



of Companies

FIRST QUARTERLY ACCOUNTS
2020-2021
(UN - AUDITED)

UMER GROUP OF COMPANIES

FAISAL SPINNING MILLS LIMITED

VISION

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



MISION STATEMENT

To become the leaders of textile products in the local and International market & to achieve the highest level of success.

Directors' Review

On behalf of the board of directors of Faisal Spinning Mills Limited, I am presenting 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 71.858 million as compared to PKR 137.396 million for the corresponding period ended September 30, 2019.

Earnings per share for the first quarter ended September 30, 2020 is PKR 7.19 (September 30, 2019: PKR 13.74).

Break-up value of the share as on September 30, 2020 is PKR 633.72 (June 30, 2020: PKR 593.69).

The current ratio for first quarter ended September 30, 2020 is 2.12 (June 30, 2020: 1.70).

Cotton Outlook

The cotton crop has disappointed yet again whereas switching and declining yield are far from an inexplicable trajectory.

The low quality of cotton yield in Pakistan was an impending feature of the textile value-chain even before the crop substitution. In fact, country suffers from one of the worst contamination rates in the world with its rate more than seven times the international standard. One of the primary reasons for this is the obsolete and ineffective picking methods that structurally induct high trash content into the value-chain that lead directly to amplified ginning losses and lower quality of yarn. This becomes even more critical because human picking and storage in fertilizer bags lead to one of the most serious forms of contamination in the form of plastic strings.

Another reason for cotton's dwindling quality output is the below-par pace of seed research whereas on the contrary the world having depended on genetically modified seeds for more two than decades now, specifically the Bt generations, to enhance cotton's productivity and output quality, Pakistan's bid to dynamically facilitate agricultural productivity through localized research has fared abysmally. Even the delayed and point-blank adoption of these genetically modified varieties was haphazard, unregulated, and in the long term, counterproductive.

New finishing Unit

As stated earlier in our annual report the erecting of machinery is in process and we are optimistic to achieve our targeted datelines to commence our commercial production by January 2021.

Since the pandemic curve is flattening in our country, we are expecting further development in our recently developed apparel division due to diversion of orders from other countries owing to the spread of coronavirus.

Acknowledgment

The Board highly appreciates the contribution of employees, bankers, corporate regulators, stakeholders and other government authorities for their continuous support.

On behalf of the Board



Bilal Sharif

(Chief Executive)

Karachi: October 28, 2020

Faisal Spinning Mills Limited

Condensed Interim Statement of Financial Position (Un-Audited) As at September 30, 2020

	Note	Sep 30, 2020 Un-Audited Rupees	June 30, 2020 Audited Rupees		Note	Sep 30, 2020 Un-Audited Rupees	June 30, 2020 Audited Rupees
<u>EQUITY AND LIABILITIES</u>				<u>ASSETS</u>			
<u>SHARE CAPITAL AND RESERVES</u>				<u>NON CURRENT ASSETS</u>			
Authorized capital 12,000,000 (June 30, 2020: 12,000,000) ordinary shares of PKR 10 each		<u>120,000,000</u>	<u>120,000,000</u>	Property, plant and equipment	7	7,606,401,309	6,916,295,926
Issued, subscribed and paid up capital		100,000,000	100,000,000	Long term investment		733,677,523	717,433,134
Reserves		5,300,000,000	5,300,000,000	Long term deposits		22,418,915	10,540,635
Unappropriated profits		129,411,738	57,553,834			<u>8,362,497,747</u>	<u>7,644,269,695</u>
Loan from directors and sponsors	4	807,781,000	479,337,000				
		<u>6,337,192,738</u>	<u>5,936,890,834</u>				
<u>NON CURRENT LIABILITIES</u>				<u>CURRENT ASSETS</u>			
Long term financing - secured		4,451,638,458	4,073,590,976	Stores, spare parts and loose tools		160,269,185	124,540,026
Deferred liabilities	5	1,157,101,242	1,126,390,881	Stock in trade		4,602,791,732	6,128,002,911
		<u>5,608,739,700</u>	<u>5,199,981,857</u>	Trade debts		1,053,553,344	823,685,053
<u>CURRENT LIABILITIES</u>				Loans and advances		77,793,888	80,128,950
Trade and other payables		962,052,139	960,417,174	Trade deposits and prepayments		214,510,278	179,366,329
Unclaimed Dividend		14,082,849	14,088,849	Other receivables		4,029,151	77,853,981
Accrued markup / interest		105,728,397	101,145,281	Advance income tax		168,913,038	290,373,554
Short term borrowings - secured		1,963,586,672	3,876,008,889	Sales tax refundable		389,654,775	560,274,915
Current portion of non current liabilities		164,064,935	55,002,920	Cash and bank balances		121,434,292	235,040,390
		<u>3,209,514,992</u>	<u>5,006,663,113</u>			<u>6,792,949,683</u>	<u>8,499,266,109</u>
<u>CONTINGENCIES AND COMMITMENTS</u>							
	6	-	-				
TOTAL EQUITY AND LIABILITIES		<u>15,155,447,430</u>	<u>16,143,535,804</u>	TOTAL ASSETS		<u>15,155,447,430</u>	<u>16,143,535,804</u>

