3rd Quarter Accounts for the Period Ended March 31, 2020

# **D** S INDUSTRIES LIMITED

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Notes to the Condensed Interim Financial Statements

# **Company Information**

Board of Directors Mr. Pervez Ahmed Chief Executive

Mr. Ali Pervez Ahmed Mr. Suleman Ahmed Mr. Atta ur Rehman Mr. Khawar Mahmud Mr. Mazhar Pervaiz Malik Mrs. Rukhsana Khalid

Audit Committee Mr. Atta ur Rehman Chairman

Mr. Khawar Mahmud Mrs. Rukhsana Khalid

HR & Remuneration Committee Mr. Suleman Ahmed Chairman

Mr. Atta ur Rehman Mrs. Rukhsana Khalid

Chief Financial Officer Mr. M. Naeem Akhtar

Company Secretary Mr. Salman Farooq

Auditors M/s Rahman Sarfaraz Rahim Iqbal Rafiq

Chartered Accountants

Legal Advisor Cornelius, Lane & Mufti

Advocates & Solicitors

Banks Al Baraka Bank (Pakistan) Limited

Bank Al-Falah Limited Bank Al-Habib Limited

**Dubai Islamic Bank Pakistan Limited** 

MCB Bank Limited Meezan Bank Limited Silk Bank Limited

Registered Office 20-K, Gulberg II, Lahore.

Share Registrars THK Associates (Pvt.) Limited

First Floor, 40-C, Block - 6

P.E.C.H.S. Karachi - 75400

Mill 11-km Sheikhupura Faisalabad Road,

Sheikhupura

Website www.dsil.com.pk

#### **DIRECTORS' REPORT**

The Directors of D S Industries Limited are pleased to present their review report, together with the unaudited financial statements of the Company, for the quarter and nine months ended March 31, 2020.

# **Financial Results of the Company**

During the nine months ended the prices of textile products globally remained under pressure due to weak global demand. In addition to this, the government has imposed a 17% sales tax with effect from July 1, 2019. This tax has caused a weakness in demand due to cash flow constraints being faced by our customers. The economy of the country is also under pressure due to high inflation, high-interest rates and a higher rate of sales tax. Hence, this has resulted in losses for the nine months ended March 31, 2020. However, managements' decision of remodeling of its textile product portfolio from the manufacturing of yarn to value-added ladies garments has been remarkable and we have succeeded in curtaining losses.

Net turnover for the nine months under review was Rs. 103.7 million which reflected a significant fall of almost Rs. 457 million as compared to the same period of last year. It is also pertinent to mention here that the Company has come out from the gross loss due to switching off its textile product from yarn manufacturing to value-added ladies garments. Gross profit of the Company for the nine months ended March 31, 2020 recorded at Rs. 13.84 million compared to the loss of Rs. 27.89 million for the same period of last year. Similarly, net loss for the nine months ended March 31, 2020 recorded at Rs. 16.39 million as compared to the net loss of Rs. 68.61 million for the corresponding period of last year. The Company has not recognized a loss on fair valuation of equity investments amounting to Rs. 2,472,675 as at the close of nine month period on March 31, 2020. Had this fair valuation loss been recognized, the accumulated losses and loss for the period ended as at March 31, 2020 would be higher by Rs. 2,472,675.

#### **Industry Review**

On the international front, there are various uncertainties on numerous fronts like the USA and China trade war, the imposition of tariffs by USA on European products and announcement by the UK to grant Pakistan the same duty-free and quota free market access etc. etc. due to which volatility may remain in the months to come. The situation started improving towards the end of the second quarter, when both parties took positive steps towards a resolution. However, the Pakistan is now picking up stability as a result of collective measures put in place by the government and with the improvement of the Ease of Doing Business index and it is expected that global financial flow demand may increase which would assist Pakistan in returning to growth.

#### **Future Outlook**

Instability and uncertainty are prevailing in the local businesses backed by adverse economic circumstances, such as rising inflation, high oil prices, high-interest rates, and a weaker rupee. However, the Government is making efforts to take financial assistance from friendly countries to cover-up the gap of the balance of payments and to control the rupee devolution which will help the local industry in reviving businesses.

### Acknowledgment

The Board is thankful to its valued shareholders for their confidence in the Company, its customers, the Securities & Exchange Commission of Pakistan, and to the management of Pakistan Stock Exchange Limited for their valuable support, assistance and guidance. The Board also appreciates the employees of the Company for their dedication and hard work.

