

# Service Industries Textiles Ltd



# DISCLAIMER

The presentation is only for the information and discussion purpose with the participants. Any expression, information, statement or representation made during the discussion shall not be judged by any investor or potential investor as an advice or recommendation in relation to holding , purchasing or selling securities without proper consideration. It is suggested before acting on any information's shared or and remarks made during the discussion process , one should seek appropriateness and accuracy of information.



# ABOUT THE COMPANY

- The company was incorporated in Pakistan in 1962 as a Private Limited Company under the repealed Companies Act 1913, (now the Companies Act, 2017) and was subsequently converted into a Public Limited Company in 1970. The Company is listed on Pakistan Stock Exchange. The principal activity of the Company is manufacturing and sale of yarn made from raw cotton. Factory is situated at Gujrat and the registered office of the Company is situated at 38 - Empress Road, Lahore. Currently company has no external long term or short term debt and is a running and meeting its cash flow requirements through its own resources. At present the plant consists of 17,280 spindles with sufficient automatic cone winders besides other allied machinery capable of manufacturing around 7,036,705 kilograms of cotton and blended yarn ( based on 20/s) . The company also has an electricity self-generation facility.

# CORPORATE INFORMATION

- *SYMBOL of COMPANY in PAKISTAN STOCK EXCHANGE(PSX):*  
"SERT"
- *LEGAL STATUS:*  
Public Limited Company
- *AUDITORS:*  
Crowe Hussain Chaudhury & CO.  
(Chartered Accountants)
- *SHARE REGISTRAR:*  
Corplink (Pvt) Ltd.

# Board of Directors

- *Independent Director:*
  - Mr. Omer Mohyud Din Malik
  - Ms. Zainab Khan
- *Executive Director:*
  - Mr. Mohammad Hameed
  - Mr. Murtaza Hameed
- *Non-Executive Director:*
  - Mr. Aamer Hameed (Chairman)
  - Mr. Tariq Hameed
  - Ms. Sadia Hamid

# CUURENT ECONOMIC SCENARIO

During the year, net revenue from sales were Rs. 1.341 Billion as compared to Rs. Rs 1.052 Billion during the previous year. Gross loss for the year is Rs. 35.239 Million as compared to gross loss of Rs. 109.482 Million in the preceding year. The company has incurred a net loss after taxation of Rs.100.644 Million as compared to net loss of Rs. 157.918 Million in last year. Major reason for the loss is unprecedented high cost of fuel and energy during the year. Energy costs, whether for electricity or gas, remain prohibitively high. The factors contributing in high energy cost are withdrawal of RCET (regionally competitive energy tariff) and depreciation of Pakistani rupee to record low against the dollar. Industrial power tariffs in Pakistan are currently at around 17 cents/kWh. This is over twice the regional average. The price of gas has been raised to Rs. 2,750/MMBtu, this will take the price of captive generation from around 10 cents/kWh to 13 cents/kWh which is well above a regionally competitive level of 9 cents/kWh and power tariffs in regional economies. If the Government fails to address this issue timely and is unable to provide the energy at RCET then this will hit the textile industry adversely and number of mills will be forced to either close or curtail their operations /productions