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


Chief Executive
Karachi: October 28, 2020


Director


Chief Financial Officer

Faisal Spinning Mills Limited

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

	Note	First Quarter	
		Sep 30, 2020 Rupees	Sep 30, 2019 Rupees
Sales		3,668,040,148	3,722,349,382
Cost of goods sold		3,353,283,747	3,377,675,207
Gross profit		314,756,401	344,674,175
Distribution cost		98,029,784	94,128,895
Administrative expenses		35,264,440	33,365,983
		133,294,224	127,494,878
Other income		4,081,181	3,026,764
		185,543,358	220,206,061
Other operating expenses		6,710,308	12,310,909
Finance cost		83,304,811	44,358,362
		90,015,119	56,669,271
Operating Profit		95,528,239	163,536,790
Share of profit of associated undertaking		16,244,389	15,637,633
Profit before tax		111,772,628	179,174,423
Provision for taxation	8	39,914,724	41,778,164
Profit after tax		71,857,904	137,396,259
Earnings per share - basic and diluted		7.19	13.74

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



Chief Executive

Karachi: October 28, 2020



Director



Chief Financial Officer

Faisal Spinning Mills Limited

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

	Note	First Quarter	
		Sep 30, 2020 Rupees	Sep 30, 2019 Rupees
Profit for the period after taxation		71,857,904	137,396,259
Other comprehensive income for the year		-	-
Total comprehensive Income for the period		71,857,904	137,396,259

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



Chief Executive

Karachi: October 28, 2020



Director



Chief Financial Officer

Faisal Spinning Mills Limited

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

For the First Quarter Ended September 30, 2020

	Share Capital	Capital Reserves	Revenue Reserves		Loans from Directors & Sponsors	Grand Total	
			General Reserves	Unappropriated Profit			Total
	PKR	PKR	PKR	PKR	PKR	PKR	
Balance as at 1st July, 2019	100,000,000	24,150,000	4,875,850,000	280,827,457	5,156,677,457	-	5,280,827,457
Total comprehensive income for the First Quarter Ended September 30, 2019	-	-	-	137,396,259	137,396,259	-	137,396,259
Balance as at September 30, 2019	100,000,000	24,150,000	4,875,850,000	418,223,716	5,294,073,716	-	5,418,223,716
Balance as at 1st July, 2020	100,000,000	24,150,000	5,275,850,000	57,553,834	5,333,403,834	479,337,000	5,936,890,834
Total comprehensive income for the First Quarter Ended September 30, 2020	-	-	-	71,857,904	71,857,904	-	71,857,904
Loan from directors & sponsors received during the period	-	-	-	-	-	328,444,000	328,444,000
Balance as at September 30, 2020	100,000,000	24,150,000	5,275,850,000	129,411,738	5,405,261,738	807,781,000	6,337,192,738

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



Chief Executive

Karachi: October 28, 2020



Director



Chief Financial Officer

Faisal Spinning Mills Limited

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

	Sep 30, 2020	Sep 30, 2019
	Rupees	Rupees
Cash flows from operating activities		
Profit before tax	111,772,628	179,174,423
Adjustments for:		
Depreciation of property, plant and equipment	84,303,000	89,253,000
Share of profit of associated undertaking	(16,244,389)	(15,637,633)
Infrastructure fee - ETO	10,950,187	1,560,572
Infrastructure fee - Gas	10,179,206	20,150,834
Provision for employee benefits	13,420,000	11,890,000
Finance cost	83,304,811	44,358,362
	185,912,815	151,575,135
Operating cash flows before movements in working capital	297,685,443	330,749,558
Increase in stores, spares and loose tools	(35,729,159)	(18,932,393)
Decrease in stock in trade	1,525,211,179	552,019,157
(Increase) / Decrease in trade debts	(229,868,291)	97,344,588
Decrease / (Increase) in loans and advances	2,335,062	(88,623,532)
Increase in trade deposits	(35,143,949)	(14,731,180)
Decrease in other receivable	73,824,830	19,463,622
Decrease / (Increase) in sales tax refund and other receivables	170,620,140	(140,117,184)
Increase in trade and other payables	1,634,965	256,207,849
	1,472,884,777	662,630,927
Cash generated from / (used) in from operations	1,770,570,220	993,380,485
Finance cost paid	(78,721,695)	(78,352,958)
Employee benefit costs paid	(5,448,703)	(3,964,563)
Income taxes refund / payments - net	81,545,792	(36,757,776)
Long-term deposits	(11,878,280)	-
	(14,502,886)	(119,075,297)
Net cash generated from operating activities	1,756,067,334	874,305,188

