

**THIRD QUARTER REPORT
FOR THE PERIOD ENDED
MARCH 31, 2020
(Un-Audited)**



NAGINA COTTON MILLS LTD.



NAGINA COTTON MILLS LTD.

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NAGINA COTTON MILLS LTD.

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Shahzada Ellahi Shaikh	Non-Executive Director/ Chairman
Mr. Tajammal Husain Bokharee	Independent Non-Executive Director
Mr. Shafiq ur Rehman	Independent Non-Executive Director
Ms. Tosheeba Sarwar	Independent Non-Executive Director
Mr. Hasan Ahmad	Non-Executive Director
Mr. Shafqat Ellahi Shaikh	Non-Executive Director
Mr. Raza Ellahi Shaikh	Non-Executive Director
Mr. Haroon Shahzada Ellahi Shaikh	Non-Executive Director
Mr. Shaukat Ellahi Shaikh	Executive Director
Mr. Amin Ellahi Shaikh	Executive Director

MANAGING DIRECTOR (Chief Executive) Mr. Amin Ellahi Shaikh

AUDIT COMMITTEE

Mr. Tajammal Husain Bokharee	Chairman
Mr. Raza Ellahi Shaikh	Member
Mr. Haroon Shahzada Ellahi Shaikh	Member
Mr. Syed Mohsin Gilani	Secretary

HUMAN RESOURCE & REMUNERATION (HR & R) COMMITTEE

Mr. Shafiq ur Rehman	Chairman
Mr. Amin Ellahi Shaikh	Member
Mr. Haroon Shahzada Ellahi Shaikh	Member
Mr. Muhammad Azam	Secretary

EXECUTIVE COMMITTEE

Mr. Amin Ellahi Shaikh	Chairman
Mr. Shaukat Ellahi Shaikh	Member
Mr. Raza Ellahi Shaikh	Member
Mr. Haroon Shahzada Ellahi Shaikh	Member
Mr. Muhammad Azam	Secretary

CORPORATE SECRETARY

Mr. Syed Mohsin Gilani

CHIEF FINANCIAL OFFICER (CFO)

Mr. Tariq Zafar Bajwa

HEAD OF INTERNAL AUDIT

Mr. Kashif Saleem

AUDITORS

Messrs Deloitte Yousuf Adil
Chartered Accountants

LEGAL ADVISOR

Makhdoom & Makhdoom Advocates

LEAD BANKERS

Albaraka Bank (Pakistan) Ltd.
Allied Bank Ltd.
Askari Bank Ltd.
Bank Alfalah Ltd.
Faysal Bank Ltd.
Habib Bank Ltd.
Habib Metropolitan Bank Ltd.
JS Bank LTD.
Meezan Bank Ltd.
Industrial Development Bank of Pakistan
MCB Bank Ltd.
National Bank of Pakistan
Samba Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.
The Bank of Punjab
United Bank Ltd.

REGISTERED OFFICE

2nd Floor, Shaikh Sultan Trust Bldg. No.2
26, Civil Lines, Beaumont Road,
Karachi - 75530

WEB REFERENCE

www.nagina.com

SHARE REGISTRAR

M/s Hameed Majeed Associates (Pvt.) Ltd.
5th Floor, Karachi Chambers,
Hasrat Mohani Road,
Karachi.
Phone # 021-32412754, 32424826
Fax # 021-32424835

MILLS

Aminabad, A-16, S.I.T.E.,
National Highway, Kotri



NAGINA COTTON MILLS LTD.

DIRECTORS' REVIEW

The Directors are pleased to present the un-audited condensed interim financial information of the Company for the third quarter ended on March 31, 2020. The comparative figures for the corresponding quarter ended on March 31, 2019 are included for comparison, except in statement of financial position where figures are for the year ended on June 30, 2019.

Company Performance

Alhamdulillah, your company has been able to post after tax profit of Rs. 4,257,941 compared to Rs. 8,049,501 in the corresponding quarter of last year. Earning per share (EPS) for the quarter ended is Rs. 0.23 compared to Rs. 0.43 for the corresponding quarter of last year. Reduction in profitability is mainly due to increase in operating and financial expenses. COVID-19 related cancellations of orders from international buyers reduced company profits.

Sales revenue for the period under review is Rs. 1,865,545,802 compared to Rs. 1,691,717,699 during the same period of last year showing increase of 10.28% over the corresponding quarter of last year. This increase is mainly due to rise in volume of yarn sales. Cost of sales decreased from 92.76% of sales during same period of last year to 89.61% of sales during the quarter under review. Increase in sales revenue and decrease in cost of sales resulted increase in gross profit (GP) from 7.24% of sales during the corresponding quarter of last year to 10.39% of sales during the period under review.

