



QUARTERLY REPORT

September 30 **2014**

 **Si Shadab Textile Mills Limited**



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## Shadab Textile Mills Limited

### COMPANY INFORMATION

BOARD OF DIRECTORS	Mian Aamir Naseem Mian Farrukh Naseem Mian Shahzad Aslam Mr. Saad Naseem Mr. Ahmed Ali Tariq Mr. Yasir Naseem Mrs. Fatima Aamir	Chief Executive (Chairman)
AUDIT COMMITTEE	Mr. Saad Naseem Mian Farrukh Naseem Mr. Ahmed Ali Tariq	Chairman Member Member
HUMAN RESOURCE & REMUNERATION COMMITTEE	Mian Farrukh Naseem Mian Aamir Naseem Mr. Ahmed Ali Tariq	Chairman Member Member
CHIEF FINANCIAL OFFICER	Mr. Mazhar Hussain	
COMPANY SECRETARY	Mr. Mazhar Hussain	
AUDITORS	M/s. Fazal Mahmood & Company Chartered Accountants	
SHARE REGISTRAR	Corplink (Pvt) Limited Wings Arcade, 1-K, Commercial, Model Town, Lahore. Tel: 042-35887262, 35839182 Fax: 042-35869037	
BANKERS	National Bank of Pakistan Bank Al-falah Limited	
REGISTERED OFFICE	A-601/A, City Towers, 6-K Main Boulevard, Gulberg-II, Lahore. Ph: 042-35788714-16	
WEBSITE ADDRESS	<a href="http://www.shadabtextile.com">www.shadabtextile.com</a>	
MILLS	Nasimabad, Shahkot, District Nankana Sahib.	



## Shadab Textile Mills Limited

### DIRECTORS' REPORT

Dear Shareholders,

We are pleased to present un-audited condensed interim financial statements of the Company for the 1st quarter ended September 30, 2014.

During the period under review, the Company earned profit after tax Rs.7.115 million as compared to profit after tax of Rs.29.525 million of the corresponding period. Sales were made amounting to Rs.462.457 million as compared to previous year quarter sales of Rs.508.281 million. Your Company produced 3.157 million Kgs. of blended yarn as compared to 3.211 million Kgs. during the corresponding period based on 20/s count. Earning per share is Rs.2.37 as compared to Rs.9.84 per share.

The profitability of the Company affected mainly due to decrease in demand and prices of yarn, shortage & high cost of energy and high input cost. The continuous energy crises had affected the production process i.e. less production resulting increase in production cost. Demand of yarn from China has immensely decreased which ultimately reduced the sale margin of yarn.

We foresee bumper cotton crop for the season 2014-15 in Pakistan and India and expect that cotton prices will remain under pressure and likely to range between Rs.5,200/- to Rs.5,500/- per mound. Current sale margins are depressed. However, lower cotton prices may attract yarn demand of Chinese buyers and get better yarn orders. If the import of yarn from India is not monitored seriously, our spinning sector will be affected badly.

In future, Company's ability to produce better results depend on uninterrupted gas & electricity supply, continued demand of yarn both in local as well as international market, stability of yarn prices, single digit inflation and controlled law & order situation in the country.

The board avails the opportunity to appreciate the devoted work done by the executives, officers, staff and workers of the company.

For and on behalf of the Board

MIAN AAMIR NASEEM  
(Chief Executive)

Lahore: October 28, 2014

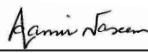


## Shadab Textile Mills Limited

### CONDENSED INTERIM BALANCE SHEET AS AT SEPTEMBER 30, 2014

	NOTE	(RUPEES IN THOUSAND)	
		Sep. 30, 2014 <u>UN-AUDITED</u>	June 30, 2014 <u>AUDITED</u>
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	5	384,638	390,450
Long term deposits		<u>2,387</u>	<u>2,387</u>
		387,025	392,837
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		46,877	44,960
Stock in trade		105,993	201,546
Trade debts		77,896	73,963
Loans and advances		18,980	9,964
Trade deposits, prepayments		49,099	20,464
Other receivables		5,926	7,834
Cash and bank balances		16,356	2,881
		<u>321,127</u>	<u>361,612</u>
<b>TOTAL ASSETS</b>		<u>708,152</u>	<u>754,449</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL &amp; RESERVES</b>			
Authorized share capital			
6,000,000 ordinary shares of Rs. 10/- each		<u>60,000</u>	<u>60,000</u>
Issued, subscribed & paid-up capital		30,000	30,000
Revenue reserves		<u>325,383</u>	<u>318,269</u>
<b>TOTAL EQUITY</b>		355,383	348,269
<b>NON - CURRENT LIABILITIES</b>			
Long term financing		-	-
Deferred liabilities		64,874	64,562
		<u>64,874</u>	<u>64,562</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		140,101	121,385
Accrued mark up		3,451	5,287
Short term borrowings		102,642	178,010
Current portion of long term loans		23,486	23,486
Provision for taxation		18,215	13,450
		<u>287,895</u>	<u>341,618</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	6	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>708,152</u>	<u>754,449</u>

