



SHAMS TEXTILE MILLS LIMITED

9 MONTHS REPORT

31 March 2016

(Un-Audited)



SHAMS TEXTILE MILLS LIMITED

NINE MONTHS REPORT 2016

CONTENTS

1.	Company Information	4
2.	Directors' Report	5
4.	Balance Sheet	6-7
5.	Profit & Loss Account	8
6.	Statement of Comprehensive Income	9
7.	Cash Flow Statement	10
8.	Statement of Changes in Equity	11
9.	Notes to the accounts	12-15

COMPANY INFORMATION

Board of Directors

Muhammad Anwar	(Chairman)
Khalid Bashir	(Chief Executive)
Asif Bashir	
Khurram Mazhar Karim	
Muhammad Asif	(Nominee: NIT)
Shahid Arshad	
Sharik Bashir	

Chief Financial Officer

Farooq Ahmad

Head of Internal Audit

Tariq Javed

Company Secretary

Hashim Tariq

Audit Committee

Khurram Mazhar Karim	(Chairman)
Muhammad Anwar	(Member)
Asif Bashir	(Member)

Human Resource & Remuneration Committee

Khalid Bashir	(Chairman)
Muhammad Anwar	(Member)
Khurram Mazhar Karim	(Member)

Share Registrar

Corptec Associates (Pvt) Ltd.
503-E, Johar Town, Lahore.

Auditors

Riaz Ahmad & Company
Chartered Accountants

Bankers

Allied Bank Limited
MCB Bank Limited
National Bank of Pakistan
The Bank of Punjab
BankIslami Pakistan Limited
United Bank Limited
Habib Metropolitan Bank Limited

Registered Office

7-B-III, Aziz Avenue, Gulberg-V, Lahore
Ph: +92-423-576 0379, 576 0382
Fax: +92-423-576 0376
Email: info@shams.com.pk
Web: www.shams.com.pk

Project Locations

Kotla Kahloon, District Nankana Sahib, Punjab
3-KM, Faisalabad Road, Chiniot, Punjab

DIRECTORS' REPORT

The Directors are pleased to present their report on the operational results of the Company for the quarter ended March 31, 2016.

GENERAL REVIEW

The Textile Industry operated under severe constraints during the period under review. This was despite the improved electricity and gas situation which was alleviated to a great extent through provision of RLNG. The company operated at full production but due to low sales prices and poor offtake, the margins were significantly lower.

The sales price dropped considerably and demand remained poor. Our primary market for yarn China was very depressed. We faced severe competition from India and Vietnam. The world economy in general and the textile economy in particular impacted the demand of our products. There was slow demand from our major buyers so that prices had to be drastically cut to maintain our share of the export market. Our domestic market was also subject to imports of Indian yarn at much lower prices which affected our profitability even further. This also impacted the local sales margins and the company operations went into losses.

Operational Financial Performance:

Due to reduced margins, strict cost controls were exercised in order to reduce the cost of doing business. However, the bottom line of your Company remained negative as we had to hold larger than normal inventories.

Financial summary of the current quarter is as follow:

	Nine Months ended		Quarter ended	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	(Rupees in thousand)			
SALES	2,291,929	3,023,162	651,607	826,370
COST OF SALES	(2,244,801)	(2,889,051)	(629,507)	(774,027)
GROSS PROFIT	47,128	134,111	22,100	52,343
DISTRIBUTION COST	(56,501)	(47,600)	(19,030)	(17,201)
ADMINISTRATIVE EXPENSES	(40,614)	(37,644)	(13,478)	(11,407)
OTHER EXPENSES	(2,595)	(1,647)	(694)	(1,471)
	(99,710)	(86,891)	(33,202)	(30,079)
	(52,582)	47,220	(11,102)	22,264
OTHER INCOME	11,653	12,700	4,313	2,323
(LOSS) / PROFIT FROM OPERATIONS	(40,929)	59,920	(6,789)	24,587
FINANCE COST	(28,886)	(57,031)	(10,801)	(17,629)
(LOSS) / PROFIT BEFORE TAXATION	(69,815)	2,889	(17,590)	6,958
TAXATION	(22,505)	(30,357)	(6,883)	(9,613)
(LOSS) AFTER TAXATION	(92,320)	(27,468)	(24,473)	(2,655)

Future Outlook:

The management does not expect any significant improvement in the over all business scenario in the near future. Although energy cost are expected to be lower others factors such as slag demand for our products will continue to impact our results. However efforts will be continued towards improvements where ever possible.

