

Half Yearly Report
31 December 2013



Rupali
Rupali
Polyester
Limited

Corporate Data

Board of Directors

Chairman

Jafferali M. Feerasta - Non-Executive

Chief Executive Officer

Nooruddin Feerasta - Executive

Directors

Muhammad Rashid Zahir - Non-Executive

Muhammad Ali H. Sayani - Non-Executive

Sultan Ali Rajwany - Non-Executive

Amin A. Feerasta - Non-Executive

Abdul Hayee - Executive

Committees of Board of Directors

Audit Committee

Sultan Ali Rajwany - Chairman

Muhammad Rashid Zahir - Member

Amin A. Feerasta - Member

Human Resource & Remuneration Committee

Jafferali M. Feerasta - Chairman

Nooruddin Feerasta - Member

Amin A. Feerasta - Member

Chief Financial Officer

Ayub Saqib

Company Secretary

S. Ghulam Shabbir Gilani

Bankers

Bank Alfalah Limited

Bank Al-Habib Limited

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 un-audited financial statements for the second quarter and half-year period ended 31 December 2013.

Financial Results

Rupali Polyester's performance underscores the half year ended 31 December 2013 riddled with difficulties. Cost of sales is the major constituent factor of any company which largely determines the directions of its bottom line. Facing both top and bottom lines having gone to red in annual 2013 and first quarter of 2013-14, the Management intelligently availed the cost efficiencies to control the manufacturing costs and with Blessings of ALLAH Almighty, during the second quarter, gross margin turned positive from loss situation in quarter ended December 2012, despite spiraling costs of raw material, diminished sales of Polyester Yarn, inflationary pressure and rupee devaluation. Yarn sales remained massively down in the quarter under review because of subdued business. The increased sales revenue and improved gross margin during this quarter helped the profitability margin to earn profit of Rs.19 million against loss of Rs.40 million in same quarter of 2012.

The top line growth, however, was not enough to harness the cost escalation. Finance cost, depreciating rupee and extraordinary exchange losses further shriveled the Company's profitability.

Suspension of gas supply to downstream units resulted in closure of many consumers of our products and it ultimately has thwarted our operations as a chain. Our Company too suffered heavy gas shutdown for 108 days in the half year ended 31 December 2013 apart from severe power failures. We had to face WAPDA power disruptions for 957 hours during the half year period under review.

Sales revenue for the half year period ended 31 December 2013 rose to Rs.3,462 million from Rs.3,161 million in same period of 2012. Revenue for the quarter Oct-Dec 2013 also improved to Rs.1,800 million compared to Rs.1,664 million in same quarter of 2012. The decline in profitability was exacerbated by the decrease in sales volume and revenue of Polyester Filament Yarn. Before-tax loss for the half year increased to Rs.146 million from Rs.74 million in the last year. After-tax loss also increased to Rs.168 million from Rs.136 million in 2012. Results in quarter ended 31 December 2013 were moderately improved showing before-tax loss of Rs.29 million against Rs.40 million and after-tax loss of Rs.35 million against Rs.94 million in the same quarter of the last year.

Administrative and general expenses remained under strict control and during the half year marginally escalated to Rs.65 million compared to Rs.58 million in the comparative period in 2012 due to inflationary impacts. Finance costs in the half year period slightly increased to Rs.44 million from Rs.43 million in the same quarter of 2012.

Future Outlook

Prevailing economic concerns in the country primarily spiraling inflation, currency devaluation, dilapidated energy crises, rising energy and transportation costs are the key concerns prompting the entire industry to face hard time. With inflation touching its peak resulting in soaring input costs had badly hurt the overall profitability. For competing China's dumped products, the prices of local Polyester Staple Fiber and Polyester Filament Yarn have tumbled which may lead to heavy decline in next quarter revenues. Energy crises are critically awesome in the country. However, management has the ability to pull through the Company from this situation and has adopted vigorous cost control measures to overcome the energy-related factors. Pakistan's economy is facing a number of challenges that are directly hurting the economic growth. Energy shortages, poor law and order situation and volatility of the Government policies coupled with current war on terror are devastating the industrial growth.

