

ADM

ARTISTIC DENIM MILLS



**QUARTERLY
REPORT 2021
SEPTEMBER 30**

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COMPANY INFORMATION

Board of Directors

Chief Executive
Chairman
Directors

Mr. Muhammad Faisal Ahmed
Mr. Muhammad Iqbal Ahmed
Mr. Muhammad Yousuf Ahmed
Mr. Muhammad Ali Ahmed
Ms. Zahra Faisal Ahmed
Mr. Yazdani Zia
Mr. Muneer Ahmed

Audit Committee

Chairman
Members

Mr. Yazdani Zia
Mr. Muhammad Iqbal Ahmed
Mr. Muhammad Ali Ahmed

Human Resource and Remuneration Committee

Chairman
Members

Mr. Yazdani Zia
Mr. Muhammad Faisal Ahmed
Ms. Zahra Faisal Ahmed

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 **Artistic Denim Mills Limited** (the Company) have pleasure in presenting their Review Report along with the un-audited condensed interim financial statements of the Company for the first quarter ended September 30, 2021.

PERIOD UNDER REVIEW

The performance of the Company for the quarter ended September 30, 2021 is summarized as under as compared with the same period last year:

	September 30, 2021 Rs. in ('000')	September 30, 2020 Rs. in ('000')
Net Sales	4,405,561	2,328,830
Gross profit	406,533	297,453
Finance costs	70,543	50,125
Net Profit	178,364	125,642
EPS (Rs. per share)	2.12	1.50

The Company's net sales for the quarter ended September 30, 2021 amounted Rs. 4,405.561 million (2020: Rs. 2,328.830 million) registering a growth of 89.17% over comparative prior period. Growth in sales was primarily driven by product mix, volume growth and aggressive marketing efforts. Gross profit for the period under review increased from Rs. 297.453 million to Rs. 406.533 million in absolute terms but decreased in percentage term from 12.77% to 9.23%. The decrease in gross profit in percentage term was due to increase in cotton prices in the country and increase in prices of imported raw materials, dyes & chemicals, spare parts, increase in gas tariff and sharp increase in ocean freight; hence, cost of production has increased. Finance costs recorded an increase of Rs. 20.418 million due to increase in working capital requirements and availing SBP's LTFF/TERF Scheme for value addition and technological advancements. The good operating results have thus helped to an increase of Rs. 52.722 million in net profit over the corresponding period. Accordingly, earnings per share have improved to Rs. 2.12 per share in comparison to 1.50 per share for the corresponding period.

FUTURE OUTLOOK

Despite the challenging overall economic and political environment of the country, Pakistan's textile sector is rebounding strongly from the pandemic-induced economic downturn. The textile export figures for the first quarter of the Financial Year 2022 speak for themselves. Pakistan textile and clothing exports posted impressive increase of 27.41 percent in the first quarter of this year. Prime markets for Pakistani textile goods are the North American and European countries. The easing of COVID-19 induced lockdowns in these countries is aiding the rise in textile exports from Pakistan.

In spite of various challenges, the Company for its part remains focused on improving its operational efficiencies, exploring new markets, effectively minimizing the production costs and focusing on the right performance levers. The Company has a sound financial base, a committed workforce and a diversified customer portfolio. In line with the Company's strategic decision regarding balancing, modernization and replacement (BMR), the Company has been investing in value additions, which is an ongoing process by utilizing SBP's LTFF/TERF Scheme to stay competitive in a global 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 the Company would like to thank the financial institutions, shareholders and customers who have been associated with the Company for their continued support and cooperation. The Board of Directors would also like to acknowledge the hard work put in by all the employees of the Company.

ON BEHALF OF THE BOARD OF DIRECTORS



MUHAMMAD FAISAL AHMED
CHIEF EXECUTIVE



MUHAMMAD ALI AHMED
DIRECTOR

Karachi: October 27, 2021

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2021 (UN-AUDITED)

ASSETS	Note	September 30, 2021	June 30, 2021
		(Un-audited)	(Audited)
------(Rupees in '000)-----			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	8,275,262	7,745,879
Intangible assets		1,101	1,513
Long-term loans		29,265	28,350
Long-term deposits		1,732	1,732
		8,307,360	7,777,474
CURRENT ASSETS			
Stores and spares		250,050	306,079
Stock-in-trade		5,284,481	5,100,011
Trade debts - considered good		3,900,019	3,299,540
Loans and advances		127,207	64,121
Trade deposits and prepayments		24,139	17,455
Other receivables		103,161	95,305
Short term investments		83,281	96,033
Sales tax refundable		276,896	118,296
Taxation - net		293,527	301,464
Cash and bank balances		313,571	370,701
		10,656,332	9,769,005
TOTAL ASSETS		18,963,692	17,546,479
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 100,000,000 (2021: 100,000,000) ordinary shares of Rs. 10/- each		1,000,000	1,000,000
Issued, subscribed and paid-up Reserves	6	840,000 6,065,882 6,905,882	840,000 5,887,518 6,727,518
NON-CURRENT LIABILITIES			
Long-term financing		2,987,259	2,722,173
Deferred liability		151,602	139,082
		3,138,861	2,861,255
CURRENT LIABILITIES			
Trade and other payables		2,836,746	2,178,835
Unclaimed dividend		2,930	2,930
Accrued mark-up		50,729	55,087
Short-term borrowings - secured		5,794,319	5,500,605
Current maturity of long-term financing		234,225	220,249
		8,918,949	7,957,706
CONTINGENCIES AND COMMITMENTS	7		
TOTAL EQUITY AND LIABILITIES		18,963,692	17,546,479