For and On behalf of Board of Directors

Khalid Bashir
Chief Executive
April 27, 2015

CONDENSED INTERIM BALANCE SHEET

As At 31 March 2016

	Un Audited 31 March 2016	Audited 30 June 2015
Note	(Rupees in thousand)	
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorised share capital		
25,000,000 (30 June 2015: 25,000,000) ordinary shares of Rupees 10 each	250,000	250,000
Issued, subscribed and paid-up share capital		
8,640,000 (30 June 2015: 8,640,000) ordinary shares of Rupees 10 each	86,400	86,400
Reserves	590,818	660,961
Total equity	677,218	747,361
LIABILITIES		
NON-CURRENT LIABILITIES		
Long term financing	5 86,564	141,409
Deferred income tax liability	5,291	5,706
	91,855	147,115
CURRENT LIABILITIES		
Trade and other payables	545,384	542,864
Accrued mark-up	6,164	5,601
Short term borrowings	330,705	115,945
Current portion of long term financing	5 73,127	73,127
	955,380	737,537
Total liabilities	1,047,235	884,652
CONTINGENCIES AND COMMITMENTS	6 -	-
TOTAL EQUITY AND LIABILITIES	1,724,453	1,632,013

The annexed notes form an integral part of this condensed interim financial information.

Chief Executive

	Un Audited 31 March 2016	Audited 30 June 2015
Note	(Rupees in thousand)	
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	7 987,873	1,043,902
Long term security deposits	1,576	1,576
	989,449	1,045,478
CURRENT ASSETS		
Stores, spare parts and loose tools	40,796	54,785
Stock-in-trade	425,484	211,549
Trade debts	83,869	140,088
Advances	4,130	33,137
Short term prepayments	1,191	-
Other receivables	1,944	110
Short term investments	81,315	59,138
Sales tax refundable	31,947	20,818
Taxation - net	61,913	62,492
Cash and bank balances	2,415	4,418
	735,004	586,535
TOTAL ASSETS	1,724,453	1,632,013

Director

SHAMS TEXTILE MILLS LIMITED

CONDENSED INTERIM PROFIT & LOSS ACCOUNT (Un-Audited)
For The Nine Months Ended 31 March 2016

	NINE MONTHS ENDED		QUARTER ENDED	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
Note	(Rupees in thousand)			
SALES	2,291,929	3,023,162	651,607	826,370
COST OF SALES	8 (2,244,801)	(2,889,051)	(629,507)	(774,027)
GROSS PROFIT	47,128	134,111	22,100	52,343
DISTRIBUTION COST	(56,501)	(47,600)	(19,030)	(17,201)
ADMINISTRATIVE EXPENSES	(40,614)	(37,644)	(13,478)	(11,407)
OTHER EXPENSE	(2,595)	(1,647)	(694)	(1,471)
	(99,710)	(86,891)	(33,202)	(30,079)
	(52,582)	47,220	(11,102)	22,264
OTHER INCOME	11,653	12,700	4,313	2,323
(LOSS) / PROFIT FROM OPERATIONS	(40,929)	59,920	(6,789)	24,587
FINANCE COST	(28,886)	(57,031)	(10,801)	(17,629)
(LOSS) / PROFIT BEFORE TAXATION	(69,815)	2,889	(17,590)	6,958
TAXATION	(22,505)	(30,357)	(6,883)	(9,613)
(LOSS) AFTER TAXATION	(92,320)	(27,468)	(24,473)	(2,655)
(LOSS) PER SHARE - BASIC AND DILUTED (RUPEES)	(10.69)	(3.18)	(2.83)	(0.31)

The annexed notes form an integral part of this condensed interim financial information.

