



Quarterly Report
Un-Audited
1st Quarter Ended
September 30, 2020

Service Industries Textiles Limited



COMPANY INFORMATION

BOARD OF DIRECTORS : Ijaz Hameed (Chairman/Non Executive Director)
Mohammad Hameed (Chief Executive/Executive Director)
Aamer Hameed (Executive Director)
Zainab Khan (Independent Director)
Tariq Hameed (Non Executive Director)
Omer Mohyudin Malik (Independent Director)
Murtaza Hameed (Non Executive Director)

CHIEF FINANCIAL OFFICER : M. Muddasar Shahzad

COMPANY SECRETARY : Usman Khalid

AUDIT COMMITTEE : Omer Mohyudin Malik (Chairman)
Zainab Khan (Member)
Murtaza Hameed (Member)

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

BANKERS : MCB Bank Limited
Meezan Bank Limited
Bank Alfalah Limited

AUDITORS : Crowe 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, 2020. The financial results are as follows:

	<u>30.09.2020</u> (Rupees 000)	<u>30.09.2019</u> (Rupees 000)
Net Profit for the period	13,398	2,034
Accumulated loss brought forward	(152,467)	(142,422)
	(139,069)	(167,739)
Transfer from surplus on revaluation Of fixed assets in respect of incremental Depreciation- net of deferred tax	3,951	4,318
Accumulated Loss	<u>(135,118)</u>	<u>(136,070)</u>
Earning per share - Basic	3.01	0.46

During the current period Company has earned a net profit of Rs.13.398 million as compared to net profit of Rs. 2.034 million for the same period in previous year. Major reason for the profit in the period under review is the timely steps taken by the Government of Pakistan in opening of the local industry related to export specially the textile sector. This has helped the textile industry - the single largest export earning sector of Pakistan to scale up productions to pre-Covid-19 level of full-capacity, as a significant improvement in containment of the pandemic in the country led the world buyers to partially divert their orders to domestic manufacturers. Apart from this Government decision to decrease the policy rate has helped the businesses to stay afloat.

However serious threats to recovery and sustainability of production to optimal level are availability of raw material (cotton) and continuation of supply of energy at subsidized prices. Again this year target cotton crop could not be met and cotton market is already witnessing the inflationary trend because of it and the only option left is to import the cotton to meet the domestic demands. 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. Government should fully support the farmers and help them in up-gradation of ginning technology so that they can fetch better returns for the crop.

The Government has already revised the subsidized rate , for export oriented sector erstwhile zero rated sector, of electricity from US cents 7.5/KWH all inclusive to US cents 9/KWH all inclusive from September 20 onward and RLNG will continue to be supplied at \$6.5/MMBTU for the FY 2020-21. This reduction in subsidy on electricity will also increase the cost of doing business.

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 are very 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
October 29, 2020



ڈائریکٹرز رپورٹ

کمپنی کے ڈائریکٹرز 30 ستمبر 2020 کو ختم ہونے والے ماہ کے عرصے کے غیر تصفیح شدہ حسابات پیش کرتے ہیں۔ مالیاتی نتائج درج ذیل ہیں۔

30.09.2020 Rupees 000)	30.09.2019 (Rupees 000)	
13,398	2,034	خالص منافع
(152,467)	(142,422)	آگے لایا گیا جمع نقصان
(139,069)	(167,739)	
3,951	4,318	ٹرانسفر فرام سرپلس آن ریویلیوشن
(135,118)	(136,070)	جمع کیا گیا نقصان
3.01	0.46	فی شیئر منافع

زیر جائزہ مدت کے دوران کمپنی نے 13.398 ملین روپے کا منافع کمایا جبکہ اسی مدت کے دوران پچھلے سال منافع 2.034 ملین روپے رہا۔ اس منافع کے بڑھنے کی اہم وجہ حکومت پاکستان کی طرف سے برآمدی شعبہ بلخصوص ٹیکسٹائل سیکٹر کو بروقت کھولنا ہے اور اس وجہ سے عالمی خریداروں نے اپنے آرڈر مقامی صنعت کو منتقل کیے جسکی بدولت ٹیکسٹائل کا شعبہ بحالی کی طرف گامزن ہوا اور اپنی پوری پیداواری صلاحیت کے مطابق چل پڑا۔ اس کے علاوہ شرح سود کو کم کیا جس نے صنعت کے پھیس کو چلنے میں مدد کی۔