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



Muhammad Faisal Ahmed
Chief Executive Officer



Sagheer Ahmed
Chief Financial Officer



Muhammad Ali Ahmed
Director

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS FOR THE QUARTER ENDED SEPTEMBER 30, 2021 (UN-AUDITED)

	September 30, 2021	September 30, 2020
	----- (Rupees in '000) -----	
TURNOVER	4,405,561	2,328,830
Cost of sales	(3,999,028)	(2,031,377)
GROSS PROFIT	406,533	297,453
Distribution costs	(90,834)	(55,203)
Administrative expenses	(34,657)	(27,823)
Other operating expenses	(28,271)	(51,563)
Other income	41,224	40,802
	(112,538)	(93,787)
OPERATING PROFIT	293,995	203,666
Finance costs	(70,543)	(50,125)
PROFIT BEFORE TAXATION	223,452	153,541
Taxation	(45,088)	(27,899)
NET PROFIT FOR THE PERIOD	178,364	125,642
EARNINGS PER SHARE		
- Basic and diluted (Rs. per share)	2.12	1.50

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



Muhammad Faisal Ahmed
Chief Executive Officer



Sagheer Ahmed
Chief Financial Officer



Muhammad Ali Ahmed
Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED SEPTEMBER 30, 2021 (UN-AUDITED)**

	September 30, 2021	September 30, 2020
	----- (Rupees in '000) -----	
Net profit for the period	178,364	125,642
Other comprehensive income	-	-
Total comprehensive income for the period	<u>178,364</u>	<u>125,642</u>

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



Muhammad Faisal Ahmed
Chief Executive Officer



Sagheer Ahmed
Chief Financial Officer



Muhammad Ali Ahmed
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED SEPTEMBER 30, 2021 (UN-AUDITED)

	Share Capital	Revenue Reserves		Total	Total Equity
	Issued, subscribed and paid-up	Unappropriated profit	Actuarial loss on defined benefit plan		
----- (Rupees in '000) -----					
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	840,000	5,937,122	(39,860)	5,897,262	6,737,262
Balance as at July 01, 2021	840,000	5,913,382	(25,864)	5,887,518	6,727,518
Net profit for the period ended September 30, 2021	-	178,364	-	178,364	178,364
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	178,364	-	178,364	178,364
Balance as at September 30, 2021	840,000	6,091,746	(25,864)	6,065,882	6,905,882

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



Muhammad Faisal Ahmed
Chief Executive Officer



Sagheer Ahmed
Chief Financial Officer




Muhammad Ali Ahmed
Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED SEPTEMBER 30, 2021 (UN-AUDITED)

	September 30, 2021	September 30, 2020
	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	223,452	153,541
Adjustments for non cash charges and other items:		
Depreciation / amortization	122,619	118,395
Provision for gratuity	13,833	11,603
Finance costs	70,543	50,125
Unrealised loss on short-term investment	12,755	-
Dividend income	(17)	(21,264)
Gain on disposal of operating fixed assets	(20)	(13)
	<u>219,713</u>	<u>158,846</u>
Profit before working capital changes	443,165	312,387
(Increase) / decrease in current assets		
Stores and spares	56,028	3,461
Stock-in-trade	(184,470)	277,391
Trade debts	(600,479)	(976,998)
Loans and advances	(63,086)	5,799
Trade deposits and prepayments	(6,684)	(21,426)
Other receivables	(7,856)	(7,373)
Sales tax refundable	(158,600)	9,964
	<u>(965,147)</u>	<u>(709,182)</u>
Increase in current liabilities		
Trade and other payables	657,911	365,285
Cash generated from / (used in) operations	<u>135,929</u>	<u>(31,510)</u>
Taxes paid - net	(37,151)	52,539
Gratuity paid	(1,312)	(1,170)
Finance costs paid	(74,901)	(60,186)
	<u>(113,364)</u>	<u>(8,817)</u>
Net cash generated from / (used in) operating activities	<u>22,565</u>	<u>(40,327)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	(651,633)	(259,778)
Long-term loans	(915)	(709)
Short-term investment	(3)	(351,615)
Dividend received	17	21,264
Sale proceeds from disposal of operating fixed assets	63	35
Net cash used in investing activities	<u>(652,471)</u>	<u>(590,803)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Long-term financing repaid	(50,615)	-
Long-term financing acquired	329,677	83,512
Short-term borrowings (repaid) / acquired - net	293,714	274,312
Net cash generated from financing activities	<u>572,776</u>	<u>357,824</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(57,130)</u>	<u>(273,306)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>370,701</u>	<u>884,428</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u><u>313,571</u></u>	<u><u>611,122</u></u>

