

**FIRST QUARTER REPORT  
FOR THE PERIOD ENDED  
SEPTEMBER 30, 2019  
(Un-Audited)**



**NAGINA COTTON MILLS LTD.**



**NAGINA COTTON MILLS LTD.**

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## **NAGINA COTTON MILLS LTD.**

### **COMPANY INFORMATION**

#### **BOARD OF DIRECTORS**

Mr. Shahzada Ellahi Shaikh	Non-Executive Director / Chairman
Mr. Tajammal Husain Bokharee	Independent Non-Executive Director
Mr. Shafiq ur Rehman	Independent Non-Executive Director
Mr. Shafqat Ellahi Shaikh	Non-Executive Director
Mr. Raza Ellahi Shaikh	Non-Executive Director
Mr. Haroon Shahzada Ellahi Shaikh	Non-Executive Director
Mr. Shaukat Ellahi Shaikh	Executive Director
Mr. Tariq Zafar Bajwa	Executive Director
Mr. Munawar Iqbal	Executive Director

#### **MANAGING DIRECTOR (Chief Executive)**

Mr. Shaukat Ellahi Shaikh

#### **AUDIT COMMITTEE**

Mr. Tajammal Husain Bokharee	Chairman
Mr. Shafqat Ellahi Shaikh	Member
Mr. Raza Ellahi Shaikh	Member
Mr. Syed Mohsin Gilani	Secretary

#### **HUMAN RESOURCE & REMUNERATION (HR & R) COMMITTEE**

Mr. Tajammal Husain Bokharee	Chairman
Mr. Raza Ellahi Shaikh	Member
Mr. Tariq Zafar Bajwa	Member
Mr. Muhammad Azam	Secretary

#### **EXECUTIVE COMMITTEE**

Mr. Shafqat Ellahi Shaikh	Chairman
Mr. Shahzada Ellahi Shaikh	Member
Mr. Shaukat Ellahi Shaikh	Member
Mr. Raza Ellahi Shaikh	Member
Mr. Muhammad Azam	Secretary

#### **CORPORATE SECRETARY**

Mr. Syed Mohsin Gilani

#### **CHIEF FINANCIAL OFFICER (CFO)**

Mr. Tariq Zafar Bajwa

#### **HEAD OF INTERNAL AUDIT**

Mr. Kashif Saleem

#### **AUDITORS**

Messrs Deloitte Yousuf Adil  
Chartered Accountants

#### **LEGAL ADVISOR**

Makhdoom & Makhdoom Advocates

#### **LEAD BANKERS**

Albaraka Bank (Pakistan) Ltd.  
Allied Bank Ltd.  
Askari Bank Ltd.  
Bank Alfalah Ltd.  
Faysal Bank Ltd.  
Habib Bank Ltd.  
Habib Metropolitan Bank Ltd.  
JS Bank LTD.  
Meezan Bank Ltd.  
Industrial Development Bank of Pakistan  
MCB Bank Ltd.  
National Bank of Pakistan  
Samba Bank Ltd.  
Standard Chartered Bank (Pakistan) Ltd.  
The Bank of Punjab  
United Bank Ltd.

#### **REGISTERED OFFICE**

2nd Floor, Shaikh Sultan Trust Bldg. No.2  
26, Civil Lines, Beaumont Road,  
Karachi - 75530

#### **WEB REFERENCE**

[www.nagina.com](http://www.nagina.com)

#### **SHARE REGISTRAR**

M/s Hameed Majeed Associates (Pvt.) Ltd.  
5<sup>th</sup> Floor, Karachi Chambers,  
Hasrat Mohani Road, Karachi.  
Phone # 021-32412754, 32424826  
Fax # 021-32424835

#### **MILLS**

Aminabad, A-16, S.I.T.E., National Highway, Kotri



## NAGINA COTTON MILLS LTD.

### DIRECTORS' REVIEW

The Directors are pleased to present the un-audited condensed interim financial statements of the Company for the 1<sup>st</sup> quarter ended on September 30, 2019. The comparative figures for the corresponding quarter ended on September 30, 2018 are included for comparison, except in statement of financial position where comparative figures are for the year ended on June 30, 2019.

#### **Company Performance**

Alhamdulillah, during the quarter under review your Company has earned after tax profit of Rs. 47,268,040 or 2.30% of sales compared to Rs. 112,114,938 or 6.96% of sales during corresponding quarter of previous year. Earning per share (EPS) for the quarter is Rs.2.53 compared to Rs. 6.00 for the corresponding period. The main contributing factors for reduction in profitability is increase in raw material and energy costs.