For & on behalf of the Board

Ali Perez Ahmed Director Perez Ahmed Chief Executive

03 D.S. INDUSTRIES LIMITED

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

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EQUITY AND LIABILITIES	Note	March 31, 2020 (Un-Audited) Rupees	June 30, 2019 (Audited) Rupees
		Rupees	Rupees
SHARE CAPITAL AND RESERVES			
Authorized Capital 100,000,000 (2019:100,000,000) ordinary shares of Rs. 10 each		1,000,000,000	1,000,000,000
Issued, subscribed and paid up capital		836,856,310	836,856,310
Discount on issue of shares		(82,899,709)	(82,899,709)
Surplus on revaluation of property, plant and equipment		248,821,289	248,821,289
Fair valuation loss on equity investments		(2,472,675)	-
Accumulated losses		(802,710,483)	(786,324,295)
Deferred Taxation		197,594,732	216,453,595
Non Current Liabilities			
Employees retirement benefits		176,979	5,246,306
Current Liabilities			
Trade and other payables		99,610,457	89,335,593
Unclaimed dividend		337,563	337,563
Accrued interest / mark up		8,603,278	8,314,087
Short term borrowings		170,267,466	186,939,940
Provision for taxation		1,556,500	7,221,685
		280,375,264	292,148,868
Contingencies and Commitments	4	-	-
		478,146,975	513,848,769
ASSETS			
Non-Current Assets			
Property, plant & equipments	5	348,782,900	371,830,271
Long term investments		69,262,543	72,078,491
Long term deposits		19,672,394	19,072,394
Deferred taxation		13,923,373	13,923,373
Current Assets		451,641,210	476,904,529
Stores, spares & loose tools		2,047,804	1,915,756
Stock in trade		18,119,306	9,316,183
Trade debts		429,603	12,942,394
Advances, prepayments & other receivables		2,634,890	6,887,388
Advance income tax		2,392,502	4,077,502
Bank balances		881,660	1,805,017
		26,505,765	36,944,240
		478,146,975	513,848,769

The annexed notes form an integral part of these condensed financial information

**CHIEF EXECUTIVE** 

**CHIEF FINANCIAL OFFICER** 

# CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED) FOR THE NINE MONTH PERIOD ENDED MARCH 31, 2020

		Nine Month Ended		Three Month Ended	
		March 31,	March 31,	March 31,	March 31,
		2020	2019	2020	2019
	Note	Rupees	Rupees	Rupees	Rupees
Sales - net		103,727,152	561,143,692	36,431,067	63,443,133
Cost of sales	6	(89,888,494)	(589,038,147)	(29,874,512)	(91,028,837)
Gross profit / (loss)		13,838,658	(27,894,455)	6,556,555	(27,585,704)
Selling and distribution expenses		(21,230,890)	(1,613,655)	(8,981,878)	(485,583)
Administrative and general expenses		(14,312,047)	(20,692,634)	(3,606,506)	(388,077)
Other expenses		(1,391,942)	(5,551,286)	(1,291,964)	(1,667,018)
		(36,934,879)	(27,857,575)	(13,880,348)	(2,540,678)
		(23,096,221)	(55,752,030)	(7,323,793)	(30,126,382)
Other income		21,442,305	10,482,668	6,478,311	10,453,853
Operating (loss)		(1,653,916)	(45,269,362)	(845,482)	(19,672,529)
Finance cost		(12,832,498)	(12,514,617)	(4,261,844)	(4,537,896)
Notional interest		-	(3,963,659)	-	-
Share of (loss) / profit of associates		(2,815,949)	153,983	(2,472,675)	160,103
Fair valuation loss on equity investments		0.470.075		0.470.075	
transferred to equity		2,472,675		2,472,675	
(Loss) before taxation		(14,829,688)	(61,593,655)	(5,107,326)	(24,050,322)
Taxation		(1,556,500)	(7,014,296)	(547,059)	(793,039)
(Loss) after taxation		(16,386,188)	(68,607,951)	(5,654,385)	(24,843,361)
(Loss) per share - basic and diluted		(0.20)	(0.82)	(0.07)	(0.30)

The annexed notes form an integral part of these condensed financial information

**CHIEF EXECUTIVE** 

CHIEF FINANCIAL OFFICER

DIRECTOR

# CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE NINE MONTH PERIOD ENDED MARCH 31, 2020

	Nine Mont	Nine Month Ended		h Ended
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	Rupees	Rupees	Rupees	Rupees
Other comprehensive income	-	-	-	-
Loss after taxation	(16,386,188)	(68,607,951)	(5,654,385)	(24,843,361)
Total comprehensive (loss)	(16,386,188)	(68,607,951)	(5,654,385)	(24,843,361)

