



QUARTERLY REPORT

SEPTEMBER 30, 2020

Leading Supplier of Premium Denim
Fabric and Garments in the World.



CONTENTS

COMPANY INFORMATION	2
DIRECTORS' REVIEW REPORT TO THE MEMBERS	3
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION	4
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS	5
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME	6
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY	7
CONDENSED INTERIM STATEMENT OF CASH FLOWS	8
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS	9

COMPANY INFORMATION

Board of Directors

Chief Executive
Chairman
Directors

Mr. Faisal Ahmed
Mr. Muhammad Iqbal Ahmed
Mr. Muhammad Yousuf Ahmed
Mr. Muhammad Ali Ahmed
Ms. Zahra Faisal Ahmed
Mr. Muhammad Iqbal-ur-Rahim
Mr. Zafar-ul-Mukhtar Ahmed Khan

Audit Committee

Chairman
Members

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

Human Resource and Remuneration Committee

Chairman
Members

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

Chief Financial Officer

Mr. Sagheer Ahmed

Company Secretary

Mr. Muhammad Ozair Qureshi

Chief Internal Auditor

Mr. Salman Arif

Auditors

M/s. Reanda Haroon Zakaria & Company
Chartered Accountants

Legal Advisor

Monawwer Ghani
Advocate

Share Registrar

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

Bankers

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

Registered Office and Factory

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

DIRECTORS' REVIEW

The Directors of your Company have a pleasure in presenting their Report with the un-audited condensed interim financial statements for the first quarter ended September 30, 2020.

PERIOD UNDER REVIEW

A comparison of the key financial results of the Company for the quarter ended September 30, 2020 with the same period last year are as follows:

	September 30, 2020 Rs. in ('000')	September 30, 2019 Rs. in ('000')
Net Sales	2,328,830	1,822,928
Gross profit	297,453	217,272
Finance costs	50,125	34,399
Net Profit	125,642	25,694
EPS (Rs. per share)	1.50	0.31

The net sales of your Company during the quarter recorded a growth of 27.75% over the comparative prior period. The increase in sales was driven mainly by product mix, volume growth and aggressive marketing efforts. Gross profit as a percentage of net sales has improved to 12.77% from 11.92% during the comparative prior period. The improvement in gross profit was mainly due to cost controls put in place and synergies through consolidation of manufacturing facilities. Finance costs recorded an increase of Rs. 15.726 million due to increase in working capital requirements. Net profit recorded at Rs. 125.642 million, an increase of Rs. 99.950 million over the corresponding period. Based on healthy profit figures, Earnings per Share improved to Rs. 1.50 for the period as against Rs. 0.31 for the corresponding period.

FUTURE OUTLOOK

Despite COVID-19 lockdowns have created lots of socio-economic problems, textile exports from Pakistan has been started to revive and we expect demand for textile products to grow as outlook for textile products remain positive. The results of the steps taken by the Government and the State Bank of Pakistan to revive the economy and to boost the confidence of investors definitely have a positive impact on the Country's economy. During July - September 2020 textile exports inched by 2.92 percent to USD 3.46 billion, from USD 3.37 billion in the same period last year. The Company continues to focus on quality production.

The management of your company continues to target new markets and explore possibilities of making the operations increasingly efficient. The Company will continue investing in Balancing, Modernization and Replacement (BMR) which is an ongoing process by utilizing SBP's LTFF Scheme to remain competitive in market and expect these investments will yield positive results in the long run for the Company and its shareholders.

ACKNOWLEDGEMENTS

The Board of Directors of your Company takes this opportunity to record their appreciation for the passion and commitment shown by all the staff and our stakeholders for their continuing support and cooperation.