Sales revenue for the period under review are Rs. 2,054,411,654 compared to Rs. 1,611,599,426 during corresponding quarter of previous year, showing increase of 27.48%. This increase is mainly due to rise in volume of yarn sales. Cost of sales also increased from 85.10% of sales during the same period of previous year to 90.08% during the period under review. This resulted in reduction in Gross Profit (GP) from 14.90% of sales during the same period of previous year to 9.92% of sales during the period under review.

Operating expenses have risen by 15.56% over the same period of previous year. Higher operating expenses are attributable to higher percentage of exports and general inflationary pressures. Rising interest rates resulted in increase in finance cost from 1.73% of sales during same period of previous year to 2.70% of sales during the period under review.

According to the figures issued by the Pakistan Cotton Ginners Association, for the crop year 2019-20, Kapas, (seed cotton) arrivals up to October 15, 2019, at the Gineries totalled 4.440 million bales compared to 6.044 million bales of same period of previous year showing decrease in arrival of 26.54%.

#### **Future Outlook**

The quarter under review has been reasonably profitable. Timely action by management to procure raw cotton and manage the timing of yarn sales is keeping the company profitable. The benefits of the balancing, modernisation and replacement program is likely to keep the company technologically up-to-date and competitive. Profitability should also be helped by continuous efforts to develop new products and diversify marketing channels. However, going forward number of economic challenges are arising. Local cotton crop is falling short due to which heavy reliance would be on imported cotton. This is likely to affect cotton prices negatively. Strengthening PKR against USD is squeezing product contribution margins. Continued trade tensions between China and USA is resulting in lower global product demand. Operating environment is also not very conducive where industry is facing issues such as high interest costs, stuck up sales tax refunds, which is sucking corporate liquidity and rising inflationary pressures pushing up costs.

It is hoped that the Government would bring in business friendly policies such as uninterrupted and cost effective energy supplies, refund of outstanding sales tax, income tax, DLT and technology upgradation funds so that cash flows improve and allow spinning mills to stock raw cotton. Management is vigilantly reviewing the ever changing conditions in order to enhance company profits.

#### **Acknowledgement**

Continued diligence and devotion of the staff and workers of the Company and good human relations at all levels deserve acknowledgement. The Directors also wish to place on record their thanks to the bankers and other stakeholders for their continued support to the Company.

On behalf of the Board.

**Shahzada Ellahi Shaikh**  
Chairman

**Shaukat Ellahi Shaikh**  
Mg. Director (Chief Executive)

October 24, 2019



NAGINA COTTON MILLS LTD.

## ڈائریکٹرز کا جائزہ

ڈائریکٹرز 30 ستمبر 2019ء کو اختتام پہلی سہ ماہی کے لئے کمپنی کی غیر نظر ثانی شدہ مالیاتی معلومات پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔ 30 ستمبر 2018ء کو ختم ہونے والی سہ ماہی کے تقابلی اعداد و شمار بھی موازنہ کے لئے شامل کئے گئے ہیں۔ ماسوائے سٹیٹمنٹ آف فنانشل پوزیشن کے جہاں تقابلی اعداد و شمار 30 جون 2019ء کو ختم سال کے لئے ہیں۔

### کمپنی کی کارکردگی

الحمد للہ، آپ کی کمپنی نے گزشتہ سال کی اسی سہ ماہی کے دوران 112,114,938 روپے یا فروخت کا 6.96 فیصد کے مقابلے زیر جائزہ سہ ماہی کے دوران 47,268,040 روپے یا فروخت کا 2.30 فیصد کا بعد از ٹیکس منافع کمایا۔ سہ ماہی کے لئے فی شیئر آمدنی (EPS) گزشتہ سال کی اسی مدت کے لئے 6.00 روپے کے مقابلے 2.53 روپے ہے۔ منافع میں کمی کی بنیادی وجہ خام مال اور توانائی کے اخراجات میں اضافہ ہے۔

کمپنی کی فروخت آمدنی گزشتہ سال اسی مدت کے دوران 1,611,599,426 روپے کے مقابلے 2,054,411,654 روپے پر قائم رہی جو 27.48 فیصد اضافہ ظاہر کر رہی ہے۔ فروخت آمدنی میں اضافہ فروخت حجم میں اضافہ کے نتیجے میں ہوا۔ زیر جائزہ مدت کے دوران فروخت کی لاگت گزشتہ سال فروخت کی 85.10 فیصد کے مقابلے فروخت کی 90.08 فیصد تک ہوئی ہے۔ فروخت کی لاگت میں اضافہ کے نتیجے میں مجموعی منافع (GP) گزشتہ سال کی اسی مدت کے دوران فروخت کے 14.90 فیصد سے کم ہو کر زیر جائزہ مدت کے دوران فروخت کے 9.92 فیصد تک ہو گیا۔

