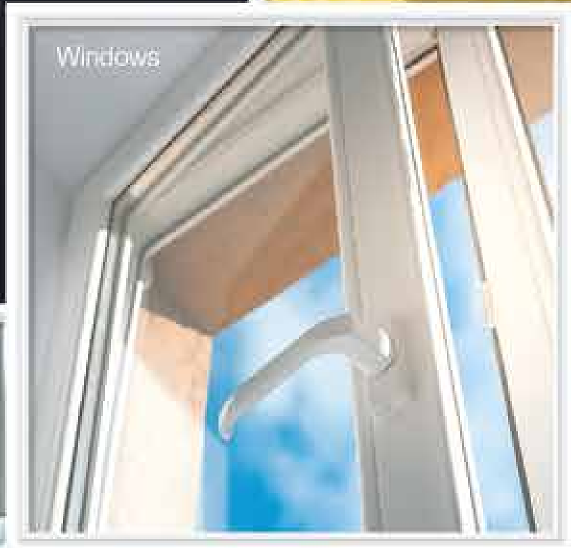
We are proud to provide the foundation of such applications and be a part of so many lives.



The strength, durability, light weight and versatility of PVC make it an ideal choice for a wide range of products.

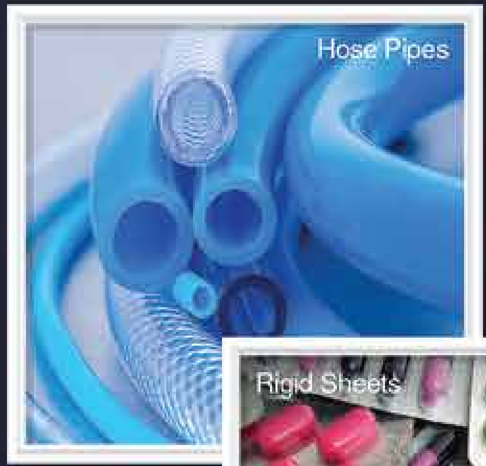




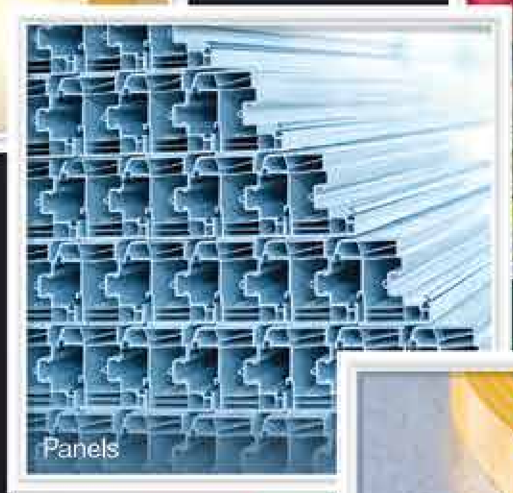





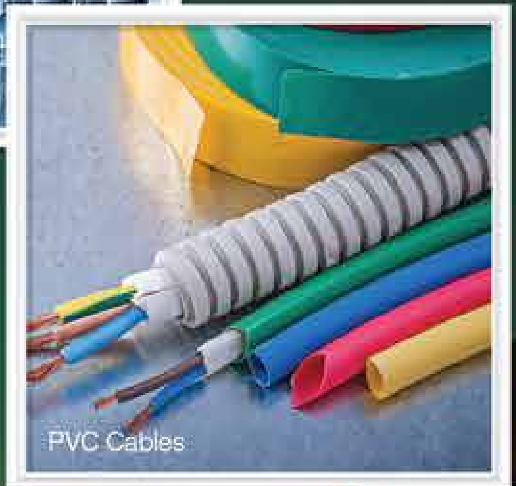











# financial capital

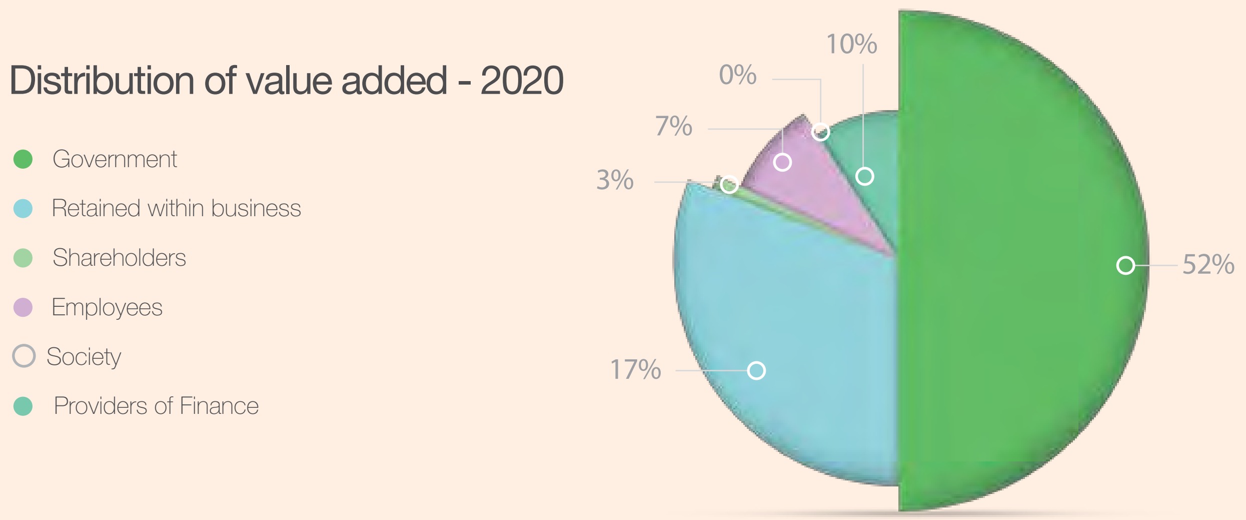
At EPCL, we operate with the view of creating sustainable financial value for all our stakeholders including but not limited to the shareholders and government. During the outgoing year, the company's profitability came in at Rs. 5.7 Bn as compared to earnings of Rs. 3.7 Bn last year.

Over the time, EPCL has made significant investment of ~USD 150 million in expansion, efficiency, and diversification projects. These projects include state of the art technology and infrastructure which will help in bringing efficiency and sustainability to our growth. Timelines of these project during the year were impacted due to COVID-19 induced lockdown.

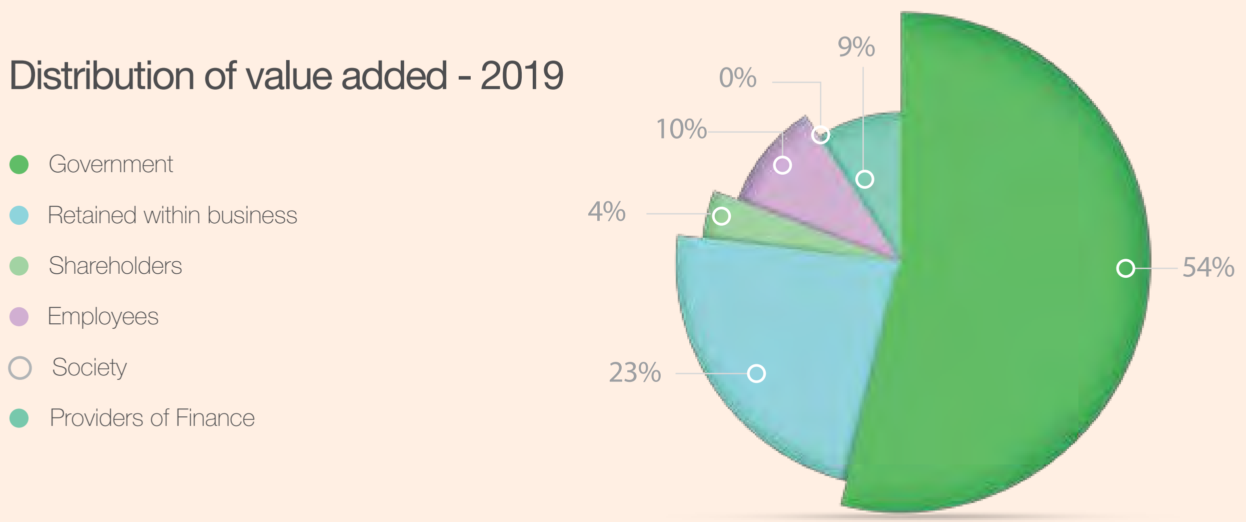
Being cognizant of our position as key feedstock suppliers to major industries in Pakistan like construction and textile. We remain committed in playing our part in driving economic growth of the country through serving the entire domestic PVC market, resultantly saving outflow of precious foreign exchange.

During the year ended December 31, 2020, the wealth generation and distribution were made as shown below.

## Distribution of value added - 2020




## Distribution of value added - 2019






# human capital

Performance Appraisal Program is managed for all permanent employees of Engro Polymer & Chemicals Limited, who received regular performance and career developments through quarterly appraisals, mid-year reviews, and year end appraisals.

The Company is an equal opportunity employer and there is no discrimination based on gender or employee category. Each employee has an objective setting session at the beginning of the year, charting out the performance targets of the year. These objectives and the employee's performance are reviewed at half-yearly appraisals. Any shortcomings identified in the performance are highlighted and guidance is given on how to correct it.

At the end of the annual cycle, 100% permanent employees go through a stringent appraisal cycle, and are ranked based on their performance throughout the year.

At EPCL, we believe in accelerating, not managing, performance. Creating the right experience for our employees allows our workforce to feel valued and empowered to perform at their best.

## learning & development

We at EPCL believe in learning and constant growth; Harvard ManageMentor is an effort towards that journey. Harvard ManageMentor is a globally recognized program consisting of a suite of 41 essential business topics ranging from developing employees to stress management, and delivering critical management skills when and where you need them. It also provides in-depth expertise which will develop our people and help them grow, that will ultimately aid in achieving the vision of Engro Polymer. With that belief, we partnered with Harvard Business School Publishing and purchased 100 licenses that were assigned to our employees. Total courses completed last year were 750.

## diversity & equal opportunity

In line with our HR strategy, we strive to be an equal opportunity employer. Engro Polymer and Chemicals is committed to encouraging greater diversity and ensuring equal opportunities for individuals based on merit. This belief is driven by our core value to 'Nurture passion to serve country, community and company, with strong belief in the dignity and value of people'.

5 GENDER EQUALITY

## process safety

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Process Safety at the EPCL site is built up by major key elements. Mechanical Integrity is to assure that all safety critical systems and devices are functional and their corrective and preventive maintenance is in place. Management of Change observes the safety management through which changes and modifications are made at the plant site. Safety culture looks after the effectiveness of departmental committees, also incorporating housekeeping and inherent safety audits into them. Operating and Maintenance Procedures checks and ensures Work-Permit, Lock out Tag out Procedures, and the Job Cycle Check Plan and its compliance. Lastly, Process Safety Training and Compliance quantifies the training compliances and the skill certifications of employees at the site.

Recommendation waivers and near miss events are debited accordingly.

Lagging indicators are reflected by the Process Safety Incident Rate (PSTIR) which is a measure of the number of Process Safety Incidents at the site and are run through corporate targets that have to be met.

## personnel safety

3 GOOD HEALTH AND WELL-BEING

Personnel Safety Standards at EPCL plant are measured through Behavioral Leading Indicators with its elements being Management Safety Audit, its quality and its observations, Incident Report reviews, Housekeeping and ERP drill scores, role statements and their compliances.

Personnel Safety can be quantified by Total Recordable Injury Rate (TRIR) that is an estimate of the number of recordable injuries per 100 employees and by safe man hours that is the number of working man hours since the last Lost Work Day Injury.

## OHIH

EPCL has adapted DuPont OHIH system and quantifies its leading indicators by multiple important substructures. OH and IH Leading Indicators are gauged separately. Occupational Health Indicators include the Health Surveillance Program, Epidemiology study and its implementation, and fitness, to work with employees annual medical check-up and their compliance to return to work.

Industrial Hygiene is checked through Toxic Chemical Monitoring where TLV concerns are raised, Drinking Water and its management, Catering and Hygiene with its audit compliance and recommendation closures, PPE compliance and their audits, and Health Risk Assessment Plan. IH is also gauged through Noise and Air Quality.

## COVID management

With unprecedented healthcare challenges caused by COVID – 19 pandemic, EPCL was confronted with huge task of ensuring the safety of our personnel at operations. The challenge was further amplified owing to our plant location in Karachi (Karachi was declared as COVID hotspot) and logistical management of over 1000 workforce at plant. Through our strong leadership, committed workforce and unparalleled resilience, EPCL undertook several timely measures to ensure health and safety of our people along with continuity of our operations. Some of our key responses were:

- Formation of dedicated COVID-19 oversight committee
- Establishing on-site accommodation for workforce
- Establishment of Inhouse rapid testing facility
- Early adoption of preventive measures prior to announcement of lockdown
- Deployment of Work Safe Analytics" software which helps to monitor & control COVID SOP implementation
- Deployment of additional paramedics and doctors at site

Effective implementation of measures helped us through the most critical times and we are proud to share that we recorded zero cross transmission at site.

# natural capital

Our organization has been a torch bearer in valuing its operating environment from mere reactive compliance to proactive environmental stewardship.

## environmental indicators

Total expenditures and investments made in the area of Occupational Health and Safety Management.This also include salaries and benefits of staff responsible for Occupational Health and Safety Management.

Environment KPIs are also monitored with its major elements being Effluent and Emission Quality with its compliance to Monitoring Control Limits and Sindh Environment Quality Standards, Waste Generation, Generation of $CO_2$ in ratio with products, and Environment related recommendations. EPCL has its own Combined Cycle Power Plant run through natural gas to produce its own energy.

(Rs. in millions)

| Nature of Investment / Expenditure | 2019 | 2020 |
|---|---|---|
| Expenses on HSE | 40 | 35 |
| Investments on HSE | 46 | 30 |

## environmental conservation

The Company over the years has made multiple efforts to help conserve the environment including waste emission and effluent handling with proper classification of hazardous and non-hazardous waste, complying to its proper disposal. Other measures include heavier hydrocarbons and hydrogen being used as fuel, waste being used as fertilizer, and effective daily monitoring of all Environment KPIs. EPCL also uses Hydrogen gas as an alternative source of Energy and has announced High Temperature Direct Chlorination (HTDC) project which will bring further energy efficiencies and reduce carbon dioxide emissions.

## environmental impact assessment

EPCL has adapted a stringent Environment Management System that helps to identify environmental risks, vulnerabilities, and their impact. Efforts are made to reduce impact of carbon footprints and help conserve water resources. EMS is audited by ISO-14001.

During 2020, EPCL conducted multiple environment audits and acquired several approvals from SEPA. Such as;

- Environment impact assessment (EIA) for $H_2O_2$ along with NOC for Construction phase
- Received NOC Renewal of Hazardous substance license from SEPA
- Approval of initial environment examination for TDS extension
- NOC for PVC – III operation

Environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.

Logistics Support handles the products for delivery to customers and also for transfer within warehouses. EPCL is striving for safe deliverance by maintaining the quality of products and logistics.

The Company takes the following measures:

**Route Hazard Analysis** is on-road assessment of identification of issues and is done to mitigate the impact of said issues by training drivers to avoid such situations.

**Fleet Accident Frequency Rate (FAFR)** is an index which measures the accidents happening during driving on roads, it's the number of accidents per 1 Million KMs.

# social capital

EPCL's vision of providing a safe, healthy, and educated environment goes beyond its closed doors, it is deep seated into the will of making a difference and empowering communities that are largely ignored by the city, communities that go unheard, and communities that lack basic human rights. The belief of developing Ghaggar Pathak to an extent that it becomes a model village for even the government to take inspiration from and pursue, is not an easy goal, it is long-term and will come with its challenges. Nonetheless, it is a goal that EPCL is keen on achieving and will not back down till the entire community of Ghaggar Pathak is empowered and has access to a life that is not in constant danger of health, education, and safety deprivation.

Hence, we have launched several programs to benefit the local community:

- Solar Lights Illumination Project at Ghaghar Phatak
- Community Park & Mosque
- Water Filtration Plants in Ghaggar Pathak
- Blood Donation Campaigns
- Winter Clothes Distribution
- 4 TCF Schools for Ghaggar Pathak residents
- SINA Clinic

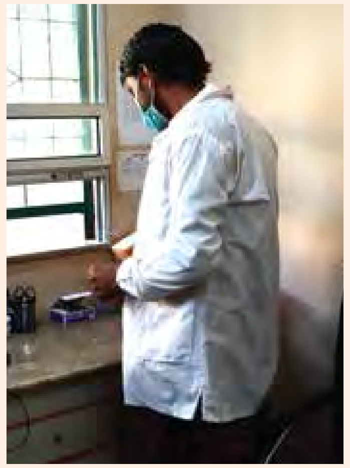
## education

In collaboration with The Citizens Foundation, the company has established two new purpose-built schools in 2020. The campuses will benefit the children of lesser-privileged communities of Ghaggar Phattak villages and adjoining areas. With start of these school EPCL is playing an active role in provision of quality education in Ghaggar phattak area for more than 1,000 students in through a total of four schools.

These schools have been successful in keeping a number of children off the streets, inculcating a sense of civic responsibility in them, and most importantly, in providing quality education and developing a thirst for knowledge.

## healthcare

In order to provide for healthcare facilities EPCL, in partnership with SINA, constructed a hospital at the cost of Rs. 15.7 Mn in the heart of Ghagghar Phattak area. The clinic provides multiple services free of cost.The SINA hospital has a daily round of 100 patients and all those patients who have so far received medical assistance and treatment at the clinic are not only content but are more than thankful to EPCL for providing them with a fully equipped healthcare unit.


## clean water facilities

6 CLEAN WATER AND SANITATION

A major health hazard which EPCL addressed, was the absence of clean and safe drinking water for the residents of the Ghagghar Phattak community. Most of these communities received water through the public water supply system, which was not only irregular and scarce in supply, but also extremely contaminated with life-threatening microbial bacteria.

The entire issue had become a major public health concern because such waterborne diseases are responsible for a significant amount of human and economic losses; these losses include the loss of millions of working hours of productivity in total, and of course, associated costs for healthcare. Hence, EPCL, on its mission to make Ghagghar Phattak a safe and healthy living space, has successfully installed 5 water filtration plants at Ghagghar Phattak and Razzakabad in partnership with the Water Foundation.

The daily consumption of water lies between 4,500 - 5,000 liters per day. The improvement in the quality of water from the water filtration plants compared to normal tap water have not gone unnoticed and most of the residents have switched to this alternative and have consequently experienced better health conditions.




## integrated reporting

EPCL holds timely and effective communication with shareholders in high regards. We endeavor to provide insightful information relating to our markets, business and operations which could assist our shareholders in their respective decision making. The core focus of our communication is to exhibit the value generated, measures adopted by EPCL to generate value and potential for future value generation. Furthering this resolve, EPCL is committed to adopt International Integrated reporting framework to benchmark our corporate reporting with best international practices. Therefore, we have mapped our information provided in this annual report in following content elements;

- Organizational overview and external environment
- Governance
- Business model
- Risks and opportunities
- Strategy and resource allocation
- Performance
- Outlook
- Basis of presentation

With our firm commitment towards adoption of framework, we will continue to shape our corporate reporting more shareholder centric for better facilitation of their decision making.

# moving forward

# forward looking statement

COVID-19 pandemic brought significant disruptions to Pakistan's economic and social landscape in 2020. Not only it forced layoffs and business closures but also brought many people in extreme poverty. Although economy has started to recover post lifting of lockdown measures and development of vaccine, but it will take time before we recoup the progress that we lost during the COVID-19 induced challenging times.

Development and commencement of COVID-19 vaccination poses positive signs for global and domestic economy. The overall demand is expected to show healthy growth as more and more economic activities restore to normal levels. However, the increase in aggregate demand will put inflation, policy rate and exchange rate under pressure, which will require timely and effective stabilizing measures by the government.

Domestic PVC market is expected to perform well on the back of construction package and housing schemes announced by the government. As major application of PVC in Pakistan remains pipes and fittings. With our additional capacity coming online, we believe EPCL is optimally positioned to capitalized on the upcoming opportunities in the domestic market. With turnarounds coming up for major PVC producers and peak construction season reaching in April / May, we believe global PVC prices are expected to remain firm in short run.

Caustic domestic market already demonstrated significant recovery towards the end of outgoing year owing to the COVID situation in regional countries and US-China trade war. With extension in GSP plus status till 2022, the market is expected to gain further momentum and presents a bullish outlook for 2021.

Moving on, with continued government support including continuity of gas supply and dedication of our people, EPCL remain committed on creating exciting possibilities in domestic PVC and caustic markets and maximizing value for our shareholders.

# analysis of last year's forward looking statement

The Company recorded healthy performance and achieved noticeable milestones in the outgoing year despite the unparalleled challenges presented by the pandemic. 2020 was the year of highest profitability of Rs. 5.7 billion in EPCL history. Driving factors behind the profitability were historically high PVC prices and stringent cost control measure adopted by the government. On COVID-19 front, the Company demonstrated highest level of commitment towards strict implementation of preventive measures and protocols that helped us achieve zero cross transmission at manufacturing facility, smooth operations in other aspects of business and continuity of construction activities at our expansion site. We are pleased to report that despite a challenging macro-economic environment, the Company achieved major milestones in securing long term finances. We obtained a LTFF facility of Rs. 2 billion at concessionary SBP rate and successfully closed one-of-a-kind preference shares IPO listing on PSX which was oversubscribed by 5.4 times

# status of the projects disclosed in previous year

Despite various challenges posed by the pandemic which included lesser on site manning and suspension of operations during lockdown, EPCL continued to work towards execution of its previously announced projects while continuing its endeavors to identify new projects and markets. Timelines of the projects already under progress has inevitably been impacted, however, our commitment towards completion remain intact. The driving force behind these efforts emanate from our vision to Lead Pakistan in Polymers & Allied Chemicals with International Footprint.

The company had announced the following projects inprior years which were discussed in last years forward looking statements:

- **PVC / VCM Expansion:** The expansion entails additional PVC plant capacity of 100,000 MT (total capacity of 295,000 MT post completion) and VCM plant de-bottlenecking for incremental capacity of 50,000 MT. PVC III has achieved commercial operations in March 2021, while work on VCM project has entered its final stages and is expected to be completed in Q2 2021.
- **Oxygen based VCM Production:** Operational efficiency is a core focus of the company owing to its positive impact on shareholder value. Resultantly, the Board of Directors approved this project with the objective of shifting VCM production form air based technology to oxygen based process. This will reduce the overall raw material consumption by ~2%. The project is underway and is expected to be completed in 2021.
- **Hydrogen Peroxide:** The company generates hydrogen as a by-product of its caustic manufacturing process which is currently being used as fuel in our power plant. Post completion of the project, hydrogen will be diverted to this manufacturing process which will generate higher value as compared to its utilization as fuel. Hydrogen Peroxide is mainly used as a bleaching agent in textile industry, a sector we already serve through our Caustic product line. The project is ongoing and we will continue to keep shareholders updated on timelines.
- **Linear Alkyl Benzene Sulphonic Acid (LABSA):** EPCL has continuously looked to create a diversified product base to create new profit streams and ensure it against commodity cycle risks. To this end, the company Board of Directors decided to enter the LABSA, an integral part of powder detergent recipe, market via a greenfield venture. To ensure implementation of COVID protocols especially social distancing of manning at expansion site, we have currently put this project on hold. We will update our shareholders on future developments regarding the project.
- **High Temperature Direct Chlorination (HTDC):** EPCL is always in search of energy efficient solutions and also to optimize its energy consumption. HTDC is an outcome of the company's efforts towards the same objective. Post completion, this will reduce the company's carbon footprint and also bring further energy efficiency. The project is expected to come online in 2022.

Looking ahead, the completion of the projects will remain the core focus of EPCL. These will enable the company to continue its strong operational and financial performance.

# source of information and assumptions used for projections / forecasts

Engro Polymer utilizes a well-defined process to analyze and assess the assumptions that are being used for quantitative and qualitative analysis and forecasts. The company has an established network with international olefins analysts to have better insight of international market dynamics. Assumptions relating to macroeconomic factors are sourced from publications issued by State bank of Pakistan and Pakistan bureau of statistics. The company also relies heavily on primary sources of information where we conduct customer surveys, market visits and other activities to develop an understanding of the domestic market and use this for the purpose of our forecasts.

All assumptions used in forecast and projects are vigilantly monitored and discussed by the top management in decision making processes.

# organization's capability in responding to potential critical challenges and uncertainties

EPCL remains cognizant of changing internal and external environment which may bring challenges to business. We have put in place a thorough enterprise risk management practices through which the Company identifies various risks and uncertainties and develops mitigating actions for those risk and uncertainties. The key identified risk along with their mitigating plans are presented and reviewed by the Board of directors. In addition, being mindful of our responsibilities to operate and ensure protection of business operations from any potential disruption. we initiated our Business Continuity Plan in 2013 and have upgraded it regularly. The plan was tested from the onset of lockdown imposed by the Government in response to COVID-19 pandemic and successfully implemented by the management to ensure smooth & safe continuity of operations.

# financial

## performance and position

# six-year summary of financial position with horizontal and vertical analysis

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Amount In Mn. | Horizontal In % | Vertical In % | Amount In Mn. | Horizontal In % | Vertical In % |
| **ASSETS** | | | | | | |
| Property, plant and equipment | 37,614 | 20 | 54 | 31,433 | 21 | 55 |
| Right-of-use asset | 2,306 | (16) | 4 | 2,748 | - | 5 |
| Intangible assets | 102 | 29 | - | 79 | (26) | - |
| Financial assets at amortised cost | 4,661 | (14) | 7 | 5,421 | - | 9 |
| Long-term loans and advances | 29 | (60) | - | 72 | (14) | - |
| Deferred tax asset | - | (100) | - | 116 | - | - |
| Stores, spares and loose tools | 1,785 | 6 | 3 | 1,678 | 7 | 3 |
| Stock-in-trade | 6,195 | 42 | 9 | 4,350 | 21 | 8 |
| Trade debts - considered good | 586 | 25 | 1 | 470 | 9 | 1 |
| Loans, advances, deposits, prepayments | | | | | | |
| and other receivables | 315 | (64) | - | 879 | (48) | 2 |
| Income tax payments less provision | 159 | 87 | - | 85 | - | - |
| Financial assets at fair value through profit or loss | 13,432 | 43 | 20 | 9,391 | 49 | 16 |
| Financial assets at amortized cost | - | - | - | - | (100) | - |
| Current maturity of financial assets at amortised cost | 964 | 19180 | 1 | 5 | - | - |
| Cash and bank balances | 946 | 19 | 1 | 792 | (42) | 1 |
| **TOTAL ASSETS** | **69,094** | **20** | **100** | **57,519** | **60** | **100** |
| **EQUITY** | | | | | | |
| Ordinary share capital | 9,089 | - | 13 | 9,089 | - | 16 |
| Preference shares | 3,000 | - | 4 | - | - | - |
| Share premium | 3,875 | - | 6 | 3,875 | - | 7 |
| Hedging reserve | - | - | - | - | - | - |
| Unappropriated profits | 10,162 | 111 | 15 | 4,812 | 26 | 8 |
| | 26,126 | | | 17,776 | | |
| **LIABILITIES** | | | | | | |
| Long-term borrowings | 19,790 | 2 | 28 | 19,389 | 159 | 34 |
| Lease liabilities | 3,614 | (20) | 5 | 4,544 | - | 8 |
| Derivative financial instruments | - | - | - | - | - | - |
| Provisions | 2,991 | - | 3 | - | - | - |
| Deferred tax liability | 1,183 | - | 2 | - | (100) | - |
| Current portion of long term borrowings | 1,837 | - | 3 | - | - | - |
| Current portion of lease liabilities | 1,081 | 10 | 2 | 987 | - | 1 |
| Derivative financial instruments | - | - | - | - | - | - |
| Provisions | 2,456 | (57) | 4 | 5,658 | 22 | 10 |
| Service benefit obligations | 80 | 31 | - | 61 | 11 | - |
| Short-term borrowings | - | (100) | - | 2,159 | - | 4 |
| Trade and other payables | 9,483 | 45 | 14 | 6,548 | 2 | 11 |
| Unclaimed dividend | 28 | (10) | - | 31 | 15 | - |
| Unpaid dividend | - | - | - | - | (100) | - |
| Income tax payments less provision | - | - | - | - | (100) | - |
| Accrued interest / mark-up | 425 | 16 | 1 | 366 | 463 | 1 |
| | 42,968 | | | 39,743 | | |
| **TOTAL EQUITY AND LIABILITIES** | **69,094** | **20** | **100** | **57,519** | **60** | **100** |

| | 2018 | | | 2017 | | | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Amount In Mn. | Horizontal In % | Vertical In % | Amount In Mn. | Horizontal In % | Vertical In % | Amount In Mn. | Horizontal In % | Vertical In % | Amount In Mn. | Horizontal In % | Vertical In % |
| **ASSETS** | | | | | | | | | | | | |
| Property, plant and equipment | 19,398 | 21 | 54 | 16,011 | - | 66 | 16,008 | (1) | 66 | 16,249 | (4) | 67 |
| Right-of-use asset | - | - | - | - | - | - | - | - | - | - | - | - |
| Intangible assets | 107 | 2 | - | 105 | 15 | - | 91 | 1 | - | 90 | 73 | - |
| Financial assets at amortised cost | - | - | - | - | - | - | - | - | - | - | - | - |
| Long-term loans and advances | 84 | 11 | - | 76 | 9 | - | 70 | 6 | - | 66 | - | - |
| Deferred tax asset | - | (100) | - | 11 | (98) | - | 549 | (40) | 2 | 908 | (6) | 4 |
| Stores, spares and loose tools | 1,563 | (2) | 4 | 1,602 | 4 | 7 | 1,546 | - | 6 | 1,539 | 4 | 6 |
| Stock-in-trade | 3,581 | (3) | 10 | 3,681 | 22 | 15 | 3,024 | 3 | 12 | 2,942 | (25) | 12 |
| Trade debts - considered good | 430 | (15) | 1 | 505 | 11 | 2 | 456 | 4 | 2 | | | |
| Loans, advances, deposits, prepayments | | | | | | | | | | 437 | (21) | 2 |
| and other receivables | 1,700 | 149 | 5 | 683 | 56 | 3 | 437 | 10 | 2 | 396 | (27) | 2 |
| Income tax payments less provision | - | (100) | - | 767 | (32) | 3 | 1,124 | 1 | 5 | 1,116 | 2 | 5 |
| Financial assets at fair value through profit or loss | 6,298 | 2524 | 18 | 240 | (68) | 1 | 740 | 147 | 3 | 300 | 37 | 1 |
| Financial assets at amortized cost | 1,500 | - | 4 | - | - | - | - | - | - | - | - | - |
| Current maturity of financial assets at amortised cost | - | - | - | - | - | - | - | - | - | - | - | - |
| Cash and bank balances | 1,362 | 99 | 4 | 683 | 82 | 3 | 376 | 122 | 2 | 169 | (69) | 1 |
| **TOTAL ASSETS** | **36,023** | **48** | **100** | **24,364** | **-** | **100** | **24,421** | **1** | **100** | **24,212** | **(8)** | **100** |
| **EQUITY** | | | | | | | | | | | | |
| Ordinary share capital | 9,089 | 37 | 25 | 6,635 | - | 27 | 9 6,635 | - | 27 | 6,635 | - | 27 |
| Preference shares | - | - | - | - | - | - | - | - | - | - | - | - |
| Share premium | 3,875 | 302 | 11 | 964 | - | 4 | 964 | - | 4 | 964 | - | 4 |
| Hedging reserve | - | - | - | - | (100) | - | (1) | (92) | - | (12) | (60) | - |
| Unappropriated profits | 3,832 | 2280 | 11 | 161 | (110) | 1 | (1,593) | (29) | (7) | (2,253) | 40 | (9) |
| | 16,796 | | | 7,760 | | | 6,005 | | | 5,334 | | |
| **LIABILITIES** | | | | | | | | | | | | |
| Long-term borrowings | 7,500 | (14) | 21 | 8,750 | - | 36 | 8,750 | 66 | 36 | 5,263 | (14) | 22 |
| Lease liabilities | - | - | - | - | - | - | - | - | - | - | - | - |
| Derivative financial instruments | - | - | - | - | - | - | - | (100) | - | 17 | (61) | - |
| Provisions | - | - | - | - | - | - | - | - | - | - | - | - |
| Deferred tax liability | 390 | - | 1 | - | - | - | - | - | - | - | - | - |
| Current portion of long term borrowings | - | - | - | - | (100) | - | 417 | (86) | 2 | 3,064 | 2 | 13 |
| Current portion of lease liabilities | - | - | - | - | - | - | - | - | - | - | - | - |
| Derivative financial instruments | - | - | - | - | (100) | - | 2 | (92) | - | 24 | (80) | - |
| Provisions | 4,639 | 49 | 13 | 3,112 | 46 | 12 | 2,130 | 85 | 9 | 1,149 | 13 | 5 |
| Service benefit obligations | 55 | 20 | - | 46 | - | - | 46 | 18 | - | 39 | (3) | - |
| Short-term borrowings | - | - | - | - | (100) | - | 329 | (89) | 1 | 2,957 | 393 | 12 |
| Trade and other payables | 6,436 | 42 | 18 | 4,523 | (33) | 19 | 6,731 | 7 | 28 | 6,310 | (32) | 26 |
| Unclaimed dividend | 27 | (29) | - | 38 | - | - | - | - | - | - | - | - |
| Unpaid dividend | 26 | - | - | - | - | | - | - | - | - | - | - |
| Income tax payments less provision | 89 | - | - | - | - | - | - | - | - | - | - | - |
| Accrued interest / mark-up | 65 | (52) | - | 135 | 1127 | 1 | 11 | (80) | - | 55 | (41) | - |
| | 19,227 | | | 16,604 | | | 18,416 | | | 18,878 | | |
| **TOTAL EQUITY AND LIABILITIES** | **36,023** | **48** | **100** | **24,364** | **-** | **100** | **24,421** | **1** | **100** | **24,212** | **(8)** | **100** |

# **six-year summary of financial** performance with horizontal and vertical analysis

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Amount In Mn. | Horizontal | Vertical | Amount In Mn. | Horizontal | Vertical |
| | | In % | | | In % | |
| Net revenue | 35,331 | (7) | 100 | 37,837 | 7 | 100 |
| Cost of sales | (24,382) | (18) | (69) | (29,731) | 7 | (79) |
| Gross profit | 10,949 | 35 | 31 | 8,106 | 7 | 21 |
| Distribution and marketing expenses | (294) | (26) | (1) | (396) | 3 | (1) |
| Administrative expenses | (550) | (3) | (2) | (566) | (2) | (1) |
| Other expenses | (860) | (31) | (2) | (1,241) | 50 | (3) |
| Other income | 1,180 | 27 | 3 | 930 | (26) | 2 |
| Operating profit / (loss) | 10,425 | 53 | 29 | 6,833 | (3) | 18 |
| Finance costs | (2,191) | 22 | (6) | (1,794) | 196 | (5) |
| Profit / (loss) before taxation | 8,234 | 63 | 23 | 5,039 | (22) | 13 |
| Taxation | (2,504) | 86 | (7) | (1,343) | (12) | (4) |
| Profit / (loss) after taxation | 5,730 | 55 | 16 | 3,696 | (25) | 9 |

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Amount In Mn. | Horizontal | Vertical | Amount In Mn. | Horizontal | Vertical |
| | | In % | | | In % | |
| Net revenue | 35,272 | 27 | 100 | 27,731 | 21 | 100 |
| Cost of sales | (27,663) | 23 | (78) | (22,582) | 14 | (81) |
| Gross profit | 7,609 | 48 | 22 | 5,149 | 68 | 19 |
| Distribution and marketing expenses | (385) | (6) | (1) | (411) | 29 | (2) |
| Administrative expenses | (577) | (1) | (2) | (584) | 13 | (2) |
| Other expenses | (828) | 133 | (2) | (356) | 137 | (1) |
| Other income | 1,250 | 812 | 4 | 137 | 552 | - |
| Operating profit / (loss) | 7,069 | 80 | 21 | 3,935 | 87 | 14 |
| Finance costs | (606) | (26) | (2) | (820) | (11) | (3) |
| Profit / (loss) before taxation | 6,463 | 107 | 18 | 3,115 | 162 | 11 |
| Taxation | (1,533) | 44 | (4) | (1,062) | 102 | (4) |
| Profit / (loss) after taxation | 4,930 | 140 | 15 | 2,053 | 211 | 7 |

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Amount In Mn. | Horizontal | Vertical | Amount In Mn. | Horizontal | Vertical |
| | | In % | | | In % | |
| Net revenue | 22,854 | 3 | 100 | 22,264 | (7) | 100 |
| Cost of sales | (19,780) | (3) | (87) | (20,390) | (12) | (92) |
| Gross profit | 3,074 | 64 | 13 | 1,874 | 214 | 8 |
| Distribution and marketing expenses | (319) | 2 | (1) | (313) | (7) | (1) |
| Administrative expenses | (519) | 1 | (2) | (515) | 4 | (2) |
| Other expenses | (150) | (54) | (1) | (326) | 5 | (1) |
| Other income | 21 | (67) | - | 63 | (23) | - |
| Operating profit / (loss) | 2,107 | 169 | 9 | 783 | (269) | 4 |
| Finance costs | (920) | (20) | (4) | (1,143) | 7 | (5 |
| Profit / (loss) before taxation | 1,187 | (430) | 5 | (360) | (76) | (2) |
| Taxation | (527) | 86 | (2) | (284) | (168) | (1) |
| Profit / (loss) after taxation | 660 | (202) | 3 | (644) | (42) | (3) |





## key figures

**Sales revenue** (Rs. in million)
2020 35,331
2019 37,837

**Profit after tax** (Rs. in million)
2020 5,730
2019 3,696

**Earning per share - basic** (in Rs.)
2020 6.30
2019 4.07

**Earning per share - diluted** (in Rs.)
2020 6.23
2019 4.07

**Total assets** (Rs. in million)
2020 69,094
2019 57,519

**Total equity** (Rs. in million)
2020 26,126
2019 17,776

**Market capitalization** (Rs. in million)
2020 43,183
2019 30,185

**Price per share** (in Rs.)
2020 47.51
2019 33.21

**Total number of employees**
2020 563
2019 508

**Total average number of employees**
2020 537
2019 483

**Total number of plant employees**
2020 480
2019 435

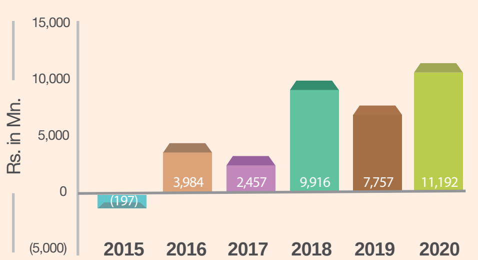
**Total average number of plant employees**
2020 456
2019 467

# consolidated cash flows - direct method

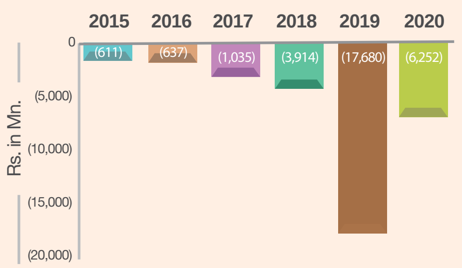
(amounts in million)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Cash flows from customers | 41,333 | 37,799 | 35,347 | 27,671 | 22,835 | 22,382 |
| Cash payments to suppliers and others | (28,870) | (28,729) | (24,989) | (24,937) | (18,528) | (22,153) |
| Cash generated from operations | 12,463 | 9,070 | 10,358 | 2,734 | 4,307 | 229 |
| Long term loans and advances | 43 | 12 | (9) | (6) | (4) | - |
| Retirement benefits paid | (35) | (45) | (155) | (104) | (138) | (162) |
| Income tax paid | (1,279) | (1,280) | (278) | (167) | (181) | (264) |
| **Net cash flow from operating activities** | **11,192** | **7,757** | **9,916** | **2,457** | **3,984** | **(197)** |
| Purchase of operating assets and intangibles | (7,318) | (13,114) | (4,260) | (1,093) | (645) | (661) |
| Proceeds from disposal of operating assets | - | 3 | - | 9 | 7 | 11 |
| Investment in Term Deposit Receipt | (6) | (5,421) | | - | - | - |
| Income on investments and bank deposits | 1,072 | 852 | 346 | 49 | 1 | 39 |
| **Net cash flow from investing activities** | **(6,252)** | **(17,680)** | **(3,914)** | **(1,035)** | **(637)** | **(611)** |
| Proceeds from long-term borrowings | 1,925 | 19,367 | - | 3,000 | 6,600 | 2,150 |
| Proceeds from short term borrowings | - | - | - | - | - | 750 |
| Repayments of long-term borrowings | - | (7,500) | (1,250) | (3,417) | (5,796) | (2,998) |
| Repayments of short-term borrowings | - | - | - | (300) | (1,050) | - |
| Proceeds from loan under Diminishing Musharaka Agreement | 94 | - | - | - | - | - |
| Shares issuance cost paid | (199) | - | - | - | - | - |
| Issuance of preference shares | 3,000 | - | - | - | - | - |
| Issue of share capital | - | - | 5,365 | - | - | - |
| Finance costs | (1,891) | (999) | (638) | (607) | (877) | (995) |
| Rentals paid | (1,337) | (1,241) | - | - | - | - |
| Dividend | (185) | (840) | (1,242) | (261) | - | - |
| **Net cash flow from financing activities** | **1,407** | **8,787** | **2,235** | **(1,585)** | **(1,123)** | **(1,093)** |
| **Net increase / (decrease) in cash and cash equivalents** | **6,347** | **(1,136)** | **8,237** | **(163)** | **2,224** | **(1,901)** |
| **Cash and cash equivalents at beginning of the year** | **8,024** | **9,160** | **923** | **1,086** | **(1,138)** | **763** |
| **Cash and cash equivalents at end of the year** | **14,371** | **8,024** | **9,160** | **923** | **1,086** | **(1,138)** |

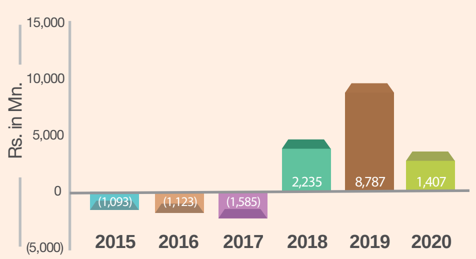
Operating activities




Investing activities




Financing activities






# summary of consolidated statement of cash flows - indirect method

(amounts in million)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Net cash generated from operating activities | 11,192 | 7,757 | 9,916 | 2,457 | 3,984 | (197) |
| Net cash used in investing activities | (6,252) | (17,680) | (3,914) | (1,035) | (637) | (611) |
| Net cash generated from / (used in) financing activities | 1,407 | 8,787 | 2,235 | (1,585) | (1,123) | (1,093) |
| Net change in cash and cash equivalents | 6,347 | (1,136) | 8,237 | (163) | 2,224 | (1,901) |
| Cash and cash equivalents at end of the year | 14,371 | 8,024 | 9,160 | 923 | 1,086 | (1,138) |

# consolidated free cash flows

Free cash flows to equity shareholders represent the cash a company can generate after required investment to maintain or expand its asset base and net repayment of debt. It is a measurement of a company's financial performance and health.

(amounts in million)

| | 2020 | 2019 |
|---|---|---|
| Net cash generated from operating activities | 11,192 | 7,679 |
| Capital expenditures - net | (7,318) | (13,111) |
| Free cash flows | 3,874 | (5,432) |
| Long term borrowings - net | 2,019 | 11,867 |
| Free cash flow available to equity shareholders | 5,893 | 6,435 |

The cashflows generated from operations have increased mainly owing improved operation and efficient working capital management. Further the CAPEX incurred during the period have decreased because of halting capital projects owing to COVID.

The proceeds received during year as borrowings were on account of availing LTFF facility. Whereas, last year the Company had obtained as a result of sukuks issuance and IFC agreement.

# consolidated economic value added

Economic value added (EVA) is a measure of a company's financial performance based on the residual wealth calculated by deducting its cost of capital from its operating profit, adjusted for taxes on cash basis (NOPAT).

(amounts in million)

| | 2020 | 2019 |
|---|---|---|
| NOPAT | 7,154 | 4,209 |
| Less: cost of capital | (6,795) | (5,391) |
| Economic value added | 359 | (1,182) |

The asset base of the Company has continued to expand on account of expansion and diversification projects being undertaken, the positive impact will be reflected in the Company's performance in the coming years, along with short term investment and stock in trade because of improved operations.

During the period, the equity to debt structure has also changed primarily due to preference shares issuance and increased profitability coupled with favourable changes in economic variables.

# quarterly analysis

(Based on consolidated financial statements)

## First Quarter

| Profit and loss – Rs in Mn | Q1-20 | Q1-19 |
|---|---|---|
| Operating profit | 972 | 1,790 |
| Profit before tax | 205 | 1,522 |
| Net profit | 193 | 1,094 |

| Balance sheet – Rs in Mn | Mar-20 | Dec-19 |
|---|---|---|
| Total assets | 61,186 | 57,519 |
| Total equity | 17,969 | 17,776 |
| Total liabilities | 43,217 | 39,743 |

Due to prolonged plant turnaround, production loss due to gas leakage incident and suspension of the operations because of COVID-19 lockdown, the number of production days during the quarter remained very low and heavily affected operational profitablity.

Further, the exchange rate increased sharply during this quarter as a result the Company incurred foreign exchange loss on outstanding foreign currency liabilities including lease liabilities.

Resultantly, the overall performance for the quarter was significantly impacted from the corresponding quarter.

The total liabilities from dec-19 were increased because of increase in trade payables owing to increase in supplier credit, further utilization of short term facilities and revaluation of foreign currency loans. Correspondingly, the asset base has increased mainly due to capital expenditures being carried out on PVC-III and VCM DBN and H2O2.

## Second Quarter

| Profit and loss – Rs in Mn | Q2-20 | Q2-19 |
|---|---|---|
| Operating profit | 620 | 1,013 |
| Profit before tax | 21 | 554 |
| Net profit | 30 | 452 |

| Balance sheet – Rs in Mn | Jun-20 | Dec-19 |
|---|---|---|
| Total assets | 61,988 | 57,519 |
| Total equity | 17,817 | 17,776 |
| Total liabilities | 44,171 | 39,743 |

The profitability of the Company in this quarter considerably declined due to crash of international commodity market and weakened demand due to COVID lockdown. Then, the exchange rates continued to increase, as a result the Company incurred a significant exchange loss amounted Rs. 606 Mn. However, the business began pace when the COVID lock down restrictions were eased toward the end of the quarter, as a result the products demand was restored.

The assets and liabilities of the Company increased owing to resumption of operations along with expansion projects which were temporarily suspended during ther period due to lockdown restrictions.

## Third Quarter

| Profit and loss – Rs in Mn | Q3-20 | Q3-19 |
|---|---|---|
| Operating profit | 3,148 | 2,203 |
| Profit before tax | 2,694 | 1,731 |
| Net profit | 1,881 | 1,270 |

| Balance sheet – Rs in Mn | Sep-20 | Dec-19 |
|---|---|---|
| Total assets | 63,908 | 57,519 |
| Total equity | 22,323 | 17,776 |
| Total liabilities | 41,585 | 39,743 |

The net profit for the quarter was higher than the profits reported in the prior quarters and also the comparative quarter. Owing to surge in international prices and demand post easing of lockdown.

In addition to the improved profitability, the Company received advance against preference shares issuance of Rs. 2,625 Mn and availed Islamic long term financing facility of Rs. 1,936 Mn to finance PVC-III expansion project.

## Fourth Quarter

| Profit and loss – Rs in Mn | Q4-20 | Q4-19 |
|---|---|---|
| Operating profit | 5,685 | 1,827 |
| Profit before tax | 5,314 | 1,232 |
| Net profit | 3,626 | 880 |

| Balance sheet – Rs in Mn | Dec-20 | Dec-19 |
|---|---|---|
| Total assets | 69,094 | 57,519 |
| Total equity | 26,126 | 17,776 |
| Total liabilities | 42,968 | 39,743 |

The profitability continued to increase due to highest level of international PVC prices and increased demand as the economic activity resumed considerably. Additionally during the period, the Company also recorded a post-tax gain on remeasurement of GIDC provision of Rs. 450 Mn.

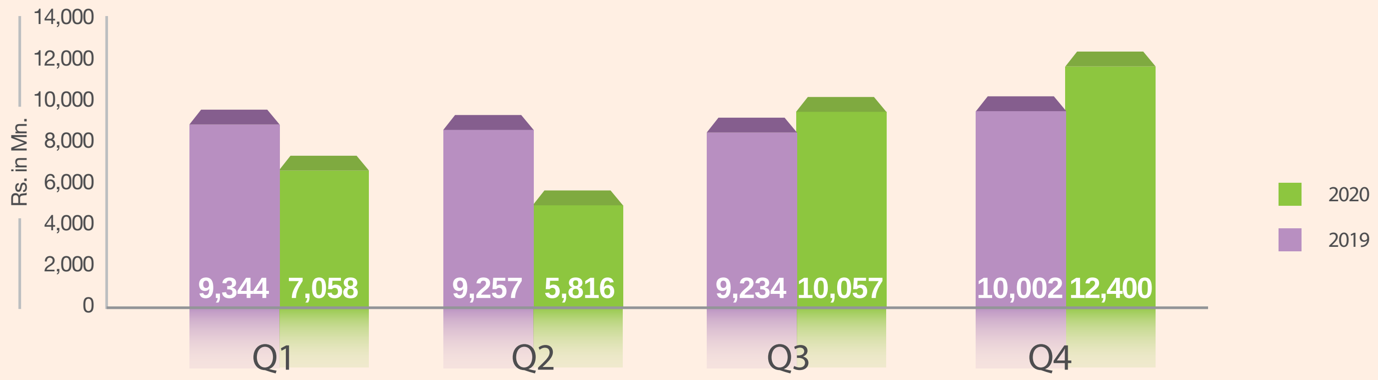
The financial position has got strengthened by the end of the year as the cash position of the Company has increased by Rs. 4,194 Mn. owing the recoverability in the operations. Then the management also resumed Hydrogen Peroxide project during the quarter. The issuance and listing of preference shares were also concluded in this quarter and the Company received Rs. 3,000 Mn.

# analysis of variation in interim accounts with final accounts

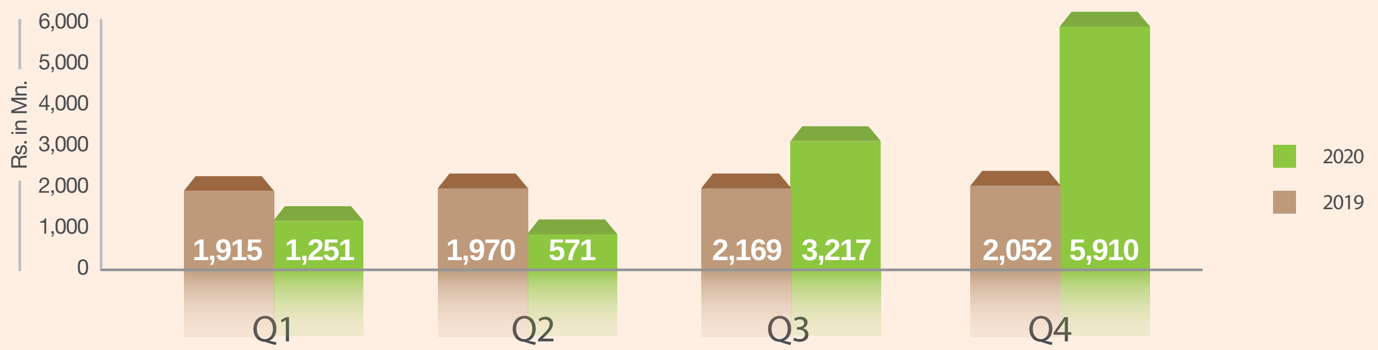
The revenue and gross profit reported in Q1-20 and Q2-20 were significantly low because of volumetric loss experienced during prlonged plant turnover, shutdown due to gas incident and COVID lockdown. Whereas from Q3-20, the circumstances have changed favorably for the Company as the demand was constantly increasing along with the core delta. Further, the Supreme Court finalized decision on GIDC by declaring it intra-vires to the Constitution and directed its payment in equal monthly installments. As a result, the Company remeasured the provision of GIDC and recorded a post-tax gain of Rs. 450 Mn and ceased its ongoing application starting from August-20

The operational profits for Q1 and Q2 2020 were mainly impacted because of revenue and cost of sales. The exchange rate movement was in upward trajectory in Q1 and Q2, however it was stabilized in the second half. The other components have improved due to reduction in general overheads, cut-down in interest rates and higher cashflow generation and it's effective utilization resulting to higher interest income.

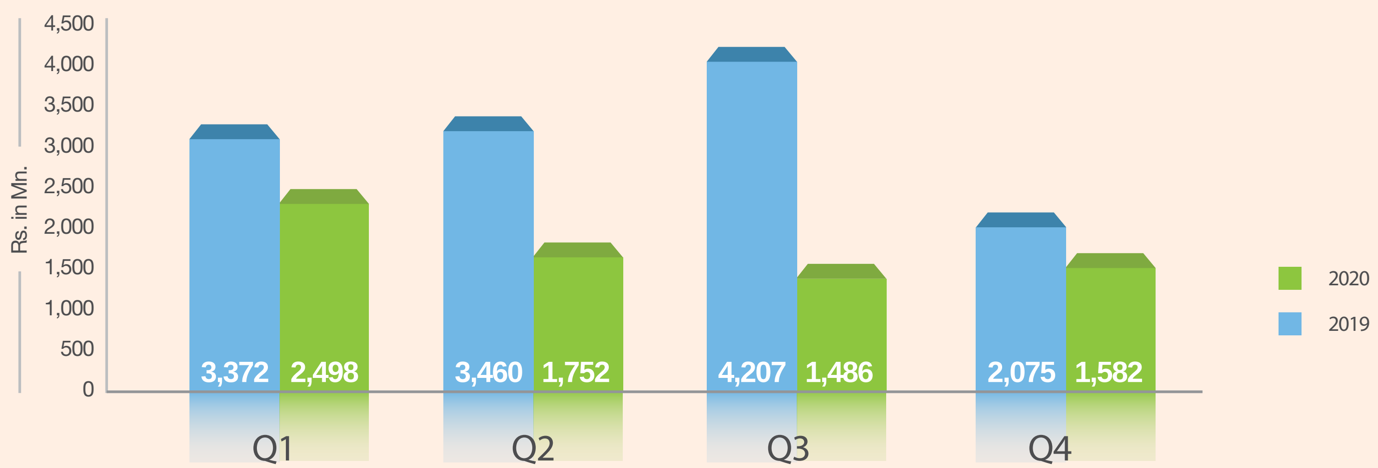
## Revenue



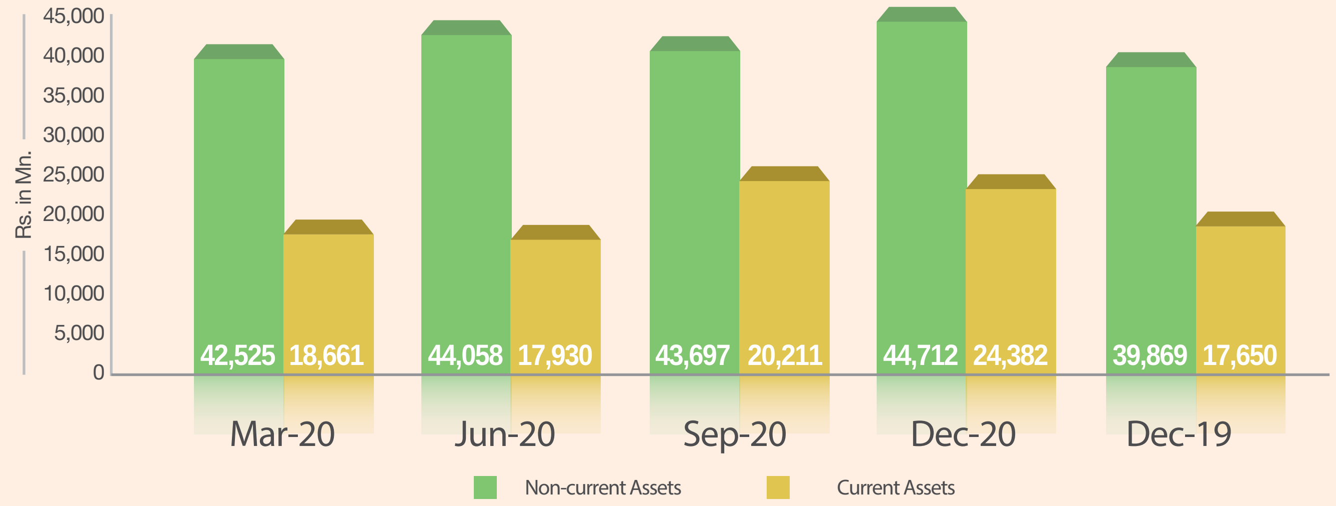

## Gross Profit



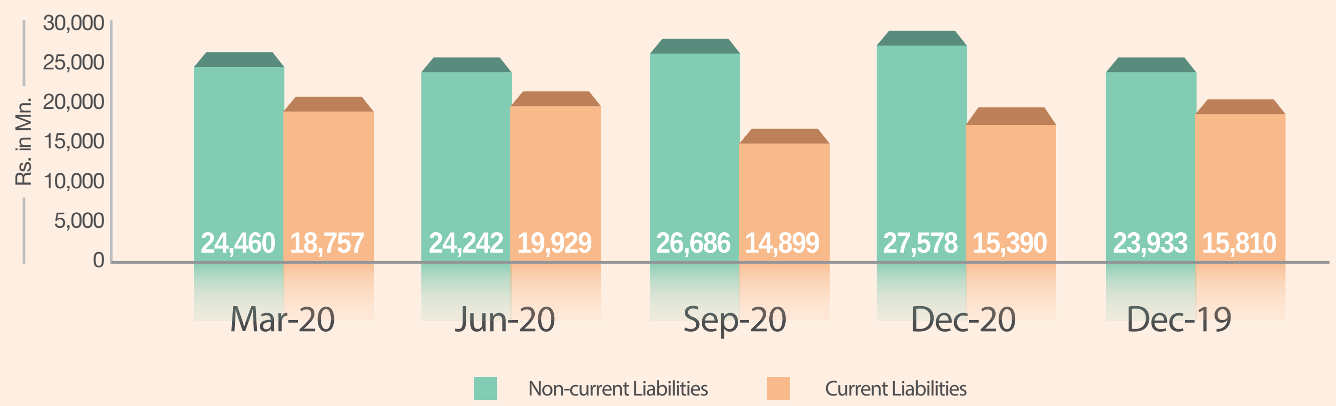

## Capital Expenditure




## Assets




## Liabilities



# segment analysis

The Company is organized into three business segments based on the products as follows:

## polyvinyl chloride (PVC) and allied chemicals

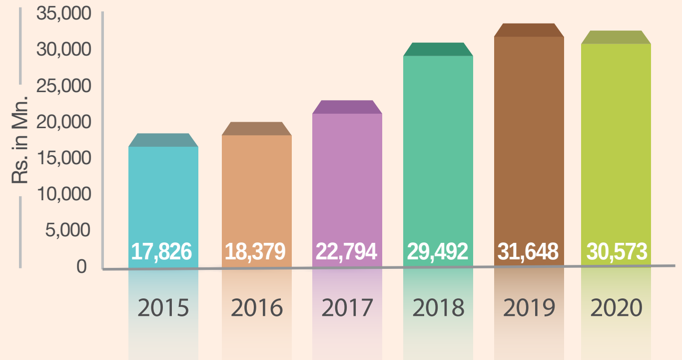
PVC and allied chemicals segment is formed to manufacture and sell PVC and allied chemicals to various industrial customers including pipe manufacturers, shoe and packaging industry. The Company supplies domestically as well as through exports mainly in the Asian region. The operating results and assets of Think PVC (Private) Limited and Engro Plasticizer (Private) Limited are formed part of this segment because of similar the business characteristics.

During the year, this segment has performed significantly well from prior periods, primarily because of the higher prices prevailed during the year. The six years production and sales trend are given below:

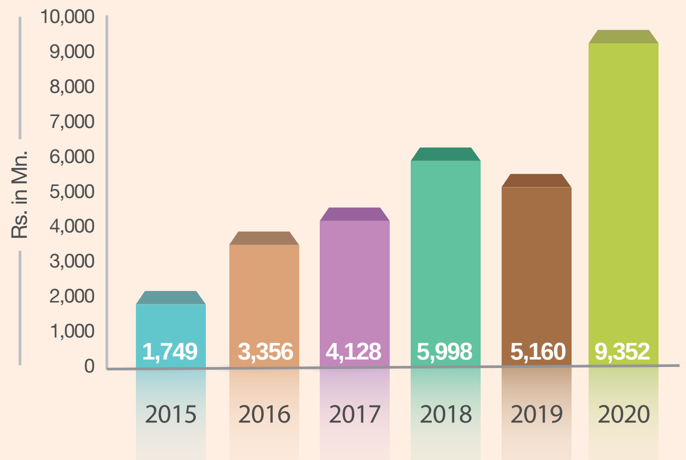
| PVC in kilo tons | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Total production | 153 | 197 | 202 | 187 | 172 | 162 |
| Total sales | 163 | 193 | 207 | 187 | 170 | 171 |

Further, the segment assets have constantly been increasing since 2018 when the Company kicked-off PVC-III and VCM debottlenecking projects, which were in progress at period end date.

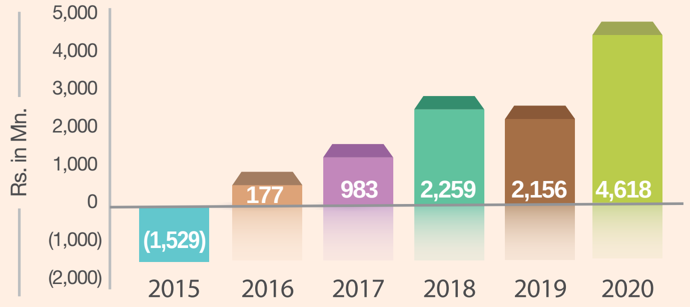
PVC - Revenue



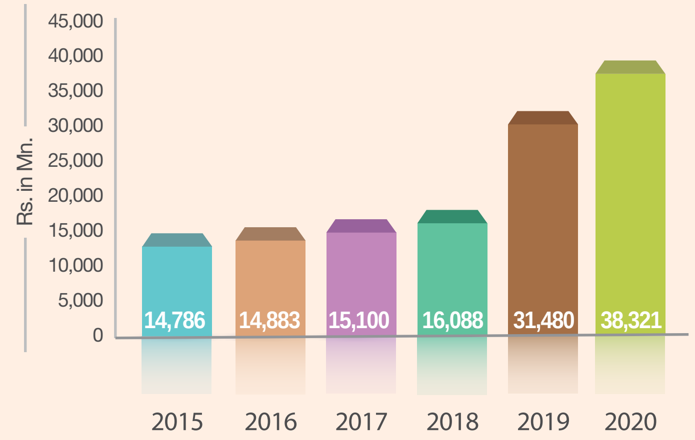

PVC - Gross profit




PVC - Net profit




PVC - Total assets




## caustic soda and allied chemicals

Caustic soda and allied chemicals segment is formed to manufacture and sell caustic soda and allied chemicals mostly to textile and soap industry. The operating results and assets of Engro Peroxide (Private) Limited are included in it because of homgenous business attributes.

