





Innovation is a powerful lever to address the challenges of a growing world. It allows us to use resources more efficiently, produce more with less and deliver better methodologies to help company drive growth and improve quality of life.

Investing in innovation is an essential ingredient of Rupali's corporate philosophy and it comes in many forms -- from traditional R&D to new products, markets and business models.

At Rupali, we are up for the challenge, ready to adopt and deploy a modern approach to innovation that will deliver both value and meaningful solutions.

# Corporate Data

## Board of Directors

### Chairman / Chief Executive Officer

Nooruddin Feerasta

### Directors

Muhammad Rashid Zahir - Non-Executive

Yaseen M. Sayani - Non-Executive

Shehzad Feerasta - Non-Executive

Amyna Feerasta - Non-Executive

Sultan Ali Rajwany - 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

Faysal Bank Limited

MCB Bank Limited

Bank Alfalah Limited

Habib 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 2019, duly reviewed by the external auditors.

### Overview

The polyester industry is facing multiple challenges and uncertainties about cost of doing business and is passing through very hard days. Sales Revenue for the half year ended 31 December 2019, dipped, particularly in Q2, owing to downstream activities and low demand mainly because of imposition of sales tax on textile sector and CNIC issues of unregistered traders. The concessionary gas and electricity tariffs given to zero-rated sectors including textile are in doldrums. US Cent 7.5/kwh was given to provide regionally competitive electricity rates. This tariff is being loaded with fuel price adjustment, quarterly surcharge, financial surcharge and Neelum-Jhelum surcharge retrospectively since January 2019. The Company along with other Consumers have resorted to seek relief from Court for this extra financial burden. With these additions, the price of electricity would drastically increase. Similarly, gas tariff of US\$6.5 per MMBTU is also a subjudice case in the Honourable Lahore High Court by way of an Intra-Court Appeal filed by the Oil and Gas Regulatory Authority against the decision of the same Court dated 18 November 2019.

The Chinese suppliers are dumping their products in Pakistan and these dumped products are adversely affecting our Sales Revenues and margins of the Polyester Filament Yarn (PFY). Ever since the imposition of Anti-dumping Duty (ADD) by National Tariff Commission (NTC) on PFY exported by China and Malaysia, several frivolously biased importers have gone into litigation which is causing huge loss to Government revenue and non-implementation of Anti-dumping measures for the domestic PFY industry as well as many other industries. Through the repeated petitions and stay orders on the same Anti-dumping Duty, the PFY importers/foreign suppliers are not paying Anti-dumping Duties. As such the injury to the local PFY industry against foreign dumped products is not mitigated, nullifying the whole aim of the Anti-dumping Act and the relief given to local PFY industry is massively jeopardized.

These ADDs are already set at a very low level of 3.25% to 11.35%, while the injury to the Pakistan Filament Yarn Industry was much more than this rate.

The ADD cases are subjudice in various Courts in addition to some Appeals pending before the Anti-dumping Appellate Tribunal.

NTC/FBR should tag/mark the importer(s) through their NTN numbers in the WEBOC, who have not paid the ADD despite dismissal of petitions filed in year 2018 and 2019, by declaring/marketing them as 'Defaulter(s)' in the WEBOC system so that they do not get relief of any future stay against any kind of duties.

Considering the woes of local PFY industry the Federal Board of Revenue levied Regulatory Duty (RD) at 5%. This duty is necessary as the 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. This RD was reduced from 5% to 2.5%, vide SRO No.190(I)/2019 dated 11 February 2019 and then totally abolished in Finance Act, 2019. This has added the material injuries resulting in impediment in growth and has also disincentivized any further investment for the local manufacturers.

### Financial Results

The Company's profitability in the half year period under review showed encouraging growth despite dip in sales revenue.

Pak Rupee depreciated to Rs.156 from Rs.134 at end of November 2018. This has largely impacted the country's economy in general and has had a negative impact on the raw material prices making imports by the manufacturing PFY industries of the country including our downstream consumers more expensive. The depreciation of Pak Rupee has also affected our profitability. Government needs to curb high inflation and reduce mark-up rates charged by the commercial banks.

The State Bank of Pakistan (SBP) over the period has increased the key policy rate to 13.25% which has increased our finance cost.

Our operational performance depends largely upon the prices of global raw material, PTA and MEG which reflected instability in prices of global crude oil. The concessionary price of gas at US\$6.5 per MMBTU and power supplied by WAPDA at 7.5 cents per Kwh will have positive impact on our cost of production. As such this concession must continue in order to boost the country's exports by the textile industry.

Polyester industry plays significant role in the country's economy especially through exports. It needs continued support from the government to protect huge infrastructure worth billions rupees and large work force connected with the industry.

