



FAZAL TEXTILE MILLS LIMITED



Quarterly Report
September 30,
2012





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Muhammad Younus Tabba	(Chairman)
Mr. Muhammad Sohail Tabba	(Chief Executive)
Mr. Muhammad Ali Tabba	
Mr. Imran Yunus Tabba	
Mr. Javed Yunus Tabba	
Mrs. Mariam Tabba Khan	
Mrs. Raheela Aleem	
Mr. Ilyas Ismail	

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Toufique Yusuf
FCA FICS

AUDIT COMMITTEE

Mr. Muhammad Javed Tabba	Chairman
Mr. Muhammad Ali Tabba	Member
Mr. Imran Yunus Tabba	Member

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Imran Yunus Tabba	Chairman
Mr. Javed Yunus Tabba	Member
Mrs. Mariam Tabba Khan	Member

AUDITORS

Hyder Bhimji & Co.
Chartered Accountants

LEGAL ADVISOR

Mr. Mohammad Aleem
(Advocate)

BANKERS

Bank Al-Habib Limited
Bank Al-Falah Limited (Islamic Division)
Habib Bank Limited
Habib Metropolitan Bank Limited
Meezan Bank Limited

REGISTERED OFFICE AND MILLS

LA-2/B Block # 21,
Rashid Minhas Road,
Federal 'B' Area, Karachi - 75950.
Phones: 36321311-36322048
Fax: 92-21-36313372
E-mail: finance@fazaltextile.com
Website : www.fazaltextile.com



DIRECTORS REPORT TO THE MEMBERS

We feel pleasure in submitting herewith the un-audited first quarter accounts for the period ended September 30, 2012.

FINANCIAL RESULTS

	Rs in "000"	
	Quarter ended Sept 2012	Quarter ended Sept 2011
Sales	1,281,808	923,647
Gross Profit	1,126,470	867,881
Profit before tax	88,167	16,878
Profit after tax	84,960	4,963

Your Company earned pre-tax profit of Rs 88.167 million as compared to Rs 16.878 million for the corresponding period. During the period under review the sales increased Rs 1.281 billion from Rs 923 million due to increase in sales volume of yarn in local as well as international market which resulted positive impact on the profitability of the company.

FUTURE OUTLOOK:

The size of cotton crop is likely to achieve the target as a result the prices of lint cotton are stabilized at a reasonable level. The yarn prices and demand is also firm and the company expects to continue better results for the balance part of the year. However, the energy crisis, inflation, erosion of value of Pak rupee etc could affect the profitability. Notwithstanding the foregoing constraints, your director would like to assure you that every endeavour will be made to achieve the better results for the current year.

The company has re-located its present operating facility to its new location at Super Highway (Nooriabad) and the production activities are at full swing. The management devised such strategy that there was minimum production loss. The demolition of the old buildings has commenced and the construction work for Mall & Apartment has also begun simultaneously.

ACKNOWLEDGEMENTS

The Board also wishes to place in record the appreciation to all banks for continued support to the company with zeal and dedications. The management is quite confident that these relation and cooperation will continue in the years to come.

On behalf of the Board

Karachi: October 24, 2012


Chairman



Condensed Interim Balance Sheet (Unaudited)