The performance of this segment has declined from the last year primarily because of the volumetric loss experienced, owing to COVID induced lockdown, extended turnaround and chlorine incident. The six years production and sales trend are tabulated below:

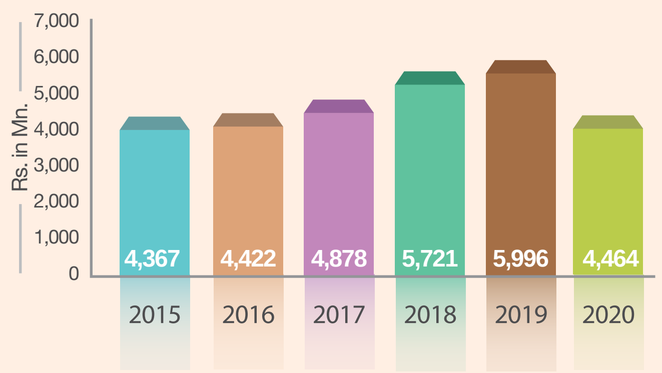
| Caustic soda liquid in kilo tons | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Total production | 77 | 105 | 105 | 105 | 103 | 98 |
| Total sales | 61 | 83 | 86 | 84 | 83 | 83 |

| Caustic flake in kilo tons | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Total production | 2 | 4 | - | - | - | - |
| Total sales | 2 | 1 | - | - | - | - |

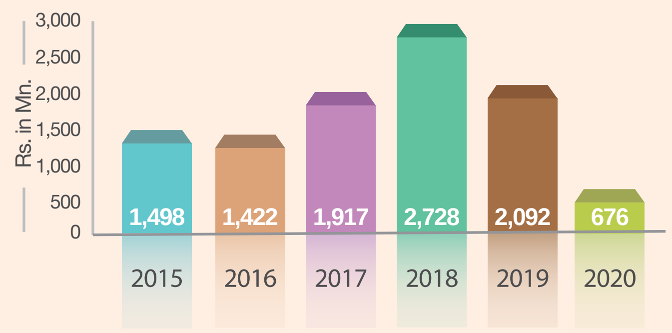
The asset base of this segment has been expanding because of the diversification and efficiency capital projects have been undertaken. Out of all the notable ones are:

- Caustic flakes (completed)
- Hydrochloric acid plant debottlenecking (completed)
- Sodium hypochlorite acid plant debottlenecking (completed)
- Caustic soda membrane replacement (completed)
- Hydrogen Peroxide (in progress)

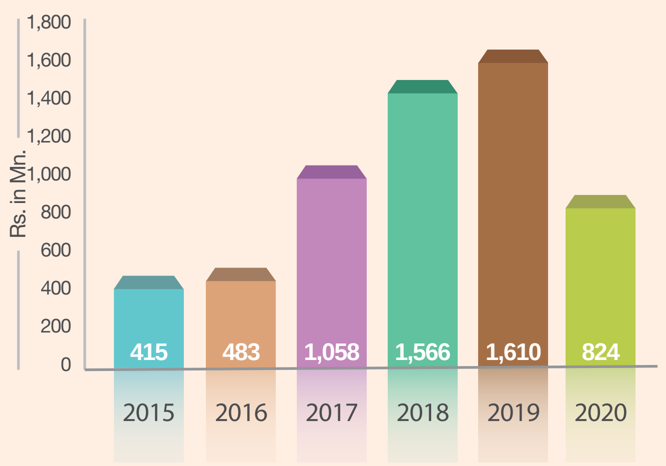
### CA - Revenue



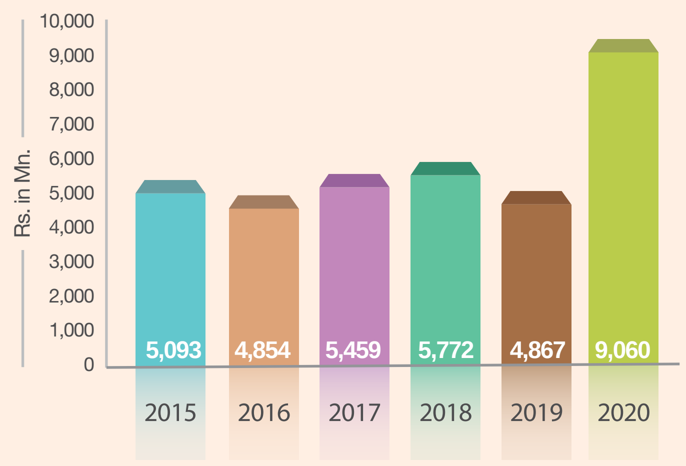

### CA - Gross profit




### CA - Net profit




### CA - Total assets

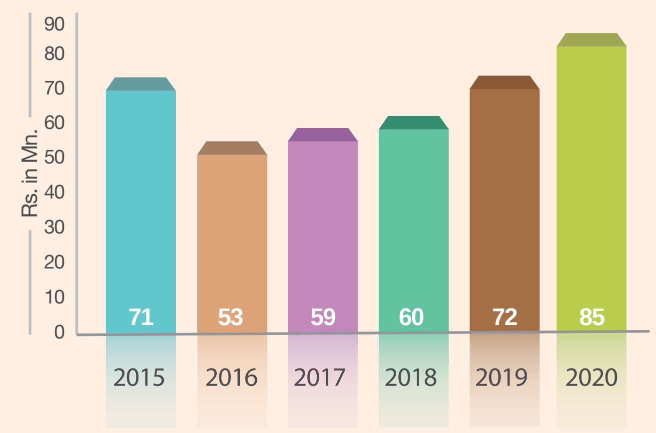




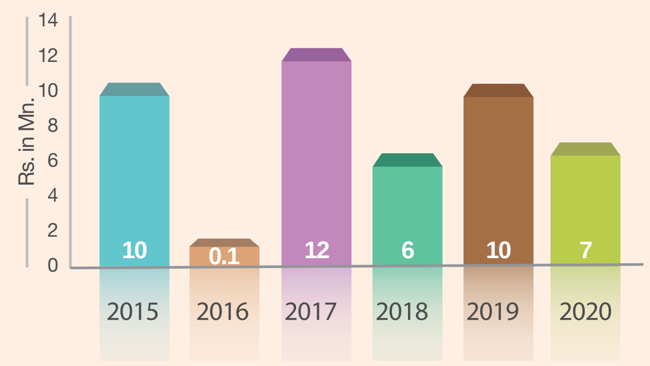

## power supply

The segment supplies surplus power generated from its power plants to Engro Fertilizers Limited. The performance of the segment is linked with gas prices and has remained fairly consistent throughtout the presented periods.

### Power - Revenue

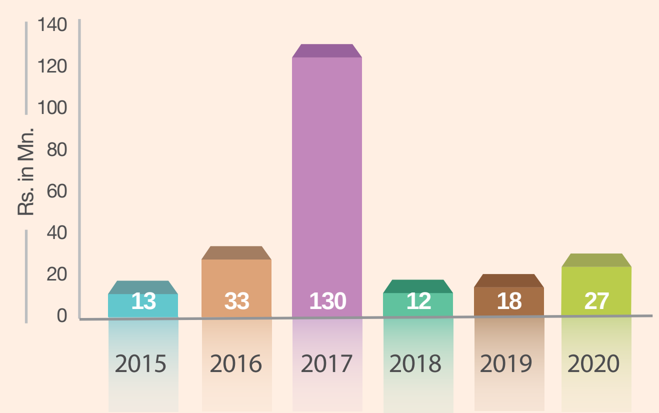



### Power - Net profit




The segment's asset base mainly includes operating assets and trade receivables from Engro Fertilizers Limited.

### Power - Total assets



# key financial ratios

(based on consolidated financial statements)

| Profitability Ratios | Unit | Formula | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| Gross profit ratio | % | Gross profit/ Total sales | 30.99 | 21.42 | 21.57 | 18.57 | 13.45 | 8.42 |
| Cost/income ratio | % | Operating expense/ Operating income | 71.45 | 82.37 | 80.64 | 85.88 | 90.79 | 96.49 |
| Net Profit /(loss) to sales | % | Net profit/ Total sales | 16.22 | 9.77 | 13.98 | 7.40 | 2.89 | (2.89) |
| EBITDA | Rs. in M | Operating profit / (loss) - depreciation and amortization | 12,190 | 8,352 | 8,044 | 4,879 | 2,985 | 2,068 |
| EBITDA to sales | % | EBITDA/Total sales | 34.50 | 22.07 | 22.81 | 17.59 | 13.06 | 9.29 |
| Operating leverage ratio | No. of times | % change in EBIT/ % change in sales | (6.49) | (0.40) | 2.36 | 2.87 | 24.14 | (24.68) |
| Return on equity | % | Net profit / Shareholder's equity | 21.93 | 20.79 | 29.35 | 26.46 | 10.99 | (12.07) |
| Return on capital employed | % | EBIT / (average debt liabilities + average shareholder' equity) | 22.85 | 20.70 | 34.65 | 25.17 | 16.62 | 6.91 |
| **Liquidity ratios** | | | | | | | | |
| Cash flow from operations to sales | No. of times | Cash flow from operations/ Sales | 0.35 | 0.24 | 0.29 | 0.10 | 0.19 | 0.01 |
| Cash to current liabilities | No. of times | (cash + cash equivalents) / Current liabilities | 0.93 | 0.50 | 0.81 | 0.12 | 0.11 | (0.08) |
| Current ratio | No. of times | Current assets / Current liabilities | 1.58 | 1.12 | 1.45 | 1.04 | 0.80 | 0.51 |
| Quick ratio | No. of times | (Current assets - inventories) / Current liabilities | 1.07 | 0.74 | 1.00 | 0.37 | 0.32 | 0.18 |
| **Capital structure** | | | | | | | | |
| Interest cover ratio | No. of times | EBIT/Finance cost | 6.01 | 5.26 | 12.45 | 5.38 | 2.53 | 0.82 |
| Long term debt to Equity ratio | % | Long-term debt / shareholders' equity | 47:53 | 57:43 | 31:69 | 53:47 | 59:41 | 50:50 |
| Long term debt to equity ratio at market value | % | Long-term debt / (Total number of shares*market value per share) | 35:65 | 44:56 | 18:82 | 28:72 | 42:58 | 43:57 |
| Weighted average cost of debt | % | Interest on debt / weighted average loan balance | 6.50 | 7.52 | 6.99 | 8.01 | 8.02 | 9.11 |
| Financial leverage | % | Total debt / shareholders' equity | 100.75 | 152.33 | 44.65 | 112.76 | 158.16 | 211.55 |
| Price to book ratio | % | Market value of share / (Total assets - intangible assets) | 0.63 | 0.53 | 0.94 | 0.78 | 0.50 | 0.29 |
| Earning assets to total assets | % | Earning assets / Total assets | 99.27 | 98.00 | 95.05 | 93.69 | 91.07 | 89.73 |
| Net assets per share | Rs. | Net assets / No. of shares outstanding | 28.74 | 19.56 | 18.48 | 11.70 | 9.06 | 8.05 |

| Activity/turnover ratios | Unit | Formula | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| Fixed assets turnover | No. of times | Revenue / Operating assets | 1.83 | 2.07 | 2.13 | 1.85 | 1.50 | 1.43 |
| Total assets turnover | No. of times | Revenue/Total assets | 0.51 | 0.66 | 0.98 | 1.14 | 0.94 | 0.92 |
| Inventory turnover | No. of times | Cost of goods sold/ Average inventory | 6.18 | 9.21 | 8.89 | 7.64 | 7.91 | 7.07 |
| Inventory turnover days | No. of days | 365/Inventory turnover | 59.03 | 39.64 | 41.07 | 47.79 | 46.14 | 51.66 |
| Debtor turnover | No. of times | Total sales/ Average accounts receivable | 79.55 | 98.27 | 87.07 | 67.42 | 59.44 | 48.38 |
| Debtor turnover days | No. of days | 365/debtor turnover | 4.59 | 3.71 | 4.19 | 5.41 | 6.14 | 7.54 |
| Creditor turnover | No. of times | Raw and packing materials/Average accounts payable | 5.63 | 7.17 | 8.22 | 4.34 | 2.57 | 2.08 |
| Creditor turnover days | No. of days | 365/creditor turnover | 64.88 | 50.90 | 44.40 | 84.19 | 142.20 | 175.62 |
| Operating cycle | No. of days | Inventory turnover days + debtor turnover days - creditor turnover days | (1.26) | (7.55) | 0.86 | (30.98) | (89.92) | (116.42) |
| **Investment/market ratios** | | | | | | | | |
| Earnings per share - basic | Rs. | PAT- dividend on preference shares/ weighted average no. of ordinary shares | 6.30 | 4.07 | 6.22 | 2.93 | 0.99 | (0.97) |
| Price earning ratio | No. of times | Market value of share/Basic EPS | 7.54 | 8.16 | 5.97 | 9.75 | 18.65 | (10.76) |
| Break up value per share | Rs. | Total shareholders' equity/total ordinary share outstanding | 28.74 | 19.56 | 18.48 | 11.70 | 9.06 | 8.05 |
| Break up value with investment at market value | Rs. | (Total shareholders' equity + increase in the value of investments in related parties) / total ordinary share outstanding | 28.74 | 19.56 | 18.48 | 11.70 | 9.06 | 8.05 |
| Dividend payout ratio | % | Dividend per share / Basic EPS | 19.79 | 19.66 | 17.68 | 42.66 | - | - |
| Dividend cover ratio | No. of times | Basic EPS / Annual total dividend per share | 5.05 | 5.09 | 5.65 | 2.34 | - | - |
| Dividend yield ratio | % | Annual dividend per share/market value per ordinary shares | 3.00 | 2.00 | 3.00 | 4.00 | - | - |
| Earnings per share - diluted | Rs. | PAT- dividend on preference shares/ (weighted average no. of ordinary shares + diluted shares) | 6.27 | - | - | - | - | - |

# financial statements analysis with graphical presentation

## Non-current assets

Non-current assets of the Company have marginally increased by Rs. 4,843 Mn against last year i.e. by 12.1%. The change is mainly attributable to diversified range of CAPEX being undertaken by the Company which include PVC-III and VCM debottlenecking, OVR, HTDC, H2O2 and other operational efficiency and reliability projects. Last year, the Company recognized a right-of-use asset on the storage contracts and other rental arrangements under IFRS 16 amounted to Rs. 2,845 Mn.

Trend analysis

Over the period of six years, the non-current assets of the Company have been continuing to increase owing to a diversified range of expansion projects being undertaken to enhance productivity and achieve efficiency.

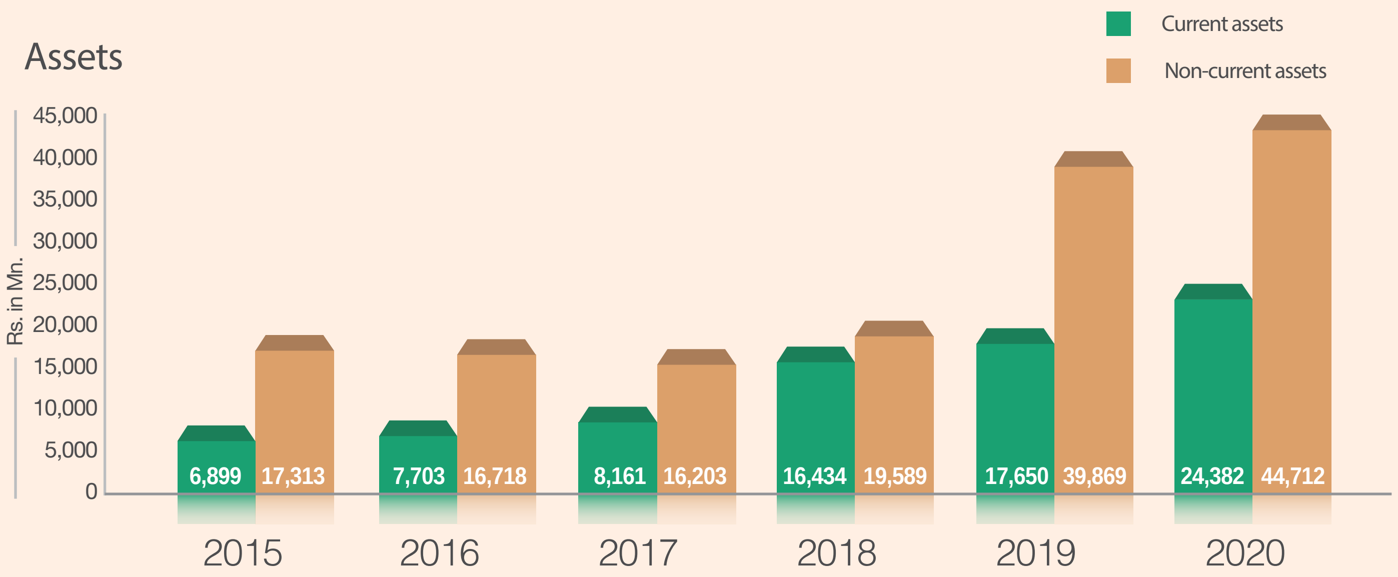
## Current assets

The net increase in current assets amounts to Rs. 6,732 Mn. over last year is majorly due to sufficient cash generation from the operations.

Trend analysis:

The current assets have grown up over the period from Rs. 6,899 Mn. to 24,382 Mn. on account of increase in cash which will be utilized going forward in various capital expenditure projects. Further since 2018, when the PVC-II plant was operationalized, as a result production capacity enhanced and eventually demand of all the stock items.

## Assets




## Shareholders' equity

Share holders' equity have increased remarkably during the year by Rs. 8,350 Mn:

The growth is attributed to the following events:

1. Preference share issuance of Rs. 3,000 Mn. for the expansion project.
2. Net profit reported for the year was Rs. 5,730 which is 55% higher than the profit made last year.
3. Profit appropriation made during the year was Rs. 182 Mn. against Rs. 818 Mn in the corresponding year

Trend analysis

Equity has been constantly improving from Rs. 5,334 Mn. to Rs. 26,126 Mn. due to right shares issued in 2018 and preference shares issuance in 2020 of Rs. 5,365 Mn. and Rs. 3,000 Mn respectively, coupled with the improvement in Company's performance from 2015. However last year, the application of IFRS 16 resulted in the recognition of loss of Rs. 1,898 Mn. through equity. From 2017, the Company has made dividend appropriation till 2020 of Rs. 2,375 Mn.

## Non-current liabilities

Non-current liabilities have raised by Rs. 3,645 Mn. due to these events took place during the year:

1- Recognition of non-current portion of GIDC provision from current liabilities of Rs. 2,991 Mn.

2- Deferred tax liability 1,183 Mn. owing to recoupment of MTOT and ACT.

Trend analysis:

The increasing movement in non-current liabilities, were brought down in 2016 through reprofiling the debt structure. But, these have again increased in 2019 owing to the loans obtained for capital expenditures being made in its respect. Further, the recognition of lease liability under IFRS-16 and recognition of non-current portion of GIDC in last and current years have contributed to the increase.

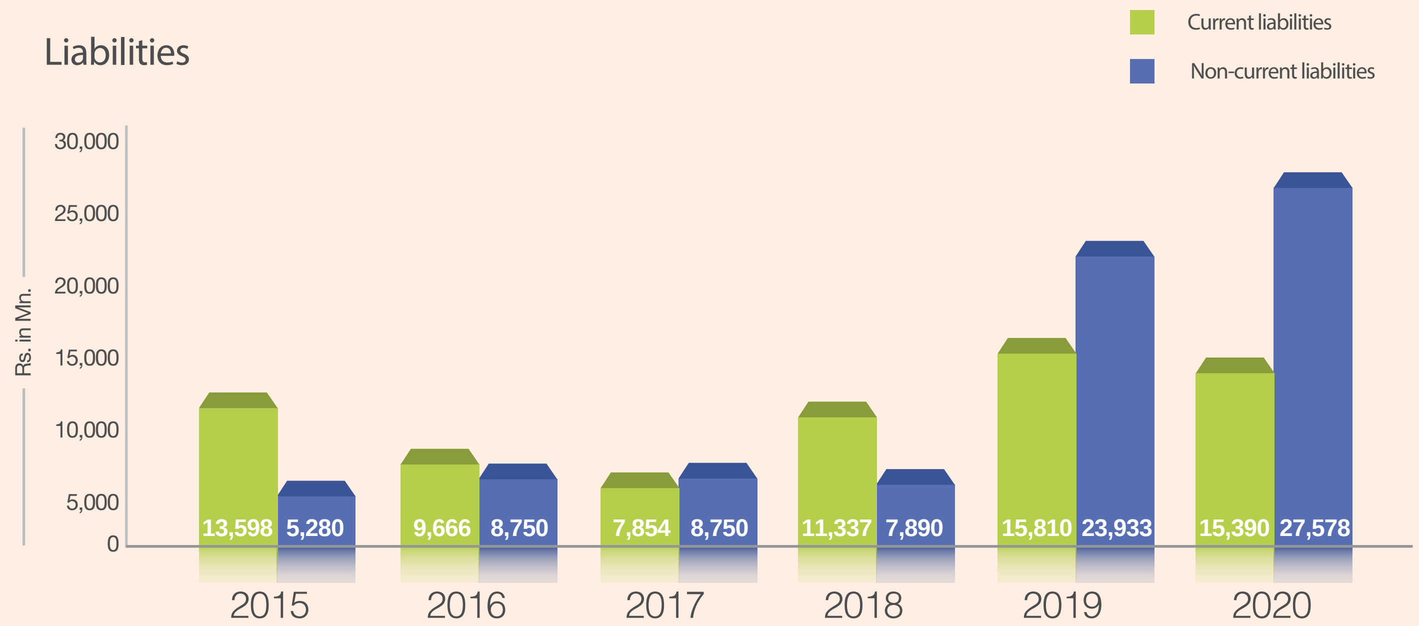
## Current liabilities

Current liabilities have remained fairly stable i.e Rs. 15,810 Mn to Rs. 15,390 Mn. The increase has observed in current maturity of long-term borrowing and lease liabilities and trade and other payables aggregating to Rs. 4,848 Mn. On other hand, provision for GIDC and short-term borrowings have reduced by Rs. 5,360 Mn.

Trend analysis

On account of liquidity issues in the preceding years, the current liabilities of the Company were up in 2015. Thereafter, it began to reduce till 2018 when the management had prudently handled these crunches. Since 2018, the increase in current liabilities is observed due to recorded payable on account of capex related and raw material procurement, recognition of lease liabilities and short-term borrowing.

## Liabilities



# profitability analysis

## Revenue

The top-line of the Company decreased by 6.62% YoY which was mainly due to volumetric loss experienced owing to plant turnaround, gas incident and COVID lockdown. Though the prices prevailed during the year were favorable. As a result, the decline in revenue was capped.

Trend analysis

The Company's revenue has remained upwards except for the year 2015 when the Company had faced reduction owing to the sharp decline in PVC prices in the international market and the volumetric loss experienced in 2020 owing to COVID lockdown.

## Cost of sales

Cost of sales have reduced by Rs. 5,349 Mn mainly because of the lowered sales volume transacted during the year so all the ancillary costs of production have reduced. Further, the Supreme Court finalized decision on GIDC by declaring it intra-vires to the Constitution and directed its payment in equal monthly installments, as a result, the Company remeasured the provision of GIDC and recorded gain of Rs. 681 Mn.

Trend analysis

Over the period, the fluctuation in raw materials prices, increase in gas prices, and declining demand have kept upward pressure on the cost of sales of the Company

## Gross profit

The Company's gross profitability has increased by Rs. 2,843 Mn from last year, despite of experiencing a turbulence in the external environment.

Trend analysis

The gross profit margin drives by many factors such as international PVC and ethylene prices, gas prices, demand in domestic and international markets and currency fluctuations. Over the period of six years, the gross profitability has constantly been increasing on account of various efficiency projects undertaken by the Company and favourable international market dynamics

## Other income

The other income earned from financial assets have increased from Rs. 857 Mn. in 2019 to Rs. 1,099 Mn. in the current year. The increase is mainly attributed to increase in average cash availability and foreign currency TDR of USD 35 Mn placed at the end of last year. However, the returns on investment have dropped as SBP, as a part of its monetary policy, made reduction in the interest rates during the year.

Trend analysis

Other income increased considerably in 2018 due to one off insurance claim recognized of Rs. 841 Mn. Other than this event, the interest income has been constantly increasing due to effective utilization of the funds generated from operations along with favourable interest rates trend in the last six years.

## Finance cost

Finance cost has changed by Rs. 397 Mn. from last year and it is proportional directly with the loan amount outstanding and number of days it is outstanding considering the draw down bilateral loan from DIB were made in the end of last year, followed by utilization of ILTFF scheme of SBP and received Rs. 1,950 at marginal rate of 3%. But there are certain events taken place during the year which have controlled the expenditures which include:

- capitalization of borrowing cost due on the loans which were obtained for the projects and
- Reduction in KIBOR and LIBOR during the period.

Trend analysis

Finance cost of the Company have kept on changing with the change in borrowings and interest rates.

## Taxation

Tax charge, being a function of profitability, so the PBT of the Company, subject to taxation, has increased by 63% from the last year, eventually increasing the tax charge for the year.

Trend analysis

Taxation being the function of profitability, hence tends to vary accordingly with it.

# ratio analysis

## Profitability ratios

The gross and net profitability for the year have improved from last year by 35% and 55% respectively. Profitability has improved due to significant rise in international prices and cost controlling measures implemented. Further, during the year the Company has recorded a gain on remeasurement of GIDC provision amounted to Rs. 450 Mn post tax

Trend analysis

With the increasing profitability of the Company, the corresponding ratios have performed accordingly. Though in these six years, the Company has experienced increase in gas prices, imposition and elimination of import duties and foreign exchange rates variation. But the strong costs controlling measures along with higher prices have assisted in managing the ratios.

## Liquidity analysis

Liquidity ratios for the year 2020 have shown significant improvement since 2015, mainly because of the changes made in the credit cycle of primary raw material procurement. However, slightly declined from 2018 owing to recognition of current portion of lease liabilities and draw down of short-term borrowings.

Trend analysis

In the year 2015, the Company's cash position was tight due to change in economic environment which impacted the Company's position severely. However, the Company managed to recover from such times with the conscious efforts enhancing overall balance sheet outlook.

## Capital structure ratios

The Company's balance sheet presently carrying long term borrowings which is higher than the equity of the current year and the borrowings outstanding last year. This increase has been observed because of the capital projects being undertaken by the Company.

Trend analysis

The Company's position seemed "geared" in the year 2015 because of the long-term financial debt drew to manage operational and capital assets of the Company. But in the year 2016, the postion was restored when the management implemented strong treasury controls leading to reprofiling of the structure.

## Investment / Market Ratios

EPS-basic for the current year is Rs. 6.30 / share as compared to Rs. 4.07 / share in the previous year. Average market value per shares has traded in between from Rs. 22.47 / share (2019: Rs. 29.93 / share) to Rs. 49.17/ share (2019: Rs 41.84 / share) whereas the closing price was Rs. 47.51 / share (2019: Rs. 33.21 / share). During the year, the Company made payments of total dividend of Rs. 0.20 per share, announced for the year 2019 whereas, in the preceding total disbursement was made of Rs. 0.9 / share. Further, the Company has also declared final dividend of approx. Rs. 1.247 / share leading to a dividend payout ratio of 19.79%.

Trend analysis

These ratios depend on internal performance of the Company and external market dynamics. Since, these factors have kept on changing in response the ratios behaved accordingly.

## Activity/Turnover Ratios

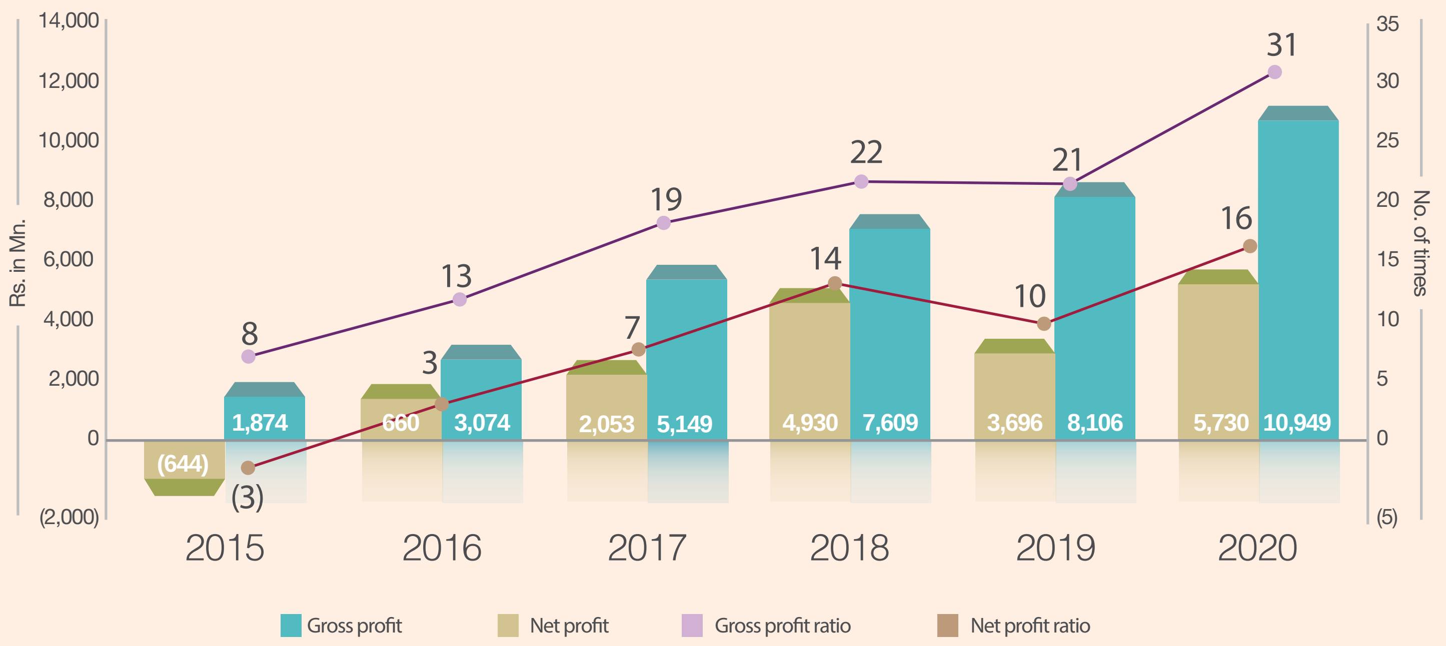
The cash operating cycle has changed from 14 days to 24 days:

- Inventory turnover days have increased from 39 to 59 because of the operational capacity was affected due to turnaround and COVID lockdown.
- Debtor days have remained fairly stable ranged in between 4 to 5.
- Creditors turnover days have increased from 51 to 65 owing to change in credit term of main raw material suppliers.

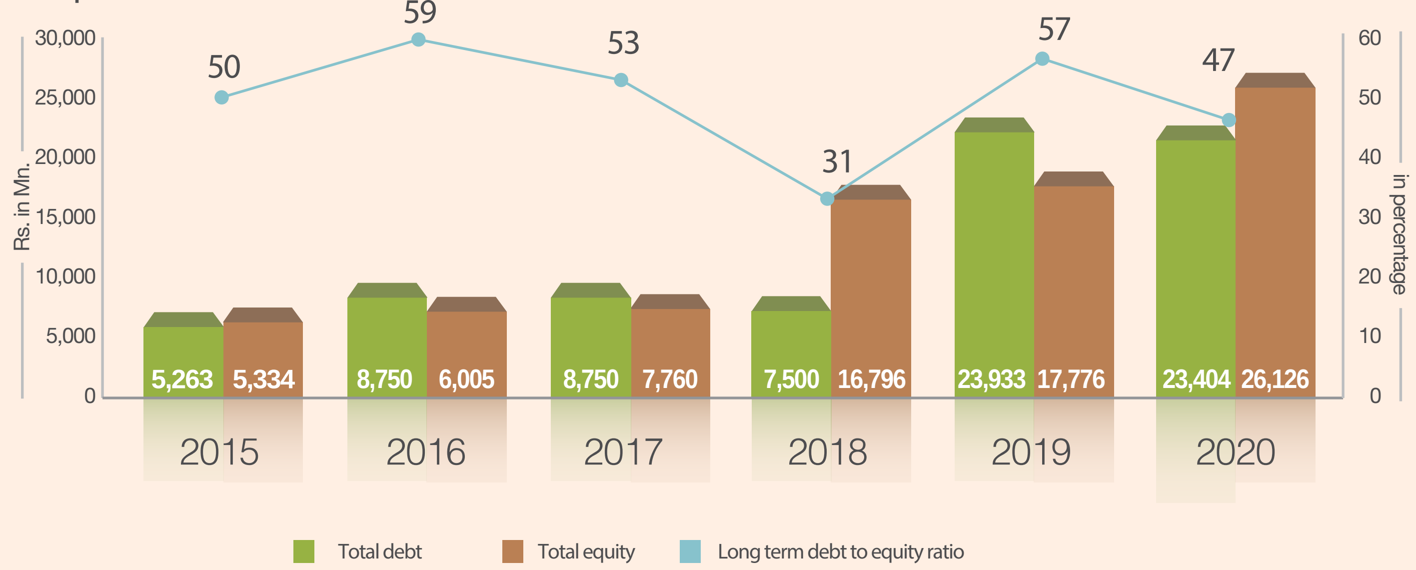
Trend analysis

- The inventory days have continued to improve from 54 to 40 days, except for this year due to the reason mentioned above.
- The debtor turnover days have reduced from 8 to 5 days depicting strong products' demand and efficient debtors' management controls respectively.
- Whereas, the creditor days was 176 in 2015 owing to liquidity issues faced in that year, however presently it is in line with operational circumstances of the Company.

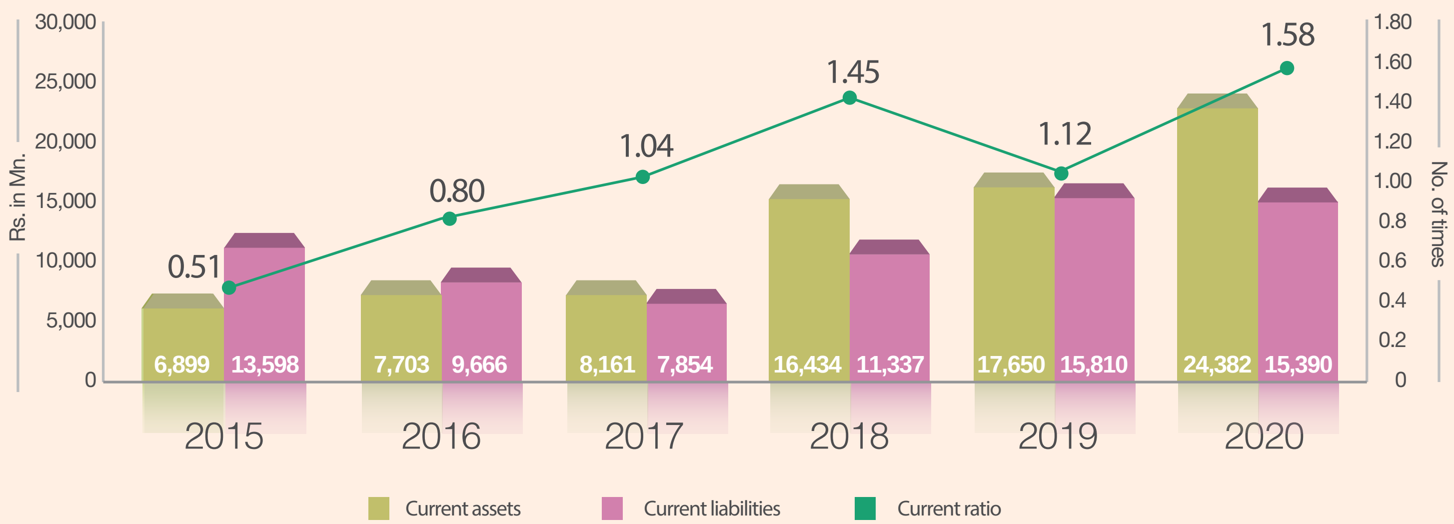
## Profitability analysis



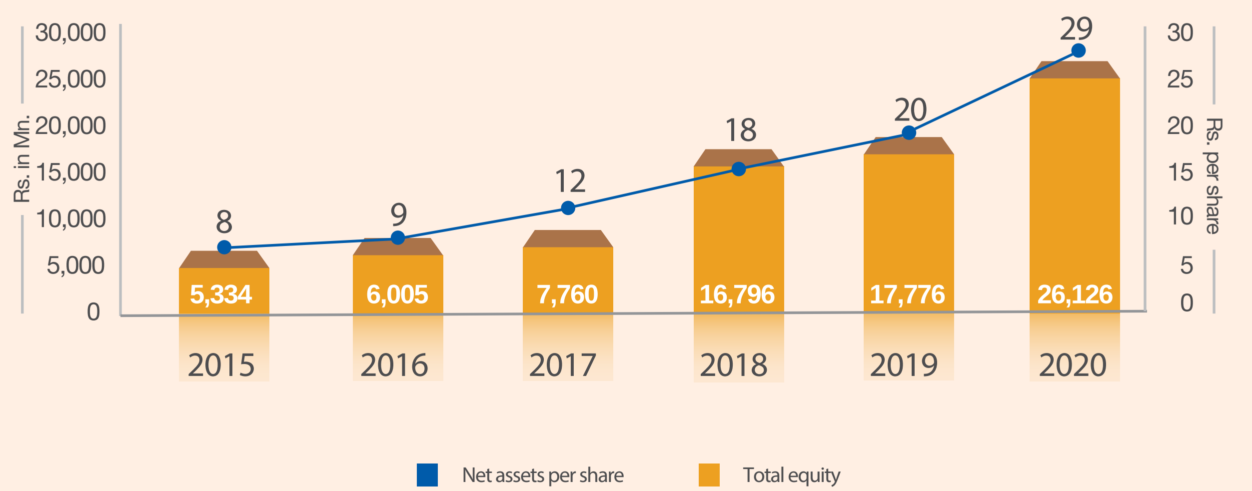

## Capital structure



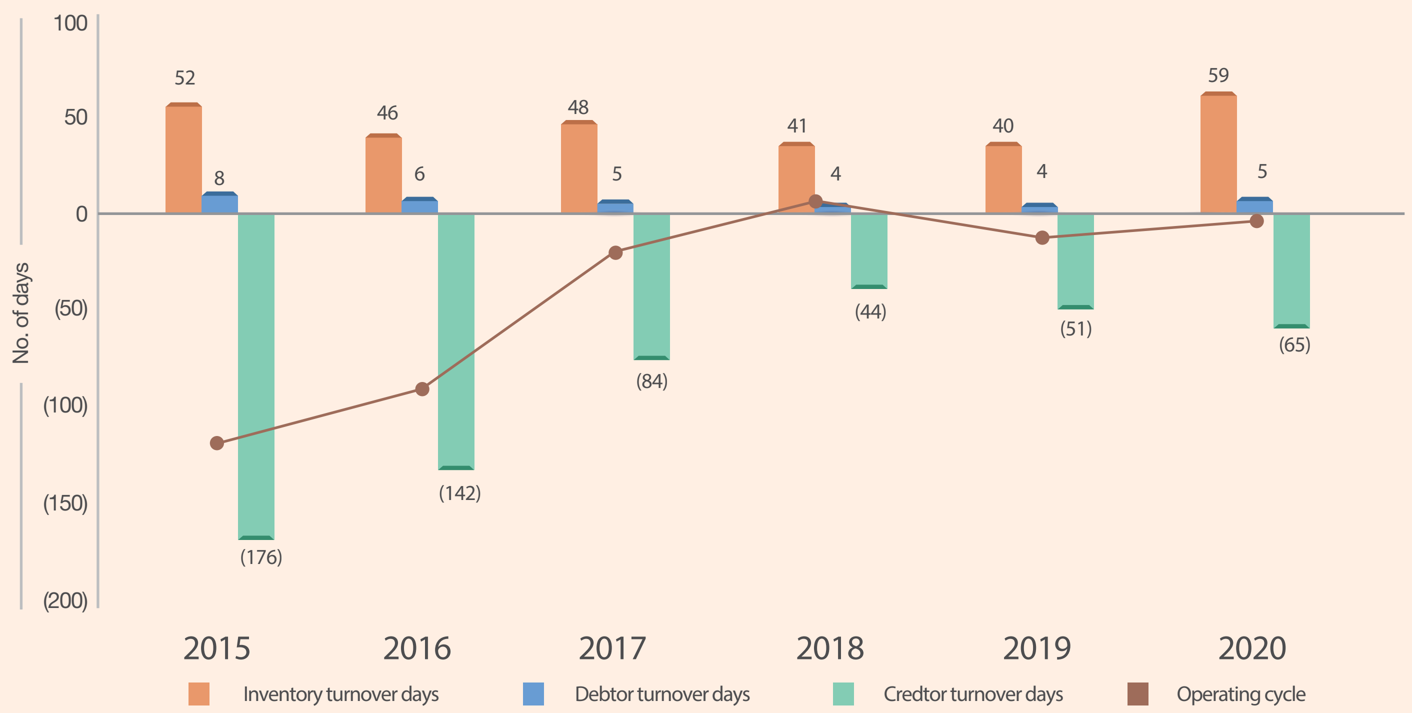

## Liquidity



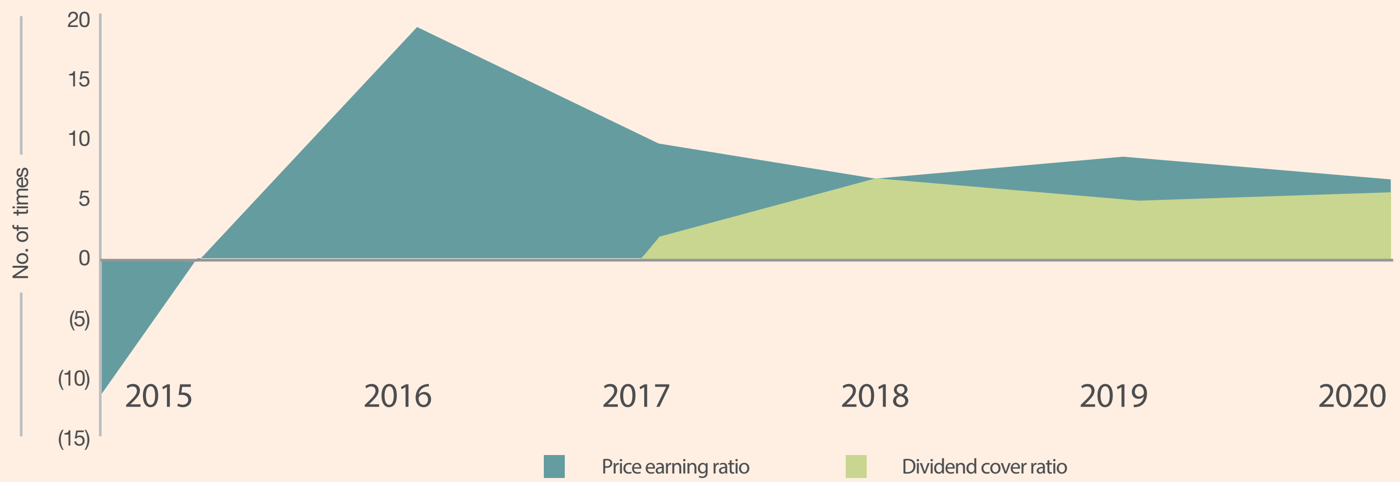

## Equity



Operating cycle



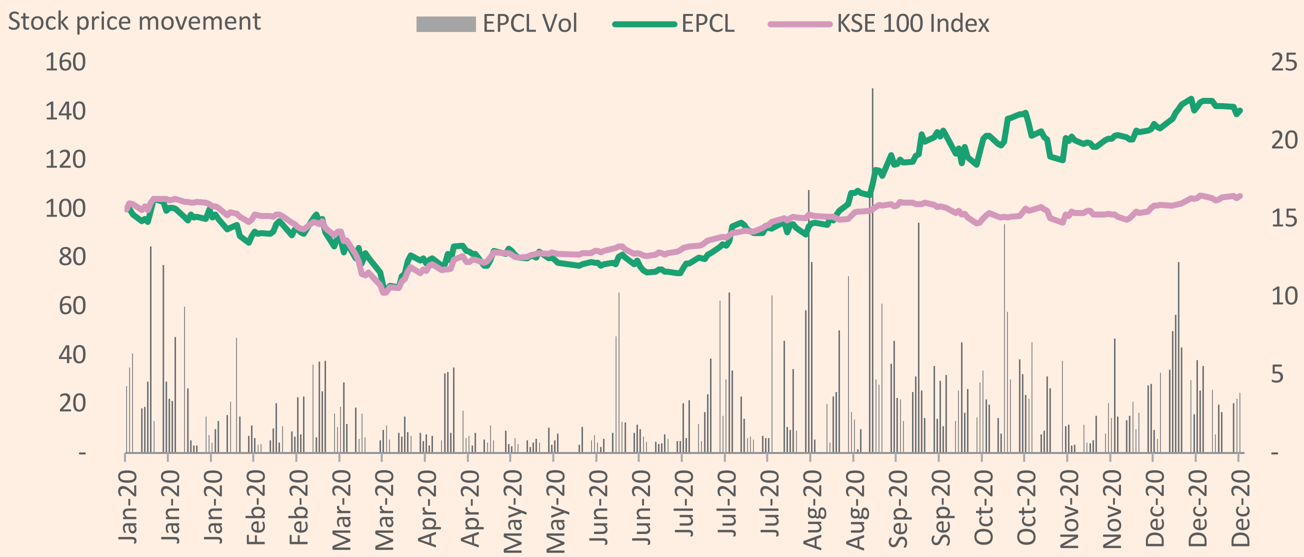

Market ratios






# share price sensitivity

During the year, 836 Mn shares were traded at Pakistan Stock Exchange at an average per share price of Rs 34.38. Further during the year, low to high stock prices ranged in between Rs. 22.47 – 49.17 per share. The scrip outperformed the benchmark index returning 41% as compared to KSE100 Index performance of 6%.




## Interest rate

The Company is funding its expansion projects from external borrowing which carry financial cost which is benchmarked against prevailing interest rates. During the year 2020, the interest rates declined as SBP adopted various measures to support the economy during COVID crises, affecting Company's profitability and eventually impacting share price positively.

## Exchange rate sensitivity

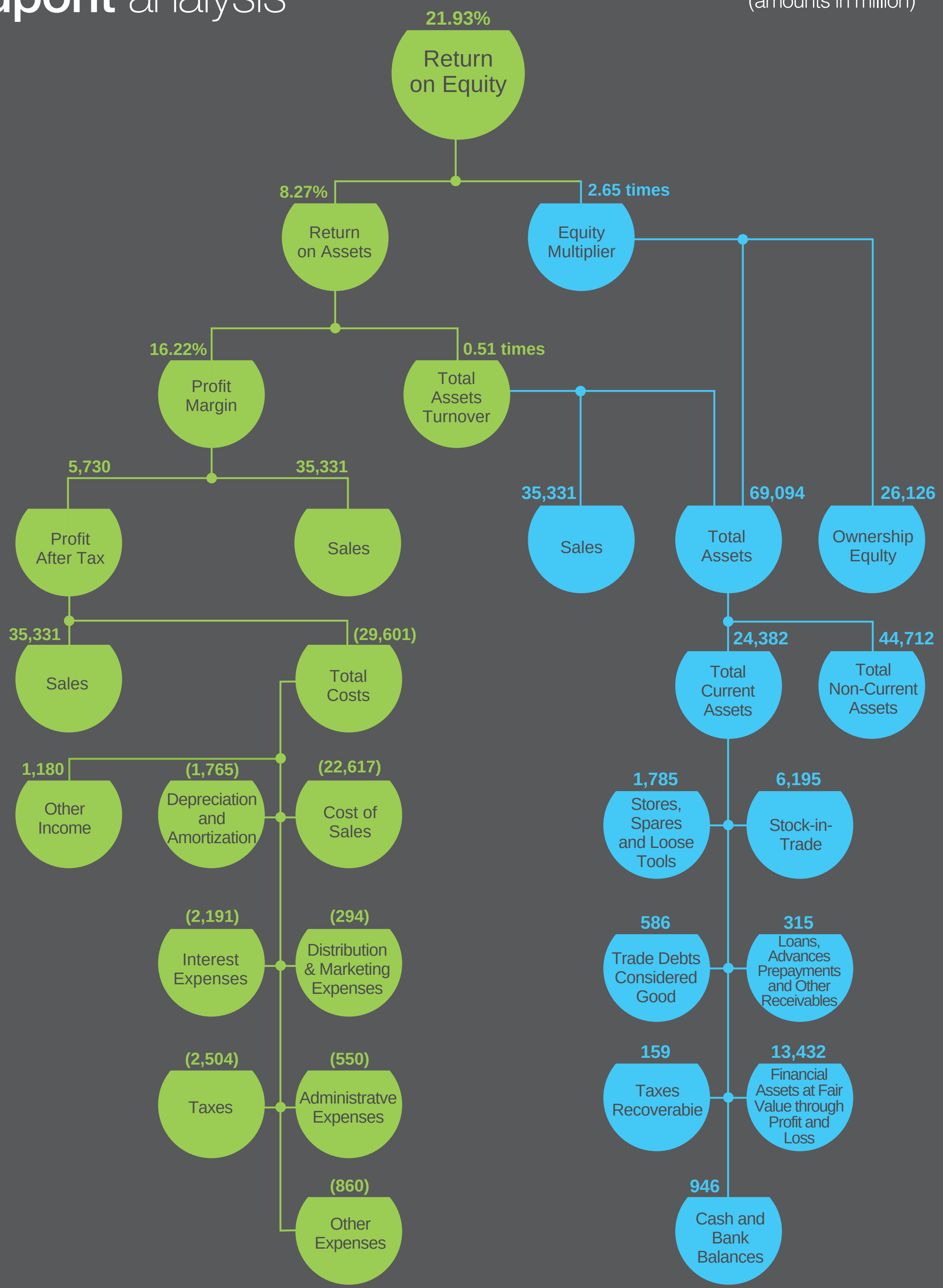
EPCL's revenues and import liabilities are subject to foreign exchange volatility. PVC revenue is determined in US Dollars with reference to international PVC pricing. However, PVC revenue determination mechanism provides a natural hedge against foreign exchange fluctuation exposure on USD denominated liabilities.

## Exchange price

The Company's operations are energy sensitive and the energy cost constitutes a sizable proportion of the overall manufacturing costs, therefore any increase in gas prices impact product pricing directly. During the year 2020, the Company experienced incremental ~6% change in gas price, which accordingly increased the cost.

# dupont analysis

(amounts in million)




## Summary of DuPont Analysis

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Profit margin (in %) | 16.22 | 9.77 | 13.94 | 7.39 | 2.87 | (3) |
| Asset turnover (in times) | 0.51 | 0.66 | 0.98 | 1.14 | 0.93 | 1 |
| Equity multiplier (in times) | 2.65 | 3.24 | 2.15 | 3.15 | 4.1 | 5 |
| Return on equity (in %) | 21.93 | 20.79 | 29.37 | 26.54 | 10.98 | (12) |

Over the years, the Company's profitability has improved significantly and so its financial position. The management's efforts in the form of cost effecient measures, rationalization of vendor sourcing, expansion and diversification coupled with external factors are the contributors towards the increased profitability.

The topline of the Company has decresed by 7% from last year, owing to volumetric loss experienced due to COVID induced lockdown. However the Company has reported the highest ever PAT of Rs. 5,730 Mn which is 55% higher from the 2019's profitability.

The overall assets base has constantly been increasing from Rs. 24,212 in 2015 to Rs. 69,094 in 2020 and correspondingly a decrease in asset turnover ratio

## Statement of compliance of International Financial Reporting Standards (IFRSs)

The management of the Company strongly believes in adherence to unreserved compliance with all the applicable International Accounting Standards (IAS) / IFRS issued by International Accounting Standards Board (IASB) and as adopted by SECP vital to fair preparation and presentation of financial information. Compliance to IFRS encourages sufficient disclosures of the financial statements that are beneficial for informed decisions of stakeholders. Financial statements for the year have been prepared in accordance with the accounting and reporting standards issued by IASB as are applicable in Pakistan. IFRS adoption status is in explained in detailed note 2 and 3 of annexed standalone and consolidated financial statements respectively.

## Information about defaults and reasons

The company fulfilled all its contractual commitments during the outgoing period.

beginning from 2018 when the Company has started undertaking expansion, efficiency and diversification projects such including PVC-III and VCM debottlenecking, Hydrogen Peroxide, Caustic flake, Oxyvent recycle and HTDC. The other major increase has observed in the long and short term investments from Rs. 300 Mn in 2015 to Rs. 19,057 Mn in 2020.

Having the direct relation of the profitability with equity, the unappropriated profits of the Company has been progressively moving from negative Rs. 2.253 Mn in 2015 to positive Rs. 10,162 in 2020. Further, the Company has raised its capital through issuance of right shares in 2018 of Rs. 5,365 Mn and preference shares in 2020 of Rs. 3,000 Mn to finance the PVC expansion projects.

## Methods and assumptions used in compiling the indicators

In light of the business dynamics and factors that effects the internal and external environment of the Company, the Management has identified certain indicators which helps in reflecting the true performance of the Company. These indicators are continuously monitored, analysed and discussed by the top Management. Methods and assumptions used in compiling these indicators normally include data published by State Bank of Pakistan, Pakistan bureau of statistics and reports published by leading research and marketing firms in the business.

## Business rationale of major capital expenditure / projects during the year and for those planned for next year

During the year, the Company incurred a capital expenditure of Rs. 7,318 Mn. where a significant portion of it was spent on PVC-III / VCM debottlenecking. This project will enable the company to serve entire domestic market.

# financial statements

## statement of compliance with listed companies (code of corporate governance) regulations, 2019
### year ended december 31, 2020

The Company has complied with the requirements of the Regulations in the following manner: -

1. The total number of directors are Nine as per the following, -
   a. Male: 8*
   b. Female: 1

   * including the Chief Executive Officer, who is a Deemed Director

2. The composition of the Board is as follows:

| Category | Name |
|---|---|
| i. Independent directors | Mr. Feroz Rizvi<br>Mr. Nazoor Ali Baig |
| ii. Non-executive directors | Mr. Ghias Khan<br>Mr. Nadir Salar Qureshi<br>Mr. Rizwan Masood Raja<br>Mr. Noriyuki Koga<br>Mr. Eram Hasan |
| iii. Executive directors | Mr. Jahangir Piracha |
| iv. Female independent director | Ms. Ayesha Aziz |

3. The directors have confirmed that none of them is serving as a director on more than seven (7) listed companies, including this company;

4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the Act) and these Regulations;

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;

8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;

9. The Directors' Training Program have been completed by five directors during the preceding years from recognized institution of Pakistan, approved by the SECP;

10. The Board had approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board;

12. The Board has formed committees comprising of members given below : -

a) Board Audit Committee
Mr. Feroz Rizvi - Chairman
Mr. Eram Hasan
Mr. Nazoor Ali Baig
Mr. Noriyuki Koga

b) Board People's Committee i.e. HR and Remuneration Committee
Mr. Feroz Rizvi
Mr. Nadir Salar Qureshi
Mr. Rizwan Masood Raja

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;

14. The frequency of meetings of the committee were as per following: -

a) Audit Committee - 7 meetings held during the year
b) The Board People's Committee - 4 meetings held during the year

15. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard; and

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27,32, 33 and 36 of the Regulations have been complied with.

**Ghias Khan**
Chairman

**Jahangir Piracha**
Chief Executive

Date: February 10, 2021

pwc

A·F·FERGUSON&Co.

## INDEPENDEDNT AUDITOR'S REVIEW REPORT

**To the members of Engro Polymer and Chemicals Limited**

**Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Engro Polymer and Chemicals Limited (the Company) for the year ended December 31, 2020 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2020.

**A. F. Ferguson & Co.**
**Chartered Accountants**

Karachi
Date: March 3, 2021
Engagement Partner: Farrukh Rehman



## statement of compliance with the sukuk (privately placed) regulations, 2017

This Statement is being presented to comply with the requirements under Sukuk (Privately Placed) Regulations, 2017 issued by the Securities and Exchange Commission of Pakistan (SECP). This Statement of Compliance (the Statement) is for the year ended December 31, 2020.

Engro Polymer & Chemicals Limited (the Company) entered into an arrangement for issue of Sukuk amounting to Rs.8,750 Million on January 11, 2019 for a period of 7.5 years. We state that the Company is in compliance with the Sukuk features and Shariah requirements in accordance with the Sukuk (Privately Placed) Regulations, 2017.

We specifically confirm that:

- The Company has established policies and procedures for all Sukuk related transactions to comply with Sukuk features and Shariah requirements;
- The Company has implemented and maintained such internal control and risk management systems that are necessary to mitigate the risk of non-compliances of the Sukuk features and Shariah requirements, whether due to fraud or error;
- The Company has a process to ensure that the management and where appropriate those charged with governance, and personnel responsible to ensure the Company's compliance with the Sukuk related features and Shariah requirements are properly trained and systems are properly updated.

The Sukuk features and Shariah requirements in accordance with Sukuk (Privately Placed) Regulations, 2017 comprises of the following:

1. Requirements of Shariah Structure and Transaction Documents as stated in the approval of our Shariah Advisor, Ehsan Shariah Advisors & Consultants (ESAAC), with respect to Sukuk transactions:
   - Sukuk Subscription & Issue Agency Agreement
   - Trust Deed
   - Asset Purchase Agreement
   - Musharaka Agreement
   - Purchase Undertaking
   - Sale Undertaking
   - DSRA Agreement
   - Payment Agreement
   - Letter of Hypothecation
   - Letter of Lien and Right of Set-off
2. Guidelines of the relevant Shariah Standards, issued by the Accounting and Auditing Organization of the Islamic Financial Institutions (AAOIFI), as notified by the Securities and Exchange Commission of Pakistan (the SECP);
3. Requirements of the relevant Islamic Financial Accounting Standard as notified by the SECP; and
4. Other compliances specified in the Sukuk (Privately Placed) Regulations, 2017 issued by the SECP.

**Jahangir Piracha**
Chief Executive

**Ghias Uddin Khan**
Chairman

pwc A·F·FERGUSON&Co.

## INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS ON THE STATEMENT OF COMPLIANCE WITH SUKUK (PRIVATELY PLACED) REGULATIONS, 2017

**Scope of our Work**

We have performed an independent assurance engagement of Engro Polymer and Chemicals Limited (the Company) to express an opinion on the annexed Statement of Compliance (the Statement) with the requirements of Sukuk (Privately Placed) Regulations, 2017 (the Regulations), as notified by the Securities and Exchange Commission of Pakistan (SECP) as of December 31, 2020.

**Applicable Criteria**

The criteria for the assurance engagement against which the underlying subject matter (Statement of Compliance for the year ended December 31, 2020) is assessed comprises of compliance with the features and Shariah requirements of Sukuk in accordance with the requirements of the Regulations. Our engagement was carried out as required under Rule 12 of Chapter V of the Regulations as notified by the SECP.

**Responsibility of Company's Management**

The responsibility for the preparation and fair presentation of the Statement and for compliance with the features and Shariah requirements of Sukuk in accordance with the requirements of the Regulations is that of the management of the Company. The management is also responsible for the design, implementation and maintenance of appropriate internal control procedures with respect to such compliance and maintenance of relevant documentation/records. The management is also responsible to ensure that the personnel involved are conversant with the Criteria for the purpose of the Company's compliance.

**Our Independence and Quality Control**

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code.

The firm applies International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, And Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Responsibility of Independent Assurance Provider and Summary of Work Performed**

Our responsibility is to express our conclusion on the Statement for the year ended December 31, 2020 based on our independent assurance engagement, performed in accordance with the International Standard on Assurance Engagements 3000 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' (ISAE 3000). This standard requires that we plan and perform the engagement to obtain reasonable assurance about whether the annexed Statement reflects the status of the Company's compliance with the features and Shariah requirements of Sukuk in accordance with the requirements of the Regulations and is free from material misstatement.

pwc A·F·FERGUSON&Co.

The procedures selected by us for the engagement depend on our judgment, including an assessment of the risks of material non-compliances with the Criteria. In making those risk assessments; we have considered internal controls relevant to the Company's compliance with the Criteria in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Company was not materially non-compliant with the Criteria. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Our procedures applied to the selected data primarily comprised of:

- Inquiry and evaluation of the systems, procedures and practices in place with respect to the Company's compliance with the Criteria;
- Verification of Sukuk related transactions on sample basis to ensure the Company's compliance with the Criteria during the year;
- Review of Shariah structure and transaction documents, term sheet and Shariah approval letter issued by the Shariah Advisor of the Sukuk; and
- Review of the annexed Statement based on our procedures performed and conclusion reached.

We believe that the evidences we have obtained through performing our procedures were sufficient and appropriate to provide a basis for our opinion.

**Conclusion**

Based on our independent assurance engagement, in our opinion, the annexed Statement for the year ended December 31, 2020 has been prepared, in all material respects, in compliance with the features and Shariah requirements of Sukuk in accordance with the Regulations.

**Restriction on use and distribution**

This report is issued in relation to the requirements as stipulated under Rule 12 of Chapter V of the Regulations and is not to be used or distributed for any other purpose. This report is restricted to the facts stated herein and the attachment.

The engagement partner on the assurance resulting in this independent assurance report is Farrukh Rehman.

