



Half Yearly Report  
31 December 2018



RUPALI POLYESTER LIMITED



# Corporate Data

## Board of Directors

### Chairman / Chief Executive Officer

Nooruddin Feerasta

### Directors

Muhammad Rashid Zahir - Non-Executive	Amyna Feerasta - Non-Executive
Yaseen M. Sayani - Non-Executive	Sultan Ali Rajwany - Non-Executive
Shehzad Feerasta - Non-Executive	Zeeshan Feerasta - Non-Executive
Abdul Hayee - Executive	

### Audit Committee

Yaseen M. Sayani - Chairman	Muhammad Rashid Zahir - Member
Zeeshan Feerasta - Member	

### Human Resource & Remuneration Committee

Sultan Ali Rajwany - Chairman	Nooruddin Feerasta - Member
Zeeshan Feerasta - Member	

### Chief Financial Officer

Amjad Rahil

### Company Secretary

S. Ghulam Shabbir Gilani

### Bankers

Askari Bank Limited	Bank Alfalah Limited
Faysal Bank Limited	Habib Bank Limited
MCB Bank Limited	Soneri Bank Limited

### Auditors

Qavi & Co.  
Chartered Accountants

### Registered Office

Rupali House, 241-242 Upper Mall Scheme,  
Anand Road, Lahore - 54000 PAKISTAN

### Plant

30.2 Kilometer Lahore - Sheikhpura Road  
Sheikhpura - 39350 PAKISTAN

## Directors' Review

On behalf of the Board of Directors, we are pleased to present the Company's un-audited financial statements for the second quarter and the half-year period ended 31 December 2018.

### Financial Results

We are making consistent efforts aimed at revival and growth of the Company's business by adopting strategic and capacity building approaches. We are surviving in a tough competitive environment of supply glut of low quality Polyester Filament Yarn (PFY) from China, Malaysia, Korea and Thailand. The sale of PFY at dumped price by China and Malaysia had exposed our Company to heavy losses. Considering the woes of local PFY industry the Federal Board of Revenue levied Regulatory Duty (RD) at 5%. This duty is necessary as the Anti-dumping Duty (ADD) levied on major exporters from China is only 3% which is lower compared to such ADD levied by India and Turkey. In our view, RD must continue for the sake of protection and growth within the domestic industry. The reduction of this RD from 5% to 2.5% as declared vide SRO No.190(I)/2019 dated 11 February 2019 should be withdrawn forthwith as any decrease in the RD will add to the material injuries and impede any growth and disincentivize any further investment for the local manufacturers.

With the support extended by the Government of Pakistan in the form of economic policies and the RD on imports, Rupali Group sees huge potential within the synthetic yarn industry in Pakistan. In order to realize this potential and promote the domestic textile value chain through reduction of imports of PFY, our Company undertook a sizable capex project last year that has now come to fruition and evidently has reduced the shortage in the yarn market, hence allowing the yarn consumers to buy locally. Our investment in our POY division has not only increased the production, but has also allowed Rupali to produce a wider array of products demanded by the PFY consumers. This expansion will enable the local polyester manufacturing industry to meet more than 70% of the country's total PFY demand.

Rupali's actual production was roughly 7,800 tons of mixed deniers in 2016-17. It was increased to 10,800 tons in 2017-18 under more favorable market conditions. However, with the above expansion, Rupali's manufacturing capacity will increase by another 10,800 tons per annum, thereby doubling to 21,600 tons of total installed capacity. This addition in production capacity represents a 25% increase in the group's total volume of PFY produced. As a pioneer in the synthetic yarn industry, Rupali Polyester Limited remains committed to its endeavor of providing all its customers with various denier ranged yarns in the shortest available time without compromising on quality.

Our Company is supplied Natural Gas in Punjab but 72% of the consumption has been billed at RLNG price which is more than double the price of natural gas. After persuasion, the Government of Pakistan has reduced Gas price for zero rated sector to US\$6.5 per MMBTU. As a result, the Gas price has reduced considerably and has helped in reduction of cost of goods sold.

The Company's profitability in the period under review, more particularly in Q2 2018 remained under pressure due to higher cost of goods sold mainly because of increase in import prices of raw materials and fuel charges. In addition to this, high cost of fuel and shortage of power in form of gas / RLNG was not available during the peak winter months.

Pak Rupee depreciated to Rs.143 from Rs.134 at end of November 2018 and this tumbled status still continues around Rs.138-139 per US\$. This has largely impacted the country's economy in general and has had a negative impact on the raw material prices making import more expensive by the manufacturing PFY industries of the country including our downstream consumers. This depreciation of Pak Rupee has also affected our profitability.

The State Bank of Pakistan (SBP) increased the key policy rate by 150 basis points (bps) to 10% to counter the challenges of rising inflation, higher fiscal deficit and low foreign exchange reserves challenges to Pakistan's economy. On 25 May 2018 it was raised by 50 bps to 6.50%, 100 bps to 7.50% on 14 July 2018 and by 100 bps to 8.50% in September 2018. More recently in the Monetary Policy announced on 31 January 2019, SBP has increased the policy rate by 25 basis points to 10.25%. This is the consecutive fifth and overall 425 bps increase in the key policy rate since May 2018 when interest rate was 6%.

Our operational performance depends largely upon the prices of global raw material, PTA and MEG which remained vulnerable due to instability in prices of global crude oil. With the encouraging downstream demand, our sales revenue increased substantially. The reduction in price of Gas to US\$6.5 per MMBTU and power supplied by WAPDA to 7.5 cents per Kwh will help positive impact on our cost of production as the conversion cost will decrease considerably which will ultimately improve the profitability of the Company.