Sales revenue for the half year ended 31 December 2019 decreased by 6% to Rs.3,973.20 million from Rs.4,217.45 million in the half year ended 31 December 2018. Gross profit increased to Rs.254.39 million from Rs.220.85 million and operating profit increased to Rs.208.94 million from Rs.135.22 million during the same period of last year. The Company earned profit before tax of Rs.93.22 million and after tax profit of Rs.39.77 million for the half year ended 31 December 2019 as against Rs.63.02 million and Rs.24.28 million in the same period of the preceding year.

Sales revenue in the second quarter Oct-Dec 2019 stood at Rs.1,856.19 million as against Rs. 2,310.58 million in the same quarter of 2018. Gross profit in Q2 amounted to Rs.104.84 million as compared to Rs.108.40 million in corresponding quarter last year. Operating profit amounted to Rs.96.55 million as against operating profit of Rs.64.16 million in Q2 of 2018. Profit before tax amounted to Rs.37.62 million in Q2, 2019 compared to Rs.25.58 million in the same period last year. After tax profit amounted to Rs.15.93 million as compared to profit after tax of Rs.10.68 million in corresponding quarter of 2018.

As explained above, energy cost is a major element in the cost of conversion of our products. It is expected that the Government will continue the present gas and power tariffs and that will hopefully have positive impact on financial results of the Company in the future.

We report with satisfaction that in spite of challenging circumstances ALHAMDOLILLAH, the results in the half year ended 31 December 2019 and quarter then ended are positive.

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

#### Future Outlook

There is a need to formulate versatile and long-term economic policies to boost the industrial production in the country. PFY should be developed as an import substitution. Anticipating the potential demand of PFY, the Company is considering to further enhance its production capacity. We hope that given positive enabling circumstances we shall increase the capacity in next three years to a level where the local manufacturers would be able to meet more than 80% of the requirement of weaving units in the country. The Power and Gas concessionary tariff should continue for industry atleast for three years. Gas Infrastructure Development Cess (GIDC) is a subjudice matter in the Honourable Supreme Court of Pakistan.

#### Earnings per share

The earnings per share of the Company for the half year ended 31 December 2019 is Rs.1.17.

#### Material Changes and Commitments

No material changes and commitments affecting the financial position of the company occurred during the period to which the financial statements relate and till the date of this report.

#### Auditors' Review Report

The Auditors of the Company, M/s. Qavi & Co., Chartered Accountants have issued an unqualified review report to the members of the Company on financial statements for the half year ended 31 December 2019.

#### Board of Directors

During the period there is no change in the composition of the Board of Directors of the Company.

### 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. We would also like to convey our gratitude to the Federal Board of Revenue, Departments of Customs and Central Excise and the 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  
27 February 2020

## بورڈ آف ڈائریکٹرز

اس مدت میں ڈائریکٹران کی تشکیل میں کوئی تبدیلی نہیں ہوئی۔

## اظہار تشکر

ڈائریکٹرز، خزانہ، صنعتوں پیداوار اور معاشی امور کی وزارت، تجارت، مواصلات اور وزارت ٹیکسٹائل کے تعاون کے لئے اظہار تشکر کرنا چاہتے ہیں۔ ہم وفاقی بورڈ آف ریونیو، کسٹمز، سینٹرل ایکسائز اور حکومت پنجاب کے تعاون کے بھی شکرگزار 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 شکرگزار ہیں اور ان کے ساتھ کاروباری تعلقات میں وسعت کی امید رکھتے ہیں۔ ہمارے اسٹیک ہولڈرز کے ہم پر اعتماد کے لئے شکرگزار 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 فیہراستہ  
ڈائریکٹر

نور الدین فیہراستہ  
چیف ایگزیکٹو آفیسر  
لاہور:

۲۷ فروری ۲۰۲۰

۳۱ دسمبر ۲۰۱۹ کو ختم ہونے والی سہ ماہی میں فروخت آمدنی ۱،۸۵۶.۱۹ ملین روپے رہی جو کہ ۲۰۱۸ کی اسی سہ ماہی میں ۲،۳۱۰.۵۸ ملین روپے تھی۔ اس سہ ماہی میں خام منافع ۱۰۴.۸۴ ملین روپے ہوا جو کہ پچھلے سال کی اس سہ ماہی میں ۱۰۸.۴۰ ملین روپے تھا۔ اس سہ ماہی میں آپریٹنگ منافع ۹۶.۵۵ ملین روپے رہا جبکہ پچھلے سال کی اس سہ ماہی میں ۶۴.۱۶ ملین روپے کا منافع تھا۔ قبل از ٹیکس منافع اس سہ ماہی میں ۳۷.۶۲ ملین روپے رہا جبکہ پچھلے سال کی اس سہ ماہی میں ۲۵.۵۸ ملین روپے تھا اور خالص منافع ۱۰.۶۸ ملین روپے کی نسبت ۱۵.۹۳ ملین روپے رہا۔

