

Half Yearly Report
31 December 2011



Rupali Polyester Limited

Corporate Data

Board of Directors

Jafferli M. Feerasta
Chairman

Nooruddin Feerasta
Chief Executive Officer

Muhammad Rashid Zahir Muhammad Ali H. Sayani
Amin A. Feerasta Abdul Hayee
Syed Ali Zafar

Audit Committee

Jafferli M. Feerasta Muhammad Rashid Zahir
Chairman Member

Amin A. Feerasta
Member / Secretary

Chief Financial Officer

Ayub Saqib

Company Secretary

S. Ghulam Shabbir Gilani

Bankers

Bank Alfalah Limited Bank Al-Habib Limited
Citibank, N.A. Faysal Bank Limited
Habib Bank Ltd. MCB Bank Limited
NIB Bank Limited Soneri Bank Limited

Auditors

Qavi & Co.
Chartered Accountants

Registered Office

Rupali House,
241-242 Upper Mall Scheme,
Anand Road, Lahore - 54000
PAKISTAN

Plant

30.2 Kilometer
Lahore - Sheikhpura Road
Sheikhpura - 39350
PAKISTAN

DIRECTORS' REVIEW

On behalf of the Board of Directors, I am pleased to present before you the Company's unaudited financial statements for the second quarter and half year period ended 31 December 2011.

Financial Results

Business environment in the country is hardly conducive. High electricity tariff and power outages along with gas load shedding have adversely affected trade and industry in the country. Particularly, domestic Polyester Industry is crippled due to poor health of downstream Textile Industry. Textile exports largely declined because of devastating 20 days gas suspension in December 2011 which forced closure of textile mills and value chain units. Energy shortages, impacts of worsened domestic economy and rising trend of raw material prices seriously pushed up our cost of goods sold which squeezed gross margin to only 4% compared to 13% in half year period ended 31 December 2010. Similarly, gross margin for the quarter ended 31 December 2011 remained only 1% compared to 15% in same quarter of 2010.

Sales revenue for half year period ended 31 December 2011 reflected 17% increase to Rs.3,419.562 million from Rs.2,911.698 million in same period of 2010. However, gross profit remained under severe pressure due to high cost of goods sold. Profit before tax for current half year decreased to Rs.85.475 million from Rs.282.071 million in 2010. Profit after tax for same period also reduced to Rs.54.615 million from Rs.183.378 million in 2010. Profitability in quarter ended 31 December 2011 was mainly infected and remained extremely low, as profit before tax in this quarter amounted to Rs.0.899 million compared to Rs.173.832 million and profit after tax to Rs.3.611 million compared to Rs.115.702 million in same quarter last year.

Administrative and general expenses remained under strict control and were reduced to Rs.59.693 million in July-December 2011 compared to Rs.80.218 million in the comparative period in 2010.

Future Outlook

Viewing financial performance of the Company in the current quarter and half year period ended 31 December 2011 and instability in prices of our imported raw materials, it is difficult to predict improvement in remaining period of the year 2011-12. Political uncertainty has also accentuated in the country. The economic bottlenecks need to be immediately addressed. Power and gas shortages and high cost of furnace oil will substantially increase our cost of production. Suspension of gas supply caused a huge loss during these winter months as Textile Industry failed to capture export business. Government should take steps on war-footing for resolving energy crisis.

The National Tariff Commission in its conclusion of Sunset Review has not only reduced the anti-dumping duties on dumped imports of yarn but has also imposed duty only for three years from 4 December 2010 against our demand of atleast continuing previous tariff on permanent basis, thus causing injury to domestic industry.

The Management is striving to maximize production efficiencies. We hope that the Government will also provide a healthy business environment for the local industry to grow and prosper.

On behalf of the Board

Jafferali M. Feerasta

Chairman

Lahore:

17 February 2012

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of Rupali Polyester Limited as at 31 December 2011 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended 31 December 2010 and 2011 have not been reviewed, as we are required to review only the cumulative figures for the half year ended 31 December 2011.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended 31 December 2011 is not prepared in all material aspects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Lahore

Dated: 17 February 2012

Qavi & Co.

