



# **SALFI TEXTILE MILLS LIMITED**

**Financial Statements  
(Unaudited)  
For The 1st Quarter Ended September 30, 2014**

## **SALFI TEXTILE MILLS LIMITED**

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## **SALFI TEXTILE MILLS LIMITED**

01

### **COMPANY INFORMATION**

#### **BOARD OF DIRECTORS**

<b>CHAIRMAN:</b>	Mr. Anwar Ahmed Tata
<b>CHIEF EXECUTIVE:</b>	Mr. Adeel Shahid Anwar
<b>DIRECTORS:</b>	Mr. Shahid Anwar Tata Mr. Aijaz Ahmed Tariq Mr. Bilal Shahid Anwar Mr. Muhammad Naseem Sheikh Kausar Ejaz

#### **AUDIT COMMITTEE**

<b>CHAIRMAN:</b>	Mr. Muhammad Naseem
<b>MEMBERS:</b>	Mr. Bilal Shahid Anwar Sheikh Kausar Ejaz

<b>SECRETARY</b>	Mr. Owais Ahmed Abbasi
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#### **HUMAN RESOURCE & REMUNERATION COMMITTEE**

<b>CHAIRMAN:</b>	Mr. Muhammad Naseem
<b>MEMBERS:</b>	Mr. Adeel Shahid Anwar Mr. Bilal Shahid Anwar

<b>SECRETARY</b>	Mr. Umar Khawajah
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#### **COMPANY SECRETARY & CHIEF FINANCIAL OFFICER**

	Mr. Farooq Advani
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<b>BANKERS:</b>	Dubai Islamic Bank (Pakistan) Limited Bank Alfalah Limited Meezan Bank Limited Habib Metropolitan Bank Limited The Bank of Punjab MCB Bank Limited National Bank of Pakistan Soneri Bank Limited Allied Bank Limited Bank Islami Pakistan Limited JS Bank Limited Askari Bank Limited
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<b>AUDITORS:</b>	M/s. M. Yousuf Adil Saleem & Co. Chartered Accountants
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<b>LEGAL ADVISOR:</b>	Ameen Bandukda & Co. Advocates
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<b>SHARE REGISTRAR:</b>	Central Depository Company of Pakistan Limited CDC House, 99 - B, Block 'B', S.M.C.H.S., Main Shakra-e-Faisal Tel# (Toll Free) 0800-CDCPL (23275) Fax: (92-21) 34326053
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<b>REGISTERED OFFICE:</b>	6th Floor Textile Plaza, M.A Jinnah Road Karachi. Tel# 32412955-3 Lines 32426761-2-4 Fax# 32417710
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<b>WEB SITE ADDRESS:</b>	www.tatatex.com
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<b>E- MAIL ADDRESS:</b>	stm.corporate@tatatex.com
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<b>MILLS:</b>	HX-1, Landhi Industrial Area, Landhi, Karachi
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**DIRECTORS' REPORT**

Assalam-o-Alaikum,

The Financial Statements (unaudited) of the Company for the 1st Quarter ended on September 30, 2014 is being presented to you.

The Financial Results for the 1st Quarter of the company are not encouraging. During the quarter under review the Company incurred a pre-tax loss of Rs.47.130 million as compared to a pre-tax profit of Rs.83.813 million during the corresponding period of last year. This quarter we faced difficult times, but going forward, we are optimistic for a positive output in the next quarters.

We have faced loss in this quarter mainly owing to the following factor.

**Cotton Prices**

The major reason for loss was due to the revaluation of Rupee, as due to quality consideration we usually purchase cotton for this quarter, which we thought we had purchased at a good price, at the time when the average US\$ - Rupee parity was Rs.106/- but then there was a sudden and abrupt revaluation of rupee, bringing the dollar - rupee rate to Rs.97-98, so basically the loss was due to the Rupee revaluation which put us in a difficult position.

**Wage Increase**

The Government has increased the wages which is a good move for the benefit of the employees but this is going to have a strong impact on our overheads and costs and will put extra financial burden on the company.

**Global Textile Competition**

India has made lots of investments in technologies in all the sectors of Textile chain and we are facing tough competition as they have already overtaken Pakistan as major yarn supplier and are geared up for exports and have even penetrated into the Chinese market as well as other markets with every low prices. The Indian Government is supporting the Indian textile Industries by offering lots of subsidies and incentives, whereas, the share of Pakistan, in all sectors of Textile has continued to decline.

**Acknowledgement**

In the end, it is of utmost important to mention the untiring endeavors of our team members engaged in upholding their commitment for the company's success and growth. We also thank our bankers, vendors agents and clients for their consistent trust and support.

