



of Companies

FIRST QUARTERLY ACCOUNTS
2020-2021
(UN - AUDITED)

UMER GROUP OF COMPANIES

BHANERO TEXTILE MILLS LIMITED

VISION

A premier quality company providing quality products and maintaining an excellent level of ethical and professional standards.



MISION STATEMENT

To become a leading manufacturer of textile products in the international and local market & to explore new era to achieve the highest level of success.

Directors' Review

On behalf of the board of directors of Bhanero Textile Mills Limited, I am pleased to present the unaudited condensed interim financial statements for the first quarter ended September 30, 2020.

Significant Financial Performance of the First Quarter Ended September 30, 2020;

Profit after tax for the first quarter ended September 30, 2020 is PKR 102.892 million as compared to PKR 76.982 million in the corresponding period ended September 30, 2019.

Earnings per share for the first quarter ended September 30, 2020 is PKR 34.30 (September 30 2019: PKR 25.66).

Break-up value of the share as on September 30, 2020 is PKR 1,674.00 (June 2020: PKR 1,639.71).

The current ratio for first quarter ended September 30, 2020 is 3.64 (June 30, 2020: 2.54).

Outlook on Textiles

The seed cotton equivalent to 2.70 million bales approximately reached ginneries across Pakistan during the current season the country which once proud of producing world's best cotton. *(Source: PCGA)*

Owing to multiple factors, including harsh weather, locust attack, lack of proper research by local research institutes and no cotton policy on the top. As per Cotton Crop Assessment Committee (CCAC) Pakistan is losing cotton areas necessary for the production of bales and the production is constantly declining as cotton growers are not getting a good amount of yield due to which they are switching to other crops which could maximize their revenues. The farmers are still perusing the traditional methods for cotton harvesting due to lack of research and technical assistance regarding seeds to be used for the enhancing cotton production, pesticides to save crops from pest attacks and fertilizers for efficient produce.

Besides, the natural calamities also hinder the cotton production targets like severe monsoon season and intensified pest attacks due to humid weather. Fortunately, we have successfully eradicated swarms of desert locust, months after declaring a national emergency to battle the infestation which will definitely have a positive impact on upcoming season.

We suggest that government should announce a minimum support price for cotton to restrain farmers from switching to other competing crops and ensure farmers access to quality seeds otherwise the country's cotton output will continue to deteriorate. Further, the concept of crop insurance should be introduced to assist farmers from enormous losses due to natural calamities.

Acknowledgement

The Board appreciates the contribution of employees and continual supports all financial institutions.

On behalf of the Board



Khurrum Salim

(Chief Executive)

Karachi: October 28, 2020

Bhanero Textile Mills Limited

Condensed Interim Statement of Profit or Loss (Un-Audited) For The First Quarter Ended Sep 30, 2020

	First Quarter	
	Sep 30, 2020	Sep 30, 2019
	Rupees	Rupees
Sales	3,087,712,823	2,218,292,545
Cost of sales	2,803,344,527	1,982,539,886
Gross profit	284,368,296	235,752,659
Other income	3,145,563	2,607,476
	287,513,859	238,360,135
Distribution cost	59,631,712	36,331,264
Administrative expenses	38,954,194	42,519,575
Other operating expenses	10,808,168	8,071,736
Finance cost	32,991,668	43,446,752
	142,385,742	130,369,327
Profit before tax	145,128,117	107,990,808
Provision for taxation - current year	7 42,236,435	31,009,020
Profit after tax	102,891,682	76,981,788
Earnings per share - basic and diluted	34.30	25.66

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



CHIEF EXECUTIVE
Karachi: October 28, 2020



DIRECTOR



CHIEF FINANCIAL OFFICER

Bhanero Textile Mills Limited

Condensed Interim Statement of Comprehensive Income (Un-Audited) For The First Quarter Ended Sep 30, 2020

