



of Companies

THIRD QUARTERLY ACCOUNTS
2018-2019
(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 nine months ended March 31, 2019.

Significant financial performance of the nine months ended March 31, 2019;

Profit after tax for the nine months ended March 31, 2019 is PKR 612.017 million as compared to PKR 273.177 million in the corresponding period ended March 31, 2018.

Earnings per share for the nine months ended March 31, 2019 is PKR 204.01 (PKR 91.06; March 2018).

Break-up value of the share as on March 31, 2019 is PKR 1,560.62 (PKR 1,420.91; June 2018).

Forthcoming expansion plans

The board of directors have approved setting up a finishing plant with an annual capacity of 18.00 million meters approximately.

Impediments to the growth of textile industry

There is a consistent decline in cotton cultivation area for the last several years which has eventually reduced the crop production to little over 10.00 million bales this year from the bumper crop of 15.00 million bales in the year 2011-12.

Around 9.000 million acres were under cotton cultivation in year 2011-12 however, the sowing area steeply declined to 5.900 million acres in 2018-19 as opposed to projected 7.300 million acres. The successive governments were ignorant of the circumstance and did not put any serious efforts to address the critical situation and the result is in front of us, the country which once achieved a milestone of producing 15.000 million bales now relying on imported cotton to meet local demand.

According to Pakistan Cotton Ginners Association (PCGA), cotton production stood at 10.800 million bales depicting a decline of 7.52% as compared to last season (2017-18) where production stood at 11.108 million bales however, Sindh still managed to produce more cotton as compared Punjab despite facing severe irrigation water shortage at the initial stage.

The declining of area under cotton cultivation over the years is resulting in lesser cotton production and if the trend remains unattended it will ultimately result in footing larger bill for cotton imports and burdening country's foreign exchanges. The current scenario of cotton production has been reduced to the extent that today the country has to import a substantial quantity of cotton by spending between \$1.000 to \$ 1.500 billion to meet domestic consumption of around 15.000 million bales.

It would be in the best interest of the country if the incumbent government chalks out a plan to increase cotton production by increasing cultivation land for the cotton and restricting other crops from replacing the designated areas. Over the past few years, growers shifted from cotton to sugarcane as it is a less labor intensive crop and the plant root stays for a minimum of three crops. Further, any surplus production of sugar cane requires subsidies for exports which is again a burden on national exchequer whereas on the contrary any surplus in cotton production never requires subsidy to export.

Acknowledgement

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

On behalf of the Board



Khurrum Salim

(Chief Executive)

Karachi: April 25, 2019


Bhanero Textile Mills Limited


Condensed Interim Statement of Financial Position (Un-Audited)

As at March 31, 2019

		March 31, 2019	June 30, 2018			March 31, 2019	June 30, 2018
	Note	Un-Audited Rupees	Audited Rupees		Note	Un-Audited Rupees	Audited Rupees
EQUITY AND LIABILITIES				ASSETS			
SHARE CAPITAL AND RESERVES				NON CURRENT ASSETS			
Authorized capital				Property, plant and equipment	7	2,556,893,173	2,794,870,715
6,000,000 (June 30, 2018: 6,000,000) ordinary shares of Rs.10 each		60,000,000	60,000,000	Capital work in progress		545,202,096	31,454,693
				Long term deposits		28,532,816	28,532,816
Issued, subscribed and paid up capital		30,000,000	30,000,000			3,130,628,085	2,854,858,224
Reserves		4,000,000,000	4,000,000,000	CURRENT ASSETS			
Unappropriated profit		651,853,608	232,737,034	Stores, spares and loose tools		147,566,121	68,013,768
		4,681,853,608	4,262,737,034	Stock in trade		3,969,819,620	2,347,207,583
NON CURRENT LIABILITIES				Trade debts		798,077,563	841,493,842
Long term financing - secured		1,145,311,547	885,233,720	Loans and advances		37,565,143	28,699,627
Deferred liabilities	5	451,274,053	408,166,202	Trade deposits and short term prepayments		99,540,197	83,460,335
		1,596,585,600	1,293,399,922	Other receivables		9,792,098	17,447,274
				Advance income tax		215,971,635	206,106,353
CURRENT LIABILITIES				Sales tax refundable		155,107,715	130,039,795
Trade and other payables		707,116,882	771,694,591	Cash and bank balances		220,223,444	68,266,023
Unclaimed dividend		1,105,213	758,605			5,653,663,536	3,790,734,600
Accrued interest/markup		29,277,493	15,177,821	CONTINGENCIES AND COMMITMENTS			
Short term borrowings - secured		1,646,503,665	220,457,778	6		-	-
Current portion of long term borrowings		121,849,160	81,367,073				
		2,505,852,413	1,089,455,868	TOTAL EQUITY AND LIABILITIES		8,784,291,621	6,645,592,824
				TOTAL ASSETS		8,784,291,621	6,645,592,824

