

# ENTITY RATING OF SAIF TEXTILE MILLS LIMITED

# Long Term A-Short Term A2

### CREDIT RATING AGENCY



The Pakistan Credit Rating Agency Limited

### **Contents**

02	Corporate Information
03	Directors' Report to the Shareholders
05	Independent Auditors' Review Report to the Members on condensed Interim Financial Statements
06	Condensed Interim Statement of Financial Position
07	Condensed Interim Statement of Profit or Loss & Other Comprehensive Income (Un-audited)
08	Condensed Interim Statement of Cash Flows (Un-audited)
09	Condensed Interim Statement of Changes in Equity (Un-audited)
10	Selected Notes to the Condensed Interim Financial Information (Un-Audited)

### CORPORATE INFORMATION

### ROARD OF DIRECTORS

Osman Saifullah Khan Chairman Hoor Yousafzai Director Assad Saifullah Khan Director Rana Muhammad Shafi Director Muhammad Danish Director Rashid Ibrahim Director Sohail Hussain Hydari Chief Executive Officer

### AUDIT COMMITTEE

Rashid Ibrahim Chairman Rana Muhammad Shafi Member Assad Saifullah Khan Member

### HR & REMUNERATION COMMITTEE

Muhammad Danish Chairman Hoor Yousafzai Member Assad Saifullah Khan Member

### CHIEF FINANCIAL OFFICER

Muhammad Lugman

### COMPANY SECRETARY

Sajjad Hussain

### LEGAL ADVISOR

Dr. Pervez Hassan Hassan & Hassan, Advocates Salahuddin Saif & Aslam (Attorney's at Law)

### **AUDITORS**

M/s Shinewing Hameed Chaudhri & Co. Chartered Accountants HM House, 7-Bank Square, Lahore

#### RANKERS

Allied Bank Limited Askari Bank Limited Bank Alfalah Limited Bank Al Habib Limited Bank Islami Pakistan Limited Dubai Islamic Bank Pakistan Limited Favsal Bank Limited First Habib Modaraba Bank Limited First Women Bank Limited Habib Bank Limited IS Bank Limited MCB Bank Limited Meezan Bank Limited National Bank of Pakistan Pak China Investment Company Limited Sindh Bank Limited Soneri Bank Limited The Bank of Puniab The Bank of Khyber United Bank Limited

### HEAD OFFICE

4th Floor, Kashmir Commercial Complex 1032-E, Fazal-e-Hag Road,

Blue Area Islamabad.

Telephone: +92-51-2604733-35 Fax: +92-51-2604732 Email: stm@saifgroup.com

### REGISTERED OFFICE

APTMA House, Tehkal Payan, Jamrud

Road, Peshawar

Telephone: +92-91-5843870, 5702941

Fax: +92-91-5840273

Email: peshawar@saifgroup.com

### SHARES REGISTRAR

M/s Hameed Majeed Associates (Pvt.) Ltd. HM House, 7-Bank Square, Lahore Telephone: +92-42-37235081-37235082

Fax: +92-42-37358817

Email: info@hmaconsultants.com

### MILLS

Industrial Estate, Gadoon Amazai, District Swabi Telephone: +92-0938-270313, 270429

Fax: +92-0938-270514 Email: stmgdn@saifgroup.com Email: stmgdn@saifgroup.com

#### **CYBER**

www.saiftextile.com



Saif Textile Mills Limited

### DIRECTORS' REPORT TO THE SHAREHOLDERS

### Dear shareholders,

We, hereby, present the Company's financial statements reviewed by the Auditors for the half year ended December 31, 2023. Key financial highlights are given below:

The company experienced a 15% turnover growth, reaching Rs 6,375 million compared to Rs 5,551 million in SPLY, attributed to improved sales rates. Gross profit margin rose from 4% to 13%, driven by improved product margins. Despite challenges, the first half of current fiscal year has shown as positive trend, and an improvement over the losses incurred which led to loss before tax reduction to Rs. 235 million from Rs. 612 million in the previous year's corresponding period.

### **General Market Review and Future Prospects**

In November 2023, the government took the decision to implement a notable increase in gas tariffs, amounting to a substantial 118% rise compared to the previous revision made in January 2023. Further, Government is planning to enforce another gas tariff increase. Despite this concerning trend, there is optimism that adjustments in sale prices can help mitigate the impact by the end of this year.

We anticipate that following the establishment of the new government, there will be prudent policies enacted to benefit businesses, specifically aimed at reducing the cost of doing business for enterprises. Such measures are essential for fostering an environment helpful to sustainable economic growth and competitiveness.

### Acknowledgment

The Board places on record its appreciation for the support of our regulatory authorities and members of our corporate family especially financial institutes.

We look forward to the same dedication and cooperation in the days ahead.