Overall operating expenses increased by 19.47% over the same quarter of previous year. Finance costs significantly increased from 3.59% of sales during the corresponding quarter of last year to 4.96% of sales during the period under review. The increase is mainly due to rising borrowing because of purchase of imported cotton and rising interest rates.

The profit of the company was affected by the Government imposed decision to stop all production from March 24, 2020 due to COVID-19.

According to the figures issued by the Pakistan Cotton Ginners Association, for the crop year 2019-20, Kapas, (seed cotton) arrivals upto March 15, 2020, at the Ginneries totaled 8.571 million bales compared to 10.763 million bales for similar period of financial year 2018-19 showing decrease in arrival of 20.36%.

Future Outlook

Unfortunately, outbreak of COVID-19 has seriously disrupted the financial outlook for the company. International and local buyers have cancelled or deferred most of the orders. The government has ordered lockdowns of manufacturing facilities as well as retail and wholesale markets. In this depressing environment it is very difficult to assess future production and sales.

It is hoped that the governments all over the world would be able to control the COVID19 pandemic and allow people to resume economic activity. We have to wait for our buyers to restart their production to enable us to resume operations. Therefore, only partial production and sales can be assumed for the April-June quarter.

In cognizance of the prevailing situation Government and State Bank of Pakistan have announced certain support schemes for the industry. We hope that this will help the industry to sustain the brunt of this recessionary period. In current situation it is utmost need of the company that stuck up Income tax and sales tax refunds are released. State Bank of Pakistan has reduced the interest rates by 4.25%. The company wants to place on record its appreciation of the Government and State Bank measures to provide liquidity and financial support to Pakistani industry.

During the period under review PKR devalued against USD which resulted in rise in imported material costs.

The financial position of the company is very strong and the balance sheet is quite healthy. The company is also maintaining sufficient liquidity. Therefore, the company is in good position to handle the COVID-19 crisis.

Acknowledgement

The continued diligence and devotion of the staff and workers of the Company and good human relations at all levels deserve acknowledgement. The Directors also wish to place on record their gratitude to the bankers for their continued support to the Company.

On behalf of the Board.

Shahzada Ellahi Shaikh
Chairman

Amin Ellahi Shaikh
Mg. Director (Chief Executive)

April 29, 2020

ڈائریکٹرز کا جائزہ

ڈائریکٹرز 31 مارچ 2020ء کو تختہ تیسری سہ ماہی کے لئے کمپنی کی غیر نظر ثانی شدہ مالیاتی معلومات پیش کرتے ہوئے خوش محسوس کرتے ہیں۔ 31 مارچ 2019ء کو ختم ہونے والی سہ ماہی کے تقابلی اعداد و شمار بھی موازنہ کے لئے شامل کئے گئے ہیں۔ ماسوائے سیٹیلیٹ آف فنانشل پوزیشن کے جہاں تقابلی اعداد و شمار 30 جون 2019ء کو تختہ سال کے لئے ہیں۔

کمپنی کی کارکردگی

الحمد للہ، آپ کی کمپنی نے گزشتہ سال کی اسی سہ ماہی کے دوران 8,049,501 روپے کے مقابلے 4,257,941 روپے کا بعد از ٹیکس خالص منافع کمایا۔ سہ ماہی کے لئے فی شیئر آمدنی (EPS) گزشتہ سال کی اسی مدت کے لئے 0.43 روپے کے مقابلے 0.23 روپے ہے۔ کاروباری اور مالیاتی اخراجات میں اضافہ کی وجہ سے منافع میں کمی ہوئی۔ COVID-19 کے باعث بین الاقوامی خریداروں کی طرف سے آرڈرز کی منسوخی نے کمپنی کے منافع کو کم کر دیا ہے۔

زیر جائزہ مدت کے لئے کمپنی کی فروخت آمدنی گزشتہ سال اسی مدت کے دوران 1,691,717,699 روپے کے مقابلے 1,865,545,802 روپے پر قائم رہی جو گزشتہ سال کے مقابلے 10.28 فیصد اضافہ ظاہر کر رہی ہے۔ فروخت آمدنی میں اضافہ بنیادی طور پر یارن فروخت حجم میں اضافہ کے نتیجے میں ہوا۔ زیر جائزہ مدت کے دوران فروخت کی لاگت گزشتہ سال فروخت کی 92.76 فیصد سے کم ہو کر فروخت کی 89.61 فیصد تک ہوئی ہے۔ فروخت آمدنی میں اضافہ اور فروخت کی لاگت میں کمی کے نتیجے میں مجموعی منافع (GP) گزشتہ سال کی اسی سہ ماہی کے دوران فروخت کے 7.24 فیصد سے بڑھ کر زیر جائزہ مدت کے دوران فروخت کے 10.39 فیصد تک ہو گیا۔