The annexed notes form an integral part of these condensed financial information

CHIEF EXECUTIVE

**CHIEF FINANCIAL OFFICER** 

DIRECTOR

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

	Share Capital	Discount on	Surplus on Revaluation of Property, Plant & Equipments	Fair Valuation Loss on	Un-Appropriated (Loss)	Total Equity
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2018 - Audited	836,856,310	(82,899,709)	203,909,733	-	(760,317,860)	197,548,474
Loss after taxation	-	-	-		(68,607,951)	(68,607,951)
Other comprehensive income	-	-	-		-	-
Incremental depreciation	-		(9,117,378)		9,117,378	-
Balance as at March 31, 2019 - Un-audited	836,856,310	(82,899,709)	194,792,355		(819,808,433)	128,940,523
Balance as at July 1, 2019 - Audited	836,856,310	(82,899,709)	248,821,289	-	(786,324,295)	216,453,595
Loss after taxation	-	-	-	-	(16,386,188)	(16,386,188)
Other comprehensive income	-	-	-	-	-	-
Incremental depreciation	-	-	-	-	-	-
Fair valuation loss on equity investments	-	-	-	(2,472,675)	-	(2,472,675)
Balance as at March 31, 2020 - Un-audited	836,856,310	(82,899,709)	248,821,289	(2,472,675)	(802,710,483)	197,594,732

The annexed notes form an integral part of these condensed financial information

**CHIEF EXECUTIVE** 

**CHIEF FINANCIAL OFFICER** 

# CONDENSED INTERIM STATEMENT OF CASH FLOW(UN-AUDITED) FOR THE NINE MONTH PERIOD ENDED MARCH 31, 2020

	March 31, 2020 (Un-Audited) Rupees	March 31, 2019 (Un-Audited) Rupees
CASH FLOW FROM OPERATING ACTIVITIES	·	•
(Loss) before taxation	(14,829,688)	(61,593,655)
Adjustments for:		
- Depreciation for the period	9,756,228	19,061,078
Liabilities written back	-	(5,447,625)
- Notional interest	-	3,963,659
- share of loss of associate	343,274	(153,983)
- Provision for employees retirement benefits	-	2,000,000
- Reversal of impairment of credit losses	(8,484,710)	
- Loss on disposal of propert, plant & equipments	35,150	866,685
- Interest/markup on borrowings	12,832,498	12,514,617
	14,482,440	32,804,431
Operating (loss) before working capital changes	(347,248)	(28,789,224)
Channges in working capital		
- Stores, spares and loose tools	(132,048)	(676,317)
- Stock in trade	(8,803,123)	46,489,480
- Trade debts	20,997,500	(21,964,027)
- Advances, prepayments and other receivables	5,937,498	9,265,166
- Trade & other payable	10,274,864	(37,196,965)
	28,274,691	(4,082,663)
Net cash generated from /(used in) operations	27,927,443	(32,871,887)
Payments for:		
- Interest/markup on borrowings	(12,543,307)	(8,198,476)
- Income tax	(7,221,685)	(7,688,250)
- Employees retirement benefits	(5,069,327)	(12,004,301)
	(24,834,319)	(27,891,027)
Net Cash used in Operating Activities	3,093,124	(60,762,914)
Cash Flow From Investing Activities		
- Capital expenditure	(16,138,012)	(1,000,000)
Long term deposits	(600,000)	=
<ul> <li>Proceed from disposal of propert, plant &amp; equipments</li> </ul>	29,394,005	60,150,000
Net Cash Generated from Investing Activities	12,655,993	59,150,000
Cash Flow From Financing Activities		
- Repayment of long term financing	-	(8,000,000)
- Net (decrease) / increase in short term borrowings	(16,672,474)	9,509,148
Net Cash Generated from Financing Activities	(16,672,474)	1,509,148
Net Increase / (decrease) in Cash & Cash Equivalents	(923,357)	(103,766)
Cash and cash equivalents at the beginning of the period	1,805,017	2,339,408
Cash and Cash Equivalents at the End of the period	881,660	2,235,642
Saon and Saon Equivalents at the End of the period	001,000	2,200,042

The annexed notes form an integral part of these condensed financial information



**CHIEF FINANCIAL OFFICER** 



# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

# FOR THE NINE MONTH PERIOD ENDED MARCH 31, 2020

Note 1

The Company and its Operations

#### LEGAL STATUS AND OPERATIONS

D.S. Industries Limited ['the Company'] is incorporated in Pakistan as a Private Limited Company under the repealed Companies Act, 1913 (now the Companies Act, 2017) and was subsequently converted into a Public Limited Company. The Company is listed on Pakistan Stock Exchange Limited. The Company is engaged in manufacturing & sale of textile goods. The registered of the Company is situated at 20-K, Gulberg II, Lahore. The manufacturing facility is located at 11 KM, Sheikhupura Faisalabad Road, Sheikhupura, in the Province of Punjab.