Chartered Accountants

Engagement Partner: Ghulam Abbas

CONDENSED INTERIM BALANCE SHEET as at 31 December 2011

31 Dec. 2011
Un-audited
Rupees in thousand

30 June 2011
Audited

	Note		
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised Share Capital 35,000,000 (30 June 2011: 35,000,000) Ordinary Shares of Rs. 10 each		350,000	350,000
Issued, Subscribed and Paid-up Capital 34,068,514 (30 June 2011: 34,068,514) Ordinary Shares of Rs. 10 each		340,685	340,685
Capital Reserve		71,490	71,490
Revenue Reserve		1,664,125	1,664,125
Unappropriated Profit		287,740	420,502
		2,364,040	2,496,802
NON-CURRENT LIABILITIES			
Staff Retirement Benefits - Gratuity		86,590	79,661
Deferred Taxation		250,769	249,592
CURRENT LIABILITIES			
Trade and Other Payables		839,985	1,135,072
Short Term Borrowings	6	348,891	10,817
Accrued Mark-up		5,709	688
		1,194,585	1,146,577
CONTINGENCIES AND COMMITMENTS			
	7	-	-
		3,895,984	3,972,632
ASSETS			
NON-CURRENT ASSETS			
Property, Plant and Equipment			
Operating Fixed Assets	8	1,185,217	1,192,889
Capital Work-in-Progress	9	15,277	26,998
		1,200,494	1,219,887
Long Term Deposits		4,281	4,281
		1,204,775	1,224,168
CURRENT ASSETS			
Stores, Spares and Loose Tools		635,028	396,737
Stock-in-Trade		1,618,721	1,925,566
Trade Debts - Unsecured		55,067	65,930
Loans and Advances		52,640	30,699
Trade Deposits and Short Term Prepayments		8,863	1,861
Other Receivables		157,552	282,115
Taxation - Net		94,270	35,290
Cash and Bank Balances		69,068	10,266
		2,691,209	2,748,464
		3,895,984	3,972,632

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

Jafferali M. Feerasta
Chairman

Nooruddin Feerasta
Chief Executive Officer

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-audited) for the half year ended 31 December 2011

Note	Quarter Ended		Half Year Ended	
	31 Dec. 2011	31 Dec. 2010	31 Dec. 2011	31 Dec. 2010
Rupees in thousand				
Sales	1,752,272	1,561,528	3,419,562	2,911,698
Cost of Goods Sold	10 <u>(1,736,609)</u>	<u>(1,320,445)</u>	<u>(3,279,832)</u>	<u>(2,536,081)</u>
Gross Profit	15,663	241,083	139,730	375,617
Selling and Distribution Expenses	(3,855)	(3,351)	(7,676)	(7,099)
Administrative and General Expenses	(30,330)	(56,521)	(59,693)	(80,218)
Other Operating Charges	60	(12,626)	(6,495)	(22,031)
Other Operating Income	<u>26,461</u>	<u>10,154</u>	<u>33,462</u>	<u>21,649</u>
Operating Profit	7,999	178,739	99,328	287,918
Finance Costs	<u>(7,100)</u>	<u>(4,907)</u>	<u>(13,853)</u>	<u>(5,847)</u>
Profit before Taxation	899	173,832	85,475	282,071
Taxation	2,712	(58,130)	(30,860)	(98,693)
Profit after Taxation	<u>3,611</u>	<u>115,702</u>	<u>54,615</u>	<u>183,378</u>
----- Rupees -----				
Earnings Per Share - Basic and Diluted	<u>0.11</u>	<u>3.40</u>	<u>1.60</u>	<u>5.38</u>

Appropriations have been reflected in the condensed interim statement of changes in equity.