**A. F. Ferguson & Co.**
**Chartered Accountants**

Karachi
Date: March 12, 2021
Engagement Partner: Farrukh Rehman

# INDEPENDENT AUDITOR'S REPORT

**To the members of Engro Polymer and Chemicals Limited**

**Report on the Audit of the Financial Statements**

## Opinion

We have audited the annexed financial statements of Engro Polymer and Chemicals Limited (the Company), which comprise the statement of financial position as at December 31, 2020, and the statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2020 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

| S.No. | Key audit matters | How the matter was addressed in our audit |
|---|---|---|
| 1. | **Operating results**<br><br>(Refer notes 1.5 and 3 to the financial statements)<br><br>The business activities of the Company were impacted due to the COVID-19 pandemic environment and the closure of plant due to the major turnaround and gas leakage event during the year. | Our audit procedures included the following:<br><br>- obtained detailed understanding of the background facts pertaining to significant events happened during the year through meetings with the management, review of the minutes of the meetings of those charged with governance and communication to Pakistan Stock Exchange; |





| S.No. | Key audit matters | How the matter was addressed in our audit |
|---|---|---|
| | Production of the Company declined, prices of major raw materials were significantly lower in the international market and the prices of Company's products also witnessed significant variation during the year. Further, the activities in relation to expansion projects of the Company remained suspended for few months. State Bank of Pakistan (SBP) also reduced the policy interest rate significantly.<br><br>As a result of the price variations gross profit of the Company increased significantly, however, additional energy and other cost were incurred. The suspension of expansion projects resulted in discontinuance of borrowing cost capitalisation. However, lower mark-up rates reduced the borrowings cost of the Company.<br><br>Due to significant effect of the events on the financial statements resulting extensive discussion with management at various stages and required significant attention to the impacts reflected in the financial statements, we have considered the above as a key audit matter. | - checked gross profit analysis of the Company;<br>- checked and compared the trends of international prices with the Company's Products;<br>- checked and compared the trends of international prices for major raw materials with the prices on which raw material purchased by the Company;<br>- checked the increase in gas prices and also checked the impact of adverse gas ratio due to gas leakage incident and closure of plant;<br>- checked raw material wise inventory reconciliation to identify period costs (if any) charged to cost of sales directly;<br>- examined the borrowings and related finance cost; and<br>- assessed the adequacy of the related disclosures made in the financial statements with respect to the applicable accounting and reporting standards. |
| 2. | **Provision in respect of Gas Infrastructure and Development Cess**<br><br>(Refer note 20 to the financial statements)<br><br>During the year the Honourable Supreme Court of Pakistan (SCP) through its judgment dated August 13, 2020 has declared that the Gas Infrastructure Development Cess ("GIDC") Act, 2015 ("the Act") is valid and in accordance with the provisions of the Constitution of Pakistan 1973 ("the Constitution").<br><br>In this regard, the Company, being aggrieved by the decision, filed a review petition before the SCP. And at same time also filed a suit with the Sindh High Court (SHC) against collection of GIDC instalments, before a factual determination of GIDC pass on is carried out, and the SHC granted a stay on October 05, 2020 against recovery of GIDC payable from the Company till the finalisation of matter by the SHC. Later on SCP while deciding the review petition on November 2, 2020, disposed off the review petition against the gas consumers and stated that the Government of Pakistan is agreeable to recover the arrears in 48 monthly instalments instead of 24 monthly instalments.<br><br>Pursuant to the above decisions of the SCP and without prejudice to the suit filed in SHC, the Company, on prudent basis has re-measured its previously undiscounted GIDC provision at its present value in 48 monthly instalments commencing from August 2020.<br><br>The management has applied the requirements of "Guidance on Accounting of GIDC" issued by the Institute of Chartered Accountants of Pakistan (ICAP) in January 2021, for recognition, measurement and presentation of the GIDC provision in these financial statements and applied IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in developing and applying a change in accounting estimate. The Company has remeasured its previously undiscounted provision at its present value to incorporate the effect of time value of money arising from the expected settlement based on an instalment plan and has accordingly, recognised remeasurement gain on provision for GIDC amounting to<br>Rs. 680,996 thousand in the enclosed financial statements.<br><br>Given the nature and significance of the amounts and judgement involved in the selection of accounting policies and estimation of present value of remeasurement of the provision, we have considered this as a key audit matter. | Our audit procedures included the following:<br><br>- obtained an understanding of the background facts pertaining to provision recorded in respect of GIDC through meetings with the management and review of the minutes of the meetings of those charged with governance;<br>- read the detailed judgement of the SCP and judgement on review petition by the SCP;<br>- read details of suit filed in the SHC and stay order granted by the SHC;<br>- obtained and read the "Guidance on Accounting of GIDC" issued by ICAP and understood the management's process for applying judgments in relation to change in accounting estimate and held discussions with the management regarding accounting treatment and the related impact thereof, subsequent to judgements of SCP;<br>- checked the requirements of GIDC Act, 2015;<br>- obtained confirmation from external legal counsel in respect of the current developments in the case including their assessment of the potential outcome of the matter;<br>- checked the mathematical accuracy of the management's working of current / non - current classification of GIDC provision, its present value and assessed its accuracy and reasonableness of key estimates used;<br>- checked the appropriateness of disclosures made in the financial statements in relation to the matter in accordance with the applicable accounting and reporting standards. |

| S.No. | Key audit matters | How the matter was addressed in our audit |
| --- | --- | --- |
| 3. | **Income tax and related contingencies**<br><br>(Refer notes 25 and 27 to the financial statements)<br><br>The income tax matters of the Company include recognising the income tax provision for the year, review of past years tax position and verification of payments against the income tax liability. Such matters are also affected by the income tax law interpretations by appellate forums and availability of factual evidence. During the year, the Company has recognised charge relating to prior year tax position arising out of assessment and appellate orders. Further in respect of the tax payments that have not been agreed with the Federal Board of Revenue (FBR) records, the Company believes that such difference will be reconciled and related supporting evidence for the tax payments made will be provided to the FBR.<br><br>Due to significance of amounts involved, inherent uncertainties with respect to the outcome of these matters and use of significant estimates to assess the same including related financial impacts, we have considered the income tax matters as a key audit matter. | Our audit procedures included the following:<br>- obtained and examined details of the pending tax matters and discussed the same with the Company's management;<br>- circularized confirmations to the Company's external legal and tax advisors for their views on matters being handled by them;<br>- obtained and examined the Company's current tax, deferred tax and prior year income tax positions to check the provision for the year;<br>- involved internal tax professionals to assess management's conclusions on contingent tax matters and evaluated the consistency of such conclusions with the views of management and external legal and tax advisors engaged by the Company;<br>- checked correspondence of the Company with the relevant authorities including judgments or orders by the competent authorities in relation to the issues involved or matters which have similarities with the issues involved;<br>- checked mathematical accuracy of the calculations underlying the provisions; and<br>- assessed the adequacy of the related disclosures made in the financial statements with respect to the applicable accounting and reporting standards. |

**Information Other than the Unconsolidated and Consolidated Financial Statements and Auditor's Reports Thereon**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and unconsolidated financial statements and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.





As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Farrukh Rehman.

**A. F. Ferguson & Co.**
**Chartered Accountants**

Karachi
Date: March 3, 2021

## statement of financial position
## as at december 31, 2020

(Amounts in thousand)

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | Rupees | |
| **ASSETS** | | | |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 4 | 36,186,640 | 31,064,266 |
| Right-of-use asset | 5 | 2,305,604 | 2,747,801 |
| Intangible assets | 6 | 101,971 | 78,966 |
| Long-term investments | 7 | 1,625,000 | 1,625,000 |
| Financial assets at amortised cost | 8 | 4,660,833 | 5,421,150 |
| Long-term loans and advances | 9 | 29,286 | 72,078 |
| Deferred tax asset | 21 | - | 114,510 |
| | | 44,909,334 | 41,123,771 |
| **Current Assets** | | | |
| Stores and loose tools | 10 | 1,784,734 | 1,678,013 |
| Stock-in-trade | 11 | 6,194,509 | 4,350,059 |
| Trade debts - considered good | 12 | 586,212 | 469,613 |
| Loans, advances, deposits, prepayments and other receivables | 13 | 310,892 | 936,207 |
| Income tax payments less provision | 25 | 159,818 | 88,886 |
| Financial assets at fair value through profit or loss | 14 | 13,180,573 | 8,037,517 |
| Current maturity of financial assets at amortised cost | 8 | 964,120 | 4,557 |
| Cash and bank balances | 15 | 940,920 | 777,823 |
| | | 24,121,778 | 16,342,675 |
| **TOTAL ASSETS** | | 69,031,112 | 57,466,446 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Ordinary share capital | 16 | 9,089,233 | 9,089,233 |
| Preference shares | 17 | 3,000,000 | - |
| Share premium | | 3,874,953 | 3,874,953 |
| Unappropriated profits | | 10,106,711 | 4,766,837 |
| | | 26,070,897 | 17,731,023 |
| **Non-Current Liabilities** | | | |
| Long-term borrowings | 18 | 19,790,152 | 19,388,880 |
| Lease liabilities | 19 | 3,614,312 | 4,543,830 |
| Provisions | 20 | 2,991,392 | - |
| Deferred tax liability | 21 | 1,199,672 | - |
| | | 27,595,528 | 23,932,710 |
| **Current Liabilities** | | | |
| Current portion of long term borrowings | 18 | 1,836,333 | - |
| Current portion of lease liabilities | 19 | 1,080,561 | 987,487 |
| Provisions | 20 | 2,456,263 | 5,657,765 |
| Service benefit obligations | 22 | 79,539 | 61,049 |
| Short-term borrowings | 23 | - | 2,158,836 |
| Trade and other payables | 24 | 9,458,730 | 6,539,817 |
| Unclaimed dividend | | 28,149 | 31,333 |
| Derivative financial instruments | | - | 154 |
| Accrued interest / mark-up | 26 | 425,112 | 366,272 |
| | | 15,364,687 | 15,802,713 |
| | | 42,960,215 | 39,735,423 |
| **Contingencies and Commitments** | 27 | | |
| **TOTAL EQUITY AND LIABILITIES** | | 69,031,112 | 57,466,446 |

The annexed notes 1 to 50 form an integral part of these financial statements.

| Jahangir Piracha | Syed Abbas Raza | Feroz Rizvi |
|---|---|---|
| Chief Executive | Chief Financial Officer | Director |





## statement of profit or loss
## for the year ended december 31, 2020

(Amounts in thousand except for earnings per share)

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | Rupees | |
| Net revenue | 28 | 35,331,398 | 37,836,632 |
| Cost of sales | 29 | (24,382,129) | (29,730,593) |
| **Gross profit** | | 10,949,269 | 8,106,039 |
| Distribution and marketing expenses | 30 | (243,269) | (391,624) |
| Administrative expenses | 31 | (549,854) | (565,842) |
| Other expenses | 32 | (835,788) | (1,214,558) |
| Other income | 33 | 1,086,872 | 894,262 |
| **Operating profit** | | 10,407,230 | 6,828,277 |
| Finance costs | 34 | (2,191,097) | (1,785,583) |
| **Profit for the year before taxation** | | 8,216,133 | 5,042,694 |
| Taxation | 35 | (2,503,888) | (1,339,192) |
| **Profit for the year after taxation** | | 5,712,245 | 3,703,502 |
| **Earnings per share - basic** | 36 | 6.28 | 4.07 |
| **Earnings per share - diluted** | 36 | 6.21 | 4.07 |

The annexed notes 1 to 50 form an integral part of these financial statements.

| Jahangir Piracha | Syed Abbas Raza | Feroz Rizvi |
|---|---|---|
| Chief Executive | Chief Financial Officer | Director |

## statement of profit or loss and other comprehensive income
### for the year ended december 31, 2020

**(Amounts in thousand)**

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| **Profit for the year after taxation** | 5,712,245 | 3,703,502 |
| Other comprehensive income | - | - |
| **Total comprehensive income for the year** | 5,712,245 | 3,703,502 |

The annexed notes 1 to 50 form an integral part of these financial statements.

**Jahangir Piracha**
Chief Executive

**Syed Abbas Raza**
Chief Financial Officer

**Feroz Rizvi**
Director



## statement of changes in equity
### for the year ended december 31, 2020

**(Amounts in thousand)**

| | ISSUED, SUBSCRIBED AND PAID-UP CAPITAL | | RESERVES | | |
|---|---|---|---|---|---|
| | | | CAPITAL | REVENUE | |
| | Ordinary share capital | Preferance Share | Share premium | Unappropriated profits | Total |
| | Rupees | | | | |
| **Balance as at January 1, 2019** | 9,089,233 | - | 3,874,953 | 3,779,400 | 16,743,586 |
| Effect of change in accounting policy - net of deferred tax | - | - | - | (1,898,034) | (1,898,034) |
| **Total comprehensive income for the year** | | | | | |
| Profit for the year | - | - | - | 3,703,502 | 3,703,502 |
| Other comprehensive income for the year | - | - | - | - | - |
| | - | - | - | 3,703,502 | 3,703,502 |
| **Transactions with owners** | | | | | |
| Final dividend for the year ended December 31, 2018 - Re. 0.30 per share | - | - | - | (272,677) | (272,677) |
| Interim dividend for the year ended December 31, 2019 - Re. 0.60 per share | - | - | - | (545,354) | (545,354) |
| | - | - | - | (818,031) | (818,031) |
| **Balance as at December 31, 2019** | 9,089,233 | - | 3,874,953 | 4,766,837 | 17,731,023 |
| **Total comprehensive income for the year** | | | | | |
| Profit for the year | - | - | - | 5,712,245 | 5,712,245 |
| Other comprehensive income for the year | - | - | - | - | - |
| | - | - | - | 5,712,245 | 5,712,245 |
| **Transactions with owners** | | | | | |
| Final dividend for the year ended December 31, 2019 - Re. 0.20 per share | - | - | - | (181,785) | (181,785) |
| Preference shares issuance - note 17 | - | 3,000,000 | - | - | 3,000,000 |
| Shares isuance cost | - | - | - | (190,586) | (190,586) |
| | - | 3,000,000 | - | (372,371) | 2,627,629 |
| **Balance as at December 31, 2020** | 9,089,233 | 3,000,000 | 3,874,953 | 10,106,711 | 26,070,897 |

The annexed notes 1 to 50 form an integral part of these financial statements.

**Jahangir Piracha**
Chief Executive

**Syed Abbas Raza**
Chief Financial Officer

**Feroz Rizvi**
Director

## statement of cash flows
## for the year ended december 31, 2020

**(Amounts in thousand)**

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | Rupees | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash generated from operations | 39 | 12,582,720 | 9,040,561 |
| Long-term loans and advances | | 42,792 | 12,387 |
| Retirement benefits paid | | (34,528) | (45,428) |
| Income tax paid | | (1,260,635) | (1,278,914) |
| **Net cash generated from operating activities** | | 11,330,349 | 7,728,606 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchases of: | | | |
| - property, plant and equipment | | (6,091,440) | (12,478,416) |
| - intangible assets | | (167,922) | (266,425) |
| Proceeds from disposal of property, plant and equipment | | - | 2,809 |
| Investments in subsidiary companies | | - | (1,575,000) |
| Investment in Term Deposit Receipt | | (6,000) | (5,421,150) |
| Income on short-term investments and bank deposits | | 979,007 | 816,760 |
| **Net cash used in investing activities** | | (5,286,355) | (18,921,422) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from long-term borrowings - net of transaction costs | | 1,924,867 | 19,366,880 |
| Repayments of long-term borrowings | | - | (7,500,000) |
| Shares issuance cost paid | | (190,586) | - |
| Issuance of preference shares | | 3,000,000 | - |
| Proceeds from loan under Diminishing Musharaka Agreement | | 94,266 | - |
| Finance cost paid | | (1,891,139) | (998,523) |
| Rentals paid during the year | | (1,337,444) | (1,241,425) |
| Dividend payment | | (184,969) | (839,879) |
| **Net cash generated from financing activities** | | 1,414,995 | 8,787,053 |
| **Net increase / (decrease) in cash and cash equivalents** | | 7,458,989 | (2,405,763) |
| Cash and cash equivalents at beginning of the year | | 6,656,504 | 9,062,267 |
| **Cash and cash equivalents at end of the year** | 40 | 14,115,493 | 6,656,504 |

The annexed notes 1 to 50 form an integral part of these financial statements.

**Jahangir Piracha**
Chief Executive

**Syed Abbas Raza**
Chief Financial Officer

**Feroz Rizvi**
Director



## notes to and forming part of the financial statements
## for the year ended december 31, 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 repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The Company is listed on the Pakistan Stock Exchange.

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 These financial statements denote the standalone financial statements of the Company. The consolidated financial statements of the Company and its subsidiaries have been presented separately. Details of investments held by the Company in its subsidiaries have been provided in note 7.

1.4 The geographical location and addresses of all business units of the Company are as follows:

| Business unit | Geographical location |
|---|---|
| Head office | 12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban -e- Iqbal, Karachi |
| Manufacturing plant | EZ/I/P-II-I Eastern Zone, Port Bin Qasim Industrial Area, Karachi, Pakistan |
| Regional sales unit | 9th Floor, 301 - R Hally Tower, Phase II, DHA, Lahore |

1.5 These significant events have taken place during the year:

1.5.1 During the year, 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 directing 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.

1.5.2 On March 31, 2020, the Company's management reported a foreseeable delay in the Liner Alkyl Benzene Sulphonic Acid (LABSA) and Hydrogen Peroxide (H2O2) project, through PSX, due to restrictions on mobilization of local and overseas resources, on account of COVID-19 in Pakistan. However, from October 15, 2020 the Company has resumed the work of H2O2 project.

1.5.3 During the year prices of basic raw materials and finished goods were low due to sharp decline in global crude prices mainly due to COVID-19 pandemic. However due to supply shortage for various other reasons the prices of finished goods recovered rapidly as compared to raw materials at the end of the year.

(Amounts in thousand)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented.

### 2.1 Basis of preparation

### 2.1.1 Accounting convention

These financial statements have been prepared under the historical cost convention unless otherwise mentioned in accounting policies stated herein.

### 2.1.2 Statement of compliance

2.1.2.1 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act); and

- Provision of and directives issued under the Act.

Where provisions of and directives issued under the Act differ from the IFRSs, the provisions of and directives issued under the Act have been followed.

### 2.1.3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The accounting estimates will, by definition, seldom equal the related actual results. Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

#### 2.1.3.1 Useful lives, depreciation / amortisation methods and residual values of property, plant and equipment and intangible assets

The Company reviews appropriateness of the useful lives and residual values, where applicable, used in the calculation of depreciation / amortisation of operating fixed assets and intangible assets on an annual basis. Further, where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

#### 2.1.3.2 Provision for slow-moving stores and spares

The Company regularly reviews the provision for slow moving stores and spares which have no movement for at least three years and the quantity available is in excess to minimum stock level, thereby ensuring that items meeting the criteria are provided for.





(Amounts in thousand)

#### 2.1.3.3 Provision for stock-in-trade

The Company regularly reviews the net realizable value of stock-in-trade to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated selling price less estimated expenditure to make the sales.

#### 2.1.3.4 Impairment of financial assets

The amount of Expected Credit Losses (ECL) is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial assets.

#### 2.1.3.5 Current income taxes

In making the estimates for current income taxes payable by the Company, the management looks at the applicable law and the decisions of appellate authorities on certain issues in the past. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such final outcome is determined.

#### 2.1.3.6 Deferred taxation

In assessing the recognition of the deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realised. The ultimate realisation of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences, become deductible. Management considers the scheduled reversal of deferred applies tax liabilities, projects future taxable income and tax planning strategies in making this assessment. The amount of deferred tax assets considered realisable, however, could change in the near term if future estimates of projected taxable income during the carry forward period are revised.

#### 2.1.3.7 Lease accounting

The implementation process to identify and process all relevant data associated with the leases is complex and the measurement of the right-of-use asset and lease liability is based on assumptions such as discount rates and the lease terms, including termination and renewal options. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the Company's incremental borrowing rate is used, being the rate the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

#### 2.1.3.8 Contingencies and provisions

Significant estimates and judgements are being used by the management in accounting for contingencies and provisions relating to legal and taxation matters being contested at various forums based on applicable laws and the decisions / judgements.

### 2.1.4 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

(Amounts in thousand)

2.1.5 **Initial application of a standard, amendment or an interpretation to existing standards**

2.1.5.1 **Amendments to accounting and reporting standards that became effective during the year**

There are certain amendments to published standards that are effective for the first time for the year ended December 31, 2020, however, these are considered not to have a significant impact on the Company's financial reporting and operations and therefore have not been presented here

2.1.5.2 **Amendments to accounting and reporting standards that are not yet effective and have not been early adopted by the Company**

- **Amendment to IFRS 16 'Leases' (for annual reporting periods beginning on or after June 1, 2020)**

On May 28, 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The amendment is expected not to have a significant impact on the financial statements of the Company.

- **Amendment to IAS 1 'Presentation of financial statements' (for annual reporting periods beginning on or after January 1, 2022)**

The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. The amendment is expected not to have a significant impact on the financial statements of the Company.

There are other standards and amendments to published standards that are not yet effective and have not been early adopted by the Company. These amendments are expected not to have a significant impact on the financial statements of the Company in the period of initial recognition.

2.2 **Property, plant and equipment**

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment, if any, except capital work-in-progress. Cost in relation to fixed assets signifies historical cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Capital work-in-progress is stated at historical cost less impairment, if any.

Depreciation on assets is charged to income using the straight line method to allocate their cost less the residual values over their estimated useful lives at rates given in note 4. Depreciation on additions is charged from the month in which the asset is available for use and no depreciation is charged in the month of disposal.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to income during the year in which these are incurred.





(Amounts in thousand)

Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount and the resulting impairment loss is recognised in statement of profit or loss. The recoverable amount is the higher of fair value less expected selling expenses and value in use. An impairment loss recognised in prior periods for an asset shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense in the period of disposal or retirement.

2.3 **Capital spares**

Spare parts and servicing equipment are classified as property, plant and equipment rather than stores, spares and loose tools when they meet the definition of property, plant and equipment. Upon utilisation, the capital spares and servicing equipment are depreciated over their useful life, or the remaining life of principal asset, whichever is lower.

2.4 **Right-of-use asset and related lease liability**

The Company has entered into various rental arrangements, generally ranging in between 5 to 10 years. At inception of a contract, the Company assesses whether a contract is or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contains a wide range of different terms and conditions.

The lease liabilities are initially measured at the present value of the remaining lease payments at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments include fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liabilities are subsequently measured at amortised cost using the effective interest rate method. They are remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the respective right-of-use asset, or is recorded in statement of profit or loss if the carrying amount of that right-of-use asset has been reduced to zero.

Right-of-use assets are initially measured based on the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use assets are depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The carrying amount of the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the corresponding lease liability.

(Amounts in thousand)

2.5 **Intangible assets - computer software and applications**

Costs associated with developing and maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly attributable to identifiable software and have probable economic benefits exceeding one year, are recognised as an intangible asset. Direct costs include the purchase cost of software and related overhead cost.

Expenditure, which enhances or extends the performance of computer software beyond its original specification and useful life is recognised as a capital improvement and added to the original cost of the software.

Computer software cost treated as intangible assets are amortised from the date the software is available for use on straight-line basis over a period of 5 to 10 years. The carrying amount of the intangible assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount and is charged in the statement of profit or loss. Reversal of impairment losses are also recognised in statement of profit or loss, however, is restricted to the original cost of the asset.

2.6 **Investments in subsidiaries**

Investments in subsidiaries are classified as long-term investments and are stated at cost net of provision for impairment, if any.

2.7 **Financial instruments**

2.7.1 **Financial assets**

**Classification, initial recognition and measurement**

Financial assets are classified, at initial recognition and subsequently measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit or Loss (FVPL). The management determines the classification of financial assets at initial recognition based on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

A financial asset is measured at amortised cost if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.





(Amounts in thousand)

A financial asset is measured at fair value through profit or loss if it is not measured at amortised cost or at fair value through other comprehensive income.

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on the settlement-date - the date on which the asset is delivered to or by an entity. Financial assets at amortised cost are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, if any. Interest income and impairment losses are recognised in statement of profit or loss. Financial assets carried at FVOCI are initially and subsequently measured at fair value, with gains and losses arising from changes in fair value recognised in other comprehensive income. Financial assets carried at FVPL are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVPL are included in the statement of profit or loss in the period in which they arise.

**Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset, in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of profit or loss.

**Impairment of financial assets**

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.7.2 **Financial liabilities**

The Company recognises a financial liability in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures a financial liability at its fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. Subsequently, financial liabilities are stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the statement of profit or loss.

2.7.3 **Offsetting of financial assets and liabilities**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle either on a net basis, or realise the asset and settle the liability simultaneously.

(Amounts in thousand)

2.8 **Stores, spares and loose tools**

These are valued at weighted average cost except for items in transit which are stated at invoice value plus other charges paid thereon till the reporting date. The management assess store items which have no movement for at least three years and the quantity available is in excess to the minimum stock level. Provision is recognised for such items in the statement of profit or loss.

2.9 **Stock-in-trade**

These are valued at the lower of cost and net realizable value. Cost in relation to raw materials represents the weighted average cost and in relation to finished goods and work-in-process represents weighted average cost comprising direct materials, labour and related manufacturing overheads.

Cost of stock-in-transit represents the invoice value plus other charges incurred thereon till the reporting date.

Net realisable value signifies the estimated selling price in the ordinary course of business less cost of completion and costs necessarily to be incurred in order to make the sales. Provision is made for slow moving stocks, where considered necessary.

2.10 **Trade and other receivables**

These are recognised initially at fair value plus directly attributable transaction costs, if any and subsequently measured at amortised cost using effective interest rate method less provision for impairment, if any. A provision for impairment is established if there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivable. The amount of provision is charged to statement of profit or loss. Trade debts and other receivable considered irrecoverable are written-off.

2.11 **Cash and cash equivalents**

Cash and cash equivalents in the statement of cash flows include cash in hand and in transit, balance with banks and other short-term highly liquid investments with original maturities of three months or less and short-term finances. Short-term finances on the statement of financial position are shown as part of current liabilities.

2.12 **Share capital**

Ordinary shares are classified as equity and recognised at their face value. Incremental costs, if any, directly attributable to the issue of new shares or options are recognised in equity as a deduction, net of tax, from the proceeds.

2.13 **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional / contractual right to defer settlement of the liability for at least twelve months after the reporting date.





(Amounts in thousand)

2.14 **Retirement and other service benefits**

2.14.1 **Gratuity fund**

The employees of the Company participate in a defined contributory gratuity fund (the Gratuity Fund) operated and managed by Engro Corporation Limited - the Holding Company. As per the terms of the defined contribution plan, the Company contributes to the Gratuity Fund at the rate of 8.33% of basic salary. Annual contribution by the Company is charged to the statement of profit or loss.

2.14.2 **Provident fund**

The employees of the Company participate in defined contributory provident fund (the Provident Fund) operated and managed by Engro Corporation Limited - the Holding Company. Equal monthly contributions at the rate of 10% of the basic salary are made both by the Company and the employees to the Provident Fund. Annual contribution by the Company is charged to the statement of profit or loss.

2.14.3 **Other benefits - Service Incentive Plan**

Provision is made under a service incentive plan for certain category of experienced employees to continue in the Company's employment. The provision is made on the basis of management's estimates of incentives to be paid to employees on fulfilment of criteria given in the incentive plan.

2.15 **Trade and other payables**

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

These are classified as current liabilities if payment is due within 12 months or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current.

2.16 **Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

2.17 **Taxation**

2.17.1 **Current**

Provision for current taxation is based on the taxable income for the year, determined in accordance with the prevailing law for taxation on income, using prevailing tax rates. The charge for current tax also includes tax credits and adjustments, where considered necessary, for prior years determined during the year or otherwise considered necessary for such years.

**(Amounts in thousand)**

2.17.2 **Deferred**

Deferred income tax is provided using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax is charged or credited in the statement of profit or loss except to the extent that it relates to the items recognised directly in equity, in which case it is recognised in equity.

2.18 **Revenue recognition**

The Company recognises revenue when the control of product is transferred to customers. The assessment of transfer of control depends on the contractual terms, which is considered to be transferred either when the product is directly uplifted by customer from the Company's premises or when it is delivered by the Company at customer premises.

2.19 **Borrowing costs**

Borrowing costs are recognised as an expense in the period in which these are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset, in which case, such costs are capitalised as part of the cost of that asset. Borrowing costs include exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

2.20 **Earnings per share**

i) **Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, (excluding any costs of servicing equity other than ordinary shares) by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

ii) **Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.21 **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions.

2.22 **Dividend and appropriation to reserves**

Dividend and appropriation to reserves are recognised in the financial statements in the period in which these are approved.

**(Amounts in thousand)**

## 3. IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

During the year, the World Health Organisation (WHO) declared COVID-19 (the Virus) a pandemic. The Virus has impacted the global economy significantly. Due to the 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. Further, expansion projects were also impacted as some of the equipment deliveries and project construction work was also suspended as a precautionary measure. With effect from May 2020, the Company has resumed its operations with all precautionary measures to prevent the spread of the Virus in the light of the directives issued by the relevant authorities.

Considering the circumstances, the management has assessed the accounting implications of these developments on these financial statements, including but not limited to the following areas:

- expected credit losses under IFRS 9, 'Financial Instruments';
- impairment of tangible and intangible assets under IAS 36, 'Impairment of non financial assets';
- net realisable value of inventory under IAS 2, 'Inventories';
- deferred tax asset in accordance with IAS 12, 'Income taxes';
- provisions and contingent liabilities under IAS 37, including onerous contracts; and
- going concern assumption used for the preparation of these financials statements.

According to the management's assessment, there is no significant accounting impact of the effects of the Virus on these financial statements.

## 4. PROPERTY, PLANT AND EQUIPMENT

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Operating assets, at net book value - note 4.1 | 19,285,257 | 18,304,481 |
| Capital work-in-progress - note 4.4 | 16,837,591 | 12,695,993 |
| Capital spares | 63,792 | 63,792 |
| | 36,186,640 | 31,064,266 |

**(Amounts in thousand)**

## 4.1 Operating Assets

| | Leasehold land (note 4.2) | Building on leasehold land (note 4.2) | Plant and Machinery | Pipelines: Water | Pipelines: VCM | Pipelines: Ethylene | Pipelines: EDC | Pipelines: Gas | Furniture, fixtures and equipment | Vehicles | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Rupees | | | | | | | | | | |
| **As at January 1, 2019** | | | | | | | | | | | |
| Cost | 194,127 | 552,959 | 26,398,096 | 398,968 | 26,122 | 50,315 | - | 33,849 | 313,611 | 95,636 | 28,063,683 |
| Accumulated depreciation | (52,686) | (169,358) | (10,701,284) | (245,573) | (25,021) | (21,866) | - | (18,242) | (211,409) | (35,340) | (11,480,779) |
| Net book value | 141,441 | 383,601 | 15,696,812 | 153,395 | 1,101 | 28,449 | - | 15,607 | 102,202 | 60,296 | 16,582,904 |
| **Year ended December 31, 2019** | | | | | | | | | | | |
| Opening net book value | 141,441 | 383,601 | 15,696,812 | 153,395 | 1,101 | 28,449 | - | 15,607 | 102,202 | 60,296 | 16,582,904 |
| Additions - note 4.4 | 939,528 | 1,980 | 1,627,267 | - | - | - | 98,288 | - | 81,726 | 3,571 | 2,752,360 |
| Disposal | | | | | | | | | | | |
| Cost | - | (3,379) | - | - | - | - | - | - | (3,820) | (2,892) | (10,091) |
| Accumulated depreciation | - | 596 | - | - | - | - | - | - | 3,645 | 2,243 | 6,484 |
| | - | - | (2,783) | - | - | - | - | - | (175) | (649) | (3,607) |
| Depreciation charge - note 4.3 | (32,931) | (29,702) | (898,297) | (12,898) | (8) | (2,190) | (253) | (1,472) | (37,040) | (12,385) | (1,027,176) |
| Net book value | 1,048,038 | 353,096 | 16,425,782 | 140,497 | 1,093 | 26,259 | 98,035 | 14,135 | 146,713 | 50,833 | 18,304,481 |
| **As at January 1, 2020** | | | | | | | | | | | |
| Cost | 1,133,655 | 551,560 | 28,025,363 | 398,968 | 26,122 | 50,315 | 98,288 | 33,849 | 391,517 | 96,315 | 30,805,952 |
| Accumulated depreciation | (85,617) | (198,464) | (11,599,581) | (258,471) | (25,029) | (24,056) | (253) | (19,714) | (244,804) | (45,482) | (12,501,471) |
| Net book value | 1,048,038 | 353,096 | 16,425,782 | 140,497 | 1,093 | 26,259 | 98,035 | 14,135 | 146,713 | 50,833 | 18,304,481 |
| **Year ended December 31, 2020** | | | | | | | | | | | |
| Opening net book value | 1,048,038 | 353,096 | 16,425,782 | 140,497 | 1,093 | 26,259 | 98,035 | 14,135 | 146,713 | 50,833 | 18,304,481 |
| Additions - note 4.4 | 18,524 | 56,538 | 2,050,956 | - | - | - | 1,999 | - | 145,239 | 4,989 | 2,278,245 |
| Disposals / write-off | | | | | | | | | | | |
| Cost | - | - | - | - | - | - | - | - | (107,291) | (136) | (107,427) |
| Accumulated depreciation | - | - | - | - | - | - | - | - | 101,532 | 133 | 101,665 |
| | - | - | - | - | - | - | - | - | (5,759) | (3) | (5,762) |
| Depreciation charge - notes 4.3 | (38,972) | (23,725) | (1,133,030) | (12,866) | (345) | (1,767) | (3,047) | (1,471) | (66,541) | (9,943) | (1,291,707) |
| Net book value | 1,027,590 | 385,909 | 17,343,708 | 127,631 | 748 | 24,492 | 96,987 | 12,664 | 219,652 | 45,876 | 19,285,257 |
| **As at December 31, 2020** | | | | | | | | | | | |
| Cost | 1,152,179 | 608,098 | 30,076,319 | 398,968 | 26,122 | 50,315 | 100,287 | 33,849 | 429,465 | 101,168 | 32,976,770 |
| Accumulated depreciation | (124,589) | (222,189) | (12,732,611) | (271,337) | (25,374) | (25,823) | (3,300) | (21,185) | (209,813) | (55,292) | (13,691,513) |
| Net book value | 1,027,590 | 385,909 | 17,343,708 | 127,631 | 748 | 24,492 | 96,987 | 12,664 | 219,652 | 45,876 | 19,285,257 |
| **Annual rate of depreciation (%)** | 2 to 2.14 | 2.5 to 10 | 2.5 to 25 | 5 | 5 | 5 | 3 | 5 | 5 to 33 | 5 to 25 | |



**(Amounts in thousand)**

4.2 The details of immovable fixed assets (i.e. land and buildings) are as follows:

| Description of assets | Address | Total area of land (square yards) |
|---|---|---|
| - Leasehold land | EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi | 590,114 |
| - Production facilities | EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi | 15,794 |
| - Storage facilities | EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi | 10,705 |
| - Administration facilities | EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi | 2,908 |

4.3 Depreciation charge has been allocated as follows:

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Cost of sales - note 29 | 1,262,101 | 1,003,842 |
| Distribution and marketing expenses - note 30 | 7,054 | 5,750 |
| Administrative expenses - note 31 | 22,552 | 17,584 |
| | 1,291,707 | 1,027,176 |

## 4.4 Capital work-in-progress

| | Leasehold land | Building on leasehold land | Plant and machinery and pipelines | Furniture, fixtures and equipments | Software | Advances for vehicles | Total |
|---|---|---|---|---|---|---|---|
| | Rupees | | | | | | |
| **Year ended December 31, 2019** | | | | | | | |
| **Balance as at January 1, 2019** | 236,695 | 2,115 | 2,406,094 | 11,803 | 92,699 | 1,661 | 2,751,067 |
| Additions during the year | 734,833 | 20,359 | 11,618,569 | 101,084 | 268,086 | 1,910 | 12,744,841 |
| Transferred to: | | | | | | | |
| - Operating assets - note 5.1 | (939,528) | (1,980) | (1,725,555) | (81,726) | - | (3,571) | (2,752,360) |
| - Intangible assets - note 7 | - | - | - | - | (47,555) | - | (47,555) |
| **Balance as at December 31, 2019** | **32,000** | **20,494** | **12,299,108** | **31,161** | **313,230** | **-** | **12,695,993** |
| **Year ended December 31, 2020** | | | | | | | |
| **Balance as at January 1, 2020** | 32,000 | 20,494 | 12,299,108 | 31,161 | 313,230 | - | 12,695,993 |
| Additions during the year | | | | | | | |
| - notes 5.4.1 and 5.4.2 | - | 82,005 | 5,730,779 | 169,734 | 167,922 | 108,922 | 6,259,362 |
| Borrowing costs capitalized during the year | - | - | 214,679 | - | - | - | 214,679 |
| Write-off during the year - note 29 | - | - | (6,000) | - | - | - | (6,000) |
| Transferred to: | | | | | | | |
| - Operating assets - note 5.1 | - | (75,062) | (2,052,955) | (145,239) | - | (4,989) | (2,278,245) |
| - Intangible assets - note 7 | - | - | - | - | (48,198) | - | (48,198) |
| **Balance as at December 31, 2020** | **32,000** | **27,437** | **16,185,611** | **55,656** | **432,954** | **103,933** | **16,837,591** |

4.4.1 As of December 31, 2020, major engineering and installation in respect of plant and machinery and pipelines for PVC-III and VCM debottlenecking have been completed and will be capitalised in next financial year after completion of testing phase.

4.4.2 Include costs incurred in respect of ONE SAP project initiated by the Holding Company, which is in progress at the year end date.

(Amounts in thousand)

## 5. RIGHT-OF-USE ASSET

| | Storage tanks at Engro Vopak Terminal Limited | Building | Vehicles | Total |
|---|---|---|---|---|
| | Rupees | | | |
| **Year ended December 31, 2019** | | | | |
| **Balance as at January 1, 2019** | 2,778,739 | 66,704 | - | 2,845,443 |
| Addition during the year | 318,319 | - | - | 318,319 |
| Depreciation charge during the year - note 5.2 | (399,190) | (16,771) | - | (415,961) |
| **Balance as at December 31, 2019** | 2,697,868 | 49,933 | - | 2,747,801 |
| **Year ended December 31, 2020** | | | | |
| **Balance as at January 1, 2020** | 2,697,868 | 49,933 | - | 2,747,801 |
| Addition during the year - note 5.1 | - | - | 5,849 | 5,849 |
| Depreciation charge during the year - note 5.2 | (431,022) | (16,771) | (253) | (448,046) |
| **Balance as at December 31, 2020** | 2,266,846 | 33,162 | 5,596 | 2,305,604 |

5.1 During the year, the Company has entered into Diminishing Musharaka agreement, as disclosed in note 18.5.

5.2 Depreciation charge has been allocated as follows:

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Cost of sales - note 29 | 431,022 | 399,190 |
| Administrative expenses - note 31 | 17,024 | 16,771 |
| | 448,046 | 415,961 |

## 6. INTANGIBLE ASSETS - computer software and applications

| | 2020 | 2019 |
|---|---|---|
| **Net carrying value** | | |
| Balance as at beginning of the year | 78,966 | 106,773 |
| Add: Additions at cost - note 4.4 | 48,198 | 47,555 |
| Less: Amortisation charge for the year - notes 29 and 31 | (25,193) | (75,362) |
| Balance as at the end of the year | 101,971 | 78,966 |
| **Gross carrying value** | | |
| Cost at the beginning of the year | 316,240 | 268,042 |
| Less: Accumulated amortisation | (214,269) | (189,076) |
| Net book value | 101,971 | 78,966 |

6.1 The cost is being amortized over a period of 5 to 10 years.

(Amounts in thousand)

## 7. LONG-TERM INVESTMENTS

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Subsidiary companies, at cost - notes 7.1 and 7.2 | 1,625,000 | 1,625,000 |

7.1 Subsidiary companies:

| | 2020 | 2019 |
|---|---|---|
| - Think PVC (Private) Limited 5,000,000 (2019: 5,000,000) ordinary shares of Rs. 10 each - note 7.1.1 | 50,000 | 50,000 |
| - Engro Peroxide (Private) Limited 157,000,000 (2019: 157,000,000) ordinary shares of Rs. 10 each paid in cash - note 7.1.2 | 1,570,000 | 1,570,000 |
| - Engro Plasticizer (Private) Limited 500,000 (2019: 500,000) ordinary shares of Rs. 10 each paid in cash - note 7.1.3 | 5,000 | 5,000 |
| | 1,625,000 | 1,625,000 |

7.1.1 Think PVC (Private) Limited was incorporated in Pakistan in November 6, 1999, under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) as a wholly owned subsidiary of the Company. The principal activity of Think PVC (Private) Limited is to purchase, market and sell Poly Vinyl Chloride (PVC), PVC compounds, Caustic soda and other related chemicals and to develop market for PVC downstream products.

7.1.2 Engro Peroxide (Private) Limited was incorporated in Pakistan on July 22, 2019 under the Act as a wholly owned subsidiary of the Company. The main objective of Engro Peroxide (Private) Limited is to manufacture and market Hydrogen Peroxide and related chemicals.

7.1.3 Engro Plasticizer (Private) Limited was incorporated in Pakistan on July 22, 2019 under the Act as a wholly owned subsidiary of the Company. The main objective of Engro Plasticizer (Private) Limited is to manufacture and market Chlorinated Paraffin Wax and other related chemicals.

7.2 The registered office of the subsidiary companies is situated at 12th Floor, Plot G-3, Block 9, Khayaban-e-Iqbal, Clifton, Karachi. As at December 31, 2020, the Company continues to hold 100% (2019: 100%) of the share capital of these companies.

## 8. FINANCIAL ASSETS AT AMORTIZED COST

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Investment in Term Deposit Receipts - note 8.1 | 5,624,953 | 5,425,707 |
| Less: current maturity shown under current assets | (964,120) | (4,557) |
| | 4,660,833 | 5,421,150 |

8.1 These denote term deposits receipts 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 USD 5.833 million starting from July 15, 2021 and ending on January 15, 2024.

(Amounts in thousand)

| | | 2020 | 2019 |
|---|---|---|---|
| | | Rupees | |
| **9.** | **LONG-TERM LOANS AND ADVANCES - Considered good** | | |
| | Executives - notes 9.1 to 9.4 | 60,518 | 107,522 |
| | Less: Current portion shown under current assets - note 13 | (31,232) | (35,444) |
| | | 29,286 | 72,078 |
| 9.1 | Reconciliation of the carrying amount of loans and advances to executives is as follows: | | |
| | Balance at beginning of the year | 107,522 | 125,871 |
| | Add: Disbursements | 7,723 | 67,375 |
| | Less: Repayments / amortisations | (54,727) | (85,724) |
| | Balance at end of the year | 60,518 | 107,522 |

9.2 These include interest free loans and advances to executives for house rent, vehicles, home appliances and investments given in accordance with the terms of employment. Loans for house rent are repayable in 12 to 18 equal monthly installments and investment are repayable in lump sum amount after 36 months. Loans for home appliances are repayable in 5 equal annual installments. Advances for vehicles are charged to statement of profit or loss over a period of 4 years.

These include interest free loans to employees for home appliances and investments, given in accordance with the terms of employment.

9.3 The maximum aggregate amount due from the executives at the end of any month during the year was Rs. 111,585 (2019: Rs. 146,227). These are secured by way of promissory notes.

9.4 The maximum aggregate amount due from related parties at any time during the year with respect to month end balance was Rs. 3,059 (2019: Rs. 4,898).

9.5 The carrying values of these financial assets are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to no material defaults in recent history.

9.6 The Company does not have any loans or advances placed under any arrangements not permissible under Shariah.

| | | 2020 | 2019 |
|---|---|---|---|
| | | Rupees | |
| **10.** | **STORES, SPARES AND LOOSE TOOLS** | | |
| | Consumable stores and spares - notes 10.1 and 10.2 | 2,160,378 | 2,041,787 |
| | Less: Provision for slow moving stores and spares - note 10.3 | (375,644) | (363,774) |
| | | 1,784,734 | 1,678,013 |

10.1 This includes goods in transit amounting to Rs. 48,897 (2019: Rs. 118,506).

10.2 During the year, the Company has written off stores and spares amounting to Rs. 57,302 (2019: Nil).

(Amounts in thousand)

| | | 2020 | 2019 |
|---|---|---|---|
| | | Rupees | |
| 10.3 | The movement in the provision for slow moving stores and spares is as follows: | | |
| | Balance at beginning of the year | 363,774 | 324,130 |
| | Add: Recognised during the year - note 29 | 20,571 | 39,644 |
| | Less: Write-off during the year | (8,701) | - |
| | Balance at end of the year | 375,644 | 363,774 |
| **11.** | **STOCK-IN-TRADE** | | |
| | Raw and packing materials - notes 11.1 to 11.3 | 5,402,730 | 2,608,770 |
| | Work-in-process | 28,354 | 25,120 |
| | Finished goods - own manufactured product and trading products - notes 11.1 and 11.3 | 763,425 | 1,716,169 |
| | | 6,194,509 | 4,350,059 |
| 11.1 | This includes stocks held at storage facilities of the following parties: | | |
| | - Engro Vopak Terminal Limited, a related party | 659,703 | 1,284,031 |
| | - Al-Noor Petroleum (Private) Limited | 13,262 | 9,306 |
| | - Al-Rahim Trading Company (Private) Limited | 578,437 | 147,301 |
| | - Al-Hamd Traders | 192 | 3,486 |
| | - Pakistan House International Limited | 17,327 | 79,048 |
| | | 1,268,921 | 1,523,172 |

11.2 This includes goods in transit amounting to Rs. 1,979,023 (2019: Rs. 679,668).

11.3 During the year, raw materials and finished goods amounting to Rs. 99,704 (2019: Nil) were written off.

| | | 2020 | 2019 |
|---|---|---|---|
| | | Rupees | |
| **12.** | **TRADE DEBTS - Considered good** | | |
| | Related parties (unsecured) - note 12.1 | 15,273 | 6,775 |
| | Others | | |
| | Secured - notes 12.2 and 12.3 | 443,188 | 308,697 |
| | Unsecured - note 12.4 | 127,751 | 154,141 |
| | | 570,939 | 462,838 |
| | Considered doubtful - note 12.5 | - | 7,309 |
| | | 586,212 | 476,922 |
| | Less: Provision for doubtful debts - note 12.5 | - | 7,309 |
| | | 586,212 | 469,613 |

**(Amounts in thousand)**

12.1 Due from related parties comprise of:

| | Upto 1 month | | 2 to 6 months | | More than 6 months | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | Rupees | | | | | | | |
| Engro Powegen Thar (Private) Limited | - | 599 | - | - | - | - | - | 599 |
| Engro Fertilizers Limited | 15,217 | 6,120 | - | - | 56 | 56 | 15,273 | 6,176 |
| | 15,217 | 6,719 | - | - | 56 | 56 | 15,273 | 6,775 |

12.1.1 The maximum aggregate amount due from the related parties at the end of any month during the year was:

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| - Engro Fertilizers Limited | 16,156 | 22,556 |
| - Engro Powergen Thar (Private) Limited | 1,494 | 698 |
| | 17,650 | 23,254 |

12.2 These debts are secured by way of bank guarantees and letters of credit from customers.

12.3 Includes outstanding trade debts against export sales amounting to Rs. 52,326 (2019: Nil).

12.4 During the year, the Company has written off trade debt balance of Rs. 331 (2019: Nil).

12.5 The movement in provision during the year is as follows:

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Balance at beginning of the year | 7,309 | 9,010 |
| Less: Reversal of provision during the year - notes 30 | - | (1,701) |
| Less: Write-off during the year | (7,309) | - |
| Balance at end of the year | - | 7,309 |



**(Amounts in thousand)**

## 13. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| **Considered good** | | |
| Current portion of long term-loans and advances to executives- note 9 | 31,232 | 35,444 |
| Advances to employees - note 13.1 | - | 525 |
| Advances to suppliers and others | 59,021 | 10,464 |
| Deposits | 111,370 | 218,363 |
| Prepayments | 42,015 | 41,943 |
| Receivable from Government of Pakistan | | |
| - Sales tax and Federal excise duty refundable | 55,015 | 495,945 |
| - Octroi / duty claims | 152 | 152 |
| | 55,167 | 496,097 |
| Due from related parties (unsecured) - note 13.2 | | |
| Think PVC (Private) Limited | 374 | 2,212 |
| Engro Plasticizer (Private) Limited | 65 | 3,109 |
| Engro Energy Limited | 505 | 1,531 |
| Engro Peroxide (Private) Limited | 10,995 | 70,036 |
| Sindh Engro Coal Mining Company Limited | - | 53 |
| FrieslandCampina Engro Pakistan Limited | - | 5 |
| Engro Corporation Limited | - | 23,725 |
| Engro Fertilizers Limited | - | 2,119 |
| Engro Powergen Qadirpur Limited | - | 9 |
| | 11,939 | 102,799 |
| Other receivables | 148 | 30,572 |
| | 310,892 | 936,207 |
| **Considered doubtful** | | |
| Custom duty claims refundable - note 13.3 | 18,043 | 18,043 |
| Less: Provision for impairment - notes 13.3 and 13.5 | (18,043) | (18,043) |
| | - | - |
| Special Excise Duty (SED) refundable - note 13.4 | 36,687 | 36,687 |
| Less: Provision for impairment - notes 13.4 and 13.5 | (36,687) | (36,687) |
| | - | - |
| | 310,892 | 936,207 |

13.1 The advances given to the parties are in accordance with the terms of employment. Maximum aggregate amount due from related parties at any time during the year with respect to month end balance was Rs. 3,018 (2019: Rs. 4,708).

(Amounts in thousand)

13.2 Maximum aggregate amount due from related parties at any time during the year with respect to month end balance is as follows:

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Think PVC (Private) Limited | 17,009 | 2,212 |
| Engro Plasticizer (Private) Limited | 3,299 | 3,109 |
| Engro Energy Limited | 1,531 | 1,982 |
| Engro Peroxide (Private) Limited | 335,179 | 70,036 |
| Sindh Engro Coal Mining Company Limited | 53 | 53 |
| FrieslandCampina Engro Pakistan Limited | 5 | 5 |
| Engro Corporation Limited | 25,450 | 23,725 |
| Engro Fertilizers Limited | 2,150 | 141,763 |
| Engro Powergen Qadirpur Limited | 9 | 9 |
| | 384,685 | 242,894 |

13.3 The Customs Appellate Tribunal, Karachi Bench, through its order dated October 31, 2011, disposed of the Company's appeal filed on April 11, 2008 against the order of Collector of Customs, Port Muhammad Bin Qasim, Karachi, for the refund of custom duty paid during the period June 16, 2006 to July 24, 2006 on imports of Vinyl Chloride Monomer (VCM). The Tribunal was informed that all the aforementioned VCM consignments were released after the issuance of SRO 565(1) / 2006 dated June 6, 2006 and the benefit of five percent duty reduction was also passed onto the customers. However, as the price of the Company's product was increased which is linked with international market, the Tribunal inadvertently presumed that the said benefit had not been transferred to the customers and passed an order against the Company.

The Company has filed an appeal with the High Court of Sindh against the aforesaid order of the Tribunal. However, the Company is maintaining full provision against the aforementioned custom duty refundable till such time that all available legal forums are exhausted.

13.4 During 2007, Special Excise Duty (SED) amounting to Rs. 91,616 was paid on import of certain fixed assets. Out of the total SED paid, an amount of Rs. 54,299 was adjusted through input claim in sales tax returns. Subsequently, the remaining amount of Rs. 36,687 could not be adjusted as the said duty was disallowed as adjustment from output tax under section 7 of Sales Tax Act, 1990. Therefore, the Company has fully provided the said amount. However, the Company is pursuing recovery of the remaining amount from the tax authorities based on the view that the SED can be recovered as it was paid prior to the change in the Sales Tax Act.

13.5 As at December 31, 2020, receivables aggregating to Rs. 54,730 (2019: Rs. 54,730) were deemed to be impaired and have been provided for in full. The remaining balances of loans, deposits, due from related parties and other receivables are neither past due nor impaired.



(Amounts in thousand)

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| **14. FINANCIAL INSTRUMENT AT FAIR VALUE THROUGH PROFIT AND LOSS** | | |
| Treasury bills - note 14.1 | 1,972,636 | 6,342,029 |
| Pakistan Investment Bond - note 14.2 | 11,201,937 | 1,695,488 |
| Term deposit - note 14.3 | 6,000 | - |
| | 13,180,573 | 8,037,517 |

14.1 These carry mark-up at rates ranging between 6.9% to 7.2% per annum (2019: 12.74% to 13.50% per annum) and have been sold till January 14, 2021.

14.2 These carry mark-up at rates ranging between 7.13% to 7.22% per annum (2019: 13.36% per annum) and have been sold till January 13, 2021.

14.3 This carries mark-up at rates ranging between 6.45% per annum (2019: Nil) and has maturity on June 24, 2021.

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| **15. CASH AND BANK BALANCES** | | |
| Cash in hand | 817 | 647 |
| Cash at bank - note 15.1 | | |
| - in current accounts | 306,671 | 319,077 |
| - in saving accounts - note 15.2 | 633,432 | 458,099 |
| | 940,103 | 777,176 |
| | 940,920 | 777,823 |

15.1 These include Rs. 231,469 (2019: Rs. 215,905) held in foreign currency bank accounts.

15.2 These carry mark-up at rates ranging between 2.32% to 11.25% per annum (2019: 5.01% to 11.25% per annum).

(Amounts in thousand)

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| **16. ORDINARY SHARE CAPITAL** | | |
| **Authorised capital** | | |
| 1,250,000,000 (2019: 1,250,000,000) ordinary shares of Rs. 10 each | 12,500,000 | 12,500,000 |
| **Issued, subscribed and paid-up capital** | | |
| 908,923,333 (2019: 908,923,333) ordinary shares of Rs. 10 each, fully paid in cash - notes 16.1 and 16.2 | 9,089,233 | 9,089,233 |

16.1 As at December 31, 2020, Engro Corporation Limited (the Holding Company) and Mitsubishi Corporation (an associated company) held 510,733,450 and 100,053,562 (2019: 510,733,450 and 100,053,562) ordinary shares of Rs.10 each denoting 56.19% (2019: 56.19%) and 11.01% (2019: 11.01%) of the share capital of the Company.

16.2 There is a shareholders' agreement between Engro Corporation Limited (ECL) and Mitsubishi Corporation (MC) which includes provisions in respect of board selection, voting rights, rights of first refusal, etc.

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| **17. PREFERENCE SHARES** | | |
| **Authorised capital** | | |
| 400,000,000 (2019: 400,000,000) preference shares of Rs. 10 each | 4,000,000 | 4,000,000 |
| **Issued, subscribed and paid-up capital** | | |
| 300,000,000 (2019: Nil) preference shares of Rs. 10 each, fully paid in cash - note 17.1 | 3,000,000 | - |

17.1 During the year, the Company has issued perpetual, cumulative, callable and convertible listed preference shares of Rs. 3,000,000 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% and the payment of the same shall be at the discretion of Board of Directors. 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 December 31, 2020 based on 1:1 ratio. These shares were listed during the year.



(Amounts in thousand)

## 18. LONG-TERM BORROWINGS

| Title | Mark-up rate per annum | Installments | | December 31, 2020 | December 31, 2019 |
|---|---|---|---|---|---|
| | | Number | Commencing | Rupees | |
| Sukuks - note 18.1 | 3 months KIBOR + 0.9% | 5 half yearly | July 10, 2024 | 8,645,597 | 8,623,541 |
| Loan from International Finance Corporation (IFC) - note 18.2 | 6 months LIBOR + 3.25% | 6 half yearly | July 15, 2021 | 5,539,605 | 5,343,839 |
| Bilateral Loan - note 18.3 | 6 months KIBOR + 0% | 6 half yearly | July 15, 2021 | 5,421,500 | 5,421,500 |
| Islamic Long term financing facility (ILTFF) - note 18.4 | SBP rate + 1.2% | 32 quarterly | December 14, 2022 | 1,925,517 | - |
| Loan under diminishing musharka agreement - note 18.5 | 6 months KIBOR + 0.8% | Monthly | February 1, 2021 | 94,266 | - |
| | | | | 21,626,485 | 19,388,880 |
| Less: Current portion shown under current liabilities | | | | | |
| - Loan from International Finance Corporation | | | | (932,750) | - |
| - Bilateral Loan | | | | (903,583) | - |
| | | | | (1,836,333) | - |
| | | | | 19,790,152 | 19,388,880 |

18.1 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.

18.2 In 2018, the Company had entered into a financing agreement with IFC for a total of US Dollars 35,000 the draw down of which was been made in December 2019. The principal is repayable in six equal semi-annual installments 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. Further, prior to Project Physical Completion Date and Financial Completion Date, dividends shall not exceed 20% and 80% respectively of annual net income of the year to which the annual dividend relates.

18.3 In 2019, the Company entered into a musharaka agreement with Dubai Islamic Bank Pakistan Limited (DIBPL). The principal is repayable in six equal semi-annual installments commencing from July 2021 and carries a markup at a rate of six months KIBOR plus 0%, 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 8.

18.4 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.

18.5 During the year, the Company entered into a Diminishing Musharaka Agreement for procurement of locally assembled private / imported vehicles under car monetisation policy. The facility amounted to Rs. 200,000 (2019: Nil). The rental payments are to be made in monthly installments for five year and are calculated at the rate of six months KIBOR plus 0.8% per annum.

**(Amounts in thousand)**

18.6 Following are the changes in the long term borrowings (i.e. for which cash flows have been classified as financing activities in the statement of cash flows):

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Balance as at January 1, 2020 | 19,388,880 | 7,500,000 |
| Add: Loan received during the year | 2,019,133 | 19,366,880 |
| Add: Amortisation of transaction cost during the year | 43,822 | 22,000 |
| Add: Exchange loss for the year | 174,650 | - |
| Less: Loan repaid during the year | - | (7,500,000) |
| Balance as at December 31, 2020 | 21,626,485 | 19,388,880 |

18.7 The proceeds from the aforementioned loans are carried net of unamortised balance of transaction cost amounting to Rs. 160,648 (2019: Rs. 204,470)

## 19. LEASE LIABILITIES

These include lease liability outstanding under the storage arrangements with Engro Vopak Terminal Limited, a related party amounted to Rs. 4,644,821 (2019: Rs. 5,468,167).

## 20. PROVISIONS

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Provision for gas development infrastructure cess - note 20.1 | 4,930,263 | 5,140,373 |
| Provision for gas price revision - note 20.2 | 517,392 | 517,392 |
| | 5,447,655 | 5,657,765 |
| Less: current portion of provision of GIDC and gas price revision | (2,456,263) | (5,657,765) |
| | 2,991,392 | - |

20.1 Under the Gas Infrastructure Development Cess Act, 2011, the Government of Pakistan levied Gas Infrastructure Development Cess (GIDC) on all industrial gas consumers at the rate of Rs. 13 per MMBTU. Subsequently, the GIDC rates were enhanced through notifications under OGRA Ordinance 2002, Finance Act, 2014 and GIDC Ordinance 2014 against which the Company had obtained ad-interim stay orders from the High Court of Sindh. However, on prudent basis the Company recognised a provision of Rs. 1,345,789 till May 21, 2015.

On May 22, 2015 the Gas Infrastructure Development Cess (GIDC) Act, 2015 was promulgated whereby cess rate of Rs.100 per MMBTU and Rs. 200 per MMBTU were fixed for industrial and captive power consumption, respectively. The GIDC Act, 2015 was made applicable with immediate effect superseding the GIDC Act, 2011 and the GIDC Ordinance, 2014.

The Company, based on the advice of its legal counsel, was of the view that as per GIDC Act, 2015, the uncollected portion of cess levied through GIDC Act, 2011 and GIDC Ordinance 2014, shall not be collected from the industrial sector. Therefore, the Company reversed the provision relating to industrial portion of GIDC amounting to Rs. 753,664 for the period prior to promulgation of GIDC Act, 2015 and retained GIDC provision amounting to Rs. 592,125 in respect of captive power.

On August 13, 2020, the Supreme Court of Pakistan (SCP) announced the decision rendering the GIDC Act 2015 intra virus to the constitution and directed the Gas supplying companies to recover the dues in 24 monthly installments. A review petition was filed against the said order which was disposed-off in November 2020. The SCP in review petition, elaborated that deliberation on any provision of GIDC Act, 2015 can be contested on appropriate forum and mentioned that the installments period can be extended to 48 months. The Company has obtained ad-interim stay order dated October 5, 2020 against the GIDC Act, 2015 from the High Court of Sindh (the Court). This stay order has restrained Sui Southern Gas Company Limited (SSGC) from charging and / or recovering the cess under the GIDC Act, 2015 till the final decision on this matter. The Company, based on prudence, has recognised a provision of Rs. 452,838 (2019: Rs. 1,018,938) for the period January 2020 to July 2020.

Considering the recent events and developments in GIDC case (including the Judgement and the Review petition decision), the Institute of Chartered Accountants of Pakistan (ICAP) released financial reporting guidance on the "Accounting of GIDC" via Circular No. 1/2021 dated January 19, 2021 (the Circular) which discusses key accounting considerations for gas consumer companies. Keeping in view the financial reporting guidance of ICAP and giving due consideration to the latest available information and the expected timing of the settlement (i.e. monthly installment rather than lump sum amount), the Company has remeasured its previously undiscounted provision at its present value using risk free discount rate to incorporate the effect of time value of money arising from the expected settlement based on an installment plan and has accordingly, recognised remeasurement gain on provision for GIDC amounting to Rs. 680,996.

20.2 In 2017, the Company had filed suits in the Court, against the increase in tariff of natural gas sold to industries and captive power plants notified by Oil and Gas Regularity Authority (OGRA) vide SRO no. (1)/2016 dated December 30, 2016 whereby the Company cited the increase as illegal and unconstitutional. The SHC has granted an interim order in favour of the Company which is still operational. However, the Company has recognised a provision of Rs. 517,392 for the period from December 2017 to September 2018.

(Amounts in thousand)

| | 2020 Rupees | 2019 Rupees |
|---|---|---|
| **21. DEFERRED TAXATION - NET** | | |
| Credit balances arising due to: | | |
| - accumulated depreciation | 3,508,219 | 3,338,459 |
| Debit balances arising due to: | | |
| - recoupable minimum turnover tax | - | 558,991 |
| - recoupable alternative corporate tax | - | 369,179 |
| - unpaid liabilities | 145,728 | 128,170 |
| - leases recognised | 685,820 | 783,120 |
| - provision for Gas Infrastructure Development Cess and Special Excise Duty | 1,419,169 | 1,451,279 |
| - provision for slow moving stores and spares | - | 102,345 |
| - provision for bad debts | - | 2,055 |
| - shares issuance cost, net to equity | 57,830 | 57,830 |
| | 2,308,547 | 3,452,969 |
| | 1,199,672 | (114,510) |
| **22. SERVICE BENEFIT OBLIGATIONS** | | |
| Service incentive plan - note 22.1 | 79,539 | 61,049 |

22.1 This represents provision for annual employment benefits payable to eligible employees who have successfully completed 3 years of vesting period with the Company.

| | 2020 Rupees | 2019 Rupees |
|---|---|---|
| **23. SHORT-TERM BORROWINGS** | | |
| Running finance utilised under mark-up arrangements | - | 296,836 |
| Export refinance facility | - | 200,000 |
| Money market loans | - | 1,662,000 |
| | - | 2,158,836 |

23.1 The aggregate facilities for running finance available from various banks as at December 31, 2020, representing the sales price of all mark-up arrangements, amounted to Rs. 3,700,000 (2019: Rs. 2,925,000) of which Rs. 3,700,000 (2019: Rs. 766,164) unutilised as at year end.





(Amounts in thousand)

| | 2020 Rupees | 2019 Rupees |
|---|---|---|
| **24. TRADE AND OTHER PAYABLES** | | |
| Trade and other creditors - note 24.1 | 3,874,950 | 2,844,907 |
| Accrued liabilities - notes 24.1 and 24.2 | 3,345,855 | 2,637,665 |
| Advances from customers | 1,890,998 | 904,882 |
| Retention money | 1,240 | 1,545 |
| Security deposits - note 24.3 | 30,752 | 34,120 |
| Payable to provident funds | 14,520 | - |
| Payable to gratuity funds | 7,442 | 258 |
| Workers' Welfare Fund - note 24.5 | 149,825 | 73,199 |
| Withholding tax payable | 8,841 | 22 |
| Workers' Profits Participation Fund - note 24.4 | 126,944 | 35,133 |
| Others | 7,363 | 8,086 |
| | 9,458,730 | 6,539,817 |
| 24.1 Includes due to the following related parties: | | |
| - Engro Corporation Limited | 42,733 | 88,305 |
| - Engro Fertilizers Limited | 32,151 | 40,926 |
| - Engro Powergen Thar (Private) Limited | 613 | 613 |
| - Engro Vopak Terminal Limited | 139,179 | 139,849 |
| | 214,676 | 269,693 |

24.2 This includes Sindh Infrastructure Development Cess amounting to Rs. 854,698 (2019: Rs. 751,951).

24.3 These represent interest-free deposits from dealers for the performance of their service as defined in the dealership agreements. The deposits are refundable on termination of dealership agreements and are payable on demand. The amount is fully utilised in business in accordance with the requirement of written agreements and in terms of section 217 of the Act.

| | 2020 Rupees | 2019 Rupees |
|---|---|---|
| 24.4 The movement in WPPF payable is as follows: | | |
| Balance at the beginning of the year | 35,133 | 342,876 |
| Allocation for the year - note 32 | 439,389 | 265,133 |
| Interest charges on funds utilised | - | 4,163 |
| | 474,522 | 612,172 |
| Less: Payments during the year | (347,578) | (577,039) |
| Balance at the end of the year | 126,944 | 35,133 |

(Amounts in thousand)

24.5 The movement in WWF payable is as follows:

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Balance at the beginning of the year | 73,199 | 65,871 |
| Allocation for the year - note 32 | 132,255 | 73,698 |
| Less: Payments during the year | (55,629) | (66,370) |
| Balance at the end of the year | 149,825 | 73,199 |

## 25. TAXES PAYABLE

### 25.1 Tax year 2008

The Deputy Commissioner Inland Revenue (DCIR) through an order dated November 26, 2009, raised a tax demand of Rs. 213,172 for tax year 2008. The demand arose as a result of additions on account of trading liabilities of Rs. 47,582 under Section 34(5) of the Income Tax Ordinance, 2001 (the Ordinance), disallowance of provision for retirement benefits of Rs. 5,899 addition of imputed interest on loans to employees and executives of Rs. 16,069 to income, disallowance of finance cost of Rs. 134,414 and disallowance of adjustment of minimum tax paid for tax years 2004 to 2007 against the above demand.

