



# **SALFI TEXTILE MILLS LIMITED**

**Condensed Interim Financial Information  
For The Nine - Month Period Ended March 31, 2016**

## **SALFI TEXTILE MILLS LIMITED**

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**SALFI TEXTILE MILLS LIMITED****01****BOARD OF DIRECTORS**

**CHAIRMAN:** Mr. Anwar Ahmed Tata  
**CHIEF EXECUTIVE:** Mr. Adeel Shahid Anwar Tata  
**DIRECTORS:** Mr. Shahid Anwar Tata  
Mr. Aijaz Ahmed Tariq  
Mr. Bilal Shahid Anwar  
Mr. Muhammad Naseem  
Sheikh Kausar Ejaz

**AUDIT COMMITTEE**

**CHAIRMAN:** Mr. Muhammad Naseem  
**MEMBERS:** Mr. Bilal Shahid Anwar  
Sheikh Kausar Ejaz

**SECRETARY** Mr. Owais Ahmed Abbasi

**HUMAN RESOURCE & REMUNERATION COMMITTEE**

**CHAIRMAN:** Mr. Muhammad Naseem  
**MEMBERS:** Mr. Adeel Shahid Anwar Tata  
Mr. Bilal Shahid Anwar

**SECRETARY** Mr. Umar Khawajah

**COMPANY SECRETARY & CHIEF FINANCIAL OFFICER:** Mr. Farooq Advani

**BANKERS:** Dubai Islamic Bank (Pakistan) Limited  
Bank Alfalah Limited  
Meezan Bank Limited  
Habib Metropolitan Bank Limited  
The Bank of Punjab  
MCB Bank Limited  
National Bank of Pakistan  
Soneri Bank Limited  
Allied Bank Limited  
Bank Islami Pakistan Limited  
JS Bank Limited  
Askari Bank Limited

**AUDITORS:** M/s. Deloitte Yousuf Adil  
Chartered Accountants

**LEGAL ADVISOR:** Ameen Bandukda & Co. Advocates

**SHARE REGISTRAR:** Central Depository Company of Pakistan Ltd.  
CDC House, 99 – B, Block 'B',  
S.M.C.H.S., Main Shahra-e-Faisal  
Tel# (Toll Free) 0800-CDCPL (23275)  
Fax: (92-21) 34326053

**REGISTERED OFFICE:** 6th Floor Textile Plaza,  
M.A Jinnah Road Karachi.  
Tel# 32412955-3 Lines 32426761-2-4  
Fax# 32417710

**WEB SITE ADDRESS:** [www.tatatex.com](http://www.tatatex.com)

**E- MAIL ADDRESS:** [stm.corporate@tatatex.com](mailto:stm.corporate@tatatex.com)

**MILLS:** HX-1, Landhi Industrial Area, Landhi, Karachi

**DIRECTORS' REPORT**

Assalam-o-Alaikum

The Financial Statements (un-audited) of the Company for the third quarter, ended on March 31, 2016 is being presented to you.

The Financial Results for the 3rd Quarter of the company continues to be disappointing. During the quarter under review, the Company incurred an after tax loss of Rs 113.689 million as compared to an after tax loss of Rs.18.084 million during the corresponding period of last year.

**Textile Industry**

During the Quarter under review, the Textile Industry is persistently facing severe liquidity crunch as major refunds are still unpaid and billions of Rupees are stuck up in Sales Tax, Duty Drawback and Income Tax Refunds. The country's share in the global market is on a constant decline due to rising production costs, rendering many Textile Industries incapable of competing in the International Market and this is only due to the unresponsive attitude of the incumbent Government.

Moreover, the exchange control policy adopted by the Government has seriously affected the country's exports which have declined drastically. During the last 5 years, our neighboring country and competitor has depreciated its currency by 55%, whereas, Pakistan has depreciated the Rupee by 24% only. Therefore, this big difference in the currency valuation cannot be covered by achieving any level of efficiency in production or cost.

The Textile Industry is a major sector for providing employment and earning of foreign exchange but the Government has failed to lift the country's export and the manufacturing sector continues to be neglected, as number of promises made by the Government in support of Textile Industry still remains unfulfilled.