مجموعی کاروباری اخراجات گزشتہ سال کی اسی مدت سے 15.56 فیصد زیادہ ہوئے۔ مجموعی کاروباری اخراجات میں اضافہ برآمدات اور عام افراط زر کے دباؤ کی وجہ سے ہوا۔ شرح سود میں اضافہ کے نتیجے میں مالی اخراجات گزشتہ سال کی اسی مدت میں فروخت کے 1.73 فیصد سے بڑھ کر زیر جائزہ مدت کے دوران فروخت کے 2.70 فیصد تک ہوئے۔

فصل سال 2019-20 کیلئے پاکستان کاٹن جیز زائیوسٹی ایژن کی طرف سے جاری کردہ اعداد و شمار کے مطابق کپاس، (بیج کپاس) کی 15 اکتوبر 2019ء تک جیزیز میں آمد گزشتہ سال کی اسی مدت میں 6,044 ملین کانٹوں کے مقابلے میں کل 4,440 ملین کانٹوں ہو گئیں جو 26.54 فیصد کی کمی ظاہر کرتی ہے۔ مستقبل کا نقطہ نظر

زیر جائزہ سہ ماہی معقول منافع بخش رہی۔ انتظامیہ نے خام کپاس کی بروقت خریداری اور سوت کی فروخت وقت کی مناسبت سے کر کے کمپنی کو منافع بخش رکھا ہے۔ توازن، جدت اور تبدیلی پروگرام کے تحت فوائڈ کمپنی کو ٹیکنیکل طور پر جدید اور مسابقتی بنائے رکھنے میں مدد دی گئی۔ نئی مصنوعات کی تیاری اور مارکیٹنگ چینلز میں جدت کی مسلسل کوششوں سے بھی منافع کو بہتر بنانے میں مدد ملے گی۔ تاہم، مستقبل میں ہم کئی معاشی مشکلات ابھرتے دیکھ رہے ہیں۔ مقامی کپاس کی فصل کم ہو رہی ہے جس کی وجہ سے درآمدی کپاس پر انحصار بڑھ جائے گا جس سے کپاس کی قیمتوں پر منفی اثرات پڑنے کے امکانات ہیں۔ امریکی ڈالر کے برعکس پاکستانی روپیہ کی مضبوطی مصنوعات کے منافع کو کم کر رہی ہے۔ چین اور امریکہ کے درمیان جاری تجارتی تناؤ کے نتیجے میں مصنوعات کی عالمی طلب کم ہو رہی ہے۔ کاروباری ماحول بھی بہت زیادہ سازگار نہیں ہے کیونکہ صنعت کو شرح سود میں اضافہ، سیلز ٹیکس کی قابل واپسی رقوم میں رکاوٹ جیسے مسائل درپیش ہیں، جو کاروباری کیویڈیٹی کو کم اور افراط زر کا دباؤ اخراجات میں اضافہ کر رہا ہے۔

یہ امید کی جاتی ہے کہ حکومت بلا تامل اور موثر لاگت توانائی کی فراہمی، بقایا سیلز ٹیکس، انکم ٹیکس، DTL اور ٹیکنالوجی اپ گریڈیشن رقوم کی واپسی کو تیز کرنے کی کاروبار دوستانہ پالیسیاں لائے گی جو لگت کی بہاؤ کو بہتر بنائے گی اور سپلائنگ ملز خام کپاس ذخیرہ کر سکیں گی۔ انتظامیہ کمپنی کے منافع کو بڑھانے کے لئے ہمیشہ تبدیل ہوتے حالات کا بغور جائزہ لے رہی ہے۔

### اظہار تشکر

کمپنی کے عملے اور کارکنوں کی مسلسل محنت اور جذبہ اور تمام سطحوں پر اچھے انسانی تعلقات کا اعتراف کرتے ہیں۔ ڈائریکٹرز کمپنی کی مسلسل حمایت پر بینکرز اور دیگر حصہ داروں کا بھی شکریہ ادا کرتے ہیں۔

منجانب بورڈ

شوکت الہی شیخ

مینیجنگ ڈائریکٹر (چیف ایگزیکٹو)