For and on behalf of the board

ASSAD SAIFULLAH KHAN
Director

A. 1(11)

Place: Islamabad

Dated: 28 February, 2024

SOHAIL HUSSAIN HYDARI
Chief Executive

### ڈائر کیٹرر پورٹ برائے شیئر ہولڈر

محترم شيئر ہولڈرز،

ہم کمپنی کے آڈیٹرز کی تیار کردہ 31 دسمبر 2023 تک کی ششماہی مالیاتی رپوٹ پیش کرتے ہیں۔جس کے اہم نکات درج ذیل ہیں۔

کمپنی نے ٹرن آؤٹ میں 15 فیصد اضافہ دیکھا جو کہ گذشتہ سال ای مدت میں 5,551 ملین کے مقابلے میں 6375 کی نے ٹرن آؤٹ میں 15,55 ملین کے مقابلے میں 6375 کی ہے۔ بہتر پروڈ کٹ مارجن کی وجہ سے مجموعی منافع کا مارجن 4 فیصد سے بڑھ کر 13 فیصد ہو گیا ہے۔ چیلنجوز کے باوجود، رواں مالی سال کے پہلے نصف عرصے میں مثبت ربحان میں بہتری آئی ہے جن کی وجہ سے پچھلے سال اس مدت کے دوران ٹیکس میں کوئی ہے، اوران نقصانات کے ربحان میں بہتری آئی ہے جن کی وجہ سے پچھلے سال اسی مدت کے دوران ٹیکس میں کوئی ہے۔ اوران نقصانات کے دوران ٹیکس میں کوئی ہے۔ کیا تھا۔

ماركيك كاعموى جائزه اورستنقبل كامكانات

نومبر2023 میں، حکومت نے گیس ٹیرف میں قابل ذکراضا نے کولا گوکرنے کا فیصلہ کیا، جوجنوری 2023 میں کیے گئے اضافے کی منصوبہ بندی کر رہی اضافے کی منصوبہ بندی کر رہی ہے۔ اضافے کی نبیت 118 فیصد زیادہ ہے۔ مزید ہیکہ گورنمنٹ گیس ٹیرف میں مزید اضافے کی منصوبہ بندی کر رہی ہے۔ اس ربحان کے باوجود، بیامید ہے کہ قیمت فروخت میں ایڈجٹمنٹ کر کے اس سال کے آخر تک ان معاملات میں بہتری لائی جاستی ہے۔

ہم تو قع کرتے ہیں کہ نی تحکومت کے قیام کے بعد، کاروبار کوفا کدہ پہنچانے کے لیے دانشمندانہ پالیسیاں بنائی جائیں گی، خاص طور پر کاروباری اداروں کے لیے کاروبار کرنے کی لاگت کو کم کرنا۔ پائیدارا قضادی ترقی اور مسابقت کے لیے مدد گار ماحول کوفروغ دینے کے لیے ایسے اقد امات ضروری ہیں۔

اظهارتشكر

بورڈ ہمارے ریگولیٹری اتھارٹیز اور ہمارے کار پوریٹ فیملی ممبران خصوصاً مالیاتی اداروں کے تعاون کے لیے ان کا معترف ہے۔

بورڈ ہذا کی جانب سے:

۔ سہیل همین حیدری چف ایگزیکٹو

سال کی الک اسسیف الشفان ڈائریکٹر

مقام:اسلام آباد تاریخ:28فروری، 2024



### INDEPENDENT AUDITORS' REVIEW REPORT

### To the Members of Saif Textile Mills Limited Report on Review of Interim Financial Statements

### Introduction

We have reviewed the accompanying condensed interim statement of financial position of Saif Textile Mills Limited (the Company) as at December 31, 2023 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the condensed interim financial statements for the six months period then ended (herein-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

The figures of the condensed interim statement of profit or loss and other comprehensive income for the quarters ended December 31, 2023 and 2022 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2023.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

### **Emphasis of Matter**

Without qualifying our conclusion, we draw your attention to:

- Note 10.1.2 to the interim financial statements, which describes the matter regarding non-provisioning of Gas Infrastructure Development Cess.
- Note 17 to the interim financial statements, which describes the matter regarding waiver of loan amounting Rs.600 million by an Associated Company.

The engagement partner on the review resulting in this independent auditors' review report is Osman Hameed Chaudhri.