ہماری مصنوعات میں توانائی 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 ۲۰۱۹ کو ختم ہونے والی سہ ماہی اور ششماہی نتائج مثبت ہیں۔

### مستقبل کا جائزہ

ملک میں صنعتی پیداوار کے فروغ کیلئے جامع اور دور رس معاشی حکمت عملیاں مرتب دینے کی ضرورت ہے۔ PFY کو درآمدی متبادل کے طور پر تیار کیا جانا چاہئے۔ PFY کی ممکنہ طلب کو دیکھتے ہوئے کمپنی اپنی پیداواری صلاحیت میں مزید اضافہ کرنے پر غور کر رہی ہے۔ ہمیں امید ہے کہ اگر مثبت حالات میسر آئیں تو ہم اگلے تین سال میں پیداواری گنجائش کو اس حد تک بڑھائیں گے جس سے مقامی PFY میڈیفیکیشنرز ملک کے یونٹوں کی ۸۰ فیصد سے زائد ضرورت کو پورا کر سکیں گے۔ صنعت کے لئے بجلی اور گیس کے رعایتی نرخ کم از کم تین سال کی مدت کیلئے جاری رہنے چاہئیں۔ جی آئی ڈی سی کا معاملہ عدالت عظمیٰ میں زیر سماعت ہے۔

### محاسب کی جائزہ رپورٹ

کمپنی کے محاسب، قومی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے ۳۱ دسمبر ۲۰۱۹ کو ختم ہونے والی ششماہی گوشواروں پر کمپنی ممبران کیلئے غیر مشروط جائزہ رپورٹ جاری کی ہے۔

### فی حصص منافع

برائے ششماہی ختمہ ۳۱ دسمبر ۲۰۱۹ فی حصص منافع ۱.۷۷ روپے ہے۔

### بڑی تبدیلیاں اور وعدے

اس مدت میں جس کے گوشوارے ہیں کوئی بڑی تبدیلیاں یا وعدے جس سے کمپنی کی حالت متاثر ہو سکے، رونما نہیں ہوئے ہیں۔

مقامی PFY صنعت کے مسائل پر غور کرتے ہوئے وفاقی ریویزیو بورڈ نے ۵ فیصد ریگولیشن ڈیوٹی (آر ڈی) عائد کی تھی۔ یہ ڈیوٹی اس لئے ضروری تھی کہ چین کے بڑے PFY درآمد کنندگان پر ADD صرف ۳ فیصد عائد ہوئی۔ جو کہ ہندوستان اور ترکی کی عائد کردہ ڈیوٹی کے مقابلے میں بہت کم شرح تھی۔ مقامی صنعت کی نمو اور تحفظ کی خاطر ۵ فیصد RD جاری رہنی چاہیے۔ فروری ۲۰۱۹ میں RD ۵.۰۰ فیصد سے کم کر کے ۲.۵۰ فیصد کر دی گئی اور پھر فنانس ایکٹ ۲۰۱۹ میں یکسر ختم کر دی گئی۔ جس سے مقامی صنعت کی نمو میں رکاوٹ پیدا ہوگئی اور مزید سرمایہ کاری کی خاصی حوصلہ شکنی ہوئی۔

## مالی نتائج

کمپنی نے ششماہی جائزے کے مطابق فروخت آمدنی میں کمی کے باوجود حوصلہ افزا ترقی کی۔ پاکستانی روپیہ نومبر ۲۰۱۸ کے اختتام پر نی امریکی ڈالر کی قدر ۱۳۴ سے کم ہو کر ۱۵۶ پر آگئی۔ اس سے عمومی طور پر ملکی معیشت بے حد متاثر ہوئی، PFY صنعتوں کے خام مال کی درآمدات پر منفی اثرات مرتب ہوئے۔ پاکستانی روپے کی قدر میں کمی نے بھی ہمارے منافع کو متاثر کیا۔ حکومت کو افراط زر سے روکنے اور تجارتی بینکوں کے ذریعے لگائے جانے والے سود کی شرح میں کمی کی ضرورت ہے۔ اسٹیٹ بینک آف پاکستان نے اس دورانیے میں اپنے پالیسی کی شرح ۱۳.۵۰ فیصد کر دی ہے جس سے ہماری مالیات کی لاگت میں اضافہ ہوا۔

ہماری آپریشنل کارکردگی کا انحصار بڑی حد تک عالمی خام مال، پی ٹی اے اور ایم ای جی کی قیمتوں پر ہے۔ جس نے عالمی سطح پر خام تیل کی قیمتوں میں عدم استحکام کو ظاہر کیا۔ گیس کی مراعاتی قیمت ۶.۵ امریکی ڈالر فی ایم ایم بی ٹی یا اور بجلی ۵.۷ سینٹ فی KWH کی فراہمی ہماری پیداواری لاگت پر مثبت اثرات مرتب کرے گی۔ ان مراعات کو ملک کی برآمدات کو بڑھانے کے لئے جاری رکھنا چاہیے جس کیلئے ٹیکسٹائل کی صنعت کی طرف سے بڑے پیمانے پر تعاون کیا جاتا ہے۔

