

UN-AUDITED
QUARTERLY REPORT
SEPTEMBER 30,
2023

Content

GOVERNANCE

02	Company Information
03	Directors' Report
04	Directors' Report (Urdu)

FINANCIAL STATEMENTS

06	Condensed Interim Statement of Financial Position
08	Condensed Interim Statement of Profit or Loss (Un-Audited)
09	Condensed Interim Statement of Comprehensive Income (Un-Audited)
10	Condensed Interim Statement of Changes in Equity (Un-Audited)
11	Condensed Interim Statement of Cash Flows (Un-Audited)
12	Selected Notes to the Condensed Interim Financial Statements (Un-Audited)

Company Information

Board of Directors

Mr. Khalid Bashir (Chairman)
Mr. Adil Bashir
Mr. Ahsan Bashir
Mr. Humayun Maqbool
Ms. Maheen Hisham Adamjee
Mr. Mohammad Iqbal
Mr. Shams Rafi

Chief Executive Officer

Mr. Nadeem Maqbool

Chief Financial Officer

Mr. Naeem Sheikh

Audit Committee

Mr. Shams Rafi (Chairman)
Mr. Humayun Maqbool
Mr. Ahsan Bashir

HR & R Committee

Ms. Maheen Hisham Adamjee (Chairman)
Mr. Nadeem Maqbool
Mr. Ahsan Bashir
Mr. Adil Bashir

Risk Management Committee

Mr. Humayun Maqbool (Chairman)
Mr. Nadeem Maqbool
Mr. Ahsan Bashir

Share Registrar

Corptec Associates (Pvt.) Ltd.
503-E, Johar Town, Lahore

Auditors

Riaz Ahmad & Co.
Chartered Accountants

Company Secretary

Mr. Shahzad Nazir

Bankers

Allied Bank Limited
Habib Bank Limited
MCB Bank Limited
National Bank of Pakistan
MCB Islamic Bank Limited
United Bank Limited
Habib Metropolitan Bank Limited
Samba Bank Limited
FINCA Microfinance Bank Limited
Meezan Bank Limited
Bank Alfalah Limited

Registered Office

7-B-III, Aziz Avenue, Gulberg-V, Lahore
Ph: +92-423-5760379, 35760382
Fax: +92-423-5760376
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 operating and financial performance of the company for the first quarter ended 30 September 2023.

Overview

During the period year under review, your company's performance resulted in a net profit of Rs. 243.777 million with earnings per share of Rs. 5.49.

The challenges of the previous year continued in the first quarter of this year as well. Although our results show a marginal improvement, the textile industry is confronted with very high cost-push inflation with energy and financial charges being at their peak. Over the last one month, there has been some exchange rate stability but whether or not this is sustainable, is yet to be seen. Inflation and finance costs are resulting in lower industrial growth.

During first quarter the company's profitability increased as compared to the corresponding period due to higher margins on its products. Sales volume increased by about 52% as all units were running at optimum capacity. Distribution charges increased directly in proportion to sales volume and Administrative charges remained almost the same. Financial charges increased significantly due to higher mark-up rates and increases in short-term borrowing due to higher inventory of imported cotton. The equities market has improved resulting in an unrealized gain as well. We hope that the positive indicators will continue and the market will perform well.

The financial performance of your company for the quarter ended September 30, 2023 as compared to that of last year is presented below:

Brief Income Statement	2023	2022	% Change
	(PKR in Million)		
Sales	7,673	5,027	52.63%
Gross profit	598	334	79.11%
Operating profit	485	265	84.50%
Financial cost	(118)	(67)	81.16%
Profit before taxation	367	198	85.63%
Taxation	(123)	(83)	48.89%
Net Profit	244	115	112.02%

Earnings per Share (EPS)	5.49	2.59	
--------------------------	------	------	--

Future Outlook

The international markets continue to generate low demand and the challenges being faced by industries are many. After the abolition of the regionally competitive energy tariff, the price of energy to industry has increased manifold. The financial charges have also increased to a very high level which have increased the costs. The cotton crop this year has shown a remarkable improvement and it is expected that the country will produce about 10 million bales. This will benefit the industry in terms of cheaper raw materials and our dependence on imported raw cotton will reduce. The capacity reductions during the corresponding period have reduced and now all our units are running at optimum capacity. In order for the industry to move towards greater profitability, it is imperative that the energy tariffs are rationalized as we cannot compete with our regional textile countries. Given this, world demand will have to rise so as to ensure healthy demand for our products. We hope that some demand will pick up in the first quarter of 2024 and with lower inventories, we can be in a position to take advantage of the demand.

Directors' Report

We would urge the government to maintain workable energy tariffs enabling us to compete and increase exports. Increase in exports is the only answer to the country's problems. However, we do not expect any relief in financial costs and the rupee will remain weak. This will in turn continue to fuel inflation and affect profitability. We anticipate that our earnings projections for the current year to be better than last year but it is very difficult at this stage to give any realistic estimates. Pakistan's economy also continues to face challenges and it is a long road to recovery. The Government needs to take measures to improve the liquidity of the corporate sector by releasing income tax and sales tax refunds. In addition, the continued imposition of super tax is another disincentive for industrialization.

The State Bank of Pakistan should review its stand on interest rates as this method does not control inflation. There is a need to review this policy and spur industrial growth by reducing the financial debt. We expect that the current year will be challenging, but we will continue our efforts to manage our operations efficiently to protect the interests of our stakeholders.

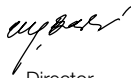
The management is working towards improvement in efficiencies and productivity as well as enhanced cost controls.