مجموعی کاروباری اخراجات گزشتہ سال کی اسی سہ ماہی سے 19.47 فیصد سے زیادہ ہوئے۔ مالی اخراجات گزشتہ سال کی اسی سہ ماہی کے دوران فروخت کے 3.59 فیصد سے کافی بڑھ کر زیر جائزہ مدت کے دوران فروخت کے 4.96 فیصد تک زیادہ ہوئے۔ اس اضافہ کی بنیادی طور پر درآمد شدہ کپاس کی خریداری اور شرح سود میں اضافہ کی وجہ سے قرضوں کا بڑھنا ہے۔

COVID-19 کی وجہ سے 24 مارچ 2020ء سے تمام پیداوار روکنے کے حکومتی عائد فیصلے نے کمپنی کے منافع کو متاثر کیا۔

فصل سال 2019-20 کیلئے پاکستان کاٹن جیولوسٹی ایشن کی طرف سے جاری کردہ اعداد و شمار کے مطابق کپاس، (بیج کپاس) کی 15 مارچ 2020ء تک جزیرہ میں آمد گزشتہ سال 2018-19 کی اسی مدت میں 10.763 ملین گانٹھوں کے مقابلے میں کل 8.571 ملین گانٹھیں ہو گئیں جو 20.36 فیصد کی ظاہر کرتی ہے۔

مستقبل کا نقطہ نظر

بدقسمتی سے، COVID-19 کے پھیلاؤ نے کمپنی کے مالی نقطہ نظر کو شدید متاثر کیا ہے۔ بین الاقوامی اور مقامی خریداروں نے بیشتر آرڈرز کو منسوخ یا مؤخر کر دیا ہے۔ حکومت نے مینوفیکچرنگ سہولیات کے ساتھ ساتھ ریشیل اور ہول سیل ماریکیٹوں کو لاک ڈاؤن کا حکم دیا ہے۔ اس ناساز ماحول میں مستقبل کی پیداوار اور فروخت کا اندازہ کرنا بہت مشکل ہے۔

امید کی جاتی ہے کہ پوری دنیا کی حکومتیں COVID-19 وبائی مرض پر قابو پالیں گی اور لوگوں کو معاشی سرگرمیاں دوبارہ شروع کرنے کی اجازت دیں گی۔ ہمیں اپنا کام شروع کرنے کے لئے اپنے خریداروں کا اپنی پیداوار دوبارہ شروع کرنے کا انتظار کرنا ہوگا۔ لہذا، اپریل-جون کی سہ ماہی میں صرف جزوی پیداوار اور فروخت کی امید کی جاسکتی ہے۔

موجودہ صورتحال کے پیش نظر حکومت اور اسٹیٹ بینک آف پاکستان نے صنعت کے لئے چند امدادی منصوبوں کا اعلان کیا ہے۔ ہم امید کرتے ہیں کہ اس سے صنعت کو اس کساد بازاری کے دور سے نچنے میں مدد ملے گی۔ موجودہ صورتحال میں کمپنی کو انٹر نیکس اور نیکس کی قابل واپسی قوم کی اضطرورت ہے۔ اسٹیٹ بینک آف پاکستان نے سود کی شرحوں میں 4.25 فیصد کی کمی ہے۔ کمپنی پاکستانی صنعت کو کیو ایڈ پی اور مالی مدد فراہم کرنے کے حکومتی اور اسٹیٹ بینک اقدامات کو سراہتی ہے۔


زیر جائزہ مدت کے دوران ڈالر کے مقابلے میں پاکستانی روپیہ کی قیمت کم ہوئی جس کے نتیجے میں درآمدی مال کے اخراجات میں اضافہ ہوا۔ کمپنی کی مالی حیثیت بہت مستحکم اور بیلنس شیٹ کافی بہتر ہے۔ کمپنی کافی مقدار میں لیکویڈیٹی بھی برقرار رکھے ہوئے ہے۔ لہذا، کمپنی COVID-19 بحران سے نمٹنے کی اچھی پوزیشن میں ہے۔

اظہار تشکر

کمپنی کے عملے اور کارکنوں کی مسلسل محنت اور جذبہ اور تمام سطحوں پر اچھے انسانی تعلقات کا اعتراف کرتے ہیں۔ ڈائریکٹرز کمپنی کی مسلسل حمایت پر بینکرز اور دیگر حصہ داروں کا بھی شکریہ ادا کرتے ہیں۔


مین الہی خان
مینیجر ڈائریکٹر (چیف ایگزیکٹو)

مجاہد بورڈ


شہزادہ الہی شیخ
چیئر مین

لاہور: 29 اپریل 2020ء



NAGINA COTTON MILLS LTD.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2020

