



A Part of  
**YUNUS BROTHERS  
GROUP**



**FAZAL TEXTILE MILLS LIMITED**

Quarterly Report  
September 30,

**2014**



## CONTENTS

Corporate Information .....	03
Directors' Report to the Members .....	04
Condensed Interim Balance Sheet .....	05
Condensed Interim Profit and Loss Account.....	06
Condensed Interim Statement of Comprehensive Income.....	07
Condensed Interim Cash Flow Statement.....	08
Condensed Interim Statement of Changes in Equity .....	09
Notes to the Financial Statements.....	10 - 15

## Quarterly Report 2014





## Corporate Information

### BOARD OF DIRECTORS

Mr. Muhammad Yunus 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	
Mr. Abdul Kadir Adam	

### CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Mr. Toufique Yusuf  
FCA FICS

### HEAD OF INTERNAL AUDIT DEPARTMENT

Mr. Muhammad Faheemullah

### AUDIT COMMITTEE

Mr. Abdul Kadir Adam	Chairman
Mr. Muhammad Javed Tabba	Member
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

Kreston 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](mailto:finance@fazaltextile.com)  
Website : [www.fazaltextile.com](http://www.fazaltextile.com)

### FACTORY SUPER HIGHWAY:

57 Km Mile Stone, near Lucky  
Cement, Besides Edhi Village,  
Super Highway, Karachi.



## Directors' Report To The Members

We feel pleasure in submitting herewith the un-audited nine monthly financial statement for the period ended September 30, 2014.

### FINANCIAL RESULTS

	Rs in "000"		
	Period ended Sept 2014	Period ended Sept 2013	Percentage % Favorable/ (Unfavorable)
Sales	2,139,350	1,739,847	22.96%
Gross Profit	224,900	238,939	(5.87%)
Profit before tax	106,947	166.879	(35.91%)
Profit after tax	78,420	151,162	(48.12%)
Earning per shares Rs	12.67	24.43	(48.95%)

Your Company earned post-tax profit of Rs 78.420 million as compared to Rs 151.162 million for the corresponding period. During the period under review the sales increased to Rs 2.139 billion from Rs1.739 billion i.e 22.96% due to increase in sales volume of fabrics and increase in capacity and production of yarn. However the gross profit decreased to 10.51% from 13.73% due to pressure that is prevailing in the market owing to the continuing availability of subsidized Indian cotton yarn, increase in other cost components beyond the management control, and appreciation of Pak rupee by almost 9%, The financial charges also increased tremendously due the capital investment and additional requirement of working capital.

### FUTURE OUTLOOK:

The size of cotton crop is reportedly sizeable and we foresee that the price will remain stable and in line with the international prices, however the energy crisis, inflation, availability of subsidized Indian yarn resulting pressure of yarn prices in local market this could affect adversely the profitability for the coming period. Notwithstanding the foregoing constraints, your director would like to assure you that every endeavor will be made to achieve the better results for the current year.

Your company has initiated the evaluation process to merge with Gadoon Textile Mills Limited. The material information regarding these events were duly communicated to the members of the company through stock exchanges.

The construction work for Mall & Apartment is in full swing and hopefully the phase I on Mall will be completed by the end of 2015.

### 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

Chairman

Karachi: October 28, 2014



## Condensed Interim Balance Sheet (Un-Audited)

As at September 30, 2014

	Note	Sep - 14 (Un-Audited)	Jun - 14 (Audited)
Rupees in "000"			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	3	5,818,571	5,617,963
Long term loans and advances		11,396	10,976
Long term security deposits		1,199	1,199
		<u>5,831,166</u>	<u>5,630,138</u>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		77,754	76,603
Stock in trade		851,277	754,167
Trade debts		1,078,720	860,014
Loans and advances		73,869	69,528
Trade deposits and short term prepayments		44,552	681
Other receivables		60	60
Sales Tax refunds due from government		183,824	146,137
Income tax refundable		79,173	82,065
Cash and bank balances		66,553	89,310
		<u>2,455,782</u>	<u>2,078,565</u>
<b>TOTAL ASSETS</b>		<u><b>8,286,948</b></u>	<u><b>7,708,703</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital		150,000	150,000
Issued, subscribed and paid-up share capital		61,875	61,875
Reserves		2,221,919	2,174,437
Reassessment on post retirement benefits obligation-net of tax		(10,881)	(10,881)
		<u>2,272,913</u>	<u>2,225,431</u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long term financing		1,633,333	1,633,333
Deferred Liabilities			
Staff retirement benefits		86,681	82,083
Deferred taxation		86,019	77,476
		<u>172,700</u>	<u>159,559</u>
		<u>1,806,033</u>	<u>1,792,892</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		642,240	418,322
Accrued markup		103,819	84,390
Short term borrowings		3,170,276	2,896,001
Current portion of long term financing	4	291,667	291,667
		<u>4,208,002</u>	<u>3,690,380</u>
Contingencies and Commitments	5	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>8,286,948</b></u>	<u><b>7,708,703</b></u>

