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Reliance Cotton Spinning Mills Limited

COMPANY PROFILE

BOARD OF DIRECTORS

CHAIRMAN : MR. MOHAMMAD ABDULLAH

CHIEF EXECUTIVE : MR. SHAYAN ABDULLAH

DIRECTOR : MR. AMER ABDULLAH
MR. YOUSUF ABDULLAH
MR. NABEEL ABDULLAH
MR. MOHAMMAD YOUNUS
MR. MOHAMMAD YAMIN

AUDIT COMMITTEE

CHAIRMAN : MR. AMER ABDULLAH
MEMBER : MR. YOUSUF ABDULLAH
MEMBER : MR. NABEEL ABDULLAH

HUMAN RESOURCE & REMUNERATION COMMITTEE

CHAIRMAN : MR. MOHAMMAD YOUNUS
MEMBER : MR. SHAYAN ABDULLAH
MEMBER : MR. MOHAMMAD YAMIN

CHIEF FINANCIAL OFFICE : MR. NAVEED-UL-ISLAM

SECRETARY : MR. UMAR RAHI

AUDITORS : M. YOUSUF ADIL SALEEM & COMPANY
CHARTERED ACCOUNTANTS

MANAGEMENT CONSULTANT : M. YOUSUF ADIL SALEEM & COMPANY
CHARTERED ACCOUNTANTS

TAX CONSULTANT : M. YOUSUF ADIL SALEEM & COMPANY
CHARTERED ACCOUNTANTS

LEGAL ADVISOR : HASSAN & HASSAN ADVOCATES

BANKERS : HABIB BANK LIMITED
MCB BANK LIMITED
HABIB METROPOLITAN BANK LIMITED

SHARE REGISTRAR : HAMEED MAJEED ASSOCIATES (PVT) LTD

REGISTERED OFFICE : 312, COTTON EXCHANGE BUILDING,
I.I.CHUNDRIGAR ROAD,
KARACHI.

MILLS : FEROZE WATTOAN
TEHSIL AND DISTRICT
SHEIKHUPURA

DIRECTORS' REVIEW

We are pleased to present interim financial information of the company for the nine months ended March 31, 2013.

Your company has earned profit before tax Rs260.509 million as compared to Rs 68.903 million of corresponding period.

Other salient features of the period under review are as follows:

- The company has achieved gross sale of Rs 2.870 billion as against Rs 1.886 billion of the corresponding period.
- Gross profit for the period stood at Rs 476.018 million as compared to Rs 281.088 million of the comparing last nine months period.
- Finance costs for the period is Rs 121.174 million as against Rs 103.985 million of the corresponding period.
- The company earned after tax profit of Rs 229.662 million as against Rs 43.571 million of the comparing last year's nine months.
- Earnings per share for the period under review is Rs 22.31 as compared to Rs 4.23 of the corresponding nine months.

FUTURE OUTLOOK

The management of your company expects the satisfactory results for the remaining period of the year. However, unscheduled load shedding of gas and electricity and instability in the demand of textile products both in domestic and international markets remains a concern.

In order to meet changing demand of textile products, your company follows the policy of improving production facilities through Balancing and Modernization.

The directors appreciate the hard work and commendable services rendered by staff and workers of the company.

For and on behalf of the Board of Directors

Karachi
April 29, 2013

Shayan Abdullah
Chief Executive

CONDENSED INTERIM BALANCE SHEET AS AT MARCH 31, 2013

		Un-Audited March 31 2013	Audited June 30 2012
	Note	-----Rupees-----	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	1,135,628,340	966,777,021
Long term investments	5	391,843,606	332,052,454
Long term loans		206,500	418,000
Long term deposits		8,858,230	8,858,230
		<u>1,536,536,676</u>	<u>1,308,105,705</u>
CURRENT ASSETS			
Stores, spare parts and loose tools		30,896,403	27,518,693
Stock in trade		1,530,415,066	924,963,661
Trade debts		369,684,383	251,950,928
Loans and advances		15,736,936	1,923,764
Deposit and short term prepayments		513,667	371,218
Other receivables		5,727,432	5,127,146
Advance income tax		34,985,484	37,744,543
Tax refunds due from the Government		55,416,998	39,218,641
Cash and bank balances		15,220,450	5,031,306
		<u>2,058,596,819</u>	<u>1,293,849,900</u>
		<u>3,595,133,495</u>	<u>2,601,955,605</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital:			
12,000,000 (June 30, 2012:12,000,000) ordinary shares of Rs.10 each		<u>120,000,000</u>	<u>120,000,000</u>
Issued, subscribed and paid up capital:			
10,292,000 (June 30, 2012:10,292,000) ordinary shares of Rs.10 each		102,920,000	102,920,000
General reserve		130,000,000	130,000,000
Un-appropriated profit		<u>1,298,008,397</u>	<u>1,064,816,311</u>
		<u>1,530,928,397</u>	<u>1,297,736,311</u>
NON-CURRENT LIABILITIES			
Long term financing		75,000,001	-
Deferred liabilities			
employee benefits - unfunded		36,470,622	37,305,052
deferred tax liability		28,082,085	19,229,902
		<u>139,552,708</u>	<u>56,534,954</u>
CURRENT LIABILITIES			
Trade and other payables		297,574,511	177,327,949
Mark-up accrued		22,348,864	16,474,191
Short term borrowings		1,557,734,371	1,027,326,011
Current portion of long term financing		24,999,999	-
Provision for taxation		21,994,645	26,556,189
		<u>1,924,652,390</u>	<u>1,247,684,340</u>
CONTINGENCIES AND COMMITMENTS	6	<u>3,595,133,495</u>	<u>2,601,955,605</u>

