



30 September 2015

QUARTERLY REPORT

(Un-audited)



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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

Gulraiz Ali

Audit Committee

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

HR & R Committee

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

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.
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Fax: +92-423-576 0376
Email: info@suraj.com
Web: www.suraj.com

Project Locations

Nooriabad, District Dadu, Sindh.
Kotla Kahloon, District Nankana Sahib, Punjab.
Bhaikot, 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 2015. The company's performance resulted in a net profit of Rs. 96.856 million yielding earnings per share of Rs. 4.04.

Sales for the period were approximately 32.60% lower than the corresponding period with the major decline being in export sales primarily due to lower sales values. Administrative expenses were higher due to normal inflationary pressures while distribution costs declined due to lower exports. Financial charges for the period saw a reduction of 34.19%. This is normal for this period due to lower raw material inventories. Other income for the period was Rs. 60.842 million, which was primarily through investments.

Future Prospects

The current situation of the textile industry is very depressed and demand continues to be very depressed with low prices and poor sales. The raw material prices, which opened on a low note at the start of the cotton season, have risen sharply on fears of lower than estimated output. Competition from the region continues to erode our market share in the Far East market and Indian yarn is also being imported in increasing quantities into Pakistan. The cost of doing business is continuously rising with electricity and gas prices being the highest in the region. The government has also imposed Gas Infrastructure Development Cess and increased gas prices from September 2015. The opposite should have been true in view of the slide in oil prices and the domestic industry should be allowed to operate efficiently. The industry is experiencing low operating margins with the bulk of producers operating with negative margins. We are also focusing on reducing our cost of doing business to prevent erosion of profits. Expenses are being controlled but the utility costs are something over which we have no control. It is anticipated that the availability of gas will be severely curtailed in the winter months, especially in Punjab. This will further erode our operating margins and coupled with the factors outlined above, we view the future with caution.

Pakistan's cotton output is expected to be significantly lower than projections and the local prices already show a significant rise in view of the anticipated shortage. However, we expect that in view of poor operating margins and low demand, the consumption of raw cotton should also show a decline. However, the textile industry will import larger quantities to cope with the shortfall and since world prices remain stable, this may serve to cap the domestic prices. We hope that the world cotton situation will enable the domestic industry to remain competitive.

We expect that the current year will be very tough and it will be difficult to maintain the previous years performance. The key element will be the government's response in making the industry competitive in view of regional competition, especially from India. Energy price and mix will remain the key element and we hope that the advantages of lower oil prices will help the government to alleviate the industry's predicament.

The management is working towards improvement in efficiencies and productivity as well as enhanced cost controls.

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, 2015
Lahore

Condensed Interim Balance Sheet

As At September 30, 2015

	Un-Audited September 30, 2015	Audited June 30, 2015
Note	(Rupees in thousand)	
EQUITY AND LIABILITIES		
Share capital and reserves		
Authorized share capital		
50,000,000 (30 June 2015: 50,000,000) ordinary shares of Rupees 10/- each		
	500,000	500,000
<hr/>		
Issued, subscribed and paid up share capital	239,580	239,580
Capital reserves	36,580	111,785
Revenue reserves	4,248,541	4,151,685
	4,524,701	4,503,050
Non-current liabilities		
Long term financing	323,964	90,263
Liabilities against assets subject to finance lease	369	399
Deferred tax	213,970	213,970
	538,303	304,632
Current liabilities		
Trade and other payables	1,028,949	987,599
Accrued Interest on Financing	15,274	12,425
Short term borrowings	303,108	149,857
Current portion of non current liabilities	52,542	54,827
	1,399,873	1,204,708
	1,938,176	1,509,340
<hr/>		
TOTAL EQUITY AND LIABILITIES	6,462,877	6,012,390
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CONTINGENCIES AND COMMITMENTS	6	

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

CHIEF EXECUTIVE OFFICER

		Un-Audited September 30, 2015	Audited June 30, 2015
	Note	(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment	7	2,146,276	1,970,611
Investment properties		100,000	100,000
Long term deposits		19,531	19,531
		2,265,807	2,090,142
Current assets			
Stores, spares and loose tools		104,197	83,027
Stock in trade		1,097,415	933,159
Trade debts		315,499	230,127
Loans and advances	8	130,062	43,482
Trade deposits and short term prepayments		25,218	4,105
Balances with statutory authorities		55,016	57,710
Taxation- net		21,855	12,131
Other receivables		2,642	2,916
Short term investments	9	2,409,055	2,448,452
Cash and bank balances		17,226	95,556
Assets held for sale		18,885	11,583
		4,197,070	3,922,248
TOTAL ASSETS		6,462,877	6,012,390

DIRECTOR

Condensed Interim Profit And Loss Account (Un-Audited)

For the period ended September 30, 2015

		September 30, 2015	September 30, 2014
	Note	(Rupees in thousand)	
Sales	10	1,691,847	2,510,221
Cost of sales	11	1,538,331	2,303,206
Gross profit		153,516	207,015
Distribution cost		35,447	43,706
Administrative expenses		32,611	27,117
Other operating expenses	12	11,102	19,612
		79,160	90,435
Other operating income		74,356	116,580
		60,842	29,090
Finance cost		135,198	145,670
Profit before taxation		11,525	17,514
Taxation	13	123,673	128,156
Profit after taxation		26,817	31,125
Earnings per share - Basic and diluted (Rupees)		96,856	97,031
		4.04	4.05