Our coal fired steam boilers installed to replace furnace oil operated boilers have been successfully commissioned and hopefully its impacts will ameliorate the cost of production.

At the Government front, efforts need for creation of conducive and enabling environment to assuage the miseries for industry revival and economy proliferation. National Tariff Commission should reconsider its decision of lifting anti-dumping duty on Polyester Staple Fiber imported from China to save the local industry from total closure.

The Management is committed to continue growth momentum to transform Company's production facility into an operationally and economically sound manufacturing unit.

We are thankful to our valued customers and stakeholders and commercial banks and DFIs for their confidence in the Company. We also appreciate continued hard work by the management and staff of the Company.

On behalf of the Board

Jafferli M. Feerasta
Chairman

Lahore
20 February 2014

Independent Auditors' Report to the Members on Review of Condensed Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of Rupali Polyester Limited ("the Company") as at 31 December 2013 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 condensed interim financial information for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

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 condensed 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 condensed interim financial information is not prepared in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

The figures for the quarters ended 31 December 2013 and 31 December 2012 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed by us and we do not express a conclusion on them.

Lahore
Dated: 20 February 2014

Qavi and Co
Chartered Accountants
Engagement partner: Ghulam Abbas

Condensed Interim Balance Sheet (Un-audited)

as at 31 December 2013

31 Dec. 2013 30 June 2013
Un-audited Audited
Rupees in thousand

ASSETS

NON-CURRENT ASSETS

Property, plant and equipment	5	1,518,895	1,578,010
Long term deposits		4,281	4,281
		1,523,176	1,582,291

CURRENT ASSETS

Stores, spares and loose tools		935,584	792,495
Stock-in-trade		1,225,428	862,427
Trade debts		5,088	8,162
Loans and advances		31,651	30,410
Trade deposits and short term prepayments		9,416	3,105
Other receivables		320,028	255,328
Taxation - net		102,441	124,325
Cash and bank balances		24,459	12,157
		2,654,095	2,088,409
		<u>4,177,271</u>	<u>3,670,700</u>

EQUITY AND LIABILITIES

SHARE CAPITAL AND RESERVES

Authorised share capital: 35,000,000 (30 June 2013: 35,000,000) ordinary shares of Rs. 10 each		350,000	350,000
Issued, subscribed and paid-up capital: 34,068,514 (30 June 2013: 34,068,514) ordinary shares of Rs. 10 each		340,685	340,685
Capital reserve		71,490	71,490
General reserve		1,664,125	1,664,125
Accumulated loss		(378,739)	(210,227)
		1,697,561	1,866,073

NON-CURRENT LIABILITIES

Staff retirement benefits - gratuity		84,198	80,175
Deferred taxation		318,775	330,991
		402,973	411,166

CURRENT LIABILITIES

Trade and other payables		1,008,088	446,153
Short term borrowings	6	1,051,986	933,967
Accrued mark-up		16,663	13,341

CONTINGENCIES AND COMMITMENTS

	7	2,076,737	1,393,461
		-	-
		<u>4,177,271</u>	<u>3,670,700</u>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

Jafferali M. Feerasta
Chairman

Nooruddin Feerasta
Chief Executive Officer

Condensed Interim Profit and Loss Account (Un-audited)

for the half year ended 31 December 2013

Note	Quarter Ended		Half Year Ended	
	Dec. 2013	Dec. 2012	Dec. 2013	Dec. 2012
Rupees in thousand				
Sales	1,799,558	1,664,060	3,462,340	3,161,245
Cost of Goods Sold	8 (1,780,350)	(1,703,962)	(3,515,559)	(3,196,400)
Gross Profit / (Loss)	19,208	(39,902)	(53,219)	(35,155)
Selling and Distribution Expenses	(2,720)	(4,340)	(5,509)	(7,735)
Administrative and General Expenses	(35,407)	(29,523)	(65,269)	(58,172)
Other Operating Charges	-	(122)	-	(210)
Other Operating Income	11,846	56,180	21,963	70,806
Operating Loss	(7,073)	(17,707)	(102,034)	(30,466)
Finance Costs	(22,630)	(21,825)	(44,071)	(43,534)
Loss before Taxation	(29,703)	(39,532)	(146,105)	(74,000)
Taxation	(5,779)	(54,437)	(22,407)	(61,923)
Loss after Taxation	(35,482)	(93,969)	(168,512)	(135,923)
----- Rupees -----				
Earnings Per Share - Basic and Diluted	(1.04)	(2.76)	(4.95)	(3.99)