پولیسٹر صنعت خاص طور پر برآمدات میں ملک کی معیشت میں نمایاں کردار ادا کرتی ہے۔ اس کو اربوں روپے کے بڑے انفراسٹرکچر اور صنعت سے وابستہ بڑی ورک فورس کے تحفظ کے لئے حکومت کی مستقل مدد کی ضرورت ہے۔

۳۱ دسمبر ۲۰۱۹ کو ختم ہونے والی ششماہی میں فروخت آمدنی ۶.۰۰ فیصد کم ہونے سے ۳۰.۲۰ ملین روپے ہوگئی جو کہ ۲۰۱۸ میں ۴۵.۴۵ ملین روپے تھی۔ اس ششماہی میں ہم نے پچھلے سال ہونے والے خام منافع ۲۲۰.۸۵ ملین روپے کی نسبت ۲۵۴.۳۹ ملین روپے خام منافع کمایا اور آپریٹنگ منافع ۱۳۵.۲۲ ملین روپے کی نسبت ۲۰۸.۹۴ ملین روپے منافع ہو گیا۔ اس ششماہی میں کمپنی نے قبل از ٹیکس منافع ۹۳.۲۲ ملین روپے اور بعد از ٹیکس منافع ۳۹.۷۷ ملین روپے کمایا جبکہ پچھلے سال اس ششماہی میں قبل از ٹیکس منافع ۶۳.۰۲ ملین روپے اور بعد از ٹیکس منافع ۲۸.۲۸ ملین روپے تھا۔

## ڈائریکٹران کا جائزہ

کمپنی ڈائریکٹران کی جانب سے ہم بمسرت ۳۱ دسمبر ۲۰۱۹ کو ختم ہونے والی سہ ماہی اور ششماہی کے غیر پڑتال شدہ (محاسب کے باقاعدہ جائزہ شدہ) گوشوارے پیش کرتے ہیں۔

### مجموعی جائزہ

پولی ایسٹر صنعت کو کاروباری لاگت سے متعلقہ متعدد چیلنجوں، غیر یقینی صورت حال اور مشکل دور کا سامنا ہے۔ ۳۱ دسمبر ۲۰۱۹ کو ختم ہونے والی ششماہی اور بالخصوص دوسری سہ ماہی میں بکری آمدنی کاروباری سرگرمیوں اور طلب میں کمی کے باعث کم رہی۔ اس کی بڑی وجہ ٹیکسٹائل پر عائد بکری ٹیکس اور غیر درج شدہ تاجروں سے قومی شناختی کارڈ کی طلبی جیسے معاملات ہیں۔ زیور ریڈ سیکٹرز بشمول ٹیکسٹائل کو کم نرخوں پر دی جانے والی گیس اور بجلی کا معاملہ غیر حتمی کیفیت میں پڑا ہوا ہے۔ بجلی کا نرخ ۵.۷ سینٹ فی KWH خطے میں مسابقت کے باعث دیا گیا تھا۔ مگر مختلف سرچارجز بشمول سہ ماہی سرچارج نیلم جہلم سرچارج وغیرہ کا اضافی بوجھ جنوری ۲۰۱۹ سے ڈالا جا رہا ہے۔ اس اضافی مالی بوجھ پر کمپنی دوسرے صارفین کے ساتھ عدالت سے ریلیف حاصل کر رہی ہے۔ ان اضافوں سے بجلی کی قیمتیں بہت بڑھ جائیں گی۔ اسی طرح گیس کے رعایتی نرخ ۱۶.۵ امریکی ڈالر فی ایم ایم بی ٹی یو جو کہ عدالت عالیہ لاہور نے اپنے فیصلہ مورخہ ۱۸ نومبر ۲۰۱۹ میں زیور ریڈ سیکٹرز کے لئے حتمی قرار دیے تھے۔ آئل اینڈ گیس ریگولیٹری اتھارٹی نے اس فیصلہ کے خلاف ICA داخل کی ہوئی ہے۔

