

I st Quarter Report  
September 20 **14**



Mrs. Sharmeen Imran (Chairperson)  
Mr. Imran Ghafoor (CEO)  
Mr. Muhammad Adrees  
Mr. Muhammad Asif Pasha  
Mr. Muhammad Khalil  
Mr. Saim Bin Saeed  
Mr. Waleed Asif

**Board of Directors**

Mr. Waqas Ashraf (FCA)

**Chief Financial Officer**

Mr. Mazhar Ali Khan

**Company Secretary**

Mr. Zia-ul-Mustafa

**Head of Internal Audit**

Mr. Saim Bin Saeed (Chairman)  
Mrs. Sharmeen Imran (Member)  
Mr. Waleed Asif (Member)  
Mr. Zia-ul-Mustafa (Secretary)

**Audit Committee**

Mr. Muhammad Asif Pasha (Chairman)  
Mr. Saim Bin Saeed (Member)  
Mr. Waleed Asif (Member)

**Human Resource and Remuneration Committee**

M/s. M. Yousuf Adil Saleem & Co.,  
Chartered Accountants

**External Auditors**

Sahibzada Waqar Arif

**Legal Advisor**

601-602 Business Centre, Mumtaz Hassan Road,  
Off. I.I. Chundrigar Road, Karachi-74000.  
Ph: 021 32401373, 32413944

**Registered Office**

[www.sitaraperoxide.com](http://www.sitaraperoxide.com)

**Company Website**

Askari Bank Limited  
Al-Baraka Islamic Bank Limited  
Bank Alfalah Limited  
Faysal Bank Limited  
Habib Bank Limited  
MCB Bank Limited  
Meezan Bank Limited  
National Bank Limited  
Silk Bank Limited  
Soneri Bank Limited  
Standard Chartered Bank (Pakistan) Limited  
Summit Bank Limited  
United Bank Limited

**Bankers****THK Associates (Private) Limited**

Ground Floor, State Life Building No. 3,  
Dr. Ziauddin Ahmed Road, Karachi,  
75530 P.O. Box No. 8533  
UAN : +92 (21) 111-000-322  
Fax: +92 (21) 35655595,

**Share Registrar**

26 - KM Sheikhpura Road, Faisalabad.  
Ph : (92 41) 2400900 - 5

**Head Office & Project Location**

Dear shareholders,

On behalf of the Board of Sitara Peroxide Limited, I am pleased to present the un-audited condensed financial statements for the first quarter ended September 30, 2014.

### Financial Results

	Quarter Ended September 30,	
	2014	2013
	Rupees	
Sales	322,553,573	338,558,278
Gross profit	40,207,904	89,416,251
Loss / profit after tax	(23,238,193)	18,000,159
(Loss) / Earning per share	(0.42)	0.33

The Company achieved capacity utilization of 81% of installed capacity against capacity utilization of the corresponding period of last financial year. In the month of July 2014, your plant remained closed for almost two weeks for treatment of Catalyst/Raw material and for some maintenance jobs. Due to these maintenance/treatment jobs, Al-Hamd-u-Ililah, your company achieved 108% capacity utilization in the month of August 2014. But July 2014 closure affected overall capacity utilization level for the period under review.

Your Company achieved net sales of Rs. 322 million against sales of 339 million in the corresponding period of last financial year. Decrease in sales is due to (i) pressure on prices of hydrogen peroxide and (ii) production loss, as compared with the prices/production levels of the corresponding period of last financial year.

During the period under review margins remained under pressure due to dip in prices, quantity produced and due to high raw material prices mainly energy and packing materials. Cost of sales during first quarter remained 282 million as against 249 million in corresponding period. The operating expenses in current quarter under review have decreased by 16% as a result of efforts of management to reduce the operational costs.

### Future Outlook

In September 2014, the Catalyst again started losing its efficiency and performance despite of treatment and better performance in previous months, therefore, in October 2014, management decided to replace one set of Catalyst. New set of Catalyst costs almost Rs. 95 Million. Management and its team is confident that with the help of new catalyst, your Company would be able to achieve enhanced production levels, ultimately contributing towards better sale, better margins and better cash flows.

Prospects for sustained economic growth of Pakistan seem weak. Challenges like high cost of doing business, shortage of energy and escalation in Raw/packing materials would definitely hit the performance. However, management of your Company is fully aware of these challenges and confident of tackling these issues successfully. Further recent decline in oil prices may contribute towards decline in costs of energy and Raw/packing materials, resulting in positive results in upcoming quarter.