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

Jafferli M. Feerasta
Chairman

Nooruddin Feerasta
Chief Executive Officer

Condensed Interim Statement of Comprehensive Income (Un-audited)

for the half year ended 31 December 2013

	Quarter Ended		Half Year Ended	
	Dec. 2013	Dec. 2012	Dec. 2013	Dec. 2012
Rupees in thousand				
Loss after Taxation	(35,482)	(93,969)	(168,512)	(135,923)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(35,482)	(93,969)	(168,512)	(135,923)

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

Jafferali M. Feerasta
Chairman

Nooruddin Feerasta
Chief Executive Officer

Condensed Interim Cash Flow Statement (Un-audited)

for the half year ended 31 December 2013

	Note	31 December 2013	31 December 2012
Rupees in thousand			
CASH FLOW FROM OPERATING ACTIVITIES			
Loss Before Taxation		(146,105)	(74,000)
Adjustment for Non-Cash and Other Items:			
Depreciation	5	71,322	64,637
Staff Retirement Benefits		9,120	9,375
Profit on Disposal of property, plant and equipment		(733)	(12)
Mark-up/Interest Income		(1,486)	(1,292)
Finance Costs		44,071	43,533
		122,294	116,241
		(23,811)	42,241
Effect on Cash Flow Due to Working Capital Changes:			
(Increase) / Decrease In Current Assets:			
Stores, Spares and Loose Tools		(143,089)	(25,758)
Stock-in-Trade		(363,001)	185,707
Trade Debts		3,074	(14,584)
Loans and Advances		(1,241)	(20,923)
Trade Deposits and Short Term Prepayments		(6,311)	(6,274)
Other Receivables		(64,700)	(35,345)
		(575,268)	82,823
Decrease / (Increase) In Current Liabilities:			
Trade and Other Payables		561,935	(230,999)
Cash Used in Operations		(37,144)	(105,935)
Finance Costs Paid		(40,749)	(38,952)
Income Tax Paid		(12,739)	(16,276)
Mark-up/Interest Income Received		1,486	1,292
Staff Retirement Benefits -Paid		(5,097)	(2,860)
Net Cash Outflow from Operating Activities		(94,243)	(162,731)

Condensed Interim Cash Flow Statement (Un-audited)

for the half year ended 31 December 2013

	31 December 2013	31 December 2012
Note	Rupees in thousand	
CASH FLOW FROM INVESTING ACTIVITIES		
Capital Expenditure	(12,244)	(97,066)
Proceeds from disposal of Operating Assets	770	125
Net Cash Outflow from Investing Activities	<u>(11,474)</u>	<u>(96,941)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend Paid	-	(34,069)
Net Cash Outflow from Financing Activities	<u>-</u>	<u>(34,069)</u>
Net Decrease In Cash and Cash Equivalents	(105,717)	(293,741)
Cash and Cash Equivalents at the Beginning of the Period	(921,810)	(564,485)
Cash and Cash Equivalents at the End of the Period	9 <u>(1,027,527)</u>	<u>(858,226)</u>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

