



Quarterly Report

30 September 2014

(Un-audited)



Contents

02	Company Information
03	Directors' Report
04	Balance Sheet
06	Profit & Loss Account
07	Statement of Comprehensive Income
08	Cash Flow Statement
09	Statement of Changes in Equity
10	Notes to the Financial Statements

Company Information

Board of Directors

Khalid Bashir	(Chairman)
Nadeem Maqbool	(Chief Executive)
Ahsan Bashir	
Amjad Mahmood	
Asif Bashir	
Humayun Maqbool	
Mohammad Iqbal	

Chief Financial Officer

Farooq Ahmad

Company Secretary

Muhammad Saleem Hussain

Audit Committee

Humayun Maqbool	(Chairman)
Khalid Bashir	(Member)
Asif Bashir	(Member)

HR & R Committee

Ahsan Bashir	(Chairman)
Asif Bashir	(Member)
Humayun Maqbool	(Member)

Legal Advisor

Muhammad Iqbal Khawaja

Share Registrar

Crescent Group (Pvt.) Ltd.
10th Floor, BOP Tower, 10-B,
Block E-2, Gulberg III, Lahore

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Bankers

Allied Bank Limited
Habib Bank Limited
MCB Bank Limited
Standard Chartered Bank (Pakistan) Limited
United Bank Limited
Dubai Islamic Bank Limited
Habib Metropolitan Bank Limited

Registered Office

7-B-III, Aziz Avenue, Gulberg-V, Lahore.
Ph: +92-423-576 0381
Fax: +92-423-576 0376
Email: info@suraj.com
Web: www.suraj.com

Project Locations

Nooriabad, Sindh.
Shahkot, District Nankana Sahib, Punjab.
Rawind, District Lahore, Punjab.



Directors' Report

On behalf of the Board of Directors, I am pleased to present the financial statements for the first quarter ended 30 September 2014. The company's performance resulted in a net profit of Rs. 97.031 million yielding earnings per share of Rs. 4.50.

Sales for the period were approximately 5% lower than the corresponding period with export sales decreasing by approximately 38%, with the major reduction being in fabric exports. Administrative and other operating expenses were higher due to normal inflationary pressures and distribution costs declined due to lower exports. Financial charges for the period saw a reduction of 10%. Although this is normal for this period due to lower raw material inventories, it also points towards the better financial position of the company.

Future Prospects

The current financial year has started with lower raw material prices but demand for yarn and fabrics remains very depressed. We face increasing competition from India which has reduced prices of yarn significantly which has eroded our market share in China. This reduction in demand has led to lower prices affecting our profitability. It is now imperative to move away from traditional product lines and diversify into new products which can provide better margins. We are also focusing on reducing our cost of doing business to prevent erosion of profits. Expenses are increasing on account of higher inflation and an abnormal increase in the price of electricity. Gas prices have also increasing on a regular basis with little or no availability, especially in Punjab. These factors will combine to erode our operating margins significantly and we must advise that the results will be significantly lower.

Pakistan's cotton output is expected to be higher than last year and prices should decline to lower levels compared to the previous year. World prices are also expected to remain lower due to higher crops in all the cotton growing countries and higher raw cotton stocks. We hope that this will enable us to meet our requirements at competitive prices.

We expect that the industry will not be able to maintain the results of the previous year but should manage to perform with reasonable margins. The key element remains expensive and scarce energy. We expect that the prevailing shortages will compound as the winter months set in.

The management is working towards improvement in efficiencies and productivity as well as enhanced cost controls. We are also examining various options to diversify into new business and will apprise our shareholders of this in future reports.

Acknowledgements

We would like to thank the Board of Directors for their guidance at all times and to our employees for their dedication. We would also like to thank our shareholders and all our business partners for their cooperation.

