



# **SALFI TEXTILE MILLS LIMITED**

**Financial Statements  
(Unaudited)  
For The 1st Quarter Ended September 30, 2013**

## **SALFI TEXTILE MILLS LIMITED**

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## **SALFI TEXTILE MILLS LIMITED**

01

### **COMPANY INFORMATION**

#### **BOARD OF DIRECTORS**

Chairman: Mr. Anwar Ahmed Tata

CHIEF EXECUTIVE: Mr. Adeel Shahid Anwar

DIRECTORS: Mr. Shahid Anwar Tata  
Mr. Aijaz Ahmed Tariq  
Mr. Bilal Shahid Anwar  
Mr. Muhammad Naseem  
Sheikh Kausar Ejaz

#### **AUDIT COMMITTEE**

CHAIRMAN: Mr. Muhammad Naseem

MEMBERS: Mr. Bilal Shahid Anwar  
Sheikh Kausar Ejaz

#### **HUMAN RESOURCE & REMMUNERATION COMMITTEE**

CHAIRMAN: Mr. Muhammad Naseem

MEMBERS: Mr. Adeel Shahid Anwar  
Mr. Bilal Shahid Anwar

#### **COMPANY SECRETARY & CHIEF FINANCIAL OFFICER:**

Mr. Farooq Advani

#### **BANKERS:**

Allied Bank Limited.  
Bank Alfalah Limited  
Bank Islami Pakistan Limited  
Habib Metropolitan Bank Limited  
MCB Bank Limited.  
National Bank of Pakistan  
Soneri Bank Limited  
JS Bank Limited

AUDITORS: M/s. M. Yousuf Adil Saleem & Co.  
Chartered Accountants

LEGAL ADVISOR: Faisal Mehmood Ghani & Co.  
Advocates.

SHARE REGISTRAR: Central Depository Company of Pakistan Limited  
CDC House, 99 – B, Block 'B', S.M.C.H.S.,  
Main Shahra-e-Faisal  
Tel# (Toll Free) 0800-CDCPL (23275)  
Fax: (92-21) 34326053

REGISTERED OFFICE: 6<sup>th</sup> Floor Textile Plaza,  
M.A Jinnah Road Karachi.  
Tel # 32412955-3 Lines 32426761-2-4  
Fax # 32417710

WEB SITE ADDRESS: [www.tatatex.com](http://www.tatatex.com)

E- MAIL ADDRESS: [stm.corporate@tatatex.com](mailto:stm.corporate@tatatex.com)

MILLS: HX-1, Landhi Industrial Area, Landhi, Karachi

**DIRECTORS' REPORT**

Assalam-o-Alaikum,

It is with great pleasure we present to you the financial statements (un-audited) of the company for the 1st Quarter ended on 30th September 2013.

Alhamdulillah, this quarter has passed quite well for the company and the company has made a pre-tax profit of Rs. 83.813 million in comparison to a pre-tax profit of Rs. 71.443 million during the corresponding period last year. However, next three quarters look difficult and profitability can shrink owing to the following factors.

**Power Availability:**

Power availability has also become a major problem in Karachi as no gas is available to the mills on Sundays, so practically the mill remains shut down for 4 days in a month.

**Competition:**

During good times, overcapacity is generated in many countries of the world. The overcapacity in the spinning sector of India is giving tough competition to Pakistan in yarn sales, since nowadays, China is the only major market left in the world, India is giving tough time to us and they are aggressively marketing and selling even in the domains in which Pakistan used to lead like coarser counts and medium course counts.

**Cotton Prices:**

Another major factor is world cotton prices. On paper the world has very large carry over inventory which is creating bearish sentiment but approximately 60% of this inventory is with China, hence physically that cotton is not available and is not having any impact on the physical prices, on the yarn side people remain apprehensive and they want to carry little inventory, therefore yarn buyers remain generally bearish. Uncertainty looms large about China's future cotton policy, leading to the uncertainty in the world cotton prices. Two things will be of significant importance:

- 1) China's strategy on disposal of the large inventory that they are carrying.
- 2) China's next year crop procurement policy (policy about subsidies to their farmers).

For the above mentioned reasons Chinese buyers are not very bullish with yarn and cotton but since physically cotton is not available hence cotton price remains high.