		(Un-Audited) March 31, 2020	(Audited) June 30, 2019
	Note	-----Rupees-----	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
50,000,000 (June 30, 2019: 50,000,000)			
ordinary shares of Rs. 10/- each		<u>500,000,000</u>	<u>500,000,000</u>
Issued, subscribed and paid up capital		<u>187,000,000</u>	<u>187,000,000</u>
Capital reserves		<u>103,646,082</u>	<u>199,466,200</u>
Revenue reserve		<u>1,626,186,895</u>	<u>1,637,446,859</u>
TOTAL EQUITY		1,916,832,977	2,023,913,059
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term finances		<u>2,081,827,885</u>	<u>1,019,058,577</u>
Deferred Liabilities		<u>127,106,680</u>	<u>118,839,945</u>
		2,208,934,565	1,137,898,522
CURRENT LIABILITIES			
Trade and other payables		<u>1,181,864,986</u>	<u>992,448,149</u>
Unclaimed dividend		<u>8,019,322</u>	<u>7,293,599</u>
Accrued interest / mark-up		<u>70,845,269</u>	<u>52,022,463</u>
Short term borrowings	6	<u>2,464,347,942</u>	<u>1,443,682,458</u>
Current portion of long term finances		<u>113,966,785</u>	<u>159,538,235</u>
		<u>3,839,044,304</u>	<u>2,654,984,904</u>
TOTAL LIABILITIES		6,047,978,869	3,792,883,426
CONTINGENCIES AND COMMITMENTS			
	7		
TOTAL EQUITY AND LIABILITIES		<u>7,964,811,846</u>	<u>5,816,796,485</u>

The annexed explanatory notes from 1 to 15 form an integral part of these condensed interim financial statements.

April 29, 2020


Shahzada Ellahi Shaikh
Chairman


Tariq Zafar Bajwa
Chief Financial Officer



NAGINA COTTON MILLS LTD.

		(Un-Audited) March 31, 2020	(Audited) June 30, 2019
	Note	-----Rupees-----	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	3,006,055,993	2,019,054,724
Investment properties		13,796,361	13,981,207
Intangible assets		968,652	1,591,356
Long term deposits		1,069,258	1,069,258
Sales tax refund bonds		-	19,542,877
		3,021,890,264	2,055,239,422
CURRENT ASSETS			
Stores and spares		36,433,200	32,701,494
Stock-in-trade		2,917,610,180	1,199,645,565
Trade receivables		576,537,570	1,636,329,352
Loans and advances		809,414,404	202,228,041
Prepayments		10,478,999	2,990,165
Other receivables		10,231,596	18,940,006
Sales tax refundable		206,310,319	75,016,697
Other financial assets	9	351,920,736	440,510,198
Cash and bank balances		23,984,578	153,195,545
		4,942,921,582	3,761,557,063
TOTAL ASSETS		7,964,811,846	5,816,796,485

The annexed explanatory notes from 1 to 15 form an integral part of these condensed interim financial statements.

Amin Ellahi Shaikh
Mg. Director (Chief Executive)

April 29, 2020



NAGINA COTTON MILLS LTD.

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2020

		Nine Months Ended		Quarter Ended	
		March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Note		Rupees.....		Rupees.....	
Sales - net	10	5,937,084,813	4,975,843,923	1,865,545,802	1,691,717,699
Cost of goods sold	11	(5,400,986,869)	(4,454,528,336)	(1,671,743,698)	(1,569,219,005)
Gross profit		536,097,944	521,315,587	193,802,104	122,498,694
Distribution cost		(111,446,107)	(83,606,535)	(36,115,049)	(29,990,582)
Administrative expenses		(110,076,693)	(103,841,093)	(35,744,162)	(32,431,062)
Other expenses		(11,644,425)	(14,517,925)	(2,087,130)	524,761
		(233,167,225)	(201,965,553)	(73,946,341)	(61,896,883)
		302,930,719	319,350,034	119,855,763	60,601,811
Other Income		56,083,181	22,189,250	895,512	5,966,423
Operating Profit		359,013,900	341,539,284	120,751,275	66,568,234
Finance cost		(201,898,545)	(147,968,095)	(92,590,144)	(60,665,095)
Profit before taxation		157,115,355	193,571,189	28,161,131	5,903,139
Provision for taxation		(77,141,280)	(46,909,140)	(23,903,190)	2,146,362
Profit after taxation		79,974,075	146,662,049	4,257,941	8,049,501
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Unrealized loss on remeasurement of investments classified as fair value through other comprehensive income	9.4	(95,820,118)	-	(143,733,505)	-
Realized gain on sale of investments classified as fair value through other comprehensive income		2,265,961	-	1,923,115	-
Items that are or may be reclassified subsequently to profit or loss					
Unrealized (loss) / gain on remeasurement of available for sale investments		-	(23,309,841)	-	29,182,234
Other comprehensive (loss) / income for the period		(93,554,157)	(23,309,841)	(141,810,390)	29,182,234
Total comprehensive (loss) / income for the period		(13,580,082)	123,352,208	(137,552,449)	37,231,735
Earnings per share - basic and diluted		4.28	7.84	0.23	0.43

The annexed explanatory notes from 1 to 15 form an integral part of these condensed interim financial statements.