On behalf of the Board of Directors



FAISAL AHMED
Chief Executive

Karachi: October 27, 2020




MUHAMMAD IQBAL-UR-RAHIM
Director


CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2020 (UN-AUDITED)

		September 30, 2020 ------(Rupees in '000)----- (Un-audited)	June 30, 2020 (Audited)
ASSETS	Note		
NON-CURRENT ASSETS			
Property, plant and equipment	5	6,220,089	6,078,316
Intangible assets		2,752	3,165
Long-term loans - secured		15,116	14,407
Long-term deposits		1,572	1,572
		6,239,529	6,097,460
CURRENT ASSETS			
Stores and spares		235,014	238,475
Stock-in-trade		2,942,190	3,219,581
Trade debts - considered good		3,219,431	2,242,433
Loans and advances		37,839	43,638
Trade deposits and prepayments		24,972	3,546
Other receivables		106,342	98,969
Short term investments		1,663,446	1,311,832
Sales tax refundable		156,470	166,434
Taxation - net		292,297	372,732
Cash and bank balances		611,122	884,428
		9,289,123	8,582,068
TOTAL ASSETS		15,528,652	14,679,528
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 100,000,000 (2020: 100,000,000) ordinary shares of Rs. 10/- each	6	1,000,000	1,000,000
Issued, subscribed and paid-up Reserves	6	840,000 5,897,262 6,737,262	840,000 5,771,620 6,611,620
NON-CURRENT LIABILITIES			
Long-term financing		1,913,005	1,866,912
Deferred liability		112,329	101,895
		2,025,334	1,968,807
CURRENT LIABILITIES			
Trade and other payables		2,142,266	1,776,981
Unclaimed dividend		2,794	2,794
Accrued mark-up		32,720	42,781
Short-term borrowings - secured		4,501,140	4,226,828
Current maturity of long-term financing		87,136	49,717
		6,766,056	6,099,101
CONTINGENCIES AND COMMITMENTS	7		
TOTAL EQUITY AND LIABILITIES		15,528,652	14,679,528

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.


Faisal Ahmed
Chief Executive Officer


Sagheer Ahmed
Chief Financial Officer


Muhammad Iqbal-ur-Rahim
Director

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS FOR THE QUARTER ENDED SEPTEMBER 30, 2020 (UN-AUDITED)

	September 30, 2020	September 30, 2019
	----- (Rupees in '000) -----	
TURNOVER	2,328,830	1,822,928
Cost of sales	(2,031,377)	(1,605,656)
GROSS PROFIT	297,453	217,272
Distribution costs	(55,203)	(77,886)
Administrative expenses	(27,823)	(32,524)
Other operating expenses	(51,563)	(88,148)
Other income	40,802	59,822
	(93,787)	(138,736)
OPERATING PROFIT	203,666	78,536
Finance costs	(50,125)	(34,399)
PROFIT BEFORE TAXATION	153,541	44,137
Taxation	(27,899)	(18,443)
NET PROFIT FOR THE PERIOD	125,642	25,694
EARNINGS PER SHARE		
- Basic and diluted (Rs. per share)	1.50	0.31

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.


Faisal Ahmed
Chief Executive Officer


Sagheer Ahmed
Chief Financial Officer


Muhammad Iqbal-ur-Rahim
Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED SEPTEMBER 30, 2020 (UN-AUDITED)**

	September 30, 2020	September 30, 2019
	----- (Rupees in '000) -----	
Net profit for the period	125,642	25,694
Other comprehensive income	-	-
Total comprehensive income for the period	125,642	25,694

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.


Faisal Ahmed
Chief Executive Officer


Sagheer Ahmed
Chief Financial Officer


Muhammad Iqbal-ur-Rahim
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED SEPTEMBER 30, 2020 (UN-AUDITED)

	Share Capital Issued, subscribed and paid-up	Revenue Reserves Unappropriated profit	Actuarial gain / (loss) on defined benefit plan	Total	Total equity
----- (Rupees in '000) -----					
Balance as at July 01, 2019	840,000	5,949,790	(35,631)	5,914,159	6,754,159
Net profit for the period ended September 30, 2019	-	25,694	-	25,694	25,694
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	25,694	-	25,694	25,694
Balance as at September 30, 2019	<u>840,000</u>	<u>5,975,484</u>	<u>(35,631)</u>	<u>5,939,853</u>	<u>6,779,853</u>
Balance as at July 01, 2020	840,000	5,811,480	(39,860)	5,771,620	6,611,620
Net profit for the period ended September 30, 2020	-	125,642	-	125,642	125,642
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	125,642	-	125,642	125,642
Balance as at September 30, 2020	<u>840,000</u>	<u>5,937,122</u>	<u>(39,860)</u>	<u>5,897,262</u>	<u>6,737,262</u>

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.


