

QUETTA TEXTILE MILLS LIMITED

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Tariq Iqbal (Chief Executive)
Mr. Tauqir Tariq
Mr. Asim Khalid
Mr. Omer Khalid
Mrs. Saima Asim
Mrs. Tabbasum Tariq
Mrs. Sadaf Khalid

AUDIT COMMITTEE

Mr. Asim Khalid (Chairman)
Mrs. Sadaf Khalid (Member)
Mrs. Tabbasum Tariq (Member)

CHIEF FINANCIAL OFFICER

Mr. Omer Khalid

COMPANY SECRETARY

Mr. Muhammed Sohrab Ghani

AUDITORS

Mushtaq and Company
Chartered Accountants
407 / 4th Floor, Commerce Centre
Hasrat Mohani Road, Karachi

BANKERS

Allied Bank Limited
Al-Baraka Bank (Pakistan) Limited
Bank Alfalah Limited
Burj Bank Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
KASB Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Soneri Bank Limited
Silk Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
United Bank Limited

REGISTERED OFFICE

Nadir House (Ground Floor)
I. I. Chundrigar Road, Karachi

MILLS

P/3 & B/4, S.I.T.E., Kotri
49 K.M. Lahore Multan Road, Bhai Pheru

QUETTA TEXTILE MILLS LIMITED

CHIEF EXECUTIVE'S REVIEW

Dear Shareholders:

It is my pleasure to present the financial results of the company for the nine months ended on March 31, 2012.

Your company earned profit before tax of Rs.137.665 (M), as compared to Rs.905.644 (M) in the corresponding period last year. Turnover for the nine months was Rs.8.262 (B), as compared to corresponding year's Rs.10.798 (B) in March 2011, showing a decrease of 23.5% due to decrease in cotton and yarn and fabric prices.

Non-availability of gas in Punjab has forced the mills to be run of Furnace Oil (HFO) to keep the mills in production. Electricity through gas generation costs Rs.7.3 per unit (WAPDA's present cost is around Rs.8.5 per unit), but the company's weaving unit does not have WAPDA connection, and has to run on HFO. With the current price of HFO at Rs.85,770 per ton, HFO generation costs is around Rs.23 per unit – more than 3 times the cost of normal gas generation. This has significantly increased our generation cost and wiped out the company's profitability. The company has paid around Rs.2.0 (M) per day as extra cost to the company through HFO generation to keep the mills running and in production. This has created a liquidity strain, as the company has paid an extra amount of Rs.140 (M) in just 2 months for purchasing HFO, besides approximately Rs.30 (M)~Rs.40 (M) per month prior to December 2011.

The company's fabric export sales have been heavily dependent on Europe. Major sales of fabrics have been high value articles for Europe. Due to financial crises in Europe, QTML fabric sales (export+local) have been very slow for the past 6 months. This has also hampered the inflows in weaving. We are in the process of developing the Chinese market for fabrics. Chinese market demands high volume and very short lead times. The company will be able to develop the Chinese market for fabrics in about 5-6 months, and will be able to sell a good quantity within 3-4 months.

Due to above-mentioned reasons, the company was not able to pay the Sukuk principal installment amount of Rs.69.25 (M) on March 26, 2012. However, the company paid the mark-up/profit of Rs.92.36 (M) to the Sukuk holders. The principal installment amount of Rs.34.2 (M) [out of Rs.69.25 (M)] has been paid on April 26, 2012. Balance amount of Rs.34.2 (M) will be paid within May '2012.

To overcome the problem of non-availability of gas and to keep our mills running, the company has decided to construct and install a Grid Station within our existing mill premises for getting supply from Lahore Electric Supply Company (LESCO). Electricity through Grid Station will cost us Rs.8.2 per unit, as per present tariff. The project cost of setting up Grid Station will be around Rs.140 (M).

The existing Sukuk loan is on a stepped-up repayment mechanism. Future repayments are heavy which will not be sustainable for the company. Due to the above-mentioned un-foreseen events/unavoidable circumstances and with the up-coming heavy repayment schedule, the company has already approached the lead financing banks and all the consortium banks/DFIs to re-profile the Sukuk loan for another 5 years for maturity in 2020. This re-profiling will give the company breathing space in the up-coming years.