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

Jafferli M. Feerasta
Chairman

Nooruddin Feerasta
Chief Executive Officer

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)
for the half year ended 31 December 2011

	Quarter Ended		Half Year Ended	
	31 Dec. 2011	31 Dec. 2010	31 Dec. 2011	31 Dec. 2010
	Rupees in thousand			
Comprehensive Income for the period	3,611	115,702	54,615	183,378
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income for the period	<u>3,611</u>	<u>115,702</u>	<u>54,615</u>	<u>183,378</u>

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

Jafferali M. Feerasta
 Chairman

Nooruddin Feerasta
 Chief Executive Officer

CONDENSED INTERIM CASH FLOW STATEMENT (Un-audited) for the half year ended 31 December 2011

	Half Year Ended	
	31 Dec. 2011	31 Dec. 2010
Note	Rupees in thousand	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Taxation	85,475	282,071
Add / (Less):		
Adjustment for Non Cash Charges and Other Items:		
Depreciation	8 54,335	39,554
Amortization of Prepayments	1,596	447
Staff Retirement Benefits - Gratuity	9,375	6,604
Reversal of Remission of Liabilities	-	164
Loss on Disposal of Operating Fixed Assets	-	15
Mark-up/Interest Income	(2,609)	(5,285)
Investment written off	-	31,839
Mark-up on Short Term Borrowings	11,344	3,479
Bank Commission & Other Charges	2,509	2,368
	76,550	79,185
Effect on Cash Flow Due to Working Capital Changes:		
(Increase) / Decrease In Current Assets:		
Stores, Spares and Loose Tools	(238,291)	(22,151)
Stock-in-Trade	306,845	(445,533)
Trade Debts	10,863	(2,076)
Loans and Advances	(21,941)	(2,147)
Trade Deposits and Short Term Prepayments	(8,598)	(6,400)
Other Receivables	124,563	(1,780)
	173,441	(480,087)
Decrease In Current Liabilities:		
Trade and Other Payables	(295,087)	(32,322)
	(121,646)	(512,409)
Cash generated from / (used in) Operations	40,379	(151,153)
Mark-up on Short Term Borrowings and		
Bank Commission & Other Charges Paid	(8,832)	(2,368)
Income Tax Paid	(88,663)	(64,937)
Mark-up/Interest Income Received	2,609	5,285
Staff Retirement Benefits - Gratuity Paid	(2,446)	(2,545)
Net Cash Outflow from Operating Activities	(56,953)	(215,718)

CONDENSED INTERIM CASH FLOW STATEMENT (Un-audited)
for the half year ended 31 December 2011

	Note	Half Year Ended	
		31 Dec. 2011	31 Dec. 2010
		Rupees in thousand	
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed Capital Expenditure		(34,942)	(54,247)
Long Term Investments		-	311
Long Term Deposits		-	(97)
Proceeds from Sales of Operating Fixed Assets		-	40
Net Cash Outflow from Investing Activities		(34,942)	(53,993)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend Paid		(187,377)	(135,953)
Net Cash Outflow from Financing Activities		(187,377)	(135,953)
Net Decrease In Cash and Cash Equivalents		(279,272)	(405,664)
Cash and Cash Equivalents at the Beginning of the Period		(551)	168,314
Cash and Cash Equivalents at the End of the Period	11	(279,823)	(237,350)

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

Jafferali M. Feerasta
 Chairman

Nooruddin Feerasta
 Chief Executive Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited) for the half year ended 31 December 2011

Rupees in thousand

	Issued Subscribed and Paid - up Capital	Capital Reserve	Revenue Reserves		Total Reserves	Total Equity
		Share Premium	General Reserve	Un - appropriated Profit		
Balance as on 30 June 2010 (Audited)	340,685	71,490	1,664,125	224,514	1,960,129	2,300,814
Final Dividend for the year ended 30 June 2010 @ 40%	-	-	-	(136,274)	(136,274)	(136,274)
Total Comprehensive Income for the half year ended 31 December 2010	-	-	-	183,378	183,378	183,378
Balance as on 31 December 2010 (Un-audited)	340,685	71,490	1,664,125	271,618	2,007,233	2,347,918
Total Comprehensive Income for the half year ended 30 June 2011	-	-	-	148,884	148,884	148,884
Balance as on 30 June 2011 (Audited)	340,685	71,490	1,664,125	420,502	2,156,117	2,496,802
Final Dividend for the year ended 30 June 2011 @ 55%	-	-	-	(187,377)	(187,377)	(187,377)
Total Comprehensive Income for the half year ended 31 December 2011	-	-	-	54,615	54,615	54,615
Balance as on 31 December 2011 (Un-audited)	340,685	71,490	1,664,125	287,740	2,023,355	2,364,040