The Company filed an appeal against the aforesaid order before the Commissioner Inland Revenue Appeals [CIR(A)] but discharged the entire demand through adjustment against assessed refunds of Rs. 180,768 and payment of the balance of Rs. 32,404 'under protest'. Through his appellate order, the CIR(A) maintained certain additions aggregating Rs. 189,810 including finance cost amounting to Rs. 134,414 and remanded back the issue of imputed interest on loans to employees and executives and directed the DCIR to allow credit of the minimum tax charged for the period from tax years 2004 to 2007. An appeal against the said appellate order was filed by the Company before the Appellate Tribunal Inland Revenue (ATIR). The department also filed an appeal against the said appellate order challenging the actions of the CIR(A).

In 2013, the ATIR issued an order whereby the aforementioned appeal was disposed of by accepting Company's position on all the disallowances made earlier except for additions on account of trading liabilities to the extent of Rs. 20,280 and minimum turnover tax for tax years 2004 and 2007 to the extent of Rs.19,692 and Rs. 7,300 respectively, which were maintained.

In 2013, the Company filed a reference with the High Court of Sindh (the Court) against the additions maintained by ATIR. Likewise, the tax department also filed reference with the Court against the order passed by the ATIR in favor of the Company. In 2018, the Court disposed of Company's appeal on the ground that the issues raised by the Company requires factual verification whereas the petition of the tax department are still pending before the Court. During the year, the Company performed detailed assessment of the facts of the case and based on the advice of its tax consultants, the Company decided to accept the decision of the Court and accordingly, has recognised the provision of Rs. 108,882 in respect of addition maintained by ATIR in these financial statements.

### 25.2 Tax year 2009

The DCIR through his order dated November 30, 2010 raised a tax demand of Rs. 163,206. The demand arose as a result of disallowance of finance cost of Rs. 457,282, additions to income of trading liabilities of Rs. 21,859 under section 34(5) of the Ordinance, disallowance of provision for retirement benefits of Rs. 14,239, disallowance of provision against Special Excise Duty refundable of Rs. 36,687, addition of imputed interest on loans to employees and executives of Rs. 20,599 and not considering net loss.

In 2013, the ATIR issued an order whereby the aforementioned appeal was disposed of by accepting Company's position except for additions on account of SED provision of Rs. 36,687 and imputed interest on loans to employees and executives to the extent of Rs. 17,430, which were maintained. The Company filed a reference with the Court against the additions maintained by ATIR. Likewise, the tax department has also filed reference with the Court against the order passed by the ATIR in favour of the Company. The management of the Company, based on the advice of its tax consultants, is confident that the ultimate outcome of the aforementioned matters would be favourable and, accordingly, has not recognised the effects for the same in these financial statements.





(Amounts in thousand)

### 25.3 Super Tax under section 4B of Income Tax Ordinance, 2001

Through Finance Act 2015, section 4B of Income Tax Ordinance, 2001 was inserted which levied super tax at specified rates on income for the tax year 2015. This levy was subject to the threshold of taxable income of Rs. 500,000. The levy was extended uptil tax year 2020 vide subsequent Finance Acts. Through Finance Supplementary Act, 2019, the levy of super tax has amended the rate of super tax to 0% from tax year 2020 and onwards for companies other than banking companies. On August 1, 2018, the Company filed petition against the levy of super tax in the Court and based on the opinion of its legal advisor, the Company has made a provision for full amount of Super tax of Rs. 328,000. During the year, super tax has been declared intra virus by the Court and has been declared a tax rightly introduced through Finance Act and vacated all the stays filed in this respect. Consequently, Company received various notices from tax authorities for recovery of super tax for the tax years 2017 to 2019. The Company filed appeal against the said notices with CIR(A) whereby the action of Officer has been confirmed by CIR(A) for tax years 2017 and 2018. The Company has now filed an appeal before Appellate Tribunal against the decision of CIR(A) which is pending adjudication.

In the meanwhile, Company also filed petition in Supreme Court against the order of the Court, which is pending adjudication. In November 2020, the Supreme Court conditionally granted stay subject to deposit of 50% of super tax demand. The Company has accordingly discharged 50% of the said liability.

25.4 The Company had filed refund applications with the Commissioner Inland Revenue (the Commissioner) for the Tax Year 2008 to Tax Year 2016. All refund applications filed are subject to verification by the Commissioner as per section 170 of Income Tax Ordinance, 2001 (the Ordinance). In previous years, the Company has received orders from the Commissioner for partial recovery / credit of refunds for certain tax years and furthermore, the Commissioner has also sought additional information for verification of refunds for remaining tax years amounting to Rs. 204,969 thousand. The Company believes that such differences will be reconciled and relevant supporting evidence to be provided to the Commissioner for rectification.

## 26. ACCRUED INTEREST / MARK-UP

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Mark-up accrued on: | | |
| - long-term borrowings | 425,112 | 332,563 |
| - short-term borrowings | - | 33,709 |
| | 425,112 | 366,272 |

## 27. CONTINGENCIES AND COMMITMENTS

27.1 The Deputy Commissioner Inland Revenue (DCIR) through order dated January 8, 2016, raised a sales tax demand of Rs. 524,589 on account of alleged short payment of sales tax due on the finished products that would have been produced and sold from the excess wastage of raw material. The Company filed an appeal before the Commissioner Inland Revenue Appeals [CIR(A)] on the grounds that the order passed against the Company was absolutely baseless as the DCIR had used inappropriate theoretical assumptions for calculating the sales tax liability. The CIR(A) through his order dated March 10, 2016, has decided the matter in favour of the Company. However, the department has challenged the said order of CIR(A) before Appellate Tribunal Inland Revenue (ATIR). The management of the Company, based on the advice of its tax consultants, is confident of a favourable outcome of this matter, accordingly, no provision has been made in this respect.

(Amounts in thousand)

27.2 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 Court challenging the notice, which through order dated February 4, 2020, dismissed the case based on the decision of the Court in respect of another company. However, the Court 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 against Court 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 the advice of legal advisor, is confident of a favourable decision.

27.3 The aggregate facilities for issuance of performance guarantees by the banks on behalf of the Company as at December 31, 2020 amounts to Rs. 3,248,000 (2019: Rs. 3,248,000). The amount utilised there against as at December 31, 2020 is Rs. 3,017,021 (2019: Rs. 2,163,090).

27.4 The facility for opening letters of credit as at December 31, 2020 aggregates to Rs. 23,943,186 (2019: Rs. 24,007,000). The amount utilised thereagainst as at December 31, 2020 was Rs. 3,247,361 (2019: Rs. 3,120,000).

27.5 The Company has entered into operating lease arrangments 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:

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Not later than one year | 3,805 | - |
| Later than one year but not later than five years | - | - |

27.6 Commitments in respect of rentals of storage tanks at EVTL for the handling of Ethylene aggregate to USD 30,456 valid till 31 March 2026 and Ethylene Di Chloride (EDC) aggregate to USD 2,400 and are valid till 31 December 2028.

| | | |
|---|---|---|
| 27.7 Commitments in respect of capital commitments and other operational items - note 27.7.1 | 888,048 | 3,243,097 |

27.7.1 This includes Rs. 16,388 (2019: Rs. 152,405) in respect of commitments against intangible assets to Engro Corporation Limited.

## 28. NET REVENUE

| | 2020 | 2019 |
|---|---|---|
| Gross local sales - note 28.1 | 42,002,709 | 44,223,191 |
| Less: | | |
| - Sales tax | 6,118,942 | 6,404,399 |
| - Discounts | 795,459 | 523,257 |
| | 6,914,401 | 6,927,656 |
| | 35,088,308 | 37,295,535 |
| Export sales | 158,059 | 469,164 |
| Supply of electricity - note 28.2 | 85,031 | 71,933 |
| | 35,331,398 | 37,836,632 |

28.1 Include sales of trading goods Rs. 209,212 (2019: Rs. 75,084).

28.2 This represents revenue against supply of surplus power to Engro Fertilizers Limited - a related party.





(Amounts in thousand)

## 29. COST OF SALES

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Opening stock of work-in-process | 25,120 | 15,856 |
| Raw and packing materials consumed | 11,425,736 | 17,274,480 |
| Salaries, wages and staff welfare - note 29.1 | 1,622,575 | 1,503,316 |
| Fuel, power and gas | 5,033,762 | 6,299,932 |
| Repairs and maintenance | 480,553 | 409,887 |
| Depreciation and amortisation - notes 4.3 and 6 | 1,262,101 | 1,058,073 |
| Depreciation on Right-of-use asset - note 5.2 | 431,022 | 399,190 |
| Write-off of capital work-in-progress - note 4.4 | 6,000 | - |
| Consumable stores | 414,650 | 553,077 |
| Purchased services | 613,150 | 495,582 |
| Storage and handling - note 29.2 | 542,584 | 491,610 |
| Training, conveyance and travelling | 160,708 | 258,024 |
| Communication, stationery and other office expenses | 8,895 | 11,614 |
| Rent, rates and taxes | 47,320 | 28,084 |
| Product transportation | 806,427 | 1,134,097 |
| Insurance, fees and subscription | 284,649 | 186,727 |
| Provision for slow moving stores and spares - note 10.3 | 20,571 | 39,644 |
| Write-off stores and spares - note 10.2 | 57,302 | - |
| Write-off stock in trade net of proceeds - note 11.3 | 91,763 | - |
| Other expenses | 6,026 | 21,177 |
| | 23,315,794 | 30,164,514 |
| Closing stock of work-in-process | (28,354) | (25,120) |
| Cost of goods manufactured | 23,312,560 | 30,155,250 |
| Opening stock of finished goods | 1,622,853 | 1,125,819 |
| Closing stock of finished goods | (736,768) | (1,622,853) |
| | 886,085 | (497,034) |
| Cost of sales - purchased product - note 29.3 | 183,484 | 72,377 |
| | 24,382,129 | 29,730,593 |

29.1 These include Rs. 92,858 (2019: Rs. 89,183) in respect of staff retirement and other service benefits.

29.2 This includes expense relating to variable lease payments not included in lease liabilities amounting to Rs. 136,637 (2019: Rs. 139,718).

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| 29.3 Movement of trading goods | | |
| Opening trading stock at the beginning of the year | 93,314 | - |
| Purchases made during the year | 116,827 | 165,691 |
| Closing trading stock at the end of the year | (26,657) | (93,314) |
| Consumption made during the year | 183,484 | 72,377 |

(Amounts in thousand)

## 30. DISTRIBUTION AND MARKETING EXPENSES

| | 2020 Rupees | 2019 Rupees |
|---|---|---|
| Salaries, wages and staff welfare - note 30.1 | 123,814 | 175,231 |
| Sales promotion | 92,814 | 159,219 |
| (Reversal of provision) / provision for doubtful debts - note 12.5 | - | (1,701) |
| Write-off of trade debts | 331 | - |
| Rent, rates and taxes | 5,653 | 12,308 |
| Purchased services | 3,027 | 6,706 |
| Depreciation - note 4.3 | 7,054 | 5,750 |
| Training, conveyance and travelling | 4,046 | 27,649 |
| Communication, stationery and other office expenses | 1,667 | 1,674 |
| Others | 4,863 | 4,788 |
| | 243,269 | 391,624 |

30.1 These include Rs. 10,695 (2019: Rs. 7,062) in respect of staff retirement and other service benefits.

## 31. ADMINISTRATIVE EXPENSES

| | 2020 Rupees | 2019 Rupees |
|---|---|---|
| Salaries, wages and staff welfare - note 31.1 | 316,490 | 293,717 |
| Rent, rates and taxes | 34,228 | 41,992 |
| Purchased services | 106,340 | 88,455 |
| Depreciation - note 4.3 | 22,552 | 17,584 |
| Amortisation - note 6 | 25,193 | 21,131 |
| Depreciation on right-of-use asset - note 5.2 | 17,024 | 16,771 |
| Training, conveyance and travelling | 6,579 | 37,838 |
| Communication, stationery and other office expenses | 8,035 | 27,722 |
| Others | 13,413 | 20,632 |
| | 549,854 | 565,842 |

31.1 These include Rs. 35,546 (2019: Rs. 25,989) in respect of staff retirement and other service benefits.

(Amounts in thousand)

## 32. OTHER EXPENSES

| | 2020 Rupees | 2019 Rupees |
|---|---|---|
| Legal and professional charges | 66,867 | 34,926 |
| Auditors' remuneration - note 32.1 | 4,408 | 4,503 |
| Donations - note 32.2 | 11,910 | 56,759 |
| Loss on disposal of operating assets | 5,762 | 798 |
| Foreign exchange loss (net) - note 32.3 | 175,197 | 774,578 |
| Workers' Welfare Fund - note 24.5 | 132,255 | 73,698 |
| Workers' profits participation fund - note 24.4 | 439,389 | 269,296 |
| | 835,788 | 1,214,558 |

### 32.1 Auditors' remuneration

| | 2020 Rupees | 2019 Rupees |
|---|---|---|
| Fee for: | | |
| - Annual statutory audit | 1,055 | 960 |
| - Review of half yearly financials | 210 | 190 |
| - Review of compliance with the Code of Corporate Governance | 55 | 50 |
| Taxation and other advisory services | 2,640 | 2,940 |
| Reimbursement of expenses | 448 | 363 |
| | 4,408 | 4,503 |

32.2 This includes donations made to Engro Foundation, The Citizen Foundation and The Water Foundation of Rs.5,000, Rs.2,465 and Rs.3,578 respectively. Mr Jahangir Piracha, (the Chief Executive of the Company), and Mr. Ghias Khan, (the Chairman of the Board of Directors) are the trustees of Engro Foundation.

32.3 This includes Rs.192,020 (2019: Rs.634,818) arising on translation of foreign currency denominated lease liabilities.

## 33. OTHER INCOME

| | 2020 Rupees | 2019 Rupees |
|---|---|---|
| **On financial assets** | | |
| Income on bank deposits | 45,251 | 30,657 |
| Income from financial assets at fair value through profit or loss | 842,816 | 790,660 |
| Income from financial assets at amortised cost | 118,336 | - |
| | 1,006,403 | 821,317 |
| **On non-financial assets** | | |
| Scrap sales | 43,593 | 63,130 |
| Others | 36,876 | 9,815 |
| | 1,086,872 | 894,262 |

(Amounts in thousand)

## 34. FINANCE COSTS

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Interest / mark-up on - note 34.1 | | |
| - long-term borrowings | 1,632,887 | 1,190,039 |
| - short-term borrowings and other facilities | 102,413 | 109,845 |
| | 1,735,300 | 1,299,884 |
| Interest expense on lease liabilities | 302,368 | 333,081 |
| Foreign exchange loss on financial asset and liability | 2,800 | - |
| Foreign exchange loss on derivative financial liability | - | 8,607 |
| Guarantee commission | 19,797 | 11,007 |
| Amortisation of transaction costs on borrowings | 43,822 | 22,000 |
| Default surcharge on GIDC | 18,048 | - |
| Commitment fees on borrowings | - | 73,406 |
| Cash management charges | 1,014 | 11,693 |
| LC charges | 46,539 | 634 |
| Bank and others charges | 21,409 | 25,271 |
| | 2,191,097 | 1,785,583 |

34.1 This includes borrowing costs in relation to qualifying asset amounting to Rs. 57,110, which was not capitalised, as it relates to period from March 24, 2020 to May 21, 2020 when project expansion activities were temporarily suspended due to lockdown.

## 35. TAXATION

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Current | | |
| - for the year | 1,094,177 | 962,033 |
| - for prior year | 95,526 | 138,768 |
| | 1,189,703 | 1,100,801 |
| Deferred | | |
| - for the year | 1,192,622 | 238,391 |
| - for prior year | 121,563 | - |
| | 2,503,888 | 1,339,192 |



(Amounts in thousand)

### 35.1 Relationship between tax expense and accounting profit

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Profit before taxation | 8,216,133 | 5,042,694 |
| Tax calculated at applicable rate of 29% (2019: 29%) | 2,382,679 | 1,462,381 |
| Tax effect of presumptive tax regime and income subject to lower tax rates | (119,947) | (115,141) |
| Prior year tax charge - net | 217,089 | (1,157) |
| Effect of inadmissible expenses / permanent differences | 22,237 | 12,554 |
| Impact of change in tax rates | - | (23,463) |
| Others | 1,830 | 4,018 |
| | 2,503,888 | 1,339,192 |

## 36. EARNINGS PER SHARE - basic and diluted

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

36.2 Diluted earnings per share has been calculated by adjusting the weighted average number of ordinary shares with preference shares outstanding for assumed conversion during the year.

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

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Profit for the year | 5,712,245 | 3,703,502 |
| | Number in thousands | |
| Weighted average number of shares outstanding at year end for determination of basic EPS | 908,923 | 908,923 |
| Adjustment for conversion of convertible preference shares | 10,656 | - |
| Weighted average number of potential ordinary shares outstanding at year end for determination of diluted EPS | 919,579 | 908,923 |

(Amounts in thousand)

## 37. RETIREMENT AND OTHER SERVICE BENEFITS

37.1 In 2013, the Company replaced its provident fund with the provident fund (the Fund) operated and managed by Engro Corporation Limited - the Holding Company.

37.2 The investments out of the provident funds have been made in accordance with the provisions of Section 218 of the Act and the conditions specified there under.

## 38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts for remuneration, including all benefits, to chief executive, directors and executives of the Company are given below:

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Director | | | Director | | |
| | Chief Executive | Others | Executives | Chief Executive | Others | Executives |
| | Rupees | | | | | |
| Managerial remuneration - note 38.1 | 135,072 | - | 677,318 | 29,162 | - | 667,133 |
| Retirement benefit funds | 5,808 | - | 109,901 | 6,286 | - | 104,289 |
| Bonus | 30,066 | - | 164,301 | 29,985 | - | 152,221 |
| Other benefits | 3,797 | - | 218,801 | 3,454 | - | 166,911 |
| Directors fee | - | 1,617 | - | - | 1,100 | - |
| Total | 174,743 | 1,617 | 1,170,321 | 68,887 | 1,100 | 1,090,554 |
| Number of persons including those who worked part of the year | 2 | 5 | 206 | 1 | 2 | 179 |

38.1 This includes payment of ex-gratia of Rs. 102,830 made to the outgoing Chief Executive Officer.

38.2 The Company also provides certain household items and vehicles for the use of the Chief Executive Officer and certain executives.

38.3 Expense charged in respect of directors' indemnity insurance policy purchased by the Company amounts to Rs. 49 (2019: Rs. 49).





(Amounts in thousand)

## 39. CASH GENERATED FROM OPERATIONS

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Profit before taxation | 8,216,133 | 5,042,694 |
| **Adjustments for non cash-charges and other items:** | | |
| Provision for staff retirement and other service benefits | 53,018 | 51,123 |
| Depreciation - note 4.3 | 1,291,707 | 1,027,176 |
| Depreciation on right-of-use asset - note 5.2 | 448,046 | 415,961 |
| Amortisation - note 6 | 25,193 | 75,362 |
| Write-off capital work-in-progress - note 4.4 | 6,000 | - |
| (Reversal of provision) / provision for doubtful debts - note 12.5 | - | (1,701) |
| Write off trade debts - note 30 | 331 | - |
| Write-off stores and spares - note 29 | 57,302 | - |
| Provision for slow moving stores and spares - note 10.3 | 20,571 | 39,644 |
| Write-off stock-in-trade net of proceeds - note 29 | 91,763 | - |
| Foreign exchange loss under financial assets and liabilities | 194,820 | 634,818 |
| Foreign exchange loss under derivative financial asset | - | 154 |
| Gain on of derviative financial asset | (154) | - |
| Income on bank deposits and short-term investments - note 33 | (1,006,403) | (821,317) |
| Interest expense on lease liabilities - note 34 | 302,368 | 333,081 |
| Amortisation of transaction cost - note 34 | 43,822 | 22,000 |
| Finance costs - note 34 | 1,735,300 | 1,299,884 |
| Loss on disposal of operating assets - note 32 | 5,762 | 798 |
| Provision against GIDC - note 20.1 | 452,838 | 1,018,938 |
| Remeasurement gain on provision against GIDC - note 20.1 | (680,996) | - |
| Default surcharge on GIDC - note 34 | 18,048 | - |
| Working capital changes - note 39.1 | 1,307,251 | (98,054) |
| | 12,582,720 | 9,040,561 |

### 39.1 WORKING CAPITAL CHANGES

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| **(Increase) / decrease in current assets** | | |
| Stores, spares and loose tools | (175,893) | (154,890) |
| Stock-in-trade | (1,944,154) | (768,672) |
| Trade debts | (116,930) | (37,512) |
| Loans, advances, deposits, prepayments and other receivables - net | 625,315 | 758,276 |
| | (1,611,662) | (202,798) |
| **Increase in current liabilities** | | |
| Trade and other payables | 2,918,913 | 104,744 |
| | 1,307,251 | (98,054) |

**(Amounts in thousand)**

## 40. CASH AND CASH EQUIVALENTS

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Financial assets at fair value through profit or loss | 13,174,573 | 8,037,517 |
| Cash and bank balances - note 15 | 940,920 | 777,823 |
| Short-term borrowings - note 23 | - | (2,158,836) |
| | 14,115,493 | 6,656,504 |

## 41. FINANCIAL INSTRUMENTS BY CATEGORY

### 41.1 Financial assets as per statement of financial position

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| **At amortised cost** | | |
| Long-term loans | 29,286 | 72,078 |
| Financial assets at amortised cost | 5,624,953 | 5,425,707 |
| Trade debts - considered good | 586,212 | 469,613 |
| Loans, deposits and other receivable | 154,689 | 387,178 |
| Cash and bank balances | 940,920 | 777,823 |
| | 7,336,060 | 7,132,399 |
| **At fair value through profit or loss** | | |
| Financial assets at fair value through profit or loss | 13,180,573 | 8,037,517 |
| | 20,516,633 | 15,169,916 |

### 41.2 Financial liabilities as per statement of financial position

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| **At amortised cost** | | |
| Long-term borrowings | 21,626,485 | 19,388,880 |
| Lease liabilities | 4,694,873 | 5,531,317 |
| Service benefit obligation | 79,539 | 61,049 |
| Short-term borrowings | - | 2,158,836 |
| Trade and other payables | 7,282,122 | 4,774,372 |
| Accrued interest / mark-up | 425,112 | 366,272 |
| | 34,108,131 | 32,280,726 |
| **At fair value through profit or loss** | | |
| Derivative financial instruments | - | 154 |
| | 34,108,131 | 32,280,880 |

**(Amounts in thousand)**

## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### 42.1 Financial risk factors

The Company's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risk. The Company's risk management program focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk factors, where it deems appropriate. Risk management is carried out by the Company's finance division under the guidance of the Company's Board of Directors.

**a) Market risk**

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market prices. It comprises of the following risks:

**i) Currency risk**

Currency risk represents the risk that the fair values of future cash flows of financial instruments will fluctuate because of changes in foreign currency rates. The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to US Dollar. The risk arises from outstanding payments for imports, assets and liabilities denominated in foreign currencies and future commercial transactions. In the current economic environment, the Company is significantly exposed to currency risk because of the expected volatility in exchange rates. The Company, at its discretion, manages the currency risk through forward exchange contracts.

At December 31, 2020, the financial assets and liabilities exposed to foreign exchange risk amount to Rs. 5,593,000 (2019: Rs. 5,637,055) and Rs. 13,113,858 (2019: Rs. 12,560,205) respectively.

At December 31, 2020, if the Pakistan Rupee had weakened / strengthened by 5% against the US Dollar with all other variables held constant, post-tax profit / loss for the year would have been lower / higher by Rs. 266,990 (2019: Rs. 245,772), mainly as a result of foreign exchange losses / gains on translation of uncovered US Dollar-denominated liabilities. However, this change in profits or losses would be partially offset by a corresponding change in margins as bulk of revenues is linked with movements in exchange rates.

**ii) Yield / interest rate risk**

Yield / interest rate risk represents the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk arising from investments in government securities, bank balances maintained in saving accounts, borrowings and running finance facilities and term deposits, utilised under mark-up arrangements. Variable rate financial instruments expose the Company to cash flow interest rate risk, whereas, fixed rate financial instruments expose the Company to fair value interest rate risk.

As at December 31, 2020, if interest rate on Company's borrowings had been 1% higher / lower with all other variables held constant, post tax profit for the year would have been lower / higher by approximately Rs. 32,675 (2019: Rs. 20,183) mainly as a result of higher / lower interest charged on variable rate borrowings.

(Amounts in thousand)

**iii) Other price risk**

Price risk represents the risk that the fair vale of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financials instruments or its issuers or factors affecting all similar financial instruments traded in the market. The Company is not exposed to price risk as at December 31, 2020 as the Company does not hold any financial instruments which expose it to price risk.

**b) Credit risk**

Credit risk represents the risk of financial loss being caused if counter parties fail to discharge their obligations. Credit risk arises from deposits with banks and financial institutions, trade debts, loans, deposits, other receivables financial assets at amortised cost and financial assets at fair value through profit or loss. The maximum exposure to credit risk is equal to the carrying amount of these financial assets.

The Company is not materially exposed to credit risk as unsecured credit is provided to selected parties with no history of default. Moreover, major part of trade debts are secured by bank guarantees and letters of credit from customers. Furthermore, credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings, or investments are made in government securities.

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets exposed to credit risk, which are neither past due nor impaired, are as follows:

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Long-term loans | 29,286 | 72,078 |
| Trade debts - considered good | 586,212 | 469,613 |
| Loans, deposits and other receivables | 154,689 | 387,178 |
| Financial assets at fair value through profit or loss | 13,180,573 | 8,037,517 |
| Financial assets at amortised cost | 5,624,953 | 5,425,707 |
| Bank balances | 940,103 | 777,176 |
| | 20,515,816 | 15,169,269 |





(Amounts in thousand)

The credit quality of receivables can be assessed with reference to their historical performance with no defaults in recent history. As at December 31, 2020 the credit quality of the Company's bank balances can be assessed with reference to external credit ratings assigned to the respective banks as follows:

| Bank | Rating agency | 2020 Ratings | | 2019 Ratings | |
|---|---|---|---|---|---|
| | | Short-term | Long-term | Short-term | Long-term |
| Allied Bank Limited | PACRA | A-1+ | AAA | A-1+ | AAA |
| Askari Bank Limited | PACRA | A-1+ | AA+ | A-1+ | AA+ |
| Al Baraka Bank (Pakistan) Limited | PACRA | A-1 | A | A-1 | A |
| Bank Alfalah Limited | PACRA | A-1+ | AA+ | A-1+ | AA+ |
| Bank Al Habib Limited | PACRA | A-1+ | AA+ | A-1+ | AA+ |
| Bank of China | R&I | A-1 | A | A-1 | A |
| Bank Islami Pakistan Limited | PACRA | A1 | A+ | A1 | A+ |
| Citibank N.A. | Moody | P1 | Aa3 | P1 | Aa3 |
| Deutsche Bank A.G | Moody | - | - | P2 | Ba3 |
| Dubai Islamic Bank Pakistan Limited | JCR-VIS | A-1+ | AA | A-1+ | AA |
| Faysal Bank Limited | PACRA | A-1+ | AA | A-1+ | AA |
| Habib Bank Limited | JCR-VIS | A-1+ | AAA | A-1+ | AAA |
| Habib Metropolitan Bank Limited | PACRA | A-1+ | AA+ | A-1+ | AA+ |
| Industrial and Commercial Bank of China | Moody | P-1 | A1 | P-1 | A1 |
| JS Bank Limited | PACRA | A-1+ | AA- | A-1+ | AA- |
| MCB Bank Limited | PACRA | A-1+ | AAA | A-1+ | AAA |
| MCB Islamic Bank Limited | PACRA | A-1 | A | A-1 | A |
| Meezan Bank Limited | JCR-VIS | A-1+ | AA+ | A-1+ | AA+ |
| National Bank of Pakistan | JCR-VIS | A-1+ | AAA | A-1+ | AAA |
| Standard Chartered Bank (Pakistan) Limited | PACRA | A-1+ | AAA | A-1+ | AAA |
| Summit Bank Limited | JCR-VIS | A-3 | BBB- | A-3 | BBB- |
| SAMBA Bank Limited | JCR-VIS | A-1 | AA | A-1 | AA |
| The Bank of Punjab | PACRA | A-1+ | AA | A-1+ | AA |
| United Bank Limited | JCR-VIS | A-1+ | AAA | A-1+ | AAA |

**(Amounts in thousand)**

**c) Liquidity risk**

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. The Company's liquidity management involves maintaining sufficient cash and marketable securities, the availability of funds through an adequate amount of credit facilities and through its ability to close out market positions. Due to the dynamic nature of the business, the Company aims at maintaining flexibility in funding by keeping committed credit lines available.

The general nature of credit facilities available to the Company under any contract and not availed as at the date of statement of financial position has been disclosed in notes 18 & 23.

The table below analyses how management monitors net liquidity based on details of the remaining contractual maturities of financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows:

| | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Maturity upto one year | Maturity more than one year but less than five years | Maturity after five years | Total | Maturity upto one year | Maturity more than one year but less than five years | Maturity after five years | Total |
| | Rupees | | | | | | | |
| **Financial liabilities** | | | | | | | | |
| Long-term borrowings | 3,953,611 | 21,201,305 | 4,892,231 | 30,047,147 | 1,854,200 | 23,373,714 | 3,627,225 | 28,855,139 |
| Lease liabilities | 1,323,477 | 3,735,906 | 262,774 | 5,322,157 | 1,276,223 | 4,435,600 | 707,659 | 6,419,482 |
| Service benefit obligations | 79,539 | - | - | 79,539 | 61,049 | - | - | 61,049 |
| Short term borrowings | - | - | - | - | 2,158,836 | - | - | 2,158,836 |
| Trade and other payables | 6,405,462 | - | - | 6,405,462 | 4,774,372 | - | - | 4,774,372 |
| Derivative financial instruments | - | - | - | - | 154 | - | - | 154 |
| Accrued interest / mark-up | 425,112 | - | - | 425,112 | 366,272 | - | - | 366,272 |
| | 12,187,201 | 24,937,211 | 5,155,005 | 42,279,417 | 10,491,106 | 27,809,314 | 4,334,884 | 42,635,304 |

## 43. 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. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

**Fair value hierarchy**

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Company to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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





**(Amounts in thousand)**

The Company held the following assets measured at fair Values

| | As at December 31, 2020 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets at fair value through profit or loss** | Rupees | | | |
| Treasury bills | - | 1,972,636 | - | 1,972,636 |
| Pakistan investment bonds | - | 11,201,937 | - | 11,201,937 |
| Term deposit | - | 6,000 | - | 6,000 |
| | - | 13,180,573 | - | 13,180,573 |

| | As at December 31, 2020 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets at fair value through profit or loss** | Rupees | | | |
| Treasury bills | - | 6,342,029 | - | 6,342,029 |
| Pakistan investment bonds | - | 1,695,488 | - | 1,695,488 |
| | - | 8,037,517 | - | 8,037,517 |

## 44. CAPITAL RISK MANAGEMENT

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern and to provide expected returns to its shareholders by maintaining optimum capital structure to minimize the cost of capital. To maintain or adjust the capital structure, the Company may issue new equity, manage dividend payouts to its shareholders or sell assets to reduce debt.

The Company manages capital by maintaining gearing ratio at certain levels. This ratio is calculated as long term borrowings and lease liabilities divided by total capital. Total capital is calculated as 'equity' as shown in the statement of financial position plus long-term borrowings and lease liabilities.

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| The gearing ratio of the Company is as follows: | | |
| Long-term borrowings - note 18 | 21,626,485 | 19,388,880 |
| Lease liabilities | 4,694,873 | 5,531,317 |
| | 26,321,358 | 24,920,197 |
| Total equity | 26,070,897 | 17,731,023 |
| Total capital | 52,392,255 | 42,651,220 |
| Gearing ratio | 0.502 | 0.584 |

(Amounts in thousand)

## 45. SEGMENT INFORMATION

45.1 Based on the internal management reporting structure, the Company is organised into three business segments based on the products produced and sold as follows:

- Poly Vinyl Chloride (PVC) and allied chemicals: The segment is formed to manufacture and sell PVC and allied chemicals to various industrial customers including pipe manufacturers, shoe and packaging industry. The Company supplies the products throughout Pakistan mainly through dealers. Moreover, PVC is also exported to various countries mainly in Asia Region.

- Caustic soda and allied chemicals: The segment is formed to manufacture and sell caustic soda and allied chemicals mostly to textile and soap industry.

- Power supplies: The segment supplies surplus power generated from its power plants to Engro Fertilizers Limited.

Management monitors the operating results of above-mentioned segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on profit / (loss) after tax for that segment, which in certain respects, as explained in table below, is measured differently from profit or loss in the financial statements. Items which are directly attributable to a particular segment have been allocated to the respective segment, while those which are not directly attributable have been allocated on the basis of revenue.

| | Poly Vinyl Chloride (PVC) and allied chemicals | | Caustic soda and allied chemicals | | Power supply | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| **Segment profit and loss** | Rupees | | | | | | | |
| Revenue | | | | | | | | |
| At a point in time | 30,573,350 | 31,647,675 | 4,463,506 | 5,995,675 | - | - | 35,036,856 | 37,643,350 |
| Over time | - | - | - | - | 85,032 | 71,933 | 85,032 | 71,933 |
| | 30,573,350 | 31,647,675 | 4,463,506 | 5,995,675 | 85,032 | 71,933 | 35,121,888 | 37,715,283 |
| Less: | | | | | | | | |
| Cost of sales | (21,221,205) | (26,488,041) | (3,788,302) | (3,903,637) | (77,486) | (57,030) | (25,086,993) | (30,448,708) |
| Distribution and marketing expenses | (152,054) | (318,647) | (89,041) | (72,977) | - | - | (241,095) | (391,624) |
| Administrative expenses | (511,396) | (510,011) | (47,102) | (63,187) | - | - | (558,498) | (573,198) |
| Other expenses | (537,652) | (422,168) | (75,616) | (164,562) | (1,066) | (1,750) | (614,334) | (588,480) |
| Other income | 609,471 | 480,131 | 474,990 | 413,670 | 2,411 | 461 | 1,086,872 | 894,262 |
| Finance costs | (1,872,432) | (1,442,646) | (16,200) | (9,740) | (102) | (117) | (1,888,734) | (1,452,503) |
| Profit before tax | 6,888,082 | 2,946,293 | 922,235 | 2,195,242 | 8,789 | 13,497 | 7,819,106 | 5,155,032 |
| Taxation | (2,240,450) | (791,223) | (146,011) | (576,405) | (2,268) | (3,854) | (2,388,729) | (1,371,482) |
| | 4,647,632 | 2,155,070 | 776,224 | 1,618,837 | 6,521 | 9,643 | 5,430,377 | 3,783,550 |
| Impact of ROU and lease liabilities | | | | | | | 281,749 | (93,194) |
| Others, post tax | | | | | | | 119 | 13,146 |
| **Profit for the year** | 4,647,632 | 2,155,070 | 776,224 | 1,618,837 | 6,521 | 9,643 | 5,712,245 | 3,703,502 |
| **Segment assets and liabilities** | | | | | | | | |
| Total segment assets - note 45.2 | 38,375,683 | 31,534,624 | 9,202,307 | 6,068,487 | 26,766 | 17,886 | 47,604,756 | 37,620,997 |
| Unallocated assets - note 45.2 | | | | | | | 21,426,356 | 19,845,449 |
| Total assets | | | | | | | **69,031,112** | **57,466,446** |
| Total segment liabilities - note 45.2 | 19,939,452 | 15,533,786 | 3,212,462 | 3,261,271 | 9,209 | 3,648 | 23,161,123 | 18,798,705 |
| Unallocated liabilities - note 45.2 | | | | | | | 19,799,092 | 20,936,718 |
| Total liabilities | | | | | | | **42,960,215** | **39,735,423** |

45.2 Segment assets consist primarily of property, plant and equipment, stores and spares, stock in trade and trade debts. Unallocated assets include long term investment, long term loans and advances, loans, advances, prepayments and other receivables, taxes recoverable, and cash and bank balances.





## 46. TRANSACTIONS WITH RELATED PARTIES

46.1 Following are the name of associated companies and related parties with whom the Company had entered into transactions or had arrangements or agreements in place during the year:

| Name of related parties | Direct shareholding | Relationship |
|---|---|---|
| Engro Corporation Limited | 56.19% | Parent company |
| Think PVC (Private) Limited | 100.00% | Subsidiary company |
| Engro Perxoide (Private) Limited | 100.00% | Subsidiary company |
| Engro Plasticizer (Private) Limited | 100.00% | Subsidiary company |
| Mitsubishi Corporation | 11.01 | Associated company |
| Engro Fertilizers Limited | N/A | Common directorship |
| Sindh Engro Coal Minning Company Limited | N/A | Common directorship |
| Engro Energy Limited | N/A | Common directorship |
| Thar Power Company Limited | N/A | Common directorship |
| Engro Digital Limited | N/A | Common directorship |
| Engro Eximp Agri Products (Private) Limited | N/A | Common directorship |
| FrieslandCampina Engro Pakistan Limited | N/A | Common directorship |
| Engro Infinity (Private) Limited | N/A | Common directorship |
| Engro Foundation | N/A | Common directorship |
| Karachi School of Business Leadership (KSBL) | N/A | Common directorship |
| Engro Elengy Terminal Private Limited | N/A | Common directorship |
| Engro Eximp FZE | N/A | Common directorship |
| Engro Powergen Qadirpur Limited | N/A | Common directorship |
| EFERT Agri Trade (Private) Limited | N/A | Common directorship |
| Engro Vopak Terminal Limited | N/A | Common directorship |
| Pakistan Oxygen Limited | N/A | Common directorship |
| Overseas Investors Chamber of Commerce & Industry | N/A | Common directorship |
| Pakistan Institute of Corporate Governance | N/A | Common directorship |
| Retirement funds | | |
| - Provident fund | N/A | Post employment benefits |
| - Gratuity fund | N/A | Post employment benefits |
| - Pension fund | N/A | Post employment benefits |
| Mr. Nadir Salar Qureshi - note 46.1.2 | N/A | Non-executive Director |
| Mr. Feroz Rizvi - note 46.1.2 | N/A | Independent Director |
| Ms. Ayesha Aziz - note 46.1.2 & 46.1.3 | N/A | Independent Director |
| Mr. Eram Hassan | N/A | Non-executive Director |
| Mr. Nazoor Baig - note 46.1.2 | N/A | Independent Director |
| Mr. Noriyuki Koga - note 46.1.2 | N/A | Non-executive Director |
| Mr. Hasnain Moochhala | N/A | Non-executive Director |
| Mr. Ghias Uddin Khan - note 46.1.2 | N/A | Non-executive Director |
| Mr. Rizwan Masood Raja - note 46.1.2 | N/A | Non-executive Director |
| Ms. Rahat Kaunain Hassan - notes 46.1.2 & 46.1.3 | N/A | Independent Director |
| Mr. Imran Anwer - note 46.1.1 | N/A | Chief Executive Officer |
| Mr. Jahangir Piracha - note 46.1.1 | N/A | Chief Executive Officer |
| Mr. Aneeq Ahmed | N/A | Key management personnel |
| Mr. Syed Ali Akbar | N/A | Key management personnel |
| Mr. Mahmood Siddiqui | N/A | Key management personnel |
| Mr. Asghar Ali Khan | N/A | Key management personnel |
| Mr. Mazhar Hasnaini | N/A | Key management personnel |
| Mr. Jahangir Waheed | N/A | Key management personnel |
| Ms. Salima Hasham | N/A | Key management personnel |
| Mr. Salman Hafeez | N/A | Key management personnel |
| Mr. Kalimuddin A Khan | N/A | Key management personnel |
| Mr. Fahd Khawaja | N/A | Key management personnel |
| Mr. Syed Abbas Raza | N/A | Key management personnel |

(Amounts in thousand)

46.1.1 During the year, Mr. Imran Anwer resigned from the post of Chief Executive Officer of the Company and was replaced by Mr. Jahangir Piracha.

46.1.2 These denote directors elected in the annual general meeting of the Company held on April 23, 2020.

46.1.3 Ms. Ayesha has co-opted as a Director on the Board of Directors of the Company on November 5, 2020 in the place of Ms. Rahat Kaunain Hassan.

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

| Nature of relationship | Nature of transactions | 2020 Rupees | 2019 Rupees |
|---|---|---|---|
| **Holding Company** | | | |
| - Engro Corporation Limited | Reimbursement made | 374,579 | 287,474 |
| | Reimbursement received | 25,173 | 2,386 |
| | Advance for intangible asset | 233,700 | 276,595 |
| | Life insurance contribution | - | 537 |
| | Medical insurance contribution | - | 194 |
| **Subsidiary Company** | | | |
| - Think PVC (Private) Limited | Expenses paid | 37,706 | 2,212 |
| | Reimbursement received | 39,543 | - |
| - Engro Peroxide (Private) Limited | Expenses paid | 295,157 | 70,036 |
| | Reimbursement received | 354,198 | - |
| - Engro Plasticizer (Private) Limited | Expenses paid | 190 | 3,109 |
| | Reimbursement received | 3,299 | - |
| **Associated Company** | | | |
| - Mitsubishi Corporation | Purchase of goods | 93,190 | 702,673 |
| **Member of the Group** | | | |
| - Engro Fertilizers Limited | Sale of goods | 7,737 | 11,305 |
| | Sales of utilities | 132,787 | 112,834 |
| | Purchase of services | 89,807 | 13,412 |
| | Reimbursement received | 2,323 | 3,771 |
| | Purchase of land | - | 722,122 |
| | Reimbursement made | 22,915 | 12,641 |
| - Engro Vopak Terminal Limited | Purchase of services | 1,644,170 | 1,477,298 |
| | Reimbursement made | 12,598 | 20,119 |
| | Reimbursement received | - | 936 |
| - Engro Digital Limited | Reimbursement received | 6,428 | 32 |
| - Engro Energy Limited | Reimbursements received | 1,596 | 4,372 |
| - Engro Powergen Thar (Private) Limited | Sale of goods | 1,277 | 3,987 |
| - Engro Foundation | Donations | 5,000 | 14,200 |
| **Directors** | Fee | 1,617 | 1,100 |
| **Contribution to staff retirement benefits** | **Managed and operated by the Holding Company** | | |
| | - Provident fund | 70,719 | 69,636 |
| | - Gratuity fund | 65,339 | 48,853 |
| | - Pension fund | 3,042 | 4,629 |
| **Key management personnel** | Managerial remuneration | 241,041 | 117,369 |
| | Retirement benefit funds | 18,696 | 20,853 |
| | Bonus | 50,398 | 37,351 |
| | Other benefits | 26,500 | 27,134 |





(Amounts in thousand)

46.3 The related party status of outstanding balances as at December 31, 2020 is disclosed in the respective notes.

## 47. GENERAL

**47.1 Number of employees**

| | 2020 Rupees | 2019 Rupees |
|---|---|---|
| - Total number of employees | 563 | 508 |
| - Average number of employees | 537 | 483 |

Included herein are 480 (2019: 435) employees working at the plant of the Company as at December 31, 2020 and average number of these employees during the year was 456 (2019: 467).

**47.2 Production capacity**

| | Designed annual capacity 2020 | Designed annual capacity 2019 | Actual production 2020 | Actual production 2019 | Remarks |
|---|---|---|---|---|---|
| | Kilo tons | | | | |
| PVC | 195 | 195 | 153 | 197 | Production planned as per market demand and in-house consumption needs |
| EDC | 127 | 127 | 79 | 110 | |
| Caustic soda | 106 | 106 | 77 | 105 | |
| Caustic flakes | 20 | 20 | 2 | 4 | |
| VCM | 204 | 204 | 148 | 184 | |
| | Mega Watts | | | | |
| Power | 66 | 66 | 48 | 48 | |

## 48. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors in its meeting held on February 10, 2021 has proposed a final cash dividend of Rs. 1,133,562 (2019: Rs.181,785) which is approximately Rs. 1.247 (2019: Rs. 0.20) per share. This appropriation will be approved by the members at the Annual General Meeting to be held on April 8, 2021.

Further, the Board of Directors in the meeting has proposed a final cash dividend for preference shareholders for the period from December 18, 2020 to December 31, 2020 of Rs. 12,485 which is approximately Rs 0.042 per share. This appropriation will be approved in the Annual General Meeting to be held on April 8, 2021.

**(Amounts in thousand)**

## 49. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified for better presentation, wherever considered necessary, for the purposes of better comparison. Following are the major reclassifications that have been made during the year:

| Description | Reclassified | | Amount |
|---|---|---|---|
| | From | To | |
| Accrued mark-up | Loans, advances, deposits prepayments and other receivables | Financial asset at fair value through profit or loss | 73,097 |
| Advances to suppliers | Loans, advances, deposits prepayments and other receivables | Stock-in-trade | 47,218 |
| Advances to suppliers | Loans, advances, deposits prepayments and other receivables | Stores, spares and loose tools | 109,084 |

## 50. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on February 10, 2020 by the Board of Directors of the Company.

| | | |
|---|---|---|
| Jahangir Piracha | Syed Abbas Raza | Feroz Rizvi |
| Chief Executive | Chief Financial Officer | Director |

# consolidated financial statements

pwc A·F·FERGUSON&Co.

## INDEPENDENT AUDITOR'S REPORT

**To the members of Engro Polymer and Chemicals Limited**

**Report on the Audit of the Consolidated Financial Statements**

### Opinion

We have audited the annexed consolidated financial statements of Engro Polymer and Chemicals Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020 and its consolidated financial performance and its consolidated cash flows for the year ended in accordance with the accounting and reporting standards as applicable in Pakistan.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

| S.No. | Key audit matters | How the matter was addressed in our audit |
|---|---|---|
| 1. | **Operating results**<br><br>(Refer notes 1.5 and 4 to the consolidated financial statements)<br><br>The business activities of the Company were impacted due to the COVID-19 pandemic environment and the closure of plant due to the major turnaround and gas leakage event during the year. | Our audit procedures included the following:<br><br>- obtained detailed understanding of the background facts pertaining to significant events happened during the year through meetings with the management, review of the minutes of the meetings of those charged with governance and communication to Pakistan Stock Exchange; |



pwc A·F·FERGUSON&Co.

| S.No. | Key audit matters | How the matter was addressed in our audit |
|---|---|---|
| | Production of the Company declined, prices of major raw materials were significantly lower in the international market and the prices of Company's products also witnessed significant variation during the year. Further, the activities in relation to expansion projects of the Company remained suspended for few months. State Bankof Pakistan (SBP) also reduced the policy interest rate significantly.<br><br>As a result of the price variations, gross profit of the Company increased significantly, however, additional energy and other costs were incurred. The suspension of expansion projects resulted in discontinuance of borrowing cost capitalisation. However, lower mark-up rates reduced the borrowings cost of the Company.<br><br>Due to significant effect of the events on the consolidated financial statements resulting extensive discussion with management at various stages and required significant attention to the impacts reflected in the consolidated financial statements, we have considered the above as a key audit matter. | - checked gross profit analysis of the Company;<br>- checked and compared the trends of international prices with the Company's Products;<br>- checked and compared the trends of international prices for major raw materials with the prices on which raw material purchased by the Company;<br>- checked the increase in gas prices and also checked the impact of adverse gas ratio due to gas leakage incident and closure of plant;<br>- checked raw material wise inventory reconciliation to identify period costs (if any) charged to cost of sales directly;<br>- examined the borrowings and related finance cost; and<br>- assessed the adequacy of the related disclosures made in the consolidated financial statements with respect to the applicable accounting and reporting standards. |
| 2. | **Provision in respect of Gas Infrastructure and Development Cess**<br><br>(Refer note 20 to the consolidated financial statements)<br><br>During the year the, the Honourable Supreme Court of Pakistan (SCP) through its judgment dated August 13, 2020 has declared that the Gas Infrastructure Development Cess ("GIDC") Act, 2015 ("the Act") is valid and in accordance with the provisions of the Constitution of Pakistan 1973 ("the Constitution").<br><br>In this regard, the Company, being aggrieved by the decision, filed a review petition before the SCP. And at same time also filed a suit with the Sindh High Court (SHC) against collection of GIDC instalments, before a factual determination of GIDC pass on is carried out, and the SHC granted a stay on October 05, 2020 against recovery of GIDC payable from the Company till the finalisation of matter by the SHC. Later on, SCP while deciding the review petition on November 2, 2020, disposed off the review petition against the gas consumers and stated that the Government of Pakistan is agreeable to recover the arrears in 48 monthly instalments instead of 24 monthly instalments.<br><br>Pursuant to the above decisions of the SCP and without prejudice to the suit filed in SHC, the Company, on prudent basis has re-measured its previously undiscounted GIDC provision at its present value in 48 monthly instalments commencing from August 2020.<br><br>The management has applied the requirements of "Guidance on Accounting of GIDC" issued by the Institute of Chartered Accountants of Pakistan (ICAP) in January 2021, for recognition, measurement and presentation of the GIDC provision in these consolidated financial statements and applied IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in developing and applying a change in accounting estimate. The Company has remeasured its previously undiscounted provision at its present value to incorporate the effect of time value of money arising from the expected settlement based on an instalment plan and has accordingly, recognised remeasurement gain on provision for GIDC amounting to Rs. 680,996 thousand in the enclosed consolidated financial statements.<br><br>Given the nature and significance of the amounts and judgement involved in the selection of accounting policies and estimation of present value of remeasurement of the provision, we have considered this as a key audit matter. | Our audit procedures included the following:<br><br>- obtained an understanding of the background facts pertaining to provision recorded in respect of GIDC through meetings with the management and review of the minutes of the meetings of those charged with governance;<br>- read the detailed judgement of the SCP and judgement on review petition by the SCP;<br>- read details of suit filed in the SHC and stay order granted by the SHC;<br>- obtained and read the "Guidance on Accounting of GIDC" issued by ICAP and understood the management's process for applying judgments in relation to change in accounting estimate and held discussions with the management regarding accounting treatment and the related impact thereof, subsequent to judgements of SCP;<br>- checked the requirements of GIDC Act, 2015;<br>- obtained confirmation from external legal counsel in respect of the current developments in the case including their assessment of the potential outcome of the matter;<br>- checked the mathematical accuracy of the management's working of current / non - current classification of GIDC provision, its present value and assessed its accuracy and reasonableness of key estimates used;<br>- checked the appropriateness of disclosures made in the consolidated financial statements in relation to the matter in accordance with the applicable accounting and reporting standards. |

| S.No. | Key audit matters | How the matter was addressed in our audit |
|---|---|---|
| 3. | **Income tax and related contingencies**<br><br>(Refer notes 25 and 27 to the consolidated financial statements)<br><br>The income tax matters of the Company include recognising the income tax provision for the year, review of past years tax position and verification of payments against the income tax liability. Such matters are also affected by the income tax law interpretations by appellate forums and availability of factual evidence. During the year, the Company has recognised charge relating to prior year tax position arising out of assessment and appellate orders. Further in respect of the tax payments that have not been agreed with the Federal Board of Revenue (FBR) records, the Company believes that such difference will be reconciled and related supporting evidence for the tax payments made will be provided to the FBR.<br><br>Due to significance of amounts involved, inherent uncertainties with respect to the outcome of these matters and use of significant estimates to assess the same including related financial impacts, we have considered the income tax matters as a key audit matter. | Our audit procedures included the following:<br><br>- obtained and examined details of the pending tax matters and discussed the same with the Company's management;<br><br>- circularized confirmations to the Company's external legal and tax advisors for their views on matters being handled by them;<br><br>- obtained and examined the Company's current tax, deferred tax and prior year income tax positions to check the provision for the year;<br><br>- involved internal tax professionals to assess management's conclusions on contingent tax matters and evaluated the consistency of such conclusions with the views of management and external legal and tax advisors engaged by the Company;<br><br>- checked correspondence of the Company with the relevant authorities including judgments or orders by the competent authorities in relation to the issues involved or matters which have similarities with the issues involved;<br><br>- checked mathematical accuracy of the calculations underlying the provisions; and<br><br>- assessed the adequacy of the related disclosures made in the consolidated financial statements with respect to the applicable accounting and reporting standards. |

**Information Other than the Unconsolidated and Consolidated Financial Statements and Auditor's Reports Thereon**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and unconsolidated financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Board of Directors for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from





material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Farrukh Rehman.

**A. F. Ferguson & Co.**
**Chartered Accountants**

Karachi
Date: March 3, 2021

## consolidated statement of financial position
### as at december 31, 2020

**(Amounts in thousand)**

| | Note | 2020 Rupees | 2019 Rupees |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 5 | 37,614,314 | 31,433,441 |
| Right-of-use asset | 6 | 2,305,604 | 2,747,801 |
| Intangible assets | 7 | 101,971 | 78,966 |
| Financial assets at amortised cost | 8 | 4,660,833 | 5,421,150 |
| Long-term loans and advances | 9 | 29,286 | 72,078 |
| Deferred tax asset | 21 | - | 115,823 |
| | | 44,712,008 | 39,869,259 |
| **Current Assets** | | | |
| Stores, spares and loose tools | 10 | 1,784,734 | 1,678,013 |
| Stock-in-trade | 11 | 6,194,509 | 4,350,059 |
| Trade debts - considered good | 12 | 586,212 | 469,613 |
| Loans, advances, deposits, prepayments and other receivables | 13 | 315,244 | 879,080 |
| Income tax payments less provision | 25 | 159,583 | 85,522 |
| Financial assets at fair value through profit or loss | 14 | 13,431,523 | 9,391,057 |
| Current maturity of financial assets at amortised cost | 8 | 964,120 | 4,557 |
| Cash and bank balances | 15 | 945,728 | 792,057 |
| | | 24,381,653 | 17,649,958 |
| **TOTAL ASSETS** | | 69,093,661 | 57,519,217 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Ordinary share capital | 16 | 9,089,233 | 9,089,233 |
| Preference shares | 17 | 3,000,000 | - |
| Share premium | | 3,874,953 | 3,874,953 |
| Unappropriated profits | | 10,161,945 | 4,811,970 |
| | | 26,126,131 | 17,776,156 |
| **Non-Current Liabilities** | | | |
| Long-term borrowings | 18 | 19,790,152 | 19,388,880 |
| Lease liabilities | 19 | 3,614,312 | 4,543,830 |
| Provisions | 20 | 2,991,392 | - |
| Deferred tax liability | 21 | 1,183,219 | - |
| | | 27,579,075 | 23,932,710 |
| **Current Liabilities** | | | |
| Current portion of long term borrowings | 18 | 1,836,333 | - |
| Current portion of lease liabilities | 19 | 1,080,561 | 987,487 |
| Provisions | 20 | 2,456,263 | 5,657,765 |
| Service benefit obligations | 22 | 79,539 | 61,049 |
| Short-term borrowings | 23 | - | 2,158,836 |
| Trade and other payables | 24 | 9,482,498 | 6,547,455 |
| Unclaimed dividend | | 28,149 | 31,333 |
| Derivative financial instruments | | - | 154 |
| Accrued interest / mark-up | 26 | 425,112 | 366,272 |
| | | 15,388,455 | 15,810,351 |
| | | 42,967,530 | 39,743,061 |
| **Contingencies and Commitments** | 27 | | |
| **TOTAL EQUITY AND LIABILITIES** | | 69,093,661 | 57,519,217 |

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.

Jahangir Piracha
Chief Executive

Syed Abbas Raza
Chief Financial Officer

Feroz Rizvi
Director





## consolidated statement of profit or loss
### for the year ended december 31, 2020

**(Amounts in thousand except for earnings per share)**

| | Note | 2020 Rupees | 2019 Rupees |
|---|---|---|---|
| Net revenue | 28 | 35,331,398 | 37,836,632 |
| Cost of sales | 29 | (24,382,129) | (29,730,593) |
| **Gross profit** | | 10,949,269 | 8,106,039 |
| Distribution and marketing expenses | 30 | (294,393) | (396,145) |
| Administrative expenses | 31 | (550,307) | (565,866) |
| Other expenses | 32 | (859,300) | (1,241,226) |
| Other income | 33 | 1,179,635 | 930,269 |
| **Operating profit** | | 10,424,904 | 6,833,071 |
| Finance costs | 34 | (2,191,135) | (1,793,776) |
| **Profit for the year before taxation** | | 8,233,769 | 5,039,295 |
| Taxation | 35 | (2,503,533) | (1,343,258) |
| **Profit for the year after taxation** | | 5,730,236 | 3,696,037 |
| **Earnings per share - basic** | 36 | 6.30 | 4.07 |
| **Earnings per share - diluted** | 36 | 6.23 | 4.07 |

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.

Jahangir Piracha
Chief Executive

Syed Abbas Raza
Chief Financial Officer

Feroz Rizvi
Director

## consolidated statement of profit or loss and other comprehensive income
### for the year ended december 31, 2020

**(Amounts in thousand)**

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| **Profit for the year after taxation** | 5,730,236 | 3,696,037 |
| Other comprehensive income | - | - |
| **Total comprehensive income for the year** | 5,730,236 | 3,696,037 |

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.

**Jahangir Piracha**
Chief Executive

**Syed Abbas Raza**
Chief Financial Officer

**Feroz Rizvi**
Director



## consolidated statement of changes in equity
### for the year ended december 31, 2020

**(Amounts in thousand)**

| | ISSUED, SUBSCRIBED AND PAID-UP CAPITAL | | RESERVES CAPITAL | RESERVES REVENUE | |
|---|---|---|---|---|---|
| | Ordinary share capital | Preference capital | Share premium | Unappropriated profits | Total |
| | Rupees | | | | |
| **Balance as at January 1, 2019** | 9,089,233 | - | 3,874,953 | 3,831,998 | 16,796,184 |
| Effect of change in accounting policy - net of deferred tax | - | - | - | (1,898,034) | (1,898,034) |
| **Total comprehensive income for the year** | | | | | |
| Profit for the year | - | - | - | 3,696,037 | 3,696,037 |
| Other comprehensive income for the year | - | - | - | - | - |
| | - | - | - | 3,696,037 | 3,696,037 |
| **Transactions with owners** | | | | | |
| Final dividend for the year ended December 31, 2018 - Re. 0.30 per share | - | - | - | (272,677) | (272,677) |
| Interim dividend for the year ended December 31, 2019 - Re. 0.60 per share | - | - | - | (545,354) | (545,354) |
| | - | - | - | (818,031) | (818,031) |
| **Balance as at December 31, 2019** | 9,089,233 | - | 3,874,953 | 4,811,970 | 17,776,156 |
| **Total comprehensive income for the year** | | | | | |
| Profit for the year | - | - | - | 5,730,236 | 5,730,236 |
| Other comprehensive income for the year | - | - | - | - | - |
| | - | - | - | 5,730,236 | 5,730,236 |
| **Transactions with owners** | | | | | |
| Final dividend for the year ended December 31, 2019 - Re. 0.20 per share | - | - | - | (181,785) | (181,785) |
| Preference shares issuance - note 17 | - | 3,000,000 | - | - | 3,000,000 |
| Shares issuance cost | - | - | - | (198,476) | (198,476) |
| | - | 3,000,000 | - | (380,261) | 2,619,739 |
| **Balance as at December 31, 2020** | 9,089,233 | 3,000,000 | 3,874,953 | 10,161,945 | 26,126,131 |

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.

**Jahangir Piracha**
Chief Executive

**Syed Abbas Raza**
Chief Financial Officer

**Feroz Rizvi**
Director

## consolidated statement of cash flows
### for the year ended december 31, 2020

**(Amounts in thousand)**

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | Rupees | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash generated from operations | 39 | 12,462,697 | 9,070,299 |
| Long-term loans and advances | | 42,792 | 12,387 |
| Retirement benefits paid | | (34,528) | (45,428) |
| Income tax paid | | (1,278,549) | (1,280,480) |
| **Net cash generated from operating activities** | | 11,192,412 | 7,756,778 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchases of: | | | |
| - property, plant and equipment | | (7,150,392) | (12,847,615) |
| - intangible assets | | (167,922) | (266,425) |
| Proceeds from disposal of property, plant and equipment | | - | 2,809 |
| Investment in Term Deposit Receipt | | (6,000) | (5,421,150) |
| Income on short-term investments and bank deposits | | 1,071,770 | 852,776 |
| **Net cash used in investing activities** | | (6,252,544) | (17,679,605) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from long-term borrowings - net of transaction costs | | 1,924,867 | 19,366,880 |
| Repayments of long-term borrowings | | - | (7,500,000) |
| Issuance of preference shares | | 3,000,000 | - |
| Shares issuance cost paid | | (198,476) | |
| Proceeds from loan under Diminishing Musharaka Agreement | | 94,266 | - |
| Finance cost paid | | (1,891,139) | (998,525) |
| Rentals paid during the year | | (1,337,444) | (1,241,425) |
| Dividend payment | | (184,969) | (839,879) |
| **Net cash generated from financing activities** | | 1,407,105 | 8,787,051 |
| **Net increase / (decrease) in cash and cash equivalents** | | 6,346,973 | (1,135,776) |
| Cash and cash equivalents at beginning of the year | | 8,024,278 | 9,160,054 |
| **Cash and cash equivalents at end of the year** | 40 | 14,371,251 | 8,024,278 |

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.

| | | |
|---|---|---|
| **Jahangir Piracha** | **Syed Abbas Raza** | **Feroz Rizvi** |
| Chief Executive | Chief Financial Officer | Director |



## notes to and forming part of the consolidated financial statements
### for the year ended december 31, 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 repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The Company is listed on the Pakistan Stock Exchange.

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 These financial statements denote the consolidated financial statements of the Company. The standalone financial statements of the Company and its subsidiaries have been presented separately.

1.4 The geographical location and addresses of all business units of the Company are as follows:

| Business unit | Geographical location |
|---|---|
| Head office | 12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban -e- Iqbal, Karachi |
| Manufacturing plant | EZ/I/P-II-I Eastern Zone, Port Bin Qasim Industrial Area, Karachi, Pakistan |
| Regional sales unit | 9th Floor, 301 - R Hally Tower, Phase II, DHA, Lahore |

1.5 These significant events have taken place during the year :

1.5.1 During the year, 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 directing 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.

1.5.2 On March 31, 2020, the Company's management reported a foreseeable delay in the Liner Alkyl Benzene Sulphonic Acid (LABSA) and Hydrogen Peroxide (H2O2) project, through PSX, due to restrictions on mobilization of local and overseas resources, on account of COVID-19 in Pakistan. However, from October 15, 2020 the Company has resumed the work of H2O2 project.

1.5.3 During the year prices of basic raw materials and finished goods of the Company were low due to sharp decline in global crude prices mainly due to COVID-19 pandemic. However due to supply shortage for various other reasons the prices of finished goods recovered rapidly as compared to raw materials at the end of the year.

(Amounts in thousand)

## 2. DETAILS OF INVESTMENTS

Details of investments held by the Company in its subsidiaries are as follows:

| | Percentage of shareholding | |
|---|---|---|
| | 2020 | 2019 |
| - Think PVC (Private) Limited - note 2.1 | 100% | 100% |
| - Engro Peroxide (Private) Limited - note 2.2 | 100% | 100% |
| - Engro Plasticizer (Private) Limited - note 2.3 | 100% | 100% |

2.1 Think PVC (Private) Limited was incorporated in Pakistan in November 6, 1999, under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) as a wholly owned subsidiary of the Company. The principal activity of Think PVC (Private) Limited is to purchase, market and sell Poly Vinyl Chloride (PVC), PVC compounds, Caustic soda and other related chemicals and to develop market for PVC downstream products. During the year, the Company is still in the process to set-up its first PVC Products Showroom, a pilot project of downstream marketing which will commence from the end of first quarter of 2021.