Locally, Pakistan would yet be a net importer of million and a half bales or more according to latest cotton estimates, as prices have remained generally tight. Although in the initial period of the season the weather was very friendly, but somehow since then weather has turned unfavorable resulting in some problems cropping up in cotton crop. It seems that the crop would be lower than last year and that would put further pressure on the prices.

**Increase in Power Tariffs:**

We have seen an unprecedented increase in the power tariffs in the country during the last three months which will push the cost further and lessen the profits for the company.

**Wage Rate Increase:**

Increase in salaries and wages is going to put extra financial burden on the company thereby increasing the manufacturing costs.

**Inflationary Pressures:**

High prices of raw materials, services and other non absorbent cost push inflationary factors will further contribute to low profitability.

**Textile Sector Conditions:**

In Textile sector, yet again towel, air jet and home textiles seems to be doing well, however knitting and garment sectors are not performing well. These are the two areas that can generate a lot of employment and can significantly contribute to our exports, therefore a consorted effort and policy is required on this side.

In the end, we feel it would be unjustified not to mention the efforts and the hard work put together by our team members for the company's success and growth. Our vendors, bankers, agents, and clients also need a mention here for their continued trust and invariable support throughout these years.

On behalf of the Board of Directors



**Adeel Shahid Anwar**  
Chief Executive

Karachi:  
Dated: October 30, 2013

**SALFI TEXTILE MILLS LIMITED****03****CONDENSED INTERIM BALANCE SHEET  
AS AT SEPTEMBER 30, 2013**

	Note	Sept 30, 2013 Un-Audited .....Rupees in 000 .....	June 30, 2013 Audited
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised			
5,000,000 ordinary shares of Rs.10 each		<u>50,000</u>	<u>50,000</u>
Issued, subscribed and paid-up		<u>33,426</u>	<u>33,426</u>
Capital Reserve			
-Reserve		755,596	755,606
-Unrealised(loss) in value of securities available for sale		(400)	(390)
Unappropriated profit		<u>310,871</u>	<u>227,073</u>
		<u>1,099,493</u>	<u>1,015,715</u>
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>			
		<u>1,073,398</u>	<u>1,080,131</u>
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing		642,660	634,120
Deferred liabilities		185,427	178,186
<b>CURRENT LIABILITIES</b>			
Trade and other payables		367,805	308,525
Interest/mark-up accrued on loans		24,959	32,703
Short-term borrowings		598,608	603,946
Current portion of long - term financing		48,119	48,129
Taxation - income tax		788	-
		<u>1,040,279</u>	<u>993,303</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	2		
		<u>4,041,257</u>	<u>3,901,455</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	3	2,356,512	2,356,478
Intangible assets		5,194	5,276
Long-term investments		407	417
Long-term deposits		463	463
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		30,479	34,570
Stock-in-trade		952,086	1,049,400
Trade debts - considered good		518,855	287,023
Loans and advances		87,029	80,905
Trade deposits and short term prepayments		3,742	1,464
Other receivables		894	2,430
Other financial assets		17,175	17,212
Sales tax refundable		10,669	12,779
Cash and bank balances		57,752	53,038
		<u>1,678,681</u>	<u>1,538,821</u>
		<u>4,041,257</u>	<u>3,901,455</u>

The annexed notes form an integral part of these financial statements


**ADEEL SHAHID ANWAR**  
Chief Executive

**SHAHID ANWAR TATA**  
Director

**CONDENSED INTERIM PROFIT & LOSS ACCOUNT (UN-AUDITED)  
FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2013**

		Sept 30, 2013	Sept 30, 2012
	Note	.....Rupees in 000 .....	
Sales		1,156,648	919,083
Cost of goods sold	4	(960,908)	(776,466)
Gross profit		195,740	142,617
Distribution cost		(41,040)	(38,081)
Administrative expenses		(17,426)	(14,778)
Other operating expenses		(17,898)	(6,675)
Other operating income		1,569	2,103
Finance cost		(37,132)	(25,794)
Share of profit from associate-net of tax		-	12,051
		(111,927)	(71,174)
Profit before taxation		83,813	71,443
Taxation		(6,758)	(15,493)
Profit after taxation		77,055	55,950
Other comprehensive income			
Unrealised (loss) / gain on remeasurement of investment available-for-sale		(10)	16
Total comprehensive income for the period		77,045	55,966
Earnings per share - Basic and diluted		23.05	16.74