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

Karachi : October 28, 2014

  
Chairman

  
Chief Executive

*Condensed Interim Profit and Loss Account (Un-audited)*

For the Quarter ended September 30, 2014

	Note	Sep, 2014	Sep, 2013
		Rupees in "000"	
Sales	6	2,139,350	1,739,847
Cost of sales	7	1,914,450	1,500,908
Gross Profit		224,900	238,939
Distribution Costs		51,772	36,383
Administrative expenses		17,056	13,690
Other operating expenses		5,629	8,783
		74,457	58,856
		150,443	180,083
Other income		916	9,932
<b>Operating profit</b>		<b>151,359</b>	<b>190,015</b>
Financial cost		44,412	23,136
<b>Profit before taxation</b>		<b>106,947</b>	<b>166,879</b>
Taxation		28,527	15,717
<b>Profit after taxation</b>		<b>78,420</b>	<b>151,162</b>
<b>Earning per share-basic and diluted ( Rupees )</b>		<b>12.67</b>	<b>24.43</b>

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

Karachi : October 28, 2014

  
Chairman  
Chief Executive

*Condensed Interim Statement of Comprehensive Income (Un-audited)*

For the Quarter ended September 30, 2014

	Sep, 2014	Sep, 2013
	Rupees in "000"	
Profit after taxation	78,420	151,162
Other comprehensive income	-	-
Total comprehensive income	<u>78,420</u>	<u>151,162</u>

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

Karachi : October 28, 2014

  
Chairman  
Chief Executive





## Condensed Interim Cash Flow Statement (Un-audited)

For the Quarter ended September 30, 2014

	Note	Sep, 2014	Sep, 2013
Rupees in "000"			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	8	14,053	559,789
Gratuity paid		(5,796)	(5,617)
Finance cost paid		(24,983)	(18,859)
Income tax paid		(17,092)	(12,973)
Long term loans and advances		1,236	6,079
Long term security deposit		-	-
Net Cash in/(outflow) from operating activities		(46,635)	(31,370)
		<u>(32,582)</u>	<u>528,419</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Direct additions to Property Plant and Equipment		(14,240)	(11,298)
Additions to capital work in progress		(250,210)	(275,378)
Sale proceeds from disposal of Property plant and equipment		-	1,948
Net cash (Outflow) from investing activities		(264,450)	(284,728)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Net (decrease) / Increase in long term financing		-	-
Dividend paid		-	(8)
Net cash (Outflow) from financing activities		-	(8)
Net decrease in cash and cash equivalents		<u>(297,032)</u>	<u>243,683</u>
Cash and cash equivalents at the beginning of the period		(2,806,691)	(2,365,739)
Cash and cash equivalents at the end of the period	9	<u>(3,103,723)</u>	<u>(2,122,056)</u>

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

Karachi : October 28, 2014

  
Chairman

  
Chief Executive



## Condensed Interim Statement of Changes in Equity (Un-audited)

For the Quarter ended September 30, 2014

Rupees in thousand

Description	Issued, Subscribed and Paid up Capital	RESERVES					Reasurement on post retiremnt benefits obligation net of tax	Total Equity
		Capital Reserve	Revenue Reserves					
		Share premium	General Reserve	Unapp- ropriated Profit	Sub total reserves			
Balance as on July 01, 2013 - Restated	61,875	34,416	1,605,584	447,073	2,087,073	(3,753)	2,145,195	
Transfer to revenue reserves	-	-	400,000	(400,000)	-	-	-	
Transaction with owners Final Dividend for the year ended June 30, 2013 Cash Rs. 5 per share	-	-	-	(30,938)	(30,938)	-	(30,938)	
<b>Total comprehensive income for the year ended June 30, 2014</b>	-	-	-	118,302	118,302	(7,128)	111,174	
Balance as on June 30, 2014 - Restated	61,875	34,416	2,005,584	134,437	2,174,437	(10,881)	2,225,431	
Transfer to revenue reserve	-	-	85,000	(85,000)	-	-	-	
<b>Total comprehensive income for the year ended September 30, 2014</b>	-	-	-	78,420	78,420	-	78,420	
Transaction with owners Final Dividend for the year ended June 30, 2014 Cash Rs. 5 per share	-	-	-	(30,938)	(30,938)	-	(30,938)	
<b>Balance as on September 30, 2014</b>	<u>61,875</u>	<u>34,416</u>	<u>2,090,584</u>	<u>96,919</u>	<u>2,221,919</u>	<u>(10,881)</u>	<u>2,272,913</u>	