We pray Almighty Allah to give us the ability to face the future challenges. Ameen

On behalf of Board of Directors



IMRAN GHAFUOR  
Chief Executive Officer

Faisalabad  
October 29, 2014

Condensed Interim Balance Sheet As At September 30, 2014

		September 30, 2014 (Un-Audited)	June 30, 2014 (Audited)
	Note	----- Rupees -----	
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	2,448,110,756	2,490,671,198
Long term advances and deposits		3,905,000	3,905,000
		<u>2,452,015,756</u>	<u>2,494,576,198</u>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		95,017,564	91,315,479
Stock-in-trade		523,670,451	521,114,471
Trade debts		47,334,901	31,184,709
Advances		94,012,675	96,137,520
Deposits and short term prepayments		33,780,149	23,874,259
Sales tax refundable		116,122,772	91,054,056
Cash and bank balances		750,589	847,908
		<u>910,689,101</u>	<u>855,528,402</u>
		<u>3,362,704,857</u>	<u>3,350,104,600</u>
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital			
60,000,000 ordinary shares of Rs.10 each		600,000,000	600,000,000
Issued, subscribed and paid up share capital			
55,100,000 ordinary shares of Rs. 10 each fully paid in cash		551,000,000	551,000,000
Accumulated losses		(271,627,342)	(256,140,395)
		<u>279,372,658</u>	<u>294,859,605</u>
Surplus on revaluation of property, plant and equipment	6	975,576,733	983,327,979
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing	7	846,893,775	893,735,288
Liabilities against assets subject to finance lease		435,628	604,818
Deferred liabilities		320,999,901	320,418,033
Deferred markup		140,826,055	138,342,357
		<u>1,309,155,359</u>	<u>1,353,100,496</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		226,805,299	193,825,769
Mark-up accrued on loans		35,700,384	27,315,264
Short-term borrowings		291,799,998	261,175,926
Current portion of long-term financing		240,429,180	221,390,536
Current portion of liabilities against assets subject to finance lease	7	648,719	628,349
Provision for taxation		3,216,527	14,480,676
		<u>798,600,106</u>	<u>718,816,520</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	8	-	-
		<u>3,362,704,857</u>	<u>3,350,104,600</u>

The annexed selected notes from 1 to 12 form an integral part of this condensed interim financial information.



CHIEF EXECUTIVE OFFICER



DIRECTOR

### Condensed Interim Profit and Loss Account (Un-audited) for the 1st Quarter Ended September 30, 2014

Note	Quarter Ended September 30,	
	2014	2013
	----- Rupees -----	
Sales - net	322,553,573	338,558,278
Cost of sales	9      282,345,669	249,142,027
<b>Gross profit</b>	40,207,904	89,416,251
Other income	489,649	1,596,189
	40,697,553	91,012,440
Distribution expenses	6,354,959	7,523,197
Administrative expenses	15,196,465	16,628,635
Other operating expenses	353,710	1,885,884
Finance cost	38,796,411	43,499,351
	60,701,545	69,537,067
<b>Operating (loss) / profit</b>	(20,003,992)	21,475,373
Provision for taxation	3,234,201	3,475,214
<b>(Loss) / profit for the period</b>	(23,238,193)	18,000,159
Other comprehensive income	-	-
Total comprehensive (loss) / income for the period	(23,238,193)	18,000,159
<b>(Loss) / earning per share - basic and diluted</b>	<b>(0.42)</b>	<b>0.33</b>

The annexed selected notes from 1 to 12 form an integral part of this condensed interim financial information.