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 2013

Rupees in thousand

	Issued Subscribed and Paid - up Capital	Capital Reserve	Revenue Reserves		Total Reserves	Total Equity
		Share Premium	General Reserve	Un- appropriated Profit/(Accu- mulated Loss)		
Balance as on 01 July 2012	340,685	71,490	1,664,125	259,657	1,995,272	2,335,957
Final dividend for the year ended 30 June 2012 @ 10%	-	-	-	(34,068)	(34,068)	(34,068)
Loss for the half year ended 31 December 2012	-	-	-	(135,923)	(135,923)	(135,923)
Other comprehensive income for the half year ended 31 December 2012	-	-	-	-	-	-
Balance as on 31 December 2012	340,685	71,490	1,664,125	89,666	1,825,281	2,165,966
Balance as on 01 January 2013	340,685	71,490	1,664,125	89,666	1,825,281	2,165,966
Loss for the half year ended 30 June 2013	-	-	-	(299,893)	(299,893)	(299,893)
Other comprehensive income for the half year ended 30 June 2013	-	-	-	-	-	-
Balance as on 30 June 2013	340,685	71,490	1,664,125	(210,227)	1,525,388	1,866,073
Balance as on 01 July 2013	340,685	71,490	1,664,125	(210,227)	1,525,388	1,866,073
Final dividend for the year ended 30 June 2013	-	-	-	-	-	-
Loss for the half year ended 31 December 2013	-	-	-	(168,512)	(168,512)	(168,512)
Other comprehensive income for the half year ended 31 December 2013	-	-	-	-	-	-
Balance as on 31 December 2013	340,685	71,490	1,664,125	(378,739)	1,356,876	1,697,561

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

Jafferali M. Feerasta
Chairman

Nooruddin Feerasta
Chief Executive Officer

Notes to the Condensed Interim Financial Information (Un-audited) for the half year ended 31 December 2013

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 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 Standard (IAS) 34 - 'Interim Financial Reporting' and provisions of and directives 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. This condensed interim financial information does not include all the information required for full annual financial statements and, therefore, should be read in conjunction with audited annual financial statements of the Company for the year ended 30 June 2013.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of audited annual financial statements of the Company for the year ended 30 June 2013.

The provision for taxation for the half year ended 31 December 2013 has been made using the tax rate that would be applicable to expected total annual earnings.

4. ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

In preparing this condensed interim financial information, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the audited annual financial statements as at and for the year ended 30 June 2013, with the exception of changes in estimates that are required in determining the provision for income taxes.

The Company's financial risk management objectives and policies are consistent with those disclosed in the audited annual financial statements as at and for the year ended 30 June 2013.

	Note	31 Dec. 2013 Un-audited Rupees in thousand	30 June 2013 Audited
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	1,478,173	1,540,900
Capital work-in-progress	5.2	40,722	37,110
		<u>1,518,895</u>	<u>1,578,010</u>

5.1 Operating Fixed Assets

Opening net book value (NBV)		1,540,900	1,311,704
Additions at cost during the period / year	5.1.1	8,631	369,674
		1,549,531	1,681,378
Disposals at net book value (NBV) during the period / year	5.1.1	(36)	(145)
Depreciation charge during the period / year		(71,322)	(140,333)
		(71,358)	(140,478)
		<u>1,478,173</u>	<u>1,540,900</u>

5.1.1 Additions and disposals of operating fixed assets during the period are as follows:

	Additions - at cost		Disposals - at NBV	
	31 Dec. 2013	30 June 2013	31 Dec. 2013	30 June 2013
	Rupees in thousand			
Building - Factory on freehold land	-	253	-	-
Building - Office on freehold land	-	-	-	-
Building - Office on leasehold land	-	-	-	-
Plant and machinery	5,518	366,908	-	1
Furniture and fittings	13	521	-	-
Vehicles	2,614	136	36	97
Office equipment	415	1,856	-	42
Other assets	71	-	-	5
	<u>8,631</u>	<u>369,674</u>	<u>36</u>	<u>145</u>

	Note	31 Dec. 2013 Un-audited Rupees in thousand	30 June 2013 Audited
5.2 Capital work-in-progress			
Building and civil works		-	1,039
Plant and machinery		35,639	35,311
Furniture and fixture		4	70
Office equipment		705	647
Other assets		-	43
Capital stores		2,798	-
Maintenance		1,576	-
		40,722	37,110

6. SHORT TERM BORROWINGS

Secured - From Banking Companies

Running Finances Utilized under Mark-up arrangements	6.1 & 6.2	1,051,986	500,967
Term Finances Utilized under Mark-up arrangements	6.1	-	433,000
		1,051,986	933,967

6.1 The aggregate finance facilities available from various commercial banks amounted to Rs. 1,700 million (30 June 2013: Rs. 1,900 million). These carry mark-up at the rates ranging from 9.26% to 10.65% (30 June 2013: 9.25% to 12.45%) p.a. and are secured against hypothecation charge on current assets of Rs. 2,074.265 million (30 June 2013: Rs. 2,314.821 million) and promissory notes of Rs. 2,049.139 million (30 June 2013: Rs. 2,319.280 million) respectively. Maximum amount utilized during the half year ended 31 December 2013 amounted to Rs. 1,052.986 million.