Shahzada Ellahi Shaikh
Chairman


Tariq Zafar Bajwa
Chief Financial Officer


Amin Ellahi Shaikh
Mg. Director (Chief Executive)

April 29, 2020



NAGINA COTTON MILLS LTD.

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2020

		Nine Months Ended	
		March 31, 2020	March 31, 2019
	Rupees.....	
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		157,115,355	193,571,189
Adjustments for:			
Depreciation		156,237,087	110,300,978
Amortization		622,705	622,705
Provision for gratuity		29,304,689	21,190,217
Loss on disposal of property, plant and equipment		14,091,030	2,429,472
Gain on sale of investments classified as FVTPL		(23,302,270)	14,763,220
Finance cost		201,898,545	147,968,095
Rental Income		(18,363,593)	(17,515,461)
Dividend Income		(26,271,906)	(19,672,022)
Reversal of interest income on sales tax refund bonds		42,877	-
		<u>491,374,519</u>	<u>453,658,393</u>
Changes in working capital			
Decrease / (increase) in current assets:			
Stores and spares		(3,731,706)	(4,708,331)
Stock-in-trade		(1,717,964,615)	(703,680,441)
Trade debts		1,059,791,782	(157,255,905)
Loans and advances		(591,274,751)	2,893,171
Prepayments		(7,488,834)	(3,790,682)
Other receivables		8,708,410	23,722,150
Sales tax refundable		(131,293,622)	(18,684,870)
		<u>(1,383,253,336)</u>	<u>(861,504,908)</u>
Increase in current liabilities			
Trade and other payables		189,416,837	165,443,704
		<u>(1,193,836,499)</u>	<u>(696,061,204)</u>
Cash used in operations		<u>(702,461,980)</u>	<u>(242,402,811)</u>
Payments made:			
Employees retirement benefits		(21,037,954)	(14,572,891)
Finance cost		(183,075,739)	(124,602,748)
Income taxes		(93,052,892)	(51,313,181)
Net cash used in operating activities	A	<u>(999,628,565)</u>	<u>(432,891,631)</u>
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,201,631,786)	(255,158,775)
Proceeds from disposal of property, plant and equipment		44,487,245	13,359,500
Purchase of other financial assets		(295,350,464)	(180,304,844)
Proceeds from sale of other financial assets		313,688,039	93,203,545
Rental Income received		18,363,593	17,515,461
Dividend received		26,271,906	19,672,022
Investment in sales tax refund bonds		(8,300,000)	-
Proceeds from disposal of sales tax refund bonds		27,800,000	-
Net cash used in investing activities	B	<u>(1,074,671,467)</u>	<u>(291,713,091)</u>



NAGINA COTTON MILLS LTD.

C. CASH FLOWS FROM FINANCING ACTIVITIES

Long term finances obtained
 Repayment of long term finances
 Net decrease in short term borrowings excluding running finances
 Dividend paid
Net cash generated from / (used in) financing activities
Net decrease in cash and cash equivalents
Cash and cash equivalents at beginning of the period
Cash and cash equivalents at end of the period

Cash and cash equivalents
 Cash and bank balances
 Short term running finances
 Term Deposit Receipts

Nine Months Ended	
March 31, 2020	March 31, 2019
.....Rupees.....	
1,138,655,393	-
(121,457,535)	(104,246,439)
246,930,124	(225,000,000)
(92,774,277)	(73,949,193)
C 1,171,353,705	(403,195,632)
(A+B+C) (902,946,327)	(1,127,800,354)
(1,290,486,913)	(239,844,703)
(2,193,433,240)	(1,367,645,057)
23,984,578	41,853,105
(2,217,417,818)	(1,509,498,162)
-	100,000,000
(2,193,433,240)	(1,367,645,057)

The annexed explanatory notes from 1 to 15 form an integral part of these condensed interim financial statements.

Shahzada Ellahi Shaikh
Chairman

Tariq Zafar Bajwa
Chief Financial Officer

Amin Ellahi Shaikh
Mg. Director (Chief Executive)

April 29, 2020



NAGINA COTTON MILLS LTD.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2020

	Issued, subscribed and paid up capital	Capital reserves				Revenue reserve	Total
		Amalgamation reserve	Capital Redemption reserve	Reserves for the investmnts carried at fair value through other comprehensive income	Surplus on revaluation of available for sale investment	Unappropriated profit	
						</	

The annexed explanatory notes from 1 to 15 form an integral part of these condensed interim financial statements.