CHIEF EXECUTIVE OFFICER



DIRECTOR

### Condensed Interim Cash Flow Statement (Un-audited) for the 1st Quarter Ended September 30, 2014

	Quarter Ended September 30, 2014		2013	
	----- Rupees -----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
(Loss) / profit before taxation	(20,003,992)		21,475,373	
Adjustments for:				
Depreciation on property, plant and equipment	42,722,034		42,689,408	
Gain on sale of property, plant and equipment	-		(766,667)	
Profit on bank deposits	(393,644)		(289,522)	
Provision for deferred-employee benefits	1,071,208		984,742	
Finance cost	38,796,411		43,499,351	
	62,192,017		107,592,685	
Working capital changes				
(Increase) / decrease in current assets:				
Stores, spare parts and loose tools	(3,702,085)		(1,716,291)	
Stock-in-trade	(2,555,980)		5,086,433	
Trade debts	(16,150,192)		(21,784,387)	
Advances	(2,891,195)		6,491,511	
Deposits and prepayments	(9,905,890)		(31,350,559)	
Increase in current liabilities:				
Trade and other payables	32,979,530		32,481,970	
	(2,225,812)		(10,791,323)	
Cash generated from operations	59,966,205		96,801,362	
Finance cost paid	(27,894,848)		(42,732,119)	
Markup paid on finance lease	(32,746)		(568,356)	
Sales tax (paid) / refunded	(25,068,715)		15,215,651	
Employee benefits paid	(489,340)		(174,574)	
Income taxes paid / (refunded)	(9,482,310)		1,574,042	
	(62,967,959)		(26,685,356)	
Net cash (used in) / generated from operating activities	(3,001,754)		70,116,006	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(161,592)		(3,234,184)	
Proceeds from sale of property, plant and equipment	-		10,300,000	
Profit received on bank deposits	393,644		289,522	
Decrease in long term deposits	-		1,300,000	
Net cash generated from investing activities	232,052		8,655,338	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of long-term financing	(27,802,869)		(49,884,077)	
Net increase / (decrease) in short-term borrowings	30,624,072		(16,741,779)	
Lease rentals paid	(148,820)		(9,140,991)	
Net cash generated from / (used in) financing activities	2,672,383		(75,766,847)	
(Decrease) / increase in cash and cash equivalents	(97,319)		3,004,497	
<b>Cash and cash equivalents at beginning of period</b>	847,908		15,972,007	
<b>Cash and cash equivalents at end of period</b>	750,589		18,976,504	

The annexed selected notes from 1 to 12 form an integral part of this condensed interim financial information.



CHIEF EXECUTIVE OFFICER



DIRECTOR

Condensed Interim Statement of Changes In Equity (Un-audited) for the 1st Quarter Ended September 30, 2014

	Share capital	Accumulated losses	Total
	----- Rupees -----		
<b>Balance as at July 01, 2013</b>	551,000,000	(289,753,009)	261,246,991
Total comprehensive income for the period ended September 30, 2013			
Profit for the period	-	18,000,159	18,000,159
Other comprehensive income	-	-	-
	-	18,000,159	18,000,159
Incremental depreciation for the period transferred to accumulated losses - net of deferred tax	-	7,461,407	7,461,407
<b>Balance as at September 30, 2013</b>	<b>551,000,000</b>	<b>(264,291,443)</b>	<b>286,708,557</b>
<b>Balance as at July 01, 2014</b>	551,000,000	(256,140,395)	294,859,605
Total comprehensive loss for the period ended September 30, 2014			
Loss for the period	-	(23,238,193)	(23,238,193)
Other comprehensive income	-	-	-
	-	(23,238,193)	(23,238,193)
Incremental depreciation for the period transferred to accumulated losses - net of deferred tax	-	7,751,246	7,751,246
<b>Balance as at September 30, 2014</b>	<b>551,000,000</b>	<b>(271,627,342)</b>	<b>279,372,658</b>

The annexed selected notes from 1 to 12 form an integral part of this condensed interim financial information.



CHIEF EXECUTIVE OFFICER



DIRECTOR

## Notes to the Condensed Interim Financial Information for the 1st Quarter Ended September 30, 2014

### 1. GENERAL INFORMATION

Sitara Peroxide Limited (the Company) is limited by shares, incorporated in Pakistan on March 08, 2004 as a public limited company under the Companies Ordinance, 1984. The Company is listed on Karachi Stock Exchange. The registered office of the Company is situated at 601-602, Business Centre, Mumtaz Hassan Road, Karachi in the province of Sindh and the manufacturing facility is located at 26-KM Sheikhpura Road, Faisalabad in the province of Punjab.

The principal object of the Company is manufacturing and sale of Hydrogen Peroxide (H<sub>2</sub>O<sub>2</sub>).

This condensed interim financial information is presented in Pak Rupee, which is the Company's functional and presentation currency.

### 2. STATEMENT OF COMPLIANCE

This condensed interim financial information is un-audited and is being submitted to the shareholders as required by the Securities and Exchange Commission of Pakistan under section 245 of the Companies Ordinance, 1984.

This condensed interim financial information has been prepared in compliance with the requirements of IAS-34 - "Interim Financial Reporting". This condensed interim financial information does not include all of the information required for full financial statements and should be read in conjunction with the financial statements of the company for the financial year ended June 30, 2014.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Company for preparation of this condensed interim financial information are the same as those applied in the preparation of the last audited published financial statements for the financial year ended June 30, 2014.

### 4. ESTIMATES

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by the management in applying the Company accounting policies and the key sources of estimation were same as those applied to the financial statements for the financial year ended June 30, 2014.