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

Karachi
Dated: April 29, 2013

SHAYAN ABDULLAH
Chief Executive

AMER ABDULLAH
Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2013

	Note	Nine months ended		Three months ended	
		March 31	March 31	March 31	March 31
		2013	2012	2013	2012
		-----Rupees-----		-----Rupees-----	
Sales	7	2,869,720,818	1,885,942,423	1,128,657,472	671,296,828
Cost of sales	8	2,393,702,552	1,604,854,433	922,320,629	586,463,544
Gross profit		476,018,266	281,087,990	206,336,843	84,833,284
Other operating income		1,951,628	1,131,529	398,109	701,310
		477,969,894	282,219,519	206,734,952	85,534,594
Distribution cost		101,716,064	102,470,535	32,568,509	33,456,845
Administrative expenses		26,610,651	27,663,253	8,342,567	9,381,772
Other operating expenses		18,562,851	9,969,035	9,915,314	628,268
Finance cost		121,173,723	103,984,565	44,928,838	44,037,360
		268,063,289	244,087,388	95,755,228	87,504,245
		209,906,605	38,132,131	110,979,724	(1,969,651)
Share of profit of associates		50,602,134	30,770,423	13,874,548	5,823,564
Profit before taxation		260,508,739	68,902,554	124,854,272	3,853,913
Provision for taxation		30,846,828	25,331,383	12,259,100	9,371,200
Profit/(loss) for the period		229,661,911	43,571,171	112,595,172	(5,517,287)
Earnings per share - basic and diluted		22.31	4.23	10.94	(0.54)

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

Karachi
Dated: April 29, 2013

SHAYAN ABDULLAH
Chief Executive

AMER ABDULLAH
Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2013**

	Nine months ended		Three months ended	
	March 31 2013	March 31 2012	March 31 2013	March 31 2012
	-----Rupees-----		-----Rupees-----	
Profit/(loss) for the period	229,661,911	43,571,171	112,595,172	(5,517,287)
Other comprehensive income:				
Share in associates' unrealized gain/(loss) on available for sale investments - net	16,900,555	(915,271)	(891,252)	21,397,163
Share in associate's unrealized gain on hedging instruments	187,739	184,686	137,990	681,787
Other comprehensive income/(loss) for the period	17,088,294	(730,585)	(753,262)	22,078,950
Total comprehensive income for the period	246,750,205	42,840,586	111,841,910	16,561,663

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

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE NINE MONTHS ENDED MARCH 31, 2013

