

**SALFI TEXTILE  
MILLS LIMITED**

**Interim Report  
For The 1st Quarter Ended December 31, 2004**

# **SALFI TEXTILE MILLS LIMITED**

01

## **COMPANY INFORMATION**

### BOARD OF DIRECTORS

CHAIRMAN AND  
CHIEF EXECUTIVE OFFICER: Mr. Anwar Ahmed Tata

DIRECTORS: Mr. Shahid Anwar Tata  
Mr. Sheikh Pervez Ahmed  
Mr. Aijaz Ahmed Tariq  
Mr. Kauser Ejaz  
Mr. Javed Ahmed  
Mr. Farooq Advani

### AUDIT COMMITTEE

CHAIRMAN: Mr. Shahid Anwar Tata

MEMBERS: Mr. Sheikh Pervez Ahmed  
Mr. Kauser Ejaz

COMPANY SECRETARY &  
CHIEF FINANCIAL OFFICER: Mr. Farooq Advani

BANKERS: United Bank Limited  
Soneri Bank Limited  
Metropolitan Bank Limited  
Habib Bank AG Zurich Limited

AUDITORS: M/s. M. Yousuf Adil Saleem & Co.  
Chartered Accountants

LEGAL ADVISOR: Faisal Mehmood Ghani & Co.  
Advocates.

SHARE REGISTRAR: Syed Husain & Co. Consulting (Private) Ltd.  
Management Consultants  
1st Floor, Modern Motors House, Beaumont  
Road, Karachi-75530  
Tel# 5210626, 111-77-44-22

REGISTERED OFFICE: 8, 8th Floor Textile Plaza,  
M.A Jinnah Road Karachi.  
Tel#2412955-3 Lines 2426761-2-4  
Fax#2417710  
WEB SITE ADDRESS: [www.tatatex.com](http://www.tatatex.com)  
E- MAIL ADDRESS: [finance@tatatex.com](mailto:finance@tatatex.com)

MILLS: HX-1, Landhi Industrial Area,  
Landhi, Karachi

**DIRECTORS' REPORT**

Assalam-o-Alaikum

The un-audited accounts of the company for the first quarter ended on December, 2004 are being presented before you with the following observations.

During the period under review the Company made a pre-tax profit of Rs.4.673 Million as compared to a pre-tax profit of Rs. 5.182 during the corresponding period of last year.

Salfi produces yarn spun from man made fibers / synthetic fibers. It is a very old mill and has very old machinery. In the past we had been modernizing it in piecemeal fashion, but now we have undertaken a major overhauling of the entire mill. Major replacement of machinery is required. Since last year we have been renovating the building, etc. Improving / renovating an old mill is much more difficult than building a new one. However, we have embarked upon this venture and it may take some time. After the revamping is done, we plan to take 15,900 spindles for cotton yarn and 19,920 spindles for man made yarns.

As you are aware, the petroleum prices have increased all over the world and as a consequence, the prices of petroleum products have also increased.

In the beginning of October, 2003 the price of polyester was Rs.67/- per kg. and in September, 2004 was Rs.84/- per kg. registering an increase of Rs.17/- per kg. From October 2004 to December 2004 the increase in price of polyester was Rs.7/- per kg. This price increase was not absorbed by the market.

When the raw material prices increased, it was not completely absorbed by the end product. The increased prices put us in a tight position. Furthermore, from September 2003 to October 2004, the prices of viscose fiber also increased by US \$ 0.45 per kg. and this increase was also not absorbed by the market.

Although we are trying to improve the quality and efficiency of our mill, but the fact is that due to the construction work going on all around, we had to make a lot of compromises. This year, inshallah, we shall be able to completely renovate the mill's building, AC system, etc. Then we will switch over one of the two mills at Salfi to cotton and with Allah's blessings, we are confident that this mill will also be on a very sound footing.

Let us pray to Almighty Allah for bestowing blessings on us and to give us the strength for success in the future.

