



ADM
ARTISTIC DENIM MILLS

QUARTERLY REPORT
MARCH 31, 2019

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COMPANY INFORMATION

Board of Directors

Chief Executive
Chairman
Directors

Mr. Faisal Ahmed
Mr. Muhammad Iqbal Ahmed
Mrs. Maliha Faisal
Mr. Muhammad Yousuf Ahmed
Mr. Muhammad Ali Ahmed
Mr. Muhammad Iqbal-ur-Rahim
Mr. Zafar-ul-Mukhtar Ahmed Khan

Audit Committee

Chairman
Members

Mr. Zafar-ul-Mukhtar Ahmed Khan
Mr. Muhammad Ali Ahmed
Mr. Muhammad Iqbal-ur-Rahim

Human Resource and Remuneration Committee

Chairman
Members

Mr. Zafar-ul-Mukhtar Ahmed Khan
Mr. Muhammad Ali Ahmed
Mr. Muhammad Iqbal-ur-Rahim

Chief Financial Officer

Mr. Sagheer Ahmed

Company Secretary

Mr. Muhammad Ozair Qureshi

Chief Internal Auditor

Mr. Salman Arif

Auditors

M/s. EY Ford Rhodes
Chartered Accountants

Legal Advisor

Monawwer Ghani
Advocate

Share Registrar

M/s. F.D. Registrar Services (SMC Pvt.) Limited
17th Floor, Saima Trade Tower-A,
I.I. Chundrigar Road, Karachi.
Tel: (+92-21) 35478192-3 / 32271905-6

Bankers

Allied Bank Limited
Bank Al Habib Limited
Faysal Bank Limited
Habib Metropolitan Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
United Bank Limited
Woori Bank

Registered Office and Factory

Plot No. 5-9, 23-26, Sector 16,
Korangi Industrial Area, Karachi.
UAN: 111 236 236, Fax No. 3505 4652
www.admdenim.com

DIRECTORS' REVIEW

The Directors of **Artistic Denim Mills Limited** are pleased to present their Review Report on the nine months period ended March 31, 2019 along with the un-audited condensed interim financial statements for the said period.

PERIOD UNDER REVIEW

The performance of the Company for the nine months period ended March 31, 2019 is summarized as under as compared with the same period last year:

	March 31, 2019 Rs. in ('000')	March 31, 2018 Rs. in ('000')
Net Turnover	5,794,239	5,883,083
Gross profit	662,667	591,703
Other income	199,446	167,533
Finance costs	73,563	68,076
Net Profit	438,025	388,177
EPS (Rs. per share)	5.21	4.62

During the nine months' period, the Company's business achieved net turnover of Rs. 5,794 million as compared to Rs. 5,883 million in the corresponding period. The decrease in sales was due to slow demand and stiff competition in the international market. Gross profit percentage for the period increased from 10.06% to 11.44% mainly due to continuous devaluation of Pakistan Rupee. Other income increased from Rs. 168 million to Rs. 199 million due to realized and unrealized exchange gain on exports. Finance costs increased by Rs. 5 million over corresponding period last year. The reason for increase in finance cost was higher utilization of working capital banking limits and increase in interest cost. Net profit for the nine months period ended March 31, 2019 was amounted to Rs.438 million (2018: 388 million), reflecting a growth of 12.84% over comparative prior period. Earnings per share (EPS) were Rs. 5.21 as against Rs.4.62 for the corresponding period of previous year.

FUTURE OUTLOOK

Despite sharp slide in rupee, the country's textile exports during nine months (July 2018-March 2019) remained at the same level of previous year, showing no growth, due to number of reasons including higher cost of doing business, energy costs, low productivity and higher imports tariffs on inputs, coincided with a considerable drop in demand in the major exporting markets of Pakistan, such as Europe and the USA. Competition is on rise in the global apparel and textile markets and things are going to heat up even more. Countries like Vietnam, Cambodia and Sri Lanka have become the new disruptors and are vying to get a bigger share of the global textile pie. The government has also made efforts on its part to provide the exporting sectors ground to play competitive through prudent policies and partially releasing outstanding tax refunds / rebate claims, among other factors. In order to meet the new dynamics of trade, Pakistan needs to focus on diversification of export markets and to make strenuous efforts to achieve sizable growth in textile exports.

Despite macroeconomic challenges, we will continue to invest on human capital development to develop new markets and to improve of our operational efficiencies & minimize the production costs to compete in international market. The Company has been investing in value additions, which is an ongoing process by utilizing SBP's LTFF Scheme to stay competitive in a global market.

ACKNOWLEDGEMENTS

The Board of Directors wishes to thank all the stakeholders and look forward to their continued support in future. The Board also thanks employees of the Company for their hard work, dedication and commitment.