The annexed notes form an integral part of these financial statements



**ADEEL SHAHID ANWAR**  
Chief Executive



**SHAHID ANWAR TATA**  
Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2013**

	Sept 30, 2013	Sept 30, 2012
	.....Rupees in 000 .....	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	83,813	71,443
Adjustments for :		
Depreciation of property, plant and equipment	23,755	19,269
Amortization		
Provision for staff gratuity	3,373	3,017
Provision for compensated absences	(469)	(444)
Finance cost	37,132	25,794
Share of profit from associate	-	(12,051)
Gain on disposal of property, plant and equipment	242	(530)
Operating cash flows before movements in working capital	147,846	106,498
(Increase) / decrease in current assets		
Stores, spares and loose tools	4,091	(6,690)
Stock-in-trade	97,314	(278,227)
Trade debts - considered good	(231,832)	(24,261)
Loans and advances	2,583	15,580
Trade deposits & short term prepayments	(2,278)	(1,411)
Other receivables	1,536	(2,139)
Other financial assets	37	543
Sales tax refundable	2,110	(901)
Increase / (decrease) in current liabilities		
Trade and other payables	59,280	88,574
Cash generated from operations	80,687	(102,434)
Finance cost paid	(44,876)	(75,438)
Income taxes paid	(8,707)	(32,532)
Staff gratuity paid	(1,633)	(2,093)
Net cash generated / (used in) from operating activities	25,471	(212,497)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(24,146)	(2,740)
Proceeds on disposal of property, plant and equipment	197	1,485
Net cash used in investing activities	(23,949)	(1,255)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term financing	11,340	-
Repayment of long - term financing	(2,810)	(82,400)
Repayment of short -term borrowing-import/export	(251,799)	30,541
Net cash used in financing activities	(243,269)	(51,859)
Net (decrease) in cash and cash equivalents	(241,747)	(265,611)
<b>Cash and cash equivalents at July 1</b>	<b>(299,109)</b>	<b>(139,717)</b>
<b>Cash and cash equivalents at Sept 30</b>	<b>(540,856)</b>	<b>(405,328)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	57,752	39,874
Short - term running finance under markup arrangements	(598,608)	(445,202)
	<b>(540,856)</b>	<b>(405,328)</b>

The annexed notes form an integral part of these financial statements



**ADEEL SHAHID ANWAR**  
Chief Executive



**SHAHID ANWAR TATA**  
Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2013**

	RESERVE					Total
	SHARE CAPITAL	CAPITAL		REVENUE		
	Issued, subscribed and paid-up capital	General Reserve	Other Reserve	Unrealized Loss on remeasurment of securities available for Sale	Unappro- priated profit	
	Rupees in '000'					
Balance at July 01, 2012	33,426	-	5,996	(434)	845,383	884,371
Comprehensive income						
Profit after taxation for the quarter ended September 30, 2012	-	-	-	-	55,950	55,950
Other comprehensive income	-	-	-	16	-	16
	-	-	-	16	55,950	55,966
Share of associate's transfer from surplus on revaluation of property, plant and equipment on account of -incremental depreciation - net of deferred tax and disposal						
	-	-	-	-	2,288	2,288
Transfer from surplus on revaluation of property, plant and equipment on account of -incremental depreciation - net of deferred tax -disposal - net of deferred tax						
	-	-	-	-	7,141	7,141
	-	-	-	-	63	63
Balance as at September 30, 2012	33,426	-	5,996	(418)	910,825	949,829
Balance at July 01, 2013	33,426	750,000	5,996	(390)	226,683	1,015,715
Comprehensive income						
Profit after taxation for the quarter ended September 30, 2013	-	-	-	-	77,055	77,055
Other comprehensive income	-	-	-	(10)	-	(10)
	-	-	-	(10)	77,055	77,045
Transfer from surplus on revaluation of property, plant and equipment on account of -incremental depreciation - net of deferred tax						
	-	-	-	-	6,733	6,733
Balance as at September 30, 2013	33,426	750,000	5,996	(400)	310,471	1,099,493

The annexed notes form an integral part of these financial statements

  
**ADEEL SHAHID ANWAR**  
Chief Executive

  
**SHAHID ANWAR TATA**  
Director



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT (UN-AUDITED)  
FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2013**
**1. SELECTED EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

**1.1** Salfi Textile Mills Limited (the company) was incorporated in Pakistan on January 05, 1968 as a public limited company under the Companies Ordinance, 1984 and is listed on Karachi Stock Exchange. The registered office of the company is situated at 6th floor Textile Plaza M.A Jinnah Road, Karachi. The principal activity of the company is manufacturing and sale of yarn. The company's manufacturing facilities are located at Landhi Industrial Estate, Karachi in the Province of Sindh.