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME (Un-audited)**

For The Nine Months Ended 31 March 2016

	NINE MONTHS ENDED		QUARTER ENDED	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	(Rupees in thousand)			
(LOSS) AFTER TAXATION	(92,320)	(27,468)	(24,473)	(2,655)
OTHER COMPREHENSIVE INCOME / (LOSS)				
Items that will not be reclassified to profit or loss	-	-	-	-
Items that may be reclassified subsequently to profit or loss:				
Surplus on remeasurement of available for sale investments	22,177	17,976	20,468	11,962
Other comprehensive income for the period	22,177	17,976	20,468	11,962
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	(70,143)	(9,492)	(4,005)	9,307

The annexed notes form an integral part of this condensed interim financial information.

Chief Executive

Director

SHAMS TEXTILE MILLS LIMITED

CONDENSED INTERIM CASH FLOW STATEMENT (Un-Audited)
For The Nine Months Ended 31 March 2016

	NINE MONTHS ENDED	
	31 March 2016	31 March 2015
Note	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from / (used in) operations	9 (102,758)	93,701
Finance cost paid	(28,332)	(58,297)
Income tax paid	(22,341)	(22,910)
Dividend paid	10	1
Net cash generated from / (used in) operating activities	(153,421)	12,495
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on property, plant and equipment	(10,447)	(16,991)
Proceeds from sale of property, plant and equipment	1,950	12,980
Net cash used in investing activities	(8,497)	(4,011)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing	(54,845)	(79,846)
Short term borrowings - net	214,760	71,522
Net cash (used in) / from financing activities	159,915	(8,324)
Net increase / (decrease) in cash and cash equivalents	(2,003)	160
Cash and cash equivalents at the beginning of the period	4,418	4,510
Cash and cash equivalents at the end of the period	2,415	4,670

The annexed notes form an integral part of this condensed interim financial information.

Chief Executive

Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-Audited)
For The Nine Months Ended 31 March 2016

	Reserves							TOTAL EQUITY
	SHARE CAPITAL	Capital		Revenue			Total reserves	
		Premium on issue of right shares	Fair value reserve	Sub Total	General reserve	Un-appropriated Profit / (Accumulated loss)		
								(Rupees in thousand)
Balance as at 30 June 2014 (Audited)	86,400	27,056	1,13,456	600,000	(9,928)	590,072	703,528	789,928
Loss for the nine months ended 31 March 2015	-	-	-	-	(27,468)	(27,468)	(27,468)	(27,468)
Other comprehensive income for the nine months ended 31 March 2015	-	17,976	17,976	-	-	-	17,976	17,976
Total comprehensive income for the nine months ended 31 March 2015	-	17,976	17,976	-	(27,468)	(27,468)	(9,492)	(9,492)
Balance as at 31 March 2015 (Un-audited)	86,400	45,032	1,31,432	600,000	(37,396)	562,604	694,036	780,436
Loss for the three months ended 30 June 2015	-	-	-	-	(25,658)	(25,658)	(25,658)	(25,658)
Other comprehensive income for the three months ended 30 June 2015	-	(7,417)	(7,417)	-	-	-	(7,417)	(7,417)
Total comprehensive loss for the three months ended 30 June 2015	-	(7,417)	(7,417)	-	(25,658)	(25,658)	(33,075)	(33,075)
Balance as at 30 June 2015 (Audited)	86,400	37,615	1,24,015	600,000	(63,054)	536,946	660,961	747,361
Loss for the nine months ended 31 March 2016	-	-	-	-	(92,320)	(92,320)	(92,320)	(92,320)
Other comprehensive income for the nine months ended 31 March 2016	-	22,177	22,177	-	-	-	22,177	22,177
Total comprehensive loss for the nine months ended 31 March 2016	-	22,177	22,177	-	(92,320)	(92,320)	(70,143)	(70,143)
Balance as at 31 March 2016 (Un-audited)	86,400	59,792	1,46,192	600,000	(155,374)	444,626	590,818	677,218

The annexed notes form an integral part of this condensed interim financial information.