Shahzada Ellahi Shaikh
Chairman

Tariq Zafar Bajwa
Chief Financial Officer

Amin Ellahi Shaikh
Mg. Director (Chief Executive)

April 29, 2020



NAGINA COTTON MILLS LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2020

1. LEGAL STATUS AND OPERATIONS

Nagina Cotton Mills Limited (the Company) was incorporated in Pakistan on May 16, 1967 as a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and is listed on Pakistan Stock Exchange Limited. The principal business of the Company is to manufacture and sale of yarn. The Company's manufacturing facilities are located in Kotri Industrial Trading Estate in the province of Sindh, measuring area of 20.75 acres.

Following is the geographical location and address of all business units of the Company:

Head Office:

2nd floor, Shaikh Sultan Trust Building No.2, 26-Civil Lines, Beaumont Road, Karachi -75530, in the province of Sindh.

Manufacturing facility:

A-16, National Highway, Aminabad, S.I.T.E Kotri, in the province of Sindh.

Liaison Office:

Nagina House 91 – B-1, M.M. Alam Road, Gulberg-III, Lahore-54660, in the province of Punjab.

2. STATEMENT OF COMPLIANCE

- 2.1** These un-audited condensed interim financial statements of the Company for the nine months ended March 31, 2020 have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standard Board (IASB) and provisions of and directives issued under the Companies Act, 2017. 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 do not include all the notes required for the full financial statements and therefore should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2019.
- 2.2** These condensed interim financial statements have been prepared under 'Historical cost convention' except employees retirement benefits and financial instruments at fair value.
- 2.3** These condensed interim financial statements are presented in Pak Rupees which is also the Company's functional and presentation currency and figures presented in these condensed interim financial statements have been rounded off to the nearest rupee.
- 2.4** The comparative condensed interim statement of financial position presented has been extracted from annual financial statements for the year ended June 30, 2019; whereas comparative condensed interim statement of profit or loss and statement of other comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity of the Company have been extracted from the un-audited condensed interim financial statements for the nine months ended March 31, 2019.

3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The accounting policies and the methods of computation adopted 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 June 30, 2019 except certain relevant new accounting standards (IFRS-16) are effective from annual reporting period beginning on or after January 01, 2019 as notified by the SECP and also adopted by the Company as stated below:



NAGINA COTTON MILLS LTD.

3.1 Changes in accounting standards, amendments / interpretations and IFRSs which are effective during the nine months ended March 31, 2020:

3.1.1 First time adoption of IFRS 16-Leases

During the period IFRS 16-Leases became applicable to the company. IFRS 16 replaces IAS 17 "Accounting For Leases" and related interpretations and set out the principles for recognition, measurement, presentation and disclosure of leases. The standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short term leases and leases of Low-value items.

Lessor accounting remains similar to the current standard i.e lessors continue to classify lease as either finance or operating lease.

The Company has adopted IFRS 16 from July 01, 2019 and its adoption does not have any impact on these condensed interim financial statements due to short term and low value leases.

4. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these condensed interim financial statements require management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors including reasonable expectations of future events. Revision to accounting estimates are recognized prospectively commencing from the period of revision.

In preparing these condensed interim financial statements, the significant judgments made by the management in applying the Company's accounting policies, the key source of estimation and uncertainty were the same as those that applied to the financial statements of the Company for the year ended June 30, 2019.

5. FINANCIAL RISK MANAGEMENT

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

		(Un-Audited) March 31, 2020	(Audited) June 30, 2019
	Note	-----Rupees-----	
6. SHORT-TERM BORROWINGS			
- Banking companies - secured			
Running finance		2,217,417,818	1,443,682,458
Foreign currency finance		246,930,124	-
	6.1	<u>2,464,347,942</u>	<u>1,443,682,458</u>
6.1	The Company can avail foreign currency, cash and running finance facilities from various banks aggregating to Rs. 3,920 million (June-2019 : Rs. 3,430 million). These borrowings are secured against hypothecation of stocks and book debts / receivables of the Company and pari passu charge on present and future current assets, demand promissory notes and lien on export orders / contracts. Cash and running finance facilities are subject to variable markup ranging from 1 to 3 month KIBOR plus 0.25% to 1.00% (2019 : from 1 to 3 month KIBOR plus 0.25% to 1.00%) per annum payable on quarterly basis , whereas interest rates on foreign currency loans balances at reporting date were 2.50% to 2.60% (2019: Nil) per annum.		
	The aggregate unavailed short-term borrowing facilities available amounted to Rs.1,456 million (2019 : Rs. 1,986 million).		
7 CONTINGENCIES AND COMMITMENTS			
7.1 Contingencies			
Bank guarantees issued on behalf of the Company	7.1.1	16,602,000	16,602,000
Bank guarantee in favour of Excise and Taxation department		64,342,448	48,796,448
Revolving Letter of credit Favouring SSGC		82,051,880	82,051,880
Bills discounted		985,422,351	42,100,862
7.1.1	It includes guarantee issued in favor of Hyderabad Electric Supply Cooperation (HESCO) amounting Rs. 14.602 million.		
7.2 Commitments			
Civil work		1,178,719	7,200,000
Letters of credit			
- Raw material		226,091,838	438,785,755
- Machinery		117,473,028	999,728,296
- Stores and spares		-	2,046,444
Rental of assets under operating lease agreements			
- Not later than one year		-	2,166,269



NAGINA COTTON MILLS LTD.