As at September 30, 2012

	Note	Sept. 2012	June 2012
Rupees in "000"			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	3,424,771	3,298,455
Long term loans and advances		3,873	5,569
Long term deposits - Security deposits		1,259	1,259
		<u>3,429,903</u>	<u>3,305,283</u>
CURRENT ASSETS			
Stores, spares and loose tools		59,925	64,240
Stock in trade		654,246	911,268
Trade debts		1,035,190	792,566
Loans and advances		125,712	47,465
Trade deposits and short term prepayments		31,582	38,673
Other receivables		63,862	36,184
Tax refund due from government		17,217	9,770
Taxation- Provision Less payment		-	7,447
Cash and bank balances		31,453	13,054
		<u>2,019,187</u>	<u>1,920,668</u>
TOTAL ASSETS		<u>5,449,090</u>	<u>5,225,951</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital		150,000	150,000
Issued, subscribed and paid-up share capital		61,875	61,875
Reserves		1,736,404	1,676,194
		<u>1,798,279</u>	<u>1,738,069</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred gratuity		48,070	46,972
Deferred taxation		18,560	26,169
Long term loans from related parties		770,000	675,000
		<u>836,630</u>	<u>748,141</u>
CURRENT LIABILITIES			
Trade and other payables		427,574	407,807
Accrued markup		23,754	33,621
Taxation- Provision Less payment		1,186	-
Short term borrowings		2,361,667	2,298,313
		<u>2,814,181</u>	<u>2,739,741</u>
Contingencies and Commitment	4	-	-
TOTAL EQUITY AND LIABILITIES		<u>5,449,090</u>	<u>5,225,951</u>

The annexed notes from 1 to 12 form an integral part of these financial statements.

Karachi : October 24, 2012.

Chairman

Director



Condensed Interim Profit And Loss Account (Unaudited)
For the Period Ended September 30, 2012

	Note	Sept. 2012	June 2012
Rupees in "000"			
Sales - net	5	1,281,808	923,647
Cost of sales	6	1,126,470	867,881
Gross profit		155,338	55,766
Selling and distribution expenses		39,216	22,911
Administrative expenses		13,505	11,152
Other operating expenses		4,640	888
		57,361	34,951
		97,977	20,815
Other operating income		867	1,072
Operating profit		98,844	21,887
Finance cost		10,677	5,009
Profit before taxation		88,167	16,878
Taxation		3,207	11,915
Profit after taxation		84,960	4,963
Earning per share-basic and diluted (Rupees)	10	13.73	0.80

The annexed notes from 1 to 12 form an integral part of these financial statements.

Karachi : October 24, 2012.


Chairman


Director



Condensed Interim Cash Flow Statement (Unaudited)
For the Period Ended September 30, 2012

	Note	Sept. 2012	Sept. 2011
Rupees in "000"			
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operation	7	54,617	488,147
Gratuity paid		(2,615)	(9,563)
Finance cost paid		(20,544)	(59,860)
Taxes paid		(9,630)	(61,437)
Net cash In/(Outflow) from operating activities		21,828	357,287
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(2,577)	(10,555)
Capital Work in progress		(160,902)	(304,159)
Long term loans and advances		1,696	1,749
Long term deposits		-	(727)
Sale proceeds from fixed assets		-	12,140
Net cash In/(Outflow) from investing activities		(161,783)	(301,552)
CASH FLOW FROM FINANCIAL ACTIVITIES			
Long Term Liabilities		95,000	-
Payment of dividend		-	(61,525)
Repayment of long term loan		-	(1,000,000)
Net cash In/(Outflow) from financial activities		95,000	(1,061,525)
Net increase/(decrease) in cash and cash equivalents		(44,955)	(1,005,790)
Cash and cash equivalents at the beginning of the period		(2,285,259)	(265,629)
Cash and cash equivalents at the end of the period	8	(2,330,214)	(1,271,419)

The annexed notes from 1 to 12 form an integral part of these financial statements.

Karachi : October 24, 2012.


Chairman


Director



Condensed Interim Statement Of Changes In Equity (Unaudited)
For the Period Ended September 30, 2012

Rupees in thousand

Description	Paidup Capital	Capital Reserve	Revenue Reserve	Unappropriated Profit	Total
Balance as on June 30, 2011	61,875	34,416	1,185,584	361,610	1,643,485
Transfer to revenue reserves	-	-	300,000	(300,000)	-
Transaction with owners					
Final Dividend for the year ended June 30, 2011	-	-	-	(37,125)	(37,125)
Total comprehensive income for the year					
Profit for the year	-	-	-	131,709	131,709
Other comprehensive income	-	-	-	-	-
	-	-	-	131,709	131,709
Balance as on June 30, 2012	61,875	34,416	1,485,584	156,194	1,738,069
Transfer to revenue reserves	-	-	120,000	(120,000)	-
Transaction with owners					
Final Dividend for the year ended June 30, 2012	-	-	-	(24,750)	(24,750)
Total comprehensive income for the year					
Profit for the year	-	-	-	84,960	84,960
Other comprehensive income	-	-	-	-	-
	-	-	-	84,960	84,960
Balance as on September 30, 2012	61,875	34,416	1,605,584	96,404	1,798,279

The annexed notes from 1 to 12 form an integral part of these financial statements.