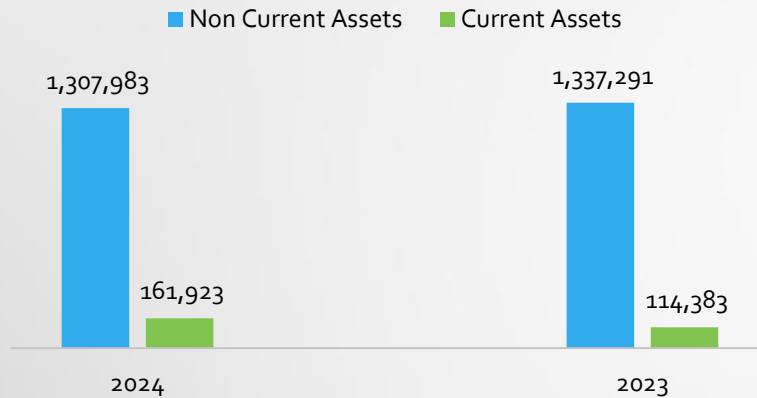
# FUTURE OUTLOOK / CHALLENGES

- Pakistan is facing economic turmoil, inflation was at all-time high and Pakistani rupee has been depreciated to record low. Exports have been declined, whereas imports are increasing, putting the targeted current account deficit at risk. Number of mills have either shut their operations or curtailed the production. However, during the second half of this year, the inflationary pressure started to ease, which further improved in the last quarter, which help in reduction of policy rate.
- During the period country also witnessed remarkable growth in cotton production, reaching 8.4 million bales which not only support the country's textile and help in stabilizing the cotton prices but also made significant contributions to both saving and earning foreign exchange. However, for the year 2024-2025 cotton production will again miss the target. The cotton production is on a decline for last many years due to multiple factors such as climate change, uncertified seeds, unchecked business of spurious pesticides, and high cost of production with diminishing return for farmers. Though the Government has realized the challenges for improving the yield and quality of cotton crops and has taken small steps for its improvement still there is a long way to go. Government should fully support the farmers and help them in up-gradation of ginning technology, educate the farmer to use the quality seed and make investment in research and development of quality seed, capacity building of farmers and introduce incentives for better quality cotton that would help in motivating the farmers
- Revival of textile industry was mainly based on providing the energy at RCET (regionally competitive energy tariff) which helped the Punjab based textile sector to compete regionally.. However because of its withdrawal and depreciation of Pakistani rupee to record low against the dollar has made the energy cost unbearable. Also the disparity in price of energy between provinces has adversely hit the profitability of Punjab based textile industry and as a result number of mills have shut or reduced their operations during the year. The industry was encouraged to shift from gas-based Captive Power Generation to the national power grid to save gas but the grid electricity apart from being uncompetitive is unreliable and substandard, reducing effective production capacity by over 25% and as a result increases conversion cost by 40%.
- We are fully aware of the challenges and are prepared to do everything possible to mitigate the adverse impact of such an event as far as it is under the control of management. We remain hopeful of the improving macro and micro economic situation of the Country. The Directors of your Company are committed to run the Company at any cost and therefore we are doing our utmost to make your Company more competitive by following best practices and making the Company more viable.