We would like to thank our Staff, Officers and Workers of the Company for their hard work and dedication.

On behalf of the Board



**ANWAR AHMED TATA**

*Chairman / Chief Executive Officer*

Karachi

Dated: January 28, 2005

**SALFI TEXTILE MILLS LIMITED****03****BALANCE SHEET (UN-AUDITED)  
AS AT DECEMBER 31, 2004**

	Notes	DEC. 2004 Rupees in 000	SEP. 2004 Rupees in 000
<b>SHARE CAPITAL</b>			
AUTHORIZED CAPITAL			
5,000,000 Ordinary Shares of Rs.10/- each		50,000	50,000
Issued subscribed & paid up 3038700 Ordinary shares of Rs.10/= each fully paid-up			
Reserve for Issue of Bonus Shares		3,038	3,038
Capital reserve		5,996	5,996
Accumulated Profit		66,678	67,612
		106,099	103,995
Unrealized Gain in value of Securities		1,087	808
		107,186	104,803
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>			
		253,273	255,453
<b>NON CURRENT LIABILITIES</b>			
Long Tem Loans		128,543	107,741
Liabilities against assets subject to finance lease		7,589	8,665
Deferred Liabilities		91,809	93,755
<b>CURRENT LIABILITIES</b>			
Short term bank borrowings		296,260	241,589
Current portion of long term liabilities		26,438	26,313
Creditors,accrued and other liabilities		50,864	47,012
Taxation		51,322	47,138
		424,884	362,052
<b>CONTINGENCIES AND COMMITMENTS</b> 2			
		1,013,284	932,469
<b>FIXED CAPITAL EXPENDITURE</b>			
Operating assets at cost less depreciation		495,088	503,125
Capital work in Progress		31,098	28,503
		526,186	531,628
<b>LONG TERM INVESTMENT</b>			
		31,570	31,291
<b>LONG TERM DEPOSITS</b>			
		2,965	2,973
<b>CURRENT ASSETS</b>			
Stores, Spares and loose tools		15,895	15,190
Stock in trade		232,123	162,650
Trade debtors		73,520	109,672
Loan and advances		88,284	56,920
Deposits and pre payments		1,750	1,119
Other receivables		6,081	1,767
Cash & bank balances		34,910	19,259
		452,563	366,577
		1,013,284	932,469

The annexed notes form an integral part of these financial statements



**ANWAR AHMED TATA**  
Chief Executive Officer




**SHAHID ANWAR TATA**  
Director

**SALFI TEXTILE MILLS LIMITED****PROFIT AND LOSS ACCOUNTS (UN-AUDITED)  
FOR THE 1ST QUARTER ENDED DECEMBER 31, 2004**

	Notes	DEC. 2004 Rupees in 000	DEC. 2003 Rupees in 000
<b>Sales (Net)</b>		189,059	197,703
Less: Cost of Goods Sold	3	169,970	180,583
Gross Profit		19,089	17,120
Other Income		24	175
Administrative expenses		(7,292)	(6,013)
Distribution Cost		(978)	(1,379)
		(8,246)	(7,217)
<b>Profit From Operations</b>		10,843	9,903
<b>Other Charges</b>			
Financial Charges		5,665	4,282
Worker's Profit Participation Fund		261	281
Worker's Welfare Fund		244	158
		(6,170)	(4,721)
Profit Before Taxation		4,673	5,182
<b>Taxation</b>			
Current Year		4,184	2,706
Deferred		(2,473)	(746)
		(1,711)	(1,960)
Net Profit After Taxation		2,962	3,222
Accumulated Profit Brought Forward		67,612	45,490
<b>Less: Appropriations</b>			
Cash Dividend (September 2004)		(3,039)	-
Reserve for Bonus Shares (September 2004)		(3,038)	-
Transfer from surplus on revaluation of fixed assets on account of incremental Depreciation		2,181	2,429
Transfer from surplus on revaluation of fixed assets on disposal -net of deferred tax		-	13
Accumulated Profit Carried Forward		66,678	51,154
<b>Earning per share (Rupees)</b>		0.97	1.06