Acknowledgements

On behalf of the Board of Directors, I would take this opportunity to thank Board of Director for their guidance at all the time and to our partners and employees for their continued support and dedication. We would also like to thank our shareholders and all our business partners for their cooperation.



Chief Executive



Director

October 27th, 2023
Lahore

ڈائریکٹرز کی جائزہ رپورٹ

2024 کی پہلی سہ ماہی میں طلبہ کچھ بڑھے گی اور کم انوینٹریز کے ساتھ، ہم طلبہ کا فائدہ اٹھانے کی پوزیشن میں ہوں گے۔

ہم حکومت گزارش کریں گے کہ وہ قابل عمل توانائی کے ٹیرف کو برقرار رکھے تاکہ ہم مسابقتی رہیں اور برآمدات میں اضافہ کر سکیں۔ برآمدات میں اضافہ ہی ملکی مسائل کا واحد حل ہے۔ تاہم، ہمیں مالی اخراجات میں کسی ریلیف کی توقع نہیں ہے اور روپیہ کمزور رہے گا۔ اس کے نتیجے میں افراط زر بڑھتا رہے گا اور منافع کو متاثر کرے گا۔ ہمیں توقع ہے کہ موجودہ سال کے لیے ہماری آمدنی کے تخمینے پچھلے سال سے بہتر ہوں گے لیکن اس مرحلہ پر کوئی حقیقت پسندانہ تخمینہ لگانا بہت مشکل ہے۔

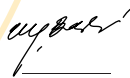
پاکستان کی معیشت کو بھی مسلسل مشکلات کا سامنا ہے اور اس کی بحالی کے لیے راستہ طویل ہے۔ حکومت کو انکم ٹیکس اور سلیز ٹیکس واپسی واکزاکر کے کارپوریٹ سیکٹر کی لیکویڈیٹی کو بہتر بنانے کے اقدامات کرنے کی ضرورت ہے۔ اس کے علاوہ، سپر ٹیکس کا مسلسل نفاذ صنعت کاری کے لیے ایک اور حوصلہ شکنی ہے۔

اسٹیٹ بینک آف پاکستان کو شرح سود پر اپنے موقف پر نظر ثانی کرنی چاہیے کیونکہ اس طریقے سے مہنگائی کو کنٹرول نہیں کیا جاسکتا۔ اس پالیسی پر نظر ثانی کرنے اور مالیاتی قرضوں کو کم کر کے صنعتی نمو کو تیز کرنے کی ضرورت ہے۔ ہم توقع کرتے ہیں کہ رواں سال مشکل ہوگا، لیکن ہم اپنے اسٹیک ہولڈرز کے مفادات کے تحفظ کے لیے اپنے آپریٹرز کو مؤثر طریقے سے منظم کرنے کی کوششیں جاری رکھیں گے۔

انتظامیہ کا کردگی اور پیداواری صلاحیت میں بہتری کے ساتھ ساتھ لاگت کو بہتر کنٹرول کرنے کے لیے کام کر رہی ہے۔

اظہار شکر

بورڈ آف ڈائریکٹرز کی جانب سے، میں اپنے تمام شرکاء، اداروں اور ملازمین کی مسلسل حمایت کا شکریہ ادا کرتے ہیں۔ میں بورڈ کی قابل قدر بصیرت اور ہنرمانی کے لئے ان کا بھی شکر گزار ہوں۔



ڈائریکٹر



چیف ایگزیکٹو

لاہور: 27 اکتوبر 2023ء

ڈائریکٹرز کی جائزہ رپورٹ

بورڈ آف ڈائریکٹرز کی جانب سے، میں 30 ستمبر 2023 کو ختم ہونے والی پہلی سہ ماہی کے لئے کمپنی کی آپریٹنگ اور مالی کارکردگی پیش کرتا ہوں۔

کارکردگی کا جائزہ

زیر جائزہ سہ ماہی کے دوران، کمپنی کی کارکردگی کے نتیجے میں 243.777 ملین روپے کا خالص منافع اور 5.49 روپے فی شیئر آمدنی ہوئی۔

پچھلے سال کی مشکلات اس سال کی پہلی سہ ماہی میں بھی جاری رہیں۔ اگرچہ ہمارے نتائج میں معمولی بہتری دکھائی دیتی ہے، لیکن ٹیکسٹائل کی صنعت کو بہت زیادہ توانائی اور مالیاتی چارجز کے ساتھ ساتھ بہت زیادہ لاگت سے متعلق افراط زر کا بھی سامنا کرنا پڑا ہے۔ گزشتہ ایک ماہ سے شرح مبادلہ کچھ مستحکم ہوا ہے لیکن یہ دیکھنا باقی ہے کہ یہ مستحکم رہتا ہے یا نہیں۔ افراط زر اور مالیاتی اخراجات کے نتیجے میں صنعتی نمو کم ہوئی ہے۔

پہلی سہ ماہی کے دوران مصنوعات پر زیادہ مارجن کی وجہ سے گزشتہ اسی مدت کے مقابلے میں کمپنی کو زیادہ منافع ہوا۔ فروخت، حجم، تقرباً 52 فیصد زیادہ ہوا کیونکہ تمام پونٹ زیادہ سے زیادہ صلاحیت پر کام کر رہے تھے۔ ڈسٹری بیوٹن چارجز فروخت، حجم کے تناسب سے براہ راست بڑھ گئے اور انتظامی چارجز تقریباً ایک جیسے ہی رہے۔ مارک اپ کی زیادہ شرحوں اور درآمدی کپاس کی زیادہ انوینٹری کی بدولت قلیل مدتی قرضوں میں اضافے کی وجہ سے مالیاتی چارجز میں نمایاں اضافہ ہوا۔ ایکویٹی مارکیٹ میں بہتری آئی جس کے نتیجے میں غیر حتمی منافع بھی حاصل ہوا ہے۔ ہم امید کرتے ہیں کہ یہ مثبت اشارے جاری رہیں گے اور مارکیٹ اچھی کارکردگی کا مظاہرہ کرے گی۔