**Cotton Situation**

Globally, the Cotton market was bearish, due to the uncertainty of Chinese Policy and secondly because of the speculators who were selling short in the New York (NY) Cotton Exchange which brought down the prices of Cotton. With this speculation of cotton, combined with the globally economic conditions, compounded with the Chinese doubtful situation, there was less demand for Textile products and thus, less demand for Yarn. Furthermore, the countries with greater availability of Cotton and better exchange rates were able to make inroads into our traditional market.

However, as things stand now, China has finally announced their Cotton Policy which has resulted into market sentiment being not so bearish and hence since then the NY has taken a reversal and Cotton prices have embarked upon a steady upward trend. Consequently, trading in cotton was done at high levels with supplies also shrinking. Our most significant competitor in Yarn, India, supposedly, might be facing some shortage of Cotton as their Cotton prices have also risen and they have also increased their Yarn prices. Hopefully, this will result in recapturing our domestic market as well as taking back some of the lost export markets.

We look forward to a good harvest of cotton crop in the coming months and hope it will be of a much better quality with enhanced yield production, as compared to last year's disastrous output.

**Going Forward**

We are planning to add TFOs at Salfi Textile Mill to produce plied yarns.

**Acknowledgement**

It is most important to mention the untiring endeavors of all our team members who are engaged in up-holding their commitment for the company's success and growth. We also thank our Bankers, Vendors and Clients for their consistent trust and support.

On behalf of the Board of Directors



**ADEEL SHAHID ANWAR TATA**

Chief Executive

Karachi:

Dated: April 30, 2016

**SALFI TEXTILE MILLS LIMITED****03****CONDENSED INTERIM BALANCE SHEET  
AS AT MARCH 31, 2016**

	Note	March 31, 2016 (Unaudited)	June 30, 2015 (Audited)
.....Rupees in '000' .....			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	2	3,449,080	3,359,644
Intangible assets		1,952	2,984
Long term investment		626	489
Long term deposits		1,037	1,012
		<b>3,452,695</b>	<b>3,364,129</b>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		50,030	39,353
Stock-in-trade		1,330,006	956,771
Trade debts		250,047	375,038
Loans and advances		223,161	210,158
Trade deposits and short-term prepayments		4,526	2,392
Other receivables		2,710	403
Other financial assets		25,786	21,037
Sales tax refundable		29,560	51,741
Cash and bank balances		29,098	41,138
		<b>1,944,924</b>	<b>1,698,031</b>
<b>TOTAL ASSETS</b>		<b>5,397,619</b>	<b>5,062,160</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital		33,426	33,426
Reserves		755,815	755,678
Unappropriated profit		(80,148)	164,416
		<b>709,093</b>	<b>953,520</b>
Surplus on revaluation of property, plant and equipment		1,547,473	1,583,021
<b>NON-CURRENT LIABILITIES</b>			
Long-term finance		801,544	726,110
Deferred liabilities		65,323	63,506
<b>CURRENT LIABILITIES</b>			
Trade and other payables		411,528	407,809
Interest / mark-up accrued on borrowings		46,097	46,776
Short-term borrowings		1,618,092	1,109,508
Current portion of long-term finance		166,547	131,870
Provision for income tax		31,922	40,040
		<b>2,274,186</b>	<b>1,736,003</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	3		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,397,619</b>	<b>5,062,160</b>