اس بحالی کو برقرار رکھنے میں ٹیکسٹائل کے شعبے کو دو مشکلات کا سامنا ہے جن میں ایک تو خام مال کی مسلسل دستیابی اور دوسرا توانائی کی ارزمانوں پر مستقل دستیابی ہے۔ اس سال بھی کپاس کی فصل کا نازگٹ پورا نہیں ہو سکا اور جس کی وجہ سے کپاس کو درآمد کرنا پڑے گا لہذا مقامی مارکیٹ میں کپاس مہنگی قیمت میں دستیاب ہے۔ گزشتہ کئی سال سے کپاس کی فصل کا نازگٹ پورا نہیں کیا جا سکا جس کی مختلف وجوہات ہیں جیسا کہ موسمیاتی تبدیلیاں، غیر تصدیق شدہ بیج، غیر معیاری کیزے، مارادویات اور پیداواری لاگت میں اضافہ کی وجہ سے کسان کا منافع کم ہونا ہے۔ حکومت کو اس سلسلے میں کسان کی بھرپور مدد کرنی چاہیے اور جدید کاشت کے طریقے کسان کو سکھانے چاہیے تاکہ ان کو اپنی فصل کا صحیح منافع ملے۔

حکومت نے ستمبر 2020 سے برآمدی شعبہ کیلئے بجلی کے نرخ 7.5/KWT سینٹ سے بڑھا کر 9.0/KWT سینٹ کر دیا ہے جبکہ RLNG کی فراہمی 6.5MBTU/\$ میں جاری رہے گی۔ بجلی پر سبسڈی کی رقم کم کرنے سے کاروباری لاگت میں اضافہ ہو جائے گا۔

ہم ان مشکلات سے بخوبی آگاہ ہیں اور ان سے نمٹنے کیلئے تیار ہیں۔ ہم آنے والے سالوں میں ملکی معیشت کے مستحکم ہونے کیلئے پرامید ہیں۔

یورڈ آف ڈائریکٹرز کی طرف سے

عامر حمید
ڈائریکٹر

محمد حمید
چیف ایگزیکٹو

لاہور

مورخہ 29 اکتوبر 2020



**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
AS AT SEPTEMBER 30, 2020**

	Notes	September 30, 2020 (Un-audited) Rs. '000'	June 30, 2020 (Audited) Rs. '000'
ASSETS			
Non Current Assets			
Property, plant and equipment	4	680,152	688,124
Long term deposits		15,481	15,481
Current Assets			
Stores and spares		4,106	4,083
Stock in trade		46,082	58,540
Trade debts- Unsecured considered good		1,207	1,270
Advances and other receivables		15,922	12,835
Cash and bank balances		21,716	48,244
		89,032	124,972
Less: Current Liabilities			
Trade and other payables		79,206	134,432
Unclaimed dividend		233	233
Unpaid dividend		434	435
Accrued markupon long term financing		4,890	5,986
Current and overdue portion of non current liabilities		12,000	12,000
Provision for taxation		17,808	13,827
		114,571	166,913
Less: Non Current Liabilities			
Long term financing		23,270	26,270
Staff retirement benefits		8,807	8,924
Government dues payable		12,325	12,325
Deferred tax liability		68,382	70,234
		112,785	117,753
		557,309	543,911
REPRESENTED BY:			
Authorised capital 20,000,000 (June 30,2020: 20,000,000) ordinary shares of Rs 10 each.		200,000	200,000
Issued, subscribed and paid up capital 4,449,159 (June 30,2020: 4,449,159) ordinary shares of Rs. 10 each.		44,492	44,492
Share deposit money		150,000	150,000
Revaluation surplus		497,935	501,886
Accumulated loss		(135,118)	(152,467)
		557,309	543,911

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, 2020 (UN AUDITED)**

		Quarter ended September 30, 2020	Quarter ended September 30, 2019
	Note	(Un-audited) Rupees '000	(Un-audited) Rupees '000
Sales		265,412	257,213
Cost of Sales	5	(236,188)	(238,709)
Gross Profit		29,224	18,504
Operating Expenses:			
Distribution Cost		(1,785)	(210)
Administrative expenses	6	(8,402)	(6,184)
Operating Profit		19,037	12,110
Financel cost		(2,277)	(3,477)
Other operating expenses		(1,248)	(907)
Other operating Income		16	
		(3,509)	(4,384)
Profit before taxation		15,528	7,726
Provision for taxation		(2,130)	(5,692)
Profit after taxation		13,398	2,034
Earnings per Share - Basic		3.01	0.46