Note 2

## **Basis of Preparation**

These accounts have been prepared in accordance with the requirements of the Companies Act, 2017 and International accounting Standard, IAS 34 "Interim Financial Reporting."

This condensed interim financial information should be read in conjunction with annual audited financial statements for the year ended June 30, 2019. Comprehensive balance sheet is extracted from annual audited financial statements for the year ended June 30, 2019 whereas comparative profit or loss account, statement of comprehensive income, statement of changes in equity and cash flow statement are stated from unaudited interim financial information for the quarter ended on December 31, 2019.

Note 3

#### **Accounting Policies**

The accounting policies and methods of computation followed in the preparation of these financial statements are the same as those of the published in the annual financial statements of the Company for the year ended June 30,2019.

Note 4

## **Contingencies and Commitments**

## Contingencies

Gas Infrastructure DevelopmentCess ['GIDC']has been levied with effect from December 15, 2011 on industrial gas customers firstly through OGRA notification and subsequently via GIDCess Ordinance 2014 and GIDCess Act 2015. The Company, along with other industrial concerns, has filed a writ petition in the Honorable High Court of Sindh challenging the imposition of GIDC.On October 26, 2016, the Honorable High Court of Sindh held that enactment of GIDCAct 2015 is ultra-vires to the constitution of Pakistan. The Company has not recognised any provision relating to GIDC aggregating to Rs. 18.8 million.

### Commitments

There are no known commitments as at the reporting date.

Note 5

Property, plant & equipments	March 31,	June 30,	
	2020	2019	
	(Un-Audited)	(Audited)	
	Rupees	Rupees	
Net book value at the beginning of the period/year	371,830,271	478,921,989	
Additions during the period/year	16,138,012	1,000,000	
	387,968,283	479,921,989	
Adjustments for disposal / revaluation	(29,429,155)	(80,849,371)	
Depreciation charge for the period/year	(9,756,228)	(27,242,347)	
	348,782,900	371,830,271	

Note 6	Nine Mont	Nine Month Ended Three M		onth Ended	
Cost of Sales	March 31,	March 31,	March 31,	March 31,	
	2020	2019	2020	2019	
	(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)	
	Rupees	Rupees	Rupees	Rupees	
Raw material consumed	40,707,912	397,866,508	13,416,709	48,224,711	
Stores & spares consumed	4,574,184	10,790,420	1,289,085	103,719	
Salaries, wages & benefits	37,715,960	63,347,986	11,673,191	3,276,052	
Fuel & power	3,279,080	87,246,306	503,286	30,120,994	
Travelling & conveyance	-	1,075,496	-	268,810	
Repair & maintenance	320,465	922,440	49,970	128,451	
Insurance	171,463	1,396,096	-	(274,933)	
Rent, rates & taxes	3,159,999	-	1,659,999	-	
Entertainment	-	311,592	-	61,628	
Depreciation	9,425,229	18,594,616	3,182,311	4,222,786	
Other manufacturing overheads	43,264	968,673	13,440	488,704	
	99,397,556	582,520,133	31,787,991	86,620,922	
Work-in-process					
At the beginning of the period	2,790,100	9,999,900	5,319,200	7,500,000	
At the end of the period	(5,766,800)	(7,088,375)	(5,766,800)	(7,088,375)	
	(2,976,700)	2,911,525	(447,600)	411,625	
Finished goods					
At the beginning of the period	1,965,933	3,859,024	7,032,416	4,248,825	
At the end of the period	(8,498,295)	(252,535)	(8,498,295)	(252,535)	
	(6,532,362)	3,606,489	(1,465,879)	3,996,290	
	89,888,494	589,038,147	29,874,512	91,028,837	
Note 7					

The related parties comprises related group companies, associated companies, directors and key management personnel. Transactions with related parties other than remuneration and benefits to key management personnel under the terms of their employment.

	Nine Month Ended		
	March 31,	March 31,	
	2020	2019	
Transactions with Related Parties	(Un-Audited)	(Un-Audited)	
	Rupees	Rupees	
Associates and associated undertakings			
Purchase of goods & services	-	1,018,494	
Sale of goods & services	-	54,209,017	
Short term borrowings - net	1,682,898	4,800,000	
Balances with Related Parties			
Associates and associated undertakings			
Trade debts	-	23,117,111	
Short term borrowings	32,166,602	18,475,000	
Sponsors			
Short term borrowings - net	28,128,352	34,040,752	

**Transactions with Related Parties** 

Note 8

# **Authorization of Financial Statements**

These interim financial information have been authorized for issue on April 30, 2020 by the Board of Directors of the Company.

Note 9

General

Figures have been rounded off to the nearest rupees.

Rearrangement has been made during the period.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

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