



Quarterly Report September 30, 2019



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COMPANY INFORMATION

Board of Directors

Chief Executive
Chairman
Directors

Mr. Faisal Ahmed
Mr. Muhammad Iqbal Ahmed
Mr. Muhammad Yousuf Ahmed
Mr. Muhammad Ali Ahmed
Ms. Zahra Faisal 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

On behalf of the Board of Directors, we are pleased to present the Directors' Review of **Artistic Denim Mills Limited** along with un-audited condensed interim financial statements for the first quarter ended September 30, 2019.

PERIOD UNDER REVIEW

Following is the gist of the Company's performance for the period under review as compared with the corresponding period last year:

| | September 30, 2019 Rs. in ('000') | September 30, 2018 Rs. in ('000') |
|--------------------------|--------------------------------------|--------------------------------------|
| Net Sales | 1,822,928 | 1,641,743 |
| Gross profit | 217,272 | 154,024 |
| Other operating expenses | 88,148 | 8,065 |
| Finance costs | 34,399 | 14,999 |
| Net Profit | 25,694 | 80,864 |
| EPS (Rs. per share) | 0.31 | 0.96 |

During the period under review, the Company's net sales increased by Rs. 181.185 million as compared to the same period last year. Gross profit to net sales ratio increased from 9.38% to 11.92% as compared to same quarter last year due to devaluation of Pak Rupee and effective cost management despite increase in prices of raw materials and other inputs. Other operating expenses increased manifold from Rs. 8.065 million to 88.148 million due to exchange loss on export proceeds which eroded the profits of the Company by Rs. 84.272 million. Finance costs recorded an increase of Rs. 19.400 million due to increase in working capital requirements and mark-up rate benefit received in the same period last year from State Bank of Pakistan. Due to the reasons elucidated above, net profit decreased to Rs. 25.694 million as against Rs. 80.864 million in the corresponding period last year.

FUTURE OUTLOOK

Despite the challenging overall economic and political environment of the country and increased competition in denim sector, we perceive that remaining period of financial year 2020 will be tough for the textile business because of price of cotton in domestic market has been increased substantially in current financial year due to drastic fall in cotton production, hence, the cost of production has increased. The price of imported raw materials, dyes & chemicals and spare parts has also increased manifold due to depreciation of Pak Rupee. Furthermore other factors such as pending refunds, increase in minimum wage rate and 31% increase in gas tariff have increased the cost of doing business. The exporter demand that the government should immediately release sales tax refunds, income tax refunds and duty drawback so that the textile sector can improve its working capital / cash flow and enhance production.

In spite of various challenges, the Company for its part remains focused on improving its operational efficiencies, exploring new markets, effectively minimizing the production costs and focusing on the right performance levers.

ACKNOWLEDGEMENTS

The Board of Directors would like to thank all customers, financial institutions and suppliers who have been associated with the Company for their continued support and cooperation. We would also like to express sincere appreciation for the employees of the Company for their dedication and hard work.

On behalf of the Board of Directors



FAISSAL AHMED
Chief Executive

Karachi: October 28, 2019



MUHAMMAD IQBAL-UR-RAHIM
Director

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2019 (UN-AUDITED)