As we informed the shareholders in our earlier reports, the imposition of Anti-dumping Duties by National Tariff Commission on imported PFY was challenged by several importers of PFY in various Courts and Tribunals which we as a party are defending as the stance of the appellant parties is harmful and injurious to the domestic industry of the country.

Polyester industry is highly significant for stability of the country's economy especially because of its contribution to exports. It needs continued support from the government to protect huge infrastructure involved and large work force connected with the industry.

Main impediments discussed above have caused the profitability to decrease despite substantial increase in sales revenue.

Sales revenue for half year ended 31 December 2018 increased by 42% to Rs.4,217.45 million from Rs.2,973.19 million in half year ended 31 December 2017. Gross profit increased to Rs.220.85 million from Rs.213.05 million and operating profit decreased to Rs.135.22 million from Rs.164.76 million. The Company earned profit before tax of Rs.63.02 million and after tax profit of Rs.24.28 million for the half year ended 31 December 2018 as against Rs.105.85 million and Rs.73.37 million in the same period of the preceding year.

Sales revenue for second quarter Oct-Dec 2018 stood at Rs.2,310.58 million as against Rs.1,425.41 million for the same quarter of 2017. Gross profit in Q2 amounted to Rs.108.40 million as compared to Rs.108.06 million in corresponding quarter last year. Operating profit amounted to Rs.64.16 million against operating profit of Rs.108.13 million for Q2 of 2017. Profit before tax amounted to Rs.25.58 million in Q2, 2018 compared to Rs.79.28 million and after tax profit amounted to Rs.10.68 million compared to profit after tax of Rs.66.15 million in corresponding quarter of 2017.

As explained above, power cost is a major element in cost of conversion of our products. It is expected that present measures taken by Government regarding reduction in Gas prices and power cost will hopefully have positive impact on financial results of our Company in future.

We report with satisfaction that in spite of challenging circumstances ALHAMDOLILLAH, the bottom line results in the half year ended 31 December 2018 and quarter ended 31 December 2018 are green.

Administrative and general expenses were kept under control and are comparable with corresponding periods of the previous period.

#### Future Outlook

Considering the potential demand of PFY compared with the local production the Company is planning to further increase its production capacity. We hope that in the next three years we will be able to enhance the capacity to the level where the local manufacturers would be able to meet more than 80% of the requirement of weaving units in the country.

In the recent Economic Reforms Package 2019, the Regulatory Duty on several imported items has decreased. The reduction in RD on imported PFY from 5% to 2.5% will directly hurt the domestic PFY manufacturers which is already materially injured by dumping. It is extremely important to safeguard the domestic PFY industry by keeping the Regulatory Duty intact.

Gas Infrastructure Development Cess (GIDC) is still a big threat to domestic industry that may have devastating impact on the cash flow position of the Companies, if this law is implemented. Hence it needs to be abolished forthwith. The government in its quest to promote export oriented industries has decided to remove GIDC collection for the five zero-rated sectors, and that needs to be implemented soon.

New FTA with China is being finalized. The government must take into consideration the impact of FTA on domestic industries which have already largely suffered owing to some other projects being executed by Chinese firms in Pakistan.

#### A Note of Gratitude

The Directors wish to express their appreciation for the cooperation extended by the Ministries of Finance, Industries and Production, Commerce, Communication and Textile Industry. We would also like to convey our gratitude to the Federal Board of Revenue, Departments of Customs, Central Excise and Government of the Punjab for their cooperation. We appreciate the patronage and confidence placed in the Company by the Development Financial Institutions and commercial banks. We are thankful to our valued customers and expect growing business relationships with them. To our stakeholders, we are grateful for their faith in the Company. We value their trust and appreciate the continued hard work by the management and staff of the Company.

On behalf of the Board

Nooruddin Feerasta  
Chief Executive Officer

Shehzad Feerasta  
Director

Lahore

23 February 2019

حال ہی میں معاشی اصلاحات پیکیجز ۲۰۱۹ میں بہت سی درآمدی اشیاء پر RD کم کی ہے جس میں PFY کی درآمد پر RD ۵ فیصد سے ۲.۵ فیصد کرنے سے مقامی PFY صنعتکاروں پر بلا واسطہ اثر پڑا ہے۔ PFY پر ۵ فیصد RD کو برقرار رکھنا انتہائی ناگذیر ہے تاکہ مقامی صنعت معاشی بحران سے تحفظ پاسکے۔

GIDC قانون مقامی صنعت کے لئے سرے سے ناموافق ہے اس کو فی الفور ختم ہونا چاہئے۔ حکومت نے برآمدات میں اضافہ کرنے کے پیش نظر پانچ زیر ریویژن سیکٹرز جو برآمدات میں معاون ہیں سے GIDC وصول نہ کرنے کا فیصلہ کیا ہے۔ اس پر فوری عمل درآمد ہونا ضروری ہے۔

چین کے ساتھ مجوزہ ایف ٹی اے کے مقامی صنعت پر امکانی اثرات کا باریک بینی سے جائزہ لینے کی ضرورت ہے کیونکہ پہلے ہی چین کی کمپنیوں کے کچھ منصوبوں سے مقامی صنعتیں متاثر ہو رہی ہیں۔