Chief Executive

Director

SELECTED NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION (Un-Audited)
For The Nine Months Ended 31 March 2016

1. THE COMPANY AND ITS OPERATIONS

Shams Textile Mills Limited ("the Company") is a public limited Company incorporated in Pakistan under the Companies Act, 1913 (Now the Companies Ordinance, 1984) and is listed on Pakistan Stock Exchange Limited. Its registered office is situated at 7-B-III, Aziz Avenue, Gulberg V, Lahore. The Company is engaged in the business of manufacturing, sale and trading of yarn.

2. BASIS OF PREPARATION

This condensed interim financial information is un-audited but subject to limited scope review by the statutory auditors and is being submitted to the shareholders, as required by Section 245 of the Companies Ordinance, 1984. This condensed interim financial information of the Company for the nine months ended 31 March 2016 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information should be read in conjunction with the preceding audited annual published financial statements of the Company for the year ended 30 June 2015.

3. ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the preceding audited annual published financial statements of the Company for the year ended 30 June 2015.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

During preparation of this condensed interim financial information, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the Company for the year ended 30 June 2015.

	Unaudited	Audited
	31 March	30 June
	2016	2015
	(Rupees in thousand)	
5. LONG TERM FINANCING - SECURED		
Opening balance	214,536	314,271
Less: Repaid during the period / year	54,845	99,735
	159,691	214,536
Less: Current portion shown under current liabilities	73,127	73,127
	86,564	141,409

SELECTED NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION (Un-Audited)
For The Nine Months Ended 31 March 2016

6. CONTINGENCIES AND COMMITMENTS**Contingencies**

- (i) Bank guarantees of Rupees million 68.715 million (30 June 2015: Rupees 64.715 million) are given by the banks of the Company in favour of Sui Northern Gas Pipelines Limited against gas connections, Lahore Electric Supply Company Limited (LESCO) against electricity connection and Director Excise and Taxation, Karachi against infrastructure cess.

Commitments

- (i) Contracts for capital expenditures amounted to Rupees 22.917 million (30 June 2015: Nil).
- (ii) Letters of credit for other than capital expenditures amounted to Rupees 119.792 million (30 June 2015: Rupees 14.791 million).

	Unaudited 31 March 2016 (Rupees in thousand)	Audited 30 June 2015
7. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets (Note 7.1)	940,330	999,647
Capital work-in-progress (Note 7.2)	47,543	44,255
	987,873	1,043,902
7.1 Operating fixed assets		
Opening book value	999,647	931,271
Add: Cost of additions during the period / year (Note 7.1.1)	7,159	165,868
	1,006,806	1,097,139
Less: Book value of deletions during the period / year (Note 7.1.2)	531	4,441
	1,006,275	1,092,698
Less: Depreciation charged during the period / year	65,945	93,051
Closing book value	940,330	999,647
7.1.1 Cost of additions		
Plant and machinery	500	-
Vehicles	6,659	5,005
Residential and other building on freehold land	-	160,863
	7,159	165,868
7.1.2 Book value of deletions		
Plant and machinery	-	2,310
Vehicles	531	2,131
	531	4,441
7.2 Capital work-in-progress		
Building	-	-
Advance against purchase of office premises	47,543	44,255
	47,543	44,255

SHAMS TEXTILE MILLS LIMITED

SELECTED NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION (Un-Audited)
For The Nine Months Ended 31 March 2016