### Shine Why Hamed Choudhi's co.

SHINEWING HAMEED CHAUDHRI & CO.,

CHARTERED ACCOUNTANTS

Place: Lahore

Date: February 28, 2024

UDIN: RR2023101041xDoHu0Eb



### CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2023

Assets	Note	Un-audited December 31, 2023 Rupees i	Audited June 30, 2023 n '000
Non-Current Assets Property, plant and equipment Long term investments	4	8,102,519 14,886	8,305,579 14.886
Long term loans Long term deposits		22,544 33,615 8,173,564	23,320 
Current Assets Stores, spare parts and loose tools Stock-in-trade	5	317,091 2,999,796	378,151 2,793,847
Trade debts Loans and advances Short term prepayments	j	1,536,280 21,952 3,984	1,526,627 62,658 8,053
Other receivables Deposit for shares Taxation - net	6 7	49,151 - 196,791	74,854 - 216.366
Tax refunds due from Government Cash and bank balances	,	5,034 71,770 5,201,849	5,034 16,195 5,081,785
Equity and Liabilities Share Capital and Reserves		13,375,413	13,460,811
Authorized capital 30,000,000 ordinary shares of Rs.10 each		300,000	300,000
<b>Issued, subscribed and paid up capital</b> 26,412,880 ordinary shares of Rs.10 each Reserves		264,129 265,867	264,129 265,867
Unappropriated profit Surplus on Revaluation of Property, Plant and Equipment		2,527,070	1,036,355 2,578,834
Total Shareholders' equity  Non-Current Liabilities		3,896,847	4,145,185
Long term financing Deferred income - government grant Long term deposits Staff retirement benefits - gratuity Deferred taxation - net	8	973,278 11,040 13,820 225,863 577,743 1,801,744	611,987 14,336 19,351 230,624 643,634 1,519,932
Current Liabilities Trade and other payables Contract liabilities		1,041,520 30,990	752,256 108,940
Unpaid dividend Unclaimed dividend Accrued mark-up and interest Short term borrowings	9	477 8,589 401,711 5,744,923	477 8,591 414,485 5,929,231
Current portion of non-current liabilities  Contingencies and commitments	10	7,676,822	581,714 7,795,694
contingencies and communicities	10	13,375,413	13,460,811

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

MUHAMMAD LUQMAN Chief Financial Officer

ASSAD SAIFULLAH KHAN Director

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### CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE QUARTER AND SIX MONTHS PERIOD ENDED DECEMBER 31, 2023

		Quarter ended		Six months period ended		
		December 31,	December 31,	December 31,	December 31,	
		2023	2022	2023	2022	
	Note		Rupees	in '000		
Sales - net	11	2,988,982	2,894,886	6,374,738	5,550,662	
Cost of sales		(2,574,271)	(3,037,383)	(5,527,158)	(5,319,442)	
Gross profit / (loss)		414,711	(142,497)	847,580	231,220	
Distribution cost		(38,995)	(47,154)	(115,365)	(91,658)	
Administrative expenses		(65,831)	(92,293)	(133,980)	(174,676)	
Other income		9,743	13,485	19,667	118,713	
Other expenses		(2,978)	(2,135)	(4,848)	(4,198)	
Profit / (loss) from operation	ns	316,650	(270,594)	613,054	79,401	
Finance cost		(423,306)	(362,277)	(845,137)	(691,167)	
		(106,656)	(632,871)	(232,083)	(611,766)	
Exchange fluctuation (loss	) / gain	(2,604)	44	(2,604)	44	
Loss before taxation		(109,260)	(632,827)	(234,687)	(611,722)	
Taxation						
Current	7	(37,492)	(28,261)	(79,541)	(61,467)	
Deferred		32,148	121,451	65,890	141,648	
		(5,344)	93,190	(13,651)	80,181	
Loss after taxation		(114,604)	(539,637)	(248,338)	(531,541)	
Other comprehensive gain	1	-	31	-	31	
Total comprehensive loss		(114,604)	(539,606)	(248,338)	(531,510)	
		-	Rup	ees		
Loss per share						
- basic and diluted		(4.34)	(20.43)	(9.40)	(20.12)	

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

MUHAMMAD LUQMAN Chief Financial Officer

ASSAD SAIFULLAH KHAN Director

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### CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2023

		Six months p	period ended
		December 31, 2023	December 31, 2022
	Note	Rupees i	
Cash flow from operating activities	12	864,533	(542,990)
Cash flow from investing activities			
Additions to property, plant and equipment	t	(9,191)	(181,664)
Sale proceeds of operating fixed assets		17,561	3,726
Sale of short term investment		-	2,700
Long term investment made		-	(2,500)
Net cash generated from / (used in) investing	activities	8,370	(177,738)
Cash flow from financing activities			
Long term financing			
- obtained		492,300	69,803
- repaid		(263,296)	(409,781)
Short term loan from an associated compar	ny	(170,000)	500,000
Lease liabilities		(4,111)	(6,648)
Short term borrowings - net		(14,308)	1,124,670
Dividend paid		(2)	-
Finance cost paid		(857,911)	(546,274)
Net cash (used in) / generated from financing	activities	(817,328)	731,770
Net increase in cash and cash equivalents		55,575	11,042
Cash and cash equivalents - at beginning of	the period	16,195	43,081
Cash and cash equivalents - at end of the pe	eriod	71,770	54,123

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

MUHAMMAD LUQMAN Chief Financial Officer

ASSAD SAIFULLAH KHAN Director

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### CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

### FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2023

Share capital   Capital   Revenue   Unappropriated   Inagentary   Unappropriated   Inagentary   Share capital   Capital   Revenue   Unappropriated   Inagentary   Share capital   Capital   Revenue   Unappropriated   Inagentary   Sarphus on revaluation of property, plant and equipment for the six months period ended December 31, 2023   264,129   115,981   150,000   1,036,355   (114)   2,578,834   4,145,185   (248,338)   Capital   Ca	Г		Reserves					
Total comprehensive loss for the six months period ended December 31, 2023   264,129   115,981   150,000   1,036,355   (114)   2,578,834   4,145,185			Capital	Revenue		loss on financial assets	revaluation property, pla	of Total int
Total comprehensive loss for the six months period ended December 31, 2023 (248,338) (248,338)  Surplus on revaluation of property, plant and equipment for the six months realised during the period on account of incremental depreciation (net of deferred taxation): 51,764 - (51,764)  Balance as at December 31, 2023 264,129 115,981 150,000 839,781 (114) 2,527,070 3,896,847  Balance as at July 01, 2022 264,129 115,981 150,000 2,131,038 (125) 1,270,734 3,931,757  Total comprehensive (loss) / income for the six months period ended December 31, 2022 (531,541) 31 - (531,510)  Surplus on revaluation of property, plant and equipment for the six months realised during the period on account of incremental depreciation (net of deferred taxation): 27,781 - (27,781) -					- Rupees in '000			
Surplus on revaluation of property, plant and equipment for the six months realised during the period on account of incremental depreciation (net of deferred taxation):  Balance as at December 31, 2023  264,129 115,981 150,000 839,781 (114) 2,527,070 3,896,847  Balance as at July 01, 2022  264,129 115,981 150,000 2,131,038 (125) 1,270,734 3,931,757  Total comprehensive (loss) / income for the six months period ended December 31, 2022  (531,541) 31 - (531,510)  Surplus on revaluation of property, plant and equipment for the six months realised during the period on account of incremental depreciation (net of deferred taxation):  27,781 - (27,781) -	Balance as at July 01, 2023	264,129	115,981	150,000	1,036,355	(114)	2,578,834	4,145,185
and equipment for the six months realised during the period on account of incremental depreciation (net of deferred taxation):  51,764 - (51,764) -  Balance as at December 31, 2023 264,129 115,981 150,000 839,781 (114) 2,527,070 3,896,847  Balance as at July 01, 2022 264,129 115,981 150,000 2,131,038 (125) 1,270,734 3,931,757  Total comprehensive (loss) / income for the six months period ended December 31, 2022 (531,541) 31 - (531,510)  Surplus on revaluation of property, plant and equipment for the six months realised during the period on account of incremental depreciation (net of deferred taxation): 27,781 - (27,781) -		-	-	-	(248,338)	-	-	(248,338)
Balance as at December 31, 2023 264,129 115,981 150,000 839,781 (114) 2,527,070 3,896,847  Balance as at July 01, 2022 264,129 115,981 150,000 2,131,038 (125) 1,270,734 3,931,757  Total comprehensive (loss) / income for the six months period ended December 31, 2022 (531,541) 31 - (531,510)  Surplus on revaluation of property, plant and equipment for the six months realised during the period on account of incremental depreciation (net of deferred taxation): 27,781 - (27,781) -	and equipment for the six months realised during the period on account of incremen	tal			F1 764		(51.764)	
Balance as at July 01, 2022 264,129 115,981 150,000 2,131,038 (125) 1,270,734 3,931,757  Total comprehensive (loss) / income for the six months period ended December 31, 2022 (531,541) 31 - (531,510)  Surplus on revaluation of property, plant and equipment for the six months realised during the period on account of incremental depreciation (net of deferred taxation): 27,781 - (27,781) -	depreciation (net of deferred taxation):	-	-	-	31,/04	-	(51,764)	-
Total comprehensive (loss) / income for the six months period ended December 31, 2022 (531,541) 31 - (531,510)  Surplus on revaluation of property, plant and equipment for the six months realised during the period on account of incremental depreciation (net of deferred taxation): 27,781 - (27,781) -	Balance as at December 31, 2023	264,129	115,981	150,000	839,781	(114)	2,527,070	3,896,847
six months period ended December 31, 2022 (531,541) 31 - (531,510)  Surplus on revaluation of property, plant and equipment for the six months realised during the period on account of incremental depreciation (net of deferred taxation): 27,781 - (27,781) -	Balance as at July 01, 2022	264,129	115,981	150,000	2,131,038	(125)	1,270,734	3,931,757
and equipment for the six months realised during the period on account of incremental depreciation (net of deferred taxation):  27,781 - (27,781) -		-	-	-	(531,541)	31	-	(531,510)
Balance as at December 31, 2022 264,129 115,981 150,000 1,627,278 (94) 1,242,953 3,400,247	and equipment for the six months realised during the period on account of incremen	tal -	-	-	27,781	-	(27,781)	-
	Balance as at December 31, 2022	264,129	115,981	150,000	1,627,278	(94)	1,242,953	3,400,247

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

MUHAMMAD LUQMAN Chief Financial Officer

ASSAD SAIFULLAH KHAN Director

Arad Siller



FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2023

P-17, Near Allied Bank Ltd, Montgomery Bazar

### 1. LEGAL STATUS AND NATURE OF BUSINESS

Saif Textile Mills Limited (the Company) is a Public Limited Company incorporated in Pakistan on December 24, 1989 under the Companies Ordinance,1984 (now the Companies Act, 2017) and its shares are quoted on Pakistan Stock Exchange. The Company is principally engaged in manufacture and sale of yarn.