30 ستمبر 2023 کو ختم ہونے والی سہ ماہی کے لیے آپ کی کمپنی کی مالیاتی کارکردگی کا گزشتہ سال سے موازنہ درج ذیل میں پیش کیا گیا ہے:

تفصیلی اکم شیڈول	ستمبر 2023	ستمبر 2022	فیصد تبدیلی
			پاکستانی روپے ملین میں
فروخت	7,673	5,027	52.63%
مجموعی منافع	598	334	79.11%
آپریٹنگ منافع	485	265	84.50%
مالی لاگت	(118)	(67)	81.16%
قبل از ٹیکس منافع	367	198	85.63%
ٹیکسیشن	(123)	(83)	48.89%
خالص منافع	244	115	112.02%
نی شیئر آمدنی (EPS)	5.49	2.59	

مستقبل کا نقطہ نظر

بین الاقوامی منڈیوں میں طلب کم رہی اور صنعتوں کو بہت زیادہ مشکلات درپیش ہیں۔ علاقائی سطح پر مسابقتی توانائی ٹیرف کے خاتمہ کے بعد صنعت کے لیے توانائی کی قیمت میں کئی گنا اضافہ ہو گیا ہے۔ مالیاتی چارجز بھی بہت زیادہ بڑھ گئے ہیں جس سے اخراجات میں اضافہ ہو گیا۔ اس سال کپاس کی فصل میں غیر معمولی بہتری آئی ہے اور توقع ہے کہ ملک میں تقریباً 10 ملین کانٹینر پیدا ہوں گے۔ اس سے صنعت کو سستے خام مال کے حوالے سے فائدہ اور درآمد شدہ خام کپاس پر ہمارا انحصار کم ہوگا۔ اسی مدت کے دوران صلاحیت میں بہتری آئی ہے اور اب ہمارے تمام پونٹ زیادہ سے زیادہ صلاحیت کے ساتھ کام کر رہے ہیں۔ صنعت کو زیادہ منافع بخش بنانے کے لیے توانائی کے نرخوں کو معقول بنانا ضروری ہے کیونکہ ہم اپنے علاقائی ٹیکسٹائل مالک کا مقابلہ نہیں کر سکتے۔ اس کے پیش نظر، عالمی طلب میں اضافہ کرنا پڑے گا تاکہ ہماری مصنوعات کی پھر پور طلب کو یقینی بنایا جاسکے۔ ہم امید کرتے ہیں کہ

Financial Statements

For the Quarter ended September 30, 2023

Condensed Interim Statement of Financial Position

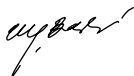
As At September 30, 2023

		Un-Audited	Audited
		September 30, 2023	June 30, 2023
	Note	(Rupees in thousand)	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
50,000,000 (30 June 2023: 50,000,000) ordinary shares of Rupees 10/- each		500,000	500,000
Issued, subscribed and paid up share capital	4	443,722	443,722
Reserves	5	10,625,856	10,353,692
TOTAL EQUITY			
		11,069,578	10,797,414
Non-current liabilities			
Long term financing	6	3,265,432	3,545,300
Liabilities against assets subject to finance lease		-	-
Deferred liabilities	7	918,687	918,687
		4,184,119	4,463,987
Current liabilities			
Trade and other payables	8	3,860,145	3,279,900
Accrued mark-up		101,317	71,949
Short term borrowings		2,068,914	1,226,258
Current portion of non current liabilities		1,169,240	1,088,395
Provision for taxation - net		274,332	241,839
Unclaimed dividends	9	7,313	7,313
		7,481,261	5,915,654
TOTAL LIABILITIES			
		11,665,380	10,379,641
CONTINGENCIES AND COMMITMENTS			
	10		
TOTAL EQUITY AND LIABILITIES		22,734,958	21,177,055

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



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

		Un-Audited September 30, 2023	Audited June 30, 2023
	Note	(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment	11	8,910,223	9,118,461
Right of use asset		1,294	1,200
Investment properties		477,690	477,690
Long term investments	12	656,736	625,563
Long term deposits		19,737	19,737
		10,065,680	10,242,651
Stores, spares and loose tools	13	472,641	469,843
Stock in trade	14	7,211,345	5,819,052
Trade debts	15	3,514,034	3,046,691
Loans and advances	16	122,903	108,240
Short term deposits and prepayments		326,833	238,478
Other receivables		26,349	485,557
Short term investments	17	480,697	601,511
Cash and bank balances		492,011	142,567
		12,646,813	10,911,939
Non-current assets classified as held for sale		22,465	22,465
		12,669,278	10,934,404
TOTAL ASSETS		22,734,958	21,177,055



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

Condensed Interim Statement of Profit or Loss (Un-Audited)


For The Period Ended September 30, 2023

		September 30, 2023	September 30, 2022
	Note	(Rupees in thousand)	
Revenue	18	7,673,712	5,027,158
Cost of Sales	19	7,075,491	4,693,167
Gross Profit		598,221	333,991
Distribution Cost	20	78,948	67,364
Administrative Expenses	21	74,161	77,453
Other Expenses	22	28,474	25,671
		181,583	170,488
Other Income	23	416,638	163,503
		68,651	101,220
Profit from Operations		485,289	264,723
Finance Cost	24	118,581	67,177
Profit Before Taxation		366,708	197,546
Taxation	25	122,931	82,567
Profit After Taxation		243,777	114,979
Earnings per Share - Basic and diluted (Rupees)		5.49	2.59

