

DIRECTOR'S REPORT
FOR THE 3RD QUARTER/ ENDED 31ST MARCH, 2018

Dear Members,

The Directors are pleased to present the accounts of the Company for the 3rd quarter Ended 31st March, 2018.

The overall Performance of the company is summarized below:

	31st March-18	31st March-17
Operating Profit	366,645,357	300,599,890
Financial & Others	<u>(152,513,300)</u>	<u>(123,389,262)</u>
Profit before Taxation	214,132,057	177,210,628
Taxation	(43,246,170)	(39,667,646)
Profit after Taxation	170,885,887	137,542,982
Earning per share	27.73	22.32
Gross Margin %	10.54 %	10.47 %
Operating Profit %	4.37 %	4.51 %

OPERATING RESULT

During the period under review, the company has made a profit Rs.170.886 million as compared To Rs.137.542 million during the same period of last year. Yarn price increased by 6 % and at the same time raw material price increased by 6 %. Financial charges increased due to increase in Stock in Trad coupled with increase in the purchase price of cotton as well as polyester and Capital expenditure during the period. The company has changed it's policy of availing F.E loan facility as we wanted to off set the exchange rate effect on the bills becoming due against imports of machinery.

FUTURE OUTLOOK

The year seems to be one of the much better years as the management was able to procure cotton at the right time and at the right price to last till the beginning of Oct 2018. A lot of Letters of credit for new machines have been opened against the LTFB facility of the SBP at low rates of mark-up , therefore, some balancing and modernization has been undertaken with a view to increase output while at the same time reducing cost.

ACKNOWLEDGEMENT

We are grateful to almighty Allah, who helped us to come up-to the expectation of our valued shareholders, who had reposed their confidence in us and are also pleased to record our appreciation for a dedicated hard Working management, staff members & workers without which it could not have been possible for us to deliver these results. Your Board would also like to thank our valued customers, bankers for their continued Trust in the company.

On behalf of Board of Directors.

**Mohammad Yasin Siddik
Executive Director**

Karachi: 25th April, 2018

ڈائریکٹرز رپورٹ

31 مارچ 2018ء کو ختم ہونے والی تیسری سہ ماہی کی ڈائریکٹرز رپورٹ

معزز ممبران -

31 مارچ 2018ء کو ختم ہونے والی تیسری سہ ماہی کی ڈائریکٹرز رپورٹ میں ڈائریکٹرز نہایت مسرت کے ساتھ کھینے کا اذیت پیش کرتے ہیں۔ کھین کی تمام کارکردگی درج ذیل ہے:

2017 مارچ 31st	2018 مارچ 31st	
300,599,890	366,645,357	آپریٹنگ منافع
(123,389,262)	(152,513,300)	مالیات و دیگر ان
177,210,628	214,132,057	منافع قبل از ٹیکس
(39,667,646)	(43,246,170)	ٹیکسیشن
137,542,982	170,885,887	منافع بعد از ٹیکس
22.32	27.73	ٹی شیئر آمدنی
10.47%	10.54%	کل مارجن %
4.51%	4.37%	آپریٹنگ منافع %

عملیاتی نتیجہ:

زیر جائزہ مدت کے درمیان، کھین نے ۸۸۶۔۷۷۷ کا منافع جو کہ پچھلے سال اسی مدت کے درمیان تھا ۵۲۳۔۱۳۷ کمایا ہے۔ سوت کی قیمت چھ فیصد تک بڑھ چکی ہے اور اسی طرح خام مال کی قیمت بھی چھ فیصد تک بڑھ چکی ہے۔ مالیاتی اخراجات بڑھ گئے ہیں۔ کیونکہ مال کی تعداد بھی بڑھ چکی ہے۔ اسی طرح تجارت دہی ہوئی ہے۔ کیونکہ اسی سہ ماہی کے درمیان کپاس، پولیسٹری قیمت خرید اور سرمایہ کاری کا خرچہ بھی بڑھ گیا ہے۔ کھنی ایف اے یون لے کی سہولت تبدیل کر چکی ہے۔ کیونکہ ہم چاہتے ہیں کہ شیئری گورنر آمد کرنے کی وجہ سے جو بل بھرے جاتے ہیں ان کو روکا جائے کیونکہ وہ اثر انداز ہوتے ہیں۔

مستقبل کا نقطہ نظر:

یہ سال پچھلے سال سے کافی بہتر ہے کیونکہ کی ٹینڈنس اس قابل ہوئی ہے کہ کپاس کی خریداری صحیح وقت اور صحیح قیمت پر ہوگی ۲۰۱۸ اکتوبر کے آخر تک ٹی شیئروں کی خرید کیلئے ایف اے آئی کے ادارے کی ایف اے ایف کی سہولت کو حاصل کرتے ہوئے مدد کی کم شرح رکھتے ہوئے ادھار کیلئے خط لکھا جا چکا ہے۔ اسی لئے پیداوار میں اضافہ کے لئے زماں حال کے مطابق توازن کو برقرار رکھتے ہوئے قیمت کو بھی کم رکھنا ہے۔

اعتراف:

ہم اللہ تعالیٰ کے بے حد شکر گزار ہیں جس نے ہمارے محترم شیئر ہولڈرز کی ترقی کیلئے راہ ہموار کی جس کی وجہ سے ہم پر ان کا اعتماد، بحال ہوا اور ہم اپنے جتنی انتظامیہ اسٹاف ممبر ز اور ورکرز کے بھی تبدیل سے شکر گزار ہیں کیونکہ ان کے بغیر ہمارے لئے بہتر نتائج حاصل کرنا ممکن نہیں۔ آپ کی کھنی کا بورڈ اپنے محترم ممبران، بینکرز کے بھی شکر گزار ہیں جن کا ہماری کھنی پر مسلسل اعتماد ہے۔

بتوسط بورڈ آف ڈائریکٹرز

محمد یاسین صدیقی
ایگزیکٹو ڈائریکٹر

25th اپریل 2018 کراچی

**BALANCE SHEET (Un-audited)
AS AT MARCH 31, 2018**

	Note	31-Mar-18 Rupees	30-Jun-17 Rupees
Property Plants' and Equipment	5	2,804,614,010	2,113,732,135
Long Term Deposits		1,504,100	1,504,100
CURRENT ASSETS:			
Stores and spares		48,543,693	32,979,036
Stock-in-trade		1,636,029,186	1,372,120,482
Trade debts (unsecured considered good)		1,170,170,284	1,154,830,628
Tax refunds due from government		89,874,470	131,428,862
Advances, Trade deposit, prepayment & other receivables		71,256,169	49,467,579
Cash & bank balances		2,247,607	8,959,281
		3,018,121,409	2,749,785,868
		5,824,239,519	4,865,022,103
SHARE CAPITAL			
Authorised Capital:		70,000,000	70,000,000
7,000,000 ordinary shares of Rs. 10/-			
Issued Subscribed and Paid-up Capital		61,630,000	61,630,000
6,163,000 ordinary shares of Rs. 10/-		1,579,950,780	1,485,033,530
Un-appropriated profit brought forward		1,641,580,780	1,546,663,530
Surplus on revaluation of fixed assets		7,861,518	8,930,381
Long Term Loan		1,397,923,006	805,266,207
Deferred Liabilities			
Staff Gratuity		28,266,696	23,293,814
Taxation		-	8,135,055
		28,266,696	31,428,869
CURRENT LIABILITIES:			
Trade and other payables		633,495,093	510,449,697
Short term finance		1,941,435,846	1,877,897,222
Markup accrued on loans		47,405,586	32,883,404
Current portion of Long term loans		126,270,994	51,502,793
		2,748,607,519	2,472,733,116
Contingencies & commitments		-	-
		5,824,239,519	4,865,022,103

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

Karachi: 25th April, 2018 Director Director C.F.O.

**PROFIT AND LOSS ACCOUNT(Un-audited)
FOR THE THIRD QUARTER ENDED MAR 31, 2018**

	Note	NINE MONTHS ENDED		3RD QUARTER	
		MARCH 31,		JAN-MAR	
		2018	2017	2018	2017
		Rupees	Rupees	Rupees	Rupees
Sales	6	4,897,767,396	3,924,786,160	1,634,632,812	1,416,774,636
Cost of Sales	7	(4,381,478,872)	(3,513,764,710)	(1,422,117,790)	(1,245,394,080)
Gross Profit		516,288,524	411,021,450	212,515,022	171,380,556
Operating Expenses					
Administration & General		(80,927,812)	(60,640,616)	(28,269,950)	(20,997,508)
Distribution Costs		(68,715,355)	(49,780,944)	(21,651,959)	(16,072,965)
		(149,643,167)	(110,421,560)	(49,921,909)	(37,070,473)
Operating Profit		366,645,357	300,599,890	162,593,113	134,310,083
Financial Charges & Others		(148,331,327)	(121,978,966)	(51,584,313)	(49,648,618)
Other operating expenses		(7,469,020)	(6,816,223)	-	-
Other Income / (Loss)		3,287,047	5,405,927	2,345,617	579,548
		(152,513,300)	(123,389,262)	(49,238,696)	(49,069,070)
Profit/(Loss) before taxation		214,132,057	177,210,628	113,354,417	85,241,013
Taxation					
Current		(50,815,106)	(39,667,646)	(16,917,560)	(14,370,166)
Deffered		8,135,056	-	-	-
Prior		(566,120)	-	-	-
		(43,246,170)	(39,667,646)	(16,917,560)	(14,370,166)
Profit/(Loss) after taxation		170,885,887	137,542,982	96,436,857	70,870,847
Earning per share of Rs.10 each		27.73	22.32	15.65	11.50