Nadeem Maqbool
Chief Executive

October 28, 2014
Lahore

Condensed Interim Balance Sheet

As At September 30, 2014

	Un-Audited September 30, 2014	Audited June 30, 2014
Note	(Rupees in thousand)	
EQUITY AND LIABILITIES		
Share capital and reserves		
Authorized share capital		
50,000,000 (30 June 2014: 50,000,000) ordinary shares of Rupees 10/- each	500,000	500,000
Issued, subscribed and paid up share capital	217,800	217,800
Capital reserves	38,829	38,667
Revenue reserves	3,787,905	3,690,874
	4,044,534	3,947,341
Non-current liabilities		
Long term financing	240,626	251,537
Liabilities against assets subject to finance lease	590	635
Deferred taxation	215,535	215,535
	456,751	467,707
Current liabilities		
Trade and other payables	823,889	791,840
Accrued interest on financing	17,228	19,213
Short term borrowings	339,965	205,276
Current portion of long term liabilities	103,215	115,691
	1,284,297	1,132,020
	1,741,048	1,599,727
TOTAL EQUITY AND LIABILITIES	5,785,582	5,547,068
CONTINGENCIES AND COMMITMENTS		
	6	

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

CHIEF EXECUTIVE OFFICER



		Un-Audited September 30, 2014	Audited June 30, 2014
	Note	(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment	7	1,974,772	1,982,781
Investment properties		100,000	100,000
Long term deposits		19,531	19,531
		2,094,303	2,102,312
Current assets			
Stores, spares and loose tools		84,212	89,846
Stock in trade		1,225,747	1,372,741
Trade debts		408,361	459,258
Loans and advances	8	54,289	56,046
Trade deposits and short term prepayments		22,902	4,618
Balances with statutory authorities		54,497	70,306
Taxation- net		1,874	3,024
Other receivables		2,022	817
Short term investments	9	1,637,102	1,185,844
Cash and bank balances		188,690	190,673
Assets held for sale		11,583	11,583
		3,691,279	3,444,756
TOTAL ASSETS		5,785,582	5,547,068

Condensed Interim Profit And Loss Account (Un-Audited)

For the period ended September 30, 2014

		September 30, 2014	September 30, 2013
	Note	(Rupees in thousand)	
Sales	10	2,510,221	2,626,277
Cost of sales	11	2,303,207	2,249,189
Gross profit		207,014	377,088
Distribution cost		43,706	73,031
Administrative expenses		27,117	25,929
Other operating expenses	12	19,612	21,925
		90,435	120,885
Other operating income		116,579	256,203
		29,091	31,790
		145,670	287,993
Finance cost		17,514	19,502
Profit before taxation		128,156	268,491
Taxation	13	31,125	27,963
Profit after taxation		97,031	240,528
Earnings per share Basic and diluted (Rupees)		4.46	11.04

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



Condensed Interim Statement of Comprehensive Income (Un-Audited)

For the period ended September 30, 2014

	September 30, 2014	September 30, 2013
	(Rupees in thousand)	
Profit for the period	97,031	240,528
Other comprehensive income:		
Net unrealized gain on available for sale investment	162	5,070
Total comprehensive income for the period	97,193	245,598

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

Condensed Interim Cash Flow Statement (Un-Audited)

For the period ended September 30, 2014

	September 30, 2014 (Rupees in thousand)	September 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	128,156	268,491
Adjustment for non-cash and other items:		
Depreciation	48,104	48,470
Gain on disposal of property, plant and equipment	-	(3,028)
Unrealized (gain) on revaluation of held for trading investments	(21,395)	(6,023)
Dividend income	(1,680)	(611)
Finance cost	17,514	19,502
Cash flows from operating activities before working capital changes	170,699	326,801
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	5,634	27,608
Stock in trade	146,994	291,444
Trade debts	50,897	(46,963)
Loans and advances	1,757	(26,221)
Trade deposits and short term prepayments	(18,284)	368
Balances with statutory authorities	15,809	(6,811)
Other receivables	(1,205)	653
Increase in current liabilities:		
Trade and other payables	32,049	(38,333)
Net cash from / (used in) working capital	233,651	201,745
Cash generated from / (used in) operations	404,350	528,546
Finance cost paid	(19,499)	(21,240)
Income tax paid	(29,976)	(22,023)
Net cash from / (used in) operating activities	354,875	485,283
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(40,609)	(913)
Proceeds from disposal of property, plant and equipment	514	3,740
Investments made - net	(429,700)	(411,778)
Dividend received	1,680	611
Net cash used in investing activities	(468,115)	(408,340)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing - net	(23,379)	(14,781)
Repayment of finance lease liabilities	(53)	-
Increase / (decrease) in short term borrowings - net	134,689	(48,753)
Net cash from / (used in) financing activities	111,257	(63,534)
Net (decrease) / increase in cash and cash equivalents	(1,983)	13,409
Cash and cash equivalents at the beginning of the period	190,673	95,510
Cash and cash equivalents at the end of the period	188,690	108,919