		(Un-Audited) March 31, 2020	(Audited) June 30, 2019
	Note	-----Rupees-----	
8	PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets - owned	8.1	2,851,552,667	1,959,988,354
Capital work in progress	8.2	149,002,326	58,544,415
Capital advances	8.3	5,501,000	521,955
		<u>3,006,055,993</u>	<u>2,019,054,724</u>
8.1	Operating fixed assets - Owned		
Opening written down value		1,959,988,354	1,424,759,699
Additions during the period / year			
Mills buildings on lease hold land		53,870	-
Other buildings on lease hold land		-	16,838,242
Machinery and equipment		1,079,224,380	666,047,003
Electric installation and equipment		18,219,258	2,907,631
Gas Installations		-	1,389,775
Furniture and fixtures		1,395,862	1,445,281
Office equipment		1,180,599	517,800
Vehicles		6,120,860	17,783,931
		<u>1,106,194,829</u>	<u>706,929,663</u>
Written down value of property, plant and equipment disposed off		(58,578,275)	(17,429,323)
Depreciation charged during the period/year		<u>(156,052,241)</u>	<u>(154,271,684)</u>
Written down value at end of the period/year		<u>2,851,552,667</u>	<u>1,959,988,354</u>
8.2	Capital work in progress		
Opening Balance		58,544,415	10,724,200
Additions during the period / year		1,188,607,106	735,263,436
Transfers during the period / year		<u>(1,098,149,195)</u>	<u>(687,443,221)</u>
Closing Balance		<u>149,002,326</u>	<u>58,544,415</u>
8.3	It includes advances to supplier against purchase of vehicles and furniture and fixtures.		
9	OTHER FINANCIAL ASSETS		
Fair value through profit or loss			
Investment in listed equity securities	9.1	-	89,858,644
Investment in Mutual funds	9.2	-	6,952,598
Fair value through Other Comprehensive Income			
Investment in listed equity securities		260,712,539	334,002,347
Investment in Mutual funds		<u>91,208,197</u>	<u>9,696,610</u>
		<u>351,920,736</u>	<u>440,510,199</u>
9.1	Equity investments designated at FVTPL of Rs. Nil (June 30,2019: Rs.89.859 million) were held in Specially Managed Account maintained with and managed by NBP Asset Management Company Limited.		
9.2	These are mutual fund investment carried at FVTPL of Rs. Nil (June 30,2019: Rs. 6.953 million) held in Specially Managed Account maintained with and managed by NBP Asset Management Company Limited.		
9.3	Reconciliation between fair value and cost of investments classified as 'equity instrument'		
9.3.1	Through profit or loss		
Fair value of investments			
-in listed equity securities		-	89,858,644
-in mutual funds		-	6,952,598
		-	96,811,242
Add: Unrealized loss on remeasurement of investments as at		-	18,570,435
Cost of investments		<u>-</u>	<u>115,381,677</u>



NAGINA COTTON MILLS LTD.

	Note	(Un-Audited) March 31, 2020	(Audited) June 30, 2019
		-----Rupees-----	
9.3.2 Through other comprehensive income			
Fair value of investments			
-in listed equity securities		260,712,539	334,002,347
-in mutual funds		91,208,197	9,696,610
		351,920,736	343,698,957
Add: Unrealized loss on remeasurement of investments as at	9.4	150,318,335	54,498,217
Cost of investments		502,239,071	398,197,174
9.4 Unrealised loss on remeasurement of equity instruments			
Through Other Comprehensive Income			
Opening balance		(54,498,217)	-
Effect of change in accounting policy due to implementation of IFRS-9		-	12,410,508
Loss on remeasurement of investments		(95,820,118)	(66,908,725)
Charge for the period / year		(95,820,118)	(54,498,217)
Closing balance		(150,318,335)	(54,498,217)
		Nine Months Ended (Un-Audited)	Quarter Ended (Un-Audited)
		March 31, 2020	March 31, 2019
		March 31, 2020	March 31, 2019
		-----Rupees-----	
10. Sales			
Export			
Yarn		3,347,062,458	2,269,329,174
Waste		23,157,660	-
		3,370,220,118	2,269,329,174
Local			
Yarn		2,416,530,158	2,610,572,632
Waste		142,798,537	93,296,453
Raw Material		7,536,000	2,332,164
Doubling Services		-	313,500
		2,566,864,695	2,706,514,749
Total Sales		5,937,084,813	4,975,843,923
11 COST OF GOODS SOLD			
Raw material consumed		4,395,184,868	3,509,812,824
Packing material consumed		70,613,008	63,028,924
Stores and spares consumed		80,906,534	78,371,144
Salaries, wages and benefits		333,271,492	294,846,256
Fuel		434,609,196	361,403,226
Rent, rates and taxes		399,684	399,684
Insurance		9,007,025	7,052,530
Repairs and maintenance		8,451,385	17,946,976
Depreciation		148,593,259	103,730,193
Other manufacturing overheads		9,322,067	6,566,798
Manufacturing cost		5,490,358,518	4,443,158,555
Work-in-process:			
At beginning of period		62,029,593	61,017,474
At end of period		(74,649,593)	(53,628,813)
		(12,620,000)	7,388,661
Cost of goods manufactured		5,477,738,518	4,450,547,216
Finished stocks:			
At beginning of period		116,448,510	68,490,128
Purchase of finished goods		4,827,697	-
At end of period		(203,897,031)	(66,146,493)
		(82,620,824)	2,343,635
Cost of sales of raw material		5,869,175	1,637,485
		5,400,986,869	4,454,528,336
		1,671,743,698	1,569,219,005