Appropriation have been reflected in the statement of changes in equity.

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

Karachi: 25th April, 2018 Director Director C.F.O.

CASH FLOW STATEMENT (Un-audited)
FOR THE THIRD QUARTER ENDED MAR 31, 2018

	9-MONTHS ENDED MARCH 31, 2018 Rupees	9-MONTHS EDNED MARCH 31, 2017 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	214,132,057	177,210,628
Adjustments for non cash items:		
Depreciation	174,196,037	162,346,662
Financial charges	148,331,327	72,330,348
Gratuity provision	23,737,493	14,046,860
Contribution of W.P.P.F.	5,412,333	4,939,292
Contribution of W.W.F.	2,056,687	1,876,931
(Gain) / Loss on Disposal of Fixed Assets	410,962	149,404
Exchange Loss / (Gain) on FE Loan	4,950,624	6,132,122
Exchange Loss / (Gain) on export debtors	(8,648,633)	(11,687,453)
	<u>350,446,830</u>	<u>250,134,166</u>
Operating profit before working capital changes	564,578,887	427,344,794
Changes in Working Capital:		
(Increase) / Decrease in current assets		
Stores and spares	(15,564,657)	(1,357,221)
Stock in trade	(263,908,704)	(814,889,864)
Trade debts	(6,691,023)	(478,331,732)
Advances, Trade deposit, prepayment & other receivables	(21,788,590)	13,153,553
Increase / (Decrease) in current liabilities:		
Trade and other payables	125,429,768	230,997,278
Changes in Working Capital:	<u>(182,523,206)</u>	<u>(1,050,427,986)</u>
Cash generated from operations	382,055,681	(623,083,192)
Taxes (paid)/refund	(15,351,127)	(49,039,653)
Staff gratuity (paid)	(18,764,614)	(18,311,982)
Payment of W.P.P.F. and W.W.F.	(11,112,905)	(6,627,063)
Financial charges (paid)	(130,241,217)	(50,304,045)
	<u>(175,469,863)</u>	<u>(124,282,743)</u>
Net cash from operating activities	206,585,818	(747,365,935)
CASH FLOW FROM INVESTING ACTIVITIES		
Insurance claim receivable	1,200,000	-
Proceed from sale of fixed assets	2,440,960	2,767,000
Fixed capital expenditure	(872,175,238)	(170,635,733)
Net cash (outflow) from investing activities	(868,534,278)	(167,868,733)
CASH FLOW FROM FINANCING ACTIVITIES		
Loan obtained	802,425,000	69,520,000
Loan (paid)	(135,000,000)	(120,000,000)
Dividend (paid)	(75,726,838)	(60,716,749)
Net cash from/(used in) financing activities	591,698,162	(111,196,749)
Increase/(Decrease) in cash	(70,250,298)	(1,026,431,417)
Cash and cash equivalent as at July 1,	(1,868,937,941)	(1,107,358,174)
Cash and cash equivalent as at Mar 31,	(1,939,188,239)	(2,133,789,591)
CASH & CASH EQUIVALENT		
Cash & bank balance	2,247,607	23,163,105
Short term running finance	(1,941,435,846)	(2,156,952,696)
	<u>(1,939,188,239)</u>	<u>(2,133,789,591)</u>

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

Karachi: 25th April, 2018 Director Director C.F.O.