I would like to thank all financial institutions for their continued support and confidence in the company. I would also like to extend my gratitude to the workers, staff and officers for their honesty and dedication to the company.

On behalf of the Board of Directors

Karachi: April 28, 2012

TARIQ IQBAL
CHIEF EXECUTIVE

QUETTA TEXTILE MILLS LTD

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)

AS AT MARCH 31, 2012

NOTE	31,MARCH 2012 RUPEES (UN-AUDITED)	30 JUNE 2011 RUPEES (AUDITED)
<u>EQUITY AND LIABILITIES</u>		
SHARE CAPITAL AND RESERVES		
Authorised Capital		
	200,000,000	200,000,000
	150,000,000	150,000,000
	<u>350,000,000</u>	<u>350,000,000</u>
	130,000,000	130,000,000
	116,019,707	114,674,209
	651,750,000	651,750,000
	1,306,020,097	1,295,695,419
	<u>2,203,789,804</u>	<u>2,192,119,628</u>
	728,730,514	743,015,956
<u>NON-CURRENT LIABILITIES</u>		
	34,224,000	78,776,000
	239,732,146	255,208,177
	923,333,333	1,177,250,000
	112,933,393	187,010,286
	490,729,192	461,976,060
<u>CURRENT LIABILITIES</u>		
	3,911,043,581	3,652,262,111
	542,533,958	369,835,442
	791,822,642	360,935,227
	198,039,197	168,349,923
	5,443,439,378	4,551,382,703
Contingencies and commitments	5	
TOTAL EQUITY AND LIABILITIES	<u>10,176,911,760</u>	<u>9,646,738,810</u>
<u>ASSETS</u>		
<u>NON-CURRENT ASSETS</u>		
Property, plant and equipment	6	5,051,918,077
Capital work in progress		44,613,167
		<u>5,096,531,244</u>
		2,312,776
		2,786,576
		41,686,053
		26,742,702
<u>CURRENT ASSETS</u>		
Stores, spares, and loose tools		418,311,762
Stock in trade		3,903,593,026
Trade debts		428,203,204
Other financial assets		6,924,509
Loans and advances		62,730,477
Short term prepayments		9,042,878
Income Tax and Sales tax		182,818,850
Cash and bank balances		24,756,981
		<u>5,036,381,687</u>
TOTAL ASSETS		<u>10,176,911,760</u>

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

TARIQ IQBAL
Chief Executive

OMER KHALID
Director

KARACHI:
April 28, 2012

QUETTA TEXTILE MILLS LTD
CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED MARCH 31, 2012

	FOR THE QUARTER ENDED		FOR THE NINE MONTHS ENDED	
	MARCH 31, 2012 RUPEES	MARCH 31, 2011 RUPEES	MARCH 31, 2012 RUPEES	MARCH 31, 2011 RUPEES
Turnover	3,051,539,686	4,168,857,518	8,262,108,201	10,798,183,952
Less: cost of goods sold	2,599,673,533	3,319,879,794	7,108,381,906	8,847,373,944
Gross profit	451,866,153	848,977,724	1,153,726,295	1,950,810,008
Operating expenses				
Distribution cost	(89,702,618)	(71,719,694)	(270,930,875)	(226,087,917)
Administrative expenses	(9,570,836)	(8,911,079)	(27,426,139)	(24,749,903)
Other operating expenses	(807,273)	(44,506,663)	(10,145,493)	(125,342,783)
Other operating income	1,063,885	1,494,346	3,095,137	6,392,041
	(99,016,842)	(123,643,090)	(305,407,370)	(369,788,562)
Operating profit	352,849,311	725,334,634	848,318,925	1,581,021,446
Finance cost - net	(302,962,291)	(274,462,487)	(710,653,182)	(675,376,689)
Net profit before taxation	49,887,020	450,872,147	137,665,743	905,644,757
Taxation	(48,092,249)	(51,779,116)	(129,818,669)	(145,556,566)
Net profit after taxation	1,794,771	399,093,031	7,847,074	760,088,191
Earnings per share - basic and diluted	0.14	30.70	0.60	58.47

