



QUARTERLY REPORT
March 31, 2013 (Un-Audited)

Descon Chemicals Limited



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March 31, 2013 (Un-Audited)

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COMPANY INFORMATION

Board of Directors

Abdul Razak Dawood
Chairman

Taimur Saeed
Chief Executive Officer

Dr. Salman Zakaria
Farooq Nazir
Syed Zamanat Abbas
Taimur Dawood
Muhammad Sadiq
Faisal Dawood

Chief Financial Officer

Yasir Siddique Sheikh

Company Secretary

Abdul Sohail

Auditors

Horwath Hussain Chaudhary & Co.
Chartered Accountants

Internal Auditors

M/s KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisors

Hassan & Hassan Advocates

Bankers

Bank Al Habib Limited
Askari Bank Limited
United Bank Limited
Habib Metropolitan Bank Limited

Share Registrar

M/s Corplink (Pvt.) Limited
Wings Arcade, I-K Commercial Area
Model Town, Lahore - 53000
Tel: 92 42 35887262, 35839182
Fax: 92 42 35869037

Registered Office

Descon Headquarters
18-km Ferozpur Road
Lahore - 53000 Pakistan.
Tel: 92 42 35923721-9
Fax: 92 42 35923749

Plant Site

Site 1: 14.5-km Lahore - Sheikhpura Road,
Lahore, Pakistan.

Tel: 92 42 37970962
Fax: 92 42 37970229

Site 2: 14.8-km, Sheikhpura -Faisalabad Road
Mouza Bhikki District Sheikhpura Pakistan.

Tel: 92 56 3090955, 3091294
Fax: 92 56 3882189

Karachi Office

Business Avenue, 26/A, 9th Floor, Block 6,
PECHS, Shahra-e-Faisal, Karachi, Pakistan

Tel: 92-21-34544485-6
Fax: 92-21-34382674

Web Presence

Updated Company's Information together with
the latest Annual Report can be accessed at
Descon's website,
www.descon.com

DIRECTORS REPORT TO THE SHAREHOLDERS

For the Nine Months Ended March 31, 2013

Ladies and Gentlemen

The Board presents to you the financial statements for the nine months ended March 31, 2013. We are pleased to share that your Company succeeded in introducing new products with a significantly higher contribution margin which eventually will change the product mix providing sustainable and profitable growth. However, the existing and new product portfolios are facing the challenges of utility shortages not only in our production facilities but also at the premises of our customers. By incurring additional costs and sacrificing margin, we have made alternate arrangements to generate electricity, however, our customers continue to suffer utility shortages hence a significant reduction in demand for our products.

The bed rock of the Company's growth strategy is innovation. We have invested not only in new products but also in providing application support to our customers. This has repositioned your Company in the market as a solution provider as opposed to a manufacturer only.

Financial Highlights

	Quarter ended		Nine Months ended	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
	----- Rupees '000' -----			
Sales	583,232	583,932	1,787,297	1,847,858
Gross profit	41,131	58,771	149,440	150,298
Operating profit	12,137	30,257	68,177	73,733
Loss for the period	(33,185)	(8,198)	(51,648)	(51,233)
Earnings / (loss) per share (PKR)	(0.17)	(0.04)	(0.26)	(0.26)

Sales for the nine months decreased by 3% due to the variation in demand by our customers on account of energy shortages. Increase in gross margins by 0.23% reflects the impact of changes in product mix. Challenging economic environment in the country has negatively impacted vulnerable businesses within our customer base which could not survive hence some provisions had to be made for receivable balances.

Future Outlook

While the Company faces many challenges in the external economic environment like all other businesses operating in the country, however, the management has collaborated with technology partners across the border recognizing the need to add cost effective solutions for our customers, which will differentiate your Company in the local market in the months and years ahead. We are investing to build a portfolio of innovative products which provide the most optimal solutions for our customers. It took us a while to get the mix of actions right and the management is confident that through its hard work and support from its stakeholders it has acquired the right to profitable growth.

We are grateful to all our key stakeholders for their support, and have no doubt that we will successfully continue the journey towards profitable growth.