	First Quarter	
	Sep 30, 2020	Sep 30, 2019
	Rupees	Rupees
Profit for the period after taxation	102,891,682	76,981,788
Other comprehensive income	-	-
Total comprehensive Income for the period	102,891,682	76,981,788

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



CHIEF EXECUTIVE

Karachi: October 28, 2020



DIRECTOR



CHIEF FINANCIAL OFFICER

Bhanero Textile Mills Limited

Condensed Interim Statement of Changes in Equity (Un-Audited) For The First Quarter Ended Sep 30, 2020

	Revenue Reserves			Total
	Share capital	General reserve	Unappropriated profits	
Rupees				
Balance as at 1st July, 2019	30,000,000	4,700,000,000	183,117,492	4,913,117,492
Total comprehensive income for the quarter ended Sep 30, 2019	-	-	76,981,788	76,981,788
Balance as at Sep 30, 2019	30,000,000	4,700,000,000	260,099,280	4,990,099,280
Balance as at 1st July, 2020	30,000,000	4,800,000,000	89,120,050	4,919,120,050
Total comprehensive income for the quarter ended Sep 30, 2020	-	-	102,891,682	102,891,682
Balance as at Sep 30, 2020	30,000,000	4,800,000,000	192,011,732	5,022,011,732

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



CHIEF EXECUTIVE
Karachi: October 28, 2020



DIRECTOR



CHIEF FINANCIAL OFFICER

Bhanero Textile Mills Limited

Condensed Interim Statement of Cash Flows (Un-Audited) For The First Quarter Ended Sep 30, 2020

	Sep 30, 2020	Sep 30, 2019
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	145,128,117	107,990,808
Adjustments for:		
Depreciation on property, plant and equipment	67,650,000	71,475,000
Provision for employees' benefits	15,225,000	13,200,000
Infrastructure fee - ETO	48,741	725,512
Infrastructure fee - GIDC	(89,571)	-
Gain on disposal of property, plant and equipment	(162,817)	-
Finance cost	32,991,668	43,446,752
Operating cash flows before changes in working capital	260,791,138	236,838,072
(Increase) / decrease in current assets		
Inventories	899,416,101	548,561,457
Trade debts	(241,984,665)	(27,955,546)
Loans and advances	3,321,360	20,185,354
Trade deposits & prepayments	(17,206,614)	(20,715,562)
Other receivables	14,274,270	13,254,904
Sales tax refundable	127,365,179	25,008,306
	785,185,631	558,338,913
Increase in trade and other payables	117,232,585	3,256,582
Cash generated from operations	1,163,209,354	798,433,567
Finance cost paid	(42,665,787)	(61,866,613)
Employees' benefits paid	(7,857,585)	(7,712,598)
Income taxes paid	(23,787,922)	(27,718,116)
Long term deposits	-	(21,000)
	(74,311,294)	(97,318,327)
Net cash generated from operating activities	1,088,898,060	701,115,240
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	300,000	-
Additions in property, plant and equipment	(3,758,238)	(23,224,908)
Net cash used in investing activities	(3,458,238)	(23,224,908)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing	-	(24,347,175)
Proceeds from long term loans	116,040,834	-
Increase in short term borrowings	(1,043,779,857)	(565,277,395)
Dividend paid	(17,000)	(16,397)
Net cash used in financing activities	(927,756,023)	(589,640,967)
Net increase in cash and cash equivalents	157,683,799	88,249,365
Cash and cash equivalents at the beginning of the period	114,394,432	143,722,461
Cash and cash equivalents at the end of the period	272,078,231	231,971,826

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



CHIEF EXECUTIVE
Karachi: October 28, 2020



DIRECTOR



CHIEF FINANCIAL OFFICER

Bhanero Textile Mills Limited

Notes to the Condensed Interim Financial Information (Un-audited)