1.1 Geographical location and addresses of major business units including mills / plant of the Company are as under:

Sawabi Purpose Industrial Estate, Gadoon Amazai Mills / factory Peshawar APTMA House, Tehkal Payan, Jamrud Road Registered office Islamahad 4th floor, Kashmir Commercial Complex. Fazal-e-haq road, Blue Area Head office Karachi Plot No.36, New Karachi Cooperative Housing Society Near Dolmen Mall Tario Road Marketing & Sales office Faisalahad

### 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

- 2.1.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards applicable in Pakistan for interim financial reporting comprise of:
  - International Accounting Standard ('IAS') 34, 'Interim Financial Reporting', issued by International Accounting Standards Board ('IASB') as notified under the Companies Act, 2017,

Marketing & Sales office

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants
  of Pakistan as notified under the Act; and
- Provision of and directives issued under the Companies Act, 2017.

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

- 2.1.2 These condensed interim financial statements does not include all the information and disclosures as required in an annual audited financial statements, and these should be read in conjunction with the Company's annual audited financial statements for the year ended June 30, 2023. These condensed interim financial statements are being submitted to the shareholders as required by the section 237 of the Companies Act, 2017.
- 2.2 Initial application of standards, amendments or an interpretation to existing standards
- Standards, amendments and interpretations to accounting standards that are effective in the current period

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on July 01, 2023, but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these condensed interim financial statements.



FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2023

### Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

There are certain standards, amendments to the accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 01, 2024, but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these condensed interim financial statements.

### 2.3 Accounting policies

All the accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of audited annual financial statements for the year ended June 30, 2023.

### 3. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial statements require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates

Judgments 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 financial statements as at and for the year ended June 30, 2023.

			Un-audited	Audited
			December 31,	June 30,
			2023	2023
4.	PROPERTY, PLANT AND EQUIPMENT	Note	Rupees	in '000
	Operating fixed assets - tangible	4.1	7,995,736	8,192,688
	Capital work-in-progress		2,258	5,041
	Right-of-use assets	4.2	12,818	16,563
	Stores held for capital expenditure		91,707	91,287
			8,102,519	8,305,579
4.1	Operating fixed assets - tangible			
	Book value at beginning of the period / year		8,192,688	6,384,015
	Additions during the period / year	4.1.1	10,955	205,846
	Transfer from right of use to owned		-	7,191
	Revaluation surplus during the period / year		-	1,920,651
	Disposals costing Rs. 72.126 million			
	(June 30, 2023: Rs.43.552 million)			
	- at net book value		(20,549)	(10,957)
	Depreciation charge for the period / year		(187,358)	(314,058)
	Book value at end of the period / year		7,995,736	8,192,688

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2023

4.1.1	Additions to operating fixed assets, including transfer from capital work-in-progress, during the period / year:	Un-audited December 31, 2023 Rupees	Audited June 30, 2023 in '000
	Buildings on leasehold land Plant & machinery Generators Electric installations Air conditioning equipment Furniture & fixtures Office equipment Telephone installations Weighing scales Owned vehicles	1,213 - 3,211 - 19 300 70 - 6,142 10,955	48,936 48,586 101,686 150 709 717 4,114 566 382 -
4.2	Right-of-use assets Book value at beginning of the period / year Reassessment due to mark-up rate change Depreciation for the period / year Transferred to own assets	16,563 599 (4,344) - 12,818	32,407 395 (9,048) (7,191) 16,563
5.	STOCK-IN-TRADE Raw materials Work-in-process Finished goods	1,349,783 324,222 1,325,791 2,999,796	1,455,718 426,686 911,443 2,793,847

#### 6. DEPOSIT FOR SHARES

There has been no change in the status of the Company's complaint filed before the Wafaqi Muhtasib for recovery of this deposit along with penalty since the date of preceding annual audited financial statements of the Company for the year ended June 30, 2023.

### 7. TAXATION - net

- 7.1 Income tax assessments of the Company have been finalised by the Income Tax Department or deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (the Ordinance) upto Tax Year 2023
- 7.2 No numeric tax rate reconciliation has been given in these financial statements as provisions made for the current financial years represent minimum tax payable under section 113 of the ordinance. The provision for taxation for the six month period ended and quarter ended December 31, 2023 has been made using the best possible estimate of effective tax rate for the Company. Amount accrued may has to be adjusted in the subsequent period.