2.2 Engro Peroxide (Private) Limited was incorporated in Pakistan on July 22, 2019 under the Act as a wholly owned subsidiary of the Company. The main objective of Engro Peroxide (Private) Limited is to manufacture and market Hydrogen Peroxide and related chemicals. On March 31, 2020, EPCL's management reported a foreseeable delay in the Hydrogen Peroxide project, through Pakistan Stock Exchange (PSX), due to restrictions on mobilization of local and overseas resourcres. However, from October 15, 2020, the Company has resumed work and now its completion is expected at the end of year 2022.

2.3 Engro Plasticizer (Private) Limited was incorporated in Pakistan on July 22, 2019 under the Act as a wholly owned subsidiary of the Company. The main objective of Engro Plasticizer (Private) Limited is to manufacture and market Chlorinated Paraffin Wax and other related chemicals.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented.

### 3.1 Basis of preparation

### 3.1.1 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention unless otherwise mentioned in accounting policies stated herein.

### 3.1.2 Statement of compliance

3.1.2.1 These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act); and
- Provision of and directives issued under the Act.

Where provisions of and directives issued under the Act differ from the IFRSs, the provisions of and directives issued under the Act have been followed.

### 3.1.3 Critical accounting estimates and judgements

The preparation of these consolidated financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of





(Amounts in thousand)

applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The accounting estimates will, by definition, seldom equal the related actual results. Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

**3.1.3.1 Useful lives, depreciation / amortisation methods and residual values of property, plant and equipment and intangible assets**

The Group reviews appropriateness of the useful lives and residual values, where applicable, used in the calculation of depreciation / amortisation of operating fixed assets and intangible assets on an annual basis. Further, where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

**3.1.3.2 Provisoin for slow-moving stores and spares**

The group regurlarly reviewes the provision for slow moving stores and spares which have no movement for at least three years and the quaintity available in excess to minimum stock level, thereby ensuring that items meeting the criteria are provided for.

**3.1.3.3 Provisoin for stock-in-trade**

The Group regularly reviews the net realizable value of stock-in-trade to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated selling price less estimated expenditure to make the sales.

**3.1.3.4 Impairment of financial assets**

The amount of Expected Credit Losses (ECL) is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial assets.

**3.1.3.5 Current income taxes**

In making the estimates for current income taxes payable by the Group, the management looks at the applicable law and the decisions of appellate authorities on certain issues in the past. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such final outcome is determined.

**3.1.3.6 Deferred taxation**

In assessing the recognition of the deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realised. The ultimate realisation of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences, become deductible. Management considers the scheduled reversal of deferred applies tax liabilities, projects future taxable income and tax planning strategies in making this assessment. The amount of deferred tax assets considered realisable, however, could change in the near term if future estimates of projected taxable income during the carry forward period are revised.

**3.1.3.7 Lease accounting**

The implementation process to identify and process all relevant data associated with the leases is complex and the measurement of the right-of-use asset and lease liability is based on assumptions such as discount rates and the lease terms, including termination and renewal options. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the Company's incremental borrowing rate is used, being the rate the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

**(Amounts in thousand)**

3.1.3.8 **Contingencies and provisions**

Significant estimates and judgements are being used by the management in accounting for contingencies and provisions relating to legal and taxation matters being contested at various forums based on applicable laws and the decisions / judgements.

3.1.4 **Functional and presentation currency**

These consolidated financial statements are presented in Pakistan Rupees which is the Group's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

3.1.5 **Initial application of a standard, amendment or an interpretation to existing standards**

3.1.5.1 **Amendments to accounting and reporting standards that became effective during the year**

There are certain amendments to published standards that are effective for the first time for the year ended December 31, 2020, however, these are considered not to have a significant impact on the Group's financial reporting and operations and therefore have not been presented here.

3.1.5.2 **Amendments to accounting and reporting standards that are not yet effective and have not been early adopted by the Company**

- **Amendment to IFRS 16 'Leases' (for annual reporting periods beginning on or after June 1, 2020)**

  On May 28, 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The amendment is expected not to have a significant impact on the consolidated financial statements of the Group.

- **Amendment to IAS 1 'Presentation of financial statements' (for annual reporting periods beginning on or after January 1, 2022)**

  The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability. The amendment is expected not to have a significant impact on the consolidated financial statements of the Group.

There are other standards and amendments to published standards that are not yet effective and have not been early adopted by the Group. These amendments are expected not to have a significant impact on the consolidated financial statements of the Group in the period of initial recognition.



**(Amounts in thousand)**

3.2 **Property, plant and equipment**

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment, if any, except capital work-in-progress. Cost in relation to fixed assets signifies historical cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Capital work-in-progress is stated at historical cost less impairment, if any.

Depreciation on assets is charged to income using the straight line method to allocate their cost less the residual values over their estimated useful lives at rates given in note 5. Depreciation on additions is charged from the month in which the asset is available for use and no depreciation is charged in the month of disposal.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to income during the year in which these are incurred.

Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount and the resulting impairment loss is recognised in consolidated statement of profit or loss. The recoverable amount is the higher of fair value less expected selling expenses and value in use. An impairment loss recognised in prior periods for an asset shall be reversed if, and only if, there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense in the period of disposal or retirement.

3.3 **Capital spares**

Spare parts and servicing equipment are classified as property, plant and equipment rather than stores, spares and loose tools when they meet the definition of property, plant and equipment. Upon utilisation, the capital spares and servicing equipment are depreciated over their useful life, or the remaining life of principal asset, whichever is lower.

**(Amounts in thousand)**

3.4 **Right-of-use asset and related lease liability**

The Group has entered into various rental arrangements, generally ranging in between 5 to 10 years. At inception of a contract, the Group assesses whether a contract is or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contains a wide range of different terms and conditions.

The lease liabilities are initially measured at the present value of the remaining lease payments at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments include fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Group is reasonably certain to exercise these options.

The lease liabilities are subsequently measured at amortised cost using the effective interest rate method. They are remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the respective right-of-use asset, or is recorded in consolidated statement of profit or loss if the carrying amount of that right-of-use asset has been reduced to zero.

Right-of-use assets are initially measured based on the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use assets are depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The carrying amount of the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the corresponding lease liability.

3.5 **Intangible assets - computer software and applications**

Costs associated with developing and maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly attributable to identifiable software and have probable economic benefits exceeding one year, are recognised as an intangible asset. Direct costs include the purchase cost of software and related overhead cost.

Expenditure, which enhances or extends the performance of computer software beyond its original specification and useful life is recognised as a capital improvement and added to the original cost of the software.

Computer software cost treated as intangible assets are amortised from the date the software is available for use on straight-line basis over a period of 5 to 10 years. The carrying amount of the intangible assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount and is charged in the statement of profit or loss. Reversal of impairment losses are also recognised in conoslidated statement of profit or loss, however, is restricted to the original cost of the asset.

**(Amounts in thousand)**

3.6 **Financial instrument**

3.6.1 **Financial assets**

**Classification, initial recognition and measurement**

Financial assets are classified, at initial recognition and subsequently measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit or Loss (FVPL). The management determines the classification of financial assets at initial recognition based on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

A financial asset is measured at amortised cost if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through profit or loss if it is not measured at amortised cost or at fair value through other comprehensive income.

All financial assets are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on the settlement-date - the date on which the asset is delivered to or by an entity. Financial assets at amortised cost are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, if any. Interest income and impairment losses are recognised in consolidated statement of profit or loss. Financial assets carried at FVOCI are initially and subsequently measured at fair value, with gains and losses arising from changes in fair value recognised in other comprehensive income. Financial assets carried at FVPL are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVPL are included in the consolidated statement of profit or loss in the period in which they arise.

**Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset, in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in consolidated statement of profit or loss.

**(Amounts in thousand)**

**Impairment of financial assets**

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

**3.6.2 Financial liabilities**

The Group recognises a financial liability in its consolidated statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument. At initial recognition, the Group measures a financial liability at its fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. Subsequently, financial liabilities are stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the consolidated statement of profit or loss.

**3.6.3 Offsetting of financial assets and liabilities**

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle either on a net basis, or realise the asset and settle the liability simultaneously.

**3.7 Stores, spares and loose tools**

These are valued at weighted average cost except for items in transit which are stated at invoice value plus other charges paid thereon till the reporting date. The management assess store items which have no movement for at least three years and the quantity available is in excess to the minimum stock level. Provision is recognised for such items in the consolidated statement of profit or loss.

**3.8 Stock-in-trade**

These are valued at the lower of cost and net realizable value. Cost in relation to raw materials represents the weighted average cost and in relation to finished goods and work-in-process represents weighted average cost comprising direct materials, labour and related manufacturing overheads.

Cost of stock-in-transit represents the invoice value plus other charges incurred thereon till the reporting date.

Net realisable value signifies the estimated selling price in the ordinary course of business less cost of completion and costs necessarily to be incurred in order to make the sales. Provision is made for slow moving stocks, where considered necessary.

**3.9 Trade and other receivables**

These are recognised initially at fair value plus directly attributable transaction costs, if any and subsequently measured at amortised cost using effective interest rate method less provision for impairment, if any. A provision for impairment is established if there is objective evidence that the Group will not be able collect all amounts due according to the original terms of receivable. The amount of provision is charged to consolidated statement of profit or loss. Trade debts and other receivable considered irrecoverable are written-off.

**(Amounts in thousand)**

**3.10 Cash and cash equivalents**

Cash and cash equivalents in the consolidated statement of cash flows include cash in hand and in transit, balance with banks and other short-term highly liquid investments with original maturities of three months or less and short-term finances. Short-term finances on the consolidated statement of financial position are shown as part of current liabilities.

**3.11 Share capital**

Ordinary shares are classified as equity and recognised at their face value. Incremental costs, if any, directly attributable to the issue of new shares or options are recognised in equity as a deduction, net of tax, from the proceeds.

**3.12 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional / contractual right to defer settlement of the liability for at least twelve months after the reporting date.

**3.13 Retirement and other service benefits**

**3.13.1 Gratuity fund**

The employees of the Group participate in a defined contributory gratuity fund (the Gratuity Fund) operated and managed by Engro Corporation Limited - the Holding Company. As per the terms of the defined contribution plan, the Group contributes to the Gratuity Fund at the rate of 8.33% of basic salary. Annual contribution by the Group is charged to the consolidated statement of profit or loss.

**3.13.2 Provident fund**

The employees of the Group participate in defined contributory provident fund (the Provident Fund) operated and managed by Engro Corporation Limited - the Holding Company. Equal monthly contributions at the rate of 10% of the basic salary are made both by the Group and the employees to the Provident Fund. Annual contribution by the Group is charged to the consolidated statement of profit or loss.

**3.13.3 Other benefits - Service Incentive Plan**

Provision is made under a service incentive plan for certain category of experienced employees to continue in the Group's employment. The provision is made on the basis of management's estimates of incentives to be paid to employees on fulfilment of criteria given in the incentive plan.

**3.14 Trade and other payables**

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

These are classified as current liabilities if payment is due within 12 months or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current.

**3.15 Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

(Amounts in thousand)

3.16 **Taxation**

3.16.1 **Current**

Provision for current taxation is based on the taxable income for the year, determined in accordance with the prevailing law for taxation on income, using prevailing tax rates. The charge for current tax also includes tax credits and adjustments, where considered necessary, for prior years determined during the year or otherwise considered necessary for such years.

3.16.2 **Deferred**

Deferred income tax is provided using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax is charged or credited in the consolidated statement of profit or loss except to the extent that it relates to the items recognised directly in equity, in which case it is recognised in equity.

3.17 **Revenue recognition**

The Group recognises revenue when the control of product is transferred to customers. The assessment of transfer of control depends on the contractual terms, which is considered to be transferred either when the product is directly uplifted by customer from the Group's premises or when it is delivered by the Group at customer premises.

3.18 **Borrowing costs**

Borrowing costs are recognised as an expense in the period in which these are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset, in which case, such costs are capitalised as part of the cost of that asset. Borrowing costs include exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

3.19 **Earnings per share**

i) **Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to owners of the Group, (excluding any costs of servicing equity other than ordinary shares) by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

ii) **Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(Amounts in thousand)

3.20 **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions.

3.21 **Dividend and appropriation to reserves**

Dividend and appropriation to reserves are recognised in the consolidated financial statements in the period in which these are approved.

## 4. IMPACT OF COVID-19 ON THE CONSOLIDATED FINANCIAL STATEMENTS

During the year, the World Health Organisation (WHO) declared COVID-19 (the Virus) a pandemic. The Virus has impacted the global economy significantly. Due to the 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. Further, expansion projects were also impacted as some of the equipment deliveries and project construction work was also suspended as a precautionary measure. With effect from May 2020, the Company has resumed its operations with all precautionary measures to prevent the spread of the Virus in the light of the directives issued by the relevant authorities.

Considering the circumstances, the management has assessed the accounting implications of these developments on these consolidated financial statements, including but not limited to the following areas:

- expected credit losses under IFRS 9, 'Financial Instruments';
- impairment of tangible and intangible assets under IAS 36, 'Impairment of non financial assets';
- net realisable value of inventory under IAS 2, 'Inventories';
- deferred tax asset in accordance with IAS 12, 'Income taxes';
- provisions and contingent liabilities under IAS 37, including onerous contracts; and
- going concern assumption used for the preparation of these consolidated financials statements.

According to the management's assessment, there is no significant accounting impact of the effects of the Virus on these consolidated financial statements.

## 5. PROPERTY, PLANT AND EQUIPMENT

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Operating assets, at net book value - note 5.1 | 19,286,318 | 18,305,349 |
| Capital work-in-progress - note 5.4 | 18,264,204 | 13,064,300 |
| Capital spares | 63,792 | 63,792 |
| | 37,614,314 | 31,433,441 |

**(Amounts in thousand)**

## 5.1 Operating Assets

| | Leasehold land (note5.2) | Building on leasehold land (note 5.2) | Plant and machinery | Pipelines | | | | | Furniture, fixtures and equipment | Vehicles | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Water | VCM | Ethylene | EDC | Gas | | | |
| | Rupees | | | | | | | | | | |
| **As at January 1, 2019** | | | | | | | | | | | |
| Cost | 194,127 | 552,959 | 26,398,096 | 398,968 | 26,122 | 50,315 | - | 33,849 | 313,611 | 95,636 | 28,063,683 |
| Accumulated depreciation | (52,686) | (169,358) | (10,701,284) | (245,573) | (25,021) | (21,866) | - | (18,242) | (211,409) | (35,340) | (11,480,779) |
| Net book value | 141,441 | 383,601 | 15,696,812 | 153,395 | 1,101 | 28,449 | - | 15,607 | 102,202 | 60,296 | 16,582,904 |
| **Year ended December 31, 2019** | | | | | | | | | | | |
| Opening net book value | 141,441 | 383,601 | 15,696,812 | 153,395 | 1,101 | 28,449 | - | 15,607 | 102,202 | 60,296 | 16,582,904 |
| Additions - note 5.4 | 939,528 | 1,980 | 1,627,267 | - | - | - | 98,288 | - | 82,618 | 3,571 | 2,753,252 |
| Disposal | | | | | | | | | | | |
| Cost | - | (3,379) | - | - | - | - | - | - | (3,820) | (2,892) | (10,091) |
| Accumulated depreciation | - | 596 | - | - | - | - | - | - | 3,645 | 2,243 | 6,484 |
| | - | (2,783) | - | - | - | - | - | - | (175) | (649) | (3,607) |
| Depreciation charge - note 5.3 | (32,931) | (29,702) | (898,297) | (12,898) | (8) | (2,190) | (253) | (1,472) | (37,064) | (12,385) | (1,027,200) |
| Net book value | 1,048,038 | 353,096 | 16,425,782 | 140,497 | 1,093 | 26,259 | 98,035 | 14,135 | 147,581 | 50,833 | 18,305,349 |
| **As at January 1, 2020** | | | | | | | | | | | |
| Cost | 1,133,655 | 551,560 | 28,025,363 | 398,968 | 26,122 | 50,315 | 98,288 | 33,849 | 392,409 | 96,315 | 30,806,844 |
| Accumulated depreciation | (85,617) | (198,464) | (11,599,581) | (258,471) | (25,029) | (24,056) | (253) | (19,714) | (244,828) | (45,482) | (12,501,495) |
| Net book value | 1,048,038 | 353,096 | 16,425,782 | 140,497 | 1,093 | 26,259 | 98,035 | 14,135 | 147,581 | 50,833 | 18,305,349 |
| **Year ended December 31, 2020** | | | | | | | | | | | |
| Opening net book value | 1,048,038 | 353,096 | 16,425,782 | 140,497 | 1,093 | 26,259 | 98,035 | 14,135 | 147,581 | 50,833 | 18,305,349 |
| Additions - note 5.4 | 18,524 | 56,538 | 2,050,956 | - | - | - | 1,999 | - | 145,885 | 4,989 | 2,278,891 |
| Disposals / write-off | | | | | | | | | | | |
| Cost | - | - | - | - | - | - | - | - | (107,291) | (136) | (107,427) |
| Accumulated depreciation | - | - | - | - | - | - | - | - | 101,532 | 133 | 101,665 |
| | - | - | - | - | - | - | - | - | (5,759) | (3) | (5,762) |
| Depreciation charge - notes 5.3 | (38,972) | (23,725) | (1,133,030) | (12,866) | (345) | (1,767) | (3,047) | (1,471) | (66,994) | (9,943) | (1,292,160) |
| Net book value | 1,027,590 | 385,909 | 17,343,708 | 127,631 | 748 | 24,492 | 96,987 | 12,664 | 220,713 | 45,876 | 19,286,318 |
| **As at December 31, 2020** | | | | | | | | | | | |
| Cost | 1,152,179 | 608,098 | 30,076,319 | 398,968 | 26,122 | 50,315 | 100,287 | 33,849 | 431,003 | 101,168 | 32,978,308 |
| Accumulated depreciation | (124,589) | (222,189) | (12,732,611) | (271,337) | (25,374) | (25,823) | (3,300) | (21,185) | (210,290) | (55,292) | (13,691,990) |
| Net book value | 1,027,590 | 385,909 | 17,343,708 | 127,631 | 748 | 24,492 | 96,987 | 12,664 | 220,713 | 45,876 | 19,286,318 |
| **Annual rate of depreciation (%)** | 2 to 2.14 | 2.5 to 10 | 2.5 to 25 | 5 | 5 | 5 | 3 | 5 | 5 to 33 | 5 to 25 | |

**(Amounts in thousand)**

5.2 The details of immovable fixed assets (i.e. land and buildings) are as follows:

| Description of assets | Address | Total area of land (square yards) |
|---|---|---|
| - Leasehold land | EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi | 590,114 |
| - Production facilities | EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi | 15,794 |
| - Storage facilities | EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi | 10,705 |
| - Administration facilities | EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi | 2,908 |

5.3 Depreciation charge has been allocated as follows:

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Cost of sales - note 29 | 1,262,101 | 1,003,842 |
| Distribution and marketing expenses - note 30 | 7,054 | 5,750 |
| Administrative expenses - note 31 | 23,005 | 17,608 |
| | 1,292,160 | 1,027,200 |

(Amounts in thousand)

5.4 Capital work-in-prgress

| | Leasehold land | Building on leasehold land | Plant and machinery and pipelines | Furniture, fixtures and equipments | Software | Advances for vehicles | Total |
|---|---|---|---|---|---|---|---|
| | | | | Rupees | | | |
| **Year ended December 31, 2019** | | | | | | | |
| **Balance as at January 1, 2019** | 236,695 | 2,115 | 2,406,094 | 11,803 | 92,699 | 1,661 | 2,751,067 |
| Additions during the year | 734,833 | 20,359 | 11,987,768 | 101,084 | 268,086 | 1,910 | 13,114,040 |
| Transferred to: | | | | | | | |
| - Operating assets - note 5.1 | (939,528) | (1,980) | (1,726,447) | (81,726) | - | (3,571) | (2,753,252) |
| - Intangible assets - note 7 | - | - | - | - | (47,555) | - | (47,555) |
| **Balance as at December 31, 2019** | **32,000** | **20,494** | **12,667,415** | **31,161** | **313,230** | **-** | **13,064,300** |
| **Year ended December 31, 2020** | | | | | | | |
| **Balance as at January 1, 2020** | 32,000 | 20,494 | 12,667,415 | 31,161 | 313,230 | - | 13,064,300 |
| Additions during the year | | | | | | | |
| - notes 5.4.1 and 5.4.2 | - | 82,005 | 6,789,085 | 170,380 | 167,922 | 108,922 | 7,318,314 |
| Borrowing costs capitalized during the year | - | - | 214,679 | - | - | - | 214,679 |
| Write-off during the year - note 29 | - | - | (6,000) | - | - | - | (6,000) |
| Transferred to: | | | | | | | |
| - Operating assets - note 5.1 | - | (75,062) | (2,052,955) | (145,885) | - | (4,989) | (2,278,891) |
| - Intangible assets - note 7 | - | - | - | - | (48,198) | - | (48,198) |
| **Balance as at December 31, 2020** | **32,000** | **27,437** | **17,612,224** | **55,656** | **432,954** | **103,933** | **18,264,204** |

5.4.1 As of December 31, 2020, major engineering and installation in respect of plant and machinery and pipelines for PVC-III and VCM debottlenecking have been completed and will be capitalised in next financial year after completion of testing phase.

5.4.2 Include costs incurred in respect of ONE SAP project initiated by the Holding Company, which is in progress at the year end date.

(Amounts in thousand)

## 6. RIGHT-OF-USE ASSET

| | Storage tanks at Engro Vopak Terminal Limited | Building | Vehicles | Total |
|---|---|---|---|---|
| | | Rupees | | |
| **Year ended December 31, 2019** | | | | |
| **Balance as at January 1, 2019** | 2,778,739 | 66,704 | - | 2,845,443 |
| Addition during the year | 318,319 | - | - | 318,319 |
| Depreciation charge during the year - note 6.2 | (399,190) | (16,771) | - | (415,961) |
| **Balance as at December 31, 2019** | 2,697,868 | 49,933 | - | 2,747,801 |
| **Year ended December 31, 2020** | | | | |
| **Balance as at January 1, 2020** | 2,697,868 | 49,933 | - | 2,747,801 |
| Addition during the year - note 6.1 | - | - | 5,849 | 5,849 |
| Depreciation charge during the year - note 6.2 | (431,022) | (16,771) | (253) | (448,046) |
| **Balance as at December 31, 2020** | 2,266,846 | 33,162 | 5,596 | 2,305,604 |

6.1 During the year, the Company has entered into Diminishing Musharaka agreement, as disclosed in note 18.5.

6.2 Depreciation charge has been allocated as follows:

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Cost of sales - note 29 | 431,022 | 399,190 |
| Administrative expenses - note 31 | 17,024 | 16,771 |
| | 448,046 | 415,961 |

**(Amounts in thousand)**

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| **7. INTANGIBLE ASSETS - computer software and applications** | | |
| **Net carrying value** | | |
| Balance as at beginning of the year | 78,966 | 106,773 |
| Add: Additions at cost - note 5.4 | 48,198 | 47,555 |
| Less: Amortisation charge for the year - notes 29 and 31 | (25,193) | (75,362) |
| Balance as at the end of the year | 101,971 | 78,966 |
| **Gross carrying value** | | |
| Cost at the beginning of the year | 316,240 | 268,042 |
| Less: Accumulated amortisation | (214,269) | (189,076) |
| Net book value | 101,971 | 78,966 |

7.1 The cost is being amortised over a period of 5 to 10 years.

| | 2020 | 2019 |
|---|---|---|
| **8. FINANCIAL ASSETS AT AMORTISED COST** | | |
| Investment in Term Deposit Receipts - note 8.1 | 5,624,953 | 5,425,707 |
| Less: current maturity shown under current assets | (964,120) | (4,557) |
| | 4,660,833 | 5,421,150 |

8.1 These denote term deposits receipts 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 USD 5.833 million starting from July 15, 2021 and ending on January 15, 2024.

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| **9. LONG-TERM LOANS AND ADVANCES- - Considered good** | | |
| Executives - notes 9.1 to 9.4 | 60,518 | 107,522 |
| Less: Current portion shown under current assets - note 13 | (31,232) | (35,444) |
| | 29,286 | 72,078 |

**(Amounts in thousand)**

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| 9.1 Reconciliation of the carrying amount of loans and advances to executives is as follows: | | |
| Balance at beginning of the year | 107,522 | 125,871 |
| Add: Disbursements | 7,723 | 67,375 |
| Less: Repayments / amortisations | (54,727) | (85,724) |
| Balance at end of the year | 60,518 | 107,522 |

9.2 These include interest free loans and advances to executives for house rent, vehicles, home appliances and investments given in accordance with the terms of employment. Loans for house rent are repayable in 12 to 18 equal monthly installments and investment are repayable in lump sum amount after 36 months. Loans for home appliances are repayable in 5 equal annual instalments. Advances for vehicles are charged to consolidated statement of profit or loss over a period of 4 years.

These include interest free loans to employees for home appliances and investments, given in accordance with the terms of employment.

9.3 The maximum aggregate amount due from the executives at the end of any month during the year was Rs. 111,585 (2019: Rs. 146,227). These are secured by way of promissory notes.

9.4 The maximum aggregate amount due from related parties at any time during the year with respect to month end balance was Rs. 3,059 (2019: Rs. 4,898).

9.5 The carrying values of these financial assets are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to no material defaults in recent history.

9.6 The Group does not have any loans or advances placed under any arrangements not permissible under Shariah.

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| **10. STORES, SPARES AND LOOSE TOOLS** | | |
| Consumable stores and spares - notes 10.1 and 10.2 | 2,160,378 | 2,041,787 |
| Less: Provision for slow moving stores and spares - note 10.3 | (375,644) | (363,774) |
| | 1,784,734 | 1,678,013 |

10.1 This includes goods in transit amounting to Rs. 48,897 (2019: Rs. 118,506).

10.2 During the year, the Group has written off stores and spares amounting to Rs. 57,302 (2019: Nil).

(Amounts in thousand)

| | | 2020 | 2019 |
|---|---|---|---|
| | | Rupees | |
| 10.3 | The movement in the provision for slow moving stores and spares is as follows: | | |
| | Balance at beginning of the year | 363,774 | 324,130 |
| | Add: Recognised during the year - note 29 | 20,571 | 39,644 |
| | Less: Write-off during the year | (8,701) | - |
| | Balance at end of the year | 375,644 | 363,774 |

## 11. STOCK-IN-TRADE

| | 2020 | 2019 |
|---|---|---|
| Raw and packing materials - notes 11.1 to 11.3 | 5,402,730 | 2,608,770 |
| Work-in-process | 28,354 | 25,120 |
| Finished goods - own manufactured product and trading products - notes 11.1 and 11.3 | 763,425 | 1,716,169 |
| | 6,194,509 | 4,350,059 |

11.1 This includes stocks held at storage facilities of the following parties:

| | 2020 | 2019 |
|---|---|---|
| - Engro Vopak Terminal Limited, a related party | 659,703 | 1,284,031 |
| - Al-Noor Petroleum (Private) Limited | 13,262 | 9,306 |
| - Al-Rahim Trading Company (Private) Limited | 578,437 | 147,301 |
| - Al-Hamd Traders | 192 | 3,486 |
| - Pakistan House International Limited | 17,327 | 79,048 |
| | 1,268,921 | 1,523,172 |

11.2 This includes goods in transit amounting to Rs. 1,979,023 (2019: Rs. 679,668).

11.3 During the year, raw materials and finished goods amounting to Rs. 99,704 (2019: Nil) were written off.

## 12. TRADE DEBTS - Considered good

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Related parties (unsecured) - note 12.1 | 15,273 | 6,775 |
| Others | | |
| Secured - notes 12.2 and 12.3 | 443,188 | 308,697 |
| Unsecured - note 12.4 | 127,751 | 154,141 |
| | 570,939 | 462,838 |
| Considered doubtful - note 12.5 | - | 7,309 |
| | 586,212 | 476,922 |
| Less: Provision for doubtful debts - note 12.5 | - | 7,309 |
| | 586,212 | 469,613 |



(Amounts in thousand)

12.1 Due from related parties comprise of:

| | Upto 1 month | | 2 to 6 months | | More than 6 months | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | Rupees | | | | | | | |
| Engro Powergen Thar (Private) Limited | - | 599 | - | - | - | - | - | 599 |
| Engro Fertilizers Limited | 15,217 | 6,120 | - | - | 56 | 56 | 15,273 | 6,176 |
| | 15,217 | 6,719 | - | - | 56 | 56 | 15,273 | 6,775 |

12.1.1 The maximum aggregate amount due from the related parties at the end of any month during the year was:

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| - Engro Fertilizers Limited | 16,156 | 22,556 |
| - Engro Powergen Thar (Private) Limited | 1,494 | 698 |
| | 17,650 | 23,254 |

12.2 These debts are secured by way of bank guarantees and letters of credit from customers.

12.3 Includes outstanding trade debts against export sales amounting to Rs. 52,326 (2019: Nil).

12.4 During the year, the Group has written off trade debt balance of Rs. 331 (2019: Nil).

| | | 2020 | 2019 |
|---|---|---|---|
| | | Rupees | |
| 12.5 | The movement in provision during the year is as follows: | | |
| | Balance at beginning of the year | 7,309 | 9,010 |
| | Less: Reversal of provision during the year - note 30 | - | (1,701) |
| | Less: Write-off during the year | (7,309) | - |
| | Balance at end of the year | - | 7,309 |

(Amounts in thousand)

## 13. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| **Considered good** | | |
| Current portion of long term-loans and advances to executives- note 9 | 31,232 | 35,444 |
| Advances to employees - note 13.1 | - | 525 |
| Advances to suppliers and others | 59,021 | 10,464 |
| Deposits | 114,870 | 221,863 |
| Prepayments | 49,268 | 51,487 |
| Receivable from Government of Pakistan | | |
| - Sales tax and Federal excise duty refundable | 60,048 | 500,978 |
| - Octroi / duty claims | 152 | 152 |
| | 60,200 | 501,130 |
| Due from related parties (unsecured) - note 13.2 | | |
| Engro Energy Limited | 505 | 1,531 |
| Sindh Engro Coal Mining Company Limited | - | 53 |
| FrieslandCampina Engro Pakistan Limited | - | 5 |
| Engro Corporation Limited | - | 23,725 |
| Engro Fertilizers Limited | - | 2,119 |
| Engro Powergen Qadirpur Limited | - | 9 |
| | 505 | 27,442 |
| Other receivables | 148 | 30,725 |
| | 315,244 | 879,080 |
| **Considered doubtful** | | |
| Custom duty claims refundable - note 13.3 | 18,043 | 18,043 |
| Less: Provision for impairment - notes 13.3 and 13.5 | (18,043) | (18,043) |
| | - | - |
| Special Excise Duty (SED) refundable - note 13.4 | 36,687 | 36,687 |
| Less: Provision for impairment - notes 13.4 and 13.5 | (36,687) | (36,687) |
| | - | - |
| | 315,244 | 879,080 |

13.1 The advances given to the parties are in accordance with the terms of employment. Maximum aggregate amount due from related parties at any time during the year with respect to month end balance was Rs. 3,018 (2019: Rs. 4,708).



(Amounts in thousand)

13.2 Maximum aggregate amount due from related parties at any time during the year with respect to month end balance is as follows:

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Engro Energy Limited | 1,531 | 1,982 |
| Sindh Engro Coal Mining Company Limited | 53 | 53 |
| FrieslandCampina Engro Pakistan Limited | 5 | 5 |
| Engro Corporation Limited | 25,450 | 23,725 |
| Engro Fertilizers Limited | 2,150 | 141,763 |
| Engro Powergen Qadirpur Limited | 9 | 9 |
| | 29,198 | 167,537 |

13.3 The Customs Appellate Tribunal, Karachi Bench, through its order dated October 31, 2011, disposed of the Company's appeal filed on April 11, 2008 against the order of Collector of Customs, Port Muhammad Bin Qasim, Karachi, for the refund of custom duty paid during the period June 16, 2006 to July 24, 2006 on imports of Vinyl Chloride Monomer (VCM). The Tribunal was informed that all the aforementioned VCM consignments were released after the issuance of SRO 565(1) / 2006 dated June 6, 2006 and the benefit of five percent duty reduction was also passed onto the customers. However, as the price of the Company's product was increased which is linked with international market, the Tribunal inadvertently presumed that the said benefit had not been transferred to the customers and passed an order against the Company.

The Company has filed an appeal with the High Court of Sindh against the aforesaid order of the Tribunal. However, the Company is maintaining full provision against the aforementioned custom duty refundable till such time that all available legal forums are exhausted.

13.4 During 2007, Special Excise Duty (SED) amounting to Rs. 91,616 was paid on import of certain fixed assets. Out of the total SED paid, an amount of Rs. 54,299 was adjusted through input claim in sales tax returns. Subsequently, the remaining amount of Rs. 36,687 could not be adjusted as the said duty was disallowed as adjustment from output tax under section 7 of Sales Tax Act, 1990. Therefore, the Company has fully provided the said amount. However, the Company is pursuing recovery of the remaining amount from the tax authorities based on the view that the SED can be recovered as it was paid prior to the change in the Sales Tax Act.

13.5 As at December 31, 2020, receivables aggregating to Rs. 54,730 (2019: Rs. 54,730) were deemed to be impaired and have been provided for in full. The remaining balances of loans, deposits, due from related parties and other receivables are neither past due nor impaired.

(Amounts in thousand)

## 14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2020 Rupees | 2019 Rupees |
|---|---|---|
| Treasury bills - note 14.1 | 2,024,761 | 7,695,569 |
| Pakistan Investment Bond - note 14.2 | 11,400,762 | 1,695,488 |
| Term deposit - note 14.3 | 6,000 | - |
| | 13,431,523 | 9,391,057 |

14.1 These carry mark-up at rates ranging between 6.9% to 7.2% per annum (2019: 12.74% to 13.50% per annum) and have been sold till January 14, 2021.

14.2 These carry mark-up at rates ranging between 7.13% to 7.57% per annum (2019: 13.36% per annum) and have been sold till January 13, 2021.

14.3 This carries mark-up at rates ranging between 6.45% per annum (2019: Nil) and has maturity on June 24, 2021.

## 15. CASH AND BANK BALANCES

| | 2020 Rupees | 2019 Rupees |
|---|---|---|
| Cash in hand | 817 | 647 |
| Cash at bank - note 15.1 | | |
| - in current accounts | 309,969 | 330,334 |
| - in saving accounts - note 15.2 | 634,942 | 461,076 |
| | 944,911 | 791,410 |
| | 945,728 | 792,057 |

15.1 These include Rs. 231,469 (2019: Rs. 215,905) held in foreign currency bank accounts.

15.2 These carry mark-up at rates ranging between 2.32% to 11.25% per annum (2019: 5.01% to 11.25% per annum).



(Amounts in thousand)

## 16. ORDINARY SHARE CAPITAL

| | 2020 Rupees | 2019 Rupees |
|---|---|---|
| **Authorized capital** | | |
| 1,250,000,000 (2019: 1,250,000,000) ordinary shares of Rs. 10 each | 12,500,000 | 12,500,000 |
| **Issued, subscribed and paid-up capital** | | |
| 908,923,333 (2019: 908,923,333) ordinary shares of Rs. 10 each, fully paid in cash - notes 16.1 and 16.2 | 9,089,233 | 9,089,233 |

16.1 As at December 31, 2019, Engro Corporation Limited (the Holding Company) and Mitsubishi Corporation (an associated company) held 510,733,450 and 100,053,562 (2019: 510,733,450 and 100,053,562) ordinary shares of Rs.10 each denoting 56.19% (2019: 56.19%) and 11.01% (2019: 11.01%) of the share capital of the Company.

16.2 There is a shareholders' agreement between Engro Corporation Limited (ECL) and Mitsubishi Corporation (MC) which includes provisions in respect of board selection, voting rights, rights of first refusal, etc.

## 17. PREFERENCE SHARES

| | 2020 Rupees | 2019 Rupees |
|---|---|---|
| **Authorized capital** | | |
| 400,000,000 (2019: 400,000,000) preference shares of Rs. 10 each | 4,000,000 | 4,000,000 |
| **Issued, subscribed and paid-up capital** | | |
| 300,000,000 (2019: Nil) preference shares of Rs. 10 each, fully paid in cash - notes 17.1 | 3,000,000 | - |

17.1 During the year, the Company has issued perpetual, cumulative, callable and convertible listed preference shares of Rs. 3,000,000 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% and the payment of the same shall be at the discretion of Board of Directors. 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 December 31, 2020 based on 1:1 ratio. These shares were listed on December 31, 2020.

(Amounts in thousand)

## 18. LONG-TERM BORROWINGS

| Title | Mark-up rate per annum | Installments Number | Installments Commencing | December 31, 2020 | December 31, 2019 |
|---|---|---|---|---|---|
| | | | | Rupees | |
| Sukuks - note 18.1 | 3 months KIBOR + 0.9% | 5 half yearly | July 10, 2024 | 8,645,597 | 8,623,541 |
| Loan from International Finance Corporation (IFC) - note 18.2 | 6 months LIBOR + 3.25% | 6 half yearly | July 15, 2021 | 5,539,605 | 5,343,839 |
| Bilateral Loan - note 18.3 | 6 months KIBOR + 0% | 6 half yearly | July 15, 2021 | 5,421,500 | 5,421,500 |
| Islamic Long term financing facility (ILTFF) - note 18.4 | SBP rate + 1.2% | 32 quarterly | December 14, 2022 | 1,925,517 | - |
| Loan under diminishing musharka agreement - note 18.5 | 6 months KIBOR + 0.8% | Monthly | February 1, 2021 | 94,266 | - |
| | | | | 21,626,485 | 19,388,880 |
| Less: Current portion shown under current liabilities | | | | | |
| - Loan from International Finance Corporation | | | | (932,750) | - |
| - Bilateral Loan | | | | (903,583) | - |
| | | | | (1,836,333) | - |
| | | | | 19,790,152 | 19,388,880 |

18.1 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.

18.2 In 2018, the Company had entered into a financing agreement with IFC for a total of US Dollars 35,000 the draw down of which was been made in December 2019. The principal is repayable in six equal semi-annual installments 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. Further, prior to Project Physical Completion Date and Financial Completion Date, dividends shall not exceed 20% and 80% respectively of annual net income of the year to which the annual dividend relates."

18.3 In 2019, the Company entered into a musharaka agreement with Dubai Islamic Bank Pakistan Limited (DIBPL). The principal is repayable in six equal semi-annual installments commencing from July 2021 and carries a markup at a rate of six months KIBOR plus 0%, 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 8.

18.4 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.

18.5 During the year, the Company entered into a Diminishing Musharaka Agreement for procurement of locally assembled private / imported vehicles under car monetisation policy. The facility amounted to Rs. 200,000 (2019: Nil). The rental payments are to be made in monthly installments for five year and are calculated at the rate of six months KIBOR plus 0.8% per annum.

(Amounts in thousand)

18.6 Following are the changes in the long term borrowings (i.e. for which cash flows have been classified as financing activities in the statement of cash flows):

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Balance as at January 1, 2020 | 19,388,880 | 7,500,000 |
| Add: Loan received during the year | 2,019,133 | 19,366,880 |
| Add: Amortisation of transaction cost during the year | 43,822 | 22,000 |
| Add: Exchange loss for the year | 174,650 | - |
| Less: Loan repaid during the year | - | (7,500,000) |
| Balance as at December 31, 2020 | 21,626,485 | 19,388,880 |

18.7 The proceeds from the aforementioned loans are carried net of unamortised balance of transaction cost amounting to Rs. 160,648 (2019: Rs. 204,470)

## 19. LEASE LIABILITIES

These include lease liability outstanding under the storage arrangements with Engro Vopak Terminal Limited, a related party amounted to Rs. 4,644,821 (2019: Rs. 5,468,167).

## 20. PROVISIONS

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Provision for gas development infrastructure cess - note 20.1 | 4,930,263 | 5,140,373 |
| Provision for gas price revision - note 20.2 | 517,392 | 517,392 |
| | 5,447,655 | 5,657,765 |
| Less: current portion of provision of GIDC and gas price revision | (2,456,263) | (5,657,765) |
| | 2,991,392 | - |

**(Amounts in thousand)**

20.1 Under the Gas Infrastructure Development Cess Act, 2011, the Government of Pakistan levied Gas Infrastructure Development Cess (GIDC) on all industrial gas consumers at the rate of Rs. 13 per MMBTU. Subsequently, the GIDC rates were enhanced through notifications under OGRA Ordinance 2002, Finance Act, 2014 and GIDC Ordinance 2014 against which the Company had obtained ad-interim stay orders from the High Court of Sindh. However, on prudent basis the Company recognised a provision of Rs. 1,345,789 till May 21, 2015.

On May 22, 2015 the Gas Infrastructure Development Cess (GIDC) Act, 2015 was promulgated whereby cess rate of Rs.100 per MMBTU and Rs. 200 per MMBTU were fixed for industrial and captive power consumption, respectively. The GIDC Act, 2015 was made applicable with immediate effect superseding the GIDC Act, 2011 and the GIDC Ordinance, 2014.

The Company, based on the advice of its legal counsel, was of the view that as per GIDC Act, 2015, the uncollected portion of cess levied through GIDC Act, 2011 and GIDC Ordinance 2014, shall not be collected from the industrial sector. Therefore, the Company reversed the provision relating to industrial portion of GIDC amounting to Rs. 753,664 for the period prior to promulgation of GIDC Act, 2015 and retained GIDC provision amounting to Rs. 592,125 in respect of captive power.

On August 13, 2020, the Supreme Court of Pakistan (SCP) announced the decision rendering the GIDC Act 2015 intra virus to the constitution and directed the Gas supplying companies to recover the dues in 24 monthly installments. A review petition was filed against the said order which was disposed-off in November 2020. The SCP in review petition, elaborated that deliberation on any provision of GIDC Act, 2015 can be contested on appropriate forum and mentioned that the installments period can be extended to 48 months. The Company has obtained ad-interim stay order dated October 5, 2020 against the GIDC Act, 2015 from the High Court of Sindh (the Court). This stay order has restrained Sui Southern Gas Company Limited (SSGC) from charging and / or recovering the cess under the GIDC Act, 2015 till the final decision on this matter. The Company, based on prudence, has recognised a provision of Rs. 452,838 (2019: Rs. 1,018,938) for the period January 2020 to July 2020. "

Considering the recent events and developments in GIDC case (including the Judgement and the Review petition decision), the Institute of Chartered Accountants of Pakistan (ICAP) released financial reporting guidance on the "Accounting of GIDC" via Circular No. 1/2021 dated January 19, 2021 (the Circular) which discusses key accounting considerations for gas consumer companies. Keeping in view the financial reporting guidance of ICAP and giving due consideration to the latest available information and the expected timing of the settlement (i.e. monthly instalment rather than lump sum amount), the Company has remeasured its previously undiscounted provision at its present value using risk free discount rate to incorporate the effect of time value of money arising from the expected settlement based on an installment plan and has accordingly, recognised remeasurement gain on provision for GIDC amounting to Rs. 680,996.

20.2 In 2017, the Company had filed suits in the Court, against the increase in tariff of natural gas sold to industries and captive power plants notified by Oil and Gas Regularity Authority (OGRA) vide SRO no. (1)/2016 dated December 30, 2016 whereby the Company cited the increase as illegal and unconstitutional. The SHC has granted an interim order in favour of the Company which is still operational. However, the Company has recognised a provision of Rs. 517,392 for the period from December 2017 to September 2018.

**(Amounts in thousand)**

## 21. DEFERRED TAXATION - NET

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Credit balances arising due to: | | |
| - accumulated depreciation | 3,508,219 | 3,338,459 |
| Debit balances arising due to: | | |
| - recoupable minimum turnover tax | - | 558,991 |
| - recoupable alternative corporate tax | 45 | 369,224 |
| - recoupable carried forward tax losses | 16,408 | 1,267 |
| - unpaid liabilities | 145,728 | 128,170 |
| - leases recognised | 685,820 | 783,120 |
| - provision for Gas Infrastructure Development Cess and Special Excise Duty | 1,419,169 | 1,451,280 |
| - provision for slow moving stores and spares | - | 102,345 |
| - provision for bad debts | - | 2,055 |
| - shares issuance cost, net to equity | 57,830 | 57,830 |
| | 2,325,000 | 3,454,282 |
| | 1,183,219 | (115,823) |

## 22. SERVICE BENEFIT OBLIGATIONS

| | 2020 | 2019 |
|---|---|---|
| Service incentive plan - note 22.1 | 79,539 | 61,049 |

22.1 This represents provision for annual employment benefits payable to eligible employees who have successfully completed 3 years of vesting period with the Company.

## 23. SHORT-TERM BORROWINGS

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Running finance utilised under mark-up arrangements | - | 296,836 |
| Export refinance facility | - | 200,000 |
| Money market loans | - | 1,662,000 |
| | - | 2,158,836 |

23.1 The aggregate facilities for running finance available from various banks as at December 31, 2020, representing the sales price of all mark-up arrangements, amounted to Rs. 3,700,000 (2019: Rs. 2,925,000) of which Rs. 3,700,000 (2019: Rs. 766,164) unutilised as at year end.

(Amounts in thousand)

## 24. TRADE AND OTHER PAYABLES

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Trade and other creditors - note 24.1 | 3,876,083 | 2,844,907 |
| Accrued liabilities - notes 24.1 and 24.2 | 3,368,490 | 2,645,303 |
| Advances from customers | 1,890,998 | 904,882 |
| Retention money | 1,240 | 1,545 |
| Security deposits - note 24.3 | 30,752 | 34,120 |
| Payable to provident funds | 14,520 | - |
| Payable to gratuity funds | 7,442 | 258 |
| Workers' Welfare Fund - note 24.5 | 149,825 | 73,199 |
| Withholding tax payable | 8,841 | 22 |
| Workers' Profits Participation Fund - note 24.4 | 126,944 | 35,133 |
| Others | 7,363 | 8,086 |
| | 9,482,498 | 6,547,455 |

24.1 Includes due to the following related parties:

| | 2020 | 2019 |
|---|---|---|
| - Engro Corporation Limited | 43,866 | 88,305 |
| - Engro Fertilizers Limited | 32,151 | 40,926 |
| - Engro Powergen Thar (Private) Limited | 613 | 613 |
| - Engro Vopak Terminal Limited | 139,179 | 139,849 |
| | 215,809 | 269,693 |

24.2 This includes Sindh Infrastructure Development Cess amounting to Rs. 854,698 (2019: Rs. 751,951).

24.3 These represent interest-free deposits from dealers for the performance of their service as defined in the dealership agreements. The deposits are refundable on termination of dealership agreements and are payable on demand. The amount is fully utilised in business in accordance with the requirement of written agreements and in terms of section 217 of the Act.

24.1 The movement in WPPF payable is as follows:

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Balance at the beginning of the year | 35,133 | 342,876 |
| Allocation for the year - note 32 | 439,389 | 265,133 |
| Interest charges on funds utilised | - | 4,163 |
| | 474,522 | 612,172 |
| Less: Payments during the year | (347,578) | (577,039) |
| Balance at the end of the year | 126,944 | 35,133 |





(Amounts in thousand)

24.5 The movement in WWF payable is as follows:

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Balance at the beginning of the year | 73,199 | 65,871 |
| Allocation for the year - note 32 | 132,255 | 73,698 |
| Less: Payments during the year | (55,629) | (66,370) |
| Balance at the end of the year | 149,825 | 73,199 |

## 25. TAXES PAYABLE

### 25.1 Tax year 2008

The Deputy Commissioner Inland Revenue (DCIR) through an order dated November 26, 2009, raised a tax demand of Rs. 213,172 for tax year 2008. The demand arose as a result of additions on account of trading liabilities of Rs. 47,582 under Section 34(5) of the Income Tax Ordinance, 2001 (the Ordinance), disallowance of provision for retirement benefits of Rs. 5,899 addition of imputed interest on loans to employees and executives of Rs. 16,069 to income, disallowance of finance cost of Rs. 134,414 and disallowance of adjustment of minimum tax paid for tax years 2004 to 2007 against the above demand.

The Company filed an appeal against the aforesaid order before the Commissioner Inland Revenue Appeals [CIR(A)] but discharged the entire demand through adjustment against assessed refunds of Rs. 180,768 and payment of the balance of Rs. 32,404 'under protest'. Through his appellate order, the CIR(A) maintained certain additions aggregating Rs. 189,810 including finance cost amounting to Rs. 134,414 and remanded back the issue of imputed interest on loans to employees and executives and directed the DCIR to allow credit of the minimum tax charged for the period from tax years 2004 to 2007. An appeal against the said appellate order was filed by the Company before the Appellate Tribunal Inland Revenue (ATIR). The department also filed an appeal against the said appellate order challenging the actions of the CIR(A).

In 2013, the ATIR issued an order whereby the aforementioned appeal was disposed of by accepting Company's position on all the disallowances made earlier except for additions on account of trading liabilities to the extent of Rs. 20,280 and minimum turnover tax for tax years 2004 and 2007 to the extent of Rs.19,692 and Rs. 7,300 respectively, which were maintained.

In 2013, the Company filed a reference with the High Court of Sindh (the Court) against the additions maintained by ATIR. Likewise, the tax department also filed reference with the Court against the order passed by the ATIR in favor of the Company. In 2018, the Court disposed of Company's appeal on the ground that the issues raised by the Company requires factual verification whereas the petition of the tax department are still pending before the Court. During the year, the Company performed detailed assessment of the facts of the case and based on the advice of its tax consultants, the Company decided to accept the decision of the Court and accordingly, has recognised the provision of Rs. 108,882 in respect of addition maintained by ATIR in these financial statements.

(Amounts in thousand)

25.2 **Tax year 2009**

The DCIR through his order dated November 30, 2010 raised a tax demand of Rs.163,206. The demand arose as a result of disallowance of finance cost of Rs.457,282, additions to income of trading liabilities of Rs.21,859 under section 34(5) of the Ordinance, disallowance of provision for retirement benefits of Rs.14,239, disallowance of provision against Special Excise Duty refundable of Rs.36,687, addition of imputed interest on loans to employees and executives of Rs. 20,599 and not considering net loss.

In 2013, the ATIR issued an order whereby the aforementioned appeal was disposed of by accepting Company's position except for additions on account of SED provision of Rs.36,687 and imputed interest on loans to employees and executives to the extent of Rs.17,430, which were maintained. The Company filed a reference with the Court against the additions maintained by ATIR. Likewise, the tax department has also filed reference with the Court against the order passed by the ATIR in favour of the Company. The management of the Company, based on the advice of its tax consultants, is confident that the ultimate outcome of the aforementioned matters would be favourable and, accordingly, has not recognised the effects for the same in these financial statements.

25.3 **Super Tax under section 4B of Income Tax Ordinance, 2001**

Through Finance Act 2015, section 4B of Income Tax Ordinance, 2001 was inserted which levied super tax at specified rates on income for the tax year 2015. This levy was subject to the threshold of taxable income of Rs. 500,000. The levy was extended uptil tax year 2020 vide subsequent Finance Acts. Through Finance Supplementary Act, 2019, the levy of super tax has amended the rate of super tax to 0% from tax year 2020 and onwards for companies other than banking companies. On August 1, 2018, the Company filed petition against the levy of super tax in the Court and based on the opinion of its legal advisor, the Company has made a provision for full amount of Super tax of Rs. 328,000. During the year, super tax has been declared intra virus by the Court and has been declared a tax rightly introduced through Finance Act and vacated all the stays filed in this respect. Consequently, Company received various notices from tax authorities for recovery of super tax for the tax years 2017 to 2019. The Company filed appeal against the said notices with CIR(A) whereby the action of Officer has been confirmed by CIR(A) for tax years 2017 and 2018. The Company has now filed an appeal before Appellate Tribunal against the decision of CIR(A) which is pending adjudication.

In the meanwhile, the Company also filed petition in Supreme Court against the order of the Court, which is pending adjudication. In November 2020, the Supreme Court conditionally granted stay subject to deposit of 50% of super tax demand. The Company has accordingly discharged 50% of the said liability.

25.4 The Company had filed refund applications with the Commissioner Inland Revenue (the Commissioner) for the Tax Year 2008 to Tax Year 2016. All refund applications filed are subject to verification by the Commissioner as per section 170 of Income Tax Ordinance, 2001 (the Ordinance). In previous years, the Company has received orders from the Commissioner for partial recovery / credit of refunds for certain tax years and furthermore, the Commissioner has also sought additional information for verification of refunds for remaining tax years amounting to Rs. 204,969 thousand. The Company believes that such differences will be reconciled and relevant supporting evidence to be provided to the Commissioner for rectification.





(Amounts in thousand)

## 26. ACCRUED INTEREST / MARK-UP

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Mark-up accrued on: | | |
| - long-term borrowings | 425,112 | 332,563 |
| - short-term borrowings | - | 33,709 |
| | 425,112 | 366,272 |

## 27. CONTINGENCIES AND COMMITMENTS

27.1 The Deputy Commissioner Inland Revenue (DCIR) through order dated January 8, 2016, raised a sales tax demand of Rs. 524,589 on account of alleged short payment of sales tax due on the finished products that would have been produced and sold from the excess wastage of raw material. The Company filed an appeal before the Commissioner Inland Revenue Appeals [CIR(A)] on the grounds that the order passed against the Company was absolutely baseless as the DCIR had used inappropriate theoretical assumptions for calculating the sales tax liability. The CIR(A) through his order dated March 10, 2016, has decided the matter in favour of the Company. However, the department has challenged the said order of CIR(A) before Appellate Tribunal Inland Revenue (ATIR). The management of the Company, based on the advice of its tax consultants, is confident of a favourable outcome of this matter, accordingly, no provision has been made in this respect.

27.2 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 Court challenging the notice, which through order dated February 4, 2020, dismissed the case based on the decision of the Court in respect of another company. However, the Court 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 against Court 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 the advice of legal advisor, is confident of a favourable decision.

27.3 The aggregate facilities for issuance of performance guarantees by the banks on behalf of the Company as at December 31, 2020 amounts to Rs. 3,248,000 (2019: Rs. 3,248,000). The amount utilised there against as at December 31, 2020 is Rs. 3,017,021 (2019: Rs. 2,163,090).

27.4 The facility for opening letters of credit as at December 31, 2020 aggregates to Rs. 28,463,787 (2019: Rs. 29,607,000). The amount utilised thereagainst as at December 31, 2020 was Rs. 3,547,197 (2019: Rs. 4,336,000).

27.5 The Company has entered into operating lease arrangments 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:

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Not later than one year | 3,805 | - |
| Later than one year but not later than five years | - | - |

**(Amounts in thousand)**

27.6 Commitments in respect of rentals of storage tanks at EVTL for the handling of Ethylene aggregate to USD 30,456 valid till 31 March 2026 and Ethylene Di Chloride (EDC) aggregate to USD 2,400 and are valid till 31 December 2028.

27.7 In 2019, Engro Peroxide (Private) Limited entered into a contract with Chematur Engineering AB to establish a plant of Hydrogen Peroxide at a consideration of EUR 6,993. As at December 31, 2020 commitment for civil works and equipment procurement amounts to EUR 1,090 (2019: EUR 5,140).

27.8 Engro Peroxide (Private) Limited has issued bank guarantee in favor of Excise and Taxation, amounts to Rs. 3,500 (2019: Rs.3,500). The aggregate facilities amounting to Rs. 50,000 (2019: Rs. 50,000) has been issued collectively in favor of the Company and Engro Plasticizer (Private) Limited (its wholly owned subsidiary).

| | | 2020 | 2019 |
|---|---|---|---|
| | | Rupees | |
| 27.9 | Commitments in respect of capital commitments and other operational items - note 27.9.1 | 888,048 | 3,243,097 |

27.9.1 This includes Rs. 16,388 (2019: Rs. 152,405) in respect of commitments against intangible assets to Engro Corporation Limited.

## 28. NET REVENUE

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Gross local sales - note 28.1 | 42,002,709 | 44,223,191 |
| Less: | | |
| - Sales tax | 6,118,942 | 6,404,399 |
| - Discounts | 795,459 | 523,257 |
| | 6,914,401 | 6,927,656 |
| | 35,088,308 | 37,295,535 |
| Export sales | 158,059 | 469,164 |
| Supply of electricity - note 28.2 | 85,031 | 71,933 |
| | 35,331,398 | 37,836,632 |

28.1 Include sales of trading goods Rs. 209,212 (2019: Rs.75,084).

28.2 This represents revenue against supply of surplus power to Engro Fertilizers Limited - a related party.

**(Amounts in thousand)**

## 29. COST OF SALES

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Opening stock of work-in-process | 25,120 | 15,856 |
| Raw and packing materials consumed | 11,425,736 | 17,274,480 |
| Salaries, wages and staff welfare - note 29.1 | 1,622,575 | 1,503,316 |
| Fuel, power and gas | 5,033,762 | 6,299,932 |
| Repairs and maintenance | 480,553 | 409,887 |
| Depreciation and amortisation - notes 5.3 and 7 | 1,262,101 | 1,058,073 |
| Depreciation on Right-of-use asset - note 6.2 | 431,022 | 399,190 |
| Write-off of capital work-in-progress - note 5.4 | 6,000 | - |
| Consumable stores | 414,650 | 553,077 |
| Purchased services | 613,150 | 495,582 |
| Storage and handling - note 29.2 | 542,584 | 491,610 |
| Training, conveyance and travelling | 160,708 | 258,024 |
| Communication, stationery and other office expenses | 8,895 | 11,614 |
| Rent, rates and taxes | 47,320 | 28,084 |
| Product transportation | 806,427 | 1,134,097 |
| Insurance, fees and subscription | 284,649 | 186,727 |
| Provision for slow moving stores and spares - note 10.3 | 20,571 | 39,644 |
| Write-off stores and spares - note 10.2 | 57,302 | - |
| Write-off stock in trade net of proceeds - note 11.3 | 91,763 | - |
| Other expenses | 6,026 | 21,177 |
| | 23,315,794 | 30,164,514 |
| Closing stock of work-in-process | (28,354) | (25,120) |
| Cost of goods manufactured | 23,312,560 | 30,155,250 |
| Opening stock of finished goods | 1,622,853 | 1,125,819 |
| Closing stock of finished goods | (736,768) | (1,622,853) |
| | 886,085 | (497,034) |
| Cost of sales - purchased product - note 29.3 | 183,484 | 72,377 |
| | 24,382,129 | 29,730,593 |

29.1 These include Rs. 92,858 (2019: Rs. 89,183) in respect of staff retirement and other service benefits.

29.2 This includes expense relating to variable lease payments not included in lease liabilities amounting to Rs. 136,637 (2019: Rs. 139,718).

| | | 2020 | 2019 |
|---|---|---|---|
| | | Rupees | |
| 29.3 | Movement of trading goods | | |
| | Opening trading stock at the beginning of the year | 93,314 | - |
| | Purchases made during the year | 116,827 | 165,691 |
| | Closing trading stock at the end of the year | (26,657) | (93,314) |
| | Consumption made during the year | 183,484 | 72,377 |

(Amounts in thousand)

| | 2020 Rupees | 2019 |
|---|---|---|
| **30. DISTRIBUTION AND MARKETING EXPENSES** | | |
| Salaries, wages and staff welfare - note 30.1 | 123,814 | 175,231 |
| Sales promotion | 143,938 | 163,740 |
| (Reversal of provision) / provision for doubtful debts - note 12.5 | - | (1,701) |
| Write-off of trade debts | 331 | - |
| Rent, rates and taxes | 5,653 | 12,308 |
| Purchased services | 3,027 | 6,706 |
| Depreciation - note 5.3 | 7,054 | 5,750 |
| Training, conveyance and travelling | 4,046 | 27,649 |
| Communication, stationery and other office expenses | 1,667 | 1,674 |
| Others | 4,863 | 4,788 |
| | 294,393 | 396,145 |

30.1 These include Rs. 10,695 (2019: Rs. 7,062) in respect of staff retirement and other service benefits.

| | 2020 Rupees | 2019 |
|---|---|---|
| **31. ADMINISTRATIVE EXPENSES** | | |
| Salaries, wages and staff welfare - note 31.1 | 316,490 | 293,717 |
| Rent, rates and taxes | 34,228 | 41,992 |
| Purchased services | 106,340 | 88,455 |
| Depreciation - note 5.3 | 23,005 | 17,608 |
| Amortisation - note 7 | 25,193 | 21,131 |
| Depreciation on right-of-use asset - note 6.2 | 17,024 | 16,771 |
| Training, conveyance and travelling | 6,579 | 37,838 |
| Communication, stationery and other office expenses | 8,035 | 27,722 |
| Others | 13,413 | 20,632 |
| | 550,307 | 565,866 |

31.1 These include Rs. 35,546 (2019: Rs. 25,989) in respect of staff retirement and other service benefits.



(Amounts in thousand)

| | 2020 Rupees | 2019 |
|---|---|---|
| **32. OTHER EXPENSES** | | |
| Legal and professional charges | 77,328 | 60,721 |
| Auditors' remuneration - note 32.1 | 6,188 | 5,376 |
| Demurrage and penalty | 9,671 | - |
| Donations - note 32.2 | 11,910 | 56,759 |
| Loss on disposal of operating assets | 5,762 | 798 |
| Foreign exchange loss (net) - note 32.3 | 176,797 | 774,578 |
| Workers' Welfare Fund - note 24.5 | 132,255 | 73,698 |
| Workers' profits participation fund - note 24.4 | 439,389 | 269,296 |
| | 859,300 | 1,241,226 |

| | 2020 Rupees | 2019 |
|---|---|---|
| **32.1 Auditors' remuneration** | | |
| Fee for: | | |
| - Annual statutory audit | 1,850 | 1,289 |
| - Review of half yearly financials | 475 | 218 |
| - Review of compliance with the Code of Corporate Governance | 55 | 50 |
| Taxation and other advisory services | 3,242 | 3,374 |
| Reimbursement of expenses | 566 | 445 |
| | 6,188 | 5,376 |

32.2 This includes donations made to Engro Foundation, The Citizen Foundation and The Water Foundation of Rs.5,000, Rs.2,465 and Rs.3,578 respectively. Mr Jahangir Piracha, (the Chief Executive of the Company), and Mr. Ghias Khan, (the Chairman of the Board of Directors) are the trustees of Engro Foundation.

32.3 This includes Rs. 192,020 (2019: Rs. 634,818) arising on translation of foreign currency denominated lease liabilities.

| | 2020 Rupees | 2019 |
|---|---|---|
| **33. OTHER INCOME** | | |
| **On financial assets** | | |
| Income on bank deposits | 45,432 | 31,109 |
| Income from financial assets at fair value through profit or loss | 935,398 | 826,215 |
| Income from financial assets at amortised cost | 118,336 | - |
| | 1,099,166 | 857,324 |
| **On non-financial assets** | | |
| Scrap sales | 43,593 | 63,130 |
| Others | 36,876 | 9,815 |
| | 1,179,635 | 930,269 |

(Amounts in thousand)

## 34. FINANCE COSTS

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Interest / mark-up on - note 34.1 | | |
| - long-term borrowings | 1,632,887 | 1,190,039 |
| - short-term borrowings and other facilities | 102,413 | 109,845 |
| | 1,735,300 | 1,299,884 |
| Interest expense on lease liabilities | 302,368 | 333,081 |
| Foreign exchange loss on financial asset and liability | 2,800 | - |
| Foreign exchange loss on derivative financial liability | - | 8,607 |
| Guarantee commission | 19,797 | 11,007 |
| Amortisation of transaction costs on borrowings | 43,822 | 22,000 |
| Default surcharge on GIDC | 18,048 | - |
| Commitment fees on borrowings | - | 73,406 |
| Cash management charges | 1,014 | 11,693 |
| LC charges | 46,539 | 634 |
| Bank and others charges | 21,447 | 33,464 |
| | 2,191,135 | 1,793,776 |

34.1 This includes borrowing costs in relation to qualifying asset amounting to Rs. 57,110, which was not capitalised, as it relates to period from March 24, 2020 to May 21, 2020 when project expansion activities were temporarily suspended due to lockdown.