On behalf of the BOARD of DIRECTORS



FAISAL AHMED
Chief Executive



MUHAMMAD IQBAL-UR-RAHIM
Director

Karachi: April 29, 2019

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2019 (UN-AUDITED)

		March 31, 2019 ------(Rupees in '000)----- (Un-audited)	June 30, 2018 (Audited)
ASSETS	Note		
NON-CURRENT ASSETS			
Property, plant and equipment	5	5,789,011	5,304,706
Intangible assets		5,230	6,468
Long-term loans		5,028	5,374
Long-term deposits		1,566	1,566
		<u>5,800,835</u>	<u>5,318,114</u>
CURRENT ASSETS			
Stores and spares		281,449	215,128
Stock-in-trade		2,734,402	1,717,868
Trade debts		1,909,529	1,807,006
Loans and advances		21,099	51,970
Trade deposits and short-term prepayments		2,620	7,699
Other receivables		297,087	407,618
Sales tax refundable		106,356	112,074
Taxation - net		384,304	375,168
Cash and bank balances		1,013,828	86,896
		<u>6,750,674</u>	<u>4,781,427</u>
		<u>12,551,509</u>	<u>10,099,541</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	6	840,000	840,000
Reserves		5,488,170	5,260,145
		<u>6,328,170</u>	<u>6,100,145</u>
NON-CURRENT LIABILITIES			
Long-term financing		1,393,465	813,274
Deferred liability - Employees' gratuity		39,188	23,940
		<u>1,432,653</u>	<u>837,214</u>
CURRENT LIABILITIES			
Trade and other payables		1,604,211	1,487,539
Unclaimed dividend		2,526	2,100
Accrued mark-up		16,092	16,927
Short-term borrowings		3,065,000	1,570,000
Current maturity of long-term financing		102,857	85,616
		<u>4,790,686</u>	<u>3,162,182</u>
CONTINGENCIES AND COMMITMENTS	7		
		<u>12,551,509</u>	<u>10,099,541</u>

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.



Faisal Ahmed
Chief Executive



Muhammad Iqbal-ur-Rahim
Director



Sagheer Ahmed
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019 (UN-AUDITED)

	Nine-months ended		Quarter Ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	----- (Rupees in '000) -----			
TURNOVER - NET	5,794,239	5,883,083	2,043,584	1,689,529
Cost of sales	(5,131,572)	(5,291,380)	(1,749,028)	(1,508,284)
GROSS PROFIT	662,667	591,703	294,556	181,245
Distribution costs	(161,391)	(148,673)	(60,570)	(46,932)
Administrative expenses	(95,923)	(86,160)	(43,408)	(26,590)
Other operating expenses	(33,995)	(29,379)	(11,596)	(9,065)
Other operating income	199,446	167,533	40,163	67,459
	(91,863)	(96,679)	(75,411)	(15,128)
OPERATING PROFIT	570,804	495,024	219,145	166,117
Finance costs	(73,563)	(68,076)	(32,202)	(21,795)
PROFIT BEFORE TAXATION	497,241	426,948	186,943	144,322
Taxation	(59,216)	(38,771)	(20,872)	(10,032)
NET PROFIT FOR THE PERIOD	438,025	388,177	166,071	134,290
EARNINGS PER SHARE				
- Basic and diluted (Rs. per share)	5.21	4.62	1.98	1.60

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.



Faisal Ahmed
Chief Executive



Muhammad Iqbal-ur-Rahim
Director



Sagheer Ahmed
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019 (UN-AUDITED)**

	Nine-months ended		Quarter Ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	----- (Rupees in '000) -----			
Net profit for the period	438,025	388,177	166,071	134,290
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>438,025</u>	<u>388,177</u>	<u>166,071</u>	<u>134,290</u>

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.



Faisal Ahmed
Chief Executive



Muhammad Iqbal-ur-Rahim
Director



Sagheer Ahmed
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019 (UN-AUDITED)

	Issued, subscribed and paid-up capital	Revenue Reserves		Total	Total equity
		Unappropriated profit	Actuarial loss on defined benefit plan		
----- (Rupees in '000) -----					
Balance as at July 01, 2017	840,000	4,952,839	(33,934)	4,918,905	5,758,905
Cash dividend paid @ Rs. 2.1 per Ordinary share of Rs. 10 each for the year ended June 30, 2017	-	(176,400)	-	(176,400)	(176,400)
Net profit for the period ended March 31, 2018	-	388,177	-	388,177	388,177
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	388,177	-	388,177	388,177
Balance as at March 31, 2018	840,000	5,164,616	(33,934)	5,130,682	5,970,682
Balance as at July 01, 2018	840,000	5,292,970	(32,825)	5,260,145	6,100,145
Cash dividend paid @ Rs. 2.5 per Ordinary share of Rs. 10 each for the year ended June 30, 2018	-	(210,000)	-	(210,000)	(210,000)
Net profit for the period ended March 31, 2019	-	438,025	-	438,025	438,025
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	438,025	-	438,025	438,025
Balance as at March 31, 2019	840,000	5,520,995	(32,825)	5,488,170	6,328,170

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.