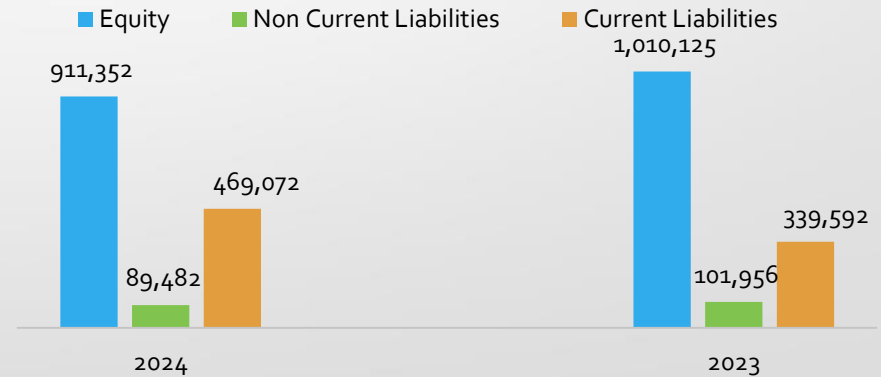


# FINANCIAL POSITION AS AT JUNE 30, 2024

## Assets - (PKR in '000')



## EQUITY & LIABILITIES (PKR in '000')





# STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED JUNE 30, 2024

|   | 2024                 | 2023                 |
|---|----------------------|----------------------|
|   | Rupees               | Rupees<br>(Restated) |
| Revenue                                   | 1,341,317,598        | 1,051,602,974        |
| Cost of sales                             | (1,376,556,469)      | (1,161,445,018)      |
| <b>Gross Loss</b>                         | <b>(35,238,871)</b>  | <b>(109,842,044)</b> |
| <b>Operating expenses:</b>                |                      |                      |
| - Distribution cost                       | (9,069,761)          | (7,385,834)          |
| - Administrative expenses                 | (34,700,190)         | (35,177,828)         |
|   | (43,769,951)         | (42,563,662)         |
| <b>Operating Loss</b>                     | <b>(79,008,822)</b>  | <b>(152,405,706)</b> |
| Finance cost                              | (12,262,287)         | (12,371,386)         |
| Other operating expenses                  | (1,579,670)          | (852,500)            |
| Other income                              | 131,266              | 8,258,846            |
|   | (13,710,691)         | (4,965,040)          |
| <b>Loss before Levy / Taxation</b>        | <b>(92,719,513)</b>  | <b>(157,370,746)</b> |
| Levy                                      | (16,766,470)         | (13,287,162)         |
|   |                      |                      |
| <b>Loss before Income Tax</b>             | <b>(109,485,983)</b> | <b>(170,657,908)</b> |
| Income tax                                | 8,841,956            | 12,739,476           |
| <b>Net Loss for the Year</b>              | <b>(100,644,027)</b> | <b>(157,918,432)</b> |
| <b>Loss per Share - Basic and Diluted</b> | <b>(7.30)</b>        | <b>(11.45)</b>       |

# Key Operational and Financial Data

|                                | JUNE 2024 | JUNE 2023 | JUNE 2022 | JUNE 2021 | JUNE 2020 | JUNE 2019 | JUNE 2018 |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|                                | Rs. '000  | Rs. '000  | Rs. '000  | Rs. '000  | Rs. '000  | Rs. '000  | Rs. '000  |
|                                |           |           |           |           |           |           |           |
| <b>Sales</b>                   | 1,341,318 | 1,051,603 | 1,341,765 | 1,230,010 | 921,250   | 979,881   | 854,392   |
| <b>Gross Profit / (Loss)</b>   | (35,239)  | (109,842) | 37,645    | 130,246   | 59,146    | 85,254    | 48,176    |
| <b>Operating Profit/(Loss)</b> | (78,409)  | (152,406) | (8,452)   | 87,222    | 23,934    | 54,684    | 21,444    |
| <b>Profit/(Loss)before Tax</b> | (92,120)  | (157,371) | (7,552)   | 80,734    | (1,832)   | 42,758    | 13,060    |
| <b>Tax</b>                     | (7,925)   | (548)     | (3,818)   | (21,192)  | (23,210)  | (5,644)   | (2,413)   |
| <b>Profit/(Loss) after Tax</b> | (100,044) | (15,792)  | (11,370)  | 59,543    | (25,042)  | 37,114    | 1,065     |
|                                |           |           |           |           |           |           |           |
| <b>Total Assets</b>            | 1,469,906 | 1,451,674 | 1,492,622 | 866,901   | 828,577   | 811,059   | 606,487   |
| <b>Current Liabilities</b>     | 468,472   | 339,592   | 197,287   | 174,181   | 166,913   | 132,778   | 167,362   |
|                                | 1,000,834 | 1,112,081 | 1,295,335 | 692,720   | 661,664   | 678,281   | 439,125   |
|                                |           |           |           |           |           |           |           |
| <b>Presented by:</b>           |           |           |           |           |           |           |           |
|                                |           |           |           |           |           |           |           |
| <b>Equity-net</b>              | 911,352   | 1,010,125 | 1,167,855 | 563,211   | 543,911   | 571,517   | 363,685   |
| <b>Long term loans</b>         | 19,213    | 26,295    | 46,066    | 52,209    | 26,270    | 36,700    | 48,700    |
| <b>Deferred Liability</b>      | 70,269    | 75,661    | 81,414    | 77,300    | 91,484    | 70,065    | 26,740    |
|                                | 1,000,834 | 1,112,081 | 1,295,335 | 692,720   | 661,664   | 678,281   | 439,125   |

# QUESTION AND ANSWER SESSION

Honorable guests and shareholders are requested to proceed for Question & answer session with regards to financial statements for the year ended June 30, 2024.

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