NAGINA COTTON MILLS LTD.

12 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated companies, directors and key management personnel of the Company. Transactions with related parties are carried out at arm's length in normal course of business. The transaction with related parties during the period generally consist of sales and purchases. Nature and description of related party transactions during the period along with monetary values are as follows:

Nature of Relationship	Nature of Transaction	Nine Months Ended (Un-Audited)	
		March 31, 2020	March 31, 2019
	Rupees.....	
Associated companies	Purchase of goods and services	664,808	98,234
	Purchase of fixed assets	-	10,881,000
	Sale of goods and services	323,952,528	345,531,275
	Dividend paid	15,302,710	12,242,168
Key management personnel	Remuneration and other benefits	13,410,959	10,575,000
	Dividend paid to Directors and their close family members	69,681,185	55,744,948

There is no balance outstanding with or from associated undertakings as at the reporting date.

13 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Company's liabilities arising from the financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Company's statement of cash flows as cash flows from financing activities.

	(Audited) June 30, 2019	Cash flows		Non-cash flows	(Un-Audited) March 31, 2020
		Obtained	Repaid	Foreign exchange (gain)/ loss	
		----- Rupees -----			
Long-term finances	1,178,596,812	1,138,655,393	(121,457,535)	-	2,195,794,670
Term finance	-	200,000,000	(200,000,000)	-	-
Foreign currency finance	-	2,530,896,367	(2,283,966,243)	-	246,930,124
	1,178,596,812	3,869,551,760	(2,605,423,778)	-	2,442,724,794

14 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date

The carrying value of all the financial instruments reported in the financial statements approximates their fair value as the items are short term in nature.

The table below analyses financial instrument carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The valuation techniques used are as follows:

Level 1: Quoted prices (unadjusted) in active markets

The fair value of financial instruments traded in active markets is based on Net Asset Values (NAVs) of the units of the mutual funds and quoted market price of the equity instrument at the reporting date. A market is regarded as active when it is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.



NAGINA COTTON MILLS LTD.

The following table presents the Company's financial assets which are carried at fair value:

March 31, 2020				
Level 1	Level 2	Level 3	Total	
Rupees				
Financial assets				
- measured at fair value through profit or loss				
Investment in listed equity securities	-	-	-	-
Investment in mutual funds	-	-	-	-
- measured at fair value through other comprehensive income				
Investment in listed equity securities	260,712,539	-	-	260,712,539
Investment in mutual funds	91,208,197	-	-	91,208,197
	351,920,736	-	-	351,920,736
June 30, 2019				
Level 1	Level 2	Level 3	Total	
Rupees				
Financial assets				
- measured at fair value through profit or loss				
Investment in listed equity securities	89,858,644	-	-	89,858,644
Investment in mutual funds	6,952,598	-	-	6,952,598
- measured at fair value through other comprehensive income				
Investment in listed equity securities	334,002,347	-	-	334,002,347
Investment in mutual funds	9,696,610	-	-	9,696,610
	440,510,199	-	-	440,510,199

At the reporting date, the Company holds above financial assets where the Company has used Level 1 inputs for the measurement of fair values and there is no transfer between levels.

15 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements have been approved by the Board of Directors of the Company and authorized for issue on April 29, 2020.

Shahzada Ellahi Shaikh
Chairman

Tariq Zafar Bajwa
Chief Financial Officer

Amin Ellahi Shaikh
Mg. Director (Chief Executive)

April 29, 2020

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2nd Floor, Shaikh Sultan Trust Bldg. No. 2,
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