Faisal Ahmed
Chief Executive



Muhammad Iqbal-ur-Rahim
Director



Sagheer Ahmed
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019 (UN-AUDITED)

	March 31, 2019	March 31, 2018
	------(Rupees in '000)-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	497,241	426,948
Adjustments for non cash charges and other items:		
Depreciation	340,842	344,716
Provision for gratuity	19,331	18,422
Finance costs	73,563	68,076
Gain on disposal of operating fixed assets	(3,814)	(901)
	429,922	430,313
Profit before working capital changes	927,163	857,261
Working capital changes		
Increase in current assets		
Stores and spares	(66,321)	(54,518)
Stock-in-trade	(1,016,534)	(740,995)
Trade debts	(102,523)	86,665
Loans and advances	30,871	29,276
Trade deposits and short-term prepayments	5,079	(205)
Other receivables and sales tax refundable	116,249	(58,579)
	(1,033,179)	(738,356)
Increase in trade and other payables	116,672	292,146
Cash generated from operations	10,656	411,051
Income tax paid	(68,351)	(70,375)
Gratuity paid	(4,083)	(422)
Finance costs paid	(74,398)	(72,746)
Long-term deposits - net	-	(37)
	(146,832)	(143,580)
Net cash generated from / (used in) operating activities	(136,176)	267,471
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(835,550)	(215,078)
Long-term loans	346	(1,947)
Proceeds from disposal of operating fixed assets	15,455	2,743
Net cash used in investing activities	(819,749)	(214,282)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term financing repaid	(76,617)	(24,377)
Long-term financing acquired	674,049	52,438
Dividends paid	(209,575)	(176,379)
Short term borrowings acquired	1,495,000	100,000
Net cash generated from / (used in) financing activities	1,882,857	(48,318)
NET INCREASE IN CASH AND CASH EQUIVALENTS	926,932	4,871
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	86,896	63,232
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1,013,828	68,103

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.



Faisal Ahmed
Chief Executive



Muhammad Iqbal-ur-Rahim
Director



Sagheer Ahmed
Chief Financial Officer

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019 (UN-AUDITED)

1 THE COMPANY AND ITS OPERATIONS

Artistic Denim Mills Limited (the Company) was incorporated in Pakistan on May 18, 1992 under the repealed Companies Ordinance, 1984 and is currently listed on Pakistan Stock Exchange Limited. The principal activity of the Company is to manufacture and sell rope dyed denim fabric, yarn and value added textile products.

The registered office and factory premises of the Company is situated at Plot No. 5-9, 23-26, Sector 16, Korangi Industrial Area, Karachi.

2 BASIS OF PREPARATION

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

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

2.2 These condensed interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2018. These condensed interim financial statements are un-audited and are being submitted to the shareholders as required by the listing regulation of Pakistan Stock Exchange Limited and Section 237 of the Companies Act, 2017.

2.3 These condensed interim financial statements are presented in Pakistan Rupees which is the Company's functional and presentation currency.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are same as those adopted in the preparation of the annual financial statements for the year ended June 30, 2018 except for;

New / Revised Standards, Interpretations and Amendments

The Company has adopted the following standards and amendment to IFRSs which became effective for the current period:

Standard or Interpretation

IFRS 2	:	Share-based Payments - Classification and Measurement of Share-based Payments Transactions (Amendments)
IFRS 4	:	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - (Amendments)
IFRS 9	:	Financial Instruments
IFRS 15	:	Revenue from Contracts with Customers
IAS 40	:	Investment Property: Transfers of Investment Property (Amendments)
IFRIC 22	:	Foreign Currency Transactions and Advance Consideration

The adoption of the above standards and amendments in the accounting standards did not have effect on the accounting policies of the Company except as follows:

IFRS 15 Revenue From Contracts with Customers

According to IFRS 15, revenue is recognized to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the customer obtains control of the goods or services. IFRS 15 also includes guidance on the presentation of contract balances, that is, assets and liabilities arising from contracts with customers, depending on the relationship between the entity's performance and the customer's payment. IFRS 15 supersedes IAS 11, Construction Contracts and IAS 18, Revenue as well as related interpretations.

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.

IFRS 9 Financial Instruments

IFRS 9 'Financial Instruments' has replaced IAS 39 'Financial Instruments: Recognition and Measurement' for annual periods beginning on or after 1 July 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Company has applied IFRS 9 retrospectively, with the initial application date of 1 July 2018 as notified by the Securities and Exchange Commission of Pakistan (SECP).

The Company's financial assets mainly include trade debts, deposits, loans and bank balances held with commercial banks.