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

Condensed Interim Statement of Changes in Equity (Un-Audited)

For the period ended September 30, 2014

	Share capital	Capital Reserves			Revenue Reserves			Total
		Premium on issue of shares	Unrealized gain / (loss) on available-for-sale investments	Sub total	General	Unappropriated profit	Sub total	
------(Rupees in thousand)-----								
Balance as at 01 July 2013	198,000	29,000	4,984	33,984	2,214,000	963,012	3,177,012	3,408,996
Net profit for the period from 01 July 2013 to 30 September 2013	-	-	-	-	-	240,528	240,528	240,528
Other comprehensive income	-	-	(959)	(959)	-	-	-	(959)
Total comprehensive income for the period	-	-	(959)	(959)	-	240,528	240,528	239,569
Balance as on 30 September 2013	198,000	29,000	4,025	33,025	2,214,000	1,203,540	3,417,540	3,648,565
Balance as on 01 July 2014	217,800	29,000	9,667	38,667	2,964,000	726,874	3,690,874	3,947,341
Net profit for the period from 01 July 2014 to 30 September 2014	-	-	-	-	-	97,031	97,031	97,031
Other comprehensive income	-	-	162	162	-	-	-	162
Total comprehensive income for the period	-	-	162	162	-	97,031	97,031	97,193
Balance as on 30 September 2014	217,800	29,000	9,829	38,829	2,964,000	823,905	3,787,905	4,044,534

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

Selected Notes To The Interim Financial Information (Un-Audited)

For the period ended September 30, 2014

1. THE COMPANY AND ITS ACTIVITIES

Suraj Cotton Mills Limited (the Company) is a public limited company incorporated in Pakistan under the Companies Act, 1913 (Now Companies Ordinance, 1984). The registered office of the Company is located at 7-B-III, Aziz Avenue, Gulberg-V, Lahore. Its shares are quoted on Karachi and Lahore Stock Exchanges in Pakistan. The Company is engaged in the manufacturing, sale and trading of yarn, cloth and processing of cloth.

2. BASIS OF PREPARATION

- 2.1 This interim condensed financial information is unaudited and is being submitted to shareholders, as required by section 245 of Companies Ordinance, 1984.
- 2.2 This interim financial information of the Company for the period ended 30 September 2014 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34, "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.
- 2.3 The accounting policies and the methods of computation adopted in preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements of the Company for the year ended 30 June 2014 except as follows:

IAS 19 - Employee Benefits – (Revised)

IFRS 7 - Financial Instruments: Disclosures - (Amendment)

- Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

FIRIC 20 - Stripping Costs in the Production Phase of a Surface Mine

The adoption of the above revision, amendments and interpretations of the standards did not have any effect on the condensed interim financial information.

Further, certain new standards have been issued by IASB which are effective for accounting periods beginning on or after 01 January 2013 but are yet to be notified by the SECP for the purpose of applicability in Pakistan.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Judgments and estimates made by the management in the preparation of this interim financial information are the same as those applied in the preparation of the preceding annual published financial statements of the Company for the year ended 30 June 2014.

4. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amount of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of the estimation are the same as those that applied to the financial statements for the year ended 30 June 2014.

	Un-Audited September 30, 2014	Audited June 30, 2014
Note	(Rupees in thousand)	
5. LONG TERM FINANCING - secured		
Opening balance	367,010	420,676
Acquired/(repaid) during the period / year	(23,379)	(53,666)
	343,631	367,010
Less: Current portion	103,005	115,473
	240,626	251,537

Selected Notes To The Interim Financial Information (Un-Audited)

For the period ended September 30, 2014

6. CONTINGENCIES AND COMMITMENTS

Contingencies

- There is no significant change in the contingencies since the date of the preceding published annual financial statements.