For and on behalf of the Board



Taimur Saeed
Chief Executive Officer

CONDENSED INTERIM BALANCE SHEET AS AT MARCH 31, 2013 (UNAUDITED)

		Unaudited March 31, 2013	Audited June 30, 2012
	Note	----- Rupees '000' -----	
CAPITAL AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital:			
230,000,000 (June 30, 2012: 230,000,000) ordinary shares of Rs.5 each		1,150,000	1,150,000
Issued, subscribed and paid up capital		997,789	997,789
Reserves		1,862	2,003
Accumulated losses		(665,798)	(614,150)
		333,853	385,642
Surplus on Revaluation of Property, Plant and Equipment	5	38,443	38,527
Non Current Liabilities			
Long term financing		272,583	287,000
Deferred liabilities		49,862	50,059
		322,445	337,059
Current Liabilities			
Trade and other payables		252,842	272,163
Accrued mark up		22,953	23,731
Short term borrowings		575,669	474,351
Current portion of long term financing		19,167	23,000
Provision for taxation		34,450	25,514
		905,081	818,759
Contingencies and Commitments	6	-	-
		1,599,822	1,579,987
ASSETS			
Non Current Assets			
Property, plant and equipment	7	540,494	548,457
Intangible assets		28,880	32,345
Long term investments		60,706	70,034
Long term deposits and advances		1,712	747
		631,792	651,583
Current Assets			
Stores and spares		11,677	10,337
Stock in trade		331,001	337,753
Trade debts		432,586	417,265
Loans and advances		167,090	111,434
Short term prepayments and other receivables		15,267	26,402
Cash and bank balances		10,409	25,213
		968,031	928,404
		1,599,822	1,579,987

The annexed notes form an integral part of this condensed interim financial information.


CHIEF EXECUTIVE


DIRECTOR

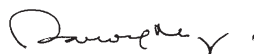
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2013**

	Quarter Ended March 31,		Nine Months Ended March 31,	
	2013	2012	2013	2012
Note	----- (Rupees in thousand) -----			
Sales - net	583,232	583,932	1,787,297	1,847,858
Cost of sales	8 (542,101)	(525,161)	(1,637,857)	(1,697,560)
Gross Profit	41,131	58,771	149,440	150,298
Operating expenses:				
- Distribution & selling expenses	(20,758)	(14,380)	(52,251)	(44,700)
- Administrative expenses	(8,235)	(10,996)	(29,012)	(28,727)
	(28,993)	(25,376)	(81,263)	(73,427)
Operating Profit	12,137	33,395	68,177	76,871
Other operating expenses	(8,507)	(1,753)	(25,627)	(4,316)
Finance cost	(26,230)	(33,222)	(85,466)	(97,500)
Other operating income	3,366	6,006	9,308	16,135
(Loss) / profit before taxation	(19,234)	4,425	(33,608)	(8,810)
Share of net loss of associated undertaking	(5,291)	(7,266)	(9,104)	(11,812)
Loss before Taxation	(24,525)	(2,841)	(42,712)	(20,623)
Taxation	(8,660)	(5,357)	(8,936)	(30,610)
Loss for the period	(33,185)	(8,198)	(51,648)	(51,233)
Loss per Share - Basic and diluted	(0.17)	(0.04)	(0.26)	(0.26)

The annexed notes form an integral part of these condensed interim financial statements.



CHIEF EXECUTIVE



DIRECTOR

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2013

Quarter Ended March 31,		Nine Months Ended March 31,	
2013	2012	2013	2012

----- (Rupees in thousand) -----

Net Loss for the Period	(33,185)	(8,198)	(51,648)	(51,233)
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Other comprehensive income

Unrealised gain / (deficit) on remeasurement of investment available for sale	68	-	122	(40)
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Share of un-realized deficit on available for sale investment of associate	(26)	(521)	(346)	(78)
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Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged in current period	-	30	83	88
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Total Comprehensive loss for the period	<u><u>(33,143)</u></u>	<u><u>(8,689)</u></u>	<u><u>(51,789)</u></u>	<u><u>(51,263)</u></u>
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The annexed notes form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE


DIRECTOR

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2013

	Nine Months ended	
	March 31, 2013	March 31, 2012
	----- Rupees '000' -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(33,608)	(8,810)
Adjustments:		
- Depreciation	25,750	21,607
- Amortization of intangible asset	3,466	3,466
- Provision for gratuity	822	1,450
- Provision for doubtful debt	25,627	1,500
- Gain on disposal of property, plant and equipment	(1,003)	(3,604)
- Exchange gain	(19)	(440)
- Finance cost	85,466	97,500
- Interest income	(799)	(1,688)
	139,309	119,791
Operating profit before working capital changes	105,700	110,981
(Increase) / decrease in current assets:		
- Stores and spares	(1,340)	3,075
- Stock in trade	6,752	(93,476)
- Trade debts	(40,927)	49,818
- Loans and advances	(9,115)	(17,617)
- Short term prepayments and other receivables	11,134	(3,569)
Increase / (decrease) in current liabilities:		
- Trade and other payables	(19,321)	157,538
	(52,814)	95,769
Cash generated from operations	52,886	206,750
Finance cost paid	(86,244)	(97,650)
Gratuity paid	(1,019)	(20,257)
Profits on deposits received	799	1,688
Income tax paid	(46,541)	(21,248)
Net cash (used in) / generated from operating activities	(80,119)	69,283
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(11,861)	(2,222)
Capital work in progress	(6,500)	(3,114)
Proceeds from sale of property, plant and equipment	1,573	12,795
Long term deposits	(965)	10
Net cash (used in) / generated from investing activities	(17,753)	7,469
CASH FLOW FROM FINANCING ACTIVITIES		
Net Long term financing	(18,250)	162,125
Short term borrowings	101,318	(242,289)
Net Cash generated from / (used in) financing activities	83,068	(80,164)
Net decrease in cash and cash equivalents	(14,804)	(3,412)
Cash and cash equivalents at the beginning of the period	25,213	47,127
Cash and cash equivalents at the end of the period	10,409	43,715

The annexed notes form an integral part of this condensed interim financial information.



CHIEF EXECUTIVE



DIRECTOR

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2013

	Share Capital	Share Premium	Fair Value Reserve	Revaluation Reserve	Accumulated Loss	Total
----- (Rupees '000') -----						
Balance as on July 1, 2011	997,789	1,281	61	387	(552,447)	447,071
Total comprehensive income for the period ended March 31, 2012						
Loss after tax for the period	-	-	-	-	(51,233)	(51,233)
Other comprehensive income for the period:						
Share of unrealized gain on available for sale investment of associate	-	-	(118)	-	-	(118)
Transfer from surplus on revaluation of property plant and equipment	-	-	-	88	-	88
Total comprehensive (loss) / income for the period	-	-	(118)	88	(51,233)	(51,263)
Total contributions by and distributions to owners of the Company recognized directly in equity	-	-	-	-	-	-
Balance as at March 31, 2012	997,789	1,281	(57)	475	(603,680)	395,808
Balance as on July 1, 2012	997,789	1,281	220	503	(614,150)	385,642
Total comprehensive income for the period ended March 31, 2013						
Loss after tax for the period	-	-	-	-	(51,648)	(51,648)
Other comprehensive income for the period:						
Un-realized loss on available for sale investment	-	-	(224)	-	-	(224)
Transfer from surplus on revaluation of property plant and equipment	-	-	-	83	-	83
Total comprehensive income / (loss) for the period	-	-	(224)	83	(51,648)	(51,789)
Total contributions by and distributions to owners of the Company recognized directly in equity	-	-	-	-	-	-
Balance as at March 31, 2013	997,789	1,281	(4)	586	(665,798)	333,853

The annexed notes form an integral part of this condensed interim financial information.


CHIEF EXECUTIVE


DIRECTOR

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNAUDITED FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2013(UNAUDITED)

1. The Company and its Operations

Descon Chemicals Limited (the Company) was initially incorporated in Pakistan on December 17, 1964 as a Private Limited Company under the Companies Act, 1913 (now the Companies Ordinance, 1984) and was converted into Public Limited Company on August 19, 1991 under the name of Nimir Resins Limited. The name of the Company was changed to Descon Chemicals Limited on April 01, 2010 consequent to the scheme of arrangement for merger / amalgamation with Descon Chemicals (Private) Limited (DCPL).