شہزادہ الہی شیخ

چیئر مین

لاہور: 24 اکتوبر 2019ء




# NAGINA COTTON MILLS LTD.


## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2019

	(Un-Audited) September 30, 2019	(Audited) June 30, 2019
Note	-----Rupees-----	
<b>EQUITY AND LIABILITIES</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
Authorized share capital		
50,000,000 (June 30, 2019: 50,000,000)		
ordinary shares of Rs. 10/- each	<u>500,000,000</u>	<u>500,000,000</u>
Issued, subscribed and paid up capital	187,000,000	187,000,000
Capital reserves	185,900,093	199,466,200
Revenue reserve	<u>1,684,714,899</u>	<u>1,637,446,859</u>
<b>TOTAL EQUITY</b>	<b>2,057,614,992</b>	<b>2,023,913,059</b>
<b>LIABILITIES</b>		
<b>NON-CURRENT LIABILITIES</b>		
Long term finances	<u>1,072,174,969</u>	<u>1,019,058,577</u>
Deferred Liabilities	<u>120,803,136</u>	<u>118,839,945</u>
	<b>1,192,978,105</b>	<b>1,137,898,522</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	<u>1,102,104,314</u>	<u>992,448,149</u>
Unclaimed dividend	7,285,452	7,293,599
Accrued interest / mark-up	46,915,693	52,022,463
Short term borrowings	551,312,862	1,443,682,458
Current portion of long term finances	<u>143,116,145</u>	<u>159,538,235</u>
	<u>1,850,734,466</u>	<u>2,654,984,904</u>
<b>TOTAL LIABILITIES</b>	<b>3,043,712,571</b>	<b>3,792,883,426</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	<b>7</b>	
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><b>5,101,327,563</b></u>	<u><b>5,816,796,485</b></u>

The annexed explanatory notes from 1 to 15 form an integral part of these condensed interim financial statements.

October 24, 2019

  
**Mr. Shahzada Ellahi Shaikh**  
 Chairman

  
**Tariq Zafar Bajwa**  
 Chief Financial Officer



# NAGINA COTTON MILLS LTD.

		(Un-Audited) September 30, 2019	(Audited) June 30, 2019
	Note	-----Rupees-----	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	2,097,998,039	2,019,054,724
Investment properties		13,919,592	13,981,207
Intangible assets		1,383,788	1,591,356
Long-term deposits		1,069,258	1,069,258
Sales tax refund bonds		28,456,959	19,542,877
		<b>2,142,827,636</b>	<b>2,055,239,422</b>
<b>CURRENT ASSETS</b>			
Stores and spares		41,068,660	32,701,494
Stock-in-trade		1,224,955,195	1,199,645,565
Trade receivables		696,097,665	1,636,329,352
Loans and advances		209,888,562	202,228,041
Prepayments		12,393,281	2,990,165
Other receivables		19,892,339	18,940,006
Sales tax refundable		103,816,121	75,016,697
Other financial assets	9	522,020,939	440,510,198
Cash and bank balances		128,367,165	153,195,545
		<b>2,958,499,927</b>	<b>3,761,557,063</b>
<b>TOTAL ASSETS</b>		<b>5,101,327,563</b>	<b>5,816,796,485</b>

The annexed explanatory notes from 1 to 15 form an integral part of these condensed interim financial statements.

**Shaukat Ellahi Shaikh**  
Mg. Director (Chief Executive)



# NAGINA COTTON MILLS LTD.

## CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME(UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2019

	Quarter Ended	
	September 30, 2019	September 30, 2018
	.....Rupees.....	
Sales - net	2,054,411,654	1,611,599,426
Cost of goods sold	(1,850,674,769)	(1,371,493,153)
<b>Gross profit</b>	<b>203,736,885</b>	<b>240,106,273</b>
Distribution cost	(41,028,089)	(23,059,212)
Administrative expenses	(35,994,362)	(37,491,822)
Other expenses	(5,432,663)	(10,802,913)
	<b>(82,455,114)</b>	<b>(71,353,947)</b>
	<b>121,281,771</b>	<b>168,752,326</b>
Other income	6,023,770	4,343,495
<b>Operating profit</b>	<b>127,305,541</b>	<b>173,095,821</b>
Finance cost	(55,366,720)	(27,838,757)
<b>Profit before taxation</b>	<b>71,938,821</b>	<b>145,257,064</b>
Provision for taxation	(24,670,781)	(33,142,126)
<b>Profit after taxation</b>	<b>47,268,040</b>	<b>112,114,938</b>
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Unrealized (loss) / gain on remeasurement of investments classified as fair value through other comprehensive income	(13,566,107)	6,455,593
Realized loss on sale of equity investments	-	(8,709,356)
Other comprehensive loss for the period	(13,566,107)	(2,253,763)
<b>Total comprehensive income for the period</b>	<b>33,701,933</b>	<b>109,861,175</b>
<b>Earnings per share - basic and diluted</b>	<b>2.53</b>	<b>6.00</b>

The annexed explanatory notes from 1 to 15 form an integral part of these condensed interim financial statements.