### اظہار تشکر

ڈائریکٹرز، خزانہ، صنعتوں کی وزارتوں اور پیداوار، تجارت، مواصلات اور وزارت ٹیکسٹائل انڈسٹری کے تعاون کے لئے اظہار تشکر کرنا چاہتے ہیں۔ ہم وفاقی بورڈ آف ریونیو، کسٹمز، سینٹرل ایکسائز اور حکومت پنجاب کے تعاون کے بھی شکر گزار ہیں۔ ہم ترقیاتی مالیاتی اداروں اور کمرشل بینکوں کو بھی سراہتے ہیں کہ انہوں نے ہم پر اعتماد کرتے ہوئے مالی معاونت کی۔ ہم اپنے قابل قدر گاہکوں کے شکر گزار ہیں اور ان کے ساتھ کاروباری تعلقات میں وسعت کی امید رکھتے ہیں۔ ہمارے اسٹیک ہولڈرز کے ہم پر اعتماد کے لئے شکر گزار ہیں۔ ہم ان کے اس اعتماد کی قدر کرتے ہیں اور کمپنی کی انتظامیہ اور عملے کی مسلسل محنت کی تعریف کرتے ہیں۔

منجانب بورڈ آف ڈائریکٹرز:

شہزاد فیراستہ

ڈائریکٹر

نور الدین فیراستہ

چیف ایگزیکٹو آفیسر

لاہور:

۲۳ فروری ۲۰۱۹

ملکی معیشت میں پولیٹراڈسٹری انتہائی اہم ہے چونکہ ملکی درآمدات میں اس کا بڑا عمل دخل ہے لہذا اس کو حکومت کی بھرپور مدد کی ضرورت ہے تاکہ ملک کا بڑا انفراسٹرکچر اور اس سے منسلک ایک کثیر ورک فورس کو تحفظ مل سکے۔

مذکورہ بالا رکاوٹوں کے باعث ہماری فروخت آمدنی میں خاطر خواہ اضافہ کے باوجود منافع میں اس نسبت سے اضافہ نہ ہو سکا۔

۳۱ دسمبر ۲۰۱۸ کو ختم ہونے والی ششماہی میں فروخت آمدنی ۲،۲۱۷.۴۵ ملین روپے ہو گئی جو کہ ۲۰۱۷ میں ۲،۹۷۳.۱۹ ملین روپے تھی۔ اس ششماہی میں ہم نے پچھلے سال ہونے والے خام منافع ۲۱۳.۰۵ ملین روپے کی نسبت ۲۲۰.۸۵ ملین روپے خام منافع کمایا اور آپریٹنگ منافع ۷۶.۷۶ ملین روپے کی نسبت ۱۳۵.۲۲ ملین روپے منافع ہو گیا۔ اس ششماہی میں کمپنی نے قبل از ٹیکس منافع ۶۳.۰۲ ملین روپے اور بعد از ٹیکس منافع ۲۴.۲۸ ملین روپے کمایا جبکہ پچھلے سال اس ششماہی میں قبل از ٹیکس منافع ۱۰۵.۸۵ ملین روپے اور بعد از ٹیکس منافع ۳۷.۳۷ ملین روپے تھا۔

۳۱ دسمبر ۲۰۱۸ کو ختم ہونے والی سہ ماہی میں فروخت آمدنی ۲،۳۱۰.۵۸ ملین روپے رہی جو کہ ۲۰۱۷ کی اسی سہ ماہی میں ۱،۴۲۵.۴۱ ملین روپے تھی۔ اس سہ ماہی میں خام منافع ۱۰۸.۴۰ ملین روپے ہوا جو کہ پچھلے سال کی اس سہ ماہی میں ۱۰۸.۰۶ ملین روپے تھا۔ اس سہ ماہی میں آپریٹنگ منافع ۱۶.۶۴ ملین روپے رہا جبکہ پچھلے سال کی اس سہ ماہی میں ۱۰۸.۱۳ ملین روپے کا منافع تھا۔ قبل از ٹیکس منافع اس سہ ماہی میں ۲۵.۵۸ ملین روپے رہا جبکہ پچھلے سال کی اس سہ ماہی میں ۹.۲۸ ملین روپے تھا اور خالص منافع ۶۶.۱۵ ملین روپے کی نسبت ۱۰.۶۸ ملین روپے رہا۔

ہماری مصنوعات میں پاور کی لاگت کا بڑا حصہ ہوتا ہے امید ہے کہ حکومت کی گیس اور بجلی کی قیمت میں کمی جیسے اقدامات سے کمپنی کے آئندہ مالیاتی نتائج پر مثبت اثرات مرتب ہوں گے۔

ہم مطمئن ہیں کہ درپیش مسائل کے باوجود الحمد للہ ۳۱ دسمبر ۲۰۱۸ کو ختم ہونے والی سہ ماہی اور ششماہی نتائج بہت مثبت ہیں۔

### مستقبل کا جائزہ

پی ایف وائی کی امکانی طلب اور مقامی پیداوار کو سامنے رکھتے ہوئے کمپنی اپنی پیداواری گنجائش میں مزید اضافہ کی منصوبہ بندی کر رہی ہے۔ امید ہے کہ اگلے تین سال میں ہم پیداواری گنجائش کو اس حد تک بڑھادیں گے کہ مقامی PFY مینوفیکچرنگ ملک کے ویونگ یونٹوں کی ۸۰ فیصد مانگ پورا کرنے کے قابل ہوں گے۔

ہمیں پنجاب میں قدرتی گیس فراہم کی جاتی ہے مگر استعمال شدہ گیس کے ۷۲ فیصد پر RLNG کے نرخ چارج کئے جاتے ہیں جو کہ قدرتی گیس کے نرخوں سے ڈگنا ہیں۔ اس معاملہ کو اٹھانے سے اب حکومت نے زیور ریٹریڈ سیکٹرز کے لئے قدرتی گیس کے نرخوں میں کمی کر کے ۶.۵ امریکی ڈالر فی MMBTU کی ہے جس سے ہماری پیداواری لاگت کم کرنے میں مدد ملے گی۔