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, 2015

	September 30, 2015	September 30, 2014
	(Rupees in thousand)	
Profit for the period	96,856	97,031
Other comprehensive income / (loss):		
Net unrealized (loss) / gain on available for sale investment	(75,205)	162
Total comprehensive income for the period	21,651	97,193

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, 2015

	September 30, 2015	September 30, 2014
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	123,673	128,156
Adjustment for non-cash and other items:		
Depreciation	47,843	48,104
Gain on disposal of property, plant and equipment	(984)	-
(Gain) on revaluation of held for trading investment-net	(56,853)	(21,395)
Dividend income	(625)	(1,680)
Finance cost	11,525	17,514
Cash flows from operating activities before working capital changes	124,579	170,699
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(21,170)	5,634
Stock in trade	(164,256)	146,994
Trade debts	(85,372)	50,897
Loans and advances	(86,580)	1,757
Trade deposits and short term prepayments	(21,113)	(18,284)
Balances with statutory authorities	2,694	15,809
Other receivables	274	(1,205)
Increase in current liabilities:		
Trade and other payables	41,350	32,049
Net cash from / (used in) working capital	(334,173)	233,651
Cash generated from / (used in) operations	(209,594)	404,350
Finance cost paid	(8,676)	(19,499)
Income tax paid	(36,541)	(29,976)
Net cash from / (used in) operating activities	(254,811)	354,875
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(235,676)	(40,609)
Proceeds from disposal of property, plant and equipment	5,850	514
Investments - net	21,045	(429,700)
Dividend received	625	1,680
Net cash used in investing activities	(208,156)	(468,115)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing - net	231,386	(23,379)
Repayment of finance lease liabilities	-	(53)
(Decrease)/ increase in short term borrowings - net	153,251	134,689
Net cash (used in) / from financing activities	384,637	111,257
Net decrease in cash and cash equivalents	(78,330)	(1,983)
Cash and cash equivalents at the beginning of the period	95,556	190,673
Cash and cash equivalents at the end of the period	17,226	188,690

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, 2015

	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 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
Balance as on 01 July 2015	239,580	29,000	82,785	111,785	3,714,000	437,685	4,151,685	4,503,050
Net profit for the period from 01 July 2015 to 30 September 2015	-	-	-	-	-	96,856	96,856	96,856
Other comprehensive income	-	-	(75,205)	(75,205)	-	-	-	(75,205)
Total comprehensive income for the period	-	-	(75,205)	(75,205)	-	96,856	96,856	21,651
Balance as on 30 September 2015	239,580	29,000	7,580	36,580	3,714,000	534,541	4,248,541	4,524,701

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, 2015

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 2015 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 computation methods adopted for the preparation of this condensed 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 2015 except for as disclosed in note 2.4 below.
- 2.4 The Company has adopted the following amended International Financial Reporting Standards (IFRSs) which became effective during the period:

IAS 19 - Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions

IAS 32 - Financial Instruments : Presentation – (Amendment) - offsetting Financial Assets and Financial Liabilities

IAS 36 - Impairment of Assets – (Amendment) Recoverable Amount Disclosures for Non-Financial Assets

IAS 39 - Financial Instruments: Recognition and Measurement – (Amendment) - Novation of derivatives and continuation of hedge accounting

IFRIC 21 - Levies

The adoption of the above amendments and interpretation did not have any significant impact on this condensed interim financial information.

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 2015.

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 2015.

	Un-Audited September 30, 2015	Audited June 30, 2015
Note	(Rupees in thousand)	
5. LONG TERM FINANCING - secured		
Opening balance	144,838	367,010
Acquired/(repaid) during the period / year	231,386	(222,172)
	376,224	144,838
Less: Current portion	52,260	54,575
	323,964	90,263

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

For the period ended September 30, 2015

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 NIL (30 June 2015: Rupees 266,658 thousand).

		Un-Audited September 30, 2015	Audited June 30, 2015
	Note	(Rupees in thousand)	
7. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets - tangible	(7.1)	1,909,432	1,921,544
Assets subject to finance lease	(7.2)	882	928
Capital work-in-progress		235,962	48,139
		2,146,276	1,970,611
7.1 Operating fixed assets - tangible			
Opening book value		1,921,544	1,935,757
Add: Additions during the period / year -cost	(7.1.1)	47,853	192,358
		1,969,397	2,128,115
Less: Deletions during the period / year - vehicles		12,168	4,844
		1,957,229	2,123,271
Less: Depreciation during the period / year		47,797	201,727
Book value at the end of the period / year		1,909,432	1,921,544
7.1.1 Additions during the period / year - cost			
Land		-	18,831
Building		-	147,514
Plant and machinery		47,853	-
Vehicles		-	26,013
		47,853	192,358
7.2 Assets subject to finance lease			
Opening book value		928	1,160
Less: Depreciation during the period / year		46	232
Book value at the end of the period / year		882	928