Mohammad Hameed
Chief Executive

Aamer Hameed
Director

M. Muddasar Shahzad
Chief Financial Officer



**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2020**

	Quarter ended 30 September 2020	Quarter ended 30 September 2019
	Rupees '000	Rupees '000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	15,527	7,726
Adjustments for :		
Depreciation	8,866	9,029
Provision for gratuity for the period	1,168	1,201
Worker's (profit) participation fund	915	521
Worker's welfare fund	333	386
Finance cost	2,277	3,477
	<u>13,559</u>	<u>14,614</u>
Operating Profit before working capital changes	29,086	22,340
(Increase) / decrease in current assets:		
Stores and spares	(23)	(410)
Stock in trade	12,457	9,239
Trade debts	63	270
Sales tax refund due from the government	-	1,558
Advances, deposits, prepayments and other receivables	(110)	146
Increase/(Decrease) in current liabilities:		
Creditors, accrued and other liabilities	(56,037)	(19,534)
	<u>(43,650)</u>	<u>(8,731)</u>
Cash used in operations	(14,564)	13,609
Income tax paid	(3,412)	(3,281)
Financial charges paid	(3,373)	(5,104)
Gratuity paid	(1,285)	(885)
Net Cash used in operating activities	(22,634)	4,339
CASH FLOW FROM INVESTING ACTIVITIES		
Property , plant and equipment purchased	(894)	(3,232)
Net cash used in Investing Activities	(894)	(3,232)
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	(26,528)	(1,893)
Cash and Cash Equivalents at the beginning of the Year	48,244	22,128
Cash and Cash Equivalents at the end of the period	<u>21,716</u>	<u>20,235</u>

Mohammad Hameed
Chief Executive

Aamer Hameed
Director

M. Muddasar Shahzad
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2020**

	Note	Quarter ended September 30, 2020 (Un-audited) Rupees '000	Quarter ended September 30, 2019 (Un-audited) Rupees '000
Net Profit for the period		13,398	2,034
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>13,398</u>	<u>2,034</u>

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



**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2020**

	Share Capital	General Reserve	Share Deposit Money	Surplus on Revaluation of Fixed Assets	Accum- ulated Loss	Total
	Rupees (000)	Rupees (000)	Rupees (000)	Rupees (000)	Rupees (000)	Rupees (000)
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, 2019 - 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
Balance as at June 30, 2020	44,492	-	150,000	501,886	(152,467)	543,911
Net profit for the year ended September 30, 2019					13,398	13,398
Other comprehensive income for the period ended September 30, 2020 - 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				(3,951)	3,951	-
Balance as on September 30, 2020	44,492	-	150,000	497,935	(135,118)	557,309

Mohammad Hameed
Chief Executive

Aamer Hameed
Director

M. Muddasar Shahzad
Chief Financial Officer



**NOTES TO AND FORMING PART OF THE CONDENSED
INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2020**

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 domiciled in Pakistan and listed on the Pakistan Stock Exchange. 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.
- 1.2 The Information on geographical location and address of the Company's business is as under:
- The registered office of the Company is situated at 38 - Empress Road, Lahore.
 - The Company's factory is situated at Rehman Shaheed Road, Gujrat.

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 revisions 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, 2020. Comparative balance sheet is extracted from annual audited financial statements for the year ended June 30, 2020 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, 2019.
- 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, 2020.

Note 4

PROPERTY, PLANT & EQUIPMENT

	September 30 2020 (Unaudited) Rupees (000)	June 30 2020 (Unaudited) Rupees (000)
Operating fixed assets	680,152	688,124
Capital work in progress	-	-
	<u>680,152</u>	<u>688,124</u>



Note 5 COST OF SALES	September 30	September 30
	2020	2019
	(Unaudited) Rupees (000)	(Unaudited) Rupees (000)
Raw material consumed	158,141	164,895
Stores and spares consumed	2,690	3,268
Packing material consumed	3,095	2,489
Fuel and power	30,740	34,266
Salaries & wages	31,218	26,790
Insurance	275	187
Repair & maintenance	1,843	1,507
Depreciation	8,754	8,894
	236,756	242,296
Work in process		
Opening	7,029	6,684
Closing	(7,572)	(8,216)
	(543)	(1,532)
Finished Goods		
Opening	3,408	1,384
Closing	(3,433)	(3,439)
	(25)	(2,055)
	236,188	238,709



Note 6

ADMINISTRATIVE AND SELLING EXPENSES

	September 30 2020 (Unaudited) Rupees (000)	September 30 2019 (Unaudited) Rupees (000)
Salaries & Benefits	5,395	3,501
Utilities	141	240
Printing & Stationery	90	23
Communication	258	130
Travelling & conveyance	186	275
Repairs & Maintenance	172	92
Rent, rates & Taxes	465	244
Vehicle running & Maintenance	396	526
Fee and Subscription	55	
Legal & Professional charges	432	314
Entertainment	256	344
Advertisement	-	25
Newspaper & Periodicals	18	12
Donations	401	314
Gardening Expenses	5	2
Miscellaneous	112	7
Depreciation	20	135
	8,402	6,184

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 2020 (Unaudited) Rupees (000)	September 30 2019 (Unaudited) Rupees (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	705	1,668
		Markup on long term financing repaid / adjusted	1,801	3,295
Balance outstanding as at September 30, 2018				
Directors, executives and close relatives thereof				
		Long term financing	35,270	45,700
		Accrued markup on long term financing	4,890	2,312
		Share deposit money	150,000	150,000
			190,160	198,012



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	9.70
2	Mr. Ijaz Hameed	Director	6.48
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 29 October, 2020.

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

PRINTED MATTER

If Undelivered Please return to:



Service Industries Textiles Limited

38-Empress Road, Lahore. 54000 Tel: (042) 36304561-3