



 SURAJ COTTON MILLS LIMITED

QUARTERLY REPORT*
September 30, 2009



*unaudited



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COMPANY INFORMATION

Board of Directors

Ahsan Bashir
Amjad Mahmood
Asif Bashir
Humayun Maqbool
Khalid Bashir (Chairman)
Nadeem Maqbool (Chief Executive)
Rashid Ahmed (Nominee:NIT)

Chief Financial Officer

Farooq Ahmad

Audit Committee

Khalid Bashir (Chairman)
Asif Bashir (Member)
Humayun Maqbool (Member)
Khaleeqe Ahmad (Secretary)

Auditors

Ernst & Young Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Bankers

Allied Bank Limited
First National Bank Modarba
Habib Bank Limited
MCB Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
The Bank of Punjab
United Bank Limited
Dubai Islamic Bank Limited

Registered Office

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Lahore

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Project Locations

Nooriabad, District Dadu, Sindh.
Kotla Kahloon, District Nankana Sahib, Punjab.
Bhaikot, Raiwind, Punjab.

DIRECTOR'S REPORT

On behalf of the Board of Directors, I am pleased to present the un-audited financial statements for the period ended 30 September 2009.

Operating Results

During the period under review the Company's sales were Rs. 1.463 billion and the profit after tax was Rs. 50.520 million as compared to Rs. 32.740 million. Earnings per share was Rs. 2.81 (corresponding period: Rs. 1.82). Selling and distribution expenses remained largely within control and the financial charges were lower by approximately 15%.

The Company managed to reduce its financial charges due to efficient management of funds aided by lower mark up rates due to reduction in KIBOR. However, the cost of borrowing money is still high which places a greater burden on the spinning industry because of seasonal requirements of raw material.

Future Prospects

The present year has opened with brighter prospects for the textile industry with all sectors reporting better prices and firm demand. This trend has become more pronounced in the later part of the quarter and it is expected that this may contribute to better industry earnings. However, it is very important that the demand must be sustainable for the recovery process to take hold in a meaningful fashion.

The cotton crop in Pakistan continues to be static and is expected to be around 12 million bales. The prices started on a firm note at the outset of the season and continue to maintain an upward trend. The world prices also remain high as demand exceeds. Pakistan's industry will have to import quantities at a very high cost due to the weak Rupee as well as high world prices.

We expect that the industry will undergo a period of better earnings which should translate into better returns to the stakeholders. A note of caution is with respect to the higher input costs and general inflationary trends. These will have to be addressed through government policies which may also work towards a reduction in financial costs which continue to remain high.

Acknowledgement

We are grateful to the Board of Directors who have always guided us and to all our employees for their dedication and loyalty. We would also like to thank our shareholders, bankers, suppliers and all our partners who cooperated with us throughout the year.

Nadeem Maqbool
Chief Executive

October 28, 2009
Lahore

INTERIM CONDENSED BALANCE SHEET

As At September 30, 2009

	Un Audited September 30, 2009	Audited June 30, 2009
Note	(Rupees in thousands)	
EQUITY AND LIABILITIES		
Share capital and reserves		
Authorized share capital 50,000,000 (30 June 2009: 50,000,000) ordinary shares of Rupees 10 each	500,000	500,000
Issued, subscribed and paid up share capital	180,000	180,000
Capital reserves	36,078	17,070
Revenue reserves	1,247,965	1,197,445
Total equity	1,464,043	1,394,515
Non-current liabilities		
Long term financing- secured	472,041	504,966
Liabilities against assets subject to finance lease	26,979	32,673
Deferred tax	128,428	128,428
	627,448	666,067
Current liabilities		
Trade and other payables	374,677	406,548
Interest accrued on secured loans	50,902	46,420
Short term borrowings	510,278	617,054
Current portion of long term financing	235,624	219,853
	1,171,481	1,289,875
Total liabilities	1,798,929	1,955,942
Total equity and liabilities	3,262,972	3,350,457
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The annexed notes from 1 to 15 form an integral part of this interim condensed financial information.