Mr. Shahzada Ellahi Shaikh  
Chairman

Tariq Zafar Bajwa  
Chief Financial Officer

Shaukat Ellahi Shaikh  
Mg. Director (Chief Executive)

October 24, 2019



# NAGINA COTTON MILLS LTD.

## CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2019

	Quarter Ended	
	September 30, 2019	September 30, 2018
.....Rupees.....		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	71,938,821	145,257,064
<b>Adjustments for:</b>		
Depreciation	49,599,474	35,973,381
Amortization	207,568	207,569
Provision for employees retirement benefits	9,768,230	7,063,406
(Gain) / loss on disposal of property, plant and equipment	(5,758)	3,130,220
Capital loss on investment classified as fair value through profit or loss	5,479,333	-
Unrealized gain on investment classified as fair value through profit or loss	(822,201)	-
Finance cost	55,366,720	27,838,757
Rental Income	(6,166,436)	(5,633,396)
Dividend Income	(3,223,944)	(1,696,909)
Interest income on sales tax refund bonds	(614,082)	-
<b>Changes in working capital</b>	<b>181,527,725</b>	<b>212,140,092</b>
<b>(Increase)/decrease in current assets:</b>		
Stores and spares	(8,367,166)	205,763
Stock-in-trade	(25,309,630)	(304,043,972)
Trade receivables	940,231,687	(116,345,630)
Loans and advances	2,563,552	7,892,970
Prepayments	(9,403,116)	(8,249,289)
Other receivables	(952,333)	(79,043)
Sales tax refundable	(28,799,424)	(9,463,954)
<b>Increase in current liabilities</b>	<b>869,963,570</b>	<b>(430,083,155)</b>
Trade and other payables	109,656,165	109,311,016
	<b>979,619,735</b>	<b>(320,772,139)</b>
<b>Cash generated from / (used in) operations</b>	<b>1,161,147,460</b>	<b>(108,632,047)</b>
<b>Payments made:</b>		
Employees retirement benefits	(7,805,039)	(6,367,063)
Finance cost	(60,473,490)	(34,229,384)
Income taxes	(34,894,854)	(14,418,375)
<b>Net cash generated from / (used in) operating activities</b>	<b>A 1,057,974,077</b>	<b>(163,646,869)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(128,505,416)	(16,920,267)
Proceeds from disposal of property, plant and equipment	30,000	5,576,500
Purchase of other financial assets	(143,998,987)	(72,047,357)
Proceeds from sale of other financial assets	44,265,007	27,693,041
Rental Income received	6,166,436	5,633,396
Dividend received	3,223,944	1,696,909
Investment in sales tax refund bonds	(8,300,000)	-
<b>Net cash used in investing activities</b>	<b>B (227,119,016)</b>	<b>(48,367,778)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term finances obtained	78,400,050	-
Repayment of long term finances	(41,705,748)	(33,190,185)
Net increase / (decrease) in short term borrowings excluding running finances	349,375,000	(600,000,000)
Dividend paid	(8,147)	-
<b>Net cash generated from / (used in) financing activities</b>	<b>C 386,061,155</b>	<b>(633,190,185)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(A+B+C) 1,216,916,216</b>	<b>(845,204,832)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>(1,290,486,913)</b>	<b>(239,844,703)</b>
<b>Cash and cash equivalents at end of the period</b>	<b>(73,570,697)</b>	<b>(1,085,049,535)</b>
<b>Cash and cash equivalents</b>		
Cash and bank balances	128,367,165	71,662,092
Short term running finances	(201,937,862)	(1,156,711,627)
	<b>(73,570,697)</b>	<b>(1,085,049,535)</b>

The annexed explanatory notes from 1 to 15 form an integral part of these condensed interim financial statements.