Karachi : October 24, 2012.


Chairman


Director



Notes To The Financial Statements (Un-audited) For The Quarter Ended September 30, 2012

1 THE COMPANY AND ITS OPERATION

The Company was incorporated on July 6, 1963 as a Private Limited Company under the Companies Act 1913, (Companies Ordinance 1984) and was converted into a Public Limited Company on May 4, 1966. The Company is quoted on Karachi & Lahore Stock Exchanges in Pakistan since 1971. The Company is engaged in manufacturing, selling, buying and dealing in all types of yarn and knitted fabrics. The address of its registered office is LA-2/B, Block 21, Rashid Minhas Road, F B Area, Karachi, Pakistan.

2.1 BASIS OF PREPARATION

The financial statements are un-audited and are being submitted to the shareholders as required under section 245 of the Companies Ordinance 1984 and have been prepared in accordance with the requirements of the International Accounting Standards 34 "Interim Financial Reporting" as applicable in Pakistan.

2.2 ACCOUNTING POLICIES

The accounting policies and methods of computation followed in the preparation of these financial statements are the same those of the published annual financial statements for the year ended June 30, 2012.

	Note	Sept. 2012	June 2012
		Rupees in "000"	
3 PROPERTY, PLANT AND EQUIPMENT			
Operating Fixed Assets	3.1	2,163,010	2,197,596
Capital Work in Progress	3.2	1,261,761	1,100,859
		<u>3,424,771</u>	<u>3,298,455</u>



3.1 OPERATING FIXED ASSETS - TANGIBLE

	September 2012									
	Land (lease hold)	Main factory building - On Leasehold Land	Other factory building - On Leasehold Land	Plant & Machinery	Testing equipment, Scales, Weighments	Office equipment	Furniture & fixtures	Vehicles	Computer equipments	Total
----- Rupees in '000' -----										
At July 01, 2012										
Cost	545,338	526,110	482,090	1,676,074	7,488	7,515	2,158	39,597	11,937	3,298,307
Accumulated depreciation	-	40,623	84,750	936,475	6,619	4,000	1,933	17,514	8,797	1,100,711
Net Book Value	545,338	485,487	397,340	739,599	869	3,515	225	22,083	3,140	2,197,596
Period ended September 30, 2012										
Opening net book value	545,338	485,487	397,340	739,599	869	3,515	225	22,083	3,140	2,197,596
Additions at cost	-	-	-	700	-	875	-	37	965	2,577
Disposals										
Cost	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-
Depreciation for the year	-	12,137	4,967	18,507	22	104	6	1,105	315	37,163
Closing net book value	545,338	473,350	392,373	721,792	847	4,286	219	21,015	3,790	2,163,010
At September 30, 2012										
Cost	545,338	526,110	482,090	1,676,774	7,488	8,390	2,158	39,634	12,902	3,300,884
Accumulated depreciation	-	52,760	89,717	954,982	6,641	4,104	1,939	18,619	9,112	1,137,874
Net Book Value	545,338	473,350	392,373	721,792	847	4,286	219	21,015	3,790	2,163,010
Rate	-	10%	5%	10%	10%	10%	10%	20%	33%	