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

  
(Mian Aamir Naseem)  
Chief Executive

  
(Mian Farrukh Naseem)  
Director




## Shadab Textile Mills Limited

### CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE QUARTER ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

	(RUPEES IN THOUSAND)	
	Sep. 30, 2014	Sep. 30, 2013
Sales- net	462,457	508,281
Cost of sales	<u>434,410</u>	<u>445,809</u>
GROSS PROFIT	28,047	62,472
Administrative & general	<u>10,073</u>	<u>9,432</u>
Selling and distribution	<u>18</u>	<u>205</u>
OPERATING PROFIT	<u>10,091</u>	<u>9,637</u>
	17,956	52,835
Finance cost	4,860	4,601
Other charges	<u>904</u>	<u>3,502</u>
	12,192	44,732
Other income	-	<u>2,512</u>
PROFIT BEFORE TAXATION	<u>12,192</u>	<u>47,244</u>
Taxation	<u>5,077</u>	<u>17,719</u>
PROFIT AFTER TAXATION	<u><u>7,115</u></u>	<u><u>29,525</u></u>
Basic and diluted earning per share - (Rupees)	<u><u>2.37</u></u>	<u><u>9.84</u></u>

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

  
(Mian Aamir Naseem)  
Chief Executive

  
(Mian Farrukh Naseem)  
Director



## Shadab Textile Mills Limited

### CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

	(RUPEES IN THOUSAND)	
	Sep. 30, 2014	Sep. 30, 2013
PROFIT AFTER TAXATION	7,115	29,525
Other Comprehensive Income	-	-
TOTAL COMPREHENSIVE INCOME	<u>7,115</u>	<u>29,525</u>

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

(Mian Aamir Naseem)  
Chief Executive

(Mian Farrukh Naseem)  
Director



## Shadab Textile Mills Limited

### CONDENSED INTERIM CASH FLOW STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

	(RUPEES IN THOUSAND)	
	Sep. 30, 2014	Sep. 30, 2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	12,192	47,244
Adjustments for:		
Depreciation	9,940	8,569
Finance cost	4,860	4,601
Workers' profit participation fund	655	2,537
Workers' welfare fund	249	964
Profit on sale of fixed assets	-	(2,512)
Operating profit before working capital changes	<u>27,896</u>	<u>61,403</u>
Adjustments for working capital changes:		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(1,917)	(1,579)
Stock-in-trade	95,553	40,605
Trade debts	(3,933)	11,512
Loans and advances	(9,016)	(6,348)
Trade deposits and prepayments	(24,087)	(19,321)
Other receivables	1,908	1,555
	<u>58,508</u>	<u>26,424</u>
Increase / (decrease) in current liabilities		
Trade and other payables	17,811	7,358
Cash generated from operations	<u>104,215</u>	<u>95,185</u>
Finance cost paid	(6,696)	(7,446)
Income tax paid	(4,548)	(5,294)
	<u>(11,244)</u>	<u>(12,740)</u>
Net cash generated from operating activities	<u><u>92,971</u></u>	<u><u>82,445</u></u>






## Shadab Textile Mills Limited

	(RUPEES IN THOUSAND)	
	Sep. 30, 2014	Sep. 30, 2013
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment for fixed capital expenditure	(4,128)	-
Capital work in progress	-	(5,628)
Proceeds from disposal of operating fixed assets	-	4,200
Net cash (used in) from investing activities	(4,128)	(1,428)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment against long term loans	-	(11,743)
Proceeds from short term borrowings (net)	(75,368)	(70,385)
Net cash (used in) from financing activities	(75,368)	(82,128)
<b>NET CASH GENERATED/(UTILIZED) DURING THE QUARTER</b>	13,475	(1,111)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	2,881	5,511
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE QUARTER</b>	16,356	4,400

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

  
(Mian Aamir Naseem)  
Chief Executive

  
(Mian Farrukh Naseem)  
Director



## Shadab Textile Mills Limited

### CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED SEPTEMBER 30, 2014 ( UN - AUDITED )

(RUPEES IN THOUSAND)

