



of Companies

FIRST QUARTERLY ACCOUNTS
2019-2020
(UN - AUDITED)

UMER GROUP OF COMPANIES

BHANERO TEXTILE MILLS LIMITED

VISION

A premier quality company providing quality products and maintaining an excellent level of ethical and professional standards.



MISION STATEMENT

To become a leading manufacturer of textile products in the international and local market & to explore new era to achieve the highest level of success.

Directors' Review

On behalf of the board of directors of Bhanero Textile Mills Limited, I am pleased to present the unaudited condensed interim financial statements for the first quarter ended September 30, 2019.

Significant financial performance of the first quarter ended September 30, 2019;

Profit after tax for the first quarter ended September 30, 2019 is PKR 76.982 million as compared to PKR 112.416 million in the corresponding period ended September 30, 2018.

Earnings per share for the first quarter ended September 30, 2019 is PKR 25.66 (September 30 2018: PKR 37.47).

Break-up value of the share as on September 30, 2019 is PKR 1,663.37 (June 2019: PKR 1,637.71).

The current ratio for first quarter ended September 30, 2019 is 3.53 (June 30, 2019: 2.73).

Outlook on textiles

Cotton is a major cash crop of the country for economic boost up of textile industry based on cotton besides source of employment for the masses in the country. The efforts to progress the agriculture sector would improve growth in large-scale manufacturing (LSM) and exports of the country. Unfortunately, the incumbent government's inability to resolve issues afflicting cotton output, including the minimum guaranteed price lead to decline in an estimated production by a wide margin inspite of several meeting attended by all the stakeholders but no breakthrough could be made.

The cotton output has implications for both agriculture and services sectors of the economy. Pakistan's annual cotton requirement is assessed in the range of 13 to 15 million bales. The government had voiced hope that a better cotton output would help lift the overall national economic output, which now appears to be challenging after initial assessment. Cotton production this year may remain at 10.2 million bales one-third less than the official target and may partially impact the overall national economic output that is already estimated to stay below 3%.

Though National Economic Council had approved the cotton production target of 15 million bales but requisite supportive measures have not been taken to achieve the target. It is estimated that shortfall in production will cost around \$1.2 billion to country's foreign exchange reserves for cotton imports at current international prices in order to cater local demand.

The lack of introduction of new seed varieties, reports on whitefly attack on crops at crucial stage, increased temperatures that severely effecting the plant germination and failure to assure good returns to cotton growers lead to an expected fall in cotton production inspite of an overall 14.3% increase in cultivation area that stood at 2.78 million hectares this year.

Acknowledgement

The Board appreciates the contribution of employees and continual supports all financial institutions.

On behalf of the Board



Khurram Salim

(Chief Executive)

Karachi: October 28, 2019

Bhanero Textile Mills Limited

Condensed Interim Statement of Profit or Loss (Un-Audited) For The First Quarter Ended Sep 30 , 2019

	Quarter Ended	
	Sep 30, 2019	Sep 30, 2018
	Rupees	Rupees
Sales	2,218,292,545	2,034,591,824
Cost of sales	1,982,539,886	1,797,458,389
Gross profit	235,752,659	237,133,435
Other income	2,607,476	2,291,067
	238,360,135	239,424,502
Distribution cost	36,331,264	44,814,800
Administrative expenses	42,519,575	32,267,772
Other operating expenses	8,071,736	10,094,052
Finance cost	43,446,752	15,257,153
	130,369,327	102,433,777
Profit before tax	107,990,808	136,990,725
Provision for taxation - current year	7 31,009,020	24,574,963
Profit after tax	76,981,788	112,415,762
Earnings per share - basic and diluted	25.66	37.47

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



CHIEF EXECUTIVE
Karachi: October 28, 2019



DIRECTOR



CHIEF FINANCIAL OFFICER

Bhanero Textile Mills Limited

Condensed Interim Statement of Comprehensive Income (Un-Audited) For The First Quarter Ended Sep 30 , 2019

