

Quarterly Report
September 30,

2013



FAZAL TEXTILE MILLS LIMITED



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1st Quarterly Report 2013





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

Mr. Toufique Yusuf
FCA FICS

HEAD OF INTERNAL AUDIT DEPARTMENT

Mr. Muhammad Faheemullah

AUDIT COMMITTEE

Mr. Javed Yunus 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.
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E-mail: finance@fazaltextile.com
Website : www.fazaltextile.com



DIRECTORS' REPORT TO THE MEMBERS

The Directors of your Company are pleased to present before you the financial statements of the Company for the quarter ended September 30, 2013.

Overview

Following a year of moderate growth in local and export sales resulting in reasonable profitability, the quarter ended September 30, 2013 witnessed encouraging results on the back of better yarn market and higher production due to capacity expansion. The quarter, under review shows a better financial results.

Financial Performance:

A comparison of the key financial results of the Company for the quarter ended on September 30, 2013 with the same period last year is as under:

	SEPTEMBER		Percentage
	2013	2012	Change
Export	1,019,447	834,940	22.10
Local	737,379	448,645	64.36
Sales (gross)	1,756,826	1,283,585	36.87
Gross Profit	238,939	155,338	53.82
Finance Cost	23,136	10,677	(116.69)
Profit Before Tax	166,879	88,167	89.27
Profit After Tax	151,162	84,960	77.92
Earnings per share	24.43	13.73	

With additional production on account of increased production capacity, your Company took full advantage of the favourable market conditions both at home and abroad.

Net Sales hit a level of Rs.1,739 million (1Q 2012: Rs.1,281 million) enabling the Company to achieve a 53.82% increase in gross profit from Rs. 155,338 million last year to Rs.238,939 million in the quarter under review.

The Finance Cost registered rise of 116.69% to Rs.23,136 million over corresponding quarter of Rs. 10,677 million to cater to enhanced borrowings to meet funds requirement for production, capital expenditure, extended period of credit to fetch export orders and higher borrowings in local currencies on KIBOR benchmark.

Future Outlook:

The size of cotton crop is reportedly short of domestic consumption. As a result, the prices of lint cotton are a little high adding to cost of production. At the same time the yarn market seems a little bit under pressure, which may impact the future profitability, but your management will strive hard to maintain the bottom line at a reasonable level. The construction activities of the Mall are in full swing and it is expected that the first phase of the Mall will be completed and handed over to the potential tenants by June 2015.



Acknowledgements:

Your directors record the appreciation of the efforts and performance of the Company's executives, officers, staff and technical/production workers and the support and cooperation extended by its customers, bankers and the Government agencies during the period.

For and on behalf of the Board

Chairman

Karachi: October 28, 2013



Condensed Interim Balance Sheet (Unaudited)

As at September 30, 2013

	Note	Sept. 2013	June 2013
Rupees in "000"			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	4,909,404	4,674,184
Long term loans and advances		11,892	17,971
Long term security deposits		1,259	1,259
		<u>4,922,555</u>	<u>4,693,414</u>
CURRENT ASSETS			
Stores, spare parts and loose tools		76,516	78,386
Stock in trade		940,197	1,285,971
Trade debts		1,466,839	1,154,876
Loans and advances		132,098	57,787
Trade deposits and short term prepayments		363	298
Other receivables		5,144	6,203
Sales Tax refunds due from government		124,290	93,653
Income tax refundable-payments less provision		42,839	47,422
Cash and bank balances		34,213	19,325
		<u>2,822,499</u>	<u>2,743,921</u>
TOTAL ASSETS		<u><u>7,745,054</u></u>	<u><u>7,437,335</u></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		2,207,914	2,087,690
		<u>2,269,789</u>	<u>2,149,565</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing		2,175,000	2,175,000
Deferred Liabilities		55,539	55,781
Staff retirement benefits		16,975	18,814
Deferred taxation		72,514	74,595
		<u>2,247,514</u>	<u>2,249,595</u>
CURRENT LIABILITIES			
Trade and other payables		1,015,258	601,164
Accrued markup		56,224	51,947
Short term borrowings	4	2,156,269	2,385,064
		<u>3,227,751</u>	<u>3,038,175</u>
Contingencies and Commitments		-	-
TOTAL EQUITY AND LIABILITIES		<u><u>7,745,054</u></u>	<u><u>7,437,335</u></u>

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

Karachi : October 28, 2013

Chairman

Director

Fazal Textile Mills Limited

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Condensed Interim Profit And Loss Account (Unaudited) For the Quarter ended September 30, 2013

