



Service Industries Textiles Limited

**QUARTERLY REPORT
UN-AUDITED
1st Quarter Ended
September 30, 2019**



COMPANY INFORMATION

BOARD OF DIRECTORS : Ijaz Hameed (Chairman/Non Executive Director)
Mohammad Hameed (Chief Executive/Executive Director)
Aamer Hameed (Executive Director)
Uzma Hameed (Non Executive Director)
Tariq Hameed (Non Executive Director)
Omer Mohyudin Malik (Independent Director)
Murtaza Hameed (Non Executive Director)
Sajid Saleem Minhas (Non Executive Director)

CHIEF FINANCIAL OFFICER : M. Muddasar Shahzad

COMPANY SECRETARY : Usman Khalid

AUDIT COMMITTEE : Omer Mohyudin Malik (Chairman)
Sajid Saleem Minhas (Member)
Murtaza Hameed (Member)

HUMAN RESOURCE & REMUNERATION COMMITTEE : Omer Mohyudin Malik (Chairman)
Ijaz Hameed (Member)
Tariq Hameed (Member)

BANKERS : MCB Bank Limited
Bank Alfalah Limited

AUDITORS : Horwath Hussain Chaudhury & Co.,
Chartered Accountants

INTERNAL AUDITOR : Awan & Co.
Chartered Accountants

REGISTERED OFFICE : 38-Empress Road, Lahore
Telephones: 36304561-3, 36367861-3
Telefax: (92-42) 3636 7861
E-mail: info@prime-service.com

MILLS : G.T Road, Gujrat
Telephone: (92-53) 3514065, 3535085
Telefax: (92-53) 3513700

Web Reference : www.sitl.com.pk

Share Registrar : Corplink (Pvt) Ltd.
Wings Arcade, 1-K Commercial
Model Town, Lahore
Tel: 042-35839182, 35916719



DIRECTORS' REPORT

The Directors of your Company present before you the un-audited financial statements for the quarter ended September 30, 2019. The financial results are as follows:

	<u>30.09.19</u> (Rupees 000)	<u>30.09.18</u> (Rupees 000)
Net Profit for the period	2,034	17,052
Accumulated loss brought forward	<u>(142,422)</u> <u>(140,388)</u>	<u>(184,791)</u> <u>(167,739)</u>
Transfer from surplus on revaluation Of fixed assets in respect of incremental Depreciation- net of deferred tax	4,318	1,576
Accumulated Loss	<u>(136,070)</u>	<u>(166,163)</u>
Earning per share - Basic	0.46	3.83

During the current period Company has earned a net profit of Rs.2.034 million as compared to net profit of Rs. 17.052 million for the same period in previous year. Major reasons for the decrease in profit in the current quarter are levy of sales tax on zero rated industry by abolishing SRO 1125, increase in the rate of turnover tax, uncertainty on imposition of CNIC condition, higher borrowing rates. Moreover target cotton crop could not be met again this year and as a result raw material prices have started showing inflationary trend which may further squeeze the profit in coming days and the only option left is to import the cotton to meet the domestic demands.

Currently Government is providing support price to textile sector in respect of electricity @7.5 cent / KWH plus 6.5\$ per MMBTU on gas in order to remove the disparity between the mills located in Punjab and Sindh. This support price will be available to the industry till December 2019 and if this support provided by the Government does not continue thereafter we foresee that no. of units based in Punjab may be forced to shut down or cut their production in coming days which will seriously cause unemployment in the country and it will adversely affect the Government efforts for the industrialization and revival of the economy of the country.

We foresee challenging times ahead but we are hopeful that current crisis will be over in the coming years by the combine efforts of Government and industry and we remain hopeful of the improving macro and micro economic situation of the Country.