**1.2** These condensed interim financial statements have been prepared under 'historical cost convention' modified by:

- revaluation of certain property, plant and equipment
- recognition of certain employee retirement benefits at present value
- investment in associate under equity method
- investment available for sale at fair value

**1.3** These condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards, International Accounting Standard (IAS) 34: Interim Financial Reporting and in compliance with the requirement of section 245 of the Companies Ordinance, 1984 and the Listing Regulations of the Karachi Stock Exchange.

**1.4** The accounting policies and methods of computation followed in the preparation of these 1st Quarterly financial statements are the same as those of the published annual financial statements for the period ended June 30, 2013

**2. CONTINGENCIES & COMMITMENTS**
**2.1 Contingencies**

There is no change in contingencies disclosed in Note 11 of the annual audited financial statements for the year ended June 30, 2013

**2.2 Commitments**

	September 30, 2013	June 30, 2013
	.....Rupees in 000.....	
Civil works	9,436	10,005
Letters of credit for stores	618,915	25,368
Bank guarantees	90,166	90,166
Bills discounted	264,024	212,454
Outstanding sales contract	249,763	124,954
Forward contracts	614,875	15,491

**3. ACQUISITIONS AND DISPOSALS OF  
PROPERTY, PLANT AND EQUIPMENT**

	For the 1st Quarter Ended September 30, 2013		
	Acquisitions/ transfers from CWIP	Disposal (W.D.V)	Sale Proceeds
	.....Rupees in 000 .....		
Plant & Machinery	17,588	439	197
Vehicles	2,264	-	-
Furniture & Fixture	66	-	-
Computer	214	-	-
Factory Equipment	35	-	-
<b>September 30, 2013</b>	<u>20,167</u>	<u>439</u>	<u>197</u>

	Note	Sept 30, 2013	Sept 30, 2012
		.....Rupees in 000 .....	
<b>4. COST OF GOODS SOLD</b>			
Cost of goods manufactured	4.2	890,004	805,113
Finished goods			
Opening stock	4.1	175,449	271,113
Closing stock	4.1	(104,545)	(299,760)
		70,904	(28,647)
Cost of goods sold		960,908	776,466
<b>4.1 Finished goods stock also includes waste stock carried at net realizable value.</b>			
<b>4.2 Cost of goods manufactured</b>			
Raw material consumed	4.2.1	698,652	639,838
Packing material consumed		14,171	14,589
Stores and spares consumed		14,294	11,156
Salaries, wages and benefits		52,007	44,633
Fuel and power		80,929	76,278
Insurance		2,666	2,488
Repairs and maintenance		1,815	1,010
Depreciation		22,044	17,841
Other overheads		3,597	2,793
		890,175	810,626
Work-in-process			
Opening stock		26,796	21,677
Closing stock		(26,968)	(27,190)
		(172)	(5,513)
		890,004	805,113
<b>4.2.1 Raw material consumed</b>			
Opening stock		847,154	323,226
Purchases - net		672,070	910,181
		1,519,224	1,233,407
Closing stock		(820,572)	(593,569)
		698,652	639,838
<b>5. TRANSACTIONS WITH RELATED PARTIES</b>			
<b>5.1 Associates</b>			
Purchase of electricity		80,585	76,260
Purchase of Goods		-	14,077
Share of expense received		1,322	58
Share of expense paid		944	1
Mark-up on long term financing		-	719
License income		1,077	-
<b>5.2 Transactions with key management personnel</b>			
Short-term benefits		10,210	6,901
Rent		907	907
Mark-up on long term financing		-	219

**6. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were authorized for issue on October 30, 2013 by the Board of Directors of the Company.

7. Figures have been rounded off to nearest thousand rupee.



**ADEEL SHAHID ANWAR**  
Chief Executive



**SHAHID ANWAR TATA**  
Director

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