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

Karachi : October 28, 2014

  
Chairman

  
Chief Executive



## *Notes to the Condensed Interim Financial Statements (Un-audited)*

For the Quarter ended September 30, 2014

### **1 LEGAL STATUS AND OPERATIONS**

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's shares are listed at Karachi and Lahore Stock Exchanges in Pakistan. The Company is engaged in manufacturing, selling, buying and dealing in all types of yarn and knitted fabrics. Presently the Company is constructing a mega mall and residential towers at Karachi in joint venture with Lucky Textile Mills Ltd.

### **2 BASIS OF PREPARATION**

These condensed interim financial statements are un-audited and are being submitted to the shareholders are prepared in accordance with the requirements of International Accounting Standard (IAS)-34, 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirement differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

These condensed interim financial information do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2014.

### **2.1 ACCOUNTING POLICIES**

The accounting policies and methods of computation followed for the preparation of these condensed interim financial information are the same as those applied in the preparation of the annual published financial statements of the Company for the year ended June 30, 2014.

### **3 PROPERTY, PLANT AND EQUIPMENT**

		Sep-14	Jun-14
		Rupees in "000"	
Operating Fixed Assets	3.1	3,214,834	3,264,436
Capital Work in Progress	3.2	2,603,737	2,353,527
		5,818,571	5,617,963



	Sep-14	Jun-14
	Rupees in "000"	
<b>3.1 OPERATING FIXED ASSETS</b>		
Opening Written down value	3,264,436	2,704,638
<b>Addition during the period :</b>		
Main factory building	-	549,742
Other factory building	-	27,846
Plant & machinery	14,094	231,128
Office equipments	98	406
Vehicles	48	12,149
Computer equipments	-	1,099
	14,240	822,370
<b>Written down value of disposal during the period :</b>		
Main factory building	-	(2,550)
Other factory building	-	(38,848)
Plant & machinery	-	(8,481)
Testing & Office Equipment	-	-
Furniture	-	-
Vehicles	-	(1,815)
Computer equipments	-	-
	-	(51,694)
Depreciation	(63,842)	(210,878)
	<u>3,214,834</u>	<u>3,264,436</u>
<b>3.2 CAPITAL WORK IN PROGRESS</b>		
Opening	2,353,527	1,969,546
<b>Addition</b>		
Factory Building-Civil Work	7,395	82,557
Plant, Machinery and stores items held for installation	-	231,128
Construction Cost- Civil Works of the project	18,870	22,699
Mobilization advance to Lucky One (Pvt) Ltd	160,000	665,000
	186,265	1,001,384
<b>Borrowing Cost</b>		
Factory Building-Civil Work	63,945	191,313
Construction Cost	-	-
	63,945	191,313
<b>Transferred</b>		
Factory Building-Civil Work	-	(577,588)
Plant, Machinery and stores items held for installation	-	(231,128)
	-	(808,716)
Closing	<u>2,603,737</u>	<u>2,353,527</u>
<b>4 SHORT TERM BORROWINGS</b>		
Running finances under mark-up arrangements	2,710,723	2,379,176
Export Finance and Import bills	459,553	516,825
	<u>3,170,276</u>	<u>2,896,001</u>