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


CHIEF EXECUTIVE
KHURRUM SALIM
 Karachi: April 25, 2019


DIRECTOR
MOHAMMAD SALIM



CHIEF FINANCIAL OFFICER
ASIM MIRZA


Bhanero Textile Mills Limited

Condensed Interim Statement of Profit or Loss (Un-Audited) For The Nine Months Period ended March 31, 2019

	Nine Months Ended		Quarter Ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	Rupees	Rupees	Rupees	Rupees
Sales	6,817,146,629	5,764,920,796	2,442,217,427	2,231,270,550
Cost of sales	5,958,461,817	5,087,543,665	2,106,016,628	1,980,346,829
Gross profit	858,684,812	677,377,131	336,200,799	250,923,721
Other income	220,322,649	4,544,444	1,978,661	1,178,199
	1,079,007,461	681,921,575	338,179,460	252,101,920
Distribution cost	135,187,974	140,742,336	47,489,444	53,466,869
Administrative expenses	102,431,822	95,221,601	36,174,811	26,964,753
Other operating expenses	51,137,674	25,717,032	14,398,268	9,700,630
Finance cost	99,962,188	75,001,948	44,711,890	32,610,816
	388,719,658	336,682,916	142,774,413	122,743,067
Profit before tax	690,287,803	345,238,659	195,405,047	129,358,853
Provision for taxation - current year	8	78,271,229	72,061,511	28,092,190
Profit after tax		612,016,574		101,467,970
Earnings per share - basic and diluted		204.01		55.77
		91.06		33.82

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


CHIEF EXECUTIVE
KHURRUM SALIM
Karachi: April 25, 2019


DIRECTOR
MOHAMMAD SALIM


CHIEF FINANCIAL OFFICER
ASIM MIRZA

Bhanero Textile Mills Limited

Condensed Interim Statement of Comprehensive Income (Un-Audited) For The Nine Months Period ended March 31, 2019

	Nine Month Ended		Quarter Ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	Rupees	Rupees	Rupees	Rupees
Profit for the period after taxation	612,016,574	273,177,148	167,312,857	101,467,970
Other comprehensive income	-	-	-	-
Total comprehensive Income for the period	<u>612,016,574</u>	<u>273,177,148</u>	<u>167,312,857</u>	<u>101,467,970</u>

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



CHIEF EXECUTIVE
KHURRUM SALIM
Karachi: April 25, 2019



DIRECTOR
MOHAMMAD SALIM




CHIEF FINANCIAL OFFICER
ASIM MIRZA


Bhanero Textile Mills Limited

Condensed Interim Statement of Changes in Equity (Un-Audited) For The Nine Months Period ended March 31, 2019

	Share capital	Revenue Reserves		Total
		General reserve	Unappropriated profits	
Rupees				
Balance as at 1st July, 2017	30,000,000	3,700,000,000	156,302,336	3,886,302,336
Final dividend paid for the year ended June 30, 2017 at the rate of PKR 36.80 per share	-	-	(110,400,042)	(110,400,042)
Total comprehensive income for the nine months period ended March 31, 2018	-	-	273,177,148	273,177,148
Balance as at March 31, 2018	<u>30,000,000</u>	<u>3,700,000,000</u>	<u>319,079,442</u>	<u>4,049,079,442</u>
Balance as at 1st July, 2018	30,000,000	4,000,000,000	232,737,034	4,262,737,034
Final dividend paid for the year ended June 30, 2018 at the rate of PKR 64.30 per share	-	-	(192,900,000)	(192,900,000)
Total comprehensive income for the nine months period ended March 31, 2019	-	-	612,016,574	612,016,574
Balance as at March 31, 2019	<u>30,000,000</u>	<u>4,000,000,000</u>	<u>651,853,608</u>	<u>4,681,853,608</u>

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


CHIEF EXECUTIVE
KHURRUM SALIM
Karachi: April 25, 2019


DIRECTOR
MOHAMMAD SALIM



CHIEF FINANCIAL OFFICER
ASIM MIRZA


Bhanero Textile Mills Limited

Condensed Interim Statement of Cash Flows (Un-Audited) For The Nine Months Period ended March 31, 2019