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2023

8.	LONG TERM FINANCING - Secured		Un-audited December 31, 2023	Audited June 30, 2023
		Note	Rupee	es in '000
	Balance at beginning of the period / year Add:		1,180,485	1,849,105
	- disbursements during the period / year		-	65,150
	- loan from an Associated Company	8.1	492,300	-
	- unwinding impact of government grant		4,080	10,066
			496,380	75,216
	Less: repayments made during the period /	year	263,296	743,836
	Balance at end of the period / year		1,413,569	1,180,485
	Less: current portion grouped under curren	t liabilities	440,291	568,498
			973,278	611,987

- 8.1 The Company, during the current period, has entered into a loan agreement with Saif Power Ltd. (an Associated Company due to common directorship) to obtain an unsecured long term loan upto an amount of Rs.1,000 million for debt servicing and working capital requirements. The lender against the said facility, disbursed Rs.492.300 millions till the reporting date. The principal balance is repayable in 28 equal quarterly installments commencing from September, 2025. The loan carries mark-up at the rate of 0.1% + the average borrowing cost of the lender. The effective mark-up rate charged by the lender, during the current period, ranged from 23.26% to 23.57% per annum.
- 8.2 Except for the above new facilities obtained by the Company, all other terms and conditions of long term financing are materially same as disclosed in audited annual financial statements of the Company for the year ended June 30, 2023. Effective mark-up rates charged, during the current period, ranged from 3.00% to 25.12% (June 30, 2023: 2.50% to 24.05%) per annum.

9.	SHORT TERM BORROWINGS		Un-audited	Audited
			December 31,	June 30,
			2023	2023
		Note	Rupee	es in '000
	Loans from banking companies	9.1	5,144,923	5,159,231
	Loan from an Associated Company	9.2	600,000	770,000
			5,744,923	5,929,231

9.1 Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.5.885 billion (June 30, 2023: Rs.6.453 billion) and are secured against pledge of stocks, charge on fixed and current assets of the Company and lien over underlying export documents. These finance facilities, during the current financial period, carried mark-up at the rates ranging from 18.04% to 25.96% (June 30, 2023: 11.55% to 24.98%) per annum and are expiring on various dates by October, 2024. Facilities available for opening letters of credit and guarantee from various commercial banks aggregate Rs.3.370 billion (June 30, 2023: Rs.3.970 billion) of which the amount remained unutilised at the reporting date was Rs.2.895 billion (June 30, 2023: Rs.3.164 billion). These facilities are secured against lien over import documents and charge on fixed assets of the Company and are expiring on various dates by September, 2025.

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2023

9.2 The Company, during the preceding financial year, has entered into a loan agreement with Saif Holdings Ltd. (an Associated Company that holds 49.58% share capital of the Company) to obtain an unsecured short term loan upto an amount of Rs.770 million for working capital requirements. The loan carries mark-up at the rate of average local borrowing cost of lender + 0.1% spread. The effective mark-up rate charged by the lender, during the current financial period, ranged from 22.91% to 23.31% (June 30, 2023: 16.63% to 22.48%) per annum.

### 10. CONTINGENCIES AND COMMITMENTS

### 10.1 Contingencies

- **10.1.1** Guarantees aggregating Rs.311.654 million (June 30, 2023: Rs.311.654 million) have been issued by banks of the Company to different parties including Government institutions and Sui Northern Gas Pipeline Limited.
- 10.1.2 The Gas Infrastructure Development Cess ("GIDC") was initially imposed as a levy on gas consumers in 2011 vide GIDC Act 2011. The said Act was challenged in Peshawar High Court ("PHC") that declared the levy of GIDC unconstitutional. The Government challenged the PHC's decision in the Supreme Court of Pakistan ("SCP"). The SCP upheld the PHC's decision declaring GIDC a fee and not a tax that could not be introduced through money bill. Soon after the said decision, GIDC Ordinance 2014 was promulgated through which GIDC was again imposed. The Ordinance was also given retrospective effect from December 15, 2011. While the Ordinance was still in the field, the Government sought a review of the SCP's decision which was also dismissed by the SCP.