The shares of the Company are quoted on the Karachi and Lahore Stock Exchanges. The registered office of the Company is situated at Descon Headquarters, 18 KM, Ferozepur Road, Lahore. The principal activity of the Company is to manufacture surface coating resins and polyesters for paint industry and optical brightener and textile auxiliaries for textile industry.

2. Basis of Preparation

This condensed interim financial information is unaudited and has been prepared and is being submitted to the shareholders in accordance with section 245 of the Companies Ordinance, 1984 and International Accounting Standard (IAS) 34 - 'Interim Financial Reporting'. This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the annual financial statements for the year ended June 30, 2012.

3. Significant Accounting Policies

The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the company for the year ended June 30, 2012.

4. Taxation

The provision for taxation for the nine months ended March 31, 2013 has been made using the tax rate that would be applicable to expected total annual earnings.

5. Surplus on Revaluation of Property, Plant and Equipment

	(Un-audited) March 31, 2013	(Audited) June 30, 2012
	----- Rupees '000' -----	
Land	36,320	36,320
Building	2,206	2,323
	38,526	38,643
Incremental depreciation (net of deferred tax) charged on revalued property, plant and equipment during the year transferred to statement of comprehensive income	(83)	(116)
	38,443	38,527

6. Contingencies and Commitments

		March 31, 2013	June 30, 2012
		(Un-audited)	(Audited)
		----- Rupees '000' -----	
Contingencies	Note		
Order passed by the Custom Department under Section 25 of the Customs Act not acknowledged by the Company.		1,020	1,020
This represents demand raised against Tax Years 2003, 2004, 2005 and 2006 by the Tax Authorities. The Company has not admitted these demands and filed appeals against these adjustments. No provision has been incorporated in these financial statements as the management is confident that these matters would be settled in the favour of the Company.		20,163	20,163
The Company has filed a suit against a material supplier for the recovery of advance. The Company expects a favourable outcome of the suit, therefore, no provision has been made in these financial statements.		15,962	-
Guarantees			
Sui Northern Gas Pipelines Limited		6,640	6,065
Shipping guarantees		-	37,271
Commitments			
Letters of credit		250,309	164,864
		(Un-audited) March 31, 2013	(Audited) June 30, 2012
		----- Rupees '000' -----	

7. Property, Plant and Equipment

Opening written down value		548,456	581,143
Additions during the period / year	7.1	18,361	7,350
Deletion during the period / year		(573)	(2,855)
		566,244	585,638
Depreciation charge for the period / year		(25,750)	(37,181)
		540,494	548,457

7.1 Additions during the period

Plant & machinery		2,498	1,269
Vehicles		3,283	790
Office equipment		160	661
IT equipment		5,534	2,166
Tools and equipment		-	865
Furniture & Fixtures		386	430
		11,861	6,181
Capital work in progress		6,500	1,168
		18,361	7,349

8. Cost of Sales

	Quarter ended		Nine months ended	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
	----- Rupees '000' -----		----- Rupees '000' -----	
Raw materials consumed	474,787	499,453	1,499,607	1,616,903
Chemicals consumed	1,864	407	2,890	595
Packing materials consumed	553	347	1,313	695
Stores and spares consumed	388	1,450	4,319	6,243
Raw material processing cost	1,046	-	5,349	1,116
Fuel and power	19,296	16,632	50,126	36,437
Salaries, wages and benefits	8,660	9,533	37,177	35,601
Repairs and maintenance	1,437	276	2,306	2,057
Travelling and entertainment	580	143	1,608	841
Insurance	1,205	1,939	4,096	4,709
Transportation	1,991	1,786	5,820	5,611
Communication	77	144	275	331
Miscellaneous	957	101	1,558	1,301
Amortization	873	873	2,620	2,620
Depreciation	8,878	6,320	21,785	20,481
	522,591	539,404	1,640,848	1,735,541
Work in process				
- Opening	7,295	416	940	-
- Closing	(9,599)	-	(9,599)	-
	(2,304)	416	(8,659)	-
Cost of goods manufactured	520,287	539,820	1,632,189	1,735,541
Finished goods				
- Opening	105,264	95,250	89,118	71,928
- Closing	(83,450)	(109,909)	(83,450)	(109,909)
	21,814	(14,659)	5,668	(37,981)
	542,101	525,161	1,637,857	1,697,560