TARIQ IQBAL
Chief Executive

OMER KHALID
Director

Karachi:
April 28, 2012

QUETTA TEXTILE MILLS LTD

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) AS AT MARCH 31, 2012

	For the Quarter Ended		For the Nine Monts Ended	
	31-Mar-12 Rupees	31-Mar-11 Rupees	31-Mar-12 Rupees	31-Mar-11 Rupees
Profit for the period after taxation	1,794,771	399,093,031	7,847,074	760,088,191
Other comprehensive income:				
Unrealized gain on remeasurement of available for sales investments	-	20,175,980	1,345,498	55,938,396
Transfer from surplus on revaluation of property, plant & equipment - incremental depreciation	7,325,868	7,497,909	21,977,603	23,709,606
Other comprehensive income for the period	7,325,868	27,673,889	23,323,101	79,648,002
Total comprehensive income for the period	9,120,639	426,766,920	31,170,175	839,736,193

TARIQ Iqbal
Chief Executive

OMER KHALID
Director

Karachi:
April 28, 2012

QUETTA TEXTILE MILLS LIMITED
CONDENSED INTERIM STATEMENT CASH FLOW (UN-AUDITED)
FOR THE NINE MONTH ENDED MARCH 31, 2012

	Ended March - 31, 2012 RUPEES	Ended March - 31, 2011 RUPEES
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before taxation	137,665,743	905,644,757
Adjustments for non cash charges and other items:		
Depreciation	186,396,417	176,920,569
Finance cost - net	710,653,182	675,376,689
Dividend income	(696,000)	(664,669)
Gain on Sales of fixed assets	(71,463)	-
Provision for gratuity	10,776,358	22,373,353
Provision for Appreciation/ diminution in the value of investment	(341,284)	(3,306,398)
Provision for workers profit participation fund	6,865,448	52,340,595
	<u>913,582,658</u>	<u>923,040,139</u>
Profit before working capital changes	1,051,248,401	1,828,684,896
Effects on cash flow due to working capital changes:		
(Increase)/ decrease in current assets:		
Stocks, stores and spares	(924,319,054)	(1,488,052,452)
Trade debts	230,194,484	(198,997,480)
Loans, advances, short term prepayments and other receivables	131,240,605	(126,592,240)
	<u>(562,883,965)</u>	<u>(1,813,642,172)</u>
Increase / (decrease) in current liabilities:		
Trade and other payables	466,273,765	105,727,748
Cash generated from operations	<u>954,638,201</u>	<u>120,770,472</u>
Payment for:		
Taxes	(82,677,616)	(96,895,361)
Gratuity	(19,946,475)	(10,139,771)
Workers profit participation fund	(42,109,849)	(20,099,460)
Long term deposit	(14,943,351)	(6,002,640)
Finance cost - net	(680,963,908)	(670,605,816)
	<u>(840,641,199)</u>	<u>(803,743,048)</u>
Net Cash Outflow From Operating Activities	113,997,002	(682,972,576)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Dividend received	696,000	664,669
Fixed capital expenditure	(150,122,908)	(334,090,793)
Sale Proceed of Fixed assets	525,500	
Long term investment	1,726,571	76,865,993
Short term investments	9,314,774	(3,594,951)
Net Cash Outflow From Investing Activities	(137,860,063)	(260,155,082)
CASH FLOWS FROM FINANCING ACTIVITIES :		
Long term loans - net	(36,576,242)	(99,309,491)
Short term loan- net	258,781,470	1,144,664,938
Redeemable capital	(69,250,000)	(69,250,000)
Finance lease	(64,944,833)	(5,401,623)
Long term loans from directors and associates	(44,552,000)	-
Dividend paid	(19,500,000)	(26,000,000)
Net Cash Inflow From Financing Activities	23,958,395	944,703,824
Net (decrease)/ increase in cash and cash equivalents	95,334	1,576,166
Cash and cash equivalents at beginning of the period	24,661,647	3,218,580
Cash and bank balances at the end of the period	24,756,981	4,794,746

TARIQ IQBAL
Chief Executive

OMER KHALID
Director

KARACHI:
April 28, 2012

QUETTA TEXTILE MILLS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTH ENDED MARCH 31,2012