| | | September 30, 2019 | June 30, 2019 |
|---|------|-----------------------------|--------------------------|
| | | ------(Rupees in '000)----- | |
| ASSETS | Note | (Un-audited) | (Audited) |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 5 | 5,895,999 | 5,907,192 |
| Intangible assets | | 4,404 | 4,817 |
| Long-term investment | | 45,900 | 38,700 |
| Long-term loans - secured | | 6,919 | 5,482 |
| Long-term deposits | | 1,566 | 1,566 |
| | | <u>5,954,788</u> | <u>5,957,757</u> |
| CURRENT ASSETS | | | |
| Stores and spares | | 232,294 | 221,935 |
| Stock-in-trade | | 2,516,911 | 2,445,741 |
| Trade debts - considered good | | 1,898,706 | 2,520,485 |
| Loans and advances | | 112,328 | 21,181 |
| Trade deposits and prepayments | | 10,026 | 1,501 |
| Other receivables | | 144,792 | 150,572 |
| Sales tax refundable | | 156,085 | 105,111 |
| Taxation - net | | 389,717 | 376,717 |
| Cash and bank balances | | 1,919,736 | 1,196,961 |
| | | <u>7,380,595</u> | <u>7,040,204</u> |
| TOTAL ASSETS | | <u>13,335,383</u> | <u>12,997,961</u> |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorised capital | | | |
| 100,000,000 (2019: 100,000,000) | | | |
| ordinary shares of Rs. 10/- each | 6 | <u>1,000,000</u> | <u>1,000,000</u> |
| Issued, subscribed and paid-up | 6 | <u>840,000</u> | <u>840,000</u> |
| Reserves | | <u>5,939,853</u> | <u>5,914,159</u> |
| | | <u>6,779,853</u> | <u>6,754,159</u> |
| NON-CURRENT LIABILITIES | | | |
| Long-term financing | | <u>1,470,488</u> | <u>1,444,487</u> |
| Deferred liability | | <u>62,773</u> | <u>56,294</u> |
| | | <u>1,533,261</u> | <u>1,500,781</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | <u>1,826,395</u> | <u>1,538,856</u> |
| Unclaimed dividend | | <u>2,451</u> | <u>2,451</u> |
| Accrued mark-up | | <u>19,874</u> | <u>30,836</u> |
| Short-term borrowings - secured | | <u>3,065,000</u> | <u>3,065,000</u> |
| Current maturity of long-term financing | | <u>108,549</u> | <u>105,878</u> |
| | | <u>5,022,269</u> | <u>4,743,021</u> |
| CONTINGENCIES AND COMMITMENTS | 7 | | |
| TOTAL EQUITY AND LIABILITIES | | <u>13,335,383</u> | <u>12,997,961</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 QUARTER ENDED SEPTEMBER 30, 2019 (UN-AUDITED)

| | September 30, 2019 | September 30, 2018 |
|-------------------------------------|------------------------------|-----------------------|
| | ----- (Rupees in '000) ----- | |
| TURNOVER | 1,822,928 | 1,641,743 |
| Cost of sales | (1,605,656) | (1,487,719) |
| GROSS PROFIT | 217,272 | 154,024 |
| Distribution costs | (77,886) | (44,514) |
| Administrative expenses | (32,524) | (25,582) |
| Other operating expenses | (88,148) | (8,065) |
| Other income | 59,822 | 36,803 |
| | (138,736) | (41,358) |
| OPERATING PROFIT | 78,536 | 112,666 |
| Finance costs | (34,399) | (14,999) |
| PROFIT BEFORE TAXATION | 44,137 | 97,667 |
| Taxation | (18,443) | (16,803) |
| NET PROFIT FOR THE PERIOD | 25,694 | 80,864 |
| EARNINGS PER SHARE | | |
| - Basic and diluted (Rs. per share) | 0.31 | 0.96 |

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 QUARTER ENDED SEPTEMBER 30, 2019 (UN-AUDITED)

| | September 30, 2019 | September 30, 2018 |
|--|------------------------------|-----------------------|
| | ----- (Rupees in '000) ----- | |
| Net profit for the period | 25,694 | 80,864 |
| Other comprehensive income | - | - |
| Total comprehensive income for the period | <u>25,694</u> | <u>80,864</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 CASH FLOWS