	Share Capital Issued, subscribed and Paid up ordinary shares	Revenue Reserves		Total Equity
		General Reserve	Un- appropriated profit	
Balance as at July 01, 2013	30,000	60,000	219,420	309,420
Total comprehensive income Profit after taxation from Jul. 01,2013 to Sep. 30,2013	-	-	29,525	29,525
Balance as at Sep. 30, 2013	30,000	60,000	248,945	338,945
Total comprehensive income Profit after taxation from Oct. 01,2013 to Jun.30,2014	-	-	13,823	13,823
Transaction with owners Final dividend for the year ended June 30, 2013 @Rs.1.50 per share	-	-	(4,500)	(4,500)
Transfer to general reserve	-	200,000	(200,000)	-
Balance as at June 30, 2014	30,000	260,000	58,268	348,268
Total comprehensive income Profit after taxation from Jul. 01,2014 to Sep. 30,2014	-	-	7,115	7,115
Balance as at Sep. 30, 2014	30,000	260,000	65,383	355,383

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

(Mian Amir Naseem)  
Chief Executive

(Mian Farrukh Naseem)  
Director



## Shadab Textile Mills Limited

### SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2014 (UN-AUDITED)

1. THE COMPANY AND ITS OPERATIONS

The company is registered as a public limited company in Pakistan and quoted on the Karachi and Lahore Stock Exchanges and engaged in the business of manufacturing, selling, buying and dealing in yarn of all types. The registered office of the company is situated at A-601/A, City Towers, 6-K Main Boulevard, Gulberg - II, Lahore.

2. BASIS OF PREPARATION

This condensed interim financial information of the company for the three months period ended September 30, 2014 is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard - 34: "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where the requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information is un-audited and is being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984.

The comparative condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended September 30, 2014 and 2013 are also included in this condensed interim financial information.

This condensed interim financial information does not include all the information and disclosures required for full financial statements, and should be read in conjunction with the company's audited annual financial statements for the year ended June 30, 2014.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the preceding audited annual financial statements of the company for the year ended June 30, 2014, except for changes resulting from initial application of standards, amendments or interpretations to existing standards.

However, amendments / improvements and new interpretations of approved accounting standards effective during the period, were not relevant to the companies operations and do not have any material impact on the accounting policies of the company.

4. ESTIMATES

The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect 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 judgements made by the management in applying the company's accounting policies and key sources of estimation of uncertainty are the same as those were applied to the annual audited financial statements for the year ended June 30, 2014.



## Shadab Textile Mills Limited

(RUPEES IN THOUSAND)

	Sep. 30, 2014	June 30, 2014
5. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets		
Opening net book value	390,450	336,487
Additions during the period/ year		
Buildings	-	20,542
Plant and machinery	4,128	74,210
	4,128	94,752
Disposals during the period/ year		
Plant and machinery	-	1,688
	-	1,688
Depreciation charged thereon	9,940	39,101
Closing net book value	<u>384,638</u>	<u>390,450</u>

### 6. CONTINGENCIES AND COMMITMENTS

#### Contingencies

Counter guarantees of Rs.14.487 million ( June 30, 2014 : Rs. 14.487 million ) has been issued by the bank of the company to Sui Northern Gas Pipelines Limited against gas connections.

#### Commitments

Commitments for capital expenditure are amounting to Rs.NIL (June 30, 2014 : Rs.3.560 million ) and for non capital expenditure are amounting to Rs.15.985 million (June 30, 2014: Rs.3.968 million).

### 7. TRANSACTIONS WITH RELATED PARTIES / ASSOCIATED UNDERTAKING

The company sold to associated undertaking machinery of aggregate sum of Rs.NIL (June 30, 2014 : Rs.4.200 million) and purchased from associated undertaking material of aggregate sum of Rs. 17.697 million (June 30, 2014 : Rs. NIL) during the period. The maximum aggregate amount due from associated undertaking at the end of any month during the period was Rs.0.586 million ( June 30, 2014 : Rs.NIL).

### 8. FINANCIAL RISK MANAGEMENT

The company financial risk management objectives and policies are consistent with those disclosed in the audited annual financial statements of the company as at and for the year ended June 30, 2014.

### 9. DATE OF AUTHORIZATION

This condensed interim financial information has been approved by the Board of Directors of the company and authorized for issue on October 28, 2014.

### 10. GENERAL

Figures have been rounded off to the nearest thousand rupee.

(Mian Aamir Naseem)  
Chief Executive

(Mian Farrukh Naseem)  
Director