بڑھتی ہوئی پیداواری لاگت کے باعث کمپنی کا منافع زیر جائزہ مدت بالخصوص دوسری سہ ماہی میں خاصا ڈباؤ میں رہا جس کی بڑی وجہ خام مال کی قیمتوں میں اضافہ ہے۔ اس کے علاوہ فیول اور گیس کی قیمتیں بڑھ گئیں اور سردیوں میں گیس اور RLNG کی کمی رہی۔

پاکستانی روپیہ نومبر ۲۰۱۸ء میں ۱۳۳ روپے سے ۱۴۳ روپے فی امریکی ڈالر گر گیا جو اب بھی ۱۳۹-۱۳۸ روپے فی امریکی ڈالر ہے۔ اس سے ملکی معیشت پر بالعموم اور PFY مینوفیکچرنگ صنعت پر بہت برا اثر پڑا ہے۔ روپے کی مالیت میں کمی نے ہمارے منافع کو بہت متاثر کیا۔

بنک دولت پاکستان نے افراط زر، مالیاتی خسارہ جیسے چیلنجز سے نپٹنے کے لئے پالیسی ریٹ میں کافی اضافہ کیا ہے اور مئی ۲۰۱۸ء سے اب تک ۲۲۵ Basis Points کا اضافہ کیا جس سے اب شرح سود ۱۰.۲۵ فیصد ہو گئی ہے جو کہ مئی ۲۰۱۸ء میں ۶ فیصد تھی۔

ہماری آپریشنل کارکردگی خام مال، پی ٹی اے اور ایم ای جی کی عالمی قیمتوں پر منحصر ہے جو کہ عالمی خام تیل کی قیمتوں میں عدم استحکام کے باعث اتار چڑھاؤ کا شکار رہیں۔ ہماری مصنوعات کی حوصلہ افزا مانگ کے باعث ہماری فروخت آمدنی میں خاصہ اضافہ ہوا۔ گیس کی قیمتوں میں ہونے والی کمی جو اب ۶.۵ امریکی ڈالر فی MMBTU ہے اور بجلی کی قیمت جو ۷.۵ سینٹ فی Kwh ہے اس سے کمپنی کی پیداواری لاگت میں کمی آئے گی اور بالآخر منافع بڑھے گا۔

جیسا کہ ہم نے اپنے حصص داران کو سابقہ رپورٹوں میں مطلع کیا کہ قومی کمیشن برائے ٹیرف کی عائد کردہ PFY پرائیویٹی ڈمپنگ ڈیوٹی کے خلاف مختلف عدالتوں اور ٹریبیونلز میں اپیلیں زیر التوا ہیں۔ جو کہ مقامی PFY صنعت کے لئے نقصان دہ ہے اس لئے ہم اینٹی ڈمپنگ ڈیوٹی کا بحیثیت پارٹی دفاع کر رہے ہیں۔

## ڈائریکٹران کا جائزہ

کمپنی کے ڈائریکٹران کی جانب سے ہم بمسرت ۳۱ دسمبر ۲۰۱۸ کو ختم ہونے والی سہ ماہی اور ششماہی کے غیر پڑتال شدہ گوشوارے پیش کرتے ہیں۔

## مالیاتی نتائج

ہم ترقیاتی حکمت عملی پر عمل پیرا ہوتے ہوئے کمپنی کے کاروبار میں نمو اور بہتری لانے کے لئے مسلسل کوشاں ہیں۔ ہم ایسی مسابقتی فضاء میں کام کر رہے ہیں جہاں چین، ملائیشیا، کوریا اور تھائی لینڈ سے پولی ایسٹر فلامنٹ دھاگہ (PFY) کی بھاری مقدار آرہی ہے۔ ڈمپ نرخوں پر اپنا مال فروخت کرنا پڑتا ہے جس سے کمپنی کو بھاری نقصان اٹھانا پڑا۔ PFY صنعت کی مشکلات کو زیر غور لاتے ہوئے فیڈرل بورڈ آف ریونیو نے درآمد ہونے والی PFY پر پانچ فیصد ریگولیٹری ڈیوٹی (RD) عائد کی تھی۔ یہ ڈیوٹی ضروری ہے کیونکہ چین کے بڑے برآمد کنندہ پر عائد اینٹی ڈمپنگ ڈیوٹی (ADD) صرف تین فیصد ہے جو کہ انڈیا اور ترکی کی عائد کردہ ڈیوٹی کی نسبت بہت کم ہے۔ SRO نمبر ۲۰۱۹/۱۹۰ (D) مورخہ ۱۱ فروری ۲۰۱۹ کے تحت RD میں ۵% سے ۲.۵% کی کمی فی الفور واپس لی جائے، کیونکہ اس ڈیوٹی میں کمی مقامی صنعت کو متاثر بھی کرے گی اور مزید سرمایہ کاری کی حوصلہ شکنی کا موجب بنے گی۔

روپالی گروپ معاشی حکمت عملی کی صورت میں ملنے والی حکومتی امداد اور RD سے پاکستان میں ریشمی سوت کی صنعت کے اندر بڑے امکانات دیکھ رہا ہے۔ ان روشن امکانات کے پیش نظر درآمدات میں کمی کر کے مقامی ٹیکسٹائل و پلیسٹکس کو ترقی دینے کی خاطر کمپنی نے کثیر سرمایہ کاری کی جس سے مقامی PFY کی کمی کافی حد تک دور ہو گئی ہے اور صارفین مقامی دھاگہ خرید کر اپنی کھپت کو پورا کر رہے ہیں۔ اس توسیع سے نہ صرف مقامی پیداوار میں اضافہ ہوا ہے بلکہ صارفین کی مطلوبہ دھاگے کی مختلف اقسام بھی بن رہی ہیں اس توسیع سے ملک میں PFY کی ۷۰% مقامی ضرورت پوری ہو سکے گی۔