The adoption of IFRS 9 has changed the accounting for impairment losses for financial assets by replacing the incurred losses model approach with a forward looking Expected Credit Loss (ECL) approach. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

Considering the nature of the financial assets, the Company has applied the standard's simplified approach and has calculated ECL based on life time ECL. For this purpose, the management has conducted an exercise to assess the impairment of its financial assets using historical data and forward looking information. Based on such exercise, the Company has concluded that it is in compliance with the requirements of the new accounting standard and that the impact of impairment on its financial assets is immaterial to these condensed interim financial statements.

4 ACCOUNTING ESTIMATES AND FINANCIAL RISK MANAGEMENT

The preparation of this condensed interim financial information in conformity with the approved accounting standards, as applicable in Pakistan, requires the management to make estimates, judgments that affect the application of policies and the reported amount of assets and liabilities and income and expenses.

Estimates and judgments made by the management in the preparation of these condensed interim financial statements are the same as those that were applied to the annual audited financial statements of the Company for the year ended June 30, 2018. 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 June 30, 2018.

		March 31, 2019	June 30, 2018
	Note	------(Rupees in '000)----- (Un-audited)	(Audited)
5 PROPERTY, PLANT AND EQUIPMENT			
Operating Fixed assets	5.1	5,050,317	5,194,049
Capital work-in-progress (CWIP)		738,694	110,657
		<u>5,789,011</u>	<u>5,304,706</u>

	Note	March 31, 2019 ----- (Rupees in '000) ----- (Un-audited)	June 30, 2018 ----- (Rupees in '000) ----- (Audited)
5.1 Operating fixed assets			
Opening net written down value		5,194,049	5,206,444
Additions / transfer from CWIP during the period / year	5.1.1	207,512	455,574
Disposals, at their written down values, during the period / year		(11,641)	(2,393)
Depreciation / amortization charge during the period / year		(339,603)	(465,576)
		(351,244)	(467,969)
		<u>5,050,317</u>	<u>5,194,049</u>

5.1.1 Additions / transfers during the period / year

Building on leasehold land	82,283	167,768
Plant and machinery	83,038	208,044
Factory equipment	14,413	43,658
Furniture & fixtures	724	2,374
Office equipment, including computers	2,489	4,002
Vehicles	24,565	29,728
	<u>207,512</u>	<u>455,574</u>

6 SHARE CAPITAL

No. of shares		March 31, 2019 ----- (Rupees in '000) ----- (Un-audited)	June 30, 2018 ----- (Rupees in '000) ----- (Audited)
March 31, 2019 (Un-audited)	June 30, 2018 (Audited)		
100,000,000	100,000,000		
		Authorised share capital	
		Ordinary shares of Rs.10 each	1,000,000
			1,000,000
		Issued, subscribed and paid-up capital	
		Ordinary shares of Rs.10 each	
14,000,000	14,000,000	fully paid in cash	140,000
			140,000
70,000,000	70,000,000	Fully paid bonus shares	700,000
			700,000
<u>84,000,000</u>	<u>84,000,000</u>	<u>840,000</u>	<u>840,000</u>

7 CONTINGENCIES AND COMMITMENTS

Contingencies

7.1 Outstanding counter guarantees	<u>240,222</u>	<u>299,069</u>
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Commitments

- 7.2** Commitments in respect of building on leasehold land at the end of the current period amounted to Rs.29.000 (June 30, 2018: Rs. 29.000) million.
- 7.3** Outstanding letters of credit at the end of the current period amounted to Rs.568.114 (June 30, 2018: Rs.334.599) million.
- 7.4** Post dated cheques issued in favour of Custom Authorities aggregated to Rs.133.063 (June 30, 2018: Rs.315.925) million, against various statutory notifications.

8 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated undertakings, directors and key management personnel. The Company in the normal course of business carries out transactions with related parties. Transactions with related parties are as follows:

		March 31, 2019	March 31, 2018
		------(Rupees in '000)-----	
Relationship	Nature of transactions		
Common directorship	Sales	787,436	1,315,445
Common directorship	Purchases	46,717	3,694
Common directorship	Reimbursement of expenses	51,435	77,917
Common directorship	Services rendered	7,760	22,093
Key management personnel	Salaries	9,370	9,090
Key management personnel	Retirement benefits	810	757
Key management personnel	Directorship fee	360	400
Key management personnel	Dividend paid to directors	170,923	105,392

The above transactions are at arm's length using admissible valuation methods.

9 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on April 29, 2019 by the Board of Directors of the Company.

10 GENERAL

10.1 Key management personnel remuneration corresponding figure in related party transactions note has been revised in line with the new definition of key management personnel in the Companies Act, 2017.

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



Faisal Ahmed
Chief Executive



Muhammad Iqbal-ur-Rahim
Director



Sagheer Ahmed
Chief Financial Officer

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