**Mr. Shahzada Ellahi Shaikh**  
Chairman

**Tariq Zafar Bajwa**  
Chief Financial Officer

**Shaukat Ellahi Shaikh**  
Mg. Director (Chief Executive)

October 24, 2019



# NAGINA COTTON MILLS LTD.

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2019

Issued, subscribed and paid up capital	Capital reserves				Revenue reserve	Total	
	Amalgamation reserve	Capital Redemption reserve	Reserves for the investments carried at fair value through other comprehensive income	Surplus / (Deficit) on revaluation of available for sale investments	Unappropriated profit		
-----Rupees-----							
Balance as at June 30, 2018 (Audited)	187,000,000	12,104,417	241,860,000	-	2,330,695	1,423,578,516	1,866,873,628
Effects of change in accounting policy due to implementation of IFRS 9	-	-	-	12,410,508	(2,330,695)	(10,079,813)	-
<b>Comprehensive income</b>							
Profit after taxation	-	-	-	-	-	111,852,313	111,852,313
Unrealized loss on remeasurement of investments classified as fair value through other comprehensive income	-	-	-	(1,991,138)	-	-	(1,991,138)
<b>Total comprehensive income for the period</b>	-	-	-	(1,991,138)	-	111,852,313	109,861,175
Balance as at September 30, 2018 (Un-Audited)	187,000,000	12,104,417	241,860,000	10,419,370	-	1,525,351,016	1,976,734,803
<b>Transactions with owners</b>							
Final dividend for the year ended June 30, 2018 @ 40% i.e. Rs. 4 per ordinary share	-	-	-	-	-	(74,800,000)	(74,800,000)
<b>Comprehensive income</b>							
Profit after taxation	-	-	-	-	-	196,767,349	196,767,349
Unrealized loss on remeasurement of investments classified as fair value through other comprehensive income	-	-	-	(64,917,587)	-	-	(64,917,587)
Remeasurement of defined benefit liability	-	-	-	-	-	(9,871,506)	(9,871,506)
<b>Total comprehensive income for the period</b>	-	-	-	(64,917,587)	-	186,895,843	121,978,256
Balance as at June 30, 2019 (Audited)	187,000,000	12,104,417	241,860,000	(54,498,217)	-	1,637,446,859	2,023,913,059
<b>Comprehensive income</b>							
Profit after taxation	-	-	-	-	-	47,268,040	47,268,040
Unrealized loss on remeasurement of investments classified as fair value through other comprehensive income	-	-	-	(13,566,107)	-	-	(13,566,107)
<b>Total comprehensive Income for the period</b>	-	-	-	(13,566,107)	-	47,268,040	33,701,933
Balance as at September 30, 2019 (Un-Audited)	187,000,000	12,104,417	241,860,000	(68,064,324)	-	1,684,714,899	2,057,614,992

The annexed explanatory notes from 1 to 15 form an integral part of these condensed interim financial statements.

**Mr. Shahzada Ellahi Shaikh**  
Chairman

**Tariq Zafar Bajwa**  
Chief Financial Officer

**Shaukat Ellahi Shaikh**  
Mg. Director (Chief Executive)

October 24, 2019



## NAGINA COTTON MILLS LTD.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2019

#### 1. LEGAL STATUS AND OPERATIONS

- 1.1 Nagina Cotton Mills Limited (the Company) was incorporated in Pakistan on May 16, 1967 as a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and is listed on Pakistan Stock Exchange Limited. The principal business of the Company is to manufacture and sale of yarn. The Company's manufacturing facilities are located in Kotri Industrial Trading Estate in the province of Sindh, measuring area of 20.75 acres.

Following is the geographical location and address of all business units of the Company:

**Head Office:**

2nd floor, Shaikh Sultan Trust Building No.2, 26-Civil Lines, Beaumont Road, Karachi -75530, in the province of Sindh.

**Manufacturing facility:**

A-16, National Highway, Aminabad, S.I.T.E Kotri, in the province of Sindh.

**Liaison Office:**

Nagina House 91 – B-1, M.M. Alam Road, Gulberg-III, Lahore-54660, in the province of Punjab.

#### 2. STATEMENT OF COMPLIANCE

- 2.1 These un-audited condensed interim financial statements of the Company for the Quarter ended September 30, 2019 have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and provisions of and directives issued under the Companies Act, 2017. Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These condensed interim financial statements does not include all of the information required for the full financial statements and, therefore, these should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2019.

- 2.2 These condensed interim financial statements have been prepared under 'Historical cost convention' except employees retirement benefits and financial instruments at fair value.
- 2.3 These condensed interim financial statements are presented in Pak Rupees, which is also the Company's functional and presentation currency. Figures presented in these condensed interim financial statements have been rounded off to the nearest Rupee.
- 2.4 The comparative Statement of Financial Position presented has been extracted from annual financial statements for the year ended June 30, 2019; whereas comparative condensed statement of Profit or Loss and Other Comprehensive Income, condensed statement of Cash Flows and condensed statement of Changes in Equity are stated from the un-audited condensed interim financial statements for the First Quarter ended September 30, 2018.

#### 3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements of the Company for the year ended June 30, 2019 except Certain relevant new accounting standards (IFRS-16) are effective from annual reporting period beginning on or after January 01, 2019 as notified by the SECP and also adopted by the company as stated below:

##### 3.1 First time adoption of IFRS 16 - Leases

During the period, IFRS 16 - Leases became applicable to the company. IFRS 16 replaces IAS 17 "Accounting for Leases" and related interpretations and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short term leases and leases of low-value items.