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

  
**ADEEL SHAHID ANWAR TATA**  
 Chief Executive

  
**ANWAR AHMED TATA**  
 Chairman/Director

CONDENSED INTERIM PROFIT & LOSS ACCOUNT (UN-AUDITED)  
FOR THE NINE-MONTH PERIOD ENDED MARCH 31, 2016

Note	Nine-month period ended		Three-month period ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
.....Rupees in '000'.....				
Sales	3,734,758	3,563,169	1,277,799	935,243
Cost of goods sold	4 (3,710,471)	(3,317,025)	(1,268,146)	(842,247)
<b>Gross profit</b>	<b>24,287</b>	246,144	<b>9,653</b>	92,996
Distribution cost	(92,599)	(104,143)	(29,694)	(29,473)
Administrative expenses	(79,217)	(63,678)	(23,931)	(20,764)
Other operating expenses	(11,196)	(13,183)	(3,030)	(11,289)
Finance cost	(131,364)	(105,356)	(56,338)	(43,531)
	<u>(314,376)</u>	<u>(286,360)</u>	<u>(112,993)</u>	<u>(105,057)</u>
	<u>(290,089)</u>	<u>(40,216)</u>	<u>(103,340)</u>	<u>(12,061)</u>
Other operating income	5,587	5,472	1,582	1,593
Loss before taxation	<u>(284,502)</u>	<u>(34,744)</u>	<u>(101,758)</u>	<u>(10,468)</u>
Taxation	4,389	(34,776)	(11,931)	(7,616)
Loss after taxation	<u>(280,113)</u>	<u>(69,520)</u>	<u>(113,689)</u>	<u>(18,084)</u>
Other comprehensive income				
Unrealized gain/(loss) on remeasurement of investment available-for-sale	137	(74)	78	(105)
Total comprehensive income for the period	<u>(279,976)</u>	<u>(69,594)</u>	<u>(113,611)</u>	<u>(18,189)</u>
Earnings per share - Basic and diluted	<u>(83.80)</u>	<u>(20.80)</u>	<u>(34.01)</u>	<u>(5.41)</u>

The annexed notes form an integral part of these financial information

  
ADEEL SHAHID ANWAR TATA  
Chief Executive

  
ANWAR AHMED TATA  
Chairman/Director

**SALFI TEXTILE MILLS LIMITED****05****CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE NINE-MONTH PERIOD ENDED MARCH 31, 2016**

	March 31, 2016	March 31, 2015
	.....Rupees in '000'.....	
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(284,502)	(34,744)
Adjustments for :		
Depreciation of property, plant and equipment	110,104	80,373
Amortization on intangible assets	1,032	1,032
Provision for staff gratuity	16,466	19,643
Provision for compensated absences	4,963	-
Finance cost	131,364	105,356
(Gain)/Loss on disposal of property, plant and equipment	(1,112)	2,771
Operating cash flows before movements in working capital	<u>(21,685)</u>	174,431
(Increase) / decrease in current assets		
Stores, spares and loose tools	(10,676)	(9,985)
Stock-in-trade	(373,235)	(373,517)
Trade debts - considered good	124,991	(296,165)
Loans and advances	33,466	(28,543)
Trade deposits & short term prepayments	(2,134)	(4,469)
Other receivables	(2,307)	751
Other financial assets	(4,749)	(16,901)
Sales tax refundable	22,181	(37,870)
Increase in current liabilities		
Trade and other payables	3,719	18,524
Cash generated from operations	<u>(230,429)</u>	(573,744)
Finance cost paid	(132,043)	(89,633)
Income taxes paid	(50,197)	(55,996)
Staff gratuity and compensated expenses paid	(19,613)	(13,574)
Net cash used in operating activities	<u>(432,282)</u>	(732,947)
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(201,066)	(430,132)
Proceeds on disposal of property, plant and equipment	2,638	9,884
Long-term deposit	(25)	-
Net cash used in investing activities	<u>(198,453)</u>	(420,248)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term financing	241,716	87,427
(Repayment)/obtain of long - term financing	(131,605)	71,119
Obtained short-term borrowing	378,914	620,693
Dividend Paid	-	(4,905)
Net cash generated from financing activities	<u>489,025</u>	774,334
Net decreased in cash and cash equivalents (A+B+C)	<u>(141,710)</u>	<u>(378,861)</u>
Cash and cash equivalents at July 1	<u>(457,064)</u>	36,298
Cash and cash equivalents at March 31	<u>(598,774)</u>	<u>(342,563)</u>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	29,098	29,307
Short - term running finance under markup arrangements	<u>(627,872)</u>	<u>(371,870)</u>
	<u>(598,774)</u>	<u>(342,563)</u>

The annexed notes form an integral part of these financial information

  
**ADEEL SHAHID ANWAR TATA**  
Chief Executive

  
**ANWAR AHMED TATA**  
Chairman/Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE NINE-MONTH PERIOD ENDED MARCH 31, 2016**