	Nine months ended	
	March 31 2013	March 31 2012
	----- Rupees -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	260,508,739	68,902,554
Adjustments for:		
Share of profit of associates	(50,602,134)	(30,770,423)
Depreciation of property, plant and equipment	75,141,412	53,333,620
Provision for employee benefits	8,600,000	8,550,000
Bad debts written off	-	1,000,000
Finance cost	121,173,723	103,984,565
	414,821,740	205,000,316
Working Capital Changes		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(3,377,710)	(13,308,643)
Stock in trade	(605,451,405)	(157,492,549)
Trade debts	(117,733,455)	(59,727,777)
Loans and advances	(13,813,172)	3,637,014
Deposits and short term prepayments	(142,449)	125,470
Other receivables	(600,286)	1,180,553
Increase/(decrease) in current liabilities:		
Trade and other payables	120,177,195	(23,708,807)
	(620,941,282)	(249,294,739)
Cash used in operations	(206,119,542)	(44,294,423)
Dividend paid	(12,795,631)	(25,702,258)
Employee benefits paid	(9,434,430)	(2,097,655)
Finance cost paid	(115,299,050)	(98,013,243)
Sales tax paid	(6,008,663)	(1,292,158)
Income taxes paid	(33,986,824)	(23,084,811)
	(177,524,598)	(150,190,125)
Net cash used in operating activities	(383,644,140)	(194,484,548)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on property, plant and equipment	(243,992,731)	(272,323,885)
Decrease in long term loans	211,500	164,000
Dividend received	7,206,155	2,858,600
Net cash used in investing activities	(236,575,076)	(269,301,285)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term financing	100,000,000	-
Repayment of long term financing	-	(100,000,000)
Short term borrowings - net	530,408,360	461,476,668
Net cash from financing activities	630,408,360	361,476,668
Net increase/(decrease) in cash and cash equivalents	10,189,144	(102,309,165)
Cash and cash equivalents at beginning of period	5,031,306	109,191,367
Cash and cash equivalents at end of period	15,220,450	6,882,202

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

Karachi
Dated: April 29, 2013

SHAYAN ABDULLAH
Chief Executive

AMER ABDULLAH
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2013

	Share capital	Revenue reserves		Total
		General reserve	Un-appropriated profit	
----- Rupees -----				
Balance as at July 01, 2011	102,920,000	130,000,000	981,462,431	1,214,382,431
Profit for the nine months ended March 31, 2012	-	-	43,571,171	43,571,171
Other comprehensive loss for the nine months ended March 31, 2012	-	-	(730,585)	(730,585)
Effect of items directly recognized in equity by associates	-	-	3,488,625	3,488,625
Distribution to owners: Final dividend for the year ended June 30, 2011 @ Rs. 2.5 per share	-	-	(25,730,000)	(25,730,000)
Balance as at March 31, 2012	102,920,000	130,000,000	1,002,061,642	1,234,981,642
Profit for the three months ended June 30, 2012	-	-	28,232,155	28,232,155
Other comprehensive loss for the three months ended June 30, 2012	-	-	(4,460,320)	(4,460,320)
Effect of items directly recognized in equity by associates	-	-	38,982,834	38,982,834
Balance as at June 30, 2012	102,920,000	130,000,000	1,064,816,311	1,297,736,311
Profit for the nine months ended March 31, 2013	-	-	229,661,911	229,661,911
Other comprehensive income for the nine months ended March 31, 2013	-	-	17,088,294	17,088,294
Effect of items directly recognized in equity by associates	-	-	(693,119)	(693,119)
Distribution to owners: Final dividend for the year ended June 30, 2012 @ Rs. 1.25 per share	-	-	(12,865,000)	(12,865,000)
Balance as at March 31, 2013	102,920,000	130,000,000	1,298,008,397	1,530,928,397

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

Karachi
Dated: April 29, 2013

SHAYAN ABDULLAH
Chief Executive

AMER ABDULLAH
Director

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2013

1 GENERAL INFORMATION

Reliance Cotton Spinning Mills Limited ("the Company") was incorporated in Pakistan on June 13, 1990 as a public limited company under the Companies Ordinance, 1984. The registered office of the Company is situated at 312, Cotton Exchange Building, I.I. Chundrigar Road, Karachi. The Company is currently listed on Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited. The principal activity of the Company is manufacturing and sale of yarn. The mill is located at District Sheikhpura in the Province of Punjab.

- 1.1 This condensed interim financial information is presented in Pak Rupees, which is the Company's functional and presentation currency.

2 BASIS OF PREPARATION

- 2.1 This condensed interim financial information of the Company for the nine months ended March 31, 2013 has been prepared in accordance with the requirements of the International Accounting Standard 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 shall prevail.
- 2.2 This condensed interim financial information is un-audited and is being submitted to share holders as required by section 245 of the Companies Ordinance, 1984.

3 ACCOUNTING POLICIES AND ESTIMATES

- 3.1 The accounting policies and methods of computation adopted for preparation of this condensed interim financial information are the same as those applied in preparation of the annual audited financial statements for the year ended June 30, 2012.
- 3.2 Judgments and estimates made by management in the preparation of this condensed interim financial information are the same as those applied to the preparation of the annual audited financial statements for the year ended June 30, 2012.