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



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

Condensed Interim Statement of Comprehensive Income (Un-Audited)

For the period ended September 30, 2023

	September 30, 2023	September 30, 2022
	(Rupees in thousand)	
PROFIT AFTER TAXATION	243,777	114,979
Other comprehensive income / (Loss):		
Items that will not be reclassified to profit or loss:		
Loss arising on remeasurement of investments at fair value through other comprehensive income - net of tax	28,387	(48,861)
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income / (loss) for the period - net of tax	28,387	(48,861)
Total comprehensive income for the period	272,164	66,118

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


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

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

For the period ended September 30, 2023

Share Capital	Reserves							Total Equity
	Capital Reserves			Revenue Reserves			Total	
	Share premium reserve	Fair value reserve on FVTOCI investments	Sub total	General Reserve	Unappropriated profit	Sub total		

----- (Rupees in thousand) -----

Balance as at 30 June 2022 - (Audited)	443,722	29,000	(184,731)	(155,731)	3,714,000	7,458,442	11,172,442	11,016,711	11,460,433
Transactions with owners:									
Final dividend for the year ended 30 June 2022 @ Rupees 4 per Share	-	-	-	-	-	(177,489)	(177,489)	(177,489)	(177,489)
Loss for the year	-	-	-	-	-	(412,278)	(412,278)	(412,278)	(412,278)
Other comprehensive loss for the period - restated	-	-	(73,252)	(73,252)	-	-	-	(73,252)	(73,252)
Total comprehensive income for the period	-	-	(73,252)	(73,252)	-	(412,278)	(412,278)	(485,530)	(485,530)
Balance as at 30 June 2023 - (Audited)	443,722	29,000	(257,983)	(228,983)	3,714,000	6,868,675	10,582,675	10,353,692	10,797,414

Profit for the period	-	-	-	-	-	243,777	243,777	243,777	243,777
Other comprehensive loss for the period - restated	-	-	28,387	28,387	-	-	-	28,387	28,387
Total comprehensive income for the period	-	-	28,387	28,387	-	243,777	243,777	272,164	272,164
Balance as at 30 September 2023 - (Un-Audited)	443,722	29,000	(229,596)	(200,596)	3,714,000	7,112,452	10,826,452	10,625,856	11,069,578

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


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

Condensed Interim Statement of Cash Flows (Un-Audited)

For The Period Ended September 30, 2023

	September 30, 2023	September 30, 2022
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	366,708	197,546
Adjustment for non-cash and other items:		
Depreciation	200,915	166,834
Gain on disposal of property, plant and equipment	(90)	(1,694)
Unrealized (gain) / loss on remeasurement of investments at FVTPL	-	1,097
Provision for Workers' Profit Participation Fund	19,671	10,609
Provision for Workers' Welfare Fund	7,475	4,031
Profit on bank deposits	(19,810)	(10,329)
Dividend income	(19,082)	(88,366)
Exchange (gain) / loss	(7,108)	7,878
Finance cost	118,581	67,177
Cash flows from operating activities before working capital changes	667,260	354,783
EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(2,798)	(88,050)
Stock in trade	(1,392,293)	516,840
Trade debts	(460,235)	163,753
Loans and advances	(14,663)	7,747
Trade deposits and short term prepayments	(88,355)	(31,922)
Other receivables	459,208	58,676
Increase in current liabilities:		
Trade and other payables	553,099	233,132
Net cash from / (used in) working capital	(946,037)	860,176
CASH GENERATED FROM / (USED IN) OPERATIONS	(278,777)	1,214,959
Finance cost paid	(92,331)	(59,317)
Workers' profit participation fund paid	-	(199,731)
Workers' welfare fund paid	-	(11,524)
Profit on bank deposits received	22,928	10,329
Income tax paid	(95,807)	(85,377)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	(443,987)	869,339
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred	5,982	(765,794)
Proceeds from disposal of property, plant and equipment	1,500	2,400
Investments - net	118,028	(1,457,894)
Dividend received	19,082	88,366
NET CASH USED IN INVESTING ACTIVITIES	144,592	(2,132,922)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing - net	(193,817)	604,373
(Decrease)/ increase in short term borrowings - net	842,656	544,461
NET CASH (USED IN) / FROM FINANCING ACTIVITIES	648,839	1,148,834
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	349,444	(114,749)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	142,567	420,735
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	492,011	305,986

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


 CHIEF EXECUTIVE OFFICER


 DIRECTOR


 CHIEF FINANCIAL OFFICER

Selected Notes to the Condensed Interim Financial Statements (Un-Audited) For The Period Ended September 30, 2023

1. THE COMPANY AND ITS ACTIVITIES

- 1.1 Suraj Cotton Mills Limited (the Company) is a public limited Company incorporated in Pakistan under the Companies Act, 1913 (Now Companies Act, 2017) and listed on Pakistan Stock Exchange Limited. Its registered office is situated at 7-B-3, Aziz Avenue, Gulberg-5, Lahore. The Company is engaged in manufacturing, sale and trading of yarn, cloth, and processing of cloth.

2. BASIS OF PREPARATION

- 2.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.
- Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

- 2.2 These condensed interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended 30 June 2023. These condensed interim financial statements are un-audited, however, have been subjected to limited scope review by the auditors and are being submitted to the shareholders as required by the Listed Companies (Code of Corporate Governance) Regulations, 2019 and Section 237 of the Companies Act, 2017.

3. ACCOUNTING POLICIES

The accounting policies and methods of computations adopted for the preparation of these condensed interim financial statements are the same as applied in the preparation of the preceding audited annual published financial statements of the Company for the year ended 30 June 2023.