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


Muhammad Faisal Ahmed
Chief Executive Officer


Sagheer Ahmed
Chief Financial Officer


Muhammad Ali Ahmed
Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2021 (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, 2021 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, 2021.

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, 2021.

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, 2021.

	Note	September 30, 2021 ------(Rupees in '000)----- (Un-audited)	June 30, 2021 (Audited)
5 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	5,570,850	5,577,115
Capital work-in-progress	5.2	2,704,412	2,168,764
		8,275,262	7,745,879
5.1 The additions and disposals in property, plant and equipment are as follows:			
Opening net written down value		5,577,115	5,452,914
Additions during the period / year	5.1.1	115,984	634,381
Disposals, at their written down values during the period / year		(43)	(5,405)
Depreciation / amortization charge during the period / year		(122,206)	(504,775)
		(122,249)	(510,180)
		5,570,850	5,577,115
5.1.1 The following additions were made during the period / year			
Building on leasehold land		15,474	38,624
Plant & machinery		84,198	540,564
Factory equipment		16,312	40,954
Furniture & fixtures		-	7,690
Office equipment, including computers		-	5,216
Vehicles		-	1,333
		115,984	634,381

	September 30, 2021	June 30, 2021
	----- (Rupees in '000) -----	
5.2 Capital work-in-progress	(Un-audited)	(Audited)
Balances at the beginning of the period / year	2,168,764	625,402
Additions during the period / year		
Civil works	233,543	548,985
Plant and machinery	211,995	983,691
Factory equipment	16,312	38,004
Advances to suppliers	189,782	592,824
	651,632	2,163,504
Transfers to operating fixed assets	(115,984)	(620,142)
	<u>2,704,412</u>	<u>2,168,764</u>

6 SHARE CAPITAL

No. of shares			September 30, 2021	June 30, 2021
September 30, 2021	June 30, 2021		----- (Rupees in '000) -----	
(Un-audited)	(Audited)		(Un-audited)	(Audited)
		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** On July 25, 2019, SECP had issued a show cause notice under section 256 of the companies Act, 2017 and also a notice of hearing dated 19.9.2019 due to the complaints and insistence of certain minority shareholders on misplaced allegations pertaining to the manner in which the business of the company is being managed and seeking certain declaration. However, before the hearing of the show cause notice or an inspection or investigation was ordered / initiated, the company filed suit no. 1506 of 2019 before the Honourable High Court of Sindh which, vide its order dated 25.09.2019 was pleased to restrain SECP from further proceedings in pursuance to the aforementioned notices. The Honourable High Court further directed SECP to maintain status quo. 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 litigation.

	September 30, 2021	June 30, 2021
	----- (Rupees in '000) -----	
	(Un-audited)	(Audited)
7.3 Outstanding counter guarantees - conventional banks	<u>335,823</u>	<u>295,152</u>
7.4 Foreign bills discounted - conventional banks	<u>-</u>	<u>258,064</u>

Commitments

- 7.5 Commitments in respect of plant & machinery and building on leasehold land at the end of the period amounted to Rs. 518.725 million (June 30, 2021: Rs. 698.851 million).
- 7.6 Outstanding letters of credit at the end of the period amounted to Rs. 1,852.679 million (June 30, 2021: Rs. 2,810.855 million).
- 7.7 Post dated cheques issued in favour of Custom Authorities aggregating to Rs. 338.913 million (June 30, 2021: Rs. 406.330 million), against various statutory notifications.
- 7.8 Outstanding foreign currency forward contracts of Rs. 1,646.515 million (June 30, 2021: Rs. 2,584.648 million).