	RESERVES					Un-appropriated	Total	
	Paid-up Capital	Share Premium Reserve.	Capital Reserves	Unrealised gain/(loss) in value of securities available for sale	General reserves	Sub Total		Profit
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Balance as at June 30, 2010	130,000,000	651,750,000	1,200	(66,313,574)	115,000,000	700,437,626	706,287,162	1,536,724,788
Total comprehensive income for the Nine month ended March 31, 2011	-	-	-	55,938,396	-	55,938,396	783,797,797	839,736,193
Dividend Paid		-	-	-	-	-	(26,000,000)	(26,000,000)
Balance as at March 31, 2011	130,000,000	651,750,000	1,200	(10,375,178)	115,000,000	756,376,022	1,464,084,959	2,350,460,981
Balance as at June 30, 2011	130,000,000	651,750,000	1,200	(326,991)	115,000,000	766,424,209	1,295,695,419	2,192,119,628
Total comprehensive income for the Nine month ended March 31, 2012	-	-	-	1,345,498	-	1,345,498	29,824,677	31,170,175
Dividend Paid		-	-	-	-	-	(19,500,000)	(19,500,000)
Balance as at March 31, 2012	130,000,000	651,750,000	1,200	1,018,507	115,000,000	767,769,707	1,306,020,096	2,203,789,804

TARIQ IQBAL
Chief Executive

OMER KHALID
Director

KARACHI:
April 28, 2012

QUETTA TEXTILE MILLS LIMITED

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTH ENDED MARCH 31, 2012

1. THE COMPANY AND ITS OPERATIONS

The company was incorporated as a public limited company on January 29, 1970. Its shares are quoted on the Karachi Stock Exchange. The main business of the company is manufacturing and sale of yarn and fabric. The registered address of the company is Nadi

2. BASIS OF PREPARATION

2.1 Statement of Compliance

This condensed interim financial information is un-audited and has been prepared in accordance with the requirements of the International Finance Reporting

Standard (IFRS) IAS 34 Interim Financial Reporting as applicable in Pakistan. This condensed interi

This condensed interim financial information is being submitted to the shareholders as required by the Listing regulations of Karachi, Lahore and Islamabad Stock Exchanges and section 245 of the Companies Ordinance, 1984.

These condensed interim financial statements comprise of condensed interim statement of financial position, condensed interim income statement, condensed

interim statement of comprehensive income, condensed interim statement of cash flow and condensed int

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation which have been used in the preparation of this condensed interim financial information are the same as those

applied in preparation of the financial statements for the preceding year ended 30 June, 2011

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates,

assumptions and use judgements that affect the application of policies and reported amounts of assets a

Judgements and estimates made by management in the preparation of this condensed interim financial information are the same as those that were applied to the financial statements as at and for the year ended 30 June, 2011.

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June 2011.

5. CONTINGENCIES AND COMMITMENTS

Contingencies

There has been no significant changes in contingencies as disclosed in the audited financial statement for the year ended June 30, 2011.

	31-Mar 2012	31-Mar 2011
Commitments		
Capital commitment		
Civil works	60,000,000	85,000,000
Plant and Machinery under Letter of Credit	-	30,000,000
Other commitment	60,000,000	115,000,000
Stores, spares and packing material under letter of credit	103,755,992	15,616,003
	<u>163,755,992</u>	<u>130,616,003</u>

6. ACQUISITION AND DISPOSAL OF FIXED ASSETS - (AT COST)

	MARCH R 31, 2012		MARCH R 31, 2011		
	ADDITIONS	DISPOSALS	ADDITIONS	DISPOSAL	
	RUPEES		RUPEES		
Land			-		-
Building lese hold	6,536,872	-	8,594,513		-
Plant and machinery	127,996,769		200,601,403		-
Electrical fitting	10,237,561		2,505,435		-
Factory equipment			1,553,570		-
Office equipment	843,944		1,428,805		-
Furniture and fixture	55,015		262,100		-
Vehicles	2,880,840	(1,847,500)	2,932,000		-
	<u>148,551,001</u>	<u>(1,847,500)</u>	<u>217,877,826</u>		<u>-</u>

7. STOCK IN TRADE

The carrying value of pledge stock amount to Rs. 1,661,251,059

8. CYCLICALITY OF OPERATIONS

The textile business is an all year business, however, major raw material purchases i.e. cotton, takes place during the four months from October to January. This leads to higher figures in respect of stocks and bank borrowings.

9. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on April 28, 2012 by Board of Directors of the Company.

10. GENERAL

Figures have been rounded off to the nearest rupee.

TARIQ IQBAL
Chief Executive

OMER KHALID
Director

KARACHI:

April 28, 2012