3.1 Critical Accounting Estimates and Judgements

The preparation of these condensed interim financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

During preparation of these condensed interim financial statements, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the Company for the year ended 30 June 2023.

Selected Notes to the Condensed Interim Financial Statements (Un-Audited) For The Period Ended September 30, 2023

			Un-Audited September 30, 2023	Audited June 30, 2023
			(Rupees in thousand)	
4	ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL			
	Un-Audited Sep 30, 2023	Audited June 30, 2023		
	No of Shares			
	17,400,000	17,400,000	Ordinary shares of Rupees 10 each fully paid up in cash	174,000
			Ordinary shares of Rupees 10 each issued as fully paid bonus shares	174,000
	26,972,287	26,972,287		269,722
	44,372,287	44,372,287		443,722
5.	RESERVES			
	Capital reserves:			
	Share premium reserve		29,000	29,000
	Fair value reserve on FVTOCI investments - net of deferred income tax		(229,596)	(258,152)
			(200,596)	(229,152)
	Revenue reserves:			
	General reserve		3,714,000	3,714,000
	Unappropriated profit		7,112,452	6,868,844
			10,826,452	10,582,844
			10,625,856	10,353,692
6.	LONG TERM FINANCING - secured			
	Opening balance		4,368,205	3,849,419
	Obtained during the period / year		-	899,014
	Repaid during the period / year		(193,817)	(380,228)
			4,174,388	4,368,205
	Less: Current portion shown under current liabilities		(594,697)	(508,646)
	Less: Deferred Income Government Grant		(314,259)	(314,259)
			3,265,432	3,545,300

Selected Notes to the Condensed Interim Financial Statements (Un-Audited) For The Period Ended September 30, 2023

	Un-Audited September 30, 2023	Audited June 30, 2023
	(Rupees in thousand)	
7. DEFERRED LIABILITIES		
Deferred income - Government grant	710,899	710,899
Deferred income tax liability - net	207,788	207,788
	918,687	918,687
8. TRADE AND OTHER PAYABLES		
Creditors	1,623,315	1,336,910
Contract liabilities - unsecured	90,971	73,938
Accrued liabilities	1,641,085	1,410,642
Infrastructure cess payable	302,583	283,955
Payable to employees' provident fund trust	-	1,228
Income tax deducted at source	8,452	6,634
Workers' profit participation fund	19,671	-
Workers' welfare fund	174,068	166,593
	3,860,145	3,279,900
9. CURRENT PORTION OF NON CURRENT LIABILITIES		
Current portion of long term financing	594,697	508,646
Current portion of lease liability	174	566
Current portion of deferred income - Government grant	154,120	158,934
Current portion of GIDC	420,249	420,249
	1,169,240	1,088,395

10. CONTINGENCIES AND COMMITMENTS

Contingencies

i) The Company filed a complaint dated 20 April 2022 against Chief Commissioner Inland Revenue in terms of section 10(1) of the Federal Tax Ombudsman (FTO) Ordinance, 2000 for delay in processing / sanctioning of sales tax refund of Rupees 69.657 million for the tax periods from December 2013 to October 2017. As per the tax department, the Company used to fall under zero-rated regime. Two electricity connections of the Company were included in Sales Tax General Order dated 13 September 2007 for the purpose of zero-rating. No zero-rated facility was however available on another electricity connection till 21 November 2017. On 21 November 2017, this electricity connection was included in Sales Tax General Order for zero-rating. The Company filed writ petition before Honourable Lahore High Court, Lahore (LHC) against recovery notices issued by Lahore Electric Supply Company Limited for recovery of sales tax for above-mentioned periods. Petition was disposed by LHC on 21 September 2017 with direction that only tax department or competent authority, under law, shall be entitled to recover arrears of sales tax. LESCO vide letter dated 21 May 2021 directed the Company to deposit sales tax in its account since tax department has already recovered sales tax of Rupees 69.657 million which was deposited by the Company. Later, the Company requested for issuance of refund under section 66 of the Sales Tax Act, 1990. FTO vide order dated 01 June 2022 recommended the tax department to direct Commissioner Inland Revenue to process / sanction Company's refund claims for the tax periods from December 2013 to October 2017 on provision of requisite documents by the Company. The Company is confident of favourable outcome of the matter, hence no provision thereagainst has been made in these financial statements.

Selected Notes to the Condensed Interim Financial Statements (Un-Audited) For The Period Ended September 30, 2023

ii) Guarantees of Rupees 497.486 million (2023: Rupees 463.976 million) are given by the banks of the Company to Sui Northern Gas Pipelines Limited against gas connections, Director Excise and Taxation, Karachi against infrastructure cess and others.

Commitments

i) Contracts for capital expenditure are approximately of Rupees NIL (2023 : 753.275 million)

ii) Letters of credit other than for capital expenditure are of Rupees 248.289 million (2023 : 1,383.491 million)

	Note	Un-Audited September 30, 2023 (Rupees in thousand)	Audited June 30, 2023
11. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets - tangible	11.1	8,871,904	7,051,705
Capital work-in-progress	11.2	38,319	2,066,756
		8,910,223	9,118,461
11.1 Operating fixed assets - tangible			
Opening book value		7,051,705	7,735,315
Add: Additions during the period / year -cost	11.1.1	2,022,455	14,328
		9,074,160	7,749,643
Less: Deletions during the period / year		(1,409)	(31,120)
		9,072,751	7,718,523
Less: Depreciation during the period / year		(200,847)	(666,818)
Book value at the end of the period / year		8,871,904	7,051,705
		Un-Audited September 30, 2023 (Rupees in thousand)	Audited June 30, 2023
11.1.1 Additions during the period / year - cost			
Factory building		101,938	-
Plant and machinery		1,797,126	-
Electric installation		119,391	-
Vehicles		4,000	14,328
		2,022,455	14,328
11.1.2 Capital Work in Progress			
Buildings on freehold land		-	190,251
Plant and machinery		-	1,806,394
Electric installations		12,991	70,111
Office building		25,328	
		38,319	2,066,756