چین کے PFY سپلائرز اپنی مصنوعات مسلسل ڈمپ کر رہے ہیں جس سے ہماری PFY کی فروخت آمدنی اور منافع پر بہت منفی اثر پڑ رہا ہے۔ جب سے قومی ٹریف کمیون (این ٹی سی) نے چین اور ملائیشیا سے برآمد کردہ PFY پر انٹی ڈمپنگ ڈیوٹی (ADD) عائد کی ہے۔ بہت سے درآمد کنندگان نے تعصبات نہ روینے کے تحت مقدمات دائر کئے ہوئے ہیں جس کے باعث ایک طرف سرکاری محصولات کو بھاری نقصان ہو رہا ہے اور دوسری طرف PFY اور دیگر مقامی صنعتوں کیلئے اٹھائے گئے انٹی ڈمپنگ کے اقدامات بے سود ہو رہے ہیں کیونکہ بار بار ایک ہی معاملہ کے خلاف دائر کردہ درخواستوں اور احکامات متنازعے کے باعث درآمد کنندگان اور بیرونی سپلائرز ڈیوٹی ادا نہیں کر رہے۔ اس طرح مقامی PFY صنعت کو ڈمپنگ سے ہونے والے نقصان کی تلافی نہیں ہو رہی اور انٹی ڈمپنگ قانون کے تحت عائد کردہ ڈیوٹی بے مقصد ہو کر رہ گئی ہے اور مقامی PFY صنعت بڑی طرح سے متاثر کردہ خطرات سے دوچار ہے۔ انٹی ڈمپنگ کے عائد کردہ نرخ بہت ہی کم سطح پر یعنی ۳.۲۵ فیصد سے ۱۱.۳۵ فیصد لگائے گئے تھے حالانکہ مقامی PFY صنعت کو ڈمپنگ سے ہونے والا نقصان اس شرح سے کہیں زیادہ ہے۔ ADD کے مقدمات مختلف عدالتوں میں اور کچھ اپیلیٹ ٹریبونل میں زیر التوا ہیں۔

این ٹی سی کو چاہئے کہ WEOC سسٹم میں ان درآمد کنندگان کے نام اور قومی ٹیکس نمبر مارک کریں جنہوں نے ۲۰۱۸ اور ۲۰۱۹ میں دائر کردہ مقدمات خارج ہو جانے کے باوجود انٹی ڈمپنگ ڈیوٹی ادا نہیں کی اور ان کو WEOC میں ڈیفالٹرز کے طور پر ظاہر کریں تاکہ وہ کسی بھی مزید حکم امتناعی کے زمرے میں فائدہ نہ لے سکیں۔

# QAVI & CO.

Chartered Accountants

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## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF RUPALI POLYESTER LIMITED

### REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

#### Introduction

We have reviewed the accompanying condensed interim statement of financial position of Rupali Polyester Limited as at December 31, 2019 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows together with the notes forming part thereof for the half year then ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of this 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 quarter ended December 31, 2019 and 2018 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2019.

#### 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 interim financial information consists 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 interim financial statements is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's review report is Ghulam Abbas.



*Ghulam Abbas*  
Qavi & Co.  
Chartered Accountants

Date: February 27, 2020  
Lahore

## Condensed Interim Statement of Financial Position (Un-audited) as at 31 December 2019

Rupees in thousand	Note	Un-audited 31 Dec 2019	Audited 30 June 2019
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	3,232,329	3,295,511
Investment property	7	497,500	462,500
Long-term deposits		4,321	4,396
		3,734,150	3,762,407
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		912,631	873,121
Stock-in-trade		861,195	873,093
Trade debts		8,201	73,362
Loans and advances		24,437	13,571
Trade deposits and short term prepayments		10,791	265
Other receivables		429,641	342,546
Taxation - net		67,972	43,842
Cash and bank balances		18,859	32,388
		2,333,727	2,252,188
		6,067,877	6,014,595
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised share capital 35,000,000 (30 June 2019: 35,000,000)			
Ordinary shares of Rs. 10 each		350,000	350,000
Issued, subscribed and paid-up capital 34,068,514 (30 June 2019: 34,068,514)			
Ordinary shares of Rs. 10 each		340,685	340,685
Capital Reserve		71,490	71,490
General Reserves		1,664,125	1,664,125
Accumulated loss		(1,370,354)	(1,376,058)
Surplus on revaluation of freehold land		1,719,056	1,719,056
		2,425,002	2,419,298
		2,425,002	2,419,298
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings	8	47,183	94,370
Staff retirement benefits - gratuity		172,377	165,594
Deferred taxation		273,567	279,723
Liabilities against assets subject to finance lease	9	-	-
		493,127	539,687
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,204,966	1,345,791
Short-term borrowings	10	1,789,367	1,564,985
Current portion of long-term liabilities	11	94,778	95,354
Unclaimed dividend		1,845	1,509
Accrued mark-up		58,792	47,971
		3,149,748	3,055,610
<b>CONTINGENCIES AND COMMITMENTS</b>			
	12		
		6,067,877	6,014,595