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

Jafferli M. Feerasta
Chairman

Nooruddin Feerasta
Chief Executive Officer

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited) for the half year ended 31 December 2011

1. LEGAL STATUS AND NATURE OF BUSINESS

RUPALI POLYESTER LIMITED (“the Company”) was incorporated in Pakistan on 24 May 1980 under the Companies Act 1913 (now the Companies Ordinance, 1984) as a Public Limited Company and is quoted on the Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Company is situated at Rupali House, 241-242 Upper Mall Scheme, Anand Road, Lahore. It is principally engaged in the manufacture and sale of polyester products.

2. BASIS OF PREPARATION

This condensed interim financial information is un-audited and has been prepared in accordance with the requirements of International Accounting Standards (IAS) 34 - “Interim Financial Reporting” and provisions of any directive issued under the Companies Ordinance, 1984. In case where the requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. The figures for the half year ended 31 December 2011 have, however, been subjected to limited scope review by the auditors as required by Code of Corporate Governance. This condensed interim financial information does not include all the information required for annual financial statements and therefore, should be read in conjunction with the annual financial statements for the year ended 30 June 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the Company for the year ended 30 June 2011.

4. The provision for taxation for the half year ended 31 December 2011 has been made using the tax rate that would be applicable to expected total annual earnings.
5. The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgements made by the management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 30 June 2011, with the exception of changes in estimates that are required in determining the provision for income taxes.

6. SHORT TERM BORROWINGS

	Note	Un-audited 31 Dec. 2011	Audited 30 June 2011
Rupees in thousand			
Secured- From Banking Companies			
Running Finances Utilized under			
Mark-up arrangements from banks	6.1, 6.2 & 6.4	348,891	10,817
Term Finances under Mark-up arrangements from banks	6.1 & 6.3	-	-
		348,891	10,817

6.1 The total facilities aggregating Rs.1,900.000 million (30 June 2011: Rs. 900.000 million) available from various commercial banks. These are secured by way of hypothecation charge over current assets to the extent of Rs.2,074.821 million (30 June 2011: Rs. 1,088.821 million) and promissory notes valuing Rs.2,275.510 million (30 June 2011: Rs. 1,115.215 million).

6.2 The rate of mark-up for these facilities availed ranges between 12.40% to 13.70% (30 June 2011: 13.02% to 14.03%).

6.3 The rate of mark-up for these facilities availed is Nil (30 June 2011: Nil).

6.4 The aggregate facility available for opening letters of credit from various commercial banks amount to Rs.2,949.200 million (30 June 2011: Rs. 1,949.200 million) of which Rs.883.779 million were utilized at 31 December 2011 (30 June 2011: Rs. 1,283.979 million).

7. CONTINGENCIES AND COMMITMENTS
7.1 Contingencies:

7.1.1 Guarantees issued to different organizations in the normal course of business amounted to Rs. 66.314 million (30 June 2011: Rs. 66.314 million).

7.1.2 Outstanding guarantees given on behalf of Related Parties amounted to Rs. Nil (30 June 2011: Rs. Nil).

7.2 Commitments:

7.2.1 Contracts for Capital expenditure commitments outstanding as at 31 December 2011 amounted to Rs. 170.726 million (30 June 2011: Rs. 217.050 million).

7.2.2 Commitments against irrevocable letters of credit as at 31 December 2011 amounted to Rs. 883.779 million (30 June 2011: Rs. 1,283.979 million).