## 35. TAXATION

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Current | | |
| - for the year | 1,108,962 | 967,412 |
| - for prior year | 95,526 | 138,768 |
| | 1,204,488 | 1,106,180 |
| Deferred | | |
| - for the year | 1,177,482 | 237,078 |
| - for prior year | 121,563 | - |
| | 2,503,533 | 1,343,258 |

35.1 **Relationship between tax expense and accounting profit**

| | 2020 | 2019 |
|---|---|---|
| Profit before taxation | 8,233,769 | 5,039,296 |
| Tax calculated at applicable rate of 29% (2019: 29%) | 2,387,793 | 1,461,396 |
| Tax effect of presumptive tax regime and income subject to lower tax rates | (125,416) | (110,089) |
| Prior year tax charge - net | 217,089 | (1,157) |
| Effect of inadmissible expenses / permanent differences | 22,237 | 12,554 |
| Impact of change in tax rates | - | (23,463) |
| Others | 1,830 | 4,017 |
| | 2,503,533 | 1,343,258 |



(Amounts in thousand)

## 36. EARNINGS PER SHARE - basic and diluted

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

36.2 Diluted earnings per share has been calculated by adjusting the weighted average number of ordinary shares with preference shares outstanding for assumed conversion during the year.

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

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Profit for the year | 5,730,236 | 3,696,037 |
| | Number in thousands | |
| Weighted average number of shares outstanding at year end for determination of basic EPS | 908,923 | 908,923 |
| Adjustment for conversion of convertible preference shares | 10,656 | - |
| Weighted average number of potential ordinary shares outstanding at year end for determination of diluted EPS | 919,579 | 908,923 |

## 37. RETIREMENT AND OTHER SERVICE BENEFITS

37.1 In 2013, the Company replaced its provident fund with the provident fund (the Fund) operated and managed by Engro Corporation Limited - the Holding Company.

37.2 The investments out of the provident funds have been made in accordance with the provisions of Section 218 of the Act and the conditions specified there under.

## 38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts for remuneration, including all benefits, to chief executive, directors and executives of the Company are given below:

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Director | | | Director | | |
| | Chief Executives | Others | Executives | Chief Executives | Others | Executives |
| | Rupees | | | | | |
| Managerial remuneration - note 38.1 | 135,072 | - | 677,318 | 29,162 | - | 667,133 |
| Retirement benefit funds | 5,808 | - | 109,901 | 6,286 | - | 104,289 |
| Bonus | 30,066 | - | 164,301 | 29,985 | - | 152,221 |
| Other benefits | 3,797 | - | 218,801 | 3,454 | - | 166,911 |
| Directors fee | - | 1,617 | - | - | 1,100 | - |
| Total | 174,743 | 1,617 | 1,170,321 | 68,887 | 1,100 | 1,090,554 |
| Number of persons including those who worked part of the year | 2 | 5 | 206 | 1 | 2 | 179 |

(Amounts in thousand)

38.1 This includes payment of ex-gratia of Rs. 102,830 made to the outgoing Chief Executive Officer.

38.2 The Company also provides certain household items and vehicles for the use of the Chief Executive Officer and certain executives.

38.3 Expense charged in respect of directors' indemnity insurance policy purchased by the Company amounts to Rs. 49 (2019: Rs. 49).

## 39. CASH GENERATED FROM OPERATIONS

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Profit before taxation | 8,233,769 | 5,039,295 |
| **Adjustments for non cash-charges and other items:** | | |
| Provision for staff retirement and other service benefits | 53,018 | 51,123 |
| Depreciation - note 5.3 | 1,292,160 | 1,027,200 |
| Depreciation on right-of-use asset - note 6.2 | 448,046 | 415,961 |
| Amortisation - note 7 | 25,193 | 75,362 |
| Write-off capital work-in-progress - note 5.4 | 6,000 | - |
| (Reversal of provision) / provision for doubtful debts - note 12.5 | - | (1,701) |
| Write off trade debts - note 30 | 331 | - |
| Write-off stores and spares - note 29 | 57,302 | - |
| Provision for slow moving stores and spares - note 10.3 | 20,571 | 39,644 |
| Write-off stock-in-trade net of proceeds - note 29 | 91,763 | - |
| Foreign exchange loss under financial assets and liabilities | 194,820 | 634,818 |
| Foreign exchange loss under derivative financial asset | - | 154 |
| Gain on of derviative financial asset | (154) | - |
| Income on bank deposits and short-term investments - note 33 | (1,099,166) | (857,324) |
| Interest expense on lease liabilities - note 34 | 302,368 | 333,081 |
| Amortisation of transaction cost - note 34 | 43,822 | 22,000 |
| Finance costs - note 34 | 1,735,300 | 1,299,886 |
| Loss on disposal of operating assets - note 32 | 5,762 | 798 |
| Provision against GIDC - note 20.1 | 452,838 | 1,018,938 |
| Remeasurement gain on provision against GIDC - note 20.1 | (680,996) | - |
| Default surcharge on GIDC - note 34 | 18,048 | - |
| Working capital changes - note 39.1 | 1,261,902 | (28,936) |
| | 12,462,697 | 9,070,299 |

### 39.1 WORKING CAPITAL CHANGES

| | 2020 | 2019 |
|---|---|---|
| **(Increase) / decrease in current assets** | | |
| Stores, spares and loose tools | (175,893) | (154,890) |
| Stock-in-trade | (1,944,154) | (768,672) |
| Trade debts | (116,930) | (37,512) |
| Loans, advances, deposits, prepayments and other receivables - net | 563,836 | 820,589 |
| | (1,673,141) | (140,485) |
| **Increase in current liabilities** | | |
| Trade and other payables | 2,935,043 | 111,549 |
| | 1,261,902 | (28,936) |





(Amounts in thousand)

## 40. CASH AND CASH EQUIVALENTS

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Financial assets at fair value through profit or loss | 13,425,523 | 9,391,057 |
| Cash and bank balances - note 15 | 945,728 | 792,057 |
| Short-term borrowings - note 23 | - | (2,158,836) |
| | 14,371,251 | 8,024,278 |

## 41. FINANCIAL INSTRUMENTS BY CATEGORY

### 41.1 Financial assets as per statement of financial position

| | 2020 | 2019 |
|---|---|---|
| **At amortised cost** | | |
| Long-term loans | 29,286 | 72,078 |
| Financial assets at amortised cost | 5,624,953 | 5,425,707 |
| Trade debts - considered good | 586,212 | 469,613 |
| Loans, deposits and other receivable | 146,755 | 393,079 |
| Cash and bank balances | 945,728 | 777,823 |
| | 7,332,934 | 7,138,300 |
| **At fair value through profit or loss** | | |
| Financial assets at fair value through profit or loss | 13,431,523 | 9,391,057 |
| | 20,764,457 | 16,529,357 |

### 41.2 Financial liabilities as per statement of financial position

| | 2020 | 2019 |
|---|---|---|
| **At amortised cost** | | |
| Long-term borrowings | 21,626,485 | 19,388,880 |
| Lease liabilities | 4,694,873 | 5,531,317 |
| Service benefit obligation | 79,539 | 61,049 |
| Short-term borrowings | - | 2,158,836 |
| Trade and other payables | 7,305,890 | 4,774,372 |
| Accrued interest / mark-up | 425,112 | 366,272 |
| | 34,131,899 | 32,280,726 |
| **At fair value through profit or loss** | | |
| Derivative financial instruments | - | 154 |
| | 34,131,899 | 32,280,880 |

## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### 42.1 Financial risk factors

The Group's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risk. The Group's risk management program focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk factors, where it deems appropriate. Risk management is carried out by the Group's finance division under the guidance of the Group's Board of Directors.

**a) Market risk**

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market prices. It comprises of the following risks:

(Amounts in thousand)

i) Currency risk

Currency risk represents the risk that the fair values of future cash flows of financial instruments will fluctuate because of changes in foreign currency rates. The Group is exposed to foreign exchange risk arising from currency exposures primarily with respect to US Dollar. The risk arises from outstanding payments for imports, assets and liabilities denominated in foreign currencies and future commercial transactions. In the current economic environment, the Group is significantly exposed to currency risk because of the expected volatility in exchange rates. The Group, at its discretion, manages the currency risk through forward exchange contracts.

At December 31, 2020, the financial assets and liabilities exposed to foreign exchange risk amount to Rs. 5,593,000 (2019: Rs. 5,637,055) and Rs. 13,113,858 (2019: Rs. 12,560,205) respectively.

At December 31, 2020, if the Pakistan Rupee had weakened / strengthened by 5% against the US Dollar with all other variables held constant, post-tax profit / loss for the year would have been lower / higher by Rs. 266,990 (2019: Rs. 245,772), mainly as a result of foreign exchange losses / gains on translation of uncovered US Dollar-denominated liabilities. However, this change in profits or losses would be partially offset by a corresponding change in margins as bulk of revenues is linked with movements in exchange rates.

ii) Yield / interest rate risk

Yield / interest rate risk represents the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk arising from investments in government securities, bank balances maintained in saving accounts, borrowings and running finance facilities and term deposits, utilised under mark-up arrangements. Variable rate financial instruments expose the Group to cash flow interest rate risk, whereas, fixed rate financial instruments expose the Group to fair value interest rate risk.

As at December 31, 2020, if interest rate on Group's borrowings had been 1% higher / lower with all other variables held constant, post tax profit for the year would have been lower / higher by approximately Rs. 32,730 (2019: Rs. 21,418) mainly as a result of higher / lower interest charged on variable rate borrowings.

iii) Other price risk

Price risk represents the risk that the fair vale of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financials instruments or its issuers or factors affecting all similar financial instruments traded in the market. The Group is not exposed to price risk as at December 31, 2020 as the Group does not hold any financial instruments which expose it to price risk.

b) Credit risk

Credit risk represents the risk of financial loss being caused if counter parties fail to discharge their obligations. Credit risk arises from deposits with banks and financial institutions, trade debts, loans, deposits, other receivables financial assets at amortised cost and financial assets at fair value through profit or loss. The maximum exposure to credit risk is equal to the carrying amount of these financial assets.

The Group is not materially exposed to credit risk as unsecured credit is provided to selected parties with no history of default. Moreover, major part of trade debts are secured by bank guarantees and letters of credit from customers. Furthermore, credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings, or investments are made in government securities.

The Group monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets exposed to credit risk, which are neither past due nor impaired, are as follows:

(Amounts in thousand)

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| Long-term loans | 29,286 | 72,078 |
| Trade debts - considered good | 586,212 | 469,613 |
| Loans, deposits and other receivables | 146,755 | 393,079 |
| Financial assets at fair value through profit or loss | 13,431,523 | 9,391,057 |
| Financial assets at amortised cost | 5,624,953 | 5,425,707 |
| Bank balances | 944,911 | 777,176 |
| | 20,763,640 | 16,528,710 |

The credit quality of receivables can be assessed with reference to their historical performance with no defaults in recent history. As at December 31, 2020 the credit quality of the Group's bank balances can be assessed with reference to external credit ratings assigned to the respective banks as follows:

| Bank | Rating agency | 2020 Ratings | | 2019 Ratings | |
|---|---|---|---|---|---|
| | | Short-term | Long-term | Short-term | Long-term |
| Allied Bank Limited | PACRA | A-1+ | AAA | A-1+ | AAA |
| Askari Bank Limited | PACRA | A-1+ | AA+ | A-1+ | AA+ |
| Al Baraka Bank (Pakistan) Limited | PACRA | A-1 | A | A-1 | A |
| Bank Alfalah Limited | PACRA | A-1+ | AA+ | A-1+ | AA+ |
| Bank Al Habib Limited | PACRA | A-1+ | AA+ | A-1+ | AA+ |
| Bank of China | R&I | A-1 | A | A-1 | A |
| Bank Islami Pakistan Limited | PACRA | A1 | A+ | A1 | A+ |
| Citibank N.A. | Moody | P1 | Aa3 | P1 | Aa3 |
| Deutsche Bank A.G | Moody | - | - | P2 | Ba3 |
| Dubai Islamic Bank Pakistan Limited | JCR-VIS | A-1+ | AA | A-1+ | AA |
| Faysal Bank Limited | PACRA | A-1+ | AA | A-1+ | AA |
| Habib Bank Limited | JCR-VIS | A-1+ | AAA | A-1+ | AAA |
| Habib Metropolitan Bank Limited | PACRA | A-1+ | AA+ | A-1+ | AA+ |
| Industrial and Commercial Bank of China | Moody | P-1 | A1 | P-1 | A1 |
| JS Bank Limited | PACRA | A-1+ | AA- | A-1+ | AA- |
| MCB Bank Limited | PACRA | A-1+ | AAA | A-1+ | AAA |
| MCB Islamic Bank Limited | PACRA | A-1 | A | A-1 | A |
| Meezan Bank Limited | JCR-VIS | A-1+ | AA+ | A-1+ | AA+ |
| National Bank of Pakistan | JCR-VIS | A-1+ | AAA | A-1+ | AAA |
| Standard Chartered Bank (Pakistan) Limited | PACRA | A-1+ | AAA | A-1+ | AAA |
| Summit Bank Limited | JCR-VIS | A-3 | BBB- | A-3 | BBB- |
| SAMBA Bank Limited | JCR-VIS | A-1 | AA | A-1 | AA |
| The Bank of Punjab | PACRA | A-1+ | AA | A-1+ | AA |
| United Bank Limited | JCR-VIS | A-1+ | AAA | A-1+ | AAA |

(Amounts in thousand)

**c) Liquidity risk**

Liquidity risk represents the risk that the Group will encounter difficulties in meeting obligations associated with financial liabilities. The Group's liquidity management involves maintaining sufficient cash and marketable securities, the availability of funds through an adequate amount of credit facilities and through its ability to close out market positions. Due to the dynamic nature of the business, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

The general nature of credit facilities available to the Company under any contract and not availed as at the date of consolidated statement of financial position has been disclosed in notes 18 and 23.

The table below analyses how management monitors net liquidity based on details of the remaining contractual maturities of financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows:

| | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Maturity upto one year | Maturity more than one year but less than five years | Maturity after five years | Total | Maturity upto one year | Maturity more than one year but less than five years | Maturity after five years | Total |
| Financial liabilities | Rupees | | | | | | | |
| Long-term borrowings | 3,953,611 | 21,201,305 | 4,892,231 | 30,047,147 | 1,854,200 | 23,373,714 | 3,627,225 | 28,855,139 |
| Lease liabilities | 1,323,477 | 3,735,906 | 262,774 | 5,322,157 | 1,276,223 | 4,435,600 | 707,659 | 6,419,482 |
| Service benefit obligations | 79,539 | - | - | 79,539 | 61,049 | - | - | 61,049 |
| Short term borrowings | - | - | - | - | 2,158,836 | - | - | 2,158,836 |
| Trade and other payables | 6,429,230 | - | - | 6,429,230 | 4,782,010 | - | - | 4,774,372 |
| Derivative financial instruments | - | - | - | - | 154 | - | - | 154 |
| Accrued interest / mark-up | 425,112 | - | - | 425,112 | 366,272 | - | - | 366,272 |
| | 12,210,969 | 24,937,211 | 5,155,005 | 42,303,185 | 10,498,744 | 27,809,314 | 4,334,884 | 42,635,304 |

## 43. 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. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

**Fair value hierarchy**

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Group to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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





(Amounts in thousand)

The Group held the following assets measured at fair values:

| | As at December 31, 2020 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | Rupees | | | |
| **Financial assets at fair value through profit or loss** | | | | |
| Treasury bills | - | 2,024,761 | - | 2,024,761 |
| Pakistan investment bonds | - | 11,400,762 | - | 11,400,762 |
| Term deposit | - | 6,000 | - | 6,000 |
| | - | 13,431,523 | - | 13,431,523 |

| | As at December 31, 2019 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | Rupees | | | |
| **Financial assets at fair value through profit or loss** | | | | |
| Treasury bills | - | 7,695,569 | - | 7,695,569 |
| Pakistan investment bonds | - | 1,695,488 | - | 1,695,488 |
| | - | 9,391,057 | - | 9,391,057 |

The carrying values of all other assets and liabilities reflected in these financial statements approximate their fair values.

## 44. CAPITAL RISK MANAGEMENT

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern and to provide expected returns to its shareholders by maintaining optimum capital structure to minimize the cost of capital. To maintain or adjust the capital structure, the Group may issue new equity, manage dividend payouts to its shareholders or sell assets to reduce debt.

The Company manages capital by maintaining gearing ratio at certain levels. This ratio is calculated as long term borrowings and lease liabilities divided by total capital. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus long-term borrowings and lease liabilities.

| | 2020 | 2019 |
|---|---|---|
| | Rupees | |
| The gearing ratio of the Company is as follows: | | |
| Long-term borrowings - note 18 | 21,626,485 | 19,388,880 |
| Lease liabilities | 4,694,873 | 5,531,317 |
| | 26,321,358 | 24,920,197 |
| Total equity | 26,126,131 | 17,776,156 |
| Total capital | 52,447,489 | 42,696,353 |
| Gearing ratio | 0.502 | 0.584 |

**(Amounts in thousand)**

## 45. SEGMENT INFORMATION

45.1 Based on the internal management reporting structure, the Group is organised into three business segments based on the products produced and sold as follows:

- Poly Vinyl Chloride (PVC) and allied chemicals: The segment is formed to manufacture and sell PVC and allied chemicals to various industrial customers including pipe manufacturers, shoe and packaging industry. The Company supplies the products throughout Pakistan mainly through dealers. Moreover, PVC is also exported to various countries mainly in Asia Region.
- Caustic soda and allied chemicals: The segment is formed to manufacture and sell caustic soda and allied chemicals mostly to textile and soap industry.
- Power supplies: The segment supplies surplus power generated from its power plants to Engro Fertilizers Limited.

Management monitors the operating results of above-mentioned segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on profit / (loss) after tax for that segment, which in certain respects, as explained in table below, is measured differently from profit or loss in the financial statements. Items which are directly attributable to a particular segment have been allocated to the respective segment, while those which are not directly attributable have been allocated on the basis of revenue.

| | Poly Vinyl Chloride (PVC) and allied chemicals | | Caustic soda and allied chemicals | | Power supply | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | Rupees | | | | | | | |
| **Segment profit and loss** | | | | | | | | |
| Revenue | | | | | | | | |
| At a point in time | 30,573,350 | 31,647,675 | 4,463,506 | 5,995,675 | - | - | 35,036,856 | 37,643,350 |
| Over time | - | - | - | - | 85,032 | 71,933 | 85,032 | 71,933 |
| | 30,573,350 | 31,647,675 | 4,463,506 | 5,995,675 | 85,032 | 71,933 | 35,121,888 | 37,715,283 |
| Less: | | | | | | | | |
| Cost of sales | (21,221,205) | (26,488,041) | (3,788,302) | (3,903,637) | (77,486) | (57,030) | (25,086,993) | (30,448,708) |
| Distribution and marketing expenses | (203,178) | (323,168) | (89,041) | (72,977) | - | - | (292,219) | (396,145) |
| Administrative expenses | (511,396) | (510,011) | (47,555) | (63,211) | - | - | (558,951) | (573,222) |
| Other expenses | (539,242) | (427,087) | (97,543) | (186,311) | (1,066) | (1,750) | (637,851) | (615,148) |
| Other income | 618,927 | 492,021 | 558,297 | 437,787 | 2,411 | 461 | 1,179,635 | 930,269 |
| Finance costs | (1,872,429) | (1,443,328) | (16,236) | (17,251) | (102) | (117) | (1,888,767) | (1,460,696) |
| Profit before tax | 6,844,827 | 2,948,061 | 983,126 | 2,190,075 | 8,789 | 13,497 | 7,836,742 | 5,151,633 |
| Taxation | (2,226,701) | (791,671) | (159,405) | (580,023) | (2,268) | (3,854) | (2,388,374) | (1,375,548) |
| | 4,618,126 | 2,156,390 | 823,721 | 1,610,052 | 6,521 | 9,643 | 5,448,368 | 3,776,085 |
| Impact of ROU and lease liabilities | | | | | | | 281,749 | (93,194) |
| Others, post tax | | | | | | | 119 | 13,146 |
| **Profit for the year** | 4,618,126 | 2,156,390 | 823,721 | 1,610,052 | 6,521 | 9,643 | 5,730,236 | 3,696,037 |
| **Segment assets and liabilities** | | | | | | | | |
| Total segment assets - note 45.2 | 38,320,683 | 31,479,624 | 9,059,981 | 4,867,662 | 26,766 | 17,886 | 47,407,430 | 36,365,172 |
| Unallocated assets - note 45.2 | | | | | | | 21,686,231 | 21,154,045 |
| Total assets | | | | | | | **69,093,661** | **57,519,217** |
| Total segment liabilities - note 45.2 | 19,939,452 | 15,533,786 | 3,212,463 | 3,261,271 | 9,209 | 3,648 | 23,161,124 | 18,798,705 |
| Unallocated liabilities - note 45.2 | | | | | | | 19,806,406 | 20,944,356 |
| Total liabilities | | | | | | | **42,967,530** | **39,743,061** |

45.2 Segment assets consist primarily of property, plant and equipment, stores and spares, stock in trade and trade debts. Unallocated assets include long term investment, long term loans and advances, loans, advances, prepayments and other receivables, taxes recoverable, and cash and bank balances.

**(Amounts in thousand)**

## 46. TRANSACTIONS WITH RELATED PARTIES

46.1 Following are the name of associated companies and related parties with whom the Group had entered into transactions or had arrangements or agreements in place during the year:

| Name of related parties | Direct shareholding | Relationship |
|---|---|---|
| Engro Corporation Limited | 56.19% | Parent company |
| Mitsubishi Corporation | 11.01% | Associated company |
| Engro Fertilizers Limited | N/A | Common directorship |
| Sindh Engro Coal Minning Company Limited | N/A | Common directorship |
| Engro Energy Limited | N/A | Common directorship |
| Thar Power Company Limited | N/A | Common directorship |
| Engro Digital Limited | N/A | Common directorship |
| Engro Eximp Agri Products (Private) Limited | N/A | Common directorship |
| FrieslandCampina Engro Pakistan Limited | N/A | Common directorship |
| Engro Infinity (Private) Limited | N/A | Common directorship |
| Engro Foundation | N/A | Common directorship |
| Karachi School of Business Leadership (KSBL) | N/A | Common directorship |
| Engro Elengy Terminal Private Limited | N/A | Common directorship |
| Engro Eximp FZE | N/A | Common directorship |
| Engro Powergen Qadirpur Limited | N/A | Common directorship |
| EFERT Agri Trade (Private) Limited | N/A | Common directorship |
| Engro Vopak Terminal Limited | N/A | Common directorship |
| Pakistan Oxygen Ltd | N/A | Common directorship |
| Overseas Investors Chamber of Commerce & Industry | N/A | Common directorship |
| Pakistan Institute of Corporate Governance | N/A | Common directorship |
| Retirement funds | | |
| - Provident fund | N/A | Post employment benefits |
| - Gratuity fund | N/A | Post employment benefits |
| - Pension fund | N/A | Post employment benefits |
| Mr. Nadir Salar Qureshi - note 46.1.2 | N/A | Non-executive Director |
| Mr. Feroz Rizvi - note 46.1.2 | N/A | Independent Director |
| Ms. Ayesha Aziz - note 46.1.2 & 46.1.3 | N/A | Independent Director |
| Mr. Eram Hassan | N/A | Non-executive Director |
| Mr. Nazoor Baig - note 46.1.2 | N/A | Independent Director |
| Mr. Noriyuki Koga - note 46.1.2 | N/A | Non-executive Director |
| Mr. Hasnain Moochhala | N/A | Non-executive Director |
| Mr. Ghias Uddin Khan - note 46.1.2 | N/A | Non-executive Director |
| Mr. Rizwan Masood Raja - note 46.1.2 | N/A | Non-executive Director |
| Ms. Rahat Kaunain Hassan - notes 46.1.2 & 46.1.3 | N/A | Independent Director |
| Mr. Imran Anwer - note 46.1.1 | N/A | Chief Executive Officer |
| Mr. Jahangir Piracha - note 46.1.1 | N/A | Chief Executive Officer |
| Mr. Aneeq Ahmed | N/A | Key management personnel |
| Mr. Syed Ali Akbar | N/A | Key management personnel |
| Mr. Mahmood Siddiqui | N/A | Key management personnel |
| Mr. Asghar Ali Khan | N/A | Key management personnel |
| Mr. Mazhar Hasnaini | N/A | Key management personnel |
| Mr. Jahangir Waheed | N/A | Key management personnel |
| Ms. Salima Hasham | N/A | Key management personnel |
| Mr. Salman Hafeez | N/A | Key management personnel |
| Mr. Kalimuddin A Khan | N/A | Key management personnel |
| Mr. Fahd Khawaja | N/A | Key management personnel |
| Mr. Syed Abbas Raza | N/A | Key management personnel |

(Amounts in thousand)

46.1.1 During the year, Mr. Imran Anwer resigned from the post of Chief Executive Officer of the Company and was replaced by Mr. Jahangir Piracha.

46.1.2 These denote directors elected in the annual general meeting of the Company held on April 23, 2020.

46.1.3 Ms. Ayesha has co-opted as a Director on the Board of Directors of the Company on November 5, 2020 in the place of Ms. Rahat Kaunain Hassan.

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

| Nature of relationship | Nature of transactions | 2020 Rupees | 2019 Rupees |
|---|---|---|---|
| **Holding Company** | | | |
| - Engro Corporation Limited | Reimbursement made | 375,712 | 287,474 |
| | Reimbursement received | 25,173 | 2,386 |
| | Advance for intangible asset | 233,700 | 276,595 |
| | Life insurance contribution | - | 537 |
| | Medical insurance contribution | - | 194 |
| **Associated Company** | | | |
| - Mitsubishi Corporation | Purchase of goods | 93,190 | 702,673 |
| **Member of the Group** | | | |
| - Engro Fertilizers Limited | Sale of goods | 7,737 | 11,305 |
| | Sales of utilities | 132,787 | 112,834 |
| | Purchase of services | 89,807 | 13,412 |
| | Reimbursement received | 2,323 | 3,771 |
| | Purchase of land | - | 722,122 |
| | Reimbursement made | 22,915 | 12,641 |
| - Engro Vopak Terminal Limited | Purchase of services | 1,644,170 | 1,477,298 |
| | Reimbursement made | 12,598 | 20,119 |
| | Reimbursement received | - | 936 |
| - Engro Digital Limited | Reimbursement received | 6,428 | 32 |
| - Engro Energy Limited | Reimbursements received | 1,596 | 4,372 |
| - Engro Powergen Thar (Private) Limited | Sale of goods | 1,277 | 3,987 |
| - Engro Foundation | Donations | 5,000 | 14,200 |
| **Directors** | Fee | 1,617 | 1,100 |
| **Contribution to staff** | Managed and operated by the | | |
| **retirement benefits** | Holding Company | | |
| | - Provident fund | 70,719 | 69,636 |
| | - Gratuity fund | 65,339 | 48,853 |
| | - Pension fund | 3,042 | 4,629 |
| **Key management personnel** | Managerial remuneration | 241,041 | 117,369 |
| | Retirement benefit funds | 18,696 | 20,853 |
| | Bonus | 50,398 | 37,351 |
| | Other benefits | 26,500 | 27,134 |

46.3 The related party status of outstanding balances as at December 31, 2020 is disclosed in the respective notes.





(Amounts in thousand)

## 47. GENERAL

### 47.1 Number of employees

| | 2020 Rupees | 2019 Rupees |
|---|---|---|
| - Total number of employees | 563 | 508 |
| - Average number of employees | 537 | 483 |

Included herein are 480 (2019: 435) employees working at the plant of the Company as at December 31, 2020 and average number of these employees during the year was 456 (2019: 467).

### 47.2 Production capacity

| | Designed annual capacity 2020 | Designed annual capacity 2019 | Actual production 2020 | Actual production 2019 | Remarks |
|---|---|---|---|---|---|
| | Kilo tons | | | | |
| PVC | 195 | 195 | 153 | 197 | Production planned as |
| EDC | 127 | 127 | 79 | 110 | per market demand |
| Caustic soda | 106 | 106 | 77 | 105 | and in-house |
| Caustic flakes | 20 | 20 | 2 | 4 | consumption needs |
| VCM | 204 | 204 | 148 | 184 | |
| | Mega Watts | | | | |
| Power | 66 | 66 | 48 | 48 | |

## 48. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors in its meeting held on February 10, 2021 has proposed a final cash dividend of Rs. 1,133,562 (2019: Rs.181,785) which is approximately Rs. 1.247 (2019: Rs. 0.20) per share. This appropriation will be approved by the members at the Annual General Meeting to be held on April 8, 2021

Further, the Board of Directors in the meeting has proposed a final cash dividend for preference shareholders for the period from December 18, 2020 to December 31, 2020 of Rs. 12,485 which is approximately Rs 0.042 per share. This appropriation will be approved in the Annual General Meeting to be held on April 8, 2021.

## 49. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified for better presentation, wherever considered necessary, for the purposes of better comparison. Following are the major reclassifications that have been made during the year:

| Description | Reclassifie From | Reclassifie To | Amount |
|---|---|---|---|
| Accrued mark-up | Loans, advances, deposits prepayments and other receivables | Financial asset at fair value through profit or loss | 73,097 |
| Advances to suppliers | Loans, advances, deposits prepayments and other receivables | Stock-in-trade | 47,218 |
| Advances to suppliers | Loans, advances, deposits prepayments and other receivables | Stores, spares and loose tools | 109,084 |

## 50. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on February 10, 2020 by the Board of Directors of the Company.

# shareholders' information

# notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Twenty Third Annual General Meeting of Engro Polymer & Chemicals Limited (the "Company") will be held at Karachi via video conferencing on Thursday, April 8, 2021 at 10:00 a.m. to transact the following business:

Due to the current situation caused by COVID-19 pandemic, shareholders are requested to attend the meeting through video conference facility managed by the Company as per the instructions given in the notes section.

## A) Ordinary Business

1) To receive, consider and adopt the standalone and consolidated Audited Financial Statements of the Company for the year ended December 31, 2020 along with the Directors' and Auditors' Reports, thereon and the Chairman's Review Report.

2) To declare, as recommended by the Directors, the payment of a final dividend of PKR 1,146,047,200/- for the year ended December 31, 2020 which shall be distributed as follows:

   - Final Cash Dividend for ordinary shareholders for the year ended December 31, 2020 Rs. 1,133,562,268/ which is approximately Rs.1.247 per share i.e. 12.47%.

   - Cash Dividend for preference shareholders for the period from December 18, 2020 to December 31, 2020 Rs. 12,484,932/ which is approximately Rs. 0.042 per share i.e. 0.42%.

3) To appoint Auditors for the year 2021 and fix their remuneration. The Members are hereby notified that the Board Audit Committee and the Board of Directors have recommended the name of retiring Auditors M/s. A.F. Ferguson & Co., Chartered Accountants for re-appointment as Auditors of the Company.

By the order of the Board

Karachi
February 10, 2021

**Khawaja Haider Abbas**
Company Secretary

N.B.

1) Participation in the AGM proceeding via the video conference facility:

   Due to current COVID-19 situation, the AGM proceedings shall be held via video conference facility only.

   Shareholders interested to participate in the meeting are requested to email their Name, Folio Number / participant's ID number, Cell Number, CNIC / Passport Number with subject "Registration for Engro Polymer & Chemicals Limited AGM" along with valid copy of both sides of Computerized National Identity Card (CNIC) at agm.epcl@engro.com, video link and login credentials will be shared with only those members whose emails, containing all the required particulars, are received at least 48 hours before the time of AGM.

   Shareholders can also provide their comments and questions for the agenda items of the AGM at the email address agm.epcl@engro.com

2) The Share Transfer Books of the Company will be closed from Sunday, April 4, 2021 to Thursday, April 8, 2021 (both days inclusive). The transfers received in order at the office of the Company's share registrar, M/s. FAMCO Associates (Private) Limited, 8-F, near hotel Faran, Block 6, PECHS, Shahra-e-Faisal, Karachi PABX Nos. (92-21) 34380101-5 and email info.shares@famco.com.pk by the close of business (5:00 p.m.) on Friday, April 2, 2021 will be treated to have been in time for the purposes of payment of final dividend to the transferees and to attend and vote at the meeting.

3) A member entitled to attend and vote at this meeting shall be entitled to appoint another person as his/her proxy to attend, speak and vote instead of him/her, and a proxy so appointed shall have all such rights, (in respect of) attending, speaking and voting at the meeting as are available to a member. Proxy forms, in order to be effective, must be received by the Company not less than forty-eight (48) hours before the meeting. A proxy need not be a member of the Company.

4) Pursuant to Companies (Postal Ballot) Regulations, 2018, for the purpose of any agenda item subject to the requirements of sections 143 and 144 of the Companies Act, 2017, members will be allowed to exercise their right of vote through postal ballot, that is voting by post or through an electronic mode, in accordance with the requirements and procedures contained in the aforesaid regulations.

5) In accordance with the provisions of section 242 of the Companies Act, 2017, a listed Company is required to pay cash dividend only through electronic mode directly into the bank account designated by the entitled shareholders. Accordingly, the shareholders not receiving credit of their dividend are requested to provide the information mentioned on an E-Dividend Mandate Form available at the website of the Company to the share registrar. The CDC account holders must submit their information directly to their broker (participant) / Central Depository Company of Pakistan Limited.

6) In accordance with the directives of the SECP, the dividends of shareholders whose CNIC copies have not been received by the Company shall not be electronically credited until receipt thereof. Therefore, the individual shareholders who have not submitted their CNIC copies are requested to send the same at the earliest to the share registrar of the Company. Corporate entities are requested to provide their NTN. While providing their CNIC/NTN, shareholders must quote their respective folio numbers. The physical shareholders are requested to notify any change in their addresses to the share registrar of the Company and in case of CDC shareholders to their broker (participant) or Investor Account Services of CDC, where their shares are kept.

7) In compliance with section 150 read with Division I of Part III of the First Schedule of the Income Tax Ordinance, 2001 withholding tax on dividend income will be deducted for shareholders appearing in Active Taxpayers List (ATL) at 15%. For shareholders whose name is not appearing in ATL, section 100BA read with the Tenth schedule of the Income Tax Ordinance, 2001 requires withholding tax on dividend income to be increased to 30%. To enable the Company to withhold tax at 15%, all shareholders are advised to ensure that their names appear in the latest available ATL on FBR website, otherwise tax on their cash dividend will be deducted at 30%. Withholding tax exemption from the dividend income shall only be allowed to a corporate shareholder if a copy of valid tax exemption certificate is made available to the share registrar of the Company by the first day of book closure.

8) The FBR has clarified that in case of joint account, each holder is to be treated individually as either a filer or non-filer and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder, in writing as follows, to the Company's share registrar, otherwise it will be assumed that the shares are equally held by the joint shareholders:

| Company Secretary | Folio / CDS Account No. | Total Shares | Principal Shareholder | | Joint Shareholder | |
|---|---|---|---|---|---|---|
| | | | Name & CNIC No. | Shareholding Proportion No. of shares | Name & CNIC No. | Shareholding Proportion No. of shares |



# standard request form

## Circulation of Annual Audited Accounts

The Share Registrar
Engro Polymer & Chemicals Ltd.

Dated: ______________

**FAMCO Associates (Pvt.) Ltd.**
8-F, Near Hotel Faran
Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal
KARACHI.
E-mail: info.shares@famco.com.pk
Telephone No. (9221) 3438 0101-5, 3438 4621-3
Dear Sirs,

Subject: **Request for Hard Copy of Annual Report of Engro Polymer & Chemicals Limited.**

As notified by the Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 470(I)/2016 dated May 21, 2016 and approved by the Shareholders in the Annual General Meeting of the Company held on April 14, 2017, the Company is circulating its annual balance sheet, and profit and loss account, auditor's report and directors report etc. ("Annual Audited Accounts") to its members through CD/DVD/USB at their registered addresses, save for those who opt for a hardcopy of the Annual Audited Accounts by filling out the details below and sending it to the Company's share registrar and Company Secretary.

I, ___________________________ S/o, D/o, W/o ____________________ being a registered shareholder of Engro Polymer & Chemicals Ltd. with the particulars as mentioned below would request that my name be added to the list of Shareholders of the Company who opt for delivery of a hardcopy of the Annual Audited Accounts of the Company and hereby request you send me the Annual Audited Accounts in hard copy form at my registered address as contained in the member register instead of providing the same through CD/DVD/USB.

| Particulars | |
|---|---|
| Name of Shareholder | |
| Folio No. / CDC ID No. | |
| CNIC / NICOP / Passport No. | |
| Land Line Telephone No. (if any) | |
| Cell No. (if any) | |

Yours truly,

______________________
Shareholder's Signature

Copy to:

**Company Secretary**
**Engro Polymer & Chemicals Ltd.**
16th Floor, The Harbour Front, Dolmen City
HC-3, Block 4, Clifton, Karachi-75600.
E-mail: skamil@engro.com

# proxy form

I/We ______________________________
of ______________________________ being a member of ENGRO POLYMER AND CHEMICALS and holder of ______________ ordinary shares as per share(Number of Shares)Register Folio No. ______________ and/or CDC Participant I.D. No.__________ and Sub Account No.__________, hereby appoint ______________ of ______________ or failing him/her ______________ of ______________ as my / our proxy to vote for me / us and on my / our behalf at the 23rd Annual General Meeting of the Company to be held on the 8th day of April, 2021 and any adjournment thereof.

Signed this __________ day of__________ 2021.

**Witnesses:**

(1) Signature : ______________
Name : ______________
Address : ______________
: ______________
CNIC or : | | | | | |■| | | | | | |■| |
Passport No. : ______________

(2) Signature : ______________
Name : ______________
Address : ______________
: ______________
CNIC or : | | | | | |■| | | | | | |■| |
Passport No. : ______________

Signature

(Signature should agree with the specimen registered with the Company)

**Notes:**

Proxies in order to be effective, must be received by the Company not less than 48 hours before the meeting. A Proxy need not be a member of the Company.

CDC Shareholders and their proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.

# پراکسی فارم

میں/ہم ______________________________

کے ______________________________ بطور اینگرو پولیمر اینڈ کیمیکلز کا رکن اور

حامل ______________ (حصص کی تعداد) عام حصص جیسا کے رجسٹر فولیو نمبر __________ اور/یا سی ڈی سی شراکت دار شناخت

نمبر __________ اور سب اکاؤنٹ نمبر __________ اس طرح مقرر/منتخب __________

کیا جاتا ہے یا انکی ناکامی کی صورت میں __________ کے __________

کو مورخہ 8 اپریل 2021 کو منعقد ہونے والی کمپنی کی بیسویں سالانہ جنرل میٹنگ میں بحیثیت میرے/ہمارے قائم مقام/نمائندہ اور میرے/ہماری جانب سے ووٹ دینا اور اس کے اختتام/التواء تک۔

مورخہ __________

گواہان

دستخط __________

نام __________

پتہ __________

شناختی کارڈ نمبر

یا پاسپورٹ نمبر: __________

دستخط کمپنی کے رجسٹر سے متفق ہونا چاہیے

دستخط __________

نام __________

پتہ __________

__________

شناختی کارڈ نمبر

یا پاسپورٹ نمبر: __________

نوٹ:

نمائندہ/ قائم مقام کو مئوثر کرنے کے لیے کمپنی کو میٹنگ شروع ہونے سے 48 گھنٹے قبل لازم موصول ہوجانی چاہیے۔ نمائندہ/ قائم مقام کو کمپنی کا رکن ہونا ضروری نہیں ہے۔

اس فارم کو کمپنی میں کرانے سے پہلے حاصل سی ڈی سی حصص اور انکے نمائندہ/ قائم مقام دونوں کے کمپیوٹرائزڈ شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقل اس فارم کے ساتھ منسلک کرنا ہوگی۔

# compliance with ICAP's BCR

| No. | Framework for Annual Reporting | Page No. |
|---|---|---|
| 1 | ORGANIZATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT | |
| 1.01 | Principal business activities and markets | 7 / 11 - 14 |
| 1.02 | Geographical location and address of all business | 15 - 16 |
| 1.03 | Mission, vision, code of conduct, culture, ethics and values | 3 - 6/23/76/93 |
| 1.04 | Ownership, operating structure and relationship with group companies | 18 |
| 1.05 | Organization chart indicating functional and administrative reporting | 17 |
| 1.06 | Key Figures (Number of persons employed) | 152 |
| 1.07 | Position of the reporting organization within the value chain | 115 - 116 |
| 1.08 | Significant factors effecting the external environment and the organization's response | 118 - 119 |
| 1.09 | Significant changes from prior years | 124 |
| 1.10 | Composition of local versus imported material and FX sensitivity | 124 |
| 1.11 | Competitive landscape and market positioning | 120 |
| 2 | STRATEGY AND RESOURCE ALLOCATION | |
| 2.01 | Short, medium and long term strategic objectives | 25 - 26 |
| 2.02 | Strategies in place to achieve those strategic objectives | 25 - 26 |
| 2.03 | Resource allocation plans to implement the strategy and financial capital structure | 32 |
| 2.04 | Key performance indicators (KPIs) | 27 - 31 |
| 2.05 | Strategy to overcome liquidity problem | 32 |
| 2.06 | Significant plans and decisions | 32 |
| 2.07 | Significant changes in objectives and strategies from prior years | 32 |
| 3 | RISKS AND OPPORTUNITIES | |
| 3.01 | Key risks and opportunities effecting availability, quality and affordability of Capitals | 121 - 124 |
| 3.02 | Sources of risks and opportunities (internal and external) | 121 - 124 |
| 3.03 | Assessment of the 'likelihood' that the risk or opportunity will come to fruition and the 'magnitude' of its effect if it does | 121 - 124 |
| 3.04 | Specific steps being taken to mitigate or manage key risks | 121 - 124 |
| 3.05 | Board's risk management policies | 124 |
| 3.06 | Board of Directors robust assessment of the principal risks facing the company | 124 |
| 3.07 | Inadequacy in the capital structure and plans to address such inadequacy | 124 |
| 4 | GOVERNANCE | |
| 4.01 | Name and profile of board of directors | 43 - 46 |
| 4.02 | Review Report by the Chairman of the Company | 55 - 56 |
| 4.03 | A statement of how the Board operates | 92 |
| 4.04 | Shariah Advisor Report and Profile of the Shariah Advisor | 104 |
| 4.05 | Annual evaluation of performance, along with description of criteria used for the members of the Board and its committees, CEO and the Chairman | 95 |
| 4.06 | Disclosure if the Board's Performance evaluation is carried out by an external consultant once in three years | 95 |
| 4.07 | Details of formal orientation courses for Directors | 95 |
| 4.08 | Directors' Training Program (DTP) attended by Directors | 96 |

| No. | Framework for Annual Reporting | Page No. |
|---|---|---|
| 4 | GOVERNANCE | |
| 4.09 | BoD remuneration policies | 98 |
| 4.10 | Policy for security clearance of foreign directors | 99 |
| 4.11 | How the organization's implemented governance practices exceeding legal requirements | 93 |
| 4.12 | Board's policy on diversity, (including gender), any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives | 102 |
| 4.13 | No. of companies in which the executive director of the reporting organization is serving as non-executive director | 97 |
| 4.14 | Related parties and board policy on RP transactions | 99 |
| 4.15 | Details of Board meetings held outside Pakistan during the year | 98 |
| 4.16 | Disclosure of Policy for actual and perceived conflicts of interest | 99 |
| 4.17 | Investors' grievance policy | 100 |
| 4.18 | Policy for safety records of the company | 100 |
| 4.19 | Disclosure of IT Governance Policy | 101 |
| 4.20 | Disclosure of Whistle blowing policy | 101 |
| 4.21 | Human resource management policies including preparation of a succession plan | 101 |
| 4.22 | Social and environmental responsibility policy | 102 |
| 4.23 | Review by the Board of the organization's business continuity plan | 108 - 109 |
| 4.24 | Disclosure of beneficial ownership and flow chart of group shareholding and relationship | 98 |
| 4.25 | Compliance with the Best Practices of Code of Corporate Governance | 177 - 179 |
| 4.26 | A brief description about role of the Chairman and the CEO | 96 |
| 4.27 | Shares held by Sponsors / Directors / Executives | 85 |
| 4.28 | Salient features of TOR and attendance in meetings of the Board Committees (Audit, Human Resource, Nomination and Risk management) | 97 - 98 |
| 4.29 | Timely Communication | N/A |
| 4.30 | Audit Committee Report | 105 - 106 |
| 4.31 | Presence of the chairman of the audit committee at the AGM | 96 |
| 4.32 | Where an external search consultancy has been used in the appointment of the Chairman or a non-Executive Director, it should be disclosed if it has any other connection with the company | 96 |
| 4.33 | Chairman's significant commitments and any changes thereto | 97 |
| 4.34 | Pandemic Recovery Plan by the Management and policy statement | 109 |
| 5 | PERFORMANCE AND POSITION | |
| 5.01 | Analysis of the financial and non-financial performance using both qualitative and quantitative indicators | 149 - 174 |
| 5.02 | Analysis of financial statements, Ratios, DuPont, Cash Flow & EVA | 149 - 154<br>163 - 164<br>173 - 174 |
| 5.03 | Combined analysis both vertical and horizontal of the Balance Sheet and Profit and Loss Account for last 6 years | 149 - 151 |
| 5.04 | Summary of Cash Flow Statement for last 6 years | 154 |
| 5.05 | Graphical presentation of the Balance Sheet, Profit & Loss Account and analysis in 5.02, 5.03 and 5.04 above | 165 - 171 |
| 5.06 | Explanation of negative change in the performance against prior year, analysis of variation in interim accounts with final accounts | 156<br>165 - 168<br>(trend analysis) |

| No. | Framework for Annual Reporting | Page No. |
|---|---|---|
| 5 | PERFORMANCE AND POSITION | |
| 5.07 | Information about defaults in payment of any debts and reasons thereof period | 174 |
| 5.08 | Methods and assumptions used in compiling the indicators | 174 |
| 5.09 | Cash Flow Statement based on Direct Method | 153 |
| 5.10 | Segmental review of business performance | 159 - 162 |
| 5.11 | Market share information preferably from an independent source including share price sensitivity analysis | 172 |
| 5.12 | History of major events during the year | 19 - 20 |
| 5.13 | Business rationale of major capital expenditure /projects during the year and for those planned for next year | 174 |
| 5.14 | Brief description and reasons for not declaring dvidend and overdue regulatory dues | N/A |
| 5.15 | CEO presentation video on the organization's website | 58 |
| 6 | OUTLOOK | |
| 6.01 | Forward looking statement | 145 |
| 6.02 | Analysis of last year forward looking statement | 145 |
| 6.03 | Status of the projects disclosed in the forward-looking statement in the previous year | 145 |
| 6.04 | Sources of information and assumptions used for projections / forecasts | 146 |
| 6.05 | How the organization is currently equipped in responding to the critical challenges | 146 |
| 7 | STAKEHOLDERS RELATIONSHIP AND ENGAGEMENT | |
| 7.01 | Stakeholders' engagement process and the frequency of such engagements | 35 - 36 |
| 7.02 | Measures to encourage the minority shareholders to attend the general meetings | 37 |
| 7.03 | Investors' Relations section on the corporate website | 37 |
| 7.04 | Issues raised in the last AGM, decisions taken and their implementation status | 37 |
| 7.05 | Statement of value added and its distribution with graphical presentation | 38 / 135 |
| 7.06 | Stakeholders engagement policy | 35 - 36 |
| 8 | SPECIFIC DISCLOSURES OF THE FINANCIAL STATEMENTS | |
| 1 | Fair value of Property, Plant and Equipment | N/A |
| 2 | Segment analysis of gross income and profit before tax | 235 / 293 |
| 3 | Reconciliation of weighted average number of shares for calculating EPS and diluted EPS | 226 / 286 |
| 4 | Particulars of significant / material assets and immovable property including location and area of land | 204 / 262 |
| 5 | Disclosure of discounts on revenue | 221 / 281 |
| 6 | Sector wise analysis of deposits and advances | N/A |
| 7 | Complete set of financial statements (Balance sheet, Income statement & Cash flow) for Islamic banking operations | N/A |
| 8 | Status for adoption of Islamic Financial Accounting Standards (IFAS) issued by the ICAP | N/A |
| 9 | Summary of significant transactions and events that have affected the company's financial position and performance during the year | 192 / 250 |
| 10 | Forced sale value in case of revaluation of Property, Plant and Equipment or investment property | N/A |

| No. | Framework for Annual Reporting | Page No. |
|---|---|---|
| 8 | SPECIFIC DISCLOSURES OF THE FINANCIAL STATEMENTS | |
| 11 | Particulars of major foreign shareholders, other than natural person, holding more than 5% of paid up capital in the company in Pattern of Shareholding | 213 / 272 |
| 12 | Particulars where company has given loans or advances or has made investments in foreign companies or undertakings | N/A |
| 13 | Details in respect of Export Sales - Name of company or undertaking in case of related party and in case of default brief description of any legal action | 209 / 268 |
| 14 | Treasury shares in respect of issued share capital of a company | N/A |
| 15 | Details of legal proceedings | 219 - 221 / 278 - 280 |
| 16 | Management assessment of sufficiency of tax provision made in the company's financial statements | 193 - 194 / 251 - 252 |
| 17 | Income tax reconciliation as required by IFRS and applicable tax regime for the year | 226 / 285 |
| 18 | In respect of loans and advances, other than those to the suppliers of goods or services, the name of the borrower and terms of repayment | 210 / 269 |
| 19 | Financial statements issued after public offering(s) of securities or issuance of debt instrument(s) implementation of plans as disclosed in the prospectus | 213 / 272 |
| 20 | Where any property or asset acquired with the funds of the company and is not held in the name of the company or is not in the possession and control of the company | N/A |
| 21 | Standards, amendments and interpretations adopted during the current year along with their impact on the company's financial statements | 195 / 253 |
| 22 | Standards, amendments and interpretations, not yet effective and not adopted along with their impact on the company's financial statements | 195 / 253 |
| 9 | SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY | |
| 9.01 | Highlights of the entity's performance, policies, initiatives and plans in place relating to the various aspects of sustainability and corporate social responsibility | 127 - 142 |
| 9.02 | Certifications acquired and international standards adopted for bestsustainability and CSR practices | 21 - 22 |
| 10 | BUSINESS MODEL | |
| 10.01 | Business model including inputs, business activities, outputs and outcomes | 113 |
| 11 | STRIVING FOR EXCELLENCE IN CORPORATE REPORTING | |
| 11.1 | Statement by management of unreserved compliance of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) | 174 |
| 11.2 | Adoption and statement of adherence with the International Integrated Reporting Framework (IR) | 142 |
| 11.3 | Disclosures beyond BCR criteria | 310 |

| 11.3 | DISCLOSURES BEYOND BCR CRITERIA | |
|---|---|---|
| 1 | **Functional objectives and strategies** | **27 - 31** |
| 2 | **Management & Functional committees** | **48** |
| 3 | **Governane framework** | **94** |
| 4 | **SWOT analysis** | **117** |
| 5 | **Compliance with ICAP's BCR Criteria** | **307 - 310** |

## پروویڈنٹ فنڈ

سال 2013 میں کمپنی نے اپنے پروویڈنٹ فنڈ کو ہولڈنگ کمپنی اینگرو کارپوریشن لمیٹڈ کے تحت منضبط اور چلنے والے پروویڈنٹ فنڈ سے تبدیل کر دیا تھا۔ چنانچہ ذیل میں دی گئی معلومات 30 جون 2020 میں ہولڈنگ کمپنی کی جانب سے منضبط کیے گئے فنڈ کے تازہ ترین آڈٹ شدہ مالیاتی گوشواروں اور 31 دسمبر 2020 کے غیر آڈٹ شدہ مالیاتی گوشواروں پر مبنی ہیں۔

فنڈ کی تفصیلات درج ذیل ہیں:

| | 31 دسمبر، 2020 | 30 جون، 2020 |
|---|---|---|
| مجموعی اثاثہ جات | 5,214,009,648 | 4,723,723,111 |
| سرمایہ کاری کی لاگت | 4,955,254,959 | 4,555,980,251 |
| کی گئی سرمایہ کاری کی شرح فیصد | 95.04% | 96.45% |
| سرمایہ کاری کی منصفانہ قیمت | 5,086,128,397 | 4,699,070,565 |

## جنس کے فرق پر بورڈز کی پالیسی

بورڈ ڈائریکٹران کے انتخاب کے معاملے میں کسی قسم کی تفریق نہیں رکھتا۔ اس لیے محترمہ عائشہ عزیز کو EPCL بورڈ میں جاری سال کیلئے آزاد ڈائریکٹر کی حیثیت سے منتخب کیا گیا ہے۔

## کارپوریٹ گورننس کی تعمیل

بورڈ آف ڈائریکٹرز نے کمپنی کے تمام اہم امور کی جانچ پڑتال کی ہے۔ ان میں کمپنی کی اسٹریٹجک ہدایات، سالانہ کاروباری منصوبے اور اہداف، طویل مدتی سرمایہ کاری کے حوالے سے فیصلے اور قرضہ جات شامل ہیں۔ بورڈ آف ڈائریکٹرز، کارپوریٹ گورننس کے اعلیٰ معیار کو برقرار رکھنے کے وعدے کا پاسدار ہے۔

بورڈ آف ڈائریکٹرز یہ بتاتے ہوئے انتہائی مسرت محسوس کرتا ہے کہ:

- انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے اس کے معاملات کی حالت، عملی امور کے نتائج، زر نقد کی ترسیل اور ایکویٹی میں تبدیلی کو درست طور پر پیش کرتے ہیں۔
- کھاتوں کی مخصوص کتابیں باقاعدہ طور پر تیار کی گئی ہیں۔
- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب حکمت عملی یکساں طور پر اپنائی گئی ہے اور اکاؤنٹنگ تخمینوں کی بنیاد معقول اور محتاط طور پر رکھی گئی ہیں۔
- پاکستان میں نافذ العمل بین الاقوامی اکاؤنٹنگ معیارات پر عمل کرتے ہوئے مالیاتی گوشوارے تیار کیے گئے ہیں اور وہاں سے کسی بھی قسم کی روگردانی کو موزوں طریقے سے منکشف کیا جاتا ہے۔
- سسٹم ایک مستحکم اور ٹھوس اندرونی کنٹرول کے نظام کا حامل ہے اور موثر طریقے سے اس کا اطلاق کیا جاتا اور اس پر نظر رکھی جاتی ہے۔
- کمپنی کو ایک جاری رہنے والے ادارے کے طور پر مسلسل چلتے رہنے میں کوئی شبہ نہیں۔
- لسٹنگ ریگولیشنز میں درج تفصیلات کے مطابق کارپوریٹ گورننس کے بہترین طریقہ کار سے کسی بھی قسم کی روگردانی نہیں پائی گئی ہے۔

## اصل خدشات (رسک) بورڈ کی تشخیص

بورڈ نے کمپنی کو درپیش خطرات کا جائزہ لیا، جن میں بشمول لیکن محدود نہیں، کاروباری ماڈل، مستقبل کی کارکردگی، قرضوں کی ادائیگی یا قرضوں کی وصولی کی صلاحیت شامل ہیں۔

## ڈائریکٹرز کے لیے تربیتی پروگرام

گزشتہ سالوں کے دوران جناب غیاث الدین خان، جناب فیروز رضوی، جناب نادر سالار قریشی اور جناب ارم حسن، محترمہ عائشہ عزیز نے SECP سے منظور شدہ پاکستان کے معروف اداروں سے ڈائریکٹرز کا تربیتی پروگرام مکمل کیا ہے۔ جناب رضوان مسعود راجہ کی تربیت COVID کی وجہ سے ملتوی ہوگئی تھی، انہوں نے جنوری 2021 میں حاصل کی۔

## ڈائریکٹرز کی تعیناتی

کمپنی کے ڈائریکٹرز مختلف پس منظر کے حامل ہوتے ہیں اور وسیع تجربہ رکھتے ہیں۔ نئے ڈائریکٹر کی شمولیت پر، انہیں مارکیٹ کے ان محرکات کے بارے میں بتایا جاتا ہے جو کمپنی، اس کے امور اور اس کی طویل المدت حکمت عملی کو متاثر کرتے ہیں۔ انہیں شراکت داروں کے حوالے سونپی جانے والی ان کی ذمہ داریوں کے بارے میں بھی بتایا جاتا ہے۔

## غیر ملکی ڈائریکٹرز کی سیکیورٹی کلیئرنس

کمپنی کسی بھی غیر ملکی ڈائریکٹر کی تقرری کے لیے SECP گائیڈ لائنز پر عمل کرتی ہے اور وزارت داخلہ کی جانب سے سیکیورٹی کلیئرنس کے اجراء سے مشروط، غیر ملکی ڈائریکٹرز کا تقرر کیا جاتا ہے۔

## بورڈ اور انتظامی فیصلوں کا سانچہ

کمپنی کا بورڈ، کمپنی کی حکمت عملی کے حوالے سے سمت کا تعین کرتا ہے اور اس کے اطلاق، منصوبوں اور آگے بڑھنے کے عمل کی نگرانی کرتا ہے۔ اسی دوران انتظامیہ کی یہ اہم ذمہ داری ہوتی ہے کہ وہ بورڈ کی جانب سے منظور شدہ حکمت عملی کے اطلاق کو یقینی بنائے۔ انتظامیہ کے پاس یہ اختیار ہوتا ہے کہ وہ کمپنی کے آپریشنز کے انتظام و انصرام کے ضروری فیصلے کرے اور اس حکمت عملی پر عمل درآمد کرے۔

## گورننس کے عملی امور کا قانونی تقاضوں کی حد تک اطلاق

ایک ذمہ دار کارپوریٹ شہری ہونے کے ناطے، کمپنی ہمیشہ ذمہ داری اور واضح طریقہ کا مظاہرہ کرتی ہے۔ شفافیت کو قائم رکھنے کے لیے کمپنی مندرجہ ذیل اقدامات کرتی ہے۔

- ICMAP/ICAP اور SAFA کے مجوزہ اصولوں کے حوالے سے رپورٹنگ کے تقاضوں کے اہداف کا تعین کرتی ہے۔
- اندرونی طور پر ایک سخت تجارتی پالیسی کو رائج کیا گیا ہے، جو قانونی تقاضوں کے عین مطابق کام کرتی ہے۔
- تمام شراکت داروں کو سہ ماہی بنیادوں پر تجزیاتی بریفنگ دی جاتی ہیں، نیز ان کے ساتھ باقاعدہ طور پر رابطہ استوار رکھا جاتا ہے۔
- ہمارے کمیونٹی، لوگوں اور ماحول کے تحفظ کیلئے ہماری لاگو کردہ صحت، تحفظ اور ماحولیاتی پالیسیوں کا اطلاق ہمارے عزم کا عملی ثبوت ہیں۔
- ہم وطنوں اور ہمارے آس پاس کمیونٹی کی بہتری کیلئے ہم نے کئی تعلیمی اور صحت کے پراجیکٹس شروع کیے ہیں۔
- گروپ کمپنیز کے ملازموں پر Close period پابندیوں کو اپنانے پر معمور کیا جاتا ہے۔
- ہماری مثالی گورننس کی پالیسیوں کو ہماری ملحقہ پرائیویٹ کمپنیاں بھی اپناتی ہیں۔

## حصص کا کاروبار اور اوسط نرخ

دوران سال پاکستان اسٹاک ایکسچینج پر کمپنی کے 836 ملین حصص کا کاروبار ہوا۔ روزانہ کی اختتامی نرخوں کی بنیاد پر کمپنی کے حصص کے اوسط نرخ 34.38 روپے تھے۔ 2020 کے 52 ہفتوں کے دوران حصص کی زیادہ سے زیادہ نچلی سطح اور زیادہ سے زیادہ بلند سطح بالترتیب 22.47 روپے اور 49.17 روپے فی حصص تھی۔

## منافع منقسمہ

ڈائریکٹرز کے بورڈ کی جانب سے 1.247 روپے فی عمومی حصص اور 0.042 روپے فی پریفرنس حصص کے سالانہ منافع منقسمہ کا بھی اعلان کیا گیا اور اسے سالانہ اجلاس عام میں حصص یافتگان سے منظور کرایا جاتا ہے۔

## آڈیٹرز

موجودہ آڈیٹرز M/s A.F Ferguson & Co ریٹائر ہوگئے ہیں اور انہوں نے اپنی دوبارہ تعیناتی کی پیشکش کی ہے۔ بورڈ آڈٹ کمیٹی نے ان کی دوبارہ تعیناتی کی تجویز دی ہے اور بورڈ آف ڈائریکٹرز نے اس تجویز کی توثیق کردی ہے۔

جہانگیر پراچہ
چیف ایگزیکٹو آفیسر

فیروز رضوی
ڈائریکٹر

## بورڈ کی ترتیب

| | |
|---|---|
| مرد | 8 |
| خاتون | 1 |

| اقسام | نام |
|---|---|
| انفرادی / آزاد | جناب فیروز رضوی |
| | جناب ظفر علی بیگ |
| | محترمہ عائشہ عزیز |
| ایگزیکٹیو ۔ سی ای او | جناب جہانگیر پراچہ |
| نان ایگزیکٹیو | جناب غیاث الدین خان |
| | جناب ارم حسن |
| | جناب نادر سالار قریشی |
| | جناب نوری یوکی کوگا |
| | جناب رضوان مسعود راجہ |

| بورڈ آڈٹ کمیٹی | نام |
|---|---|
| جناب فیروز رضوی | چیئرمین |
| جناب ارم حسن | رکن |
| جناب نوری یوکی کوگا | رکن |
| جناب ظفر علی بیگ | رکن |

| بورڈ معاوضہ کمیٹی | |
|---|---|
| جناب نادر سالار قریشی | رکن |
| جناب رضوان مسعود راجہ | رکن |
| جناب فیروز رضوی | رکن |

* دوران سال محترمہ راحت کونین (سابقہ چیئرمین پی پی سی) کے مستعفی ہونے کے بعد، چیئرمین کا انتخاب اگلے اجلاس میں ہوگا۔

### ڈائریکٹرز کا معاوضہ

بورڈ اور کمیٹی کے اجلاس میں بورڈ کے اراکین کی حاضری کے لیے انہیں دیے جانے والے معاوضے کی بورڈ آف ڈائریکٹرز باقاعدہ منظوری دیتا ہے۔ ڈائریکٹرز کو دیے جانے والے معاوضے کی مجموعی رقم کی تفصیلات مالیاتی گوشوارے میں بتادی گئی ہیں۔

دوران سال ڈائریکٹرز کے بورڈ نے کمپنیز ایکٹ 2017 اور درج شدہ کمپنیز (کارپوریٹ گورننس کا ضابطہ کار) ریگولیشنز ۔2019 کے مطابق بورڈ اور کمیٹی کے اجلاسوں میں شرکت کرنے کے لیے ڈائریکٹرز کے مشاہرے کے حوالے سے حکمت عملی اور طریقہ کار کی باضابطہ منظوری دے دی ہے۔

### اہم فیصلوں کا دائرۂ کار

انکم ٹیکس، مال کی قبل از وقت ذخیرہ اندوزی، ناگہانی صورتحال / ذمہ داری، موخر شدہ ٹیکس اثاثہ جات اور داخلی فیصلوں سے متعلق دیگر اہم دائرہ کاروں اور مالیاتی گوشواروں پر مرتب ہونے والے واضح اثرات کی مکمل تفصیلات اکاؤنٹ کے بیانات میں درج ہیں۔