Selected Notes to the Condensed Interim Financial Statements (Un-Audited)

For The Period Ended September 30, 2023

	Note	Un-Audited September 30, 2023 (Rupees in thousand)	Audited June 30, 2023
12. LONG TERM INVESTMENT			
Equity instruments - at FVTOCI		650,606	619,433
Knightbridge Residential Real Estate Partners (Partnership Firm)		6,130	6,130
		656,736	625,563
13. STORE , SPARE PARTS AND LOOSE TOOLS			
Stores		494,774	493,111
Spares parts		13,215	25,714
Loose tools		270	548
Stores in transit		19,722	5,810
		527,981	525,183
Less: Provision for slow moving, obsolete and damaged store items		(55,340)	(55,340)
		472,641	469,843
14. STOCK IN TRADE			
Raw material in transit		542,028	288,483
Raw material		4,090,368	2,559,345
Work in process		432,614	346,703
Finished goods		2,117,746	2,601,680
Waste		28,589	22,841
		7,211,345	5,819,052
15. TRADE DEBTS			
Secured against letters of credit		36,803	-
Unsecured		3,712,450	3,281,910
		3,749,253	3,281,910
Less: Allowance for expected credit loss		(235,219)	(235,219)
		3,514,034	3,046,691
16. LOANS AND ADVANCES			
Employees		3,988	6,464
Advances to suppliers		26,561	16,486
Letters of credit		24,040	16,948
Due from related parties		68,314	68,342
		122,903	108,240

Selected Notes to the Condensed Interim Financial Statements (Un-Audited)
For The Period Ended September 30, 2023

		Un-Audited	
		September 30, 2023	September 30, 2022
		(Rupees in thousand)	
17.	INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS		
	Equity investments	17.1	229,657
	Mutual funds	17.2	251,040
			480,697
			601,511
17.1	Securities held at fair value through profit or loss		
	Carrying value	208,645	278,472
	Unrealised gain / (loss)	21,012	(66,544)
		229,657	211,928
17.2	Mutual funds		
	HBL Cash Fund	-	133,062
	Alfalah GHP Money Market Fund	-	256,521
	MCB Cash Management Optimizer	150,817	-
	NBP Money Market Fund	-	-
	ABL Cash Fund	100,223	-
	Atlas Money Market Fund	-	-
		251,040	389,583

Selected Notes to the Condensed Interim Financial Statements (Un-Audited) For The Period Ended September 30, 2023

		Un-Audited					
		September 30, 2023			September 30, 2022		
		Spinning	Weaving	Total	Spinning	Weaving	Total
		(Rupees in Thousand)					
18. SALES							
Local		6,161,973	3,095,837	9,257,810	3,539,794	1,967,407	5,507,201
Export		47,935	200,397	248,332	803	205,657	206,460
Inter Segments		(1,832,430)	-	(1,832,430)	(686,503)	-	(686,503)
		4,377,478	3,296,234	7,673,712	2,854,094	2,173,064	5,027,158
18.1	Disaggregation of the Company's revenue from contracts with customer is as follows.						
	Segments						
	Sale of yarn	5,756,910	-	5,756,910	3,274,613	-	3,274,613
	Sale of fabric	-	3,286,766	3,286,766	-	2,165,341	2,165,341
	Sale of waste	452,998	9,468	462,466	265,984	7,723	273,707
	Inter-segment eliminations	(1,832,430)	-	(1,832,430)	(686,503)	-	(686,503)
	Total revenue from contracts with customers	4,377,478	3,296,234	7,673,712	2,854,094	2,173,064	5,027,158
	Geographic markets						
	Pakistan	6,161,973	3,095,837	9,257,810	3,539,794	1,967,407	5,507,201
	Bangladesh	-	-	-	-	92,935	92,935
	China	-	34,102	-	-	-	-
	Hong Kong	-	-	-	-	370	370
	Italy	-	28,117	28,117	-	28,499	28,499
	Portugal	-	105,468	105,468	-	83,853	83,853
	Sri Lanka	15,452	-	15,452	-	-	-
	Sri Lanka	-	-	-	803	-	803
	Sri Lanka	-	32,710	32,710	-	-	-
	Sri Lanka	32,483	-	32,483	-	-	-
	Inter-segment eliminations	(1,832,430)	-	(1,832,430)	(686,503)	-	(686,503)
	Total revenue from contracts with customers	4,377,478	3,296,234	7,639,610	2,854,094	2,173,064	5,027,158
	Timing of revenue recognition						
	Goods transferred at a point in time	4,377,478	3,296,234	7,639,610	2,854,094	2,173,064	5,027,158
	Total revenue from contracts with customers	4,377,478	3,296,234	7,639,610	2,854,094	2,173,064	5,027,158

Selected Notes to the Condensed Interim Financial Statements (Un-Audited) For The Period Ended September 30, 2023