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 2019

Rupees in thousand	Note	Quarter Ended		Half year Ended	
		31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Sales		1,856,186	2,310,579	3,973,203	4,217,452
Cost of goods sold	13	(1,751,344)	(2,202,183)	(3,718,815)	(3,996,599)
<b>Gross profit</b>		104,842	108,396	254,388	220,853
Selling and distribution expenses		(5,274)	(6,360)	(12,379)	(9,831)
Administrative and general expenses		(43,674)	(43,936)	(81,785)	(81,566)
Other operating charges		(8,064)	(2,005)	(12,423)	(8,060)
Other operating income		48,723	8,070	61,137	13,826
<b>Operating profit</b>		96,553	64,165	208,938	135,222
Finance cost		(58,936)	(38,586)	(115,723)	(72,206)
<b>Profit before taxation</b>		37,617	25,579	93,215	63,016
Taxation		(21,688)	(14,899)	(53,443)	(38,735)
<b>Profit for the period</b>		15,929	10,680	39,772	24,281
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the period</b>		15,929	10,680	39,772	24,281
Amount in Rupees					
Earnings per share - basic and diluted		0.47	0.31	1.17	0.71

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 2019

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 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>
Final Dividend for the year ended 30 June 2018	-	-	-	(34,068)	(34,068)	-	(34,068)
Total comprehensive income for the half year ended 31 December 2018	-	-	-	24,281	24,281	-	24,281
<b>Balance as on 31 December 2018 - Unaudited</b>	<b>340,685</b>	<b>71,490</b>	<b>1,664,125</b>	<b>(1,403,516)</b>	<b>672,784</b>	<b>1,719,056</b>	<b>2,391,840</b>
<b>Balance as on 01 July 2019</b>	<b>340,685</b>	<b>71,490</b>	<b>1,664,125</b>	<b>(1,376,058)</b>	<b>700,242</b>	<b>1,719,056</b>	<b>2,419,298</b>
Final Dividend for the year ended 30 June 2019	-	-	-	(34,068)	(34,068)	-	(34,068)
Total comprehensive income for the half year ended 31 December 2019	-	-	-	39,772	39,772	-	39,772
<b>Balance as on 31 December 2019 - Unaudited</b>	<b>340,685</b>	<b>71,490</b>	<b>1,664,125</b>	<b>(1,370,354)</b>	<b>705,946</b>	<b>1,719,056</b>	<b>2,425,002</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 Cash Flow Statement (Un-audited) for the half year ended 31 December 2019

Rupees in thousand	Note	Unaudited 31 Dec 2019	Unaudited 31 Dec 2018
<b>Cash flow from Operating Activities</b>			
Profit before taxation		93,215	63,016
<b>Adjustments for non-cash and other items</b>			
Depreciation	6	86,735	74,169
Staff retirement benefits		12,879	13,795
Loss on disposal of fixed assets		-	22
Interest income		(1,308)	(1,114)
Finance cost		115,723	72,206
		214,029	159,078
		307,244	222,094
<b>Effect on cash flow due to working capital changes</b>			
<b>Increase in current assets:</b>			
Stores, spares and loose tools		(39,510)	(8,050)
Stock-in-trade		11,898	(303,793)
Trade debts		65,161	(6,640)
Loans and advances		(10,866)	1,307
Trade deposits and short term prepayments		(10,526)	(7,508)
Other receivables		(87,095)	(183,675)
		(70,938)	(508,359)
<b>(Decrease) / Increase in current liabilities</b>			
Trade and other payables		(140,825)	783,753
<b>Cash generated from operations</b>			
Finance cost paid		(104,902)	(62,270)
Income tax paid		(83,728)	(4,229)
Mark-up/interest income received		1,308	1,114
Staff retirement benefits paid		(6,096)	(10,975)
<b>Net cash (outflow) / inflow from operating activities</b>			
		(97,937)	421,128

## Condensed Interim Cash Flow Statement (Un-audited) for the half year ended 31 December 2019

Rupees in thousand	Note	Unaudited 31 Dec 2019	Unaudited 31 Dec 2018
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(58,554)	(92,050)
Long term deposits and prepayments		75	-
Proceeds from disposal of operating assets		-	2,977
<b>Net cash outflow from investing activities</b>		<b>(58,479)</b>	<b>(89,073)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Liabilities against assets subject to finance lease		(578)	(587)
Long term borrowings		(47,185)	(35,795)
Dividend paid		(33,732)	(26,853)
<b>Net cash outflow from financing activities</b>		<b>(81,495)</b>	<b>(63,235)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(237,911)</b>	<b>268,820</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>(1,532,597)</b>	<b>(2,132,461)</b>
<b>Cash and cash equivalents at the end of the period</b>	14	<b>(1,770,508)</b>	<b>(1,863,641)</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 2019

### 1 Legal status and nature of business

RUPALI POLYESTER LIMITED (“the Company”) was incorporated in Pakistan on 24 May 1980 as a Public Limited Company and is quoted on the Pakistan Stock Exchange Limited. The registered office of the Company is situated at 241-242 Upper Mall Scheme, Anand Road, Lahore. The production plant is situated at 30.2 KM Lahore - Sheikhpura Road, Sheikhpura. The regional office is situated at 101 -105 1st floor, Gul Tower, I.I Chundrigar Road, Karachi. The Company is principally engaged in the manufacture and sale of polyester products.