۲۰۱۶-۱۷ میں روپالی کی ملے جلے ڈینیئر ز کی پیداوار ۸۰۰،۰۰۰ ٹن تھی جو کہ ۱۸-۲۰۱۷ میں موافق مارکیٹ کے حالات کے باعث ۱۰،۸۰۰ ٹن تک بڑھ گئی۔ متذکرہ بالا توسیع سے روپالی کی پیداواری گنجائش میں مزید ۱۰،۸۰۰ ٹن کا اضافہ ہوگا۔ اس طرح پیداواری گنجائش ڈگنی یعنی ۲۱،۶۰۰ ٹن ہو جائے گی جو گروپ کی پیداواری صلاحیت کا ۲۵% ہے۔ ریشمی دھاگہ کی صنعت میں صف اول کی حامل کمپنی روپالی پولی ایسٹر لمیٹڈ اپنے صارفین کو کم سے کم مدت میں اعلیٰ معیاری مصنوعات کی بہم رسانی کے لئے ہمہ وقت کوشاں ہے۔

# Auditors' Report to the Members on Review of Condensed Interim Financial Statements

## Introduction

We have reviewed the accompanying condensed interim statement of financial position of Rupali Polyester Limited (the Company) as at 31 December 2018, and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity and notes to the condensed interim financial statements for the six-months period then ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of this condensed interim financial statements in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

The figures of the condensed interim statement of profit or loss and other comprehensive income for the quarters ended 31 December 2018 and 31 December 2017 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended 31 December 2018.

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial statements consist of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Lahore

Dated: 23 February 2019

Qavi & Co.

Chartered Accountants

Engagement partner: Syed Saim Raza Zaidi

## Condensed Interim Statement of Financial Position (Un-audited) as at 31 December 2018

Rupees in thousand	Note	Un-audited 31 Dec 2018	Audited 30 June 2018
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	3,216,331	3,201,449
Investment property	6	437,500	437,500
Long-term deposits		4,396	4,396
		3,658,227	3,643,345
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		887,285	879,235
Stock-in-trade		1,128,386	824,593
Trade debts		19,338	12,698
Loans and advances		22,732	24,039
Trade deposits and short term prepayments		7,773	265
Other receivables		549,488	365,813
Taxation - net		82,785	131,274
Cash and bank balances		21,016	14,482
		2,718,803	2,252,399
		6,377,030	5,895,744
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised share capital: 35,000,000 (30 June 2018: 35,000,000) ordinary shares of Rs. 10 each		350,000	350,000
Issued, subscribed and paid-up capital: 34,068,514 (30 June 2018: 34,068,514) ordinary shares of Rs. 10 each		340,685	340,685
Capital Reserves		71,490	71,490
General reserves		1,664,125	1,664,125
Accumulated loss		(1,403,517)	(1,393,729)
Surplus on revaluation of freehold land		1,719,056	1,719,056
		2,391,839	2,401,627
		2,391,839	2,401,627
<b>NON-CURRENT LIABILITIES</b>			
Long term borrowings	7	107,384	143,179
Staff retirement benefits - gratuity		155,278	152,458
Deferred taxation		243,978	257,962
Liabilities against assets subject to finance lease	8	408	985
		507,048	554,584
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,473,893	690,140
Short term borrowings	9	1,884,657	2,146,943
Current portion of long term liabilities	10	72,773	72,781
Unclaimed dividend		8,326	1,111
Accrued mark-up		38,494	28,558
		3,478,143	2,939,533
<b>CONTINGENCIES AND COMITMENTS</b>			
	11		
		6,377,030	5,895,744

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Nooruddin Feerasta  
Chief Executive Officer

Shehzad Feerasta  
Director

Amjad Rahil  
Chief Financial Officer

## Condensed Interim Statement of Profit or Loss and other Comprehensive Income(Un-Audited) for the half year ended 31 December 2018

Rupees in thousand	Note	Quarter Ended		Half year Ended	
		31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Sales		2,310,579	1,425,408	4,217,452	2,973,190
Cost of goods sold	12	(2,202,183)	(1,317,345)	(3,996,599)	(2,760,140)
<b>Gross profit</b>		108,396	108,063	220,853	213,050
Selling and distribution expenses		(6,360)	(4,479)	(9,831)	(8,793)
Administrative and general expenses		(43,936)	(43,207)	(81,566)	(81,012)
Other operating charges		(2,005)	(6,066)	(8,060)	(18,297)
Other operating income		8,070	53,814	13,826	59,810
<b>Operating profit</b>		64,165	108,125	135,222	164,758
Finance cost		(38,586)	(28,847)	(72,206)	(58,908)
<b>Profit before taxation</b>		25,579	79,278	63,016	105,850
Taxation		(14,899)	(13,132)	(38,735)	(32,479)
<b>Profit for the period</b>		10,680	66,146	24,281	73,371
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the period</b>		10,680	66,146	24,281	73,371
		Amount in Rupees			
Earnings per share - basic and diluted		0.31	1.94	0.71	2.15

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Nooruddin Feerasta  
Chief Executive Officer