	Quarter Ended	
	Sep 30, 2019	Sep 30, 2018
	Rupees	Rupees
Profit for the period after taxation	76,981,788	112,415,762
Other comprehensive income	-	-
Total comprehensive Income for the period	76,981,788	112,415,762

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



CHIEF EXECUTIVE

Karachi: October 28, 2019



DIRECTOR



CHIEF FINANCIAL OFFICER

Bhanero Textile Mills Limited

Condensed Interim Statement of Changes in Equity (Un-Audited) For The First Quarter Ended Sep 30 , 2019

	Revenue Reserves			Total
	Share capital	General reserve	Unappropriated profits	
Rupees				
Balance as at 1st July, 2018	30,000,000	4,000,000,000	232,737,034	4,262,737,034
Total comprehensive income for the three months period ended Sep 30, 2018	-	-	112,415,762	112,415,762
Balance as at Sep 30, 2018	<u>30,000,000</u>	<u>4,000,000,000</u>	<u>345,152,796</u>	<u>4,375,152,796</u>
Balance as at 1st July, 2019	30,000,000	4,700,000,000	183,117,492	4,913,117,492
Total comprehensive income for the 1st Quarter Ended September 30, 2019	-	-	76,981,788	76,981,788
Balance as at Sep 30, 2019	<u>30,000,000</u>	<u>4,700,000,000</u>	<u>260,099,280</u>	<u>4,990,099,280</u>

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



CHIEF EXECUTIVE
Karachi: October 28, 2019



DIRECTOR



CHIEF FINANCIAL OFFICER

Bhanero Textile Mills Limited

Condensed Interim Statement of Cash Flows (Un-Audited) For The First Quarter Ended Sep 30 , 2019

	Sep 30, 2019	Sep 30, 2018
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	107,990,808	136,990,725
Adjustments for:		
Depreciation on property, plant and equipment	71,475,000	61,196,635
Provision for employees' benefits	13,200,000	12,465,000
Infrastructure fee - ETO	725,512	1,528,985
Infrastructure fee - GIDC	-	5,035,799
Gain on disposal of property, plant and equipment	-	(505,024)
Finance cost	43,446,752	15,257,153
Operating cash flows before changes in working capital	236,838,072	231,969,273
(Increase) / decrease in current assets		
Inventories	548,561,457	(482,902,721)
Trade debts	(27,955,546)	118,902,254
Loans and advances	20,185,354	3,944,359
Trade deposits & prepayments	(20,715,562)	(18,208,942)
Other receivables	13,254,904	6,048,741
Sales tax refundable	25,008,306	(20,870,053)
	558,338,913	(393,086,362)
Increase in trade and other payables	3,256,582	214,681,412
Cash generated from operations	798,433,567	53,564,323
Finance cost paid	(61,866,613)	(19,946,793)
Employees' benefits paid	(7,712,598)	(6,683,346)
Income taxes paid	(27,718,116)	(16,915,502)
Long term deposits	(21,000)	-
	(97,318,327)	(43,545,641)
Net cash generated from operating activities	701,115,240	10,018,682
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	-	3,018,125
Additions in property, plant and equipment	(23,224,908)	(46,390,126)
Net cash used in investing activities	(23,224,908)	(43,372,001)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing	(24,347,175)	(19,365,987)
(Decrease) / Increase in short term borrowings	(565,277,395)	104,671,175
Dividend paid	(16,397)	(3,128)
Net cash (used in) / generated from financing activities	(589,640,967)	85,302,060
Net increase in cash and cash equivalents	88,249,365	51,948,741
Cash and cash equivalents at the beginning of the period	143,722,461	68,266,023
Cash and cash equivalents at the end of the period	231,971,826	120,214,764

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



CHIEF EXECUTIVE
Karachi: October 28, 2019



DIRECTOR



CHIEF FINANCIAL OFFICER

Bhanero Textile Mills Limited

Notes to the Condensed Interim Financial Information (Un-audited)