	March 31, 2019	March 31, 2018
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	690,287,803	345,238,659
Adjustments for:		
Depreciation on property, plant and equipment	186,075,499	162,912,142
Provision for employees' benefits	37,395,000	33,840,000
Infrastructure fee - ETO	13,676,759	11,611,473
Infrastructure fee - GIDC	12,895,098	14,357,303
Gain on disposal of property, plant and equipment	(215,082,989)	(1,231,164)
Finance cost	99,962,188	75,001,949
Operating cash flows before changes in working capital (Increase) / decrease in current assets	825,209,358	641,730,362
Inventories	(1,702,164,390)	(291,538,306)
Trade debts	43,416,279	(101,413,008)
Loans and advances	(8,865,516)	3,533,836
Trade deposits & prepayments	(16,079,862)	(13,362,306)
Other receivables	7,655,176	(14,013,974)
Sales tax refundable	(25,067,920)	(387,624)
	(1,701,106,233)	(417,181,382)
Increase in trade and other payables	(64,577,709)	433,035,644
Cash generated from / (used in) operations	(940,474,584)	657,584,624
Finance cost paid	(85,862,516)	(70,634,155)
Employees' benefits paid	(20,859,006)	(22,169,551)
Income taxes paid	(88,136,511)	(93,179,128)
Long term deposits	-	(2,327,380)
	(194,858,033)	(188,310,214)
Net cash (used in) / generated from operating activities	(1,135,332,617)	469,274,409
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	290,255,625	7,281,008
Additions in property, plant and equipment	(537,017,996)	(963,394,813)
Net cash used in investing activities	(246,762,371)	(956,113,805)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing	(58,601,086)	(58,097,961)
Proceeds from long term loans	359,161,000	537,839,000
Increase in short term borrowings	1,426,045,887	278,242,860
Dividend paid	(192,553,392)	(110,232,312)
Net cash generated from financing activities	1,534,052,409	647,751,587
Net increase in cash and cash equivalents	151,957,421	160,912,191
Cash and cash equivalents at the beginning of the period	68,266,023	39,785,959
Cash and cash equivalents at the end of the period	220,223,444	200,698,150

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


**CHIEF EXECUTIVE
 KHURRUM SALIM**
 Karachi: April 25, 2019


**DIRECTOR
 MOHAMMAD SALIM**


**CHIEF FINANCIAL OFFICER
 ASIM MIRZA**

Bhanero Textile Mills Limited

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

For The Nine Months Period ended March 31, 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, 2018.

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 2018.

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, 2018, except of change referred to in note 4.

4 CHANGE IN ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

There are certain amendments and an interpretation to approved accounting and reporting standards which are mandatory for the Company's annual accounting period which began on July 1, 2018. However, these do not have any significant impact on the Company's financial reporting and, therefore, have not been detailed in these condensed interim financial statements.

In addition to that a new standard (i.e. IFRS 15) have become applicable to the Company effective from July 1, 2018. Because of this new standard certain changes to the accounting policies have been made in light of the following paragraphs:

IFRS 15 'Revenue from contracts with customers'

IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition.

IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognize revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The changes laid down by these standard do not have any significant impact on the amounts reported in all current and periods presented in these condensed interim financial statements of the Company.

• **IFRS 9 'Financial Instruments'**

The Company has deferred the adoption of IFRS 9, in pursuant to SRO 229(I)/2019 dated February 14, 2019. Through this SRO the SECP has modified the effective date for applicability of IFRS 9 (Financial Instruments) in place of IAS 39 (Financial Instruments: Recognition & Measurement) as " Reporting Period / Year ending on or after June 30, 2019.

Previously Through SRO 1007(I)/2017 dated October 04, 2017, the SECP had notified IFRS 9 replacing IAS 39 with effect from reporting periods starting from July 01, 2018.