Faisal Spinning Mills Limited

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

	Sep 30, 2020	Sep 30, 2019
	Rupees	Rupees
Cash flows from investing activities		
Addition in property plant and equipment	(774,408,383)	(2,062,455)
Net cash used in investing activities	(774,408,383)	(2,062,455)
Cash flows from financing activities		
Proceed from long term finance	488,719,168	-
Proceed of loans from directors and sponsors	328,444,000	-
Repayment of long term financing	-	(129,098,540)
Increase in short term borrowings	(1,912,422,217)	(798,687,036)
Dividends paid	(6,000)	(19,721)
Net cash used in financing activities	(1,095,265,049)	(927,805,297)
Net decrease in cash and cash equivalents	(113,606,098)	(55,562,564)
Cash and cash equivalent at the beginning of period	235,040,390	165,946,110
Cash and cash equivalent at the end of period	121,434,292	110,383,546

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



Chief Executive

Karachi: October 28, 2020



Director



Chief Financial Officer

1 REPORTING ENTITY

Faisal Spinning 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 a spinning and weaving unit 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 Nooriabad District Dadu in the Province of Sindh and District Sheikhpura in the Province of Punjab.

2 BASIS OF PREPARATION

This interim financial information is not audited and has been presented in condensed form and does not include all the information as is required to be provided in a full set of annual financial statements. This condensed interim financial information should be read in conjunction with the audited financial statements of the Company for the year ended June 30, 2020.

2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard 34 - Interim Financial Reporting, and provisions of and directives issued under the Companies Act, 2017. In case where requirements differ, the provisions 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 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 LOAN FROM DIRECTORS AND SPONSORS

Directors and sponsors entered into a contract with the Company to provide funds to the Company. As per the contract, the loans are unsecured, interest free and repayable at the discretion of the Company. The loans are presented under equity as per Technical Release-32 of The Institute of Chartered Accountants of Pakistan.

	<i>Note</i>	Sep 30, 2020	June 30, 2020
		<i>Rupees</i>	<i>Rupees</i>
		<i>(Un-Audited)</i>	<i>(Audited)</i>
5 DEFERRED LIABILITIES			
Infra structure fee payable - ETO		191,470,812	180,520,625
Infra structure fee payable - Gas		690,167,485	679,988,279
Staff retirement benefits - gratuity		200,492,625	192,521,328
Deferred taxation		71,143,467	71,143,467
Deferred grant		3,826,853	2,217,182
		<u>1,157,101,242</u>	<u>1,126,390,881</u>

6 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:

6.1 Contingencies

Bills Discounted	<u>1,503,176,816</u>	<u>2,009,214,358</u>
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6.2 Commitments

Letter of credit (for store, raw material and machinery)	<u>669,040,231</u>	9 <u>2,173,604,045</u>
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	<i>Note</i>	Sep 30, 2020	June 30, 2020
		<i>Rupees</i>	<i>Rupees</i>
		<i>(Un-Audited)</i>	<i>(Audited)</i>
7 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets			
- assets owned by the Company	7.1	3,836,902,342	3,860,627,486
Capital work in progress		3,769,498,967	3,055,668,440
		<u>7,606,401,309</u>	<u>6,916,295,926</u>
7.1 Assets owned by the Company			
Net book value at the beginning of the period/year		3,860,627,486	3,533,394,262
Additions during the period/year			
Freehold land		45,489,646	369,725,100
Factory buildings		-	1,613,000
Non factory buildings		-	21,233,614
Plant and machinery		-	234,122,296
Electric installation		-	975,000
Office Equipment		-	3,285,952
Equipment and other assets		-	20,701,776
Vehicles		15,088,210	9,366,010
		60,577,856	661,022,748
Net book value of assets disposed during the period/year		-	(11,214,925)
Depreciation for the period/year		(84,303,000)	(322,574,599)
Net book value at the end of the period/year		<u>3,836,902,342</u>	<u>3,860,627,486</u>