	Note	Sept. 2013	Sept. 2012
Rupees in "000"			
Sales	6	1,739,847	1,281,808
Cost of sales	7	1,500,908	1,126,470
Gross profit		238,939	155,338
Distribution Costs		36,383	39,216
Administrative expenses		13,690	13,505
Other operating expenses		8,783	4,640
		58,856	57,361
		180,083	97,977
Other Income		9,932	867
Operating profit		190,015	98,844
Finance cost		23,136	10,677
Profit before taxation		166,879	88,167
Taxation		15,717	3,207
Profit after taxation		151,162	84,960
Earning per share-basic and diluted (Rupees)	10	24.43	13.73

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

Karachi : October 28, 2013

Chairman

Director



Condensed Interim Statement of Comprehensive Income (Unaudited)
For the Quarter ended September 30, 2013

	Sept. 2013	Sept. 2012
	Rupees in "000"	
Profit after taxation	151,162	84,960
Other comprehensive income	-	-
Total comprehensive income	<u>151,162</u>	<u>84,960</u>

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

Karachi : October 28, 2013

Chairman

Director

Fazal Textile Mills Limited





Condensed Interim Cash Flow Statement (Unaudited)

For the Quarter ended September 30, 2013

	Note	Sept. 2013	Sept. 2012
CASH FLOW FROM OPERATING ACTIVITIES			
Rupees in "000"			
Profit before taxation		166,879	88,167
Adjustment for:			
Depreciation		49,933	37,163
Provision for slow moving / obsolete items		-	-
Provision for doubtful debts		-	-
Profit on disposal of property, plant and equipment		(425)	-
Finance cost		23,136	10,677
Provision for gratuity		5,375	3,713
Other non cash items		-	-
		<u>78,019</u>	<u>51,553</u>
		244,898	139,720
Changes in working capital			
(Increase)/Decrease in current assets			
Stores, spare parts and loose tools		1,870	4,315
Stock in trade		345,774	257,022
Trade debts		(311,963)	(242,624)
Loans and advances		(74,311)	(78,246)
Trade deposits and short term prepayments		(65)	7,091
Other receivable		1,059	(27,678)
Tax refunds due from government		(30,637)	-
		<u>(68,273)</u>	<u>(80,120)</u>
Increase/(Decrease) in current liabilities			
Trade and other payables		383,164	(4,983)
		<u>314,891</u>	<u>(85,103)</u>
Cash generated from operations		559,789	54,617
Payments for / receipts from			
Long term loans and advances		6,079	1,696
Gratuity		(5,617)	(2,615)
Finance cost		(18,859)	(20,544)
Income tax paid		(12,973)	(9,630)
		<u>(31,370)</u>	<u>(31,093)</u>
Net cash generated from/(used in) operating activities		528,419	23,524
CASH FLOW FROM INVESTING ACTIVITIES			
Direct additions to Property Plant and Equipment		(11,298)	(2,577)
Additions to capital work in progress		(275,378)	(160,902)
Sale proceeds from disposal of Property plant and equipment		1,948	-
Net cash In/(Outflow) from investing activities		<u>(284,728)</u>	<u>(163,479)</u>
CASH FLOW FROM FINANCIAL ACTIVITIES			
Proceeds from long term loans		-	95,000
Payment of dividend		(8)	-
Net cash In/(Outflow) from financial activities		<u>(8)</u>	<u>95,000</u>
Net decrease in cash and cash equivalents		243,683	(44,955)
Cash and cash equivalents at the beginning of the period		(2,365,739)	(2,285,259)
Cash and cash equivalents at the end of the period	8	<u>(2,122,056)</u>	<u>(2,330,214)</u>

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

Karachi : October 28, 2013


Chairman


Director





Condensed Interim Statement Of Changes In Equity (Unaudited) For the Quarter ended September 30, 2013

Rupees in thousand

Description	Paidup Capital	Capital Reserve	Revenue Reserve	Unappropriated Profit	Total
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, 2011	-	-	-	(24,750)	(24,750)
Total comprehensive income for the year					
Profit for the year	-	-	-	436,246	436,246
Other comprehensive income	-	-	-	-	-
	-	-	-	436,246	436,246
Balance as on June 30, 2013	61,875	34,416	1,605,584	447,690	2,149,565
Transfer to revenue reserves	-	-	400,000	(400,000)	-
Transaction with owners					
Final Dividend for the year ended June 30, 2013	-	-	-	(30,938)	(30,938)
Total comprehensive income for the year					
Profit for the year	-	-	-	151,162	151,162
Other comprehensive income	-	-	-	-	-
	-	-	-	151,162	151,162
Balance as on September 30, 2013	61,875	34,416	2,005,584	167,914	2,269,789

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

Karachi : October 28, 2013

Chairman

Director

Fazal Textile Mills Limited





Notes To The Condensed Interim Financial Statements (Un-audited) For The Quarter Ended September 30, 2013

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 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.