### 2 Basis of Preparation

#### 2.1 Statement of compliance

These 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:

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

In case where the provisions of or 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.

These 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 2019.

#### 2.2 Standards, amendments and interpretations to approved accounting standards that are effective in current year

IFRS 16 has become applicable for the first time on the Company’s accounting period beginning on or after 1 July 2019. The details of this standard are given below.

IFRS 16, ‘Leases’ (effective from annual reporting periods beginning on or after 1 January 2019) - IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on statement of financial position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. All the leases of the Company have been appropriately classified under IFRS 16. Accordingly, the applicability of this standard did not have any impact on the Company during the period.

### **2.3 Standards, amendments and interpretations to existing standards that are not yet effective and/or have not been early adopted by the company**

There are certain new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after 1 July 2020 but are considered not to be relevant or will not have any significant effect on the Company's operations and are, therefore, not detailed in these condensed interim financial statements.

### **3 Basis of measurement**

These condensed interim financial statements have been prepared under the historical cost convention.

### **4 Significant accounting policies**

The accounting policies adopted and the methods of computation of balances used in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements of the Company for the year ended 30 June 2019, except for the changes in accounting policy as a result of adoption of IFRS 16 which is as follows:

#### **Leases**

The company leases vehicles. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until 30 June 2019, leases were classified as either finance or operating leases. Payments made under operating leases were charged to the statement of profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of profit or loss. Short-term leases are leases with a lease term of 12 months or less.

## 5 Critical accounting estimates and judgments

The preparation of these condensed interim financial statements in conformity with accounting and reporting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of its accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The significant judgments made by the management in applying the Company's accounting policies and the key resources of estimation and uncertainty were the same as those applied to the annual audited financial statements for the year ended 30 June 2019, except for the change in accounting policy as a result of adoption of IFRS 16 as stated in note 4.

The financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements of the Company for the year ended 30 June 2019.

Rupees in thousand	Note	Un-audited 31 Dec 2019	Audited 30 June 2019
<b>6 Property, plant and equipment</b>			
Operating fixed assets - at net book value	6.1	3,151,569	3,231,491
Capital work-in-progress - at cost	6.2	80,760	64,020
		<u>3,232,329</u>	<u>3,295,511</u>
<b>6.1 Operating fixed assets</b>			
Opening net book value (NBV)		3,231,491	2,967,430
Additions at cost during the period / year	6.1.1	6,813	421,949
		3,238,304	3,389,379
Disposals at net book value (NBV) during the period / year	6.1.1	-	(48)
Transfers		-	(2,973)
Depreciation charge during the period / year		(86,735)	(154,867)
		<u>(86,735)</u>	<u>(157,888)</u>
		<u>3,151,569</u>	<u>3,231,491</u>

**6.1.1** 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 2019	30 June 2019	31 December 2019	30 June 2019
Building - Factory on freehold land	-	48,852	-	-
Building - Office on freehold land	-	12,280	-	-
Plant and machinery	4,987	350,026	-	-
Furniture and fittings	32	24	-	-
Vehicles	207	5,497	-	22
Office equipments	673	4,937	-	26
Roads	-	333	-	-
Other assets	914	-	-	-
	<u>6,813</u>	<u>421,949</u>	<u>-</u>	<u>48</u>

Rupees in thousand	Note	Un-audited 31 Dec 2019	Audited 30 June 2019
<b>6.2 Capital work-in-progress</b>			
Building and civil works		5,867	4,085
Plant and machinery		58,533	53,303
Furniture and fixture		3,826	47
Office equipments		2,010	2,776
Other assets		10,524	3,809
		<u>80,760</u>	<u>64,020</u>
<b>7 Investment property</b>			
Fair value at the beginning of the period / year		462,500	437,500
Fair value gain during the period / year	7.1	35,000	25,000
Fair value at the end of the period / year		<u>497,500</u>	<u>462,500</u>

**7.1** 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.

## 8 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. 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 2019	Audited 30 June 2019
<b>9 Liabilities against assets subject to finance lease</b>		
<b>Minimum lease payments</b>		
- Payable within one year	416	1,020
- Payable after one year	-	-
	416	1,020
<b>Future financial charges</b>		
- Payable within one year	7	35
- Payable after one year but before five years	-	-
	7	35
<b>Present value of minimum lease payments</b>		
- Payable within one year	409	985
- Payable after one year but before five years	-	-
	409	985
<b>Current portion shown under current liabilities</b>	(409)	(985)
<b>Non-current portion</b>	-	-