Commitments

- Commitments in respect of letters of credit for capital expenditure amounted to Rupees 88,902 thousand (30 June 2014: Rupees 49,202 thousand).

		Un-Audited	Audited
		September 30, 2014	June 30, 2014
		(Rupees in thousand)	
7.	PROPERTY, PLANT AND EQUIPMENT	Note	
	Operating fixed assets - tangible	(7.1)	1,927,806
	Assets subject to finance lease	(7.2)	1,102
	Capital work-in-progress		45,864
			1,974,772
			1,982,781
7.1	Operating fixed assets - tangible		
	Opening book value		1,935,757
	Add: Additions during the period / year -cost	(7.1.1)	40,609
			1,976,366
	Less: Deletions during the period / year - vehicles		514
			1,975,852
	Less: Depreciation during the period / year		48,046
	Book value at the end of the period / year		1,927,806
7.1.1	Additions during the period / year - cost		
	Land		-
	Building		-
	Plant and machinery		40,609
	Electric installation		-
	Office equipment		-
	Vehicles		-
			9,852
			40,609
			209,333
7.2	Assets subject to finance lease		
	Opening book value		1,160
	Less: Depreciation during the period / year		58
	Book value at the end of the period / year		1,102

Selected Notes To The Interim Financial Information (Un-Audited)

For the period ended September 30, 2014

	Note	Un-Audited	Audited
		September 30, 2014	June 30, 2014
		(Rupees in thousand)	
8. LOANS AND ADVANCES			
Considered good:			
Loans to employees		4,287	5,299
Advances to suppliers		39,917	44,374
Advance against letter of credit		10,085	6,373
		54,289	56,046
9. SHORT TERM INVESTMENTS			
Available for sale	(9.1)	26,712	26,756
Held for trading	(9.2)	1,610,390	1,159,088
		1,637,102	1,185,844
9.1 Available for sale			
Related party - unquoted		2,200	2,200
Related party - quoted		8,152	8,152
Other - quoted		25,888	26,095
		36,240	36,447
Unrealized gain on revaluation of investment - net		9,830	9,667
Impairment loss		(19,358)	(19,358)
		26,712	26,756
9.2 Held for trading			
Others-quoted		1,602,789	1,094,690
Unrealized gain on revaluation of investments		7,601	64,398
		1,610,390	1,159,088
		Un-Audited	
		September 30, 2014	September 30, 2013
		(Rupees in thousand)	
10. SALES			
Export		675,065	1,098,019
Local		1,792,762	1,486,872
Waste		42,394	41,386
		2,510,221	2,626,277

Selected Notes To The Interim Financial Information (Un-Audited)

For the period ended September 30, 2014

	Un-Audited	
	September 30, 2014	September 30, 2013
	(Rupees in thousand)	
11. COST OF SALES		
Raw material consumed	1,475,779	1,739,226
Sizing expenses	14,428	17,114
Stores, spares and loose tools consumed	41,592	34,789
Packing materials	26,461	24,775
Salaries, wages and other benefits	142,985	120,423
Fuel and power	291,630	245,327
Repairs and maintenance	11,000	7,232
Insurance	6,155	5,837
Depreciation	45,509	45,763
Other factory overheads	4,626	3,922
	2,060,165	2,244,408
Work-in-process:		
Opening stock	113,163	98,952
Closing stock	(118,901)	(120,576)
	(5,738)	(21,624)
Cost of goods manufactured	2,054,427	2,222,784
Finished goods:		
Opening stock	673,904	551,623
Closing stock	(424,942)	(524,858)
	248,962	26,765
	2,303,389	2,249,549
Less: Export rebate	182	360
	2,303,207	2,249,189
12. OTHER OPERATING EXPENSES		
Workers profit participation fund	7,189	14,916
Workers welfare fund	2,934	5,904
Others	9,489	1,105
	19,612	21,925
13. TAXATION		
Charge for the period:		
Current	31,125	27,963
	31,125	27,963
14. OPERATING SEGMENT INFORMATION		

The textile sector comprise of spinning, combing, weaving, dyeing, bleaching, printing, stitching, buying, selling and dealing in yarn, cloth and other goods and fabrics made from raw cotton and synthetic fiber(s). This sector also includes power generation facilities which provide electricity for internal consumption purposes.