Lessor accounting remains similar to the current standard i.e lessors continue to classify lease as either finance or operating lease.

The company has adopted IFRS 16 from July 01, 2019 and its adoption does not have any impact on these condensed interim financial statements.

#### 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these condensed interim financial statements require management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revision to accounting estimates are recognized prospectively commencing from the period of revision.

In preparing these condensed interim financial statements, the significant judgments made by the management in applying the Company's accounting policies, the key source of estimation and uncertainty were the same as those that applied to the financial statements of the Company for the year ended June 30, 2019.

#### 5. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Company for the year ended June 30, 2019.



# NAGINA COTTON MILLS LTD.

		(Un-Audited) September 30, 2019	(Audited) June 30, 2019
<b>6. SHORT-TERM BORROWINGS</b>			
- Banking companies - secured	Note	-----Rupees-----	
Running finance		201,937,862	1,443,682,458
Foreign currency finance		349,375,000	-
		<u>551,312,862</u>	<u>1,443,682,458</u>
<p>The Company can avail foreign currency, cash and running finance facilities from various banks aggregating to Rs. 3,430 million (June-2019 : Rs. 3,430 million). These borrowings are secured against hypothecation of stocks and book debts / receivables of the Company and pari passu charge on present and future current assets, demand promissory notes and lien on export orders / contracts. Cash and running finance facilities are subject to variable markup ranging from 1 to 3 month KIBOR plus 0.2% to 1.00% (June-2019 : from 1 to 3 month KIBOR plus 0.2% to 1%) per annum payable on quarterly basis whereas interest rates on foreign currency loans balances at reporting date were 2.4 % to 2.5 % ( June-2019 : Nil) per annum.</p> <p>The aggregate unavailed short-term borrowing facilities available amounted to Rs. 2,883 million (June 30, 2019 : Rs. 1,986 million).</p>			
<b>7 CONTINGENCIES AND COMMITMENTS</b>			
<b>7.1 Contingencies</b>			
<p>There is no change in contingencies as disclosed in note 12.1 to the annual financial statements for the year ended June 30, 2019 except bills discounted amounting to Rs. 1,338,784,385 (June-2019: Rs. 42,100,862)</p>			
<b>7.2 Commitments</b>			
Civil work		7,200,000	7,200,000
Letters of credit			
- Machinery		917,227,086	999,728,296
- Raw material		-	438,785,755
- Stores and spares		8,720,355	2,046,444
Rental of assets under operating lease agreements			
- Not later than one year		1,046,606	2,166,269
<b>8 PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets - owned	8.1	1,923,059,359	1,959,988,354
Capital work in progress	8.2	174,938,680	58,544,415
Capital advances		-	521,955
		<u>2,097,998,039</u>	<u>2,019,054,724</u>
<b>8.1 Operating fixed assets - Owned</b>			
Opening written down value		1,959,988,354	1,424,759,699
<b>Additions during the period / year</b>			
Mills buildings on lease hold land		53,870	-
Other buildings on lease hold land		-	16,838,242
Machinery and equipment		8,271,117	666,047,003
Electric installation and equipment		3,094,250	2,907,631
Gas Installations		-	1,389,775
Furniture and fixtures		889,969	1,445,281
Office equipment		245,400	517,800
Vehicles		78,500	17,783,931
		<u>12,633,106</u>	<u>706,929,663</u>
Written down value of property, plant and equipment disposed off		(24,242)	(17,429,324)
Depreciation charged during the period/year		(49,537,859)	(154,271,684)
Written down value at end of the period/year		<u>1,923,059,359</u>	<u>1,959,988,354</u>
<b>8.2 Capital work in progress</b>			
Opening Balance		58,544,415	10,724,200
Additions during the period / year		128,004,417	735,263,436
Transfers during the period / year		(11,610,152)	(687,443,221)
Closing Balance		<u>174,938,680</u>	<u>58,544,415</u>