	September 30, 2014 (Un-Audited)	June 30, 2014 (Audited)
	----- Rupees -----	
<b>5. PROPERTY PLANT AND EQUIPMENT</b>		
<b>Operating assets</b>		
Opening carrying value	2,490,671,198	1,826,370,173
Surplus on revaluation of property, plant and equipment	-	861,277,500
Additions during the period / year		
Electric installations	125,654	179,600
Laboratory equipment	-	270,000
Office equipment	35,938	64,583
Furniture and fixtures	-	393,115
Vehicles	-	4,497,335
	161,592	5,404,633
Disposals during the period / year		
Land	-	(23,115,000)
Vehicles - at WDV	-	(9,718,841)
	-	(32,833,841)
	2,490,832,790	2,660,218,465
Depreciation charged during the period / year	(42,722,034)	(169,547,267)
	<u>2,448,110,756</u>	<u>2,490,671,198</u>
<b>6. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>		
Balance at beginning of the period / year	983,327,979	427,709,455
Revaluation surplus created during the period / year	-	861,277,500
Relevant deferred tax liability	-	(275,361,141)
Revaluation surplus created during the period / year - net of tax	-	585,916,359
Transfer to accumulated losses in respect of incremental depreciation charged during the period / year - net of deferred tax	7,751,246	30,297,835
Balance at end of the period / year	<u>975,576,733</u>	<u>983,327,979</u>
<b>6.1 Incremental depreciation charged during the period / year</b>		
Charge for the period / year	11,569,024	45,220,651
Less: deferred tax liability relating to incremental depreciation	3,817,778	14,922,816
	<u>7,751,246</u>	<u>30,297,835</u>

<b>September 30, 2014 (Un-Audited)</b>	<b>June 30, 2014 (Audited)</b>
----- Rupees -----	

**7. LONG TERM FINANCING****From banking companies - secured****7.1 Under sukuk arrangements**

Balance at beginning of period / year	990,667,495	1,178,921,055
Less: paid during the period / year	24,927,870	188,253,560
Less: current portion	228,929,180	209,890,536
	736,810,445	780,776,959

**7.2 Others**

Balance at beginning of period / year	124,458,329	135,000,000
Less: paid during the period / year	2,874,999	10,541,671
Less: current portion	11,500,000	11,500,000
Balance at end of period / year	110,083,330	112,958,329

**7.3 Others - unsecured**

Balance at beginning of period / year	-	29,200,000
Add: obtained during the period / year	-	2,150,000
Less: paid during the period / year	-	31,350,000
	-	-
	846,893,775	893,735,288

**8. CONTINGENCIES AND COMMITMENTS****8.1 Contingencies**

**8.1.1** Bank guarantee issued in favor of SNGPL for supply of gas

	53,538,000	53,538,000
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**8.1.2** Gas Infrastructure Development Cess (GIDC)

Honorable Lahore High Court has granted stay against the recovery of GIDC. Management of the Company has not recorded provision of GIDC. Un-recognized GIDC on September 30, 2014 amounts to Rs. 56.5 million.

<b>September 30, 2014 (Un-Audited)</b>	<b>June 30, 2014 (Audited)</b>
----- Rupees -----	

**8.2 Commitments**

Irrevocable letters of credit

	46,963,201	25,922,738
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**Quarter Ended September 30,**  
**2014**                      **2013**  
**(Un-Audited)**            **(Un-Audited)**  
 .....Rupees .....

**9. COST OF SALES**

Opening stock of finished goods	19,471,146	11,545,648
Cost of goods manufactured	263,504,312	238,553,956
Purchase of finished goods	14,355,000	17,111,820
	<u>297,330,458</u>	<u>267,211,424</u>
Less: closing stock of finished goods	14,984,789	18,069,397
Cost of goods sold	<u>282,345,669</u>	<u>249,142,027</u>

**10. TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise associated companies, directors, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Significant transactions with related parties are as follow:

**Quarter Ended September 30,**  
**2014**                      **2013**  
**(Un-Audited)**            **(Un-Audited)**  
 .....Rupees .....

**Relationship with the company Nature of transaction****Associated companies**

Organizational expenses charged	91,590	49,990
Purchases	4,122,896	4,798,850

**Key management personnel**

Loan obtained from Chief Executive Officer	-	7,950,000
Remuneration and other benefits	7,068,794	5,050,949

**Employee benefit plan**

Paid during the period	489,340	174,574
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**11. DATE OF AUTHORISATION FOR ISSUE**

This condensed interim financial information has been authorised for issue on October 29, 2014 by the Board of Directors of the Company.

**12. GENERAL**

Figures have been rounded off to the nearest Rupee.



CHIEF EXECUTIVE OFFICER



DIRECTOR



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