	Quarter ended		Nine months ended	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012

9. Loss per share -basic and diluted

Loss for the period	Rupees in thousand	(33,185)	(8,198)	(51,648)	(51,233)
Weighted average number of ordinary shares in issue during the period	Number	199,557	199,557	199,557	199,557
Loss per share(PKR)		(0.17)	(0.04)	(0.26)	(0.26)

Diluted earnings per share has not been presented as the company doesn't have any convertible instrument in issue as at March 31, 2013 and March 31, 2012 which would have any effect on the earnings per share if the option to convert is exercised.

10. Segment Information

	Coating and Emulsion	Polyester	Textile and Paper	Trading	Total
	Rupees '000'				

Segment results for the period ended March 31, 2013

Revenue	884,932	83,333	379,287	439,746	1,787,297
Segment results as at March 31, 2013	42,467	(3,143)	24,981	3,871	68,177
Finance costs					(85,466)
Other operating expenses					(25,627)
Other operating income					9,308
Net loss before tax and share of loss of associate					(33,608)

Segment results for the period ended March 31, 2012

Revenue	896,776	115,009	393,409	442,664	1,847,858
Segment results as at March 31, 2012	24,358	(4,020)	45,471	11,062	76,871
Finance costs					(97,500)
Other operating expenses					(4,316)
Other operating income					16,135
Net loss before tax and share of loss of associate					(8,810)

Segment asset and liabilities as at March 31, 2013

Segment assets	619,316	130,443	274,889	78,223	1,102,871
Segment liabilities	117,300	12,791	75,127	47,320	252,538
Segment asset and liabilities as at June 30, 2012					
Segment assets	567,205	122,277	302,528	78,120	1,070,130
Segment liabilities	116,891	15,127	69,209	49,446	250,673

March 31, June 30,
2013 2012
----- Rupees '000' -----

Reportable segments' assets are reconciled to total assets as follows:

Segment assets for reportable segments	1,102,871	1,070,130
Corporate assets unallocated	329,662	346,062
Cash and bank balances	10,409	25,213
Others	156,880	138,583
Total assets as per the balance sheet	<u>1,599,822</u>	<u>1,579,988</u>

Reportable segments' liabilities are reconciled to total liabilities as follows:

Segment liabilities for reportable segments	252,538	250,673
Corporate liabilities unallocated	848,252	784,351
Others	92,287	95,280
Taxation - net	34,450	25,514
Total liabilities as per the balance sheet	<u>1,227,526</u>	<u>1,155,818</u>

II. Transactions with Related Parties

The related parties and associated undertaking comprise related group companies, associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated companies, other than remuneration and benefits to key management personnel under the term of their employment are as follows:

Nine months ended

March 31,	March 31,
2013	2012
----- Rupees '000' -----	

Associates and related parties

Purchase of material, goods and services	4,253	2,898
Sale of material and goods	462	216
Managerial services and expenses charged - net	34,223	27,128

Staff retirement fund

Company's contribution to Employees' Provident Fund Trust	1,386	2,550
Payment to Gratuity fund	1,019	1,450

12. General

- 12.1** These interim financial statements are authorized for issue on April 23, 2013 by the Board of Directors of the Company.
- 12.2** Corresponding figures have been re-arranged wherever necessary to facilitate comparison. However, no material rearrangements have been made in the condensed interim financial statements.
- 12.3** The figures have been rounded off to the nearest thousand rupee.



CHIEF EXECUTIVE



DIRECTOR

BOOK POST

descon.com

IF UNDELIVERED PLEASE RETURN TO

DESCON CHEMICALS LIMITED

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