Faisal Ahmed
Chief Executive Officer


Sagheer Ahmed
Chief Financial Officer


Muhammad Iqbal-ur-Rahim
Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED SEPTEMBER 30, 2020 (UN-AUDITED)

	September 30, 2020	September 30, 2019
	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	153,541	44,137
Adjustments for non cash charges and other items:		
Depreciation / amortization	118,395	113,183
Provision for gratuity	11,603	8,578
Finance costs	50,125	34,399
Dividend income	(21,264)	-
Gain on disposal of operating fixed assets	(13)	(11,929)
	158,846	144,231
Profit before working capital changes	312,387	188,368
(Increase) / decrease in current assets		
Stores and spares	3,461	(10,359)
Stock-in-trade	277,391	(71,170)
Trade debts	(976,998)	621,779
Loans and advances	5,799	(91,147)
Trade deposits and prepayments	(21,426)	(8,525)
Other receivables	(7,373)	5,780
Sales tax refundable	9,964	(50,974)
	(709,182)	395,384
Increase in current liabilities		
Trade and other payables	365,285	287,539
Cash generated from / (used in) operations	(31,510)	871,291
Taxes - net	52,539	(31,442)
Gratuity paid	(1,170)	(2,099)
Finance costs paid	(60,186)	(45,361)
	(8,817)	(78,902)
Net cash generated from / (used in) operating activities	(40,327)	792,389
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	(259,778)	(116,916)
Long-term loans	(709)	(1,437)
Long-term investment	-	(7,200)
Short-term investment - net	(351,615)	-
Dividend received	21,264	-
Sale proceeds from disposal of operating fixed assets	35	27,267
Net cash used in investing activities	(590,803)	(98,286)
CASH FLOW FROM FINANCING ACTIVITIES		
Long-term financing repaid	-	(25,981)
Long-term financing acquired	83,512	54,653
Short-term borrowings (repaid) / acquired - net	274,312	-
Net cash generated from financing activities	357,824	28,672
NET INCREASE IN CASH AND CASH EQUIVALENTS	(273,306)	722,775
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	884,428	1,196,961
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	611,122	1,919,736

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.


Faisal Ahmed
Chief Executive Officer


Sagheer Ahmed
Chief Financial Officer


Muhammad Iqbal-ur-Rahim
Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2020 (UN-AUDITED)

1 THE COMPANY AND ITS OPERATIONS

Artistic Denim Mills Limited (the Company) was incorporated in Pakistan on May 18, 1992 under the Companies Ordinance, 1984 (Now Companies Act, 2017) and is currently listed on Pakistan Stock Exchange Limited. The principal activity of the Company is to manufacture and sell yarn, rope dyed denim fabric, garments and value added textile products.

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

2 BASIS OF PREPARATION

These condensed interim financial statements of the Company for the first quarter ended September 30, 2020 have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

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

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

These condensed interim financial statements are un-audited and are being submitted to the shareholders as required by the listing regulation of Pakistan Stock Exchange Limited and Section 237 of the Companies Act, 2017. These condensed interim financial statements do not include all the information and disclosures as required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2020.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the audited annual financial statements of the Company for the year ended June 30, 2020.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES

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

Judgements and estimates made by the management in the preparation of these condensed interim financial statements are the same as those that were applied to the annual audited financial statements of the Company for the year ended June 30, 2020.