Future minimum lease payments have been discounted at implicit interest rate of 7.48% (30 June 2019: 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 2019	Audited 30 June 2019
<b>10 Short term borrowings</b>			
<b>Secured- from banking companies</b>			
Running finances utilized under mark-up arrangements	10.1 & 10.2	1,500,409	1,201,027
<b>Interest free loans</b>			
Loan from sponsors	10.3	288,958	363,958
		<u>1,789,367</u>	<u>1,564,985</u>

- 10.1** The aggregate finance facilities available from various commercial banks amounted to Rs. 1,681.242 million (30 June 2019: Rs. 1,681.242 million). These carry mark-up at the rates ranging from 13.19% to 15.36% (30 June 2019: 6.93% to 13.29%) p.a. and are secured against hypothecation charge on current assets of Rs. 2,089.265 million (30 June 2019: Rs. 2,089.265 million) and promissory notes of Rs. 1,817.859 million (30 June 2019: Rs. 1,798.729 million) respectively. Maximum amount utilised during the half year ended 31 December 2019 amounted to Rs. 1,512.396 million (30 June 2019: 1,601.389 million)
- 10.2** The facilities for opening letter of credit from various commercial banks as at 31 December 2019 aggregates to Rs. 2,150.00 million (30 June 2019: Rs. 2,150 million) of which the amount remained unutilised at the period-end was Rs. 1,117.467 million (30 June 2019: Rs. 615.409 million).
- 10.3** The Company availed interest free and unsecured loan from Trustees Alnu Trust holding 26.17% (30 June 2019: 26.17%) of the total share capital of the Company. No loan has been obtained during the period (30 June 2019: same) and Rs. 75.00 million was paid during the period (30 June 2019: Rs. 255.00 million). Maximum amount utilised during the half year ended 31 Dec 2019 amount to Rs. 363.958 million (30 June 2019: Rs. 588.958 million). The loan is repayable on demand by the Trust.

Rupees in thousand	Un-audited 31 Dec 2019	Audited 30 June 2019
<b>11 Current portion of long-term liabilities</b>		
Long-term financing	94,369	94,369
Liabilities against asset subject to finance lease	409	985
	<u>94,778</u>	<u>95,354</u>

## 12 Contingencies and commitments

### 12.1 Contingencies:

Guarantees issued to different organizations in the normal course of business amounted to Rs. 104.425 million (30 June 2019: Rs. 82.459 million).

### 12.2 Commitments:

Contracts for Capital expenditure commitments outstanding as at 31 December 2019 amounted to Rs. 256.493million (30 June 2019: Rs. 182.235 million).

Commitments against irrevocable letters of credit as at 31 December 2019 amounted to Rs. 1,032.533 million (30 June 2019: Rs. 1,535.00 million).

Rupees in thousand	Quarter ended		Half year ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
<b>13 Cost of goods sold</b>				
Raw and packing materials consumed	1,416,029	1,753,613	2,811,214	3,522,239
Stores and spares consumed	23,376	25,522	49,543	46,953
Salaries, wages and amenities	91,546	83,784	175,533	160,407
Fuel and power	196,453	216,250	418,623	445,010
Repair and maintenance	6,333	9,628	15,291	17,480
Running and maintenance of vehicles	5,251	4,569	10,518	9,072
Insurance	4,385	4,022	8,265	8,273
Depreciation	40,969	33,307	78,644	66,132
Rent, rate and taxes	496	528	1,568	1,129
Other expenses	341	462	464	877
	1,785,179	2,131,685	3,569,663	4,277,572
Add: Opening work in process	52,173	46,269	67,260	45,180
Less: Closing work in process	(45,411)	(58,668)	(45,411)	(58,668)
	1,791,941	2,119,286	3,591,512	4,264,084
Add: Opening finished goods	379,709	595,418	547,609	245,036
Less: Closing finished goods	(420,306)	(512,521)	(420,306)	(512,521)
	1,751,344	2,202,183	3,718,815	3,996,599
<b>14 Cash and cash equivalents</b>				
Cash and bank balances			18,859	21,016
Short term borrowings			(1,789,367)	(1,884,657)
			(1,770,508)	(1,863,641)
<b>15 Transactions with related parties</b>				

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:

		Quarter ended		Half year ended	
		31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
		Rupees in thousand			
<b>Relation with the Company</b>	<b>Nature of Transactions</b>				
(i) <b>Associated Undertakings</b>	- Sales of goods and services	11,443	170,291	16,164	311,963
	- Purchase of goods and services	538,640	260,045	9,741,743	556,901
	- Profit on bank deposits	501	647	1,149	918
	- Loan from sponsors	-	-	-	-
(ii) <b>Other Related Parties</b>	- Sales of goods and services	-	-	-	-
	- Purchase of goods and services	1	3	6,954	3
(iii) <b>Defined Contribution Plan (Provident Fund)</b>	- Contribution to provident fund	474	466	967	950

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

## 16 Judgments and 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 30 June 2019.

## 17 Date of authorization for issue

These condensed interim financial statements were authorized for issue on 27 February 2020 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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