Chief Executive

	Un Audited	Audited
	September	June
	30, 2009	30, 2009
Note	(Rupees in thousands)	
ASSETS		
Non-current assets		
Property, plant and equipment	6	
Operating fixed assets	1,967,087	2,019,397
Assets subject to finance lease	60,900	62,462
Capital work in progress	34,776	29,595
	2,062,763	2,111,454
Available for sale investment	7	
Long term deposits	17	21
	15,873	15,873
	2,078,653	2,127,348
Current assets		
Stores, spares and loose tools	77,519	77,189
Stock-in-trade	652,181	711,286
Trade debts	287,572	285,817
Short term loans and advances	8	
Trade deposits and short term prepayments	12,966	17,861
Balance with statutory authorities	5,116	1,819
Taxation- net	18,036	19,661
Other receivables	42,046	41,231
Short term investments	9	
Cash and bank balances	1,045	2,357
	69,411	52,345
	18,427	13,543
	1,184,319	1,223,109
Total assets	3,262,972	3,350,457

Director

INTERIM CONDENSED PROFIT & LOSS ACCOUNT (Un-Audited)
For The Period Ended September 30, 2009

	September 30, 2009	September 30, 2008
Note	(Rupees in thousands)	
Sales - net	1,463,691	1,331,988
Cost of sales	10 1,320,345	1,155,163
Gross profit	143,346	176,825
Distribution cost	14,350	14,165
Administrative expenses	15,786	14,635
Other operating expenses	11 5,284	53,205
	35,420	82,005
Other operating income	107,926	94,820
	1,078	1,848
Finance cost	109,004	96,668
Profit before tax	58,337	35,867
Taxation	7,817	3,127
Profit after tax	50,520	32,740
Earning per share - Basic and diluted (Rupees)	2.81	1.82

The annexed notes from 1 to 15 form an integral part of this interim condensed financial information.

Chief Executive

Director

INTERIM CONDENSED CASH FLOW STATEMENT (Un-Audited)
For The Period Ended September 30, 2009

	September 30, 2009	September 30, 2008
	(Rupees in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	58,337	35,867
Adjustment for non-cash and other items:		
Depreciation	51,046	55,771
Gain on disposal of property, plant and equipment	(217)	(571)
Realized loss on investment - held for trading	-	1,973
Unrealized loss on investment held for trading	1,943	13,029
Loss in revaluation of long term bill payable		1,149
Finance cost	50,667	60,801
Cash flows from operating activities before working capital changes	161,776	168,019
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(330)	(15,551)
Stock in trade	59,112	155,904
Trade debts	(1,755)	(134,552)
Loans and advances	4,895	(4,327)
Trade deposits and short term prepayments	(3,297)	(107)
Tax refunds due from the Government	1,625	4,694
Other receivables	1,313	552
Increase / (decrease) in current liabilities:		
Trade and other payables	(31,871)	48,372
Net cash from / (used in) working capital changes	29,692	54,985
Cash generated from operations	191,468	223,004
Finance cost paid	(46,189)	(50,141)
Income tax paid	(8,633)	(5,469)
Net cash from / (used in) operating activities	136,646	167,394
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(6,289)	(18,628)
Proceeds from sale of property, plant and equipment	4,150	4,800
Investments made		(17,641)
Increase in long term deposits		418
Net cash used in investing activities	(2,139)	(31,051)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing - net	(19,487)	(52,059)
Repayment of finance lease liabilities	(3,361)	(4,820)
Short term borrowings - net	(106,775)	(78,239)
Net cash used in financing activities	(129,623)	(135,118)
Net increase/(decrease) in cash and cash equivalents	4,884	1,225
Cash and cash equivalents at the beginning of the period	13,543	5,666
Cash and cash equivalents at the end of the period	18,427	6,891

The annexed notes from 1 to 15 form an integral part of this interim condensed financial information.

Chief Executive

Director