	Note	September 30, 2020 ------(Rupees in '000)----- (Un-audited)	June 30, 2020 ----- (Audited)
5 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	5,344,977	5,452,914
Capital work-in-progress	5.2	875,112	625,402
		6,220,089	6,078,316
5.1 The additions and disposals in property, plant and equipment are as follows:			
Opening net written down value		5,452,914	5,043,565
Additions during the period / year	5.1.1	10,067	921,041
Disposals, at their written down values during the period / year		(22)	(16,285)
Depreciation / amortization charge during the period / year		(117,982)	(495,407)
		(118,004)	(511,692)
		5,344,977	5,452,914
5.1.1 The following additions were made during the period / year			
Building on leasehold land		3,394	74,245
Plant & machinery		262	786,041
Factory equipment		6,046	40,575
Furniture & fixtures		-	2,626
Office equipment, including computers		365	1,269
Vehicles		-	16,285
		10,067	921,041

	September 30, 2020 ----- (Rupees in '000) ----- (Un-audited)	June 30, 2020 ----- (Rupees in '000) ----- (Audited)
5.2 Capital work-in-progress		
Balances at the beginning of the period / year	625,402	863,627
Additions during the period / year		
Civil works	38,342	44,769
Plant and machinery	119,295	376,487
Factory equipment	6,046	39,325
Advances to suppliers	95,729	207,380
	259,412	667,961
Transfers to operating fixed assets	(9,702)	(906,186)
	<u>875,112</u>	<u>625,402</u>

6 SHARE CAPITAL

No. of shares			September 30, 2020 ----- (Rupees in '000) ----- (Un-audited)	June 30, 2020 ----- (Rupees in '000) ----- (Audited)
September 30, 2020 (Un-audited)	June 30, 2020 (Audited)			
100,000,000	100,000,000	Authorised share capital		
		Ordinary shares of Rs.10 each	1,000,000	1,000,000
		Issued, subscribed and paid-up capital		
		Ordinary shares of Rs.10 each		
14,000,000	14,000,000	Issued for cash	140,000	140,000
70,000,000	70,000,000	Issued as fully paid bonus shares	700,000	700,000
<u>84,000,000</u>	<u>84,000,000</u>		<u>840,000</u>	<u>840,000</u>

7 CONTINGENCIES AND COMMITMENTS

Contingencies

- 7.1** The Company is a respondent in J.C.M. Nos. 29 and 32, proceedings filed by the minority shareholders of the Company in the Honorable High Court of Sindh inter alia challenging the manner in which the business is being managed and seeking certain declaration and restraining order in this regard. The Company believes that there is no merit in the aforesaid proceedings and based on the view of the legal advisor there appears to be no liability expected on the Company on account of the above proceedings.

- 7.2** Outstanding counter guarantees - conventional banks 240,252 240,252

Commitments

- 7.3** Commitments in respect of plant & machinery and building on leasehold land at the end of the period amounted to Rs. 51.887 million (June 30, 2020: Rs. 44.992 million).
- 7.4** Outstanding letters of credit at the end of the period amounted to Rs. 144.133 million (June 30, 2020: Rs. 262.699 million).

7.5 Post dated cheques issued in favour of Custom Authorities aggregating to Rs. 341.209 million (June 30, 2020: Rs. 276.418 million), against various statutory notifications.

8 TRANSACTIONS WITH RELATED PARTIES

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

Relationship	Nature of transactions	September 30, 2020	September 30, 2019
		------(Rupees in '000)----- (Un-audited)	(Un-audited)
Key management personnel	Managerial remuneration and others	2,808	3,690
Common directorship	Sales	24,024	32,271
Common directorship	Purchases	5,238	15,637
Common directorship	Services rendered	16,624	-
Spouse of a director	Sales	124,804	330,916
Spouse of a director	Reimbursement of expenses	30,013	47,910

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

9 FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES

These condensed interim financial statements do not include all financial risk management information and disclosures which are required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2020. There have been no change in any risk management policies since the year end.

The carrying value of all financial and non-financial assets and liabilities measured at other than amortised cost in these condensed interim financial statements approximate their fair values.

10 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements have been authorised for issue on October 27, 2020 by the Board of Directors of the Company.

11 GENERAL

11.1 Corresponding figures have been reclassified, wherever necessary for the purpose of compliance, comparison and better presentation.

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


Faisal Ahmed
Chief Executive Officer


Sagheer Ahmed
Chief Financial Officer


Muhammad Iqbal-ur-Rahim
Director

CONTACT US

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