	Sep-14	Jun-14
	Rupees in "000"	
<b>5 Guarantees:</b>		
Bank guarantees for Lucky One (Pvt.) Limited against financing for project approved under Sec 208	49,918	49,918
Others	81,945	81,945
	<u>131,863</u>	<u>131,863</u>
Post dated cheques issued to collector of customs	104,141	104,141
	<u>236,004</u>	<u>236,004</u>
<b>Commitments:</b>		
Outstanding letter of credits in respect of		
- capital expenditure	-	16,720
- non capital expenditure	9,508	16,965
	<u>9,508</u>	<u>33,685</u>
	Sep-14	Sep-13
	Rupees in "000"	
<b>6 SALES - Net</b>		
Export	1,270,655	1,018,199
Local	888,103	737,379
Export rebate	1,642	1,248
Research & Development Support	365	-
Gross sales	<u>2,160,765</u>	<u>1,756,826</u>
Less:		
- Sales tax	18,124	14,458
- Export duty and surcharge	3,290	2,522
	<u>21,414</u>	<u>16,980</u>
	<u>2,139,350</u>	<u>1,739,847</u>
<b>7 COST OF SALES</b>		
Cost of goods manufactured	1,624,653	1,506,904
Finished goods - opening inventory	620,311	322,292
Finished goods - closing inventory	(330,514)	(328,289)
	<u>1,914,450</u>	<u>1,500,908</u>



	Sep-14	Sep-13
	Rupees in "000"	
<b>8 CASH GENERATED FROM OPERATION</b>		
Profit before taxation	106,947	166,879
Adjustment for non cash charges:		
Depreciation	63,842	49,933
(Gain)/loss on sale of fixed assets	-	(425)
Finance cost	44,412	23,136
Provision for gratuity	10,394	5,375
	118,648	78,019
Changes in working capital - Note 8.1	(211,542)	314,891
	<u>14,053</u>	<u>559,789</u>
<b>8.1 Changes in working capital</b>		
(Increase)/Decrease in current assets		
Stores, spare parts and loose tools	(1,151)	1,870
Stock in trade	(97,110)	345,774
Trade debts	(218,706)	(311,963)
Loans and advances	(5,996)	(74,311)
Trade deposits and short term prepayments	(43,871)	(65)
Other receivable	-	1,059
Sales Tax refunds due from government	(37,687)	(30,637)
	(404,521)	(68,273)
Increase/(Decrease) in current liabilities		
Trade and other payables	192,979	383,164
Net Increase/(Decrease) in working capital	<u>(211,542)</u>	<u>314,891</u>
<b>9 CASH AND CASH EQUIVALENTS</b>		
Cash & cash equivalent comprise the following items as included in the balance sheet		
Cash and bank balances	66,553	34,213
Short term borrowing	(3,170,276)	(2,156,269)
	<u>(3,103,723)</u>	<u>(2,122,056)</u>


**10 TRANSACTION WITH RELATED PARTIES**

Related parties comprise of associated companies, directors of the Company, companies in which directors also hold directorship, related group companies and key management personnel.

	Sep-14	Sep-13
	Rupees in "000"	
<b>With Associates</b>		
<u>Sale of Goods and Providing of Services</u>		
- Lucky Knits (Pvt) Ltd.	43,576	66,119
- Lucky Textile Mills Ltd.	169,675	88,125
- Gadoon Textile Mills Ltd.	757	688
- Younus Textile Mills Ltd.	-	-
- Feroze 1888 Mills	-	-
	214,008	154,932
<u>Purchase of Goods and Receipt of Services</u>		
- Lucky Cement Ltd.	1,541	2,883
- Lucky Textile Mills Ltd.	-	88,125
- Gadoon Textile Mills Ltd.	51,498	62,544
- Lucky Knits (Pvt) Ltd.	6,227	6,217
- Lucky Energy (Pvt) Ltd.	218,774	166,852
- ICI Pakistan Ltd.	169,871	60,297
	447,911	386,918
<u>Sale of Machinery</u>		
- Gadoon Textile Mills Ltd.	-	1,800
<u>Mobilization advance</u>		
- Lucky one (Pvt) Ltd	160,000	220,000
<u>Long Term Loan Received</u>		
- Lucky Energy (Pvt) Ltd.	425,000	250,000
- Lucky Knits (Pvt) Ltd.	-	425,000
<b>Benefits to Key Management Personnel</b>		
Long term loans to executive	-	-
Bonus and Earned leaves	2,782	4,025

All transaction with associated undertaking are at arm's length

**11 DATE OF AUTHORIZATION FOR ISSUE**

These Condensed Interim Financial Statements were authorized for issue on October 28, 2014 by the Board of Directors of the Company.

**12 GENERAL**

Figures have been rounded off to the nearest thousand rupees.

Karachi : October 28, 2014

Chairman

Chief Executive



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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](mailto:finance@fazaltextile.com)  
[www.fazaltextile.com](http://www.fazaltextile.com)

CORPORATE