On behalf of the Board of Directors



**Adeel Shahid Anwar**  
Chief Executive

Karachi:

Dated: October 30, 2014

**SALFI TEXTILE MILLS LIMITED****03****CONDENSED INTERIM BALANCE SHEET  
AS AT SEPTEMBER 30, 2014****Un-Audited  
Sept 30, 2014      Audited  
June 30, 2014****ASSETS****Notes      .....Rupees in 000 .....****NON-CURRENT ASSETS**

Property, plant and equipment	3	2,606,597	2,520,999
Intangible assets		4,015	4,359
Long term investment		703	609
Long term deposits		1,012	1,012
		2,612,327	2,526,979

**CURRENT ASSETS**

Stores, spares and loose tools		50,270	36,067
Stock-in-trade		640,351	849,720
Trade debts		375,832	245,653
Loans and advances		159,339	130,201
Trade deposits and short-term prepayments		9,337	1,409
Other receivables		1,504	1,345
Other financial assets		21,036	4,135
Sales tax refundable		28,674	16,101
Cash and bank balances		25,845	36,298
		1,312,188	1,320,929

**TOTAL ASSETS****3,924,515      3,847,908****EQUITY AND LIABILITIES****EQUITY**

Share capital		33,426	33,426
General reserve		755,892	755,798
Unappropriated profit		227,066	280,729
		1,016,384	1,069,953
Surplus on revaluation of property, plant and equipment		1,113,781	1,120,753

**NON-CURRENT LIABILITIES**

Long-term finance		544,669	538,656
Deferred liabilities		56,031	54,138

**CURRENT LIABILITIES**

Trade and other payables		518,811	390,142
Interest / mark-up accrued on borrowings		24,347	24,799
Short-term borrowings		472,838	499,909
Current portion of long-term finance		136,145	121,554
Provision for income tax		41,509	28,004
		1,193,650	1,064,408

**CONTINGENCIES AND COMMITMENTS**

2

**TOTAL EQUITY AND LIABILITIES****3,924,515      3,847,908****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, 2014**

		Sept 30, 2014	Sept 30, 2013
	Note	.....Rupees in 000 .....	
Sales		1,409,051	1,156,648
Cost of goods sold	4	(1,363,373)	(960,908)
Gross profit		45,678	195,740
Distribution cost		(37,918)	(41,040)
Administrative expenses		(23,788)	(17,426)
Other operating expenses		(5,366)	(17,898)
Other operating income		1,361	1,569
Finance cost		(27,097)	(37,132)
		(92,808)	(111,927)
(Loss)/Profit before taxation		(47,130)	83,813
Taxation		(13,505)	(6,758)
(Loss)/Profit after taxation		(60,635)	77,055
Other comprehensive income			
Unrealised gain/(loss) on remeasurement of investment available-for-sale		94	(10)
Total comprehensive income for the period		(60,541)	77,045
Earnings per share - Basic and diluted		(18.14)	23.05

The annexed notes form an integral part of these financial statements



**ADEEL SHAHID ANWAR**  
Chief Executive




**SHAHID ANWAR TATA**  
Director

**SALFI TEXTILE MILLS LIMITED****05****CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

	Sept 30, 2014	Sept 30, 2013
	.....Rupees in 000 .....	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/Profit before taxation	(47,130)	83,813
Adjustments for :		
Depreciation of property, plant and equipment	24,769	23,491
Amortization on intangible assets	344	264
Provision for staff gratuity	5,934	3,373
Provision for compensated absences	(740)	(469)
Finance cost	27,097	37,132
Loss on disposal of property, plant and equipment	785	242
Operating cash flows before movements in working capital	11,059	147,846
(Increase) / decrease in current assets		
Stores, spares and loose tools	(14,203)	4,091
Stock-in-trade	209,369	97,314
Trade debts - considered good	(130,178)	(231,832)
Loans and advances	(10,518)	2,583
Trade deposits & short term prepayments	(7,928)	(2,278)
Other receivables	(159)	1,536
Other financial assets	(16,901)	37
Sales tax refundable	(12,573)	2,110
Increase / (decrease) in current liabilities		
Trade and other payables	128,669	59,280
Cash generated from operations	156,637	80,687
Finance cost paid	(27,549)	(44,876)
Income taxes paid	(18,619)	(8,707)
Staff gratuity paid	(3,301)	(1,633)
Net cash generated from operating activities	107,168	25,471
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(111,334)	(24,146)
Proceeds on disposal of property, plant and equipment	180	197
Net cash used in investing activities	(111,154)	(23,949)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term financing	71,477	11,340
Repayment of long - term financing	(50,873)	(2,810)
Repayment of short -term borrowing-import/export	(234,205)	(251,799)
Net cash used in financing activities	(213,601)	(243,269)
Net decreased in cash and cash equivalents	(217,587)	(241,747)
<b>Cash and cash equivalents at July 1</b>	<b>36,298</b>	<b>(299,109)</b>
<b>Cash and cash equivalents at September 30</b>	<b>(181,289)</b>	<b>(540,856)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	25,845	57,752
Short - term running finance under markup arrangements	(207,134)	(598,608)
	(181,289)	(540,856)