Shehzad Feerasta  
Director

Amjad Rahil  
Chief Financial Officer

## Condensed Interim Cash Flow Statement (Un-audited) for the half year ended 31 December 2018

Rupees in thousand	Note	Unaudited 31 Dec 2018	Unaudited 31 Dec 2017
<b>Cash flow from operating activities</b>			
Profit before taxation		63,016	105,850
<b>Adjustments for non-cash and other items</b>			
Depreciation	5	74,169	73,979
Staff retirement benefits		13,795	12,685
Loss on disposal of Fixed assets		22	-
Interest income		(1,114)	(679)
Finance cost		72,206	58,908
		159,078	144,893
		222,094	250,743
<b>Effect on cash flow due to working capital changes</b>			
<b>(Increase) / decrease in current assets:</b>			
Stores, spares and loose tools		(8,050)	(34,817)
Stock-in-trade		(303,793)	140,966
Trade debts		(6,640)	(8,407)
Loans and advances		1,307	(18,300)
Trade deposits and short term prepayments		(7,508)	(10,275)
Other receivables		(183,675)	45,114
		(508,359)	114,281
<b>Increase / (decrease) in current liabilities</b>			
Trade and other payables		783,753	(64,248)
<b>Cash generated from operations</b>		497,488	300,776
Finance cost paid		(62,270)	(60,115)
Income tax paid		(4,229)	(5,652)
Mark-up / Interest income received		1,114	679
Staff retirement benefits paid		(10,975)	(4,103)
<b>Net Cash inflow from operating activities</b>		421,128	231,585

## Condensed Interim Cash Flow Statement (Un-audited) for the half year ended 31 December 2018

Rupees in thousand	Note	Unaudited 31 Dec 2018	Unaudited 31 Dec 2017
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(92,050)	(114,853)
Proceeds from disposal of operating assets		2,977	-
<b>Net cash outflow from investing activities</b>		<b>(89,073)</b>	<b>(114,853)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Liabilities against assets subject to finance lease		(587)	(543)
Long term borrowings		(35,795)	5,392
Dividend paid		(26,853)	-
<b>Net cash (outflow) / inflow from financing activities</b>		<b>(63,235)</b>	<b>4,849</b>
<b>Net increase in cash and cash equivalents</b>		<b>268,820</b>	<b>121,581</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>(2,132,461)</b>	<b>(1,776,880)</b>
<b>Cash and cash equivalents at the end of the period</b>	13	<b>(1,863,641)</b>	<b>(1,655,299)</b>

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Nooruddin Feerasta  
Chief Executive Officer

Shehzad Feerasta  
Director

Amjad Rahil  
Chief Financial Officer

## Condensed Interim Statement of Changes in Equity (Un-audited) for the half year ended 31 December 2018

Rupees in thousand

	Issued Subscribed and Paid - up Capital	Capital Reserve	Revenue Reserves		Total Reserves	Surplus on revaluation of freehold land	Total
		Share Premium	General Reserve	Accumulated Loss			
<b>Balance as on 01 July 2017</b>	340,685	71,490	1,664,125	(1,458,282)	618,018	1,719,056	2,337,074
Profit for the half year ended 31 December 2017	-	-	-	73,371	73,371	-	73,371
Other comprehensive income for the half year ended 31 December 2017	-	-	-	-	-	-	-
<b>Balance as on 31 December 2017</b>	<b>340,685</b>	<b>71,490</b>	<b>1,664,125</b>	<b>(1,384,911)</b>	<b>691,389</b>	<b>1,719,056</b>	<b>2,410,445</b>
Balance as on 01 January 2018	340,685	71,490	1,664,125	(1,384,911)	691,389	1,719,056	2,410,445
Loss for the half year ended 30 June 2018	-	-	-	(8,818)	(8,818)	-	(8,818)
Other comprehensive income for the half year ended 30 June 2018	-	-	-	-	-	-	-
<b>Balance as on 30 June 2018</b>	<b>340,685</b>	<b>71,490</b>	<b>1,664,125</b>	<b>(1,393,729)</b>	<b>682,571</b>	<b>1,719,056</b>	<b>2,401,627</b>
Balance as on 01 July 2018	340,685	71,490	1,664,125	(1,393,729)	682,571	1,719,056	2,401,627
Profit for the half year ended 31 December 2018	-	-	-	24,281	24,281	-	24,281
Final Dividend for the year ended 30 June 2018				(34,069)	(34,069)	-	(34,069)
Other comprehensive income for half year ended 31 December 2018				-	-	-	-
<b>Balance as on 31 December 2018</b>	<b>340,685</b>	<b>71,490</b>	<b>1,664,125</b>	<b>(1,403,517)</b>	<b>672,783</b>	<b>1,719,056</b>	<b>2,391,839</b>

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Nooruddin Feerasta  
Chief Executive Officer

Shehzad Feerasta  
Director

Amjad Rahil  
Chief Financial Officer

## Notes to the Condensed Interim Financial Statements (Un-audited) for the half year ended 31 December 2018

### 1 Legal status and nature of business

RUPALI POLYESTER LIMITED (“the Company”) was incorporated in Pakistan and is listed on Pakistan Stock Exchange Limited. The registered office of the Company is situated at 241-242 Upper Mall Scheme, Anand Road, Lahore. It is principally engaged in the manufacture and sale of polyester products.

### 2 Basis of preparation

This condensed interim financial statements are un-audited and have been prepared in accordance with 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 International Accounting Standard Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017.

In case where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of or directives issued under the Companies Act, 2017 have been followed. This condensed interim financial statements does not include all the information required for full annual financial statements and, therefore, should be read in conjunction with audited annual financial statements of the Company for the year ended 30 June 2018.

IFRS - 9 “Financial Instruments” became applicable to the company through S.R.O 1007 (I)/2017 dated 4th October, 2017 . However, the Securities and Exchange Commission of Pakistan (SECP), thereafter, deferred the applicability of IFRS - 9 “Financial Instruments” through SRO 229 (I)/2019 dated 14th February, 2019. Accordingly, these financial statements have been prepared in accordance with IAS 39 “Financial Instruments: Recognition and Measurement”.