### حساب داری (اکاؤنٹنگ) کے معیارات

یہ مالیاتی گوشوارے پاکستان میں نافذ العمل اکاؤنٹنگ اور رپورٹنگ کے معیارات کے مطابق تیار کیے جاتے ہیں۔ پاکستان میں نافذ العمل اکاؤنٹنگ اور رپورٹنگ کے معیارات مندرجہ ذیل پر مشتمل ہیں:

- کمپنیز ایکٹ 2017 کے تحت بیان کیے گئے انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈز بورڈ (IASB) سے جاری کردہ بین الاقوامی معیارات برائے مالیاتی رپورٹنگ (IFRSs)
- کمپنیز ایکٹ 2017 کے تحت جاری کردہ دفعات اور ہدایات،

جس میں کمپنیز ایکٹ 2017 کے تحت جاری کردہ دفعات اور ہدایات IFRSs سے مختلف ہیں، ان کمپنیز ایکٹ 2017 کے تحت جاری کردہ دفعات اور ہدایات پر عمل کیا گیا ہے۔





| حصص یافتگان کی تعداد | شراکت داری کا حجم | | مجموعی حصص |
|---|---|---|---|
| | سے | تک | |
| 1 | 2,680,001 | 2,685,000 | 2,683,000 |
| 1 | 3,060,001 | 3,065,000 | 3,065,000 |
| 1 | 3,070,001 | 3,075,000 | 3,073,041 |
| 1 | 3,150,001 | 3,155,000 | 3,150,898 |
| 1 | 3,485,001 | 3,490,000 | 3,488,709 |
| 1 | 3,585,001 | 3,590,000 | 3,589,370 |
| 1 | 4,215,001 | 4,220,000 | 4,215,155 |
| 1 | 4,305,001 | 4,310,000 | 4,309,980 |
| 1 | 4,600,001 | 4,605,000 | 4,600,345 |
| 1 | 4,760,001 | 4,765,000 | 4,763,582 |
| 1 | 5,195,001 | 5,200,000 | 5,197,472 |
| 1 | 5,660,001 | 5,665,000 | 5,662,501 |
| 1 | 6,185,001 | 6,190,000 | 6,189,000 |
| 1 | 8,465,001 | 8,470,000 | 8,465,196 |
| 1 | 12,130,001 | 12,135,000 | 12,134,974 |
| 1 | 21,640,001 | 21,645,000 | 21,640,721 |
| 1 | 25,155,001 | 25,160,000 | 25,159,000 |
| 1 | 32,165,001 | 32,170,000 | 32,167,000 |
| 1 | 100,050,001 | 100,055,000 | 100,053,563 |
| 1 | 510,725,001 | 510,735,000 | 510,733,451 |
| 27,325 | | | 908,923,333 |

## بورڈ کے اجلاس اور حاضری

سال 2020 میں، بورڈ آف ڈائریکٹرز نے اپنی سرگرمیوں کے دورانیہ کا مکمل احاطہ کرنے کے لیے 6 اجلاس منعقد کیے۔

ڈائریکٹرز کی حاضری کا ریکارڈ درج ذیل کے مطابق ہے:

| ڈائریکٹرز کا نام | حاضر شدہ اجلاس |
|---|---|
| جناب غیاث الدین خان | 9 |
| جناب ارم حسن | 9 |
| جناب نادر سالار قریشی | 8 |
| جناب نوری یوکی کوگا | 7 |
| جناب رضوان مسعود راجہ* | 3 |
| محترمہ عائشہ عزیز*1 | 1 |
| جناب فیروز رضوی | 8 |
| جناب ظفر علی بیگ* | 4 |
| جناب جہانگیر پراچہ*2 | 4 |
| جناب حسنین موچھالا*3 | 5 |
| جناب عمران انور | 5 |
| محترمہ راحت کونین حسن*4 | 1 |

* 23 اپریل 2020 سے بطور ڈائریکٹر منسلک ہوئے
1* محترمہ راحت کونین حسن کی جگہ 5 نومبر 2020 کو بطور ڈائریکٹر مشترکہ انتخاب ہوا۔
2* 23 اپریل 2020 کو بطور سی ای او تعینات ہوئے۔
3* 23 اپریل 2020 کو مدت پوری ہونے پر ریٹائر ہوئے۔
4* 23 اپریل 2020 کو بطور ڈائریکٹر منتخب ہوئیں اور 10 جولائی 2020 کو مستعفی ہوگئیں۔

| مجموعی حصص | شراکت داری کا حجم تک | شراکت داری کا حجم سے | حصص یافتگان کی تعداد |
|---|---|---|---|
| 417,592 | 210,000 | 205,001 | 2 |
| 424,500 | 215,000 | 210,001 | 2 |
| 437,500 | 220,000 | 215,001 | 2 |
| 447,500 | 225,000 | 220,001 | 2 |
| 683,542 | 230,000 | 225,001 | 3 |
| 464,404 | 235,000 | 230,001 | 2 |
| 237,000 | 240,000 | 235,001 | 1 |
| 488,831 | 245,000 | 240,001 | 2 |
| 250,000 | 250,000 | 245,001 | 1 |
| 504,146 | 255,000 | 250,001 | 2 |
| 513,121 | 260,000 | 255,001 | 2 |
| 1,069,902 | 270,000 | 265,001 | 4 |
| 1,095,071 | 275,000 | 270,001 | 4 |
| 553,770 | 280,000 | 275,001 | 2 |
| 280,991 | 285,000 | 280,001 | 1 |
| 1,150,864 | 290,000 | 285,001 | 4 |
| 600,000 | 300,000 | 295,001 | 2 |
| 912,690 | 305,000 | 300,001 | 3 |
| 305,493 | 310,000 | 305,001 | 1 |
| 628,324 | 315,000 | 310,001 | 2 |
| 318,500 | 320,000 | 315,001 | 1 |
| 985,052 | 330,000 | 325,001 | 3 |
| 336,995 | 340,000 | 335,001 | 1 |
| 696,500 | 350,000 | 345,001 | 2 |
| 352,000 | 355,000 | 350,001 | 1 |
| 365,199 | 370,000 | 365,001 | 1 |
| 390,441 | 395,000 | 390,001 | 1 |
| 1,195,999 | 400,000 | 395,001 | 3 |
| 404,000 | 405,000 | 400,001 | 1 |
| 1,226,328 | 410,000 | 405,001 | 3 |
| 410,986 | 415,000 | 410,001 | 1 |
| 439,500 | 440,000 | 435,001 | 1 |
| 443,416 | 445,000 | 440,001 | 1 |
| 896,000 | 450,000 | 445,001 | 2 |
| 1,374,138 | 460,000 | 455,001 | 3 |
| 480,000 | 480,000 | 475,001 | 1 |
| 2,000,000 | 500,000 | 495,001 | 4 |
| 1,001,534 | 505,000 | 500,001 | 2 |
| 509,000 | 510,000 | 505,001 | 1 |
| 513,335 | 515,000 | 510,001 | 1 |
| 522,390 | 525,000 | 520,001 | 1 |
| 1,061,030 | 535,000 | 530,001 | 2 |
| 1,075,579 | 540,000 | 535,001 | 2 |
| 542,714 | 545,000 | 540,001 | 1 |
| 552,500 | 555,000 | 550,001 | 1 |

| مجموعی حصص | شراکت داری کا حجم تک | شراکت داری کا حجم سے | حصص یافتگان کی تعداد |
|---|---|---|---|
| 575,000 | 575,000 | 570,001 | 1 |
| 1,154,909 | 580,000 | 575,001 | 2 |
| 1,200,000 | 600,000 | 595,001 | 2 |
| 610,036 | 615,000 | 610,001 | 1 |
| 617,000 | 620,000 | 615,001 | 1 |
| 637,144 | 640,000 | 635,001 | 1 |
| 1,369,956 | 685,000 | 680,001 | 2 |
| 689,088 | 690,000 | 685,001 | 1 |
| 690,872 | 695,000 | 690,001 | 1 |
| 695,490 | 700,000 | 695,001 | 1 |
| 743,500 | 745,000 | 740,001 | 1 |
| 750,000 | 750,000 | 745,001 | 1 |
| 763,000 | 765,000 | 760,001 | 1 |
| 785,000 | 785,000 | 780,001 | 1 |
| 792,041 | 795,000 | 790,001 | 1 |
| 821,973 | 825,000 | 820,001 | 1 |
| 835,000 | 835,000 | 830,001 | 1 |
| 846,905 | 850,000 | 845,001 | 1 |
| 859,000 | 860,000 | 855,001 | 1 |
| 869,278 | 870,000 | 865,001 | 1 |
| 900,000 | 900,000 | 895,001 | 1 |
| 914,462 | 915,000 | 910,001 | 1 |
| 922,500 | 925,000 | 920,001 | 1 |
| 1,913,271 | 960,000 | 955,001 | 2 |
| 968,500 | 970,000 | 965,001 | 1 |
| 1,000,000 | 1,000,000 | 995,001 | 1 |
| 1,000,500 | 1,005,000 | 1,000,001 | 1 |
| 1,026,261 | 1,030,000 | 1,025,001 | 1 |
| 1,040,840 | 1,045,000 | 1,040,001 | 1 |
| 1,067,000 | 1,070,000 | 1,065,001 | 1 |
| 1,200,000 | 1,200,000 | 1,195,001 | 1 |
| 1,214,248 | 1,215,000 | 1,210,001 | 1 |
| 1,221,000 | 1,225,000 | 1,220,001 | 1 |
| 1,262,500 | 1,265,000 | 1,260,001 | 1 |
| 1,369,956 | 1,370,000 | 1,365,001 | 1 |
| 1,378,454 | 1,380,000 | 1,375,001 | 1 |
| 1,388,000 | 1,390,000 | 1,385,001 | 1 |
| 1,405,016 | 1,410,000 | 1,405,001 | 1 |
| 1,728,199 | 1,730,000 | 1,725,001 | 1 |
| 1,807,000 | 1,810,000 | 1,805,001 | 1 |
| 1,836,114 | 1,840,000 | 1,835,001 | 1 |
| 4,000,000 | 2,000,000 | 1,995,001 | 2 |
| 2,126,500 | 2,130,000 | 2,125,001 | 1 |
| 4,263,542 | 2,135,000 | 2,130,001 | 2 |
| 2,418,675 | 2,420,000 | 2,415,001 | 1 |

## 9۔ 31 دسمبر، 2020 کو شراکت داری کا خاکہ

| حصص یافتگان کی قسم | شراکت داری کا حجم | | مجموعی حصص |
|---|---|---|---|
| | سے | تک | |
| 515 | 1 | 100 | 13,193 |
| 17,689 | 101 | 500 | 8,371,213 |
| 5,469 | 501 | 1,000 | 4,000,374 |
| 2,124 | 1,001 | 5,000 | 5,232,553 |
| 526 | 5,001 | 10,000 | 4,109,803 |
| 190 | 10,001 | 15,000 | 2,497,301 |
| 128 | 15,001 | 20,000 | 2,372,636 |
| 97 | 20,001 | 25,000 | 2,238,229 |
| 65 | 25,001 | 30,000 | 1,835,083 |
| 48 | 30,001 | 35,000 | 1,596,779 |
| 23 | 35,001 | 40,000 | 873,919 |
| 25 | 40,001 | 45,000 | 1,074,157 |
| 44 | 45,001 | 50,000 | 2,151,338 |
| 26 | 50,001 | 55,000 | 1,384,827 |
| 17 | 55,001 | 60,000 | 987,454 |
| 12 | 60,001 | 65,000 | 759,112 |
| 15 | 65,001 | 70,000 | 1,033,982 |
| 14 | 70,001 | 75,000 | 1,035,987 |
| 11 | 75,001 | 80,000 | 858,999 |
| 10 | 80,001 | 85,000 | 823,119 |
| 9 | 85,001 | 90,000 | 786,282 |
| 5 | 90,001 | 95,000 | 466,672 |
| 26 | 95,001 | 100,000 | 2,585,969 |
| 2 | 100,001 | 105,000 | 205,746 |
| 5 | 105,001 | 110,000 | 546,328 |
| 3 | 110,001 | 115,000 | 338,788 |
| 5 | 115,001 | 120,000 | 587,946 |
| 8 | 120,001 | 125,000 | 991,248 |
| 2 | 130,001 | 135,000 | 268,159 |
| 9 | 135,001 | 140,000 | 1,241,349 |
| 3 | 140,001 | 145,000 | 427,445 |
| 6 | 145,001 | 150,000 | 895,687 |
| 4 | 150,001 | 155,000 | 608,182 |
| 6 | 155,001 | 160,000 | 952,683 |
| 3 | 160,001 | 165,000 | 491,500 |
| 1 | 165,001 | 170,000 | 170,000 |
| 5 | 170,001 | 175,000 | 866,478 |
| 2 | 175,001 | 180,000 | 358,500 |
| 3 | 180,001 | 185,000 | 551,248 |
| 3 | 185,001 | 190,000 | 567,000 |
| 2 | 190,001 | 195,000 | 387,500 |
| 8 | 195,001 | 200,000 | 1,595,500 |
| 1 | 200,001 | 205,000 | 205,000 |





3۔ ڈائریکٹرز، ان کے خاوند / زوجہ اور چھوٹے بچے

| حصص یافتگان کی قسم | قبضے میں موجود حصص کی تعداد |
|---|---|
| جناب غیاث الدین خان | 1 |
| جناب ارم حسن | 1 |
| جناب نادر سالار قریشی | 1 |
| جناب نوری یوکی کوگا | 1 |
| جناب رضوان مسعود راجہ | 1 |
| محترمہ عائشہ عزیز | 501 |
| جناب فیروز رضوی | 1 |
| جناب ظفور علی بیگ | 1 |
| بیگم کلثوم اشفاق زوجہ ارم حسن | 13,699 |
| **کل** | **14,207** |

4۔ ایگزیکٹیوز

| حصص یافتگان کی قسم | قبضے میں موجود حصص کی تعداد |
|---|---|
| ایگزیکٹیوز | 460,711 |

5۔ پبلک سیکٹر کمپنیز اور کارپوریشنز

| حصص یافتگان کی قسم | قبضے میں موجود حصص کی تعداد |
|---|---|
| پبلک سیکٹر کمپنیز اور کارپوریشنز | - |

6۔ بینکس، ڈیولپمنٹ فنانس انسٹی ٹیوشنز، نان بینکنگ فنانس کمپنیز، انشورنس، تکافل، مضاربہ اور پنشن فنڈز

| حصص یافتگان کی قسم | قبضے میں موجود حصص کی تعداد |
|---|---|
| 6۔ بینکس، ڈیولپمنٹ فنانس انسٹی ٹیوشنز، نان بینکنگ فنانس کمپنیز، انشورنس، تکافل، مضاربہ اور پنشن فنڈز | 45,463,084 |

7۔ کمپنی میں پانچ فیصد کی شراکت داری اور اضافی ووٹنگ میں دلچسپی

| حصص یافتگان کی قسم | حصص کی تعداد | قبضے میں موجود حصص کی تعداد |
|---|---|---|
| اینگرو کارپوریشن لمیٹڈ | 510,733,451 | 56.19 |
| مٹسوبیشی کارپوریشن | 100,053,563 | 11.01 |

8۔ ڈائریکٹرز، ایگزیکٹیوز اور ان کے خاوند / زوجہ / چھوٹے بچوں کی طرف سے حصص کی خرید / فروخت کی تفصیلات

| نام | حصص کی خرید | حصص کی فروخت | قیمت | قیمت / خرید کی تاریخ |
|---|---|---|---|---|
| عائشہ عزیز | 500 | - | 48.26 | 11.12.2020 |

2۔ مضاربہ اور میوچل فنڈز

| نام | مالیات |
|---|---|
| ABLاسلامک ڈیڈی کیٹڈ اسٹاک فنڈ | 303,690 |
| ABLاسلامک پنشن فنڈ۔ ایکویٹی سب فنڈ | 76,199 |
| ABL اسلامک اسٹاک فنڈ | 2,418,675 |
| ABL پنشن فنڈ۔ ایکویٹی سب فنڈ | 71,699 |
| ABL اسٹاک فنڈ | 3,559,370 |
| AKDاگریسو انکم فنڈ۔ ایم ٹی | 110,000 |
| AKDانڈیکس ٹریکر فنڈ | 75,097 |
| الامین اسلامک ڈیڈی کیٹڈ ایکویٹی فنڈ | 16,000 |
| المیزان میوچل فنڈ | 3,073,041 |
| الامین اسلامک ایسٹ ایلوکیشن فنڈ | 522,390 |
| الامین اسلامک ریٹائرمنٹ سیونگ فنڈ ایکویٹی سب فنڈ | 695,490 |
| الامین شریعہ اسٹاک فنڈ | 5,197,472 |
| الفلاح جی ایچ پی الفا فنڈ | 446,000 |
| الفلاح جی ایچ پی اسلامک ڈیڈیکیٹڈ ایکویٹی فنڈ | 208,000 |
| الفلاح جی ایچ پی اسلامک اسٹاک فنڈ | 1,262,500 |
| الفلاح جی ایچ پی اسٹاک فنڈ | 957,000 |
| الفلاح جی ایچ پی ویلیو فنڈ | 266,000 |
| الحمرا اسلامک ایسٹ ایلوکیشن فنڈ | 1,214,248 |
| الحمرا اسلامک اسٹاک فنڈ | 1,836,114 |
| اے پی ایف۔ ایکویٹی سب فنڈ | 122,000 |
| اے پی آئی ایف۔ ایکویٹی سب فنڈ | 153,500 |
| عسکری ایسٹ ایلوکیشن فنڈ | 141,500 |
| اٹلس انکم فنڈ۔ ایم ٹی | 304,000 |
| اٹلس اسلامک ڈیڈی کیٹڈ اسٹاک فنڈ | 82,000 |
| اٹلس اسلامک اسٹاک فنڈ | 859,000 |
| اٹلس اسٹاک مارکیٹ فنڈ | 2,126,500 |
| اے ڈبلیو ٹی انکم فنڈ | 33,000 |
| فیصل ایسٹ ایلوکیشن فنڈ | 193,000 |
| فیصل اسلامک ڈیڈی کیٹڈ ایکویٹی فنڈ | 6,189,000 |
| فیصل اسلامک اسٹاک فنڈ | 1,221,000 |
| فیصل ایم ٹی ایس فنڈ۔ ایم ٹی | 160,000 |
| فیصل اسٹاک فنڈ | 922,500 |
| فرسٹ حبیب ایسٹ ایلوکیشن فنڈ | 78,000 |
| فرسٹ حبیب اسلامک اسٹاک فنڈ | 91,000 |
| فرسٹ حبیب اسٹاک فنڈ | 70,000 |
| ایچ بی ایل اسٹاک فنڈ | 536,079 |
| ایچ بی ایل ایکویٹی فنڈ | 187,500 |
| ایچ بی ایل آئی پی ایف ایکویٹی سب فنڈ | 80,885 |
| ایچ بی ایل اسلامک ایسٹ ایلوکیشن فنڈ | 40,431 |
| ایچ بی ایل اسلامک ڈیڈی کیٹڈ ایکویٹی فنڈ | 16,000 |
| ایچ بی ایل اسلامک ایکویٹی فنڈ | 121,952 |
| ایچ بی ایل اسلامک اسٹاک فنڈ | 286,566 |
| ایچ بی ایل ملٹی ایسٹ فنڈ | 57,000 |
| ایچ بی ایل پی پی ایف ایکویٹی سب فنڈ | 65,500 |
| جے ایس اسلامک ڈیڈی کیٹڈ ایکویٹی فنڈ (JSIDEF) | 24,902 |
| جے ایس اسلامک فنڈ | 277,500 |





| نام | مالیات |
|---|---|
| جے ایس اسلامک پنشن سیونگز فنڈ۔ ایکویٹی اکاؤنٹ | 35,000 |
| جے ایس لارج کیپ فنڈ | 112,000 |
| جے ایس پنشن سیونگز فنڈ۔ ایکویٹی اکاؤنٹ | 103,000 |
| جے ایس ویلیو فنڈ | 315,000 |
| کے ایس ای میزان انڈیکس فنڈ | 956,271 |
| لیکسن ایکویٹی فنڈ | 2,133,042 |
| لیکسن انکم فنڈ۔ ایم ٹی | 195,500 |
| لیکسن اسلامک ٹیکٹیکل فنڈ | 244,053 |
| لیکسن ٹیکٹیکل فنڈ | 244,778 |
| ایم سی بی ڈی سی ایف۔ انکم فنڈ | 1,500 |
| ایم سی بی پاکستان ایسٹ ایلوکیشن فنڈ | 610,036 |
| ایم سی بی پاکستان اسٹاک مارکیٹ فنڈ | 4,215,155 |
| میزان ایسٹ ایلوکیشن فنڈ | 1,026,261 |
| میزان بیلنسڈ فنڈ | 1,378,454 |
| میزان ڈیڈی کیٹڈ ایکویٹی فنڈ | 637,144 |
| میزان اسلامک فنڈ | 21,640,721 |
| میزان تحفظ پنشن فنڈ۔ ایکویٹی سب فنڈ | 3,468,709 |
| نفع اسلامک پرنسپل پروٹیکٹڈ فنڈ۔ II | 51,529 |
| این بی پی بیلنسڈ فنڈ | 575,123 |
| این بی پی فنانشل سیکٹر انکم فنڈ۔ ایم ٹی | 404,000 |
| این بی پی انکم اپرچونٹی فنڈ | 43,500 |
| این بی پی اسلامک ایکٹیو ایلوکیشن ایکویٹی فنڈ | 443,416 |
| این بی پی اسلامک ریگولر انکم فنڈ | 49,500 |
| این بی پی اسلامک سرمایہ اضافہ فنڈ | 2,130,500 |
| این بی پی اسلامک اسٹاک فنڈ | 4,309,980 |
| این بی پی ماہانہ آمدنی فنڈ۔ ایم ٹی | 617,000 |
| این بی پی سرمایہ اضافہ فنڈ | 530,857 |
| این بی پی سیونگز فنڈ۔ ایم ٹی | 51,000 |
| این بی پی اسٹاک فنڈ | 12,134,974 |
| این آئی ٹی انکم فنڈ۔ ایم ٹی | 501,500 |
| پاک عمان ایڈوانٹیج ایسٹ ایلوکیشن فنڈ | 124,000 |
| پاک عمان اسلامک ایسٹ ایلوکیشن فنڈ | 222,500 |
| پاکستان کیپیٹل مارکیٹ فنڈ | 145,687 |
| پاکستان انکم انہاسمنٹ فنڈ | 5,000 |
| پاکستان انکم فنڈ | 500 |
| پیک گروتھ فنڈ | 365,199 |
| پیک انویسٹمنٹ فنڈ | 265,462 |
| ٹرسٹی جے ایس گروتھ فنڈ | 835,000 |
| یو بی ایل ایسٹ ایلوکیشن فنڈ | 137,368 |
| یو بی ایل ڈیڈیکیٹڈ ایکویٹی فنڈ | 15,113 |
| یو بی ایل انکم اپرچونٹی فنڈ | 77,000 |
| یو بی ایل ریٹائرمنٹ سیونگز فنڈ۔ ایکویٹی سب فنڈ | 690,872 |
| یو بی ایل اسٹاک ایڈوانٹیج فنڈ | 3,150,898 |
| یونٹ ٹرسٹ آف پاکستان | 56,000 |
| **کل** | **102,051,402** |

## مستقبل بینی

COVID-19 کی وجہ سے سامنے آنے والے چیلنجز، جس میں شامل لاک ڈاؤن کی وجہ سے آپریشنز کی معطلی کے باجود EPCL نے اپنے سابقہ اعلان شدہ منصوبوں کی موثر انداز میں پیش رفت سمیت نئے پروڈکٹس اور مارکیٹس کی کھوج کو جاری رکھا۔ تاہم پراجیکٹس کی ٹائم لائن COVID کی وجہ سے متاثر ہوئے۔ ہمارا عزم ہے کہ پاکستان کو ملکی اور بین الاقوامی سطح پر پولیمرز اور اس سے منسلک کیمیکلز میں مرکزی حیثیت دلوائیں۔

## منصوبوں کی تازہ ترین معلومات درج ذیل ہے:

### PVC/VCM کی توسیع:

PVC پلانٹ کی توسیع میں پیداواری صلاحیت میں 100,000 میٹرک ٹن (ایم ٹی کی تکمیل کے بعد مجموعی صلاحیت 295,000 میٹرک ٹن) اور 50,000 میٹرک ٹن کی اضافی صلاحیت کے لیے VCM ڈی باٹل نیکنگ پلانٹ شامل ہیں۔ PVC-III منصوبہ مارچ 2021 میں مکمل ہو چکا ہے جبکہ VCM منصوبہ تکمیل کے مراحل میں ہے اور 2021 کی دوسری سہ ماہی میں مکمل ہو جائے گا۔

### آکسیجن کی بنیاد پر VCM کی پیداوار:

کمپنی کی توجہ حصص یافتگان کے منافع پر مثبت انداز میں اثر کے ساتھ عملی امور میں بہتر کارکردگی پر ہے۔ جس کے نتیجے میں بورڈ آف ڈائریکٹرز نے اس منصوبے کو ہوا کی بنیاد پر VCM کی پیداوار کے عمل کو آکسیجن کی بنیاد پر منتقل کرنے کے مقصد کے ساتھ منظوری دی۔ اس سے مجموعی طور پر خام مال کے استعمال میں 2% تک کمی ہوگی۔ یہ منصوبہ جاری ہے اور 2021 میں مکمل ہونے کی توقع ہے۔

### ہائیڈروجن پر آکسائیڈ:

کمپنی اپنے کاسٹک کی تیاری کے طریقہ کار کی ضمنی پراڈکٹ کے طور پر ہائیڈروجن پیدا کرتی ہے، جو کہ اس وقت ہمارے پاور پلانٹ میں بطور ایندھن استعمال کیا جارہا ہے۔ منصوبے کی تکمیل کے بعد، ہائیڈروجن کو ہائیڈروجن پر آکسائیڈ کی تیاری کے عمل کی طرف بھیجا جائے گا جو اس کی ایندھن کے طور پر استعمال کے مقابلے میں زیادہ بہتر پیداوار دے گی۔ ٹیکسٹائل صنعت میں ہائیڈروجن پر آکسائیڈ کا بطور بلیچنگ ایجنٹ استعمال ہوتا ہے، ایسا سیکٹر ہے جس پر ہم اپنی کاسٹک پروڈکٹ لائن میں پہلے ہی کام کرچکے ہیں۔ یہ پروجیکٹ جاری ہے اور ہم اس کی ٹائم لائن کے حوالے سے اپنے شیئر ہولڈرز کو اپ ڈیٹ کرنا جاری رکھیں گے۔

### لینیئر الکلائن بینزین سلفونک ایسڈ (LABSA):

EPCL مسلسل مختلف مصنوعات کی تحقیق کی متلاشی رہا ہے تا کہ نئے منافع جات کو حاصل کرتے ہوئے اجناس کے دورانیہ میں درپیش خدشات کے حوالے سے اسے یقینی بنایا جائے۔ اس حد تک، کمپنی کے بورڈ آف ڈائریکٹرز نے LABSA، جو کہ پاؤڈر ڈٹرجنٹ کے اجزائے ترکیبی کا اہم حصہ ہے، میں شامل ہونے کا فیصلہ کیا اور اسے گرین فیلڈ شراکت داری کے ذریعے مارکیٹ میں متعارف کرایا۔ کورونا SOPs پر عمل درآمد کو یقینی بناتے ہوئے خاص طور پر سماجی فاصلے کا خیال رکھتے ہوئے ہم نے فی الحال اس پروجیکٹ کو روک کے رکھا ہے۔ اس پروجیکٹ کے حوالے سے مستقبل میں ہونے والی پیش رفت کے حوالے سے اپنے شیئر ہولڈرز کو اپ ڈیٹ کرنا جاری رکھیں گے۔

### بلند درجہ حرارت پر براہِ راست کلورینیشن (HTDC):

EPCL ہمیشہ سے انرجی ایفیشینٹ حل اور توانائی کے دانشمندانہ استعمال کی تلاش میں رہی ہے۔ اسی مقصد کے حصول کیلئے HTDC کا قیام عمل میں لایا گیا۔ بعد از تکمیل، اس سے کمپنی کے کاربن کے اخراج میں کمی واقع ہوگی اور توانائی کا دانشمندانہ استعمال بھی ممکن ہوگا۔ اس پروجیکٹ کے 2022 میں فعال ہونے کی توقع کی ہے۔

اس پیش قدمی کے ساتھ مذکورہ بالا منصوبوں پر EPCL کی بھرپور توجہ رہے گی۔ مزید یہ کہ کمپنی اپنی مستحکم عملی اور مالی کارکردگی کے عمل کو جاری رکھے گی۔

## بورڈ کی تشخیص

لسٹڈ کمپنیز (کارپوریٹ گورننس کا ضابطہ کار) ریگولیشنز 2019 کے تحت یہ لازم ہے کہ بورڈ آف ڈائریکٹرز بطور مجموعی، اس کی کمیٹیز اور حکمت عملی کی سمت اور کمپنی کو آگے بڑھانے میں ڈائریکٹرز کے کردار کی تشخیص کرے۔ اس حوالے سے کمپنی میں ڈائریکٹرز کے بورڈ اور بورڈ کمیٹیز کے حوالے سے ایک جامع اور خود تشخیصی جائزے منعقد کیے گئے تھے۔ مساوی طور پر اس بات پر بھی زور دیا گیا کہ بورڈ کے چیئرمین کی جانب سے دوران سال ہر ڈائریکٹر کے انفرادی شراکت کو جانچا جائے اور اس کی تشخیص کی جائے۔





## ادارہ جاتی جائزہ:

31 دسمبر، 2020 کو کمپنی کی شیئر ہولڈنگ مندرجہ ذیل کے مطابق ہے:

| تعداد | حصص یافتگان کی قسم | حصص یافتگان کی تعداد | قبضے میں موجود حصص کی تعداد | حصص کی تعداد کا فیصد |
|---|---|---|---|---|
| 1 | ڈائریکٹرز، چیف ایگزیکٹیو آفیسر، اور ان کے بیوی بچے نیز چھوٹے بچے | 10 | 14,207 | 0 |
| 2 | منسلک کمپنیز، اقرار نامہ اور متعلقہ فریقین | 3 | 611,827,854 | 67.31 |
| 3 | این آئی ٹی اور آئی سی پی | - | - | - |
| 4 | بینکس ڈیویلپمنٹ فنانشل انسٹی ٹیوشنز، نان بینکنگ فنانشل انسٹی ٹیوشنز | 12 | 17,133,696 | 1.89 |
| 5 | بیمہ (انشورنس) کمپنیز | 13 | 28,329,388 | 3.12 |
| 6 | قبضے میں موجود مضاربہ اور میوچل فنڈز | 90 | 102,051,402 | 11.23 |
| 7 | حصص یافتگان کی ہولڈنگز 10% | 2 | 610,787,014 | 67.20 |
| 8 | عوام الناس: | | | |
| | a۔ مقامی (افراد) | 27,003 | 119,735,485 | 13.17 |
| | b۔ غیر ملکی | - | - | - |
| 9 | دیگر | 194 | 29,831,301 | 3.28 |
| | **ٹوٹل (علاوہ شیئر ہولڈرز ہولڈنگ 10%)** | **27,325** | **908,923,333** | **100.00** |

نشریاتی خدوخال کے تحت مطلوب شراکت داری کی معلومات درج ذیل کے مطابق ہے:

1۔ منسلک کمپنیز، اقرار نامہ اور متعلقہ فریقین

| حصص یافتگان کی قسم | قبضے میں موجود حصص کی تعداد |
|---|---|
| اینگرو کارپوریشن لمیٹڈ | 510,733,451 |
| مٹسوبیشی کارپوریشن | 100,053,563 |
| EPCL ایمپلائیز ٹرسٹ | 1,040,840 |
| **مالیات** | **611,827,854** |

## اسٹیک ہولڈرز سے نسبت اور مراسم

EPCL ہر سطح پر اسٹیک ہولڈرز کے ساتھ تعلق قائم رکھنے پر یقین رکھتا ہے۔ گزشتہ سال کے دوران ہم نے اسٹریٹجک معاملات اور غیر رسمی گفتگو پر مختلف انسٹرومنٹس بشمول سہ ماہی بنیادوں پر سکیورٹیز کے تجزیہ پر بریفنگ، پریس ریلیزز، ویب سائٹ اور اسٹاک ایکسچینج کے انکشافات کا استعمال کیا ہے۔

تمام قواعد و ضوابط کے تقاضوں کی تعمیل کے لیے کمپنی متعلقہ حکام بشمول ٹیکس ایجنسیز، اسٹاک ایکسچینج اور سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے ساتھ قریبی رابطے میں رہتی ہے۔ ہم اپنے ڈسٹری بیوٹرز اور کسٹمرز کے ساتھ رابطے کے لیے رسمی اور غیر رسمی میڈیا جیسے میٹنگز اور کانفرنسز کا استعمال کرتے ہیں۔ ہمارا اپنے کسٹمرز کے ساتھ رابطہ ان کے کاروبار سے متعلق تکنیکی معاونت اور کاروباری ارتقاء پر مشتمل ہوتا ہے، جو ہماری جانب سے صنعت کے مفاد میں کی جانے والی ایک کوشش ہے۔

کمپنی کی نمو کے پیچھے متحرک ملازمین کی افرادی قوت ہے اور اسی وجہ سے EPCL اپنے ملازمین کو باقاعدہ بنیادوں پر حوصلہ افزائی کرتا ہے، صنعت کے معیارات کے حوالے سے اپنے نتائج کی درجہ بندی اور انٹرنل متعلقہ فیچرز اور ان کے ساتھ شیئر کرتے ہوئے اس کے لیے موزوں حکمت عملی وضع کرتا ہے۔

## حکومت سے مطلوب معاون

کمپنی سرکار سے مندرجہ ذیل معاملات میں معاونت کی طلب گار ہوتی ہے:

### گیس کے نرخوں میں اضافہ:

سال 2018 سے مقامی صنعت کو پہلے ہی مختلف مرحلوں پر گیس کے نرخوں میں اضافے کا سامنا کرنا پڑا، جس میں تازہ ترین 2020 میں ہونے والا اضافہ ہے، جو منافع میں کمی لانے کا سبب بنا۔ بین الاقوامی اداروں کے مقابلے میں مقامی صنعت کی مسابقتی اہلیت کو یقینی اور منصفانہ اساس میں نمو کے تسلسل کو برقرار رکھنے کے لیے حکومت پر لازم ہے کہ وہ توانائی کے نرخوں میں اضافے کی روک تھام کرے۔

### گیس کی دستیابی:

گیس کی دستیابی سے متعلق غیر یقینی صورتحال خاص طور پر سردیوں کے موسم میں کمپنی اور صنعت کو تاحال تشویشناک آپریشنل خطرات سے دوچار کرتی ہے۔ تمام سال گیس کی کمی کی وجہ سے ملک کی مجموعی معاشی ترقی پر بھی منفی اثرات مرتب ہوسکتے ہیں۔ لہٰذا، حکومت کے لیے ضروری ہے کہ اس مسئلے کا دیرپا حل پیش کرے تاکہ مقامی انڈسٹری کے آپریشنز کے تسلسل کو یقینی بنایا جاسکے۔

### GIDC کیس:

دوران سال معزز سپریم کورٹ نے GIDC معاملے پر حکم نامہ جاری کیا، جس کے نتیجے میں کمپنیز اب بقایاجات اقساط میں GIDC کی ادائیگی کرنے کی ذمہ دار ہیں۔ اس سلسلے میں نظرثانی کی درخواست کو بھی معزز عدالت نے خارج کردیا۔ ہم اس بات کو اجاگر کرنا چاہتے ہیں کہ EPCL نے صارفین تک GIDC کے اثرات کو منتقل نہیں کیا ہے کیونکہ ہماری PVC کی قیمتوں کا تعین بین الاقوامی قیمتوں کے حساب سے کیا جاتا ہے جبکہ کاسٹک کی قیمتوں کا تعین ملٹی سپلائی فورسز کے ذریعے کیا جاتا ہے۔ اسی دوران فی الحال GIDC کے معاملے پر سندھ ہائی کورٹ سے اسٹے آرڈر حاصل کرلیا گیا ہے۔ ہم حکومت سے درخواست کرتے ہیں کہ وہ اس معاملے میں مداخلت کرے اور مسئلے کے باہمی قابل قبول حل کے لئے تمام اسٹیک ہولڈرز کے ساتھ مذاکرات کرے۔

### PVC کی ڈمپنگ

چین، تائیوان، جنوبی کوریا اور تھائی لینڈ کی جانب سے پروڈکٹ پر حتمی انسداد ڈمپنگ ڈیوٹی کے اطلاق کے باوجود، ملک میں PVC کی ڈمپنگ کا عمل جاری ہے۔ اس لیے فوری توجہ درکار ہے کیونکہ درآمدکنندگان نے دیگر خطوں جیسے یورپ، شمالی امریکہ اور دیگر ایشیائی ممالک میں شراکت داری شروع کردی ہے۔ اس شعبے میں سرکاری معاونت، کمپنی کو آمدنی تبادل کے طریقے سے قوم کی بہتر انداز میں خدمت کرنے کے قابل بنائے گی۔

### گرین فیلڈ منصوبوں کی تعریف:

حکومت نے مالیاتی ترمیمی آرڈیننس (Finance Amendment Ordinance) کے ذریعے گرین فیلڈ منصوبے کی نئی تعریف بیان کی ہے جو retrospectively عمل کرتی ہے جس میں مکمل طور پر ایک نئے طریقہ کار یا انتظامی کی مطلوبہ ضرورت کی وضاحت کی ہے جبکہ اس سے قبل اس قسم کا کوئی تقاضا موجود نہیں تھا۔ ہم حکومت سے درخواست کرتے ہیں کہ وہ ان اقدامات پر نظرثانی کرے یا ماضی کی تعریف کے مطابق اس کے اطلاق کو روکے۔

### PVC کی درآمدات پر ڈیوٹی:

ٹیرف کی نئی پالیسیوں کے اطلاق کے حوالے سے حکومتی حکام کے درمیان حالیہ بات چیت کے بعد توقع ہے کہ PVC مصنوعات پر بھی ڈیوٹی کو کم کردیا جائے گا۔ ہم اس بات کو اجاگر کرنا چاہتے ہیں کہ EPCL نے PVC کی مقامی مینوفیکچرنگ بڑھانے اور ہمارے ملک کی معاشی نمو میں اضافے کے لئے گزشتہ ادوار کے مختلف منصوبوں پر 150 ملین امریکی ڈالر کی سرمایہ کاری کی ہے۔ ہمارا خیال ہے کہ اس ڈیوٹی کی وجہ سے ہماری سرمایہ کاری پر شدید منفی اثرات مرتب ہوں گے اور طویل مدت تک سرمایہ کاروں کا اعتماد متزلزل ہوگا۔ لہٰذا، ہم حکومت سے درخواست کرتے ہیں کہ موجودہ ڈیوٹی ڈھانچے کو برقرار رکھیں اور ملک کے تحفظ کے اقدامات کو جاری رکھنے کے عزم میں ہمارا ساتھ دیں۔



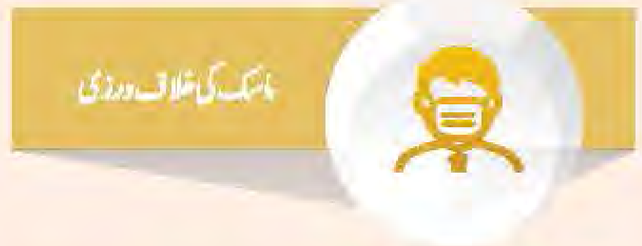
مختصراً، "نئے معمول" اور ورچوئل دنیا کے ساتھ اس کا ذکر کرنا بھی ضروری ہے کہ ہم نے HR کے پروسیس کو ڈیجیٹائز کردیا، جس کا مقصد پروسیس کو آسان، ہموار اور زیادہ مؤثر بنانا تھا۔ یہ توقع کی جارہی ہے کہ اس عمل سے سال بھر میں تقریباً 12 لاکھ پیپر محفوظ ہوجائیں گے۔ ڈیجیٹائزیشن کے عزم کو آگے بڑھاتے ہوئے Success Factors کو Performance Managment Program پر ڈیجیٹائز کردیا گیا۔ جہاں متعلقہ کو ملنے کے لئے گزشتہ ششماہی جائزوں اور سال کے اختتامی جائزوں تک اب سب کچھ آن لائن ہوتا ہے۔




## معلومات / آگہی کا نظام

EPCL نے ہمیشہ ایک ایسے ادارے کی حیثیت سے اپنی ساکھ کو برقرار رکھی ہے جو جدید ترین ٹیکنالوجی اپنانے پر یقین رکھتی ہے اور وہ اپنے کاموں میں تخلیقی صلاحیتوں اور جدت لانے سے میں کوئی کسر نہیں اٹھا رکھتی۔ جیسے جیسے دنیا ڈیجیٹلائزیشن کی طرف گامزن ہے، EPCL اس بات کو یقینی بناتی ہے کہ وہ اس بارے میں بھی سرفہرست ہے۔

2020 میں ڈیجیٹل ٹرانسفارمیشن ڈیپارٹمنٹ تشکیل دیا گیا، جس کا مقصد یہ تھا کہ ڈیجیٹائزنگ اور خودکار طریقے سے ہر شعبہ کی کارکردگی کو بہتر بنانے، ہر مرحلے کو محفوظ بنانے، پیداواری صلاحیت کو بہتر کرنے، انسانی مداخلت



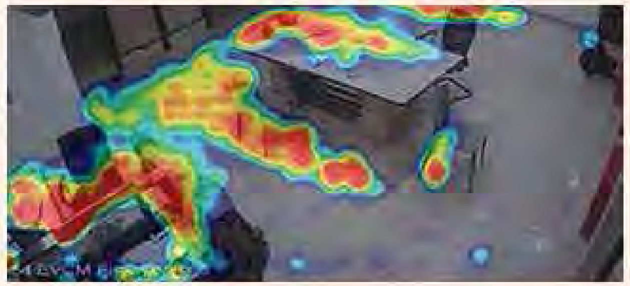
کو کم کرنے اور کاغذ کے کم سے کم استعمال کو یقینی بنایا جائے تاکہ ہر عمل (process) تک ہمارے ملازمین کہیں سے بھی، کسی بھی وقت اور کسی بھی ڈیوائس تک رسائی حاصل کر سکیں۔

EPCL کے وژن کو برقرار رکھتے ہوئے، ڈیجیٹل ٹرانسفارمیشن ٹیم تکنیکی اور غیر تکنیکی شعبوں میں متعدد جدید ترین ڈیجیٹل حل تعینات کرنے میں کامیاب رہی۔

وبائی صورتحال سے نمٹنے اور حکومت کی جانب سے جاری کردہ SOPs پر عمل درآمد کی حوصلہ افزائی کے لئے، ایک مصنوعی ذہانت (AI) پر مبنی Work Safety Analytics software تشکیل دیا گیا جو SOPs کی خلاف ورزیوں پر متعلقہ حکام کو آگاہ کر سکتا ہے۔

پیپرلیس ایجنڈے کے آئیڈیا پر عمل درآمد کیلئے روزانہ کی بنیاد پر تیار ہونے والی چیک لسٹس کو tablets پر ڈیجیٹائز کیا گیا۔ اس طرح کاغذ کے استعمال کو کم کر کے مستقبل کے استعمال کیلئے پلانٹ کا ڈیٹا محفوظ کیا گیا۔

اسی طرح، Virtual Info Center کا آغاز کیا گیا تاکہ ملازمین کو کسی بھی وقت کہیں سے بھی رسائی حاصل کرنے کے لئے تمام دستاویزات ایک پورٹل پر دستیاب ہوں۔ یہ نہ صرف پیپرلیس ایجنڈے کی طرف ایک قدم ہے بلکہ گھر سے کام کرنے کے عمل کو آسان اور بہتر بنانے کے لئے بھی ایک قدم ہے۔



کنٹرول ڈیپارٹمنٹ میں انسانی مداخلت کو کم کرنے اور کارکردگی کو بہتر بنانے کیلئے کنٹرول فورمز کا اطلاق کیا گیا۔ یہ ایک ایسا سولوشن ہے جو کسٹمرز کے لئے ڈیجیٹل پلیٹ فارم کا کام کرتا ہے جس کے تحت وہ آرڈرز بک کر سکتے ہیں اور ہماری کمپنی کے لوگ چلتے پھرتے آرڈرز کی منظوری، ترسیل اور تکمیل کو انجام دے سکتے ہیں۔

EPCL آنے والے برسوں میں اسی جوش و جذبے کے ساتھ کام کرتے ہوئے اپنے پروسیسز میں جدید ترین ڈیجیٹل ٹیکنالوجی کو شامل کرے گا تاکہ پاکستان میں ایک مثالی ڈیجیٹل انڈسٹری بن کر ابھر سکے۔

## افرادی قوت

مسلسل کاروباری بہتری کے مقصد کو مد نظر رکھتے ہوئے، EPCL نے جلد از جلد مطابقت اختیار کی جس کی بدولت ہمارے کاروبار اور لوگ سمجھوتہ کیے بغیر اپنے گھروں سے ہم اپنے کام انجام دینے میں کامیاب رہے۔ ہم نے سیکھنے اور ڈیولپمنٹ پر زور دیتے ہوئے متعدد کاروباری اقدامات اور منصوبے شروع کیے جو درج ذیل ہیں۔

E-learning پر مستقل توجہ کے ساتھ، ہم نے ہارورڈ مینیج مینٹور (Harvard Manage Mentor) کے ساتھ اپنی شراکت کی تجدید کی، جس کا اطلاق انتہائی مفید اور کامیاب ثابت ہوا۔ ستمبر 2019 میں لائسنسوں کی تقسیم شروع ہونے کے بعد ہمارے مختلف لرنرز 761 کورسز (اوسطاً 3.2 کورس فی یوزر) مکمل کر چکے ہیں۔


اس پلیٹ فارم کے ذریعے فراہم کردہ معلومات اور سیکھنے کے عمل سے مزید فائدہ اٹھانے کیلئے اور اپنے لوگوں کو مشغول کرنے کیلئے، EPCL کے HR ڈیپارٹمنٹ نے مختلف بزنس کے بنیادی ضروری موضوعات پر 1 گھنٹے پر مشتمل 6 طویل لرننگ podcast episodes کا ایک سلسلہ شروع کیا۔ اس learning podcast کا خیال "ہم افراد (andragogy)" کے تصور پر مبنی ہے جس کا مطلب ہے تعلیم بالغاں اور ایک دوسرے سے سیکھنا۔ ہر episode میں ایک الگ انتظامی مہارت کا احاطہ کیا جاتا ہے جو سیکھنے کے سہولت کار کی حیثیت سے کام کرتا ہے۔ سہولت کار کا کردار سیکھنے کے اس عمل کو متعلقہ کہانیوں، تجربات اور مثالوں میں تقسیم کر کے اسے سیکھنے کے قابل بنانا تھا۔ پوڈکاسٹ سیریز زبردست طریقے سے کامیاب رہی اور تمام episodes کی مجموعی ریٹنگ 4 سے 5 شمار کی گئی۔

تمام تر چیلنجز سے قطع نظر ہمارے لوگوں کی ترقی اور مصروفیت کیلئے بہترین کوششیں کی گئیں اور تعلیمی سطح پر معاملات کو منظم کرتے ہوئے اسے انجام دینے میں ایکسیلنس اور کاروباری اہداف کے نتائج حاصل کیے۔

World Gratitude Day سے قومی اور بین الاقوامی دنوں منانے کے اقدامات اور گھر سے کام کرنے سے متعلق ذہنی صحت جیسی سرگرمیاں اور ورچوئل (virtual) ملازمین کی شمولیت حکمت عملی کا مرکز بنی رہی۔ مزید یہ کہ، کرونا وائرس کی وجہ سے معطل ہونے والا فیلوشپ پروگرام EPCL Cares ستمبر میں دوبارہ شروع کیا گیا۔ EPCL Cares پروگرام ایک مناسب پروجیکٹ کی حیثیت رکھتا ہے جو کارپوریٹ تجربات سے کہیں بڑھ کر ہے اور جس کے تحت ہمارے ملازمین لوگوں کی عملی زندگی کے اہم لمحات کو محسوس کرتے ہیں۔

مزید برآں، 2020 میں ہمارے نے کامیابی کے ساتھ ورچوئل انٹرن شپ منعقد کروائے اور ہمارے گریجویٹ ٹرینیز کی ورچوئل آن بورڈنگ کو کامیابی سے ہمکنار کیا۔ تاہم چیلنجز کے باوجود ہم نے پہلی بار ورچوئل انٹرن شپ سیریز کو کامیابی کے ساتھ منعقد کروائی۔ ہم پورے پاکستان میں بہترین ٹیلنٹ حاصل کرنے میں کامیاب ہوئے اور انہیں آن لائن انٹرن شپ کے ذریعے سکھانے میں کسی قسم کا سمجھوتہ نہیں کیا۔

## علاج معالجے کی سہولت (ہیلتھ کیئر)

### SINA کے ساتھ معاہدہ

EPCL نے گھگھر پھاٹک گاؤں، بن قاسم ٹاؤن اور ان کے قرب و جوار میں بسنے والی عوام کو بنیادی طبی سہولت کی فراہمی اور ان کی صحت کی صورتحال کو بہتر بنانے کے لیے تقریباً 16 ملین روپے کی مالیت سے ایک ہیلتھ کیئر کلینک قائم کیا ہے۔ اس کلینک میں موجود سروسز میں اسکریننگ، ماہر ڈاکٹر کنسلٹیشن، امیونائزیشن، لیب سیمپلنگ پوائنٹ اور لیب ٹیسٹنگ کی سہولیات شامل ہیں۔ اس میں انفراسٹرکچر کی سہولت، 150 ادویات کے ساتھ مجوزہ ادویات کے لیے فارمیسی، ایامبس کے حوالے سے احتیاطی طبی سہولیات، آنکھوں اور اپنے شراکت داروں کے ساتھ فری پروگرام جیسی سہولیات بھی شامل ہیں۔

کلینک نے اپنے کام کا آغاز جولائی 2019 میں کیا اور یہ ہر روز 100 سے زائد مریضوں کو علاج میں چوبیس گھنٹے 100% مفت طبی سہولیات بھی فراہم کر رہا ہے۔ EPCL نے کلینک کی بجلی کی ضروریات کو پورا کرنے کے لیے سولر پاور سسٹم بھی نصب کیا ہے۔


### ڈی واٹر فاؤنڈیشن کے ساتھ اشتراک میں پانی کو صاف کرنے کے پلانٹس

5000 سے زائد خاندانوں کو پینے کا صاف پانی فراہم کرنے کے لیے پورے گھگھر پھاٹک میں مختلف مقامات پر کامیابی کے ساتھ پانچ واٹر فلٹریشن پلانٹ نصب کیے گئے ہیں۔ یہ قدم EPCL تک پہنچنے والی وہاں کے رہائشیوں کی شکایات پر اٹھایا گیا۔ پینے کا صاف پانی اس پسماندہ گاؤں اور اس کے ارد گرد علاقوں میں بسنے والے لوگوں کے لیے ایک آسائش سے کم نہیں ہے۔ اس لیے EPCL نے پیاسے ادارے اپنے سرپرستوں کے حوالے سے ایک ایسی سہولت فراہم کی جس میں آنے والے سالوں میں اضافہ جاری رہے گا۔ یہ تمام واٹر فلٹریشن پلانٹس سولر پاور سسٹم سے منسلک ہیں۔






## کاروباری ضابطہ اخلاق اور انسدادِ بدعنوانی

کاروباری ضابطہ اخلاق ہمارے یہاں بنیادی اہمیت کا حامل ہے اور ہمارے ہر کام میں قلبی حیثیت رکھتا ہے۔ کمپنی کے بورڈ آف ڈائریکٹرز نے غیر مبہم طور پر قابل قبول کاروباری پریکٹسز اور حدود کو "ضابطہ اخلاق" میں واضح کر دیا ہے تاکہ ہمارے تمام کاروباری امور میں اعلیٰ معیار کی اخلاقی روایات کو ملحوظ خاطر رکھا جائے۔ ہم ہر قسم کے غیر اخلاقی یا ضابطے کے خلاف عمل کے حوالے سے "عدم برداشت" کی پالیسی کے حامل ہیں، خواہ اس کے نتائج کتنے ہی کیوں نہ ہوں۔ اسے مؤثر طور پر داخلی اور انجام شدہ آڈٹ پلانز اور احتسابی طریقوں کے ذریعے لاگو کیا جاتا ہے جو ہر قسم کے غیر اصولی موقف اور رویے کی ممانعت کرتے ہوئے کاروباری امور سے متعلق معاملات کو اجاگر کرتا ہے۔ اس کے علاوہ، ہمارے اسٹیک ہولڈرز کو آواز اٹھانے یا اپنی رائے کہنے کے لیے مختلف ذرائع دستیاب ہیں جس کے ذریعے وہ ہماری بنیادی اقدار اور روایات کے منافی اور ناقابل قبول عمل کا سراغ اور حدود کی نشاندہی کرتے ہیں۔ کارپوریٹ گورننس ہماری جانب سے کمپنی کو چلانے کے طریقے اور دلچسپی رکھنے والے پارٹنرز سے تعلق پر اثر انداز ہوتی ہے۔ انتظامیہ شفافیت اور اخلاقی روایات کے مطابق امور کی انجام دہی پر زور دیتی ہے اور ملازمین اور تمام افراد جو ہمارے ساتھ وینڈرز اور کسٹمرز کی حیثیت میں کام کرتے ہیں، ان کو ذمہ دار شہری بنانے میں اہم کردار ادا کرتی ہے۔

## صحت، تحفظ اور ماحول (HSE)

COVID-19 نے HSE کیلئے سب سے بڑا چیلنج پیش کیا۔ EPCL کو جن امور میں زیادہ دباؤ کا سامنا رہا، وہ درج ذیل ہیں:

- Covid-19 کے SOPs پر عمل درآمد کو یقینی بنانا
- بھاری افرادی قوت کی روزانہ نقل و حرکت کا انتظام کرنا
- سائٹ پر تمام ورک فورس کے قیام و طعام کا انتظام کرنا جو باہر کے ایریاز میں رہتے ہیں

ہمارے لوگوں کی حفاظت ہماری توجہ کا مرکز تھی۔ ہم نے وبائی امراض سے پیدا ہونے والے چیلنجوں کا مقابلہ کرنے کے لیے مختلف فعال اور بروقت اقدامات کیے۔ ان اقدامات کی چند جھلکیاں یہ ہیں:

- لاک ڈاؤن کے اعلان سے قبل احتیاطی تدابیر کا نفاذ
- ان ہاؤس ٹیسٹنگ سہولیات کے قیام کے ساتھ سائٹ پر 3000 سے زیادہ ٹیسٹ کروائے گئے
- سائٹ پر 18 ڈاکٹرز اور پیرامیڈکس کی تعیناتی
- بین الاقوامی رہنما اصولوں کے مطابق COVID-19 کی بار بار جانچ

خداوند کریم کے فضل اور ہمارے لوگوں کے بے مثال جذبے سے ہم اپنی کوششوں میں حد سے زیادہ کامیاب ہوئے اور سائٹ پر کسی وائرس کی منتقلی کو یقینی بنایا۔ تاہم سال کے دوران، بدقسمتی سے ہمارے ایک ساتھی اس وائرس کا شکار ہو گئے جس سے ان کا انتقال ہو گیا۔ ہم افسوس کا اظہار کرتے ہیں اور دعا کرتے ہیں کہ اللہ پاک مرحوم کو جنت الفردوس میں اعلیٰ مقام دے۔ آمین!