			Un-Audited March 31 2013	Audited June 30 2012
4	PROPERTY, PLANT AND EQUIPMENT	Note	-----Rupees-----	
	Operating assets	4.1	1,040,786,586	966,644,130
	Capital work in progress	4.2	94,841,754	132,891
			<u>1,135,628,340</u>	<u>966,777,021</u>
4.1	Operating assets			
	Opening book value		966,644,130	678,478,124
	Additions during the period / year:			
	Freehold land		-	2,445,000
	Buildings on freehold land:			
	Residential		2,277,180	14,498,232
	Factory		51,935,901	166,728,298
	Plant and machinery		84,631,095	157,218,758
	Vehicles		2,795,860	3,140,156
	Office equipment		129,534	46,400
	Electric installation		7,514,298	20,933,466
			149,283,868	365,010,310
	Depreciation charged during the period / year		(75,141,412)	(76,844,304)
			<u>1,040,786,586</u>	<u>966,644,130</u>
4.2	Capital work in progress			
	Buildings - civil work		66,284,371	-
	Plant and machinery		28,557,383	132,891
			<u>94,841,754</u>	<u>132,891</u>
5	LONG TERM INVESTMENTS			

The latest available un-audited financial results of associates as at March 31, 2013 have been used for the purpose of application of equity method.

**SELECTED EXPLANATORY NOTES TO THE
CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2013**

		Un-audited March 31 2013	Audited June 30 2012
		-----Rupees-----	
6 CONTINGENCIES AND COMMITMENTS			
6.1 Contingencies			
Guarantees have been issued by the banks on behalf of the Company in the normal course of business.		23,394,924	20,727,529
The Company has issued post dated cheques in favour of Commissioner Inland Revenue and Collector of Customs.		105,803,446	107,783,423
		129,198,370	128,510,952
6.2 Commitments			
Letters of credit for import of:			
-Plant and machinery		86,508,677	67,523,194
-Stores and spare parts		10,950,524	4,711,112
-Raw material		46,223,806	9,144,936
Contracts for capital expenditure		60,681,696	-
		204,364,703	81,379,242
		Nine months ended	Three months ended
		Un-audited March 31 2013	Un-audited March 31 2012
		Un-audited March 31 2012	Un-audited March 31 2012
	Rupees.....Rupees.....
7 SALES	Note		
Local			
Yarn		439,046,580	162,721,378
Waste		84,169,706	40,306,106
		523,216,286	203,027,484
Export			
Yarn		1,480,090,410	1,179,173,203
Yarn (under SPO)		860,840,165	488,479,152
Waste		3,133,510	-
Waste (under SPO)		-	12,571,195
		2,344,064,085	1,680,223,550
		2,867,280,371	1,883,251,034
Processing services		259,364	75,176
Export rebate		2,181,083	2,616,213
		2,869,720,818	1,885,942,423
8 COST OF SALES			
Opening stock		91,679,107	157,846,436
Yarn purchased		9,811,141	1,958,275
Cost of goods manufactured	8.1	2,393,732,844	1,507,447,822
		2,495,223,092	1,667,252,533
Closing stock		(101,520,540)	(62,398,100)
		2,393,702,552	1,604,854,433
8.1 Cost of goods manufactured			
Opening work in process		90,743,089	66,872,889
Raw material consumed		1,781,904,751	1,110,878,108
Overheads		587,396,349	412,404,425
		2,369,301,100	1,523,282,533
Closing work in process		(66,311,345)	(82,707,600)
		2,393,732,844	1,507,447,822
		854,913,056	515,344,771

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2013

9 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, directors, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties.

Detail of related party transactions during the period are as follows:

Relationship	Nature of Transaction	Nine months ended	
		Un-audited March 31 2013	Un-audited March 31 2012
		----- Rupees -----	
Associated companies	Sales:		
	- Yarn / raw material / stores, spare parts	540,630,982	334,597,775
	Purchase:		
	- Yarn / raw material / stores, spare parts	8,143,437	5,586,017
	- Fixed Assets	1,475,000	20,250,000
	- Electricity	69,993,313	61,088,278
	Services:		
	- Rendered	12,364	75,176
	- Obtained	1,845,727	366,845
	Dividend:		
	-Paid	9,687,230	19,378,482
	-Received	7,206,155	2,858,600
	Shared expenses paid	2,986,499	2,224,583
Employee benefit plan	Contribution for the period	8,600,000	8,550,000
Key management personnel	Remuneration and other benefits	27,671,411	24,044,668

All transactions with related parties have been carried out on commercial terms and conditions.

10 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information have been approved by the Board of Directors of the Company and authorized for issue on April 29, 2013.

11 OTHERS

There are no other significant activities since June 30, 2012 affecting the condensed interim financial information.

12 GENERAL

Figures have been rounded off to the nearest rupee.