In May 2015, the government passed the GIDC Act, 2015 whereby GIDC was again imposed on gas consumers. The Company filed the writ petition in the PHC and challenged the validity of the GIDC Act, 2015. The PHC dismissed the writ petition of the Company vide its judgment dated May 31, 2017, and declared the GIDC Act, 2015 to be intra vires the Constitution. The Company preferred an appeal to the SCP against the said judgment of PHC. The SCP vide its detailed judgment dated August 13, 2020 declared the GIDC Act, 2015 as valid and constitutional. The SCP in its said judgment stated that the Cess under GIDC Act, 2015 is applicable only to those consumers of natural gas which on account of their industrial or commercial dealings had passed on GIDC burden to their end customers/ clients. Subsequently, the Company, filed a review petition against the said decision of the SCP for waiver of the full amount of GIDC Cess on the ground that the Company, being spinning unit and producing raw material for weaving sector, has not passed on the burden of GIDC to its customers. The SCP dismissed the afore-mentioned review petition vide its judgment dated November 02, 2020, however, SCP mentioned in its said judgment that the companies claiming any relief under GIDC Act 2015 may approach the right forum. In case of adverse decision the contingent liability, aggregates to the tune of Rs.279.645 million, calculated on the basis of applicable rate for industry from June, 2015 to October, 2018 because from October 2018 the gas tariff is inclusive of all charges including GIDC and therefore GIDC is not applicable afterwards. However, SNGPL has raised demand against GIDC of Rs.850.542 million in their bill.

In February 2021, the Company filed a writ petition No. 872-P/2021 in PHC claiming non-applicability of GIDC Act 2015 and sought relief against the recovery of GIDC Installment Bills. The PHC vide its judgment dated June 15, 2022 dismissed the writ petition on the

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2023

ground of non-maintainability. Afterward, the Company filed another writ petition No. 2459-P/2022 challenging recovery of GIDC on various grounds. The PHC passed an interim order on July 21, 2022 and thereby restrained SNGPL from cutting off the gas supply and recovering GIDC from the Company.

- 10.1.3 The OGRA, while citing the judgment of the Hon'able SC dated May 10, 2019 in civil appeal in number 159-L to 2014-L of 2018 titled Sui Northern Gas Pipelines Ltd, Vs Bulleh Shah Packaging (Pvt.) Ltd., passed the decision that the consumer who are having supply of natural gas for industrial use and having in-house electricity generation facility for self-consumption fall in the category of industrial consumers and are subject to the corresponding tariff. The OGRA also directed SNGPL to adjust the excess amount paid. Excess amount paid by the company is Rs.72.440 million which is expected to be adjusted by the SNGPL in future gas bills. The Company has not accounted for the same amount as receivable in the financial statements.
- 10.1.4 The Company has challenged SRO#584(I)/2017 by filing a writ petition dated May 15, 2018 before PHC, challenging the levy of further tax @ 1% on textile goods usable as industrial inputs if supplied to unregistered person under section 3(A) of Sales Tax Act, 1990. The PHC has granted stay against the charging of further tax the Respondents has been asked to submit their comments. The petition before the PHC is pending adjudication. However, in a similar case, Lahore High Court has decided the matter in favour of industry vide its judgement dated December 11, 2018.
- **10.1.5** The Finance Act, 2018 amended Section 5A of the Income Tax Ordinance, 2001 and introduced tax on every public company at the rate of 5% of its accounting profit before tax for the year. However, this tax shall not apply in case the Company distribute 20% of the accounting profit through cash dividend within six months of the end of the said year.

The Company filed a Constitutional Petition (CP) no. 6256-P/2019 before the PHC on November 22, 2019 challenging the vires of amended Section 5A of the Income Tax Ordinance, 2001, and PHC accepted the CP and granted stay against the section 5A.

The dividend paid by the Company for the financial year 2019 does not meet the minimum prescribed distribution rate of amended Section 5A of the Income Tax Ordinance, 2001. In case the PHC's decision is not in favor of the Company; the Company will be liable to pay additional tax at the rate of 5% of its profit before tax for the financial year ended June 30, 2019. As at reporting date no charge has been recorded in this respect.

### 10.2 Commitments

**10.2.1** Commitments against irrevocable letters of credit outstanding at the year-end were for Rs.93.827 million (June 30, 2023: Rs.338.992 million).

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2023

10.2.2 The Company has entered into Ijarah arrangements for thirty-two (June 30, 2023: thirty four) vehicles with Bank Alfalah Limited, Meezan Bank Limited and First Habib Mudaraba. Aggregate commitments for rentals under Ijarah arrangements at the reporting dates were as follows:

	Un-audited	Audited
	December 31,	June 30,
	2023	2023
	Rup	oees in '000
Not later than one year	33,450	35,924
Later than one year but not later than five years	59,084	80,231
	92,534	116,155

### 11. SALES - Net

11.1 Detail of the Company's revenue from contracts with customers is as follows:

	Quarter	Quarter ended		eriod ended
	December 31,	December 31,	December 31,	December 31,
	2023	2022	2023	2022
		Rupees ii	n '000	
Own manufactured goods (local)				
Yarn	2,832,072	2,365,253	5,637,076	4,865,623
Surgical cotton	31,830	12,355	68,922	51,133
Waste	13,961	13,263	41,650	30,709
	2,877,863	2,390,871	5,747,648	4,947,465
Own manufactured goods (export)				
Yarn	16,874	-	69,976	-
Surgical cotton	81,411	40,452	186,417	84,979
	98,285	40,452	256,393	84,979
Trading activities:				
Raw material	12,834	463,563	370,697	518,218
	2,988,982	2,894,886	6,374,738	5,550,662

11.2 All the contacts were under one performance obligation and the revenue has been recognised at the point in time when the goods have been transferred to the customers.