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, 2014**

	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	Unappropriated profit	
	Rupees in '000'					
Balance at July 01, 2013	33,426	750,000	5,996	(390)	221,869	1,010,901
Comprehensive income						
Profit after taxation for the quarter	-	-	-	-	77,055	77,055
Other comprehensive loss	-	-	-	(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)	305,657	1,094,679
Balance as at July 01, 2014	33,426	750,000	5,996	(198)	280,729	1,069,953
Comprehensive loss						
Loss after taxation for the quarter	-	-	-	-	(60,635)	(60,635)
Other comprehensive income	-	-	-	94	-	94
-	-	-	-	94	(60,635)	(60,541)
Transfer from surplus on revaluation of property, plant and equipment on account of:						
-incremental depreciation - net of deferred tax	-	-	-	-	6,972	6,972
Balance as at September 30, 2014	33,426	750,000	5,996	(104)	227,066	1,016,384



**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, 2014**
**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, 2014

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

There is no change in contingencies outstanding against the company.

	September 30, 2014	June 30, 2014
	.....Rupees in 000.....	
<b>2.2 Commitments</b>		
Civil works	48,183	43,036
Letters of credit for Plant & Machinery	195,898	253,859
Letters of credit for stores	9,800	13,407
Bank guarantees	109,466	109,466
Bills discounted	213,439	634,287
Outstanding sales contract	108,399	32,783

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

	For the 1st Quarter Ended September 30, 2014		
	Acquisitions/ transfers from CWIP	Disposal (W.D.V)	Sale Proceeds
	.....Rupees in 000 .....		
Plant & Machinery	12,435	965	180
Furniture & Fixture	170	-	-
Office Equipment	132	-	-
Vehicles	276	-	-
<b>September 30, 2014</b>	<u>13,013</u>	<u>965</u>	<u>180</u>

	Note	Sept 30, 2014	Sept 30, 2013
		.....Rupees in 000 .....	
<b>4. COST OF GOODS SOLD</b>			
Cost of goods manufactured (4.2)		1,153,717	890,004
Finished goods			
Opening stock (4.1)		186,669	175,449
Closing stock (4.1)		(111,618)	(104,545)
		75,051	70,904
Cost of raw material sold		134,605	-
Cost of goods sold		<u>1,363,373</u>	<u>960,908</u>
<b>4.1</b>	Finished goods stock also includes waste stock carried at net realizable value.		
<b>4.2 Cost of goods manufactured</b>			
Raw material consumed (4.2.1)		897,018	698,652
Packing material consumed		24,031	14,171
Stores and spares consumed		13,453	14,294
Salaries, wages and benefits		61,974	52,008
Fuel and power		116,473	80,929
Insurance		4,626	2,666
Repairs and maintenance		3,859	1,815
Depreciation		22,311	22,044
Other overheads		5,152	3,597
		<u>1,148,897</u>	<u>890,176</u>
Work-in-process			
Opening stock		34,048	26,796
Closing stock		(29,229)	(26,968)
		4,819	(172)
		<u>1,153,717</u>	<u>890,004</u>
<b>4.2.1 Raw material consumed</b>			
Opening stock		629,003	847,154
Purchases - net		767,518	672,070
		<u>1,396,521</u>	<u>1,519,224</u>
Closing stock		(499,503)	(820,572)
		<u>897,018</u>	<u>698,652</u>
<b>5. TRANSACTIONS WITH RELATED PARTIES</b>			
<b>5.1 Associates</b>			
Purchase of electricity		113,125	80,585
Purchase of Goods		42,089	-
Sale of Goods		78,059	-
Share of expense received		1,424	1,322
Share of expense paid		1	959
License income		1,062	1,062
<b>5.2 Transactions with key management personnel</b>			
Short-term benefits		12,201	10,210
Rent		907	907

**6. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were authorized for issue on October 30, 2014 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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