8 PROVISION FOR TAXATION

8.1 Provision for current tax has been made in accordance with the requirements of Income Tax Ordinance, 2001.

8.2 No provision for deferred tax has been made as the impact of the same is considered immaterial.

9 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 under:

Name	Nature of relationship	Shareholding percentage
Bhanero Textile Mills Limited	Associated companies	N/A
Blessed Textiles Limited	Associated companies	18.49
Bhanero Energy Limited	Associated companies	N/A
Admiral (Private) Limited	Associated companies	N/A
Mohammad Salim	Director	0.29
Khurram Salim	Director	2.00
Mohammad Shaheen	Director	0.33
Mohammad Amin	Director	4.61
Hamza Shakeel	Director	4.77
Yasmeen Begum	Directorship of close family relative	2.39
Farrukh Salim	Directorship of close family relative	1.37
Yousaf Salim	Directorship of close family relative	3.13
Saqib Salim	Directorship of close family relative	1.99
Amna Khurram	Directorship of close family relative	1.10
Sadaf Farrukh	Directorship of close family relative	2.74
Saba Yousaf	Directorship of close family relative	0.98
Saba Saqib	Directorship of close family relative	2.12
Muhammad Umer	Directorship of close family relative	0.97
Samia Bilal	Directorship of close family relative	5.34
Abdullah Bilal	Directorship of close family relative	3.37

Ali Bilal	Directorship of close family relative	3.37
Azan Bilal	Directorship of close family relative	3.37
Seema Shaheen	Directorship of close family relative	3.35
Mohammad Qasim	Directorship of close family relative	3.95
Fatima Amin	Directorship of close family relative	4.51
Mohammad Shakeel	Directorship of close family relative	0.48
Nazli Shakeel	Directorship of close family relative	4.29
Adil Shakeel	Directorship of close family relative	4.77
Faisal Shakeel	Directorship of close family relative	4.77

Quarter Ended

	Sep 30, 2020	Sep 30, 2019
	Rupees	Rupees
	<i>(Un-Audited)</i>	<i>(Un-Audited)</i>

9.1 Transactions with related parties

Nature of transaction

Purchases	482,887,366	360,737,185
Sales	186,895,034	5,051,393
Services received	77,250	77,250
Loans obtained from directors and sponsors	328,444,000	-
Balance with related party	20,000	20,000

9.2 Balances with related parties

There are no other balances with related parties as at the reporting date.

10 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
Home Textile	Manufacture and sale of dyed and stitched fabric

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

	First Quarter Ended Sep 30, 2020			Total Rupees	
	Spinning Rupees	Weaving Rupees	Home Textile Rupees		
	Revenue from external customers	1,842,641,566	1,825,398,582		-
Inter-segment transfers	57,054,000	-	-	57,054,000	
Segment results	129,065,809	56,477,549	-	185,543,358	
	First Quarter Ended Sep 30, 2019			Total Rupees	
	Spinning Rupees	Weaving Rupees	Home Textile Rupees		
	Revenue from external customers	1,687,364,971	2,034,984,411		-
Inter-segment transfers	-	-	-	-	
Segment results	98,244,773	121,961,288	-	220,206,061	
	As at Sep 30, 2020			Total Rupees	
	Spinning Rupees	Weaving Rupees	Home Textile Rupees		
	Segment assets	5,829,959,349	3,910,198,006		4,292,531,915
	As at Jun 30, 2020				
	Spinning Rupees	Weaving Rupees	Home Textile Rupees	Un-allocated Rupees	Total Rupees
Segment assets	6,971,839,174	3,939,841,734	3,477,193,049	1,754,661,847	16,143,535,804
	As at Sep 30, 2020				

	Spinning Rupees	Weaving Rupees	Home Textile Rupees	Un-allocated Rupees	Total Rupees
Segment liabilities	<u>3,408,379,115</u>	<u>2,113,001,354</u>	<u>3,034,259,944</u>	<u>262,614,279</u>	<u>8,818,254,692</u>
As at Jun 30, 2020					
	Spinning Rupees	Weaving Rupees	Home Textile Rupees	Un-allocated Rupees	Total Rupees
Segment liabilities	<u>5,292,366,654</u>	<u>2,089,498,529</u>	<u>2,559,026,846</u>	<u>265,752,941</u>	<u>10,206,644,970</u>

11 EVENTS AFTER THE REPORTING PERIOD

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

12 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.

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.

14 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.



Chief Executive
Karachi: October 28, 2020



Director



Chief Financial Officer