For The First Quarter Ended Sep 30 , 2019

1 REPORTING ENTITY

Bhanero Textile Mills Limited (the Company) is incorporated in Pakistan as a Public Limited Company under the Repealed Companies Ordinance, 1984, now Companies Act, 2017 and is listed on Pakistan Stock Exchange Limited. The Company is primarily spinning and weaving units engaged in the manufacture and sale of yarn and woven fabric, however, it is also engaged in the generation of electricity for self consumption. The registered office of the Company is situated at Umer House, 23/1, Sector 23, S.M. Farooq Road, Korangi Industrial Area, Karachi. The manufacturing facility is located at Kotri District Jamshoro in the Province of Sindh and District Sheikhpura in the Province of Punjab.

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 IAS 34 Interim Financial Reporting and provisions of and directives issued under the Companies Act, 2017 as applicable in Pakistan. This condensed interim financial information does not include all of the information and disclosures required for annual financial statements and should be read in conjunction with the financial statements of the Company as at and for the year ended 30th June, 2019.

Where the provision of and directives issued under the Companies Act, 2017 differ with the requirement of IAS 34, the provision of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention except for certain financial instruments at fair value, certain financial liabilities at amortized cost and employees retirement benefits at present value. In this financial information, except for the amounts reflected in the statement of cash flows, all transactions have been accounted for on accrual basis.

2.3 Judgments, estimates and assumptions

The preparation of financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

2.4 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 2019.

2.5 Functional currency

This financial information is prepared in Pak Rupees which is the Company's functional currency.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these interim financial statements are the same as those applied in the preparation of preceding annual financial statements of the Company for the year ended June 30, 2019.

4 DEFERRED LIABILITIES

These include the following:

	September 30, 2019	June 30, 2018
	<i>Rupees</i>	<i>Rupees</i>
	<i>(Un-Audited)</i>	<i>(Audited)</i>
Staff retirement benefits - gratuity	154,332,306	148,844,904
Deferred taxation	146,588,213	146,588,213
Infrastructure fee payable - ETO	102,162,412	101,436,900
Infrastructure fee payable - Gas	76,700,934	76,700,934
	<u>479,783,865</u>	<u>473,570,951</u>

5 CONTINGENCIES AND COMMITMENTS

There is no material change in contingencies and commitments as disclosed in annual financial statements for the year ended June 30, 2019 except following:

5.1 Contingencies

Bills Discounted	<u>223,170,711</u>	<u>542,488,682</u>
------------------	--------------------	--------------------

5.2 Commitments

Letter of credit (for store, raw material and machinery)	<u>83,717,864</u>	<u>74,255,406</u>
--	-------------------	-------------------

	<i>Note</i>	<u>September 30, 2019</u>	<u>June 30, 2018</u>
		<i>Rupees</i>	<i>Rupees</i>
		<i>(Un-Audited)</i>	<i>(Audited)</i>
6 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets			
Assets owned by the Company	6.1	3,097,011,197	3,168,486,197
		<u>3,097,011,197</u>	<u>3,168,486,197</u>
6.1 Assets owned by the Company			
Net book value at the beginning of the period/year		3,168,486,197	2,794,870,715
Additions during the period/year			
Freehold land		-	74,898,316
Factory buildings		-	107,272,232
Non factory buildings		-	-
Plant and machinery		-	495,408,278
Equipment and other assets		-	7,811,602
Electric installation		-	4,002,700
Ventilation System		-	633,015
Boiler		-	5,788,000
Furniture & Fixtures - Factory		-	731,658
Furniture & Fixtures - Office		-	-
Office Equipment		-	5,217,730
Vehicles		-	22,237,385
		-	724,000,916
Net book value of assets disposed during the period/year		-	(100,214,435)
Depreciation for the period/year		(71,475,000)	(250,170,999)
Net book value at the end of the period / year		<u>3,097,011,197</u>	<u>3,168,486,197</u>
7 PROVISION FOR TAXATION			
7.1	No provision for deferred tax has been made as the impact of the same is considered immaterial and provision for current tax has been made in accordance with the requirements of Income Tax Ordinance, 2001.		
8 TRANSACTIONS AND BALANCES WITH RELATED PARTIES			
Related parties from the Company's perspective comprise associated companies and key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and include the Chief Executive and Directors of the Company.			
Transactions with key management personnel are limited to payment of short term employee benefits only. The Company in the normal course of business carries out various transactions with associated companies and continues to have a policy whereby all such transactions are carried out on commercial terms and conditions which are equivalent to those prevailing in an arm's length transaction.			
Names and details of transactions and balances with related parties are as follows:			