	Un-Audited	
	September 30, 2023	September 30, 2022
	(Rupees in thousand)	
19. COST OF SALES		
Raw material consumed	4,956,203	3,796,790
Sizing expenses	34,206	29,794
Stores, spares and loose tools consumed	86,074	68,617
Packing materials consumed	53,345	36,841
Salaries, wages and other benefits	383,514	306,331
Fuel and power	905,573	477,446
Repairs and maintenance	47,756	12,211
Insurance	12,940	10,421
Depreciation	193,635	158,922
Other factory overheads	10,033	8,408
	6,683,279	4,905,781
Work-in-process:		
Opening stock	346,640	350,705
Closing stock	(432,614)	(254,697)
	(85,974)	96,008
Cost of goods manufactured	6,597,305	5,001,789
Finished goods:		
Opening stock	2,624,522	3,684,611
Closing stock	(2,146,336)	(3,993,233)
	478,186	(308,622)
	7,075,491	4,693,167
20. DISTRIBUTION COST		
Salaries and other benefits	2,624	2,009
Commission to selling agents	58,360	41,889
Outward freight and shipment	14,488	21,074
Clearing and forwarding	2,855	1,872
Export development surcharge	621	520
	78,948	67,364

Selected Notes to the Condensed Interim Financial Statements (Un-Audited)

For The Period Ended September 30, 2023

		Un-Audited	
		September 30, 2023	September 30, 2022
		(Rupees in thousand)	
21. ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits		46,325	39,437
Rent, rates and taxes		2,483	2,476
Electricity and gas		4,649	3,866
Traveling and conveyance		3,709	4,618
Repair and maintenance		1,896	1,497
Vehicle running and maintenance		2,859	2,693
Printing and stationery		1,169	620
Communication		413	345
Fee and subscription		2,058	2,375
Advertisement		158	128
Insurance		766	724
Depreciation		7,280	7,912
Entertainment		381	247
Donation		15	10,515
		74,161	77,453
22. OTHER OPERATING EXPENSES			
Legal and professional		805	731
Auditors' remuneration		523	1,325
Workers profit participation fund		19,671	10,609
Workers welfare fund		7,475	4,031
Impairment loss on investment		-	1,097
Exchange loss		-	7,878
Provision for Expected Credit Losses		-	-
		28,474	25,671
23. OTHER OPERATING INCOME			
Exchange gain / (loss)		7,108	-
Profit on bank deposits		19,810	10,329
Dividend income		19,082	88,366
Un-realized gain on remeasurement of investment		21,012	-
Sale of empties and scrap		1,549	759
Gain on disposal of operating fixed assets		90	1,694
Other		-	72
		68,651	101,220
24. FINANCE COST			
Interest / mark-up on:			
Long term financing		28,394	27,793
GIDC liability		-	288
Short term borrowings		85,349	35,369
Liabilities against assets subject to finance leases		75	22
Bank charges and commission		4,763	3,705
		118,581	67,177
25. TAXATION			
Charge for the period:			
Current		122,931	82,567
		122,931	82,567

Selected Notes to the Condensed Interim Financial Statements (Un-Audited) For The Period Ended September 30, 2023

26 OPERATING SEGMENT INFORMATION

26.1 The Company has two reportable segments. The following summary describes the operation in each of the Company's reportable segments:

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

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

Transactions between operating segments are recorded on arm's length basis in a manner similar to transactions with third parties. Inter segment sales and purchases have been eliminated from the total.

26.2

	Spinning		Weaving		Elimination of Inter-segment transactions		Total-Company	
	Sep 30, 2023	Sep 30, 2022	Sep 30, 2023	Sep 30, 2022	Sep 30, 2023	Sep 30, 2022	Sep 30, 2023	Sep 30, 2022
Un-Audited (Rupees in thousand)								
Sales								
External	4,377,478	2,854,094	3,296,234	2,173,064	-	-	7,673,712	5,027,158
Inter-segment	1,832,430	686,503	-	-	(1,832,430)	(686,503)	-	-
Cost of sales	6,209,908	3,540,597	3,296,234	2,173,064	(1,832,430)	(686,503)	7,673,712	5,027,158
External	(3,926,328)	(2,521,929)	(3,149,163)	(2,171,238)	-	-	(7,075,491)	(4,693,167)
Inter-segment	(1,832,430)	(686,503)	-	-	1,832,430	686,503	-	-
Gross profit	(5,758,758)	(3,208,432)	(3,149,163)	(2,171,238)	1,832,430	686,503	(7,075,491)	(4,693,167)
Distribution cost	451,150	332,165	147,071	1,826	-	-	598,221	333,991
Administrative expenses	(40,328)	(103,723)	(38,620)	36,359	-	-	(78,948)	(67,364)
	(56,168)	(55,054)	(17,993)	(22,399)	-	-	(74,161)	(77,453)
Profit before taxation and unallocated income and expenses	(96,496)	(158,777)	(56,613)	13,960	-	-	(153,109)	(144,817)
	354,654	173,388	90,458	15,786	-	-	445,112	189,174
Unallocated income and expenses:								
Operating expenses							(28,474)	(25,671)
Other income							71,769	101,220
Finance cost							(121,699)	(67,177)
							(78,404)	8,372
Profit before taxation							366,708	197,546
Taxation							(122,931)	(82,567)
Profit for the period							243,777	114,979

Inter segment sales and purchases have been eliminated on consolidation.

Selected Notes to the Condensed Interim Financial Statements (Un-Audited) For The Period Ended September 30, 2023

23.3 Reconciliation of Reportable Segment Assets and Liabilities

	Spinning		Weaving		Total-Company	
	Un-Audited Sep 30, 2023	Audited June 30, 2022	Un-Audited Sep 30, 2023	Audited June 30, 2022	Un-Audited Sep 30, 2023	Audited June 30, 2022
Total assets for reportable segment	16,193,363	14,819,798	4,904,007	4,630,028	21,097,370	19,449,826
Unallocated assets:						
Investment properties					477,690	477,690
Long term investments					656,736	625,563
Investments held at fair value through profit or loss					480,697	601,511
Non-current assets classified as held for sale					22,465	22,465
Total assets as per condensed interim statement of financial position					22,734,958	21,177,055
Total liabilities for reportable segments	7,238,498	5,632,724	3,226,550	3,579,078	10,465,048	9,211,802
Unallocated liabilities:						
Deferred income tax liability					918,687	918,687
Provision for taxation - net					274,332	241,839
Unclaimed dividend					7,313	7,313
Total liabilities as per condensed interim statement of financial position					11,665,380	10,379,641

Selected Notes to the Condensed Interim Financial Statements (Un-Audited) For The Period Ended September 30, 2023

27. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

(i) Fair value hierarchy

Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these condensed interim financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the following three levels. An explanation of each level follows underneath the table.