2.1 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, 2013.

Sept. June
2013 2013

Rupees in "000"

3 PROPERTY, PLANT AND EQUIPMENT

Operating Fixed Assets	2,664,480	2,704,638
Capital Work in Progress	2,244,924	1,969,546
	<u>4,909,404</u>	<u>4,674,184</u>

3.1 OPERATING FIXED ASSETS

Opening written down value	2,704,638	2,197,596
Addition during the period :		
Land (Lease hold)	-	-
Main factory building	-	127,090
Other factory building	-	25,362
Plant and machinery	2,634	515,703
Office equipments	170	1,150
Vehicles	8,024	5,898
Computer Equipments	470	1,567
	11,298	676,770



Sept.
2013

June
2013

Rupees in "000"

Written down value of disposal during the period :

Plant and machinery	1,523	8,717
Computer Equipment	-	143
Vehicles	-	52
	1,523	8,912
Depreciation	49,933	160,816
Closing written down value	<u>2,664,480</u>	<u>2,704,638</u>

3.2 Capital work in progress

Opening 1,969,546 1,100,859

Addition

Factory Building - Civil work	19,259	229,310
Plant, machinery and store items held for installation	-	-
Construction cost incurred for Lucky One Project	535	19,014
Mobilization advance to Lucky One (Pvt.) Ltd	220,000	665,612
	239,794	913,936

Borrowing Cost

Factory building - civil work	-	38,801
Construction cost	35,584	102,886
	35,584	141,687

Transferred

Factory building - civil work	-	152,452
Plant, machinery and store items held for installation	-	34,484
Construction cost	-	-
	-	186,936

Closing 2,244,924 1,969,546

4 SHORT TERM BORROWINGS

Secured

Running finances under mark-up arrangements	1,380,879	520,459
Export Finance and Import bills	775,390	1,864,605
	<u>2,156,269</u>	<u>2,385,064</u>



- 4.1 Running finances carry markup at the rates ranging between 9.15% to 13.5% (2012: 10.5% to 15%) payable on quarterly basis, whereas export finances and Import bills are in foreign currency carrying markup at the ranging from 1.15% to 1.5% (2012: 1.2% to 2.25%) payable on quarterly basis. As at the balance sheet date the aggregate sanctioned limit of these short term borrowing facilities aggregated to Rs. 2,700 million (2012: 3,200 million) out of which un availed facilities amounted Rs. 315 million (2012: 902 million).
- 4.2 These finances are secured by first / joint / subordinated pari passu hypothecation charge over all the present and future movables and receivables including but not limited to stocks, book debts and other receivables of the company and by Lien on duly accepted foreign bills.

5 CONTINGENCIES AND COMMITMENTS

5.1 Contingencies:

- 5.1.1 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 and in view of legal advisor there is no likelihood of any unfavourable outcome.
- 5.1.2 Deemed assessment for the tax year 2008, 2009, 2010, 2011 has subsequently been amended against which the company's appeals at first stage were successful, however the department preferred second appeal which are pending for the hearing. The tax advisor confirmed that the amount involved is Rs. 15.266 million out of which 14.540 million is in respect of deletion of WWF by the appellate commissioner. The company intends to defend appeals vigourously
- 5.1.3 The Company had filed Constitutional Writ Petitions in the Honorable Supreme Court of Pakistan against the order of Honorable High Court of Sindh, Karachi, in respect of confirmation of levy of workers welfare fund for the years from the tax years 2009 to 2011. The case is pending for hearing, however the management and the legal council of the company are of the opinion that the case will be decided favorably as the company is engaged in exports hence no provision is made in these financial statements. The aggregate amount involved is Rs. 29.188 millions which includes amount of Rs.14.540 Million as stated in Note 5.1.2.