Name	Nature of relationship	Shareholding percentage
Faisal Spinning Mills Limited	Associated companies	N/A
Blessed Textiles Limited	Associated companies	N/A
Bhanero Energy Limited	Associated companies	N/A
Admiral (Private) Limited	Associated companies	N/A
Umer Farms (Private) Limited	Associated companies	N/A

Nature of transactions	Quarter Ended	
	September 30, 2019	September 30, 2018
	Rupees	Rupees
Services received	77,250	77,250
Services rendered	177,331	289,756
Electricity purchased	91,825,349	110,734,764
Purchase of yarn, fabric and machinery	71,318,917	45,693,530
Sales of cotton, yarn, fabric and machinery	162,635,086	126,158,875
Balance with related parties	20,000	20,000

9 SEGMENT REPORTING

The Company has two reportable segments, which offer different products and are managed separately. The following summary describes the operations in each of the company's reportable segments.

Reportable segment	Principal activity
Spinning	Manufacture and sale of yarn
Weaving	Manufacture and sale of woven fabric

Information about operating segments as at September 30, 2019 is as follows:

	Quarter Ended September 30, 2019			
	Spinning Rupees	Weaving Rupees	Total Rupees	
Revenue from external customers	1,361,815,220	856,477,325	2,218,292,545	
Inter-segment transfers	94,278,500	-	94,278,500	
Segment results	112,385,416	47,123,880	159,509,296	
	Quarter Ended September 30, 2018			
	Spinning Rupees	Weaving Rupees	Total Rupees	
Revenue from external customers	1,355,680,458	678,911,366	2,034,591,824	
Inter-segment transfers	14,335,000	-	14,335,000	
Segment results	99,754,604	62,587,326	162,341,930	
	As at September 30, 2019			
	Spinning Rupees	Weaving Rupees	Un-allocated Rupees	Total Rupees
Segment assets	5,801,994,812	1,542,403,755	539,919,759	7,884,318,326
	As at June 30, 2019			
	Spinning Rupees	Weaving Rupees	Un-allocated Rupees	Total Rupees
Segment assets	6,440,249,611	1,418,195,852	547,482,407	8,405,927,870
	As at September 30, 2019			
	Spinning Rupees	Weaving Rupees	Un-allocated Rupees	Total Rupees
Segment liabilities	1,959,279,031	685,100,610	249,839,405	2,894,219,046
	As at June 30, 2018			
	Spinning Rupees	Weaving Rupees	Un-allocated Rupees	Total Rupees
Segment liabilities	2,583,374,454	660,305,634	249,130,290	3,492,810,378

10 EVENTS AFTER THE REPORTING PERIOD

10.1 There are no significant events after the reporting period that may require any adjustment or disclosure in this condensed interim financial report.

11 RECOVERABLE AMOUNTS AND IMPAIRMENT

As at the reporting date, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these financial statements.

12 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 October 28, 2019.

13 GENERAL

13.1 There are no other significant activities since June 30, 2019 affecting the interim financial information.

13.2 Figures have been rounded off to the nearest Rupee.



CHIEF EXECUTIVE
Karachi: October 28, 2019



DIRECTOR



CHIEF FINANCIAL OFFICER