2020 کے آغاز میں سائٹ پر کلورین کی لیکیج کا ایک بدقسمت واقعہ پیش آیا۔ کمپنی نے فوری طور پر تمام متاثرہ افراد کو مناسب طبی دیکھ بھال کی بروقت فراہمی یقینی بنائی۔ اس حادثے کی تحقیق کیلئے ہم نے اعلیٰ افراد پر مشتمل ایک جائزہ کمیٹی تشکیل دی جس کی تجویز کردہ سفارشات پر عمل درآمد کیا گیا ہے۔ ہم اپنے لوگوں کی حفاظت کو یقینی بنانے کے عزم کا اعادہ کرتے ہیں اور تنظیم میں اعلیٰ ترین حفاظتی اقدامات کے نفاذ کو یقینی بنانے کے لئے تمام ضروری اقدامات کریں گے۔ اپنے عزم کو عملی جامہ پہناتے ہوئے EPCL نے سال کے دوران HSE کے کئی اہم اقدامات کیے جو درج ذیل ہیں:

- ہم نے SOPs کو بہتر بنانے کیلئے بین الاقوامی معیار کے طریقوں اور پریکٹس کے ساتھ بینچ مارک سیٹ کیے
- کمپنی سال 2020 کے دوران سائٹ پر بیرونی آڈٹ، آئی ایم ایس (IMS) ایکسٹرنل آڈٹ جو کہ ISO 9001، ISO 14001 اور OHSAS 45001 کی بنیاد پر، جبکہ اندرونی آڈٹ ای سی ٹی ڈی (ECTD) اور ای ایم ایس (EMS) جیسی سیکٹر پارٹنرز کے ذریعے کروایا گیا، جس کے تحت بہتر نتائج حاصل ہوئے
- بیرونی فائر بریگیڈ سربراہان کے ذریعے (آگ بجھانے کے کام) فائر فائٹنگ کے متعدد تربیتی سیشن منعقد کیے۔ سائٹ کے لئے فائر ٹرک بھی خریدا گیا

EPCL سرسبز ماحول اور اقدامات کیلئے پرعزم ہے اور ماحول کی بہتری کیلئے مسلسل کوشاں ہے۔ رواں سال کا مکمل سبز ماحول کیلئے EPCL نے ایک سے زیادہ ماحولیاتی آڈٹ بھی کروائے ہیں اور SEPA سے متعدد منظوریاں حاصل کیں، جن میں شامل ہیں:

- H2O2 کیلئے تعمیراتی مرحلے کے لئے NOC کے ساتھ Environment Impact assessment (EIA)
- SEPA سے ماحولیاتی لائسنس کی تجدید اور NOC کی وصولی
- TDS کی توسیع کیلئے ابتدائی ماحولیاتی جانچ کی منظوری
- PVC-III آپریشن کیلئے NOC کی وصولی

### تجارتی و عملیاتی خدشات (کمرشل / آپریشنل رسک)

**بین الاقوامی اجناس کے نرخ**

**حکمت عملی**

انٹرنل بزنس انٹیلی جنس کا استحکام اور بین الاقوامی نرخ کے رجحان کے بہتر ادراک اور مارکیٹ کے محرکات کی بنیادی تشریح کے حصول کے لیے بین الاقوامی ایڈوائزری تجزیہ کاروں کے ساتھ نیٹ ورک کا قیام

**نتیجہ**

انتظامیہ فاسل پراڈکٹس اور خام مال کے نرخوں کی تحلیل باقاعدگی سے کرتی ہے۔ مارکیٹ کے محرکات کو مد نظر رکھتے ہوئے ادارہ مال کے نرخوں اور فراہمی سے متعلق حکمت عملی مرتب کرتا ہے۔

**توانائی کے نرخ**

**حکمت عملی**

استعمال کو کم کرنے اور توانائی کے سستے ذرائع کی نشاندہی کیلئے توانائی دوست پریکٹسز کا مطالعہ اور ان کا اطلاق

**نتیجہ**

کارکردگی کو بہتر بنا کر کنٹرولڈ طور پر بڑھتے ہوئے گیس کے نرخوں کے اثرات کی نگرانی کی جا رہی ہے۔

**گیس کی دستیابی**

**حکمت عملی**

متبادل ذرائع پر کام کرنے کے علاوہ طویل مدتی گیس کی دستیابی حل کے سلسلے میں ہم نے مختلف اتھارٹیز کو اپنا موقف موثر طریقے سے پیش کیا کہ برآمدات سے منسلک سیکٹر کو بحیثیت خام مال پروڈیوسر EPCL کو گیس کی کٹوتی سے وسیع صنعتی کاروبار نقصان خطرے میں پڑ جاتے ہیں۔

**نتیجہ**

ہم نے سردیوں کے موسم میں کم سے کم کٹوتی کے ساتھ گیس کی فراہمی میں تسلسل کو یقینی بنایا ہے۔

### مالیاتی خدشات

**لیکویڈیٹی رسک / انٹرسٹ ریٹ رسک**

**حکمت عملی**

سال کے دوران EPCL نے SBP کی LTFF اسکیم کے ذریعے 1.95 ارب روپے حاصل کیے جس کی بنیادی شرح 2 فیصد اور 10 سال کی مدت ہے اور جس میں 2 سال کا گریس پیریڈ موجود ہے۔ مزید برآں 3 ارب روپے کے پریفرنس شیئرز بھی کمپنی نے دوران سال جاری کیے۔

**نتیجہ**

کمپنی نے مسابقتی شرح مراعات یافتہ قرضوں کے ذریعے اپنی فنانسنگ لاگت کو بہتر بنایا ہے اور واپس کی جانے والی بڑی ادائیگیوں کی تقسیم کو بھی یقینی بنایا ہے۔

**غیر ملکی زرمبادلہ کے خدشات**

**حکمت عملی**

ممکنہ خدشات کی نشاندہی کیلئے اہم معاشیاتی اشاریوں پر توجہ رکھنا اور غیر ملکی زرمبادلہ کے حوالے سے سہولیات کیلئے بینکوں کے ساتھ اشتراک کرنا۔

**نتیجہ**

IFC قرضے میں تاخیر سے روپے کی قدر میں کمی کے اثرات کو کم اور کارگر طریقے سے بین الاقوامی سپلائرز کے کریڈٹ کو منظم کیا۔



## کاروباری تسلسل کا منصوبہ

ہمیں اپنے کاروبار کو چلانے اور کسی بھی ممکنہ خلل سے کاروبار کو بچانے کی اپنی ذمہ داری کا بخوبی اندازہ ہے۔ اسی نظریہ اور ارادے کے ساتھ ہم نے سال 2013 میں اپنے کاروباری تسلسل کے منصوبے کا آغاز کیا اور اس منصوبے کو سال میں باقاعدگی سے اپ گریڈ بھی کیا۔ اس پلان کو COVID-19 وبا میں حکومت کی جانب سے عائد کردہ لاک ڈاؤن پابندیوں میں ٹیسٹ کیا گیا اور انتظامیہ کی جانب سے کاروباری عمل کے بہتر اور ہموار طریقے سے انجام دہی کو یقینی بنانے کیلئے اس کا کامیابی سے اطلاق کیا گیا۔

غیر متوقع و ہنگامی حالات میں درپیش ہے اور مندرجہ ذیل اہداف و مقاصد کا حامل ہے:

- اہم اسٹیک ہولڈرز کے مفادات، ساکھ، برانڈ اور قدر ساز امور کے تحفظ پر موثر ردعمل کے حوالے سے جذبہ اور صلاحیت پیدا کرنے کے لیے ماحول فراہم کرنا۔
- کاروباری ترجیحات اور اداروں کے باہمی انحصار کو پروان چڑھاتے ہوئے، عملی جامہ پہنائے جانے کی صورت میں اپنے عمل کا اسٹرکچر اور پیش خدشات کی تشخیص کرنا اور ان خدشات کے اثرات کو کم کرنا۔
- کسی بھی ممکنہ خلل کے ردعمل اور اس کے نتائج کے اثرات کو کم سے کم کرنے کے لیے اس کا انتظام و انصرام موثر اور متوازن طریقے سے کرنا۔
- پہلے سے طے شدہ وقت میں جتنا جلد ممکن ہو قابل قبول سطح پر کاروباری امور کو بازیافت کرنا جس کے عوض پیچیدہ کاروباری امور یا سپورٹ سروسز پر خلل کے حوالے سے بروقت نتائج مرتب ہوں۔
- کاروباری تسلسل کی معاونت کرنے والے منصوبوں کی باقاعدہ بنیادوں پر جانچ اور نظر ثانی اور وقتاً فوقتاً ضرورت کے مطابق ان میں تبدیلی کرنا۔

منصوبے (پلان) میں ہماری بحالی حکمت عملی، کم از کم آپریٹنگ ضروریات، BCP ٹیم کا انتظام، نا کارہ تشخیص اور ابتدائی طور پر سائٹ کی بحالی کے کام شامل ہیں۔ یہ منصوبہ ڈیزاسٹر ریکوری کے طریقہ کار کے اہم جز کا تجزیہ کرتے ہوئے اہم کوائف / معلومات کے تحفظ کو یقینی بناتا ہے۔ ہماری انتظامیہ کاروبار اور انفرا اسٹرکچر کو درپیش خطرات کا باقاعدگی سے تجزیہ کرتی ہے اور اس نے کسی بھی قسم کے غیر متوقع مسائل سے مناسب انداز میں نبرد آزما ہونے کے لیے حکمت عملی مرتب کی ہوئی ہے۔

## ذمہ دار شہری اور فلاحی سرگرمیاں

EPCL سماجی بہبود کے لحاظ سے ایک ذمہ دار ادارہ ہے جو اداروں کو اپنی تقلید کے لیے مثالیں قائم کر رہا ہے۔ سماجی بہبود کے امور (CSR) کی بہترین حکمت عملی کے ساتھ، EPCL گھگھر پھاٹک میں بسنے والی عوام (جو کہ پورٹ قاسم پلانٹ سے قریب ایک کمیونٹی پر مشتمل ہے) کے معیار زندگی کو بہتر بنانے کے حوالے سے بھرپور توجہ کے ساتھ اپنی کاوشیں جاری رکھے ہوئے ہے۔

### تعلیم

### TCF کے ساتھ اسکول کی تعمیر کا پروگرام

EPCL نے TCF کے اشتراک سے 50.5 ملین روپے کی لاگت سے دو نئے اسکولوں کی عمارت قائم کیں جن سے گھگھر پھاٹک گاؤں اور اس کے اطراف میں بسنے والے شدید پسماندہ بچوں کو فائدہ پہنچا۔ ان دونوں اسکولوں نے اکتوبر 2020 میں کام کرنا شروع کیا۔ ان دو نئے اسکولوں کی شروعات کے ساتھ ہی اب EPCL مجموعی طور پر پانچ چار اسکولز کے ذریعے 1,000 سے زائد طلباء و طالبات کو معیاری تعلیم فراہم کر رہا ہے۔

### TCF کے طلباء کے لیے غیر نصابی سرگرمیاں

EPCL نے TCF کے طلباء کو کلاس روم سے بڑھ کر مختلف قسم کی صحت مندانہ اور سیکھنے سکھانے کی سرگرمیوں میں فعال انداز میں شامل کیا۔ جن میں تعلیمی دوروں، لائبریریوں کے قیام اور جشن منانے جیسی تقریبات کا انعقاد شامل ہے۔ طلباء کو اپنی معلومات میں اضافے اور اپنی پوشیدہ صلاحیتوں کو اجاگر کرنے کیلئے مختلف پلیٹ فارم فراہم کیے جاتے ہیں۔

## توانائی کا انتظام اور تحفظ

EPCL میں، ہم زیادہ سے زیادہ ماحولیاتی تحفظ کے حصول اور اپنے تمام اسٹیک ہولڈرز بشمول ملک کے لئے زیادہ سے زیادہ منافع فراہم کرنے کے حوالے سے اپنے وسائل کے موثر استعمال کیلئے کوشاں رہتے ہیں۔ جس کے مطابق ، ہم اس وقت دو انرجی ایفیشینسی پراجیکٹس ، ٹرانسفر لائن ایکسچینجرز (TLEx) اور آکسی وینٹ ریسائیکل (OVR) پر بھی کام کر رہے ہیں۔ ان پراجیکٹس سے کمپنی کی توانائی کی طلب میں کمی متوقع ہے، جس سے ملک کے گیس کے ذخائر کا استعمال کم ہوگا۔ نیز خام مال کی کارکردگی میں اضافہ اور درآمدات محدود ہوگی۔ یہ کمپنی کو مجوزہ گیس کے بڑھتے ہوئے نرخوں اور آنے والے وقت میں پاکستانی روپے کی قدر میں ہونے والی کمی میں کچھ رعایت کی پیشکش بھی کرے گا۔ EPCL نے پہلے سے اعلان کردہ ہائی ٹمپریچر ڈائریکٹ کلورینیشن (HTDC) منصوبے پر بھی پیشرفت کی ہے جو 2022 تک توانائی کے حوالے سے کارکردگی میں مزید افادیت لائے گا اور کاربن ڈائی آکسائیڈ کے اخراج کو کم کرے گا۔

## مالیاتی جائزہ اور انتظام کاری

### فروخت کا جائزہ

2020 میں EPCL کے مصنوعات میں 2019 کی نسبت تقریباً 7% کی واقع ہوئی ہے۔ جس کی بڑی وجہ PVC اور کاسٹک کے حجم میں پچھلے سال کی نسبت بالترتیب 15% اور 27% کی تھی۔ حجم میں کمی کی بڑی وجوہات میں شامل لاک ڈاؤن پابندیاں، گیس لیکج کا حادثہ اور maintenance turnaround میں توسیع ہیں۔ عالمی سپلائی کی رکاوٹوں کی وجہ سے PVC کی قیمتوں میں (سال گزشتہ کی بنیاد پر 7%) میں اضافے نے حجم میں کمی کے اثرات کو کم کردیا۔

| مقامی فروخت (KT) | 2020 | 2019 | YoY |
|---|---|---|---|
| پی وی سی | 163 | 191 | -15% |
| کاسٹک سوڈا | 61 | 83 | -27% |
| کاسٹک فلیکس | 2 | 1 | 100% |

کمپنی نے اپنی تاریخ میں سب سے زیادہ منافع 5,730 ملین روپے ریکارڈ منافع حاصل کیا، جس کی وجہ انٹرنیشنل وینائل مارکیٹ کا سازگار طور پر سرگرم ہونا اور کمپنی کی لاگت کے کنٹرول پر گہری توجہ تھی۔ اس کے ساتھ ساتھ کمپنی نے COVID کے ہوتے ہوئے دیگر محاذوں پر بھی مؤثر اقدامات کیے۔

### ون ٹائم آئٹم

GIDC کیس میں حالیہ پیشرفت کو مدنظر رکھتے ہوئے (جس میں ججمنٹ اور نظرثانی درخواست کے فیصلے بھی شامل ہیں)، انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (ICAP) نے سرکلر نمبر 1/2021 مورخہ 19 جنوری 2021 کے ذریعہ 'GIDC کی اکاؤنٹنگ' کے بارے میں مالی رپورٹنگ گائیڈنس جاری کی، جس میں گیس صارفین کی کمپنیوں کے لئے اکاؤنٹنگ کے اہم امور پر بات کی گئی۔ ICAP کی مالیاتی رپورٹنگ گائیڈنس کے اصولوں اور تازہ ترین دستیاب معلومات اور GIDC طے پانے کی متوقع مدت (یعنی کل رقم کے بجائے ماہانہ قسط) پر مناسب غور کرتے ہوئے، کمپنی نے GIDC provision کا واپس سے تخمینہ لگایا ہے، جس کے نتیجے میں 681 ملین روپے کا منافع ریکارڈ کیا گیا۔

## ڈیویڈنڈ / منقسمہ

کمپنی کے بورڈ آف ڈائریکٹرز نے فی عمومی حصص 1.247 روپے اور فی پریفرنس شیئرز 0.042 روپے کے حتمی کیش ڈیویڈنڈ کی منظوری دی۔

## قومی خزانے میں حصہ داری

سال 2020 کے دوران، EPCL نے سرکاری خزانے میں 9.6 بلین روپے ٹیکس، ایکسائز ڈیوٹی، کسٹم ڈیوٹی، انکم ٹیکس اور سیلز ٹیکس کی صورت میں جمع کروایا۔

## لیکویڈیٹی اور زر نقد کا بہاؤ (کیش فلوز)

2020 کے دوران، کمپنی نے آپریشنز کے ذریعے 12.5 بلین روپے حاصل کیے۔ لیکویڈیٹی کی مستحکم صورتحال سے کمپنی کو کورونا وبا کے دوران پیدا ہونے والے دباؤ کا مقابلہ کرنے کی اہلیت ملی۔ کیش فلو کو منظم کرنے کیلئے Debt مارکیٹ کے آلات اور TDRs میں اضافی قلیل مدتی نقد رقم کی سرمایہ کاری کی گئی۔

## مالی سرمایہ کاری (فنانسنگ)

سال کے دوران، کمپنی نے اسٹیٹ بینک آف پاکستان کی LTFF اسکیم، جو کہ ایک subsidized فنانسنگ اسکیم ہے، سے 1,950 ملین روپے حاصل کیے۔ اس قرض کی مدت 10 سال ہے جس میں 2 سال کا گریس پیریڈ موجود ہے۔ مزید برآں، کمپنی نے 3,000 ملین روپے کے پریفرنس حصص کے اجراء کو کامیابی کے ساتھ مکمل کیا۔ یہ پہلا موقع ہے جب کسی بھی کمپنی نے غیر حقوق کی بنیاد پر کامیابی کے ساتھ پریفرنس حصص جاری کیے ہوں۔ اجراء سے ہونے والی رقم کمپنی کو انکم ٹیکس آرڈیننس 2001 کے سیکشن 65E کے تحت ٹیکس کریڈٹ حاصل کرنے میں معاون ہوگی۔

## کریڈٹ ریٹنگ

2020 میں، پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے EPCL کو بالترتیب -AA اور +A1 کی طویل مدتی اور مختصر مدتی درجہ بندی سے نوازا۔ یہ ریٹنگ کمپنی کو وقت پر اپنی مالیاتی ذمہ داریوں کو پورا کرنے کی صلاحیت کو ظاہر کرتے ہوئے کم کریڈٹ خدشات کو ظاہر کرتی ہے۔

## اثاثہ جاتی خدوخال

کمپنی کے اثاثہ جات میں قرض اور ایکویٹی سے 47:53 کے تناسب سے سرمایہ کاری کی جاتی ہے، جو کہ سال 2019 میں 57:43 تھی۔ اثاثہ جاتی خدوخال میں تبدیلی کی وجہ پہلے سے اعلان کردہ منصوبوں پر عمل درآمد کی طرف مزید پیشرفت ہے جس کے لئے کمپنی نے فنڈز جمع کیے ہیں۔

## خدشات کے انتظام وانصرام کے خدوخال (رسک مینجمنٹ فریم ورک)

EPCL نے سال 2011 میں اپنے لیس انٹرپرائز مینجمنٹ فریم ورک کا آغاز کیا۔ کمپنی کی یہ پالیسی ہے کہ وہ مربوط طور پر ان تمام غیر یقینی صورتحال اور خدشات، جو ہمارے ادارہ جاتی مقاصد اور اہداف کے حصول کو ممکنہ طور پر متاثر کرسکتے ہیں، کے انتظام وانصرام کے ذریعے حصص یافتگان (شیئر ہولڈر) کے مفاد کی تخلیق، تحفظ اور اس میں اضافے کے لیے ممکنہ خدشات کے نظم پر غور کرے۔

ہمیں اس بات کا ادراک ہے کہ کمپنی پیچیدہ کاروباری ماحول میں کام کرتی ہے اور یہ اس کا استحقاق ہے کہ ادارہ اپنی حکمت عملی اور ان خدشات کے حجم کی تشخیص کرے، جس سے ادارہ پوری کمپنی میں ذمہ داریوں کی موزوں تفویض کو قبول کرنے کا رجحان رکھتا ہے۔ EPCL تمام سطحوں پر احتساب پر یقین رکھتی ہے اور خدشات کے ماحول میں نگرانی، گفت وشنید اور رپورٹ کرنے کی ضرورت اور باقاعدہ بنیادوں پر شناخت شدہ خدشات کے انتظام وانصرام کے حوالے سے موثر انداز میں عملی اقدامات کی ضرورت کو سمجھتی ہے۔

خدشات (رسک) کی پورے ادارے میں نشاندہی کی جاتی ہے اور ممنافع پر ان کے اثرات کے لحاظ سے ان کی درجہ بندی کی جاتی ہے۔ خدشات کی نشاندہی پر انہیں کم کرنے کے موثر حکمت عملی مرتب کی جاتی ہے، جس کی باقاعدہ طور پر انتظامی کمیٹی کرتی ہے۔ خدشات کے انتظام وانصرام (رسک مینجمنٹ) کے عمل کی سرپرستی چیف رسک آفیسر (CRO) کرتا ہے اور بورڈ آڈٹ کمیٹی (BAC)، اس کی توثیق کرتی ہے۔

**منصوبہ بندی کے خدشات (اسٹریٹیجک رسک)**

**پلانٹ آپریشن میں خلل**

**حکمت عملی**

گیس پلانٹ کے بہتر نظام کیلئے کمپنی کے پاس maintenance کا ایک مضبوط انتظام ہے، اس ضمن میں (2020 میں اس کا تاریخ میں سب سے بڑا turnaround ہوا) مزید برآں، کارکردگی کو بہتر کرنے اور پیش گوئی کے تجزیہ پر توجہ مرکوز رکھنے کیلئے کمپنی اعلیٰ ترین ٹیکنالوجی میں سرمایہ کاری جاری رکھی ہوئی ہے۔

**نتیجہ**

دوران سال پلانٹ کو بہترین انداز میں چلایا گیا، سوائے ایک کلورین لیکج واقعے کے، جس کیلئے کمپنی نے زیادہ تر سفارشات کا اطلاق کرلیا ہے۔

**عالمی وبا کی واپسی یا پلانٹ آپریشنز پر لاک ڈاؤن**

**حکمت عملی**

کورونا کی وجہ سے درپیش ممکنہ چیلنجوں کا مقابلہ کرنے کیلئے کمپنی نے فعال حکمت عملی کو اپنایا اور ایک مستعد کمیٹی بھی بنائی جو مسلسل صورتحال پر نظر رکھتی ہے۔

**نتیجہ**

پلانٹ اور منصوبوں کی سائٹ پر ہموار اور محفوظ طریقے سے کام ہوتا رہا۔ سائٹ پر کوئی منتقلی کا کیس سامنے نہیں آیا۔ مزید برآں، رکاوٹوں کو کم سے کم کرتے ہوئے مارکیٹنگ اور سپلائی چین میں بھی مسلسل کام ہوتے رہے۔

### برانڈڈ آؤٹ لیٹ

تھنک پی وی سی برانڈڈ آؤٹ لیٹ EPCL کا اہم پروجیکٹ ہے جو PVC ڈاؤن اسٹریم مصنوعات کے لئے مختص ایک ریٹیل آؤٹ لیٹ ہے جس کے ذریعے سے تعمیراتی شعبے میں ملوث بلڈرز، ڈویلپرز، انٹیریئر ڈیزائنرز اور فرنیچر بنانے والے اسٹیک ہولڈرز کیلئے ایک پلیٹ فارم بنایا گیا ہے۔ آؤٹ لیٹ کی اہم تعمیراتی سرگرمیاں COVID کی SOPs پر سختی سے عمل درآمد کرکے 2020 میں مکمل کرلی گئیں ہیں، جس کا باقاعدہ آغاز 2021 کی پہلی سہ ماہی میں متوقع ہے۔

## بین الاقوامی وینائل چین کی قیمتیں

عالمی سطح پر PVC کی قیمتیں مختلف خطوں میں مختلف ہوتی ہیں۔ پاکستان کیلئے متعلقہ قیمت جنوبی ایشیائی ملکوں (ہندوستان/ پاکستان/ بنگلہ دیش/ سری لنکا میں قابل اطلاق) قیمتوں کے مطابق ہوتی ہے۔ عالمی سطح پر مجموعی طلب کم ہونے کی وجہ سے کورونا وبا کے بعد PVC کی قیمتیں 2020 کی پہلی سہ ماہی میں بہت حد تک گرگئی تھیں۔ اگرچہ 2020 کی دوسری ششماہی کے آغاز سے طلب میں اچھا خاصا اضافہ دیکھا گیا تاہم امریکہ میں سمندری طوفان کی وجہ سے بڑے سپلائرز نے عارضی طور پر کام بند کردیا۔ جس کے نتیجے میں ایک وقت میں عالمی پیداواری صلاحیت کا نقصان تقریباً 18% فیصد تک ہوگیا تھا۔ اس کے علاوہ، بندرگاہوں پر رش اور کنٹینرز کی قلت کی وجہ سے مال برداری کی قیمت میں بھی کافی اضافہ ریکارڈ کیا گیا۔ لہٰذا محدود سپلائی اور مال برداری کی اونچی قیمتوں کی وجہ سے PVC کی قیمتیں دوسری ششماہی میں بلند سطح پر رہیں۔

ایتھیلین، جو کہ PVC کا بنیادی خام مال ہے، دیگر پولیمرز بشمول پولیتھیلین کی تیاری میں بھی استعمال کیا جاتا ہے۔ 2020 کے شروع میں روس اور سعودیہ کے درمیان خام تیل کی جنگ اور COVID-19 کی وبا میں خام مال کی طلب میں کمی کی وجہ سے تاریخ میں کم ترین قیمتیں دیکھنے میں آئیں۔ خام تیل کے ایک جزو کے طور پر ایتھیلین کی قیمتیں بھی کم ترین سطح پر آگئی تھیں۔ تاہم خام تیل کی سپلائی میں سختی کی وجہ سے قیمتوں میں تیزی آئی کیونکہ بڑی کمپنیاں 2020 کی دوسری ششماہی میں maintenance کیلئے آف لائن چلی گئیں اور خام تیل کی قیمتیں بھی کچھ حد تک بحال ہوگئی تھیں۔

### PVC کے بین الاقوامی نرخ (جنوبی ایشیاء)


### ایتھیلین کے نرخ


### مستقبل کا منظر نامہ

سمندری طوفانوں کے باعث آپریشنل امور، متوقع ٹرن اراؤنڈ میں طوالت رکاوٹوں اور مال برداری کی زیادہ لاگت نے PVC کی قیمتوں کا رجحان بلندی کی جانب رہا۔ سپلائی کی راہ میں حائل رکاوٹیں دسمبر 2020 سے کم ہونا شروع ہوگئی تھیں، تاہم، مال برداری کی زیادہ لاگت اور سپلائی کی موجودہ صورتحال کے مدنظر PVC کی قیمتوں میں آنے والے وقت میں مزید اضافے کی توقع کی جاتی ہے اور امید ہے کہ ایتھیلین کی قیمتیں بھی اسی رجحان کی پیروی کریں گی۔

## کلورالکلی مارکیٹ

کلورالکلی مارکیٹ کی کارکردگی دیگر ایشیا کی مارکیٹ کی کارکردگی کی طرح رہیں اسے COVID-19 وبائی امراض نے نمایاں طور پر متاثر کیا۔ اہم ماخذوں کی طلب میں کمی کے پیش نظر 2020 میں کاسٹک سوڈا کی طلب میں ایک تخمینہ کے مطابق 5.2% کی واقع ہوئی۔ سال کے دوران بین الاقوامی قیمتیں تنزلی کا شکار رہیں کیونکہ ٹیکسٹائل، ایلومینا، پلپ اور کاغذ اور تیار شدہ سامان کی مینوفیکچرنگ سمیت مختلف شعبوں میں طلب سست تھی۔ صفائی ساز وسامان، ویسکوز اسٹیپل فائبر، دواسازی کی تیاری اور کھانے کی صنعتوں میں طلب زیادہ رہی۔ تاہم، ان شعبوں میں طلب بڑھ جانے کے باوجود بھی مجموعی طلب کم رہی۔

اگست 2020 کے آس پاس جب ایشیائی پروڈیوسرز maintenance period کے بعد آن لائن واپس آئے تو طلب ورسد کا توازن تبدیل ہوا۔ صورتحال کو مزید بہتر بنانے کیلئے، پروڈیوسرز نے جان بوجھ کر پیداوار میں کمی لانے کی کوشش کی۔ یہ منظر ایک طرف، کلورین کی پیداواری کٹوتیوں کا سبب بنا جس کی وجہ سے EDC مارکیٹ میں قیمتوں میں اضافہ ہوا جبکہ دوسری طرف کاسٹک سوڈا کی قیمتیں ہلکی رہیں کیونکہ موروثی مصنوعات کی طلب اس طرز عمل کو سپورٹ نہیں کررہی تھی۔

تاہم 2020 کی چوتھی سہ ماہی میں حکومتوں کی جانب سے کی جانے والی لاک ڈاؤن میں نرمی اور عالمی سطح پر معاشی سرگرمیوں کو فروغ دینے کے لئے اعلان کردہ پیکیجز کی وجہ سے طلب کی صورتحال میں بہتری آنا شروع ہوگئی تھی۔ اگرچہ بڑی کمپنیوں نے صارفین کی منڈیوں پر غلبہ حاصل کیا تاہم، الومینا سیکٹر میں ایسا اضافہ نہیں دیکھا جاسکا جس سے کاسٹک سوڈا کی سب سے زیادہ کھپت ہوتی ہو۔

مجموعی طور پر، قومی کاسٹک سوڈا مارکیٹ میں 2019 کی سطح سے تقریباً 10% کی کمی واقع ہوئی۔ 2020 ملکی مارکیٹ کے لئے کافی اتار چڑھاؤ کا سال تھا۔ ابتداء میں ٹیکسٹائل کے شعبہ میں برآمدی آرڈرز کی وجہ سے کاسٹک کی طلب میں اضافہ ہوا۔ تاہم، جیسے ہی دنیا بھر میں COVID-19 نے اپنے اثرات نمایاں کیے، علاقائی اور عالمی سطح پرست روی کے اثرات کی وجہ سے ٹیکسٹائل کی برآمدات پر برے اثرات مرتب ہوئے اور کاسٹک سوڈا کی طلب متاثر ہوئی۔ اس کے بعد جیسے ہی لاک ڈاؤن میں نرمی ہونا شروع ہوئی، تو دوسری سہ ماہی کے اختتام پر طلب کے معاملات ٹھیک ہونا شروع ہوگئے۔ ٹیکسٹائل کے شعبے میں آپریٹنگ نرخوں میں 2020 کی تیسری سہ ماہی میں خاطر خواہ اضافہ ہوا، جس سے کاسٹک کی قومی طلب بڑھی۔ آپریٹنگ نرخوں میں اضافے کے اہم عوامل PPEs اور اسپتال کی سپلائیز کے برآمدی آرڈرز، امریکہ۔ چین تجارتی جنگ اور بنگلہ دیش اور ہندوستان میں لاک ڈاؤن دورانیہ کی توسیع کی وجہ سے برآمدات کے آرڈرز کا رخ پاکستان کی جانب ہونا تھے۔

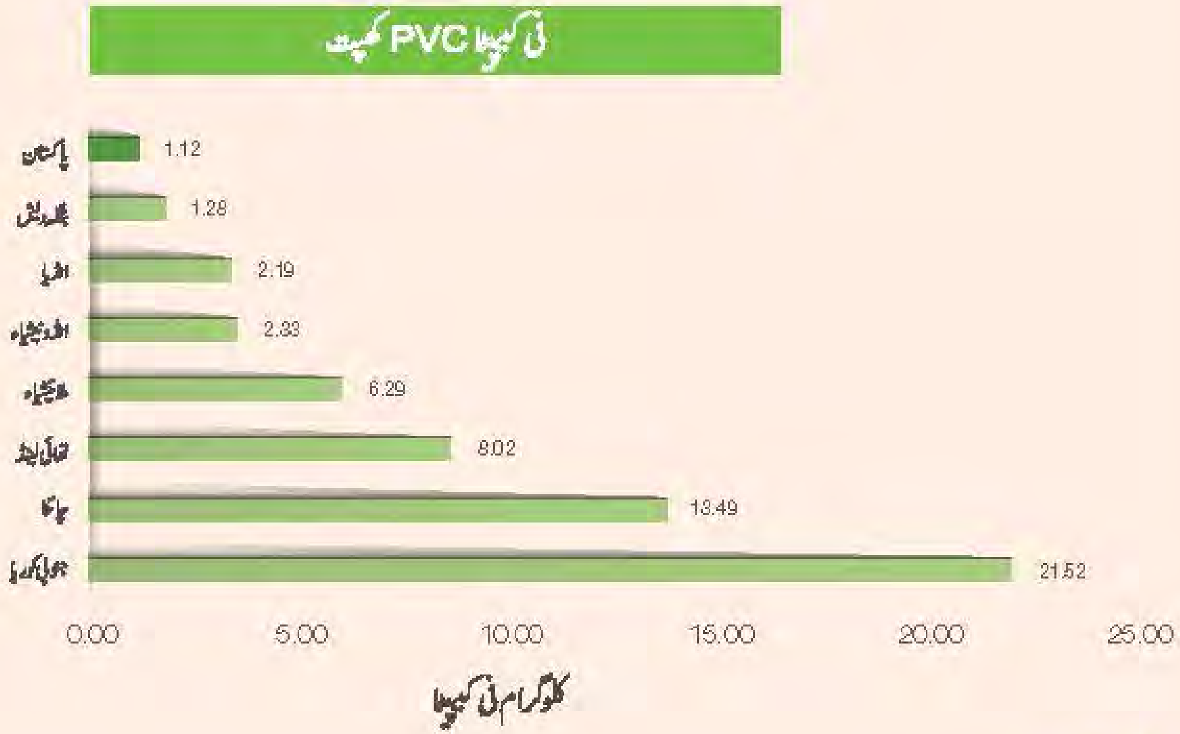
سوڈیم ہائپوکلورائیٹ اور ہائیڈروکلورک ایسڈ (HCL) کمپنی کے کلورالکلی پورٹ فولیو کا جزو ہیں۔ اس سے قبل اسے ٹیکسٹائل کی صنعت میں بلیچنگ ایجنٹ کے طور پر استعمال کیا جاتا تھا جبکہ اس کے دیگر استعمالات میں سے جراثیم کش اور پانی صاف کرنے والے ایجنٹ کے طور پر شامل ہیں۔ پاکستان میں HCL کو اسٹیل گیلوانیزنگ انڈسٹری، واٹر ویسٹ ٹریٹمنٹ، پاور پلانٹس، جیلیٹن شعبہ جات میں استعمال کیا جاتا ہے۔ مستقبل میں ہمیں ان کیمیکلز کا استعمال مختلف صنعتوں میں نظر آرہا ہے، جس میں پانی کو صاف کرنے اور بجلی کے شعبہ جات میں شامل ہیں۔

### مستقبل کا منظر نامہ

مقامی معاشرتی سرگرمیاں کلورالکلی کی قیمتوں کا تعین کرتی ہیں اور اس وجہ سے وہ بین الاقوامی قیمتوں کے مطابق نہیں رہتی ہیں۔ مستقبل میں مقامی مارکیٹ امریکہ اور چین کے مابین بدتر تجارتی جنگ، 2022 تک GSP کی توسیع اور بڑے پیمانے پر مینوفیکچرنگ سیکٹر میں ریکوری جیسے عوامل کی پشت پر امید افزا جائزہ پیش کرتی ہے۔

## پیداواری معاملات

پیداواری معاملات کو بہتر بنانے کا عمل EPCL میں سب سے زیادہ توجہ کا طالب ہے کیونکہ یہ ماحول اور منافع کو بہتر کرنے میں مثبت کردار ادا کرتا ہے۔ اس کے سلسلے میں EPCL نے اس سال ہائیڈروجن ونٹنگ کا منصوبہ مکمل کیا۔ اس منصوبے سے ہائیڈروجن گیس کو بطور ایندھن استعمال کرنے میں مدد ملے گی جو پہلے ضائع ہو جاتی تھی۔ مزید یہ کہ EPCL کی تاریخ کا سب سے بڑا maintenance turnaround مکمل کیا گیا جو پلانٹ کی کارکردگی میں بہتری کیلئے مددگار ثابت ہوگا۔




## پاکستان

مقامی PVC مارکیٹ میں 2020 کی پہلی ششماہی میں گزشتہ سال کے مقابلے میں 15% کی کمی واقع ہوئی جس کی وجوہات میں قومی لاک ڈاؤن (جو حکومت نے COVID-19 کی روک تھام کیلئے لگایا اور معاشی سرگرمیاں ماند پڑ گئی تھیں) ترقیاتی منصوبوں کے اخراجات کو COVID کی روک تھام اور معاشی بحالی کو بہتر بنانے والے پروگراموں کیلئے منتقل کرنا تھیں۔ تاہم، مارکیٹ میں دوسری ششماہی میں قابل ذکر بحالی دیکھی گئی، جس میں حکومت کی طرف سے اعلان کردہ پیکیج اور اسمارٹ لاک ڈاؤن کے موثر نفاذ نے واضح کردار ادا کیا۔ PVC مارکیٹ میں پہلے کے مقابلے میں دوسری ششماہی میں 38% اضافہ ریکارڈ کیا گیا جو سال 2020 میں مارکیٹ میں سالانہ 3.3% اضافے کے طور پر سامنے آیا جبکہ اس کے مقابلے میں سال 2019 میں 7% کی کمی واقع ہوئی تھی۔

2020 میں مقامی مارکیٹ کی سب سے بڑی خاص بات 90KT کی اب تک کی سب سے زیادہ درآمد تھی جو عالمی سطح پر PVC کی قیمتیں کم ترین سطح پر آنے اور لاک ڈاؤن کی وجہ سے ممکن ہوئی۔ درآمد کے باوجود مقامی فروخت مستحکم رہی اور ہم نے تیار کردہ اپنی تمام مصنوعات فروخت کیں۔ ہمیں یہ بتاتے ہوئے خوشی ہے کہ جاری 100KT کی اضافی صلاحیت آن لائن آ گئی ہے اور ہم معاشی ترقی میں تعاون اور ملک کے حقیقی زرمبادلہ کی بچت اور ملکی طلب کو پورا کرنے کو یقینی بنانے کے لیے پرعزم اور کوشاں رہتے ہیں۔

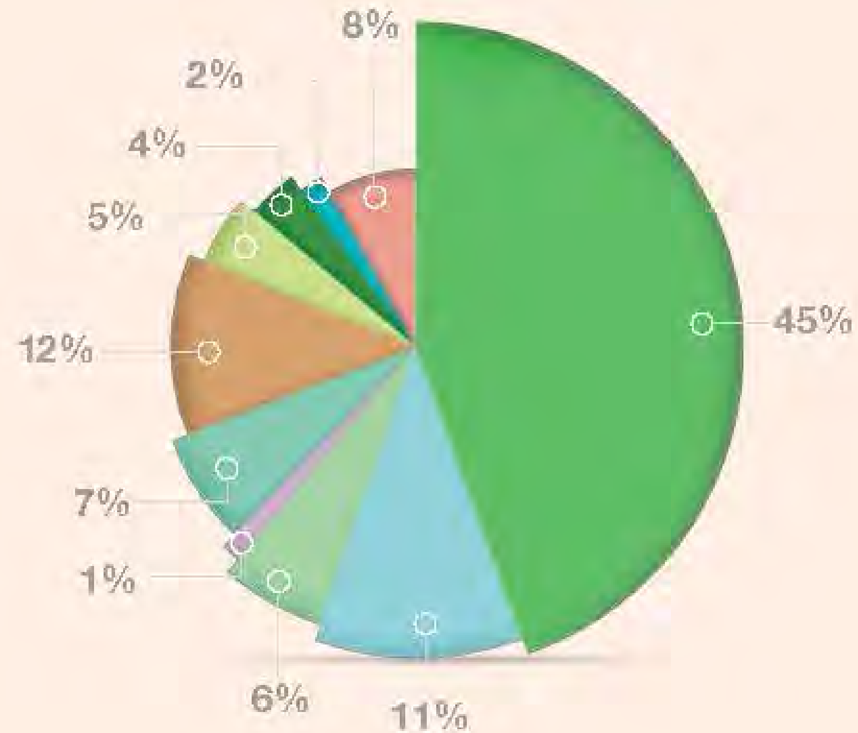
مستقبل پر نظر رکھتے ہوئے، سستے رہائشی منصوبوں پر حکومت کی توجہ، اقتصادی امور میں متوقع بہتری اور عالمی سطح پر اجناس کی قیمتوں اور مسلسل کاوشوں کے پیش نظر ہمیں امید ہے کہ آنے والے برسوں میں ملک میں اوسط بین الاقوامی سطح پر فی کس PVC کی کھپت میں اضافہ ہوگا۔

## مارکیٹ کے ارتقائی امور

COVID-19 کی وجہ سے پورے پاکستان میں لاک ڈاؤن اور سفری پابندیاں عائد ہونے کی وجہ سے 2020 میں مارکیٹ کی ترقی و بہتری کیلئے سرگرمیاں انجام دینے میں چیلنجوں کا سامنا کرنا پڑا۔ تاہم، ہماری ٹیم کے جذبے کے نتیجے میں مختلف شعبوں میں PVC کو پسندیدہ سامان کے طور پر فروغ دینے میں اہم پیشرفت ہوئی۔ زیادہ توجہ والے شعبوں جیسے تعمیرات، فراہمی آب اور آبپاشی کے شعبوں میں PVC کے استعمال سے متعلق اعلیٰ سرکاری حکام کے ساتھ ملاقاتیں ہوئیں۔ PVC کے ان استعمالات میں دروازے، کھڑکیاں، تعمیر میں فلورنگ، نکاسی کیلئے U-PVC اور سیوریج پائپ اور آبپاشی کیلئے PVC-geo membrane شامل ہیں۔

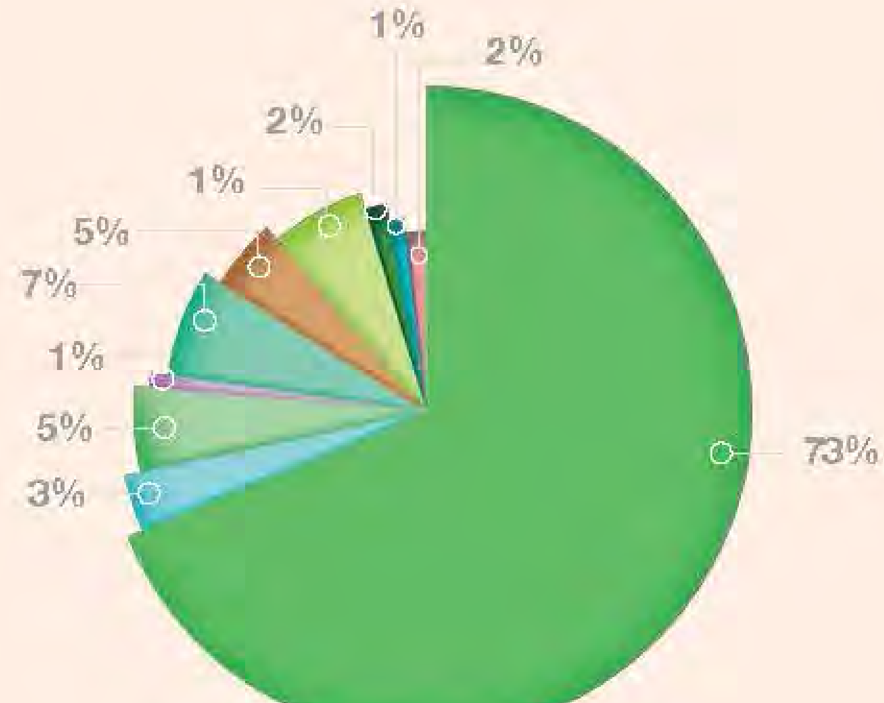


## عالمی سطح پر PVC کا استعمال




- پائپ اور فٹنگز
- پروفائلز
- فلم اور شیٹ - سخت
- بوتل
- وائر اور کیبل
- فلمز اور شیٹ
- پروفائل اور ہوز
- فلورنگ
- کوٹنگ
- دیگر

## جنوبی ایشیا میں PVC کا استعمال

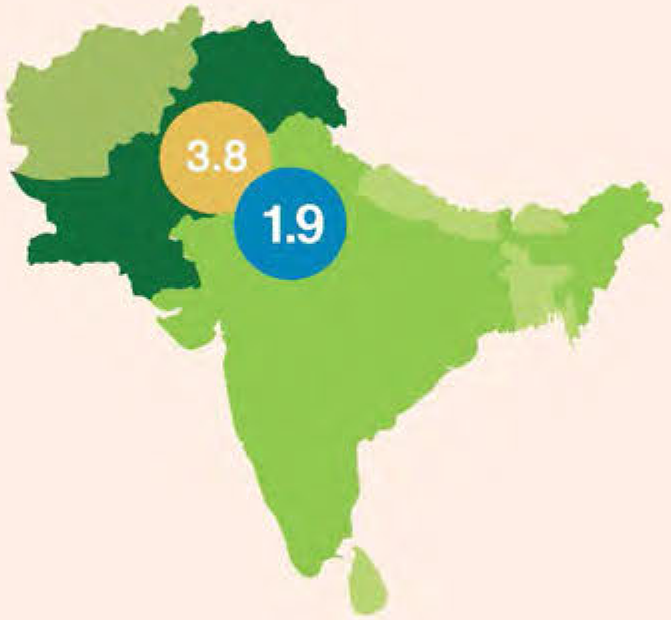



- پائپ اور فٹنگز
- پروفائلز
- فلم اور شیٹ - سخت
- بوتل
- وائر اور کیبل
- فلمز اور شیٹ
- پروفائل اور ہوز
- فلورنگ
- کوٹنگز
- دیگر



## جنوبی ایشیا

COVID-19 کے اثرات کے سبب 2020 میں اس خطے میں PVC کی طلب میں 10% کی واقع ہوئی۔ بھارت نے جو اس خطے کی کھپت کا 86% شراکت دار ہے، مون سون کا دورانیہ بڑھنے سے طلب میں کمی لانے میں اہم کردار ادا کیا۔ کورونا وائرس کے پھیلاؤ کی روک تھام کے لئے علاقائی ممالک کے نے لاک ڈاؤن کے جو اقدامات کیے، اس کی وجہ سے علاقائی پروڈیوسروں کے اوسط آپریٹنگ نرخ 85% سے کم ہو کر 2020 میں 77% رہے۔ علاقائی طلب کی بحالی کا آغاز ستمبر میں ہوا جب حکومتوں نے متعلقہ معیشتوں کی حوصلہ افزائی کے لئے تعمیرات اور انفرااسٹرکچر ڈیولپمنٹ کی سرگرمیوں پر اپنی توجہ مرکوز کی۔ تاہم، پیداواری مسائل کے طویل دورانیے کی وجہ سے سپلائی بڑھتی طلب کا مقابلہ نہیں کرسکی، جس کی وجہ سے قیمتیں ماضی کے مقابلے میں بلند ترین سطح پر رہیں۔ مارکیٹ سے مستقبل میں مثبت کارکردگی کی توقع کی جاسکتی ہے کیونکہ COVID-19 کے بعد خاص طور پر بھارت کی حکومت نے ملکی انفرااسٹرکچر کی بہتری کیلئے سرکاری اقدامات اور حکومت پاکستان نے تعمیراتی پیکیج کے اعلانات کیے ہیں۔





جنوبی ایشیا موجودہ دنیا میں ایک اہم مارکیٹ کی حیثیت رکھتا ہے اور عالمی سطح پر ڈیمانڈ اور سپلائی میں توازن رکھنے میں اہم کردار ادا کرتا ہے۔ یہاں خطے کی 2 ارب سے زیادہ آبادی ہے اور صرف 2 کلوگرام فی کیپیٹا کھپت ہے جبکہ عالمی سطح پر اوسطاً کیپیٹا کھپت 6 کلوگرام ہے، جس کے مقابلے میں یہ کافی کم ہے لہٰذا کم از کم اگلی دہائی تک خطے میں ترقی کا امکان بہت زیادہ ہے۔ PVC کی طلب کے لحاظ سے خطے میں زراعت کی اہمیت بہت زیادہ ہے۔ پائپوں اور فٹنگ کی حامل مجموعی PVC علاقائی طلب کا 73% ہے جو عالمی تناسب 45% سے کہیں زیادہ ہے۔ مسابقتی مصنوعات کے مقابلے میں دیگر ایپلی کیشنز جیسے کلورینیٹڈ PVC پائپ، تار اور کیبل اور PVC پروفائلز بہتر قدر رکھنے کی بدولت خطے میں وسیع پیمانے پر مسلسل قبولیت حاصل کیے ہوئے ہیں۔ پاکستان میں بھی PVC کی صنعت میں آہستہ آہستہ تنوع پیدا ہو رہا ہے اور تیار شدہ مصنوعات جیسے PVC فلورنگ، گارڈن ہوز، گارڈن فرنیچر، PVC روفنگ، وال پینل اور سائڈنگ کی مقبولیت میں اضافہ ہو رہا ہے۔ لہٰذا کم فی کیپیٹا کھپت، تعمیراتی سرگرمیوں میں اضافہ اور نئے ایپلیکیشنز کے متعارف ہونے کی وجہ سے اس خطے کی طلب میں صحت مند اضافے کا امکان موجود ہے۔

# وینائل مارکیٹ کا جائزہ

2020 میں PVC کی عالمی طلب میں % 6 کی کمی واقع ہوئی ہے جیسے کہ وبائی مرض کی وجہ سے ہونے والی جامع معاشی سرگرمیاں تقریباً جامد ہوگئی تھیں۔ مزید یہ کہ 2020 کی آخری ششماہی میں جب عالمی معاشی کی بحالی شروع ہوئی تو، بین الاقوامی PVC مارکیٹ کو سپلائی کی تنگی کا سامنا کرنا پڑا کیونکہ امریکہ اور یورپ میں بڑے PVC پروڈیوسرز کو امریکہ میں سمندری طوفان کی وجہ سے پیداواری مسائل کا سامنا کرنا پڑا اور خاص طور پر مسائل ایشیائی خطے میں بندرگاہوں پر رش اور کنٹینرز کی کمی کی وجہ سے مزید بڑھ گئے تھے۔ سپلائی اور طلب کے بڑھتے ہوئے فرق کی وجہ سے 2020 کی آخری چھ ماہ میں بین الاقوامی قیمتوں کا رجحان اوپر کی جانب رہا۔ آگے چلتے ہوئے، عالمی سطح پر سپلائی کی صورتحال کی وجہ سے قیمتوں کا رجحان اوپر کی جانب رہنے کی توقع ہے۔

## عالمی سطح پر PVC کی طلب


## شمالی امریکہ

COVID-19 وبائی بیماری نے ماضی کے دیگر واقعات جیسے کہ 2008/9 کی ریسیشن سے بھی زیادہ شمالی امریکہ میں PVC کی طلب کو متاثر کیا۔ بلڈرز کے اعتماد میں کمی کی وجہ سے مارچ میں تعمیراتی سرگرمیوں میں 20% سے زیادہ کمی واقع ہوئی۔ COVID-19 میں طلب میں کمی کی وجہ سے بہت سے کنورٹرز نے آپریٹنگ شرحوں کو کم کیا جبکہ دیگر حکومت کی طرف سے عائد کردہ لاک ڈاؤن پابندیوں کی تعمیل میں سہولیات بند کرنے پر مجبور ہوگئے۔ 2020 کی دوسری ششماہی میں لاک ڈاؤن پابندیوں میں نرمی کے بعد رہن قرضوں کی شرحیں کم ہونے کی وجہ سے امریکہ میں ہاؤسنگ کے شعبے میں تیزی دیکھنے میں آئی، جس نے 2019 کے مقابلے میں مقامی طلب میں اوسط سالانہ کمی کو تقریباً 6.8% تک برقرار رکھنے میں مدد کی۔

2020 کی دوسری ششماہی میں سمندری طوفان کی وجہ سے سپلائی پر بڑے پیمانے پر اثر پڑا جس کے نتیجے میں PVC کا دوسرا بڑا پروڈیوسر ویسٹ لیک کیمیکل، جو عالمی سپلائی کی 25% نمائندگی کرتا ہے، نے فورس میجر (force majeure) کا اعلان کیا جو باقی سال تک موثر رہا۔ اس کے علاوہ، دنیا کے بڑے پروڈیوسرز میں سے ایک فارموسا پلاسٹکس یو ایس اے نے بھی اگست میں متعلقہ امور میں فورس میجر کا اعلان کیا۔ ان محرکات کی وجہ سے 2020 میں علاقائی آپریٹنگ شرحیں تقریباً 75% تک رہیں جو سالانہ اوسط بنیادوں پر 2019 میں 87% تھیں۔

## ایشیا

مجموعی طلب میں تاریخی شراکت کی وجہ سے PVC کے لئے ایشیا ایک اہم مارکیٹ ہے جہاں چین اور بھارت جیسی ترقی پذیر معیشتیں اسے فروغ دینے کیلئے اہم کردار ادا کر رہی ہیں۔ عالمی طلب میں کمی کے بعد یہاں بھی 2020 میں کمی ہوئی جس کی بنیادی وجہ چینی اور بھارتی معیشتوں کی سست روی تھی کیونکہ ان ممالک میں مارچ کے آخر سے کرونا کی شروعات تک COVID-19 لاک ڈاؤن پالیسیوں کا سلسلہ جاری رہا۔ بھارت میں مون سون کا دورانیہ بڑھنے اور چین میں شدید سیلاب سے طلب میں مزید کمی واقع ہوئی۔ لاک ڈاؤن پابندیاں اٹھنے کے بعد ریکوری میں تیزی دیکھنے میں آئی کیونکہ متعدد ممالک نے طلب کو بڑھانے کے لئے پالیسیاں نافذ کیں اور محرک پیکج پیش کیے۔

ایشیائی PVC کی قیمتیں دوسری ششماہی کے آغاز سے ہی اوپر جانا شروع ہوگئیں اور سال کے اختتام تک یہ اضافہ جاری رہا کیونکہ عالمی سطح پر سپلائی کی کمی نے علاقائی مارکیٹ پر دباؤ برقرار رکھا ہے۔ اس کے ساتھ ساتھ بھارت میں بندرگاہوں پر رش لگنے اور کنٹینرز کی کمی کی وجہ سے قیمتوں کا دباؤ مزید بڑھ گیا۔ مستقبل کی بات کی جائے تو علاقائی سطح پر سپلائی کی موجودہ صورتحال کی وجہ سے قیمتیں اوپر رہنے کی توقع ہے۔





# EPCL اور COVID-19 چیلنجز سے نمٹنا

بلاشبہ، وائرل کورونا وائرس نے زندگی کے تقریباً ہر پہلو کو بدل کر رکھ دیا۔ گھر سے کام، E-commerce کی طرف منتقلی، سپلائی چین کی لوکلائزیشن، سرکاری اخراجات کی ترجیحات میں تبدیلی وغیرہ۔ یہ صرف معاشرت کا نیا معمول نہیں تھا بلکہ ایک نئے معمول کا آغاز تھا۔ اس نئے معمول سے متعدد معاشرتی، صحت اور اقتصادی چیلنجز سامنے آئے اور EPCL بھی ان چیلنجز سے مستثنیٰ نہیں تھی۔ سب سے اہم مسائل جن کا ہمیں سامنا کرنا پڑا وہ درج ذیل ہیں:

- ہیڈ آفس اور دیگر مقامات پر حکومت سندھ کی ہدایت کے مطابق لاک ڈاؤن کے دوران کام کی معطلی
- کراچی، جہاں ہمارا پلانٹ واقع ہے، کو COVID-19 ہاٹ سپاٹ قرار دے دیا گیا
- سائٹ پر 1000 سے زیادہ افراد کی انتظام کاری
- عالمی سطح پر سپلائی چین کی رکاوٹوں کے دوران اہم خام مال کا انتظام
- بروقت اندرونی اور بیرونی لاجسٹک سہولیات کا انتظام تاکہ صارفین کو پروڈکٹس کی مسلسل فراہمی یقینی بنائی جا سکے

مضبوط قیادت، پرعزم افرادی قوت اور بے مثال جذبے کے ذریعے EPCL نے اپنے معاملات کے تسلسل کے ساتھ ساتھ اپنے لوگوں کی صحت اور حفاظت کو یقینی بنانے کے لئے متعدد بروقت اقدامات کیے، جن میں کچھ درج ذیل ہیں:

- COVID-19 نگرانی کمیٹی کا قیام
- افرادی قوت کے لئے سائٹ پر رہائش کا انتظام
- سائٹ پر ٹیسٹنگ سہولت کا قیام
- لاک ڈاؤن کے اعلان سے قبل احتیاطی تدابیر کو اپنایا
- Work Safe Analytic سافٹ ویئر کا اطلاق جو COVID-19 کی SOPs پر عمل درآمد اور نگرانی میں مدد کرتا ہے
- متبادل ذرائع سے اہم خام مال کا بندوبست
- لاک ڈاؤن کے دوران صارفین کی آن لائن میٹنگ کا انعقاد
- کیش فلو کے معاملات کا بہتر انتظام

اقدامات کے موثر نفاذ نے انتہائی نازک اوقات میں ہماری مدد کی اور ہمیں یہ کہتے ہوئے فخر ہے کہ EPCL کی تاریخ میں یہ سال سب سے زیادہ منافع بخش ثابت ہوا۔

### COVID-19 ریکوری پلان

وبائی صورتحال کی بہتری کے بعد میں معیشت بحال ہونا شروع ہوئی تو ہماری قیادت نے بھی EPCL کی ریکوری کیلئے منصوبہ بندی شروع کردی، جس کے کچھ خاص اقدامات درج ذیل ہیں:

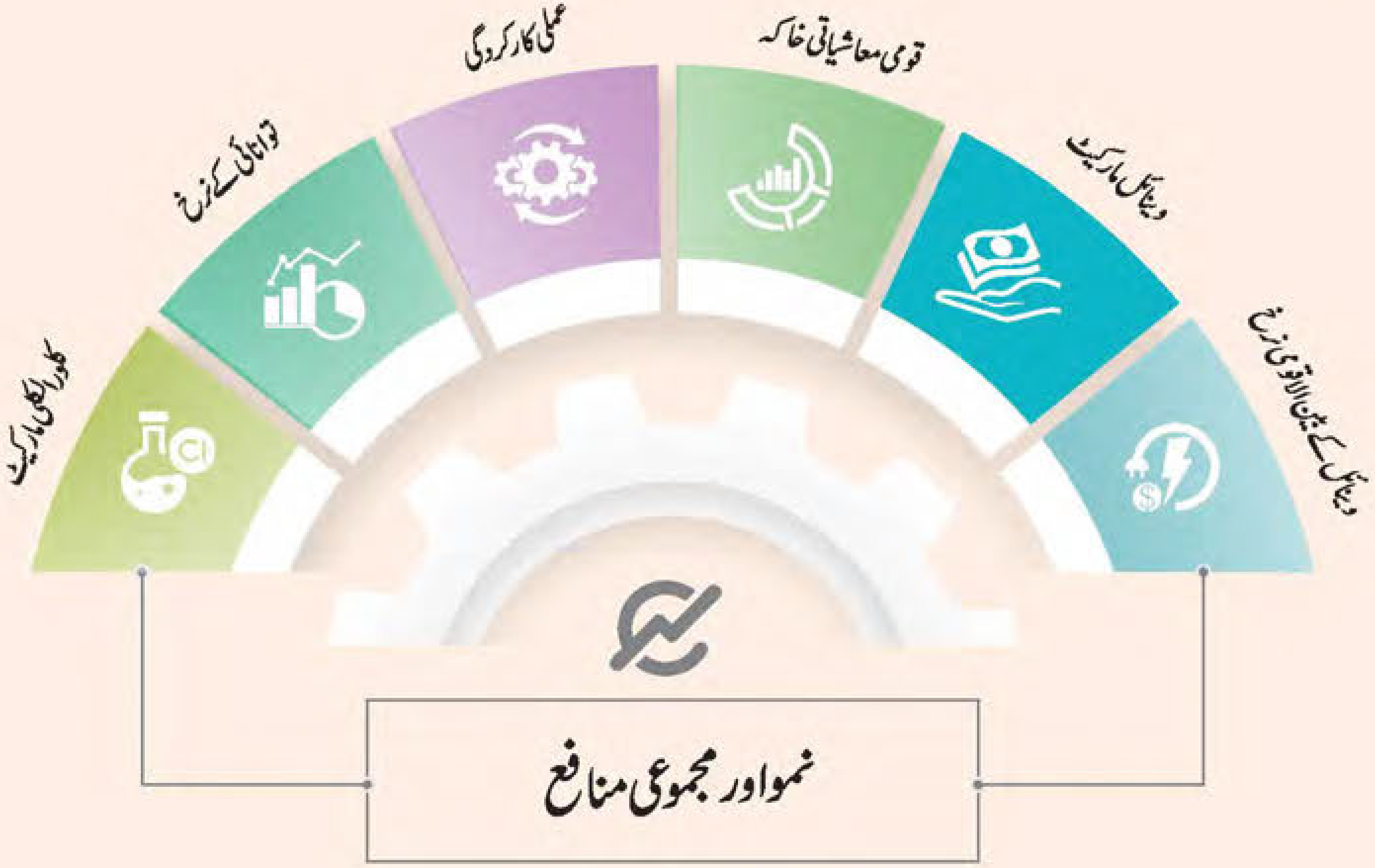
- سائٹ اور ہیڈ آفس میں روٹا سسٹم لاگو کیا جس کے ذریعے SOPs پر عمل درآمد کرتے ہوئے ملازمین کی نگرانی کو یقینی بنایا گیا۔
- کسٹمرز کے ساتھ تعلقات بڑھانے کیلئے سرگرمیوں کا تجزیہ
- کنٹریکٹ مینجمنٹ کے ذریعے خام مال کے حصول کو بہتر بنانا
- کم شرح سود پر قرضوں کا حصول
- صورتحال کی نگرانی کرنے کیلئے کراس فنکشنل ورکنگ گروپ کا قیام

# اہم امور / سرگرمیاں

اینگرو پولیمر اینڈ کیمیکلز لمیٹڈ ("EPCL" یا "کمپنی")، اینگرو کارپوریشن لمیٹڈ ("ECL" یا "EPCL" کی ہولڈنگ کمپنی") کا ذیلی ادارہ ہے، جو داؤد ہرکولیس کارپوریشن لمیٹڈ ("DH" کورپ" یا ECL کی ہولڈنگ کمپنی") کا ماتحت ادارہ ہے۔ EPCL کا قیام سن 1997 میں منسوخ شدہ کمپنیز آرڈیننس 1984 کے تحت بطور پبلک لمیٹڈ کمپنی عمل میں آیا اور اس نے اپنی تجارتی سرگرمیوں کا آغاز سن 1997 میں کیا اس کمپنی کے حصص (شیئرز) کا اندراج پاکستان اسٹاک ایکسچینج میں موجود ہے۔ کمپنی کا اہم / بنیادی کام Chlor-Vinyl پراڈکٹس، جس میں پولی وینائل کلورائیڈ (PVC)، وینائل کلورائیڈ مونومر (VCM)، کاسٹک سوڈا فلیکس، کاسٹک سوڈا لیکوئیڈ، ہائیڈروکلورک ایسڈ اور سوڈیم ہائپوکلورائٹ شامل ہیں، کی تیاری ہے۔ کمپنی کا فلیگ شپ برانڈ "SABZ" ملک بھر میں اپنے اعلیٰ معیار PVC کی وجہ سے معروف ہے۔ EPCL کا سہ طرفہ بنیادی فلسفہ لوگ، پلانیٹ اور منافع ہیں۔

# کاروبار کی نوعیت اور کاروباری ماڈل

اینگرو پولیمر اینڈ کیمیکلز لمیٹڈ Chlor-Vinyl کے شعبہ میں کام کرتا ہے اور اس کا منافع مذکورہ ذیل عملی امور پر منحصر ہے:






# معاشیاتی ماحول

## (Macro Economic Environment)

2019 کے مشکل حالات میں سمجھداری سے کیے جانے والے فیصلوں سے پاکستانی معیشت میں 2020 کی پہلی سہ ماہی سے استحکام آنے لگا۔ آئی ایم ایف کے توسیعی فنڈ سہولت پروگرام نے بھی اس استحکام میں مدد کی۔ تاہم، جیسے ہی جڑواں خسارے میں سکڑاؤ اور صارفین اور کاروباری اعتماد کی بحالی کا آغاز ہونا شروع ہوا، کورونا وائرس وبائی مرض ہمارے ملک میں داخل ہوا اور پہلا کیس 26 فروری 2020 کو سامنے آیا۔

حکومت نے COVID-19 کے اثرات کو محدود کرنے کیلئے اقدامات اپنائے جن میں لاک ڈاؤن شامل تھا، جس سے پہلے سے جاری سخت مالی اور مالیاتی پالیسیوں نے بڑے پیمانے پر صنعتوں اور معیشت کو بری طرح متاثر کیا۔ اس کا اثر حقیقی جی ڈی پی میں 0.4% کمی کی صورت میں سامنے آیا جو عشروں میں پہلی بار دیکھا گیا۔ یہ کمی بنیادی طور پر بڑے پیمانے پر مینوفیکچرنگ سرگرمیاں کم ہونے کی وجہ سے سامنے آئی، جو COVID-19 سے قبل پالیسی کی اونچی شرح اور اس کے بعد مقامی اور عالمی طلب میں کمی آنے کی وجہ سے مالی سال 2020 میں 10% کم ہو گیا تھا۔ مالی محاذ پر، مارچ - جون 2020 کے عرصے میں معاشی سرگرمیوں میں کمی آنے سے ٹیکس ریونیو بڑھنے کے بجائے کم ہونے، اور عوام کی حفاظت اور صحت کی دیکھ بھال کی ضروریات کی مد میں سرکاری اخراجات میں خاطر خواہ اضافہ ہونے سے تین سہ ماہیوں میں جمع ہونے والا سرپلس خسارے میں بدل گیا۔ دوسری جانب، کرنٹ اکاؤنٹ کا خسارہ مالی سال 2019 میں جی ڈی پی کے 4.8% فیصد سے کم ہو کر مالی سال 2020 میں 1.1% رہ گیا ہے۔ کرنٹ اکاؤنٹ میں کمی کی دو بڑی وجوہات میں ایک خام تیل کی عالمی سطح پر قیمتیں گرنے کی وجہ سے درآمدات میں کمی اور دوسری ریمیٹنسز میں اضافہ ہے۔ تاہم، 7.5% برآمدات میں کمی سے یہ توازن اس قدر بہتر نہیں ہوا جس کی توقع تھی، برآمدات میں کمی کی بڑی وجہ عالمی سطح پر ٹیکسٹائل طلب کا گرنا تھا۔ افراطِ زر کے محاذ پر، CPI مالی سال 2020 میں بڑھ کر 10.7 % ہو گئی جو 2019 میں اوسطاً 6.8% تھی۔ اس اضافے کے اہم عوامل میں غذائی اشیاء کی مہنگائی، توانائی کی قیمتوں میں اضافہ اور روپے کی قدر میں کمی تھی، جو 2020 میں امریکی ڈالر کے مقابلہ میں تقریباً 5% ہوئی۔

COVID-19 کے ردِعمل میں، اقتصادی رابطہ کمیٹی (ECC) نے 30 مارچ 2020 کو مالی محرک 1.2 Trillion روپے کی منظوری دی۔ اسٹیٹ بینک آف پاکستان نے پالیسی شرح کو 3 ماہ کے عرصے میں 625 Bps سے کم کیا اور متعدد اسکیمیں بھی نافذ کیں جن میں قرضوں کی ادائیگیوں کا التوا، ملازمین کو تنخواہوں کی ادائیگی کے لئے کمپنیوں کے لئے سستے قرضے، برآمدات سے متعلق ری فائنانس اسکیموں کے لئے آپریشنل شرائط میں نرمی، سرمایہ کاری کے منصوبوں اور اسپتالوں کیلئے مراعاتی مالیاتی امداد کی سہولیات شامل ہیں۔

حکومت اور ریگولیٹری اداروں کے اختیار کردہ قومی سطح کی حکمت عملی اور اقدامات نے نہ صرف پاکستان میں وائرس کے پھیلاؤ کو محدود رکھنے میں مدد فراہم کی بلکہ یہ معاشی بحالی کی طرف لے جانے میں بھی اہم ثابت ہوئی۔ سال 2020 کے آخر چھ ماہ میں حکومت کی طرف سے اعلان کردہ تعمیراتی پیکیج اور پاکستان کی برآمدات بڑھنے سے LSM سیکٹر کی سرگرمیوں میں اضافہ ہوا جس کی وجہ سے سیمنٹ کی ترسیل اور اس سے وابستہ صنعتوں کی نمو میں مدد ملی۔ بیرونی اور مالیاتی شعبے کے اشاریوں میں بھی بہتری آئی، گزشتہ برس 2020 کی پہلی ششماہی کے 2 بلین ڈالر سے زائد کے خسارے کے مقابلے میں رواں مالی سال 2021 کے پہلے چھ ماہ میں کرنٹ اکاؤنٹ میں 1.1 بلین ڈالر سرپلس ریکارڈ ہوا۔

سال گزشتہ کے دوران، سپریم کورٹ نے گیس انفراسٹرکچر ڈویلپمنٹ سیس (GIDC) کے بارے میں فیصلہ جاری کیا جہاں اس نے GIDC کو دستور کے مطابق درست قرار دیا اور تمام کیسز اور بازیابی کے خلاف حکم امتناع جاری کیا۔ چونکہ کمپنی نے پچھلے سالوں میں یہ خرچہ ریکارڈ کر رکھا ہے لہٰذا اس فیصلے سے کھاتوں کے اثرات، نقد اخراجات پر مالی معاوضوں کی حد تک رہیں گے۔ تاہم، کمپنی نے فی الحال سندھ ہائی کورٹ سے اس التجا پر حکم امتناعی حاصل کیا ہے کہ وہ اپنے صارفین کو GIDC کے اثرات کو منتقل نہیں کرتی ہے۔ اس معاملے کے بارے میں مزید تفہیم کیلئے، براہ کرم جانچ شدہ کھاتوں کا نوٹ 20 ملاحظہ کریں۔

Captiv Power Plants کو گیس کی فراہمی کے سلسلے میں حالیہ پیشرفت کے حوالے سے، ہم گیس کی فراہمی کے تسلسل کے لئے پُر امید ہیں جیسے کہ ہم صنعت کے سب سے موثر co-generation پاور پلانٹس کے آپریٹرز میں سے ایک ہیں۔ ہم اپنی عملی کارکردگی کو مزید بہتر بنانے اور تمام کاروبار پر گیس کی دستیابی اور گیس کی قیمتوں کے اثرات کو کم کرنے کے عزم کی بھی توثیق کرتے ہیں۔

# ڈائیریکٹرز رپورٹ

اینگرو پولیمر اینڈ کیمیکلز لمیٹڈ کے ڈائیریکٹرز 31 دسمبر، 2020 کو ختم شدہ سال کے حوالے سے سالانہ رپورٹ اور جانچ شدہ کھاتوں (Audited Accounts) بخوشی جمع کرا رہے ہیں۔

دورانِ سال کمپنی نے گزشتہ سال کے 37,837 ملین روپے کے مقابلے میں 35,331 ملین روپے کی آمدن اور گزشتہ سال کے 3,696 ملین روپے منافع کے مقابلے میں 5,730 ملین روپے منافع ظاہر کیا۔ جس سے گزشتہ سال کے 4.07 روپے فی حصص (شیئر) کے مقابلے میں 6.30 فی حصص کی آمدن ہوئی۔ بورڈ آف ڈائیریکٹرز نے جاری سال کے حوالے سے شیئر ہولڈرز کیلئے حتمی زر نقد منافع منقسمہ 1.247 فی عمومی حصص (شیئر) اور 0.042 فی پریفرنس حصص کی منظوری دی۔