# NAGINA COTTON MILLS LTD.

		(Un-Audited) September 30, 2019	(Audited) June 30, 2019
		-----Rupees-----	
<b>9</b>	<b>OTHER FINANCIAL ASSETS</b>		
	<b>Fair value through Profit or Loss</b>		
	Investment in listed equity securities	9.1 90,781,685	89,858,643
	Investment in mutual funds	9.2 4,106,404	6,952,598
	<b>Fair value through Other Comprehensive Income</b>		
	Investment in listed equity securities	321,102,409	334,002,347
	Investment in mutual funds	106,030,441	9,696,610
		<u>522,020,939</u>	<u>440,510,198</u>
<b>9.1</b>	Equity investments designated at FVTPL of Rs. 90.782 million (June 30, 2019: Rs. 89.859 million) are held in Specially Managed Account maintained with and managed by NBP Asset Management Company Limited.		
<b>9.2</b>	These are mutual fund investment carried at FVTPL of Rs. 4.106 million (June 30, 2019: of Rs. 6.953 million) held in Specially Managed Account maintained with and managed by NBP Asset Management Company Limited.		
<b>9.3</b>	<b>Reconciliation between fair value and cost of investments classified as 'equity instrument'</b>		
<b>9.3.1</b>	<b>Through profit or loss</b>		
	Fair value of investments		
	- in listed equity securities	90,781,685	89,858,644
	- in mutual funds	4,106,404	6,952,598
		94,888,089	96,811,242
	Less: unrealized (gain) / loss on remeasurement of investments	(822,201)	18,570,435
	Cost of investments	94,065,888	115,381,677
<b>9.3.2</b>	<b>Through other comprehensive income</b>		
	Fair value of investments		
	- in listed equity securities	321,102,409	334,002,347
	- in mutual funds	106,030,441	9,696,610
		427,132,850	343,698,957
	Less: unrealized loss on remeasurement of investments	9.4 68,064,324	54,498,217
	Cost of investments	495,197,174	398,197,174
<b>9.4</b>	<b>Unrealised loss on remeasurement of equity instruments</b>		
	<b>Through other comprehensive income</b>		
	Opening balance	(54,498,217)	-
	Effect of change in accounting policy due to implementation of IFRS 9	-	12,410,508
	(Loss) / gain on remeasurement of investments	(13,566,107)	(66,908,725)
	Closing balance	(68,064,324)	(54,498,217)
<b>10</b>	<b>COST OF GOODS SOLD</b>		
	Raw material consumed	1,539,775,901	1,122,184,225
	Packing material consumed	25,355,874	21,600,920
	Stores and spares consumed	25,258,820	21,378,591
	Salaries, wages and benefits	102,766,808	98,785,349
	Fuel	153,275,457	122,843,717
	Rent, rates and taxes	133,227	133,228
	Insurance	2,411,528	2,265,332
	Repairs and maintenance	1,786,715	5,648,112
	Depreciation	47,008,519	33,793,620
	Other manufacturing overheads	1,789,690	1,745,952
	<b>Manufacturing cost</b>	1,899,562,539	1,430,379,046
	Work-in-process:		
	At beginning of period	62,029,593	61,017,474
	At end of period	(82,624,633)	(67,798,105)
		(20,595,040)	(6,780,631)
	<b>Cost of goods manufactured</b>	1,878,967,499	1,423,598,415
	Finished stocks:		
	At beginning of period	116,448,510	68,490,128
	At end of period	(149,556,058)	(120,595,390)
		(33,107,548)	(52,105,262)
	Cost of sales of raw material	4,814,818	-
		<u>1,850,674,769</u>	<u>1,371,493,153</u>



# NAGINA COTTON MILLS LTD.

## 11 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated companies, directors of the Company and key management personnel of the Company. Transactions with related parties are carried out at arm's length in normal course of business. The consideration is determined on commercial terms and conditions. The transactions with related parties during the period generally consist of sales and purchases.

Nature and description of related party transactions during the period along with monetary values are as follows:

		Quarter Ended (Un-Audited)	
		September 30, 2019	September 30, 2018
		.....Rupees.....	
Nature of Relationship	Nature of Transaction		
Associated companies	Purchase of goods and services	581,490	25,103
	Sale of goods and services	479,160	72,745,600
Key management personnel	Remuneration and other benefits	4,282,167	3,525,000

There is no balance outstanding with or from associated undertakings, as at reporting date.

## 12 Reconciliation of liabilities arising from financing activities

The table below details changes in the Company's liabilities arising from the financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Company's statement of cash flows as cash flows from financing activities.

	(Audited)	Cash flows		(Un-Audited)
	June 30, 2019	Obtained	Repaid	September 30, 2019
.....Rupees.....				
Long-term finances	1,178,596,812	78,400,050	(41,705,748)	1,215,291,114
Term finances	-	200,000,000	(200,000,000)	-
	<u>1,178,596,812</u>	<u>278,400,050</u>	<u>(241,705,748)</u>	<u>1,215,291,114</u>

## 13 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying value of all the financial instruments reported in the financial statements approximates their fair value as the items are short term in nature.

The table below analyses financial instrument carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).



**NAGINA COTTON MILLS LTD.**

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