June 2012

	Land (lease hold)	Main factory building - On Leasehold Land	Other factory building - On Leasehold Land	Plant & Machinery	Testing equipment, Scales, Weighments	Office equipment	Furniture & fixtures	Vehicles	Computer equipments	Total
----- Rupees in '000' -----										
At July 01, 2011										
Cost	6,591	31,250	171,389	1,348,256	7,488	5,765	2,158	27,697	9,050	1,609,644
Accumulated depreciation	-	27,816	76,101	896,258	6,522	3,661	1,908	14,447	7,856	1,034,569
Net Book Value	6,591	3,434	95,288	451,998	966	2,104	250	13,250	1,194	575,075
Year ended June 30, 2012										
Opening net book value	6,591	3,434	95,288	451,998	966	2,104	250	13,250	1,194	575,075
Additions at cost	538,747	494,860	310,700	349,736	-	1,749	-	13,404	2,887	1,712,083
Disposals										
Cost	-	-	-	21,919	-	-	-	1,502	-	23,421
Accumulated depreciation	-	-	-	19,851	-	-	-	463	-	20,314
Depreciation for the year	-	12,807	8,648	60,067	97	338	25	3,532	941	86,455
Closing net book value	545,338	485,487	397,340	739,599	869	3,515	225	22,083	3,140	2,197,596
At June 30, 2012										
Cost	545,338	526,110	482,090	1,676,074	7,488	7,515	2,158	39,597	11,937	3,298,307
Accumulated depreciation	-	40,623	84,750	936,475	6,619	4,000	1,933	17,514	8,797	1,100,711
Net Book Value	545,338	485,487	397,340	739,599	869	3,515	225	22,083	3,140	2,197,596
Rate	-	10%	5%	10%	10%	10%	10%	20%	33%	



4 CONTINGENCIES AND COMMITMENTS

Contingencies:

- 4.1 The Company has made a reference in the Honorable High Court of Sindh at Karachi u/s 133(i) of the Income Tax Ordinance, 2001 against rejection of loss of Rs 1,461,000 by the Appellate Tribunal vide M.A (Rect) No 402/KB/2005 dated January 25, 2006 for the assessment year 2002-03. The case is pending before Court for adjudication.
- 4.2 Deemed assessment for the company's tax year 2003, 2008, 2009, 2010 has subsequently been amended and appeals has been made, which are pending before various appellate stages. The amount involved is Rs, 16.075 million of which Rs. 14.541 million is in respect of Workers Welfare Fund.
- 4.3 The Company being manufacturer-cum-exporter is not obliged to pay Worker Welfare Fund. The Company has also filed Constitutional Writ Petition in the Honorable High Court of Sindh, Karachi, challenging virus, which is pending for disposal. The Company is opined that the matter of WWF will be resolved favorably. The company's tax year involved in the case at various stages are 2008,2009,2010 and aggregate amount involved is Rs. 14.541 millions.

Sept.
2012

June
2012

Rupees in "000"

4.4 Commitments:

Guarantees and counter guarantees	119,863	119,863
Letter of credits	21,621	2,574
	<u>141,484</u>	<u>122,437</u>



	Sept. 2012	Sept. 2011
	Rupees in "000"	
5 SALES - Net		
Export	833,716	438,342
Local	448,645	487,389
Export rebate	395	70
Research & Development Support	829	83
Gross sales	1,283,584	925,884
Less:		
- Export duty and surcharge	1,776	2,237
	<u>1,281,808</u>	<u>923,647</u>
6 COST OF SALES		
<i>Raw material consumed</i>		
Opening inventory	701,392	478,322
Purchases	562,730	372,713
Available for consumption	1,264,122	851,035
Closing inventory	(330,041)	(219,826)
Raw material consumed	934,081	631,209
<i>Manufacturing expenses</i>		
Stores, spares and packing	37,600	32,795
Salaries, wages & other benefits	81,347	101,162
Power and electricity	108,805	70,374
Knitting, dyeing and printing expenses	35,186	31,955
Insurance	677	612
Repair and maintenance	4,342	3,628
Labor welfare	1,433	2,774
Depreciation	35,633	12,605
Other manufacturing expenses	1,696	341
	306,718	256,246
	<u>1,240,799</u>	<u>887,455</u>
Work in process - opening inventory	12,206	39,280
Work in process - closing inventory	(25,042)	(34,747)
	(12,836)	4,533
Cost of goods manufactured	1,227,963	891,988
Finished goods - opening inventory	197,670	325,009
Available for sales	1,425,633	1,216,997
Finished goods - closing inventory	(299,163)	(349,116)
	<u>1,126,470</u>	<u>867,881</u>