FOR THE QUARTER ENDED SEPTEMBER 30, 2019 (UN-AUDITED)

| | September 30, 2019 | September 30, 2018 |
|---|------------------------------|-----------------------|
| | ----- (Rupees in '000) ----- | |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 44,137 | 97,667 |
| Adjustments for non cash charges and other items: | | |
| Depreciation / amortization | 113,183 | 111,879 |
| Provision for gratuity | 8,578 | 6,444 |
| Finance costs | 34,399 | 14,999 |
| Gain on disposal of operating fixed assets | (11,929) | (1,537) |
| | 144,231 | 131,785 |
| Profit before working capital changes | 188,368 | 229,452 |
| (Increase) / decrease in current assets | | |
| Stores and spares | (10,359) | (1,976) |
| Stock-in-trade | (71,170) | (724,555) |
| Trade debts | 621,779 | 280,541 |
| Loans and advances | (91,147) | 28,916 |
| Trade deposits and prepayments | (8,525) | (6,812) |
| Other receivables | 5,780 | 29,254 |
| Sales tax refundable | (50,974) | (29,928) |
| | 395,384 | (424,560) |
| Increase in current liabilities | | |
| Trade and other payables | 287,539 | 92,658 |
| Cash generated from / (used in) operations | 871,291 | (102,450) |
| Taxes paid | (31,442) | (20,199) |
| Gratuity paid | (2,099) | (940) |
| Finance costs paid | (45,361) | (21,785) |
| Long-term deposits | - | (157) |
| | (78,902) | (43,081) |
| Net cash generated from / (used in) operating activities | 792,389 | (145,531) |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Capital expenditure | (116,916) | (72,719) |
| Long-term loans | (1,437) | 286 |
| Long-term investment | (7,200) | - |
| Sale proceeds from disposal of operating fixed assets | 27,267 | 5,009 |
| Net cash used in investing activities | (98,286) | (67,424) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Long-term financing repaid | (25,981) | (35,607) |
| Long-term financing acquired | 54,653 | 40,447 |
| Short-term borrowings (repaid) / acquired - net | - | 330,000 |
| Net cash generated from financing activities | 28,672 | 334,840 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 722,775 | 121,885 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 1,196,961 | 86,896 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 1,919,736 | 208,781 |

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 QUARTER ENDED SEPTEMBER 30, 2019 (UN-AUDITED)

| | Share Capital Issued, subscribed and paid-up capital | Revenue Reserves Unappropriated profit | Actuarial gain / (loss) on defined benefit plan | Total | Total equity |
|---|---|--|--|------------------|------------------|
| | ----- (Rupees in '000) ----- | | | | |
| Balance as at July 01, 2018 | 840,000 | 5,292,970 | (32,825) | 5,260,145 | 6,100,145 |
| Net profit for the period ended September 30, 2018 | - | 80,864 | - | 80,864 | 80,864 |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income | - | 80,864 | - | 80,864 | 80,864 |
| Balance as at September 30, 2018 | <u>840,000</u> | <u>5,373,834</u> | <u>(32,825)</u> | <u>5,341,009</u> | <u>6,181,009</u> |
| Balance as at July 01, 2019 | 840,000 | 5,949,790 | (35,631) | 5,914,159 | 6,754,159 |
| Net profit for the period ended September 30, 2019 | - | 25,694 | - | 25,694 | 25,694 |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income | - | 25,694 | - | 25,694 | 25,694 |
| Balance as at September 30, 2019 | <u>840,000</u> | <u>5,975,484</u> | <u>(35,631)</u> | <u>5,939,853</u> | <u>6,779,853</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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 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

These condensed interim financial statements of the Company for the first quarter ended September 30, 2019 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.

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. These condensed interim financial statements do not include all the information and disclosures as required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2019.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the audited annual financial statements of the Company for the year ended June 30, 2019.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND FINANCIAL RISK MANAGEMENT

The preparation of these condensed interim financial statements in conformity with the approved accounting standards as applicable in Pakistan for interim reporting requires the management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgements and estimates 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, 2019.