	Un-audited	Audited
Note	31 Dec. 2011	30 June 2011
Rupees in thousand		

8. OPERATING FIXED ASSETS

Opening Net Book Value (NBV)		1,192,889	907,586
Additions at Cost During the Period / Year	8.1	46,664	369,252
		1,239,553	1,276,838
Disposals (NBV) During the Period / Year	8.2	1	106
Depreciation Charge During the Period / Year		54,335	83,843
		54,336	83,949
		<u>1,185,217</u>	<u>1,192,889</u>

8.1 Additions at Cost During the Period / Year

Building: Factory on Freehold Land	3,409	11,929
Building: Office on Freehold Land	82	2,126
Building: Office on Leasehold Land	-	2,783
Plant and Machinery	40,755	343,936
Furniture and Fittings	147	4,215
Vehicles	1,443	-
Office Equipments	430	3,384
Other Assets	398	879
	<u>46,664</u>	<u>369,252</u>

8.2 Disposals (NBV) During the Period / Year

Vehicles	-	21
Furniture and Fittings	1	-
Office Equipments	-	55
Other Assets	-	30
	<u>1</u>	<u>106</u>

	Un-audited 31 Dec. 2011	Audited 30 June 2011
Rupees in thousand		
9. CAPITAL WORK-IN-PROGRESS		
Building and Civil Works	1,583	2,420
Plant and Machinery	511	24,127
Furniture and Fixture	-	126
Office Equipments	-	209
Other Assets	4	60
Capital Stores	373	56
Maintenance	12,806	-
	15,277	26,998

	Quarter Ended		Half year Ended	
	31 Dec. 2011	31 Dec. 2010	31 Dec. 2011	31 Dec. 2010
Rupees in thousand				
10. COST OF GOODS SOLD				
Raw and Packing Materials Consumed	1,181,063	1,345,685	2,349,261	2,489,588
Stores and Spares Consumed	41,734	32,087	68,190	59,542
Salaries, Wages and Amenities	51,523	46,739	95,333	85,058
Fuel and Power	256,238	222,156	470,594	398,610
Repair and Maintenance	36,635	10,142	42,943	18,612
Running and Maintenance of Vehicles	2,985	2,547	5,938	4,815
Insurance	3,447	2,518	6,677	4,920
Depreciation	23,613	15,862	46,315	31,335
Rent, Rate and Taxes	156	89	343	334
Other Expenses	706	521	1,251	844
	1,598,100	1,678,346	3,086,845	3,093,658
Add: Opening Work in Process	75,948	46,988	60,369	66,582
Less: Closing Work in Process	74,476	53,176	74,476	53,176
	1,599,572	1,672,158	3,072,738	3,107,064
Add: Opening Finished Goods	1,251,597	346,516	1,321,654	127,246
Less: Closing Finished Goods	1,114,560	698,229	1,114,560	698,229
	1,736,609	1,320,445	3,279,832	2,536,081

Half Year Ended	
Un-audited	Un-audited
31 Dec. 2011	31 Dec. 2010
Rupees in thousand	

11. CASH AND CASH EQUIVALENTS

Cash and Bank Balances	69,068	23,585
Short Term Borrowings	(348,891)	(260,935)
	(279,823)	(237,350)

12. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise Associated Undertakings, Other Related Group Companies, Directors of the Company, Key Management Personnel and Defined Contribution Plan (Provident Fund). Transactions with related parties are as follows:

		Quarter Ended		Half Year Ended	
		31 Dec. 2011	31 Dec. 2010	31 Dec. 2011	31 Dec. 2010
Rupees in thousand					
Relation with the Company	Nature of Transactions				
1	Associated Undertakings				
	Sales of goods and services	11,548	1,789	19,995	4,849
	Purchase of goods and services	278,974	166,587	479,628	363,688
	Profit on bank deposits	854	1,226	1,989	5,233
	Investments / Advance to parties	-	(31,839)	-	(32,150)
2	Other Related Parties				
	Sales of goods and services	-	-	-	-
	Purchase of goods and services	107	-	749	1,139
3	Defined Contribution Plan (Provident Fund)				
	Contribution to provident fund	232	450	662	784

There are no transactions with key management personnel other than under their terms of employment.

13. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on 17 February 2012 by the Board of Directors of the Company.

14. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim profit and loss account, condensed interim statement of comprehensive income and condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, no significant re-arrangements have been made.

15. GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

Jafferali M. Feerasta
Chairman

Nooruddin Feerasta
Chief Executive Officer



Rupali Polyester Limited

www.rupaligroup.com