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2023

		Six months period ended		
		Decem	ber 31,	
		2023	2022	
12.	CASH USED IN OPERATIONS	Rupees	in '000	
	Loss for the period - before taxation	(234,687)	(611,722)	
	Adjustments for non-cash charges and other items:			
	Depreciation and amortisation	191,702	161,238	
	Staff retirement benefits - gratuity (net)	(4,761)	(32,079)	
	Loss on sale of operating fixed assets - net	2,988	77	
	Finance cost	845,137	691,167	
	Exchange fluctuation gain - net	2,604	(44)	
	Loss on sale of short term investments	-	301	
	Profit before working capital changes	802,983	208,938	
	Effect on cash flow due to working capital changes			
	(Increase) / decrease in current assets:			
	Stores, spare parts and loose tools	61,060	(8,496)	
	Stock-in-trade	(205,949)	(48,842)	
	Trade debts	(12,257)	523,143	
	Loans and advances	40,706	32,192	
	Trade deposits and short term prepayments	4,069	(1,423)	
	Other receivables	25,703	(7,575)	
	(Decrease) / increase in current liabilities:			
	Trade and other payables	289,264	(1,006,897)	
	Contract liabilities	(77,950)	53,880	
		124,646	(464,018)	
	Cash generated from / (used in) operating activities	927,629	(255,080)	
	Income taxes paid	(59,967)	(285,583)	
	Long term deposits from employees	(5,531)	384	
	Long term loans	776	506	
	Long term deposits	1,626	(3,217)	
		864,533	(542,990)	
		Un-audited	Audited	
		December 31,	June 30,	
		2023	2023	
13.	TRANSACTIONS WITH RELATED PARTIES		in '000	
13.1	Period / year end balances are as follows:			
	Long term loan	492,300	_	
	Short term borrowings	600,000	770,000	
	Other receivables		25,257	
		(104.700)	25,257	
	Other payables	(184,788)		

**Un-audited** 

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2023

### 13.2 Significant transactions with related parties are as follows:

Relationship	Nature of transactions —	Un-audited Six months period ended December 31,			
				2023	2022
		Associated			
Companies &					
Undertakings					
•	Purchase of goods and services	-	3,126		
	Sale of goods and services	-	105,276		
	Purchase of fixed assets	-	65,151		
	Loan obtained	492,300	500,000		
	Loan repaid	170,000	-		
	Mark-up accrued on loan	98,510	12,991		
	Mark-up paid on loan	130,000	-		
	Donations made	1,860	3,720		
Related Party	Gas purchased	434,190	-		
Key management personnel	Remuneration and other benefits	5,535	17,321		
Others	Consultancy charges	-	10,000		

#### 14. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

There has been no change in the Company's sensitivity to these risks since June 30, 2023, except for the change in exposure from liquidity risks due to increase in borrowings and general exposure due to fluctuations in foreign currency and interest rates. There have been no change in risk management objectives and policies of the Company during the current period.

These condensed interim financial statements does not include all financial risk management information and disclosures as required in the audited annual financial statements and should be read in conjunction with the Company's audited annual financial statement as at June 30, 2023.

### 15. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

Fair values categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique are as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities [Level 1].
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) [Level 2].
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) [Level 3].

During the period ended December 31, 2023, there were no transfers amongst the levels. Further, there were no changes in the valuation techniques during the period.



FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2023

The Company's financial assets measured at fair value consists of level 2 financial assets amounting Rs.4.886 million (June 30, 2023: Rs.4.886 million) and level 3 financial assets amounting Rs.10 million (June 30, 2023: Rs.10 million).

The carrying values of all other financial assets and liabilities reflected in the financial statements approximate their fair values.

#### 16. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim statement of financial position has been compared with the balances of audited annual financial statements of the Company for the year ended June 30, 2023, whereas, the condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity have been compared with the balances of comparable period of condensed interim financial statements of the Company for the six months period ended December 31, 2022.

#### 17. EVENT SUBSEQUENT TO THE REPORTING DATE

Subsequent to the period-end, on request of the Company, Saif Holdings Ltd. (an Associated Company that holds 49.58% share capital of the Company) has waived off outstanding principal balance of its short term loan of Rs.600 million with effect from January 02, 2024 (effective date)vide waiver agreement dated January 26, 2024. The Company is liable to pay outstanding amount of mark-up till effective date.

#### 18. GENERAL

- 18.1 These condensed interim financial statements were approved by the Board of Directors and authorised for issue on February 28, 2024.
- 18.2 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

MUHAMMAD LUQMAN Chief Financial Officer

ASSAD SAIFULLAH KHAN Director





### Saif Textile Mills Limited

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