For and on behalf of the Board of Directors

Mohammad Hameed
Chief Executive

Aamer Hameed
Director

Lahore
30 October, 2019



**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2019 (UN AUDITED)**

	Note	September 30 2019 (Unaudited) Rupees	June 30 2019 (Audited) Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment	4	691,520	697,318
Long term deposits		17,036	17,036
Current Assets			
Stores and spares		4,452	4,041
Stock in trade		48,660	57,899
Trade debts- Unsecured considered good		-	270
Sales tax refund due from the Government		-	1,558
Advances and other receivables		13,943	10,809
Cash and bank balances		20,235	22,128
		87,290	96,705
Less: Current Liabilities			
Trade and other payables		86,774	105,401
Unclaimed dividend		233	233
Accrued markup on long term financing		2,312	3,939
Current and overdue portion of non current liabilities		12,000	12,000
Provision for taxation		15,085	11,205
		116,404	132,778
Less: Non Current Liabilities			
Long term financing		33,700	36,700
Staff retirement benefits		10,498	10,182
Deferred tax liability		61,693	59,882
		105,891	106,764
		<u>573,551</u>	<u>571,517</u>
REPRESENTED BY:			
Authorised capital 20,000,000 (June 30, 2019: 20,000,000) ordinary shares of Rs 10 each.		<u>200,000</u>	<u>200,000</u>
Issued, subscribed and paid up capital 4,449,159 (June 30, 2019: 4,449,159) ordinary shares of Rs. 10 each.		44,492	44,492
Share deposit money		150,000	150,000
General reserve		-	-
Revaluation surplus		515,129	519,447
Accumulated loss		(136,070)	(142,422)
		<u>573,551</u>	<u>571,517</u>

Mohammad Hameed
Chief Executive

Aamer Hameed
Director

M. Muddasar Shahzad
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE QUARTER ENDED SEPTEMBER 30, 2019 (UN AUDITED)**

		Quarter Ended September 30, 2019	Quarter Ended September 30, 2018
	Notes	(Unaudited) Rupees (000)	(Unaudited) Rupees (000)
Sales		257,213	260,180
Cost of Sales	5	(238,709)	(232,220)
Gross Profit		18,504	27,960
Operating Expenses:			
Distribution Cost		(210)	(224)
Administrative expenses	6	(6,184)	(5,986)
Operating Profit		12,110	21,750
Financel cost		(3,477)	(1,350)
Other operating expenses		(907)	(1,391)
Other operating Income		-	14
Profit before taxation		7,726	19,022
Provision for taxation		(5,692)	(1,970)
Profit after taxation		2,034	17,052
Earnings per Share - Basic		0.46	3.83

Mohammad Hameed
Chief ExecutiveAamer Hameed
DirectorM. Muddasar Shahzad
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED SEPTEMBER 30, 2019 (UN-AUDITED)**

	Quarter Ended September 30, 2019 (Unaudited) Rupees (000)	Quarter Ended September 30, 2018 (Unaudited) Rupees (000)
Net Profit for the period	2,034	17,052
Other Comprehensive Income for the period		
Items that will not be reclassified to profit and loss		
Experience adjustment on remeasurement of staff retirement benefits - net of deferred tax	-	-
Unrecognized actuarial losses / transitional liability on remeasurement of staff retirement benefits - net of deferred tax	-	-
Total Comprehensive Income for the period	<u>2,034</u>	<u>17,052</u>

Mohammad Hameed
Chief ExecutiveAamer Hameed
DirectorM. Muddasar Shahzad
Chief Financial Officer



**CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE QUARTER ENDED SEPTEMBER 30, 2019 (UN-AUDITED)**

	Quarter Ended September 30, 2019	Quarter Ended September 30, 2018
	(Unaudited) Rupees (000)	(Unaudited) Rupees (000)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	7,726	19,022
Adjustments for :		
Depreciation	9,029	4,730
Provision for gratuity for the period	1,201	939
Worker's (profit) participation fund	521	1,021
Worker's welfare fund	386	369
Finance cost	3,477	1,350
	<u>14,614</u>	<u>8,409</u>
Operating Profit before working capital changes	22,340	27,431
(Increase) / decrease in current assets:		
Stores and spares	(410)	(483)
Stock in trade	9,239	18,224
Trade debts	270	1,002
Sales tax refund due from the government	1,558	(492)
Advances, deposits, prepayments and other receivables	146	69
Increase/(Decrease) in current liabilities:		
Creditors, accrued and other liabilities	(19,534)	(63,161)
	<u>(8,731)</u>	<u>(44,841)</u>
Cash used in operations	13,609	(17,410)
Income tax paid	(3,281)	(2,087)
Financial charges paid	(5,104)	(1,728)
Gratuity paid	(885)	(755)
Net Cash used in operating activities	4,339	(21,980)
CASH FLOW FROM INVESTING ACTIVITIES		
Property , plant and equipment purchased	(3,232)	(493)
Capital Work in process	-	(819)
Net cash used in Investing Activities	(3,232)	(1,312)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term finances	(3,000)	(3,000)
Net cash used in Financing Activities	(3,000)	(3,000)
Net Decrease in Cash and Cash Equivalents	(1,893)	(26,292)
Cash and Cash Equivalents at the beginning of the Year	22,128	37,203
Cash and Cash Equivalents at the end of the Period	<u>20,235</u>	<u>10,911</u>

Mohammad Hameed
Chief Executive

Aamer Hameed
Director

M. Muddasar Shahzad
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED SEPTEMBER 30, 2019 (UN-AUDITED)**

	Share capital	General Reserve	Share deposit money	Surplus on Revaluation of Fixed Assets	Accumulated loss	Total
	Rupees (000)	Rupees (000)	Rupees (000)	Rupees (000)	Rupees (000)	Rupees (000)
Balance as at June 30, 2018	44,492	-	150,000	353,984	(184,791)	363,685
Net profit for the year ended September 30, 2018					17,052	17,052
Other comprehensive income for the period ended September 30, 2018 - net of deferred tax					-	-
Transferred from surplus on revaluation of property, plant and equipment on incremental depreciation charged in current year - net of deferred tax				(1,576)	1,576	-
Balance as on September 30, 2018	44,492	-	150,000	352,408	(166,163)	380,737
Balance as at June 30, 2019	44,492	-	150,000	519,447	(142,422)	571,517
Net profit for the year ended September 30, 2019					2,034	2,034
Other comprehensive income for the period ended September 30, 2018 - net of deferred tax					-	-
Transferred from surplus on revaluation of property, plant and equipment on incremental depreciation charged in current year - net of deferred tax				(4,318)	4,318	-
Balance as on September 30, 2019	44,492	-	150,000	515,129	(136,070)	573,551

Mohammad Hameed
Chief ExecutiveAamer Hameed
DirectorM. Muddasar Shahzad
Chief Financial Officer



**NOTES TO AND FORMING PART OF THE
CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER ENDED SEPTEMBER 30, 2019 (UN-AUDITED)**

Note 1

The Company and its Operations

- 1.1 Service Industries Textiles Limited (the Company) was incorporated in Pakistan in 1962 as a Private Limited Company under the Companies Act 1913, (now The Companies Ordinance, 1984) and was subsequently converted into a Public Limited Company in 1970. The Company is listed on the Pakistan Stock Exchange Limited. The principal activity of the Company is manufacturing and sale of yarn made from raw cotton and synthetic fiber. The registered office of the Company is situated at 38 - Empress Road, Lahore.

Note 2

Basis of Preparation

- 2.1 This condensed interim financial information has 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 Standard 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 under the Companies Act, 2017 have been followed.

- 2.2 This condensed interim financial information should be read in conjunction with annual audited financial statements for the year ended June 30, 2019. Comparative balance sheet is extracted from annual audited financial statements for the year ended June 30, 2019 whereas comparative profit and loss account, comparative statement of comprehensive income, comparative cash flows statement and comparative statement of changes in equity are extracted from unaudited interim financial information for the quarter ended September 30, 2018.

- 2.3 This condensed interim financial information is presented in Pak Rupees, which is the Company's functional and presentational currency. All the figures have been rounded off to the nearest rupees, unless otherwise stated.