The annexed notes form an integral  
part of these financial statements

  
ANWAR AHMED TATA  
Chief Executive Officer

  
SHAHID ANWAR TATA  
Director


**SALFI TEXTILE MILLS LIMITED**

05

**CASH FLOW STATEMENT  
FOR THE 1ST QUARTER ENDED DECEMBER 31, 2004**

	DEC. 2004 Rupees in 000	DEC. 2003 Rupees in 000
<b>A. CASH FROM OPERATING ACTIVITY</b>		
Profit Before Taxation	4,673	5,182
Adjustment for		
Depreciation	8,603	9,403
(Gain)/Loss on disposal of fixed assets	-	(162)
Provision for Gratuity	2,784	836
Provision for Compensated Absences	(138)	-
Financial Charges	5,665	4,282
Operating Profit Before Working Capital Changes	<u>21,587</u>	<u>19,541</u>
Changes in Working Capital		
(Increase)/Decrease In Current Assets		
Stores, Spares and Loose Tools	(705)	(379)
Stock in Trade	(69,473)	14,779
Trade Debts	36,152	(7,246)
Loans & Advances	(30,365)	18,712
Deposits and Prepayments	(631)	(2,079)
Other Receiveables	(4,314)	6,745
Increase/(Decrease) In Current Liabilities		
Creditors , Accrued & Other Liabilites	(20)	(8,725)
	<u>(69,356)</u>	<u>21,807</u>
Cash Generated From Operation	(47,769)	41,348
Financial Charges Paid	(4,597)	(4,336)
Gratuity Paid	(429)	(332)
Tax Paid	(999)	(115)
<b>Net Cash (Outflow)/Inflow from Operating Activities</b>	<b>A</b> <u>(53,794)</u>	<u>36,565</u>
<b>B. Cash From Investing Activities</b>		
Fixed Capital Expenditure	(3,161)	(7,162)
Sales Proceeds of Fixed Assets	-	659
Long-term deposits	8	25
<b>Net Cash outflow from Investing Activities</b>	<b>B</b> <u>(3,153)</u>	<u>(6,478)</u>
<b>C. Cash From Financing Activities</b>		
Long-Term Loans Obtained	21,015	-
Repayment of finance leases	(1,231)	(1,093)
Repayment of Deferred finances	(1,857)	(1,857)
Repayment of dividend	-	-
Short term bank borrowings	54,671	11,927
<b>Net Cash Inflow from Financing Activities</b>	<b>C</b> <u>72,598</u>	<u>8,977</u>
Net Increase in Cash	<b>(A+B+C)</b> 15,651	39,064
Cash at the beginning of the year	<u>19,259</u>	<u>26,378</u>
Cash at the end of the year	<u><u>34,910</u></u>	<u><u>65,442</u></u>