6.2 The facilities for opening letter of credit from various commercial banks as at 31 December 2013 aggregate to Rs. 2,350 million (30 June 2013: Rs. 3,022 million) of which the amount remained unutilized at the year-end was Rs. 1,356.282 million (30 June 2013: Rs. 2,657.018 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 2013: Rs. 66.314 million).

7.1.2 Outstanding guarantees given on behalf of related parties amounted to Rs. Nil (30 June 2013: Rs. Nil).

7.2 Commitments:

7.2.1 Contracts for Capital expenditure commitments outstanding as at 31 December 2013 amounted to Rs. 244.419 million (30 June 2013: Rs. 210.821 million).

7.2.2 Commitments against irrevocable letters of credit as at 31 December 2013 amounted to Rs. 993.718 million (30 June 2013: Rs. 364.982 million).

8. COST OF GOODS SOLD

	Quarter Ended		Half Year Ended	
	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012
	Rupees in thousand			
Raw and packing materials consumed	1,584,289	1,387,468	3,017,219	2,250,267
Stores and spares consumed	15,452	23,562	32,148	65,499
Salaries, wages and amenities	53,698	61,176	102,723	108,909
Fuel and power	279,656	286,753	521,194	487,882
Repair and maintenance	7,624	11,338	13,394	20,478
Running and maintenance of vehicles	3,987	3,743	7,600	6,716
Insurance	4,373	3,436	8,068	6,918
Depreciation	32,169	30,236	64,259	57,226
Rent, rate and taxes	58	115	318	377
Other expenses	678	668	995	1,417
	<u>1,981,984</u>	<u>1,808,495</u>	<u>3,767,918</u>	<u>3,005,689</u>
Add: Opening work in process	44,832	75,889	51,584	106,639
Less: Closing work in process	(50,946)	(72,205)	(50,946)	(72,205)
	<u>1,975,870</u>	<u>1,812,179</u>	<u>3,768,556</u>	<u>3,040,123</u>
Add: Opening finished goods	455,754	579,543	398,277	844,037
Less: Closing finished goods	(651,274)	(687,760)	(651,274)	(687,760)
	<u>1,780,350</u>	<u>1,703,962</u>	<u>3,515,559</u>	<u>3,196,400</u>

Half Year Ended
31 Dec. 2013 31 Dec. 2012
Un-audited Un-audited
Rupees in thousand

9. CASH AND CASH EQUIVALENTS

Cash and Bank Balances	24,459	27,434
Short Term Borrowings	(1,051,986)	(885,660)
	(1,027,527)	(858,226)

10. TRANSACTIONS WITH RELATED PARTIES

The related parties include 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:

Relation with the Company	Nature of Transactions	Quarter Ended		Half Year Ended	
		31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012
Rupees in thousand					
i) Associated Undertakings	Sales of goods and services	440,715	4,842	671,588	8,196
	Purchase of goods and services	159,054	530,427	484,269	787,092
	Profit on bank deposits	703	491	1,176	1,090
	Investments / Advance to parties	-	-	-	-
ii) Other Related Parties	Sales of goods and services	-	-	-	963
	Purchase of goods and services	1,264	-	1,264	-
iii) Defined Contribution Plan (Provident Fund)	Contribution to provident fund	458	495	851	984

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

11. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on 20 February 2014 by the Board of Directors of the Company.

12. 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.

13. GENERAL

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

Jafferali M. Feerasta
Chairman

Nooruddin Feerasta
Chief Executive Officer



Rupali Polyester Limited
www.rupaligroup.com