Note 3

Significant Accounting Policies

The Company's accounting and financial risk management policies and methods of computation of this condensed interim financial information are the same as those followed in the preparation of annual financial statements for the preceding financial year ended June 30, 2019.



Note 4	September 30	September 30
PROPERTY, PLANT & EQUIPMENT	2019	2018
	(Unaudited)	(Unaudited)
	Rupees	Rupees
	(000)	(000)
Operating fixed assets	691,520	472,259
	<u>691,520</u>	<u>472,259</u>
Note 5	September 30	September 30
COST OF SALES	2019	2018
	(Unaudited)	(Unaudited)
	Rupees	Rupees
	(000)	(000)
Raw material consumed	164,895	168,484
Stores and spares consumed	3,268	4,711
Packing material consumed	2,489	3,168
Fuel and power	34,266	22,417
Salaries & wages	26,790	27,399
Insurance	187	131
Repair & maintenance	1,507	1,848
Depreciation	8,894	4,569
	<u>242,296</u>	<u>232,727</u>
Work in process		
Opening	6,684	3,562
Closing	(8,216)	(4,239)
	<u>(1,532)</u>	<u>(677)</u>
Finished Goods		
Opening	1,384	3,111
Closing	(3,439)	(2,941)
	<u>(2,055)</u>	<u>170</u>
	<u>238,709</u>	<u>232,220</u>
Note 6	September 30	September 30
ADMINISTRATIVE AND SELLING EXPENSES	2019	2018
	(Unaudited)	(Unaudited)
	Rupees	Rupees
	(000)	(000)
Salaries & Benefits	3,501	4,068
Utilities	240	162
Printing & Stationery	23	52
Communication	130	140
Travelling & conveyance	275	252
Repairs & Maintenance	92	19
Rent, rates & Taxes	244	21
Vehicle running & Maintenance	526	427
Fee and Subscription		22
Legal & Professional charges	314	243
Entertainment	344	284
Advertisement	25	-
Newspaper & Periodicals	12	13
Donations	314	72
Gardening Expenses	2	-
Miscellaneous	7	49
Depreciation	135	161
	<u>6,184</u>	<u>5,986</u>



Note 7

TRANSACTIONS WITH RELATED PARTIES

Related parties comprise directors of the Company and their close relatives, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Significant transactions with related parties and balances due to/from them are as under:

Transactions during the year			September 30	September 30
			2019	2018
			(Unaudited)	(Unaudited)
			Rupees	Rupees
			(000)	(000)
Related party	Relationship	Nature of transaction		
Directors and close relatives thereof	Associated persons	Long term financing repaid to directors	3,000	3,000
		Markup on long term financing from directors	1,668	1,344
		Markup on long term financing repaid / adjusted	3,295	1,722
Balance outstanding as at September 30, 2018				
Directors, executives and close relatives thereof				
		Long term financing	45,700	57,700
		Accrued markup on long term financing	2,312	9,732
		Share deposit money	150,000	150,000
			<u>198,012</u>	<u>217,432</u>

Following are the related parties with whom the Company had entered into transactions or have arrangement / agreement in place.

Sr No	Company Name/ Party Name	Basis or association	Aggregate % of Shareholding
1	Mr. Aamer Hameed	Director	9.25
2	Mr. Ijaz Hameed	Director	6.03
3	Mr. Muhammad Hameed	CEO	2.02
4	Mr. Tariq Hameed	Director	2.02
5	Ms. Uzma Hameed	Director	2.48

Note 8

Date of Authorization for Issue

These financial statements were approved by the board of directors and authorized for issue on 30 October, 2019.

Note 9

CORRESPONDING FIGURES

Figures have been rounded off to the nearest thousand of rupee.

Corresponding figures have been re-arranged and re-grouped where-ever necessary for the purpose of comparison.

Mohammad Hameed
Chief Executive

Aamer Hameed
Director

M. Muddasar Shahzad
Chief Financial Officer