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

For the period ended September 30, 2015

	Note	Un-Audited	Audited
		September 30, 2015	June 30, 2015
		(Rupees in thousand)	
8. LOANS AND ADVANCES			
Considered good:			
Loans to employees		4,915	4,156
Advances to suppliers		104,382	33,092
Advance against letter of credit		20,765	6,234
		130,062	43,482
9. SHORT TERM INVESTMENTS			
Available for sale		797,282	698,207
Held for trading		1,611,773	1,750,245
		2,409,055	2,448,452
		Un-Audited	
		September 30, 2015	September 30, 2014
		(Rupees in thousand)	
10. SALES			
Local		1,227,769	1,792,762
Export		424,381	675,065
Waste		39,697	42,394
		1,691,847	2,510,221
11. COST OF SALES			
Raw material consumed		1,149,227	1,475,779
Sizing expenses		14,800	14,428
Stores, spares and loose tools consumed		28,178	41,592
Packing materials		23,769	26,461
Salaries, wages and other benefits		165,063	142,985
Fuel and power		238,817	291,630
Repairs and maintenance		14,738	11,000
Insurance		6,242	6,155
Depreciation		44,760	45,509
Other factory overheads		3,728	4,444
		1,689,322	2,059,983

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

For the period ended September 30, 2015

	Un-Audited	
	September 30, 2015	September 30, 2014
	(Rupees in thousand)	
Work-in-process:		
Opening stock	103,093	113,163
Closing stock	(103,519)	(118,901)
	(426)	(5,738)
Cost of goods manufactured	1,688,896	2,054,245
Finished goods:		
Opening stock	583,138	673,903
Closing stock	(733,703)	(424,942)
	(150,565)	248,961
	1,538,331	2,303,206
12. OTHER OPERATING EXPENSES		
Workers profit participation fund	7,098	7,189
Workers welfare fund	2,897	2,934
Others	1,107	9,489
	11,102	19,612
13. TAXATION		
Charge for the period:		
Current	26,817	31,125
	26,817	31,125

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.

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

For the period ended September 30, 2015

14.1 Business segments

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, 2015	September 30, 2014	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
----- Un-Audited -----								
(Rupees in thousand)								
Sales								
External	841,780	1,569,763	850,067	940,458	-	-	1,691,847	2,510,221
Inter-segment	256,179	313,008	-	-	256,179	313,008	-	-
	1,097,959	1,882,771	850,067	940,458	256,179	313,008	1,691,847	2,510,221
Cost of sales								
External	967,513	1,708,892	570,818	594,314	-	-	1,538,331	2,303,206
Inter-segment	-	-	256,179	313,008	256,179	313,008	-	-
	967,513	1,708,892	826,997	907,322	256,179	313,008	1,538,331	2,303,206
Gross profit	130,446	173,879	25,070	33,136	-	-	153,516	207,015
Distribution cost	14,490	18,573	20,957	25,133	-	-	35,447	43,706
Administrative expenses	25,173	21,947	7,438	5,170	-	-	32,611	27,117
	39,663	40,520	28,395	30,303	-	-	68,058	70,823
Profit before taxation and unallocated income and expenses	90,783	133,359	(5,325)	2,833	-	-	85,458	136,192

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

For the period ended September 30, 2015

	Spinning		Weaving		Elimination of Inter-segment transactions		Consolidated	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
	----- Un-Audited -----							
	----- (Rupees in thousand) -----							
Unallocated income and expenses:								
Other operating expenses							(11,102)	(19,612)
Other operating income							60,842	29,090
Finance cost							(11,525)	(17,514)
							36,215	(8,036)
Profit before taxation							123,673	128,156
Taxation							26,817	31,125
Profit for the year							96,856	97,031
Inter segment sales and purchases have been eliminated on consolidation.								
Other disclosures								
Capital expenditure	187,823	20,768	47,853	19,841	-	-	235,676	40,609
----- (Rupees in thousand) -----								
	Un-audited September 30, 2015	Audited June 30, 2015	Un-audited September 30, 2015	Audited June 30, 2015	Un-audited September 30, 2015	Audited June 30, 2015	Un-audited September 30, 2015	Audited June 30, 2015
Operating assets	2,737,000	2,564,372	885,104	770,003	-	-	3,622,104	3,334,375

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, 2015

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, 2015	September 30, 2014
		(Rupees in thousand)	
Associated companies	Sale of goods and services	3,273	50,426
	Purchase of goods and services	113,077	164,062
Employees Provident Fund Trust	Amount contributed	3,653	3,161
Director and Chief Executive	Remuneration	5,796	5,204

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 2015 of Rupees Nil (30 June 2015: Rupees 5.0) per share amounting to Rupees Nil (30 June 2015: Rupees 119,790 thousand) and Nil bonus shares (2015: 10% bonus shares) at their meeting held on October 28, 2015.

17. DATE OF AUTHORIZATION

This interim financial information was authorized for issue by the Board of Directors of the Company on October 28, 2015.

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.





www.suraj.com

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