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, 2019.

| | Note | September 30, 2019 ------(Rupees in '000)----- (Un-audited) | June 30, 2019 ------(Rupees in '000)----- (Audited) |
|---|-------|--|--|
| 5 PROPERTY, PLANT AND EQUIPMENT | | | |
| Operating fixed assets | 5.1 | 5,586,353 | 5,043,565 |
| Capital work-in-progress | 5.2 | 309,646 | 863,627 |
| | | 5,895,999 | 5,907,192 |
| 5.1 The additions and disposals in property, plant and equipment are as follows: | | | |
| Opening net written down value | | 5,043,565 | 5,194,049 |
| Additions during the period / year | 5.1.1 | 670,896 | 322,293 |
| Disposals, at their written down values during the period / year | | (15,338) | (13,456) |
| Depreciation / amortization charge during the period / year | | (112,770) | (459,321) |
| | | (128,108) | (472,777) |
| | | 5,586,353 | 5,043,565 |
| 5.1.1 The following additions were made during the period / year | | | |
| Building on leasehold land | | - | 82,282 |
| Plant & machinery | | 662,820 | 193,400 |
| Factory equipment | | 2,420 | 15,333 |
| Furniture & fixtures | | - | 723 |
| Office equipment, including computers | | - | 2,610 |
| Vehicles | | 5,656 | 27,945 |
| | | 670,896 | 322,293 |

| | September 30, 2019 ------(Rupees in '000)----- (Un-audited) | June 30, 2019 (Audited) |
|--|--|-------------------------------|
| 5.2 Capital work-in-progress | | |
| Balances at the beginning of the period / year | 863,627 | 110,657 |
| Additions during the period / year | | |
| Civil works | 34,047 | 51,511 |
| Plant and machinery | 71,763 | 940,302 |
| Factory equipment | 2,420 | 14,233 |
| Advances to suppliers | 3,030 | 49,706 |
| | 111,260 | 1,055,752 |
| Transfers to operating fixed assets | (665,241) | (302,782) |
| | <u>309,646</u> | <u>863,627</u> |

6 SHARE CAPITAL

| No. of shares | | | September 30, 2019 ------(Rupees in '000)----- (Un-audited) | June 30, 2019 (Audited) |
|---------------------------------------|-------------------------------|---|--|-------------------------------|
| September 30, 2019 (Un-audited) | June 30, 2019 (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 | Issued for cash | 140,000 | 140,000 |
| 70,000,000 | 70,000,000 | Issued as 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** The Company is a respondent in J.C.M. Nos. 29 and 32, proceedings filed by the minority shareholders of the Company in the Honorable High Court of Sindh inter alia challenging the manner in which the business is being managed and seeking certain declaration and restraining order in this regard. The Company believes that there is no merit in the aforesaid proceedings and based on the view of the legal advisor there appears to be no liability expected on the Company on account of the above proceedings.

| | | | |
|------------|---|----------------|----------------|
| 7.2 | Outstanding counter guarantees - conventional banks | <u>249,222</u> | <u>242,222</u> |
|------------|---|----------------|----------------|

Commitments

- 7.3** Commitments in respect of plant & machinery and building on leasehold land at the end of the period amounted to Rs. 58.534 million (June 30, 2019: Rs. 58.534 million).
- 7.4** Outstanding letters of credit at the end of the period amounted to Rs. 319.218 million (June 30, 2019: Rs. 317.279 million).
- 7.5** Post dated cheques issued in favour of Custom Authorities aggregating to Rs. 178.489 million (June 30, 2019: Rs. 138.522 million), against various statutory notifications.

8 TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company comprise associated companies, directors, major shareholders of the Company and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Details of transactions with related parties, are given below:

| | September 30, 2019 | September 30, 2018 |
|---|------------------------------|-----------------------|
| | ----- (Rupees in '000) ----- | |
| | (Un-audited) | (Un-audited) |
| Key Management Personnel | | |
| Managerial remuneration and others | <u>3,690</u> | <u>3,695</u> |
| Associated undertaking / Common directorship | | |
| Sales | 363,187 | 254,847 |
| Purchases | 15,637 | - |
| Services rendered | - | 5,959 |
| Reimbursement of expenses | <u>47,910</u> | <u>15,315</u> |

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

9 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements have been authorised for issue on October 28, 2019 by the Board of Directors of the Company.

10 GENERAL

Figures have been rounded-off to the nearest thousand rupees.



Faisal Ahmed
Chief Executive



Muhammad Iqbal-ur-Rahim
Director



Sagheer Ahmed
Chief Financial Officer

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CONTACT US

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