Recurring fair value measurements at 30 September 2023 - Un-audited	Level 1	Level 2	Level 3	Total
(Rupees in Thousand)				
Financial assets				
Fair value through profit or loss	480,697	-	-	480,697
Fair value through other comprehensive income	650,406	-	-	650,406
	1,131,103	-	-	1,131,103
Recurring fair value measurements at 30 June 2023 - Audited	Level 1	Level 2	Level 3	Total
(Rupees in Thousand)				
Financial assets				
Fair value through profit or loss	601,511	-	-	601,511
Fair value through other comprehensive income	619,233	-	-	619,233
	1,220,744	-	-	1,220,744

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

Selected Notes to the Condensed Interim Financial Statements (Un-Audited) For The Period Ended September 30, 2023

There were no transfers between levels 1 and 2 for recurring fair value measurements during the period ended 30 September 2021. Further there was no transfer in and out of level 3 measurements.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine level 1 fair values

Specific valuation technique used to value financial instruments was use of quoted market prices.

28. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, key management personnel and provident fund trust. The Company is in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties are as follows:

	Period Ended	
	September 30, 2023	September 30, 2022
	(Rupees in thousand)	
i) Transactions		
Associated companies		
Purchase of electricity	-	5,764
Sale of goods	45,776	64,929
Purchase of goods	41,449	84,108
Insurance expense	60,670	55,573
Key management personnel		
Remuneration paid to Chief Executive Officer, Director	16,217	14,721
Other related parties		
Company's contribution to provident fund trust	7,797	7,479

Selected Notes to the Condensed Interim Financial Statements (Un-Audited) For The Period Ended September 30, 2023

ii) Period end balances

As At 30 September 2023 (Un-Audited)

	Associated Companies	Other Related Parties	Total
(Rupees in Thousand)			
Trade debts	35,650	-	35,650
Trade and other payables	40,842	-	40,842

As At 30 June 2023 (Audited)

	Associated Companies	Other Related Parties	Total
(Rupees in Thousand)			
Trade debts	375	-	375
Trade and other payables	58,333	-	58,333

Un-Audited

September
30, 2023
(Rupees in thousand)

29. DISCLOSURES BY COMPANY LISTED ON ISLAMIC INDEX

Loan / advances obtained as per Islamic mode:

Loans

417,912

209,363

Advances

90,971

73,938

Shariah compliant bank deposits / bank balances

Bank balances

27,995

16,383

30. PROFIT EARNED FROM SHARIAH COMPLIANT BANK DEPOSITS / BANK BALANCES

Profit on deposits with banks

19,810

13,956

Revenue earned from shariah compliant business

7,673,712

18,860,335

Gain or dividend earned from shariah complaint investments

7,573

63,921

Dividend income

Unrealized gain / (loss) on re-measurement of
investments at FVTOCI

2,483

(111,687)

Unrealized gain / (loss) on re-measurement of
investments at FVTPL

14,711

(54,864)

Realized gain on investments at FVTPL

-

169

Selected Notes to the Condensed Interim Financial Statements (Un-Audited)
For The Period Ended September 30, 2023

	Un-Audited	
	September 30, 2023	June 30, 2023
	(Rupees in thousand)	
Exchange gain / (loss)	-	(10,538)
Mark-up paid on Islamic mode of financing	18,100	22,146
Profits Earned or Interest Paid on any conventional Loans / Advance		
Interest paid on loans	98,761	241,170
Profit earned on deposits with banks	-	26,293

Name	Relationship
Meezan Bank Limited	Bank balance and short term borrowings
MCB Islamic Bank Limited	Bank balance and short term borrowings
Dubai Islamic Bank Limited	Bank balance
First Habib Modaraba	Lease

31. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the preceding audited annual published financial statements of the Company for the year ended 30 June 2023.

32. DATE OF AUTHORIZATION

These condensed interim financial statements were approved by the Board of Directors and authorized for issue on October 27th, 2023.

33. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However no significant rearrangement have been made.

34. GENERAL

Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

www.jamapunji.pk



**Be aware, Be alert,
Be safe**

**Learn about investing at
www.jamapunji.pk**

Key features:

- Licensed Entities Verification
- Scam meter*
- Jamapunji games*
- Tax credit calculator*
- Company Verification
- Insurance & Investment Checklist
- FAQs Answered
- Stock trading simulator (based on live feed from KSE)
- Knowledge center
- Risk profiler*
- Financial calculator
- Subscription to Alerts (event notifications, corporate and regulatory actions)
- Jamapunji application for mobile device
- Online Quizzes



Jama Punji is an investor
Education Initiative of
Securities and Exchange
Commission of Pakistan

jamapunji.pk

@jamapunji_pk

*Mobile apps are also available for download for android and ios devices



info@suraj.com

سورج

SURAJ COTTON MILLS LIMITED

Address:

7-B 3, Aziz Avenue,
Gulberg-5, Lahore - Pakistan

PABX: +92 42 35760381

Fax: +92 42 35760376