**STATEMENT OF CHANGES IN EQUITY (Un-audited)
FOR THE THIRD QUARTER ENDED MAR 31, 2018**

Particulars	Paid-up Capital	Unappropriated Profit	Total
Balance as at July 2016	61,630,000	1,384,023,099	1,445,653,099
Profit / (Loss) for the period (Jul'16 to Mar'17)		137,542,982	137,542,982
Transfer from surplus on revaluation of assets to unappropriated profit		744,198	744,198
Final Dividend @ 100% for Jun 30, 2016		(61,630,000)	(61,630,000)
Balance as at 31st Mar 2017-un-audited	61,630,000	1,460,680,279	1,522,310,279
Profit / (Loss) for the period (Apr'17 to Jun'17)		38,053,705	38,053,705
Transfer from surplus on revaluation of assets to unappropriated profit		248,067	248,067
Actuarial (loss) on defined benefits		(13,948,521)	(13,948,521)
Balance as at 30th June 2017-Audited	61,630,000	1,485,033,530	1,546,663,530
Profit / (Loss) for the period (Jul'17 to Mar'18)		170,885,887	170,885,887
Transfer from surplus on revaluation of assets to unappropriated profit		1,068,863	1,068,863
Final Dividend @ 125% for Jun 30, 2017		(77,037,500)	(77,037,500)
Balance as at 31st Mar 2018-un-audited	61,630,000	1,579,950,780	1,641,580,780

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

Karachi: 25th April, 2018 Director Director C.F.O.

EARNING PER SHARE (Un-audited)
FOR THE THIRD QUARTER ENDED MAR 31, 2018

	NINE MONTHS ENDED	
	31-Mar 2018	31-Mar 2017
	Rupees	Rupees
Net profit after tax for the period	170,885,887	137,542,982
Number of Ordinary shares	6,163,000	6,163,000
Earning per share	Rs. 27.73	Rs. 22.32

SELECTED EXPLANATORY NOTES TO THE ACCOUNTS FOR THE THIRD QUARTER ENDED MARCH 31, 2018

1) THE COMPANY & ITS OPERATION

The company is limited by shares incorporated in Pakistan on March 03, 1987 and quoted on Karachi Stock Exchange. The principal activity of the Company is the manufacture and sale of Cotton and Polyester Yarn.

2) BASIS OF PREPARATION

These accounts have been prepared in accordance with requirements of International Accounting Standard 34-Interim Financial Reporting.

3) These accounts are unaudited and are being submitted to shareholders in accordance with the requirements of Section 237 of the Companies Act, 2017.

4) ACCOUNTING POLICIES

The accounting policies adopted and method of computation followed for the preparation of these financial statements are the same as those applied in preparing the preceding published annual financial statements of the Company.

5) PROPERTY, PLANT AND EQUIPMENT

	Note	(Un-audited) 31-Mar-18 Rupees	(Audited) 30-Jun-17 Rupees
Operating Fixed assets	5.1 & 5.2	2,252,639,828	2,112,607,135
Capital work in progress	5.3	551,974,182	1,125,000
		2,804,614,010	2,113,732,135

	NINE MONTHS ENDED		YEAR ENDED	
	March 31, 2018		June 30, 2017	
	RUPEES			
5.1 Major additions and disposals are as follows :	Additions	Disposals (At cost)	Additions/ transfers	Disposals (At cost)
Freehold land	959,089		284,509	-
Building and godown on free hold land	1,206,877		93,083,001	-
Plant and machinery	312,433,593	10,604,558	109,309,891	-
Office tools, fire fighting and laboratory equipment	200,400		124,000	-
Furniture & Fixtures	94,000	7,300	1,024,500	-
Computer and allied equipment	536,500		696,100	666,700
Vehicles	6,850,788	3,871,153	41,688,894	9,409,450
Electrical instruments and installation	3,042,645		10,366,067	
	325,323,892	14,483,011	256,576,962	10,076,150

5.2 Depreciation of operating fixed assets for the nine months ended March 31, 2018 amounted to Rs.174.196 million (nine months ended March 31, 2017 : Rs.162.347 million).

	(Un-audited) 31-Mar-18 Rupees	(Audited) 30-Jun-17 Rupees
5.3 Capital work in progress		
Opening balance as the beginning of the period / year	1,125,000	53,976,681
Addition during the period / year :		
- Machinery	543,578,745	94,828,379
- Civil works	5,884,053	39,606,903
- ERP software	1,386,384	625,000
	550,849,182	135,060,282
Transfers to operating fixed assets during the period / year	-	(187,911,963)
Closing balance	551,974,182	1,125,000