For The First Quarter Ended Sep 30, 2020

1 REPORTING ENTITY

Bhanero Textile Mills Limited ('the Company') is incorporated in Pakistan as a Public Limited Company under the Repealed Companies Ordinance, 1984, now Companies Act, 2017 and is listed on Pakistan Stock Exchange Limited. The Company is primarily spinning and weaving units engaged in the manufacture and sale of yarn and woven fabric, however, it is also engaged in the generation of electricity for self consumption. The registered office of the Company is situated at Umer House, 23/1, Sector 23, S.M. Farooq Road, Korangi Industrial Area, Karachi. The manufacturing facility is located at Kotri District Jamshoro in the Province of Sindh and District Sheikhpura in the Province of Punjab.

2 BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information is un-audited and has been prepared in accordance with the requirements of the IAS 34 Interim Financial Reporting and provisions of and directives issued under the Companies Act, 2017 as applicable in Pakistan. This condensed interim financial information does not include all of the information and disclosures required for annual financial statements and should be read in conjunction with the financial statements of the Company as at and for the year ended 30th June, 2020.

Where the provision of and directives issued under the Companies Act, 2017 differ with the requirement of IAS 34, the provision of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention except for certain financial instruments at fair value, certain financial liabilities at amortized cost and employees retirement benefits at present value. In this financial information, except for the amounts reflected in the statement of cash flows, all transactions have been accounted for on accrual basis.

2.3 Judgments, estimates and assumptions

The preparation of financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

2.4 The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June 2020.

2.5 Functional currency

This financial information is prepared in Pak Rupees which is the Company's functional currency.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these interim financial statements are the same as those applied in the preparation of preceding annual financial statements of the Company for the year ended June 30, 2020.

4 DEFERRED LIABILITIES

These include the following:

Staff retirement benefits - gratuity	174,611,442	167,244,027
Deferred taxation	152,144,713	152,144,713
Infrastructure fee payable - ETO	120,383,616	120,334,875
Infrastructure fee payable - Gas	80,632,204	80,721,775
Deferred grant	3,922,867	1,807,073
	<u>531,694,842</u>	<u>522,252,463</u>

5 CONTINGENCIES AND COMMITMENTS

There is no material change in contingencies and commitments as disclosed in annual financial statements for the year ended June 30, 2020 except following:

5.1 Contingencies

Bills Discounted	<u>331,621,573</u>	<u>441,965,186</u>
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5.2 Commitments

Letter of credit (for store, raw material and machinery)	<u>238,503,153</u>	<u>-</u>
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	Note	Sep 30, 2020	June 30, 2020
		Rupees	Rupees
		(Un-Audited)	(Audited)
6 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets			
Assets owned by the Company	6.1	2,940,242,489	3,004,662,572
Capital Work in Process		22,284,464	21,893,326
		2,962,526,953	3,026,555,898
6.1 Assets owned by the Company			
Net book value at the beginning of the period/year		3,004,662,572	3,168,486,197
Additions during the period/year			
Freehold land		3,367,100	61,032,589
Factory buildings		-	15,210,474
Non factory buildings		-	28,057,817
Plant and machinery		-	53,770,170
Equipment and other assets		-	15,357,146
Vehicles		-	5,154,330
		3,367,100	178,582,526
Net book value of assets disposed during the period/year		(137,183)	(57,750,564)
Depreciation for the period/year		(67,650,000)	(284,655,587)
Net book value at the end of the period / year		2,940,242,489	3,004,662,572

7 PROVISION FOR TAXATION

7.1 No provision for deferred tax has been made as the impact of the same is considered immaterial and provision for current tax has been made in accordance with the requirements of Income Tax Ordinance, 2001.

8 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Company's perspective comprise associated companies and key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and include the Chief Executive and Directors of the Company.

Transactions with key management personnel are limited to payment of short term employee benefits only. The Company in the normal course of business carries out various transactions with associated companies and continues to have a policy whereby all such transactions are carried out on commercial terms and conditions which are equivalent to those prevailing in an arm's length transaction.