### 3 Significant accounting policies

The accounting policies and the methods of computation adopted for the preparation of this condensed interim financial statements are the same as those applied in the preparation of audited annual financial statements of the Company for the year

ended 30 June 2018 except for changes in accounting policies due to the adoption of IFRS 15 “Revenue from contracts with customers”. The accounting policy after adoption of IFRS 15 ‘Revenue from Contracts with Customers’ is read as follows:

#### **IFRS 15 - Revenue from Contracts with Customers**

Revenue is recognised at an amount equal to the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company shall exercise the judgment, taking into consideration all the relevant facts and circumstances when applying each step of the model to contract with their customers.

The Company has assessed that significant performance obligation in contracts with customers are closely related and therefore are discharged over the period of the relationship with relevant customers. Hence, the Company has concluded that it is in compliance with the requirements of the new accounting standard.

#### **4 Accounting estimates, judgments and financial risk management**

In preparing 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 uncertainty were the same as those that were applied to the audited annual financial statements as at and for the year ended 30 June 2018, with the exception of changes in estimates that are required in determining the provision for income taxes.

The Company’s financial risk management objectives and policies are consistent with those disclosed in the audited annual financial statements as at and for the year ended 30 June 2018.

Rupees in thousand	Note	Un-audited 31 Dec 2018	Audited 30 June 2018
<b>5 Property, plant and equipment</b>			
Operating fixed assets - at net book value	5.1	2,925,673	2,967,430
Capital work-in-progress - at cost	5.2	290,658	234,019
		<u>3,216,331</u>	<u>3,201,449</u>
<b>5.1 Operating fixed assets</b>			
Opening net book value (NBV)		2,967,430	2,963,381
Additions at cost during the period / year	5.1.1	35,411	154,079
		<u>3,002,841</u>	<u>3,117,460</u>
Disposals at net book value (NBV) during the period / year	5.1.1	(2,999)	-
Depreciation charge during the period / year		(74,169)	(150,030)
		<u>(77,168)</u>	<u>(150,030)</u>
		<u>2,925,673</u>	<u>2,967,430</u>

5.1.1 Additions and disposals of operating fixed assets during the period/year are as follows:

Rupees in thousand	Additions - at cost		Disposals - at NBV	
	31 December 2018	30 June 2018	31 December 2018	30 June 2018
Building - Factory on freehold land	-	1,393	-	-
Building - Office on freehold land	-	-	-	-
Plant and machinery	30,825	150,721	-	-
Furniture and fittings	-	16	-	-
Vehicles	3,236	-	-	-
Office equipment	1,350	1,751	26	-
Roads	-	103	2,973	-
Other assets	-	95	-	-
	<u>35,411</u>	<u>154,079</u>	<u>2,999</u>	<u>-</u>

Rupees in thousand	Note	Un-audited 31 Dec 2018	Audited 30 June 2018
5.2 Capital work-in-progress			
Building and civil works		47,606	37,338
Plant and machinery		231,582	191,184
Furniture and fixture		3,125	2,901
Office equipment		429	2,594
Vehicles		7,916	2
		<u>290,658</u>	<u>234,019</u>
<b>6 Investment property</b>			
Fair value at the beginning of the year		437,500	400,000
Fair value gain during the year	6.1	-	37,500
Fair value at the end of the year		<u>437,500</u>	<u>437,500</u>

6.1 The fair value of investment property was determined by an independent valuer having relevant professional qualifications, on the basis of professional assessment of the price that would be received to sell the property in an orderly transaction between market participants at the measurement date.

## 7 Long term borrowings

The Company has obtained a term finance facility of Rs. 500 million from MCB Bank Limited for the purpose of import of plant and machinery, spare parts and related civil works. The facility is secured by way of first charge over fixed assets aggregating to Rs 667 million, lien over import documents and promissory note of Rs. 975 million. The loan is repayable in ten equal bi-annual instalments and carries mark-up of 6 months KIBOR plus 0.5 percent to be reset on semi annual basis.

Rupees in thousand	Un-audited 31 Dec 2018	Audited 30 June 2018
<b>8 Liabilities against assets subject to finance lease</b>		
<b>Minimum lease payments</b>		
-Payable within one year	1,260	1,313
-Payable after one year	416	1,020
	1,676	2,333
Future financial charges		
-Payable within one year	77	122
-Payable after one year but before five years	8	35
	85	157
<b>Present value of minimum lease payments</b>		
-Payable within one year	1,183	1,191
-Payable after one year but before five years	408	985
	1,591	2,176
<b>Current portion shown under current liabilities</b>	(1,183)	(1,191)
<b>Non-current portion</b>	408	985

Future minimum lease payments have been discounted at implicit interest rates ranging from 7.40% to 7.48% (30 June 2018: 7.40% to 7.48%) per annum to arrive at their present values. Rentals are payable in advance in monthly instalments. Taxes, repairs, replacements and insurance costs are to be borne by the company. The lease contains a bargain purchase option exercisable at the end of lease and it is reasonably certain that the Company will exercise this option at maturity.