6.1 This includes Rs 3.405 million in respect of staff retirement benefits (2011 : 3.485 million)



	Sept. 2012	Sept. 2011
7 CASH GENERATED FROM OPERATION	Rupees in "000"	
Profit before taxation	88,167	16,878
Adjustment for non cash charges :		
Depreciation	37,163	13,502
Provision for gratuity	3,713	3,713
	40,876	17,215
Finance cost	10,677	5,009
Changes in working capital	7.1 (85,104)	449,045
	<u>54,617</u>	<u>488,147</u>
7.1 Changes in working capital		
(Increase)/Decrease in current assets		
Stores, spares and loose tools	4,315	(16,244)
Stock in trade	257,022	238,921
Trade debts	(242,624)	207,140
Loans and advances	(78,246)	(69,102)
Trade deposits and short term prepayments	7,091	6,117
Other receivable	(27,678)	(25,722)
	<u>(80,121)</u>	<u>341,110</u>
Increase/(Decrease) in current liabilities		
Trade and other payables	(4,983)	107,881
Long term liabilities	-	54
Net Increase/(decrease) in working capital	<u>(85,104)</u>	<u>449,045</u>
8 CASH AND CASH EQUIVALENTS		
Cash & cash equivalent comprise the following items as included in the balance sheet		
Cash and bank balances	31,453	94,194
Short term borrowing	(2,361,667)	(1,467,242)
	<u>(2,330,214)</u>	<u>(1,373,048)</u>



9 TRANSACTION WITH RELATED PARTIES

Related parties comprise of associated company, directors of the Company, companies in which directors also hold directorship, related group companies and key management personnel. Significant balances outstanding with related parties have been disclosed at relevant and appropriate notes where as the transactions with related parties during the year are as follows:

Nature of Transaction	Sept. 2012	Sept. 2011
With Associates	Rupees in "000"	
<u>Sale of Goods and Providing of Services</u>		
- Lucky Knits (Pvt) Ltd.	57,960	29,229
- Lucky Textile Mills Ltd.	12,065	37,469
- Gadoon Textile Mills Ltd.	220	-
- Younus Textile Mills Ltd.	1,320	40,432
	<u>71,565</u>	<u>107,130</u>
<u>Purchase of Goods and Receipt of Services</u>		
- Lucky Cement Ltd.	10,163	4,876
- Lucky Textile Mills Ltd.	-	-
- Gadoon Textile Mills Ltd.	90,654	79,061
- Lucky Knits (Pvt) Ltd.	700	7,414
- Lucky Energy (Pvt) Ltd.	115,505	80,168
	<u>217,022</u>	<u>171,519</u>

9.1 All material transactions with associated undertaking are at arm's length.

9.2 The maximum amount due to related parties at the end of any month during the year was Rs. 127.668 million (2011 :Rs. 304.635 million).

10 EARNING PER SHARE

Profit after taxation (Rs in "000")	<u>84,960</u>	<u>4,963</u>
Weighted average number of ordinary shares	<u>6,187,503</u>	<u>6,187,503</u>
Earning per share (Rs)	<u>13.73</u>	<u>0.80</u>

10.1 There is no dilutive effect on the basic earnings per shares of the Company.

11 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue by the Board of Directors on October 24, 2012.

12 GENERAL

Figures have been rounded off to the nearest thousand rupees.

Karachi : October 24, 2012.

Chairman

Director

Statement u/s 241(2) of the Companies Ordinance 1948
The financial statements have not been authenticated
by the Chief Executive as he is presently out of Pakistan

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FAZAL TEXTILE MILLS LIMITED

LA-2/B Block-21,
Rashid Minhas Road,
Federal 'B' Area,
Karachi, Pakistan.

Tel : (92-21) 36321311

Fax : (92-21) 36313372

Email : finance@fazaltextile.com

www.fazaltextile.com

CORPORATE