5.2 Guarantees:	Sept. 2013	June 2013
	Rupees in "000"	
Bank guarantees for		
Related Party	49,918	49,918
Others	75,248	75,248
	125,166	125,166
Post dated cheques issued to collector of customs	87,945	75,916
	<u>213,111</u>	<u>201,082</u>
5.3 Commitments:		
Outstanding letter of credits in respect of -		
capital expenditure	1,304	71,901
- non capital expenditure	2,642	27,080
	<u>3,946</u>	<u>98,981</u>



	Sept. 2013	Sept. 2012
6 SALES - Net	Rupees in "000"	
Export	1,018,199	833,716
Local	737,379	448,645
Export rebate	1,248	395
Research & Development Support	-	829
Gross sales	1,756,827	1,283,585
Less:		
- Sales tax	14,458	-
- Export duty and surcharge	2,522	1,776
	16,980	1,776
	<u>1,739,847</u>	<u>1,281,808</u>
7 COST OF SALES		
Raw material consumed		
Opening inventory	928,951	701,392
Purchases	688,727	562,730
Available for consumption	1,617,678	1,264,122
Closing inventory	(578,844)	(330,041)
Raw material consumed	1,038,834	934,082
Manufacturing expenses		
Stores, spares and packing	67,552	37,600
Salaries, wages & other benefits	142,515	81,347
Power and electricity	157,079	108,805
Knitting, dyeing and printing charges	42,553	35,186
Insurance	863	677
Repairs and maintenance	4,222	4,342
Labor welfare	2,046	1,433
Depreciation	48,211	35,633
Other manufacturing expenses	1,365	1,696
	466,406	306,718
	1,505,240	1,240,799
Work in process - opening inventory	34,728	12,206
Work in process - closing inventory	(33,064)	(25,042)
	1,664	(12,836)
Cost of goods manufactured	1,506,905	1,227,963
Finished goods - opening inventory	322,292	197,670
Available for sales	1,829,197	1,425,633
Finished goods - closing inventory	(328,289)	(299,163)
	<u>1,500,908</u>	<u>1,126,470</u>

7.1 This includes Rs 3.307 million in respect of staff retirement benefits (2012 : 13.572 million)



Sept.
2013

Sept.
2012

Rupees in "000"

8 CASH AND CASH EQUIVALENTS

Cash & cash equivalent comprise the following items as included in the balance sheet

Cash and bank balances	34,213	31,453
Short term borrowing	(2,156,269)	(2,361,667)
	<u>(2,122,056)</u>	<u>(2,330,214)</u>

9 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. 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:

Sept.
2013

Sept.
2012

Rupees in "000"

With Associates

Sale of Goods and Providing of Services

- Lucky Knits (Pvt) Ltd.	66,119	57,960
- Lucky Textile Mills Ltd.	88,125	12,065
- Gadoon Textile Mills Ltd.	688	220
- Younus Textile Mills Ltd.		1,320
- Feroze 1888 Mills		-
	<u>154,932</u>	<u>71,565</u>

Purchase of Goods and Receipt of Services

- Lucky Cement Ltd.	2,883	10,163
- Lucky Textile Mills Ltd.	88,125	-
- Gadoon Textile Mills Ltd.	62,544	90,654
- Lucky Knits (Pvt) Ltd.	6,217	700
- Lucky Energy (Pvt) Ltd.	166,852	115,505
- ICI Pakistan Ltd.	60,297	-
	<u>386,918</u>	<u>217,022</u>



	Sept. 2013	Sept. 2012
	Rupees in "000"	
Sale of Machinery		
- Gadoon Textile Mills Ltd.	1,800	-
Rent, Allied and Other Charges Received		
- Lucky Energy (Pvt) Ltd.	-	781
Mobilization advance		
- Lucky one (Pvt) Ltd	220,000	157,075
Long Term Loan Received		
- Lucky Energy (Pvt) Ltd.	250,000	-
- Lucky Knits (Pvt) Ltd.	425,000	-
Dividend Paid		
- Lucky Energy (Pvt) Ltd.	-	-
- Directors	-	-

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

10 EARNING PER SHARE

Profit after taxation (Rs. In "000")	<u>151,162</u>	<u>84,960</u>
Weighted average number of ordinary shares	<u>6187503</u>	<u>6187503</u>
Earning per share (Rs)	<u>24.43</u>	<u>13.73</u>

11 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on October 28, 2013 by the Board of Directors.

12 GENERAL

12.1 Provision wherever made are estimated and are subject to final adjustment in annual financial statements.

12.2 Figures have been rounded off to the nearest thousand rupees

Karachi : October 28, 2013


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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CORPORATE