Rupees in thousand	Note	Un-audited 31 Dec 2018	Audited 30 June 2018
<b>9 Short term borrowings</b>			
<b>Secured- from banking companies</b>			
Running finances utilized under mark-up arrangements	9.1 & 9.2	1,430,699	1,557,985
<b>Interest free loans</b>			
Loan from sponsors	9.3	453,958	588,958
		1,884,657	2,146,943

- 9.1 The aggregate finance facilities available from various commercial banks amounted to Rs. 1,681.242 million (30 June 2018: Rs. 1,681.242 million). These carry mark-up at the rates ranging from 8.72% to 11.90% (30 June 2018: 6.54% to 8.30%) p.a. and are secured against hypothecation charge on current assets of Rs. 2,089.265 million (30 June 2018: Rs. 2,089.265 million) and promissory notes of Rs. 1,258.841 million (30 June 2018: Rs. 1,798.729 million) respectively. Maximum amount utilised during the half year ended 31 December 2018 amounted to Rs. 1,262.050 million (30 June 2018: 1,570.010 million)
- 9.2 The facilities for opening letter of credit from various commercial banks as at 31 December 2018 aggregates to Rs. 1,914.060 million (30 June 2018: Rs. 1,914.060 million) of which the amount remained unutilised at the period-end was Rs. 444.068 million (30 June 2018: Rs. 1,334.651 million).
- 9.3 The Company availed interest free and unsecured loan from Trustees Alnu Trust holding 17.83% (30 June 2018: 17.83%) of the total share capital of the Company. No loan has been obtained (30 June 2018: Rs. 318.958 million) and paid Rs. 135 million during the period (30 June 2018: Rs. 70 million). Maximum amount utilised during the half year ended 31 Dec 2018 amount to Rs. 588.958 million (30 June 2018: Rs. 627.958 million). The loan is repayable on demand by the Trust.

Rupees in thousand	Un-audited 31 Dec 2018	Audited 30 June 2018
<b>10 Current portion of long term liabilities</b>		
Long term financing	71,590	71,590
Liabilities against asset subject to finance lease	1,183	1,191
	<u>72,773</u>	<u>72,781</u>

## 11 Contingencies and commitments

### 11.1 Contingencies

Guarantees issued to different organizations in the normal course of business amounted to Rs. 75.314 million (30 June 2018: Rs. 75.314 million).

Outstanding guarantees given on behalf of related parties amounted to Rs. Nil (30 June 2018: Rs. Nil).

## 11.2 Commitments

Contracts for Capital expenditure commitments outstanding as at 31 December 2018 amounted to Rs. 256.235 million (30 June 2018: Rs. 349.386 million).

Commitments against irrevocable letters of credit as at 31 December 2018 amounted to Rs. 1,044.650 million (30 June 2018: Rs. 579.409 million).

Rupees in thousand	Quarter ended		Half year ended	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
<b>12 Cost of goods sold</b>				
Raw and packing materials consumed	1,753,613	1,247,148	3,522,239	2,336,908
Stores and spares consumed	25,522	17,077	46,953	33,629
Salaries, wages and amenities	83,784	76,962	160,407	142,396
Fuel and power	216,250	150,430	445,010	277,920
Repair and maintenance	9,628	5,536	17,480	11,366
Running and maintenance of vehicles	4,569	4,059	9,072	7,894
Insurance	4,022	4,525	8,273	8,375
Depreciation	33,307	32,652	66,132	65,121
Rent, rate and taxes	528	443	1,129	977
Other expenses	462	493	877	955
	<u>2,131,685</u>	<u>1,539,325</u>	<u>4,277,572</u>	<u>2,885,541</u>
Add: Opening work in process	46,269	25,990	45,180	29,981
Less: Closing work in process	(58,668)	(38,652)	(58,668)	(38,652)
	<u>2,119,286</u>	<u>1,526,663</u>	<u>4,264,084</u>	<u>2,876,870</u>
Add: Opening finished goods	595,418	214,306	245,036	306,894
Less: Closing finished goods	(512,521)	(423,624)	(512,521)	(423,624)
	<u>2,202,183</u>	<u>1,317,345</u>	<u>3,996,599</u>	<u>2,760,140</u>
<b>13 Cash and cash equivalents</b>				
Cash and bank balances			21,016	25,830
Short term borrowings			(1,884,657)	(1,681,129)
			<u>(1,863,641)</u>	<u>(1,655,299)</u>

#### 14 Transactions with related parties

The related parties include Associated Undertakings, Other Related Group Companies, Directors of the Company, Key Management Personnel and Defined Contribution Plan (Provident Fund). Transactions with related parties are as follows:

Relation with the Company	Nature of Transactions	Quarter ended		Half year ended	
		31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
		Rupees in thousand			
(i) Associated Undertakings	- Sales of goods and services	170,291	75,453	311,963	297,693
	- Purchase of goods and services	260,045	189,090	556,901	269,004
	- Profit on bank deposits	647	200	918	513
	- Loan from sponsors	-	-	-	-
(ii) Other Related Parties	- Sales of goods and services	-	-	-	11
	- Purchase of goods and services	3	5	3	60
(iii) Defined Contribution Plan (Provident Fund)	- Contribution to provident fund	466	452	950	837

All the transactions with related parties are entered into at agreed terms duly approved by the Board of Directors of the Company.

#### 15 Estimates

Judgments and estimates made by the management in the preparation of the condensed interim financial statements were the same as those applied to the financial statements as at and for the year ended June 30, 2018.

#### 16 New amended and revised standards and interpretations of IFRSs

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those of the previous financial year except for the adoption of IFRS 15 as disclosed in note 3 to these condensed interim financial statements.

#### 17 Date of authorisation for issue

These condensed interim financial statements were authorized for issue on 23 February 2019 by the Board of Directors of the Company.

### 18 Corresponding figures

Corresponding figures have been rearranged and reclassified where ever necessary, for the purpose of comparison. There were no significant reclassifications / restatements to these financial statements during the period.

### 19 General

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

Nooruddin Feerasta  
Chief Executive Officer

Shehzad Feerasta  
Director

Amjad Rahil  
Chief Financial Officer



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