	NINE MONTHS ENDED		THIRD QUARTER ENDED	
	MARCH 31, 2018	MARCH 31, 2017	MARCH 31, 2018	MARCH 31, 2017
	Rupees	Rupees	Rupees	Rupees
6) SALES				
Local Sales	531,372,378	404,324,295	192,729,702	180,610,265
Export sales - Indirect	3,520,672,380	2,737,528,575	1,222,205,380	975,517,259
Export sales - Direct	766,589,506	808,737,703	223,659,397	275,238,455
Duty drawback	14,218,914	-	3,700,000	-
Raw material and wastage sales	104,026,607	13,373,100	2,425,458	2,849,734
	<u>4,936,879,785</u>	<u>3,963,963,673</u>	<u>1,644,719,937</u>	<u>1,434,215,713</u>
Commission and brokerage	(38,290,230)	(38,275,984)	(9,858,384)	(17,153,818)
Discount & claims	(822,159)	(901,529)	(228,741)	(287,259)
	<u>(39,112,389)</u>	<u>(39,177,513)</u>	<u>(10,087,125)</u>	<u>(17,441,077)</u>
	<u>4,897,767,396</u>	<u>3,924,786,160</u>	<u>1,634,632,812</u>	<u>1,416,774,636</u>
7) COST OF SALES				
Opening finished stock	413,685,052	231,317,311	306,282,593	277,023,385
Cost of goods manufactured	7.1 4,105,765,794	3,621,106,028	1,340,654,057	1,315,275,104
Trading Cost	90,916,043	5,745,190	4,099,782	206,612
Purchase of Yarn	30,625	2,707,202	-	-
	<u>4,610,397,514</u>	<u>3,860,875,731</u>	<u>1,651,036,432</u>	<u>1,592,505,101</u>
Closing finished stock	(228,918,642)	(347,111,021)	(228,918,642)	(347,111,021)
	<u>4,381,478,872</u>	<u>3,513,764,710</u>	<u>1,422,117,790</u>	<u>1,245,394,080</u>
7.1 Cost of goods manufactured				
Raw material consumed	7.2 3,034,964,500	2,644,409,843	990,243,065	996,565,937
Stores, spares and packing materials	144,944,695	137,167,242	48,831,872	54,795,117
Salaries, wages and other benefits	386,005,826	345,969,083	126,487,170	118,593,055
Fuel and power	332,164,883	302,375,594	102,956,500	83,649,713
Water charges	6,795,650	6,026,015	2,401,875	2,022,345
Vehicles running and maintenance	5,376,390	3,831,828	2,510,818	1,191,721
Repairs and maintenance	4,812,586	4,313,549	1,900,423	945,945
Insurance	14,389,354	18,134,155	4,864,365	6,500,000
Depreciation	163,569,096	158,574,157	57,915,174	50,928,130
Other manufacturing expenses	11,141,419	12,789,025	3,155,552	4,730,700
	<u>4,104,164,399</u>	<u>3,633,590,491</u>	<u>1,341,266,814</u>	<u>1,319,922,663</u>
Work in process				
Opening	42,469,730	36,095,504	40,255,578	43,932,408
Closing	(40,868,335)	(48,579,967)	(40,868,335)	(48,579,967)
	<u>1,601,395</u>	<u>(12,484,463)</u>	<u>(612,757)</u>	<u>(4,647,559)</u>
	<u>4,105,765,794</u>	<u>3,621,106,028</u>	<u>1,340,654,057</u>	<u>1,315,275,104</u>
7.2 Raw material consumed				
Opening stock	896,301,249	614,939,171	1,501,238,927	1,293,190,801
Purchases	3,414,659,977	3,180,788,451	678,184,603	849,154,337
	<u>4,310,961,226</u>	<u>3,795,727,622</u>	<u>2,179,423,530</u>	<u>2,142,345,138</u>
Sale of Cotton	(90,916,043)	(5,745,190)	(4,099,782)	(206,612)
Closing Stock	(1,185,080,683)	(1,145,572,589)	(1,185,080,683)	(1,145,572,589)
	<u>3,034,964,500</u>	<u>2,644,409,843</u>	<u>990,243,065</u>	<u>996,565,937</u>

8) AUTHORISATION FOR ISSUE

These accounts have been authorised for issue on 25th APRIL, 2018 by the Board of Directors of the Company.

9) AGGREGATED TRANSACTIONS WITH ASSOCIATES UNDERTAKING

Related parties comprise companies with common directorship, major shareholders, directors, key management personnel and their close family members. Transactions with related parties, other than remuneration and benefits to key management personnel under the terms of their employment, are as follows:

Sales of goods during the period	<u>31,066,219</u>	<u>46,431,843</u>	<u>5,892,600</u>	<u>30,929,690</u>
Outstanding balance due as at Mar 31,	<u>1,984,631</u>	<u>1,238,201</u>	<u>1,984,631</u>	<u>1,238,201</u>

10) Figures have been rounded off to the nearest rupee.

Karachi: 25th April, 2018

Director

Director

C.F.O.