For management purposes, the Suraj Cotton Mills is organized into business units based on their products and services and has two reportable operating segments as follows:

Spinning: Production of different quality of yarn using natural and artificial fibers.

Weaving: Production of different quality of greige fabric using yarn.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on arm's length basis in a manner similar to transactions with third parties.

	Spinning		Weaving		Elimination of Inter-segment transactions		Consolidated	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
	----- Un-Audited -----							
	(Rupees in thousand)							
Sales								
External	1,569,763	1,500,208	940,458	1,126,069	-	-	2,510,221	2,626,277
Inter-segment	313,008	270,372	-	-	313,008	270,372	-	-
	1,882,771	1,770,580	940,458	1,126,069	313,008	270,372	2,510,221	2,626,277
Cost of sales								
External	1,708,893	1,495,484	594,314	753,705	-	-	2,303,207	2,249,189
Inter-segment	-	-	313,008	270,372	313,008	270,372	-	-
	1,708,893	1,495,484	907,322	1,024,077	313,008	270,372	2,303,207	2,249,189
Gross profit	173,878	275,096	33,136	101,992	-	-	207,014	377,088
Distribution cost	18,573	27,681	25,133	45,350	-	-	43,706	73,031
Administrative expenses	21,947	21,542	5,170	4,387	-	-	27,117	25,929
	40,520	49,223	30,303	49,737	-	-	70,823	98,960
Profit before taxation and unallocated income and expenses	133,358	225,873	2,833	52,255	-	-	136,191	278,128

Selected Notes To The Interim Financial Information (Un-Audited)

For the period ended September 30, 2014

	Spinning		Weaving		Un-Audited		Elimination of Inter-segment transactions		Consolidated	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Unallocated income and expenses:	----- (Rupees in thousand) -----									
Other operating expenses										
Other operating income										
Finance cost										
Profit before taxation										
Taxation										
Profit for the year										
Inter segment sales and purchases have been eliminated on consolidation.										
Other disclosures										
Capital expenditure	20,768	690	19,841	223	-	-	40,609	913		
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Operating assets	3,056,000	3,190,275	878,662	940,172	-	-	3,834,662	4,130,447		

14.2 Geographical segments

Secondary information is reported geographically.

The Company operates in only one geographical segment i.e. Pakistan, as the Company has no distinguishable component other than Pakistan that is engaged in providing products within a particular economic environment.

Selected Notes To The Interim Financial Information (Un-Audited)

For the period ended September 30, 2014

15. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, companies in which directors are interested, staff retirement funds, directors and key management personnel. Significant transactions with related parties and associated undertakings are as under:

Relationship with the Company	Nature of transactions	Un-Audited	
		September 30, 2014	September 30, 2013
		(Rupees in thousand)	
Associated companies	Sale of goods and services	50,426	26,014
	Purchase of goods and services	164,062	402,321
	Sale of fixed assets	-	3,000
Employees Provident Fund Trust	Amount contributed	3,161	2,778
Director and Chief Executive	Remuneration	5,204	4,924

Transactions entered into with the key management personnel as per their terms of employment are excluded from related party transactions.

16. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors have proposed dividend for the period ended 30 September 2014 of Rupees Nil (30 June 2014: Rupees 5.0) per share amounting to Rupees Nil (30 June 2014: Rupees 108,900 thousand) and Nil bonus shares (2014: 10% bonus shares) at their meeting held on October 28, 2014.

17. DATE OF AUTHORIZATION

This interim financial information was authorized for issue by the Board of Directors of the Company on October 28, 2014.

18. GENERAL

18.1 Provisions in respect of Worker's Welfare Fund (WWF), Worker's Profit Participation Fund (WPPF) and taxation are estimated and these are subject to final adjustment in the annual financial statements.

18.1 Figures have been rounded off to the nearest thousand rupees.



SURAJ COTTON MILLS LIMITED

7-B III, Aziz Avenue, Gulberg-V, Lahore – Pakistan
Tel: +92 42 35760381

Fax: +92 42 35760376
E-mail: info@suraj.com

www.suraj.com