	<u>March 31, 2019</u>	<u>June 30, 2018</u>
	<i>Rupees</i>	<i>Rupees</i>
	<i>(Un-Audited)</i>	<i>(Audited)</i>
5 DEFERRED LIABILITIES		
These include the following:		
Staff retirement benefits - gratuity	166,102,635	149,566,641
Deferred taxation	111,301,359	111,301,359
Infrastructure fee payable - ETO	94,647,843	80,971,084
Infrastructure fee payable - Gas	79,222,216	66,327,118
	<u>451,274,053</u>	<u>408,166,202</u>
6 CONTINGENCIES AND COMMITMENTS		
There is no material change in contingencies and commitments as disclosed in annual financial statements for the year ended June 30, 2018 except following:		
6.1 Contingencies		
Bills Discounted	<u>734,578,238</u>	<u>410,782,583</u>
6.2 Commitments		
Letter of credit (for store, raw material and machinery)	<u>950,243,162</u>	<u>490,829,539</u>

	Note	March 31, 2019	June 30, 2018
		Rupees (Un-Audited)	Rupees (Audited)
7 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets			
Assets owned by the Company	7.1	2,556,893,173	2,794,870,715
		<u>2,556,893,173</u>	<u>2,794,870,715</u>
7.1 Assets owned by the Company			
Net book value at the beginning of the period/year		2,794,870,715	2,029,939,532
Additions during the period/year			
Freehold land		-	235,887,464
Factory buildings		-	61,918,840
Non factory buildings		-	42,584,904
Plant and machinery		992,000	635,765,387
Equipment and other assets		-	28,915,913
Electric installation		-	-
Factory equipment		528,252	-
Furniture & Fixtures - Factory		297,796	408,910
Furniture & Fixtures - Office		-	1,785,000
Office Equipment		5,217,730	62,650
Vehicles		16,234,815	18,565,850
		23,270,593	1,025,894,918
Net book value of assets disposed during the period/year		(75,172,636)	(37,511,596)
Depreciation for the period/year		(186,075,499)	(223,452,139)
Net book value at the end of the period / year		<u>2,556,893,173</u>	<u>2,794,870,715</u>

8 PROVISION FOR TAXATION

- 8.1 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.

9 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	Nine Months Ended		Quarter Ended	
			March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Nature of transactions			Rupees	Rupees	Rupees	Rupees
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				
Services received			231,750	231,750	77,250	77,250
Services rendered			637,463	681,779	347,707	-
Electricity purchased			259,968,534	546,192,984	69,686,352	205,372,463
Purchase of yarn, fabric and machinery			90,424,034	180,320,347	32,650,283	90,980,229
Sales of cotton, yarn, fabric and machinery			411,078,801	598,311,183	148,607,998	243,465,389

10 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 March 31, 2019 is as follows:

	Third Quarter Ended March 31, 2019		
	Spinning Rupees	Weaving Rupees	Total Rupees
Revenue from external customers	4,333,837,071	2,483,309,558	6,817,146,629
Inter-segment transfers	163,681,000	-	163,681,000
Segment results	565,931,197	275,456,468	841,387,665

	Third Quarter Ended March 31, 2018		
	Spinning Rupees	Weaving Rupees	Total Rupees
Revenue from external customers	3,775,462,966	1,989,457,830	5,764,920,796
Inter-segment transfers	248,810,684	-	248,810,684
Segment results	282,806,288	163,151,350	445,957,638

	As at March 31, 2019			
	Spinning Rupees	Weaving Rupees	Un-allocated Rupees	Total Rupees
Segment assets	6,867,367,806	1,417,771,452	499,152,363	8,784,291,621

	As at June 30, 2018			
	Spinning Rupees	Weaving Rupees	Un-allocated Rupees	Total Rupees
Segment assets	5,008,303,431	1,189,150,090	448,139,299	6,645,592,820

	As at March 31, 2019			
	Spinning Rupees	Weaving Rupees	Un-allocated Rupees	Total Rupees
Segment liabilities	3,350,752,967	544,630,631	207,054,415	4,102,438,013

	As at June 30, 2018			
	Spinning Rupees	Weaving Rupees	Un-allocated Rupees	Total Rupees
Segment liabilities	1,867,153,488	323,429,855	193,031,048	2,383,614,391

11 EVENTS AFTER THE REPORTING PERIOD

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

12 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.

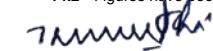
13 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information have been approved by the Board of Directors of the Company and authorized for issue on April 25, 2019.

14 GENERAL

14.1 There are no other significant activities since June 30, 2018 affecting the interim financial information.

14.2 Figures have been rounded off to the nearest Rupee.



CHIEF EXECUTIVE
KHURRUM SALIM
Karachi: April 25, 2019



DIRECTOR
MOHAMMAD SALIM



CHIEF FINANCIAL OFFICER
ASIM MIRZA