Names and details of transactions and balances with related parties are as follows:

Name	Nature of relationship	Shareholding percentage	
		Sep 30, 2020	Sep 30, 2019
Faisal Spinning Mills Limited	Associated companies	N/A	N/A
Blessed Textiles Limited	Associated companies	N/A	N/A
Bhanero Energy Limited	Associated companies	N/A	N/A
Admiral (Private) Limited	Associated companies	N/A	N/A
Umer Farms (Private) Limited	Associated companies	N/A	N/A
		First Quarter	
		Sep 30, 2020	Sep 30, 2019
Nature of transactions		Rupees	Rupees
Services received		77,250	77,250
Services rendered		180,877	177,331
Electricity purchased		98,390,654	91,825,349
Purchase of yarn, fabric and machinery		239,226,812	71,318,917
Sales of cotton, yarn, fabric and machinery		369,266,536	162,635,086
Balance with related party		20,000	20,000

9 SEGMENT REPORTING

The Company has two reportable segments, which offer different products and are managed separately. The following summary describes the operations in each of the company's reportable segments.

Reportable segment	Principal activity
Spinning	Manufacture and sale of yarn
Weaving	Manufacture and sale of woven fabric

Information about operating segments as at September 30, 2020 is as follows:

	First Quarter Sep 30, 2020		
	Spinning Rupees	Weaving Rupees	Total Rupees
Revenue from external customers	<u>2,073,541,414</u>	<u>1,014,171,409</u>	<u>3,087,712,823</u>
Inter-segment transfers	<u>149,523,000</u>	<u>-</u>	<u>149,523,000</u>
Segment results	<u>137,910,285</u>	<u>51,017,668</u>	<u>188,927,953</u>

	First Quarter Sep 30, 2019		
	Spinning Rupees	Weaving Rupees	Total Rupees
Revenue from external customers	<u>1,361,815,220</u>	<u>856,477,325</u>	<u>2,218,292,545</u>
Inter-segment transfers	<u>94,278,500</u>	<u>-</u>	<u>94,278,500</u>
Segment results	<u>112,385,416</u>	<u>47,123,880</u>	<u>159,509,296</u>

	As at September 30, 2020			Total Rupees
	Spinning Rupees	Weaving Rupees	Un-allocated Rupees	
Segment assets	<u>6,130,786,286</u>	<u>1,501,026,264</u>	<u>447,078,469</u>	<u>8,078,891,019</u>

	As at June 30, 2020			Total Rupees
	Spinning Rupees	Weaving Rupees	Un-allocated Rupees	
Segment assets	<u>6,772,248,376</u>	<u>1,440,936,386</u>	<u>575,685,547</u>	<u>8,788,870,309</u>

	As at September 30, 2020			Total Rupees
	Spinning Rupees	Weaving Rupees	Un-allocated Rupees	
Segment liabilities	<u>2,080,205,666</u>	<u>702,765,530</u>	<u>273,908,091</u>	<u>3,056,879,287</u>

	As at June 30, 2020			Total Rupees
	Spinning Rupees	Weaving Rupees	Un-allocated Rupees	
Segment liabilities	<u>2,938,837,756</u>	<u>660,305,634</u>	<u>273,876,350</u>	<u>3,873,019,740</u>

10 EVENTS AFTER THE REPORTING PERIOD

10.1 There are no significant events after the reporting period that may require any adjustment or disclosure in this condensed interim financial report.

11 RECOVERABLE AMOUNTS AND IMPAIRMENT

As at the reporting date, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these financial statements.

12 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information have been approved by the Board of Directors of the Company and authorized for issue on October 28, 2020.

13 GENERAL

13.1 There are no other significant activities since June 30, 2020 affecting the interim financial information.

13.2 Figures have been rounded off to the nearest Rupee.



CHIEF EXECUTIVE

Karachi: October 28, 2020



DIRECTOR



CHIEF FINANCIAL OFFICER