	Issued, subscribed and paid-up Capital	Revenue Reserve		Total
		General reserve	Unrealized loss on re- measurement of securities - appropriated profit/(loss)	
<b>Balance at July 01, 2014</b>	<b>33,426</b>	<b>750,000</b>	<b>(198)</b>	<b>280,729 1,069,953</b>
<b>Total Comprehensive income</b>	-	-	-	(69,520) (69,520)
Loss after taxation for the nine-month period ended March 31, 2015	-	-	(74)	(74)
Other comprehensive income - net of tax	-	-	(74)	(69,520) (69,594)
Total comprehensive income for the period	-	-	(74)	(69,520) (69,594)
Transfer from surplus on revaluation of property, plant and equipment on account of : - incremental depreciation - net of deferred tax - disposal - net of deferred tax	-	-	-	24,570 24,570
	-	-	-	7,023 7,023
Transaction with owners: Final cash dividend for the year ended June 30, 2014 @ Rs.1.5 per share	-	-	-	31,593 31,593
<b>Balance as at March 31, 2015</b>	<b>33,426</b>	<b>750,000</b>	<b>(272)</b>	<b>237,788 1,026,938</b>
<b>Total Comprehensive income</b>	-	-	-	(76,200) (76,200)
Loss after taxation for the three-month period ended June 30, 2015	-	-	(46)	(170) (216)
Other comprehensive income - net of tax	-	-	(46)	(76,370) (76,416)
Total comprehensive income for the period	-	-	(46)	(76,370) (76,416)
Transfer from surplus on revaluation of property, plant and equipment on account of : - incremental depreciation - net of deferred tax	-	-	-	2,108 2,108
	-	-	-	890 890
<b>Balance at June 30, 2015</b>	<b>33,426</b>	<b>750,000</b>	<b>(318)</b>	<b>164,416 953,520</b>
<b>Total Comprehensive income</b>	-	-	-	(280,113) (280,113)
Loss after taxation for the nine-month period ended March 31, 2016	-	-	137	- 137
Other comprehensive income	-	-	137	(280,113) (279,976)
Total comprehensive income for the period	-	-	137	(280,113) (279,976)
Transfer from surplus on revaluation of property, plant and equipment on account of : - incremental depreciation - net of deferred tax	-	-	-	35,346 35,346
	-	-	-	203 203
<b>Balance as at March 31, 2016</b>	<b>33,426</b>	<b>750,000</b>	<b>(181)</b>	<b>(80,148) 709,093</b>

*Adeel*  
ADEEL SHAHID ANWAR TATA  
Chief Executive

*Anwar*  
ANWAR AHMED TATA  
Chairman/Director

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

**SELECTED EXPLANATORY NOTES TO THE  
CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE NINE-MONTH PERIOD ENDED MARCH 31, 2016**

**1. LEGAL STATUS AND BASIS OF PREPARATION**

Salfi Textile Mills Limited (the company) was incorporated in Pakistan on January 05, 1968 as a public limited company under the Companies Ordinance, 1984 and is listed on Pakistan Stock Exchange (formerly Karachi Stock Exchange). The registered office of the company is situated at 6th floor Textile Plaza M.A Jinnah Road, Karachi. The principal activity of the company is manufacturing and sale of yarn. The company's manufacturing facilities are located at Landhi Industrial Estate, Karachi in the Province of Sindh.

1.1 These condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards, International Accounting Standard (IAS) 34: Interim Financial Reporting and in compliance with the requirement of section 245 of the Companies Ordinance, 1984 and Rule Book of the Pakistan Stock Exchange.

1.2 These condensed interim financial statements have been prepared under 'historical cost convention' modified by:

- certain items of property, plant and equipment which have been included at revalued amounts;
- financial instruments at fair value; and
- recognition of certain staff retirement benefits at present value

1.3 The accounting policies and methods of computation followed in the preparation of the 3rd quarterly financial statements are the same as those of the published annual financial statements for the period ended June 30, 2015.

	Note	March 31, 2016 (Unaudited)	June 30, 2015 (Audited)
.....Rupees in 000 .....			
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	2.1	<b>3,324,765</b>	3,350,560
Capital work in progress		<b>124,315</b>	9,084
		<b>3,449,080</b>	<b>3,359,644</b>

2.1 Following addition and disposals in operating fixed assets were made during the 3rd Quarter ended March 31, 2016

	Additions	Disposal (W.D.V)	Sale Proceed
..... Rupees in '000' .....			
Plant & Machinery	24,202	62	500
I.T Equipment	639	-	-
Furniture & Fixture	666	-	-
Factory Equipment	7,540	-	-
Vehicles	3,521	90	100
	<b>36,568</b>	<b>152</b>	<b>600</b>

	Note	March 31, 2016 (Unaudited)	June 30, 2015 (Audited)
.....Rupees in 000 .....			
<b>3 CONTINGENCIES &amp; COMMITMENTS</b>			

**3.1 Contingencies**

There is no contingency to report as at March 31, 2016 and June 30, 2015.