The annexed notes form an integral  
part of these financial statements

  
**ANWAR AHMED TATA**  
Chief Executive Officer

  
**SHAHID ANWAR TATA**  
Director

**STATEMENT OF CHANGES IN EQUITY  
FOR THE 1ST QUARTER ENDED DECEMBER 31, 2004**

	Share Capital	Capital Reserve	Reserve for issue of Bonus Shares	Accumulated Profit/ (Loss)	Unrealized Gain/(Loss) in Securities available for Sale	Total
	.....Rupees in 000.....					
Balance as at October 01,2003	30,387	5,996	-	45,490	996	82,869
Profit for the Quarter			-	3,222		3,222
Transfer from surplus on revaluation of fixed assets on account of incremental Depreciation			-	2,429		2,429
Transfer from surplus on revaluation of fixed assets on disposal -net of deferred tax				13		13
Revaluation of Securities available for Sale at Market Value			-		175	175
Balance as at December 31,2003	30,387	5,996	-	51,154	1,171	88,708
Profit for the Period				8,930		8,930
Transfer from surplus on revaluation of fixed assets on account of incremental Depreciation				7,261		7,261
Transfer from surplus on revaluation of fixed assets on disposal -net of deferred tax				267		267
Revaluation of Securities available for Sale at Market Value					(363)	(363)
Balance as at September 30,2004	30,387	5,996	-	67,612	808	104,803
Profit for the Quarter				2,962		2,962
Cash Dividend for Year (September 2004)				(3,039)		(3,039)
Reserve for Bonus Shares			3,038	(3,038)		-
Transfer from surplus on revaluation of fixed assets on account of incremental Depreciation				2,181		2,181
Revaluation of Securities available for Sale at Market Value					279	279
Balance as at December 31, 2004	30,387	5,996	3,038	66,678	1,087	107,186

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



**ANWAR AHMED TATA  
Chief Executive Officer**



**SHAHID ANWAR TATA  
Director**

**SALFI TEXTILE MILLS LIMITED****07****NOTES TO THE ACCOUNTS  
FOR THE 1ST QUARTER ENDED DECEMBER 31, 2004****1 ACCOUNTING POLICIES**

All accounting policies adopted for the preparation of these Quarterly Accounts are the same as those applied in preparation of the preceding Annual Published Accounts.

	DEC. 2004 Rupees in 000	SEP. 2004 Rupees in 000
<b>2 CONTINGENCIES AND COMMITMENTS</b>		
<b>Contingencies</b>		
Penal interest on debenture claimed by custom authorities not acknowledge as the same is against the term of revival package.	145	145
Guarantees issued by Banks on behalf of the Company	8,578	8,078
Labour & Workman Compensation Cases in Court of Law	125	73
<b>Commitments</b>		
Letter of credit for store and raw material & assets	82,482	108,876
Civil Work	12,044	14,626
	DEC. 2004 Rupees in 000	DEC. 2003 Rupees in 000
<b>3 COST OF GOODS SOLD</b>		
Raw material consumed	188,087	141,630
Stores and spares	5,181	5,377
Packing material	3,338	2,828
Salaries, wages and benefits	22,243	19,066
Power	24,210	26,163
Water	227	137
Rent, rates and taxes	291	295
Insurance	710	952
Repairs and maintenance	232	561
Depreciation	8,195	9,002
Other overheads	725	960
	253,439	206,971
Work-in-process		
Opening stock	11,480	9,057
Closing stock	(15,427)	(10,108)
	(3,947)	(1,051)
<b>COST OF GOODS MANUFACTURED</b>	249,492	205,920
Finished Goods		
Opening Stock	48,990	73,767
Closing Stock	(128,512)	(99,104)
	(79,522)	(25,337)
	169,970	180,583

**4 AGGREGATE TRANSACTIONS WITH ASSOCIATED  
UNDERTAKING AND RELATED PARTIES**

	DEC. 2004 Rupees in 000	DEC. 2003 Rupees in 000
Power Bills	24,152	26,085
Share of Expense paid	8	20
Share of Expense Received	223	291
Rent Expense	191	191
Mark-up on Long term Loan	1,084	-

**5 ACQUISITION & DISPOSAL OF FIXED ASSETS**

	.....Rupees in 000.....		
	Acquisitions	Disposal (W.D.V.)	Sales Proceeds
Office Equipment	96	-	-
Vehicle	471	-	-

6 The company is engaged in production and sales of man made fiber yarn.

7 These accounts are unaudited and submitted to shareholders as required by SRO. No. 764 (I)/2001 Dated November 5,2001 of S.E.C.P

8 Figures have been rounded off nearest to thousand rupees.

  
ANWAR AHMED TATA  
Chief Executive Officer

  
SHAHID ANWAR TATA  
Director