	Un-Audited			
	Nine Months ended		Quarter ended	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	(Rupees in thousand)			
8. COST OF SALES				
Raw materials consumed	1,756,253	1,922,042	500,528	612,463
Salaries, wages and other benefits	168,461	178,878	48,624	61,775
Stores, spare parts and loose tools consumed	62,297	63,811	19,095	22,825
Packing materials consumed	43,632	42,257	7,161	12,363
Repair and maintenance	21,068	20,220	6,781	7,685
Fuel and power	260,824	318,198	76,948	97,140
Insurance	3,642	3,934	1,219	1,350
Other factory overheads	3,729	3,625	1,139	1,062
Depreciation	63,546	66,694	21,191	23,303
	2,383,452	2,619,659	682,686	839,966
Work-in-process:				
Opening stock	26,581	28,859	30,709	24,727
Closing stock	(18,696)	(19,379)	(18,696)	(19,379)
	7,885	9,480	12,013	5,348
Cost of goods manufactured	2,391,337	2,629,139	694,699	845,314
Finished goods:				
Opening stock	151,263	444,993	232,607	113,794
Closing stock	(297,799)	(185,081)	(297,799)	(185,081)
	(146,536)	259,912	(65,192)	(71,287)
	2,244,801	2,889,051	629,507	774,027

	Unaudited	
	Nine Months Ended	
	31 March 2016	31 March 2015
	(Rupees in thousand)	

9. CASH GENERATED FROM / (USED IN) OPERATIONS		
(Loss) / Profit before taxation	(69,815)	2,889
Adjustments for non-cash charges and other items:		
Depreciation	65,945	68,990
Gain on sale of property, plant and equipment	(1,420)	(9,692)
Finance cost	28,886	57,031
Working capital changes (Note 9.1)	(126,354)	(25,517)
	(102,758)	93,701

9.1 Working capital changes

(Increase) / decrease in current assets:		
- Stores, spare parts and loose tools	13,989	13,363
- Stock-in-trade	(213,935)	(120,493)
- Trade debts	56,219	22,720
- Advances	29,007	23,378
- Short term prepayments	(1,191)	(1,602)
- Other receivables	(1,834)	(3,807)
- Sales tax refundable	(11,129)	1,663
	(128,874)	(64,778)
Increase in trade and other payables	2,520	39,261
	(126,354)	(25,517)

SELECTED NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION (Un-Audited)
For The Nine Months Ended 31 March 2016

10. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise associated undertakings, other related parties, key management personnel and provident fund trust. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties are as follows:

i. Transactions	Un-Audited			
	Nine Months ended 31 March 2016	31 March 2015	Quarter ended 31 March 2016	31 March 2015
(Rupees in thousand)				
Associated companies				
Sale of goods and services - yarn	111,240	308,847	2,432	127,141
Purchase of goods and services	6,236	-	64	-
Purchase of operating fixed assets	500	-	-	-
Insurance premium	7,622	8,818	720	688
Rent expense	180	180	60	60
Insurance claim	4,135	2,734	-	2,734
Remuneration of Chief Executive, Director and Executives	20,880	18,147	6,960	6,359
As at 31 March 2016 (Un-audited)				
	Associated Companies	Other related Parties	Total	
(Rupees in thousand)				
ii. Period end balances				
Trade and other payables		6,758	43,043	49,801
Trade debts		603	-	603
Short term investments		26,100	-	26,100
As at 30 June 2015 (Audited)				
	Associated Companies	Other related Parties	Total	
(Rupees in thousand)				
Trade and other payables		129	42,363	42,492
Trade debts		15,858	-	15,858
Short term investments		23,415	-	23,415

11. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the preceding audited annual published financial statements of the Company for the year ended 30 June 2015.

12. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was approved by the Board of Directors of the Company and authorized for issue on April 27, 2016.

13. CORRESPONDING FIGURES

'In order to comply with the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting", the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim profit and loss account, condensed interim statement of comprehensive income and condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

'Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison, however, no significant re-arrangements have been made.

14. GENERAL

Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.

Chief Executive

Director



BOOK POST

Shams Textile Mills Limited
7-B-3, Aziz Avenue, Gulberg 5
Lahore Pakistan
T: 92 (42) 3576 0381
F: 92 (42) 3576 0376
E: info@shams.com.pk

www.shams.com.pk

Grace Printing Press 0334-4167024