**3.2 Commitments**

Civil works		<b>103,609</b>	1,922
Letters of credit for			
- Plant and machinery		-	42,111
- Store		<b>1,884</b>	693
- Raw material		-	27,361
Bank guarantees	3.2.1	<b>109,166</b>	95,166
Bills discounted-Local		<b>30,948</b>	6,901
Bills discounted-Export		<b>593,454</b>	354,992
Outstanding sales contract		<b>99,159</b>	42,917

- 3.2.1 This includes bank guarantee related to infrastructure Cess amounting to Rs. 68.10 million (June 30, 2015: Rs. 54.1 million)

Note	Nine-month period ended		Three-month period ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
.....Unaudited.....				
.....Rupees in '000'.....				
<b>4. COST OF GOODS SOLD</b>				
Opening finished goods	247,210	186,670	256,656	85,888
Cost of goods manufactured (4.1)	3,313,629	3,054,803	1,172,650	873,029
	<b>3,560,839</b>	3,241,473	<b>1,429,306</b>	958,917
Closing finished goods	(182,998)	(116,670)	(182,998)	(116,670)
	<b>3,377,841</b>	3,124,803	<b>1,246,308</b>	842,247
Cost of raw material sold	332,630	192,222	21,838	-
Cost of goods sold	<b>3,710,471</b>	3,317,025	<b>1,268,146</b>	842,247
<b>4.1 Cost of goods manufactured</b>				
Raw material consumed (4.1.1)	2,523,453	2,301,396	911,546	638,111
Packing material consumed	57,113	61,623	18,207	16,635
Stores and spares consumed	49,469	39,356	19,375	13,932
Salaries, wages and benefits	229,671	196,259	75,324	70,016
Fuel and power	323,575	335,870	104,068	102,165
Insurance	7,897	8,648	2,962	455
Repairs and maintenance	8,717	9,010	1,464	1,985
Depreciation	102,960	72,958	34,624	26,581
Other overheads	15,791	22,481	6,215	7,018
	<b>3,318,646</b>	3,047,601	<b>1,173,788</b>	876,898
Work-in-process				
Opening stock	27,163	34,046	31,042	22,975
Closing stock	(32,180)	(26,844)	(32,180)	(26,844)
	(5,017)	7,202	(1,138)	(3,869)
	<b>3,313,629</b>	3,054,803	<b>1,172,650</b>	873,029
<b>4.1.1 Raw material consumed</b>				
Opening stock	682,397	629,003	1,554,588	1,616,958
Purchases - net	2,955,884	2,752,115	471,786	100,875
	<b>3,638,281</b>	3,381,118	<b>2,026,374</b>	1,717,833
Closing stock	(1,114,828)	(1,079,722)	(1,114,828)	(1,079,722)
	<b>2,523,453</b>	2,301,396	<b>911,546</b>	638,111

- 4.2 Net realizable value of finished goods was lower than its cost, which resulted in write down of Rs. 9.175 million (March 31, 2015 Rs.0.834 million) charged to cost of sales.

**5 TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise associated companies / undertakings and key management personnel. The transactions between the Company and the related parties are carried out as per agreed terms. Significant transactions with related parties are as follows:

		Three-month period ended	
		March 31, 2016	March 31, 2015
		.....(Unaudited).....	
		...Rupees in '000'...	
<b>Relationship with the party</b>	<b>Nature of transactions</b>		
<b>Associates undertakings</b>	Share of expense received	374	345
	Share of expense paid	300	344
	Sale of Assets	-	6,500
	Sale of goods	21,381	-
	Licensing Income	1,062	1,062
	Purchase of power	99,501	100,940
<b>Directors</b>	Meeting fee	35	30
	Short-term benefits	2,013	1,200
	Rent Expense	907	907
<b>Key management personnel</b>	Short-term benefits	13,840	11,394

**6 APPROVAL OF CONDENSED INTERIM FINANCIAL INFORMATION**

This condensed interim financial information was authorized for issue on April 30, 2016 by the Board of Directors of the Company

  
**ADEEL SHAHID ANWAR TATA**  
 Chief Executive

  
**ANWAR AHMED TATA**  
 Chairman/Director

# BOOK POST

Printed Matter



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