8 TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company comprise associated companies, directors 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, 2021	September 30, 2020
		----- (Rupees in '000) -----	
		(Un-audited)	(Un-audited)
Key management personnel	Managerial remuneration and others	<u>4,812</u>	<u>2,808</u>
Common directorship	Sales	<u>227,599</u>	24,024
Common directorship	Purchases	<u>22,255</u>	5,238
Common directorship	Services received	<u>12,626</u>	-
Common directorship	Services rendered	<u>2,388</u>	<u>16,624</u>
Spouse of a director	Sales	<u>257,982</u>	124,804
Spouse of a director	Reimbursement of expenses	<u>63,255</u>	<u>30,013</u>
Daughter of a director	Sales	<u>1,340,964</u>	3,804
Daughter of a director	Reimbursement of expenses	<u>1,393</u>	<u>1,441</u>

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, 2021. 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, 2021 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.



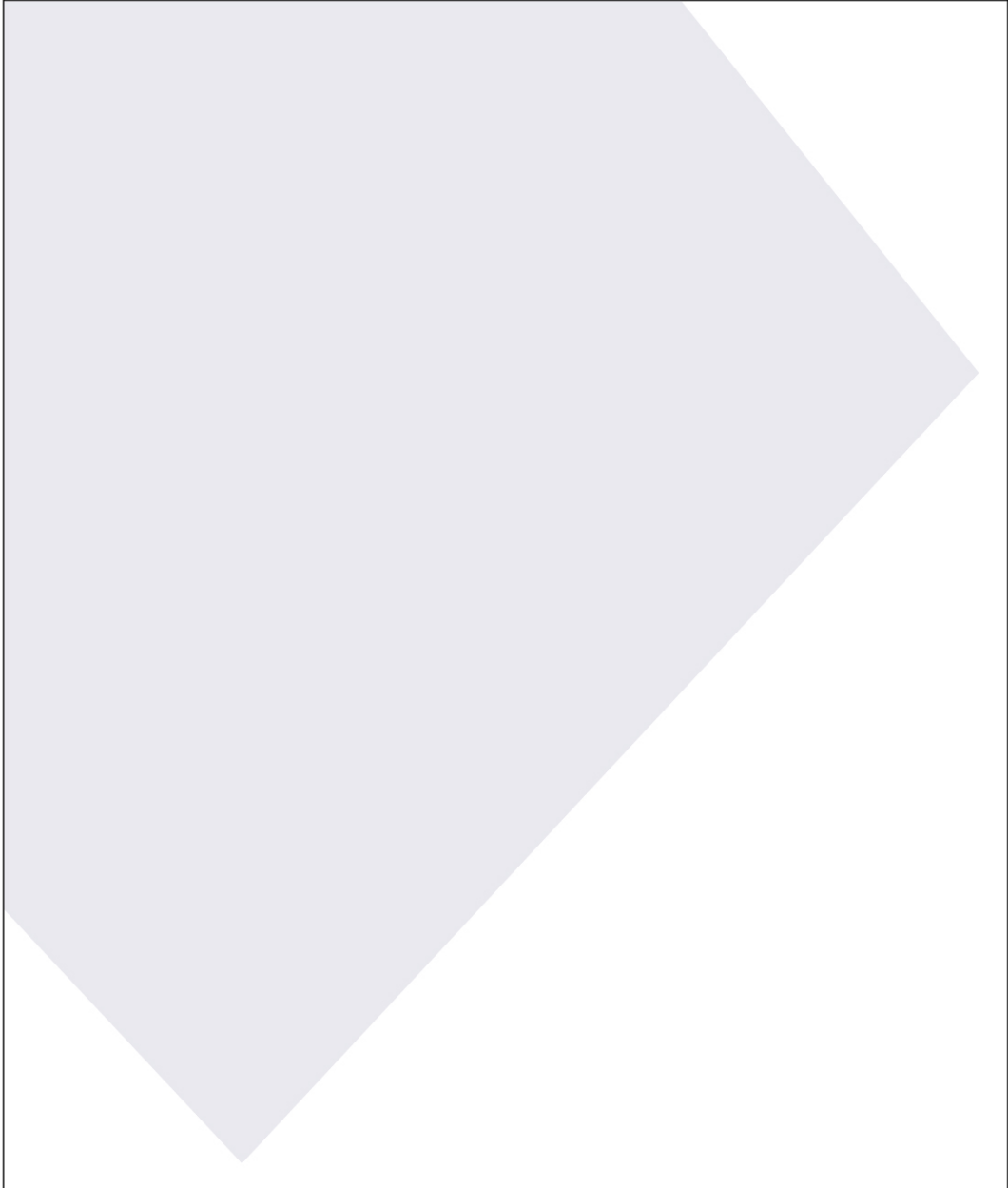
Muhammad Faisal Ahmed
Chief Executive Officer



Sagheer Ahmed
Chief Financial Officer



Muhammad Ali Ahmed
Director



ADM
ARTISTIC DENIM MILLS

HEAD OFFICE + FACTORY

Plot No. 5-9, 23-26, Sector-16, Korangi Industrial Area, Karachi-74900, Pakistan.

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Email: sales@admdenim.com | hr@admdenim.com