

Quarterly Accounts (Un-audited)
for the 3rd Quarter ended
31 March 2016

moving
forward...



Rupali Polyester Limited

Corporate Data

Board of Directors

Chairman / Chief Executive Officer

Nooruddin Feerasta

Directors

| | |
|---------------------------------------|-------------------------------------|
| Muhammad Rashid Zahir - Non-Executive | Muhammad Ali Sayani - Non-Executive |
| Sultan Ali Rajwany - Non-Executive | Shehzad Feerasta - Non-Executive |
| Zeeshan Feerasta - Non-Executive | Abdul Hayee - Executive |

Audit Committee

| | |
|-------------------------------|--------------------------------|
| Sultan Ali Rajwany - Chairman | Muhammad Rashid Zahir - Member |
| Zeeshan Feerasta - Member | |

Human Resource & Remuneration Committee

| | |
|-------------------------------|-----------------------------|
| Sultan Ali Rajwany - Chairman | Nooruddin Feerasta - Member |
| Zeeshan Feerasta - Member | |

Chief Financial Officer

Ayub Saqib

Company Secretary

S. Ghulam Shabbir Gilani

Bankers

| | |
|-----------------------|----------------------|
| Askari Bank Limited | Bank Alfalah Limited |
| Bank Al-Habib Limited | Faysal Bank Limited |
| Habib Bank Limited | 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 - Sheikhupura Road
Sheikhupura - 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 third quarter and nine months period ended 31 March 2016.

Financial Results

With the Blessings of Allah Almighty, the operational and financial performance for the quarter and the nine-month period ended 31 March 2016 look optimistic and is expected to get the Company out of loss situation in near future. With remedial measures in place and strong focus of the Management, the financial results have started showing considerable improvement despite the fact that the challenges of energy shortages, uncertain political environment and law and order situation in the country still persist, posing serious threat to the growth of industrial sector.

Market conditions are still unfavourable. The polyester fabrics are flooding into Pakistan from China and India with their adverse impact on domestic industry. We have made several appeals to the Government to save the injured local synthetic polyester yarn and fabrics textile industry and levy Regulatory Duty on imports of Polyester fabrics. Oil price in the international market has decreased and electricity generation cost is relatively lower, but it has negative impact on the stock losses. These factors continue to impede our sale revenues despite our considerable efforts to increase the sales volume.

Sales volume of Polyester Staple Fiber (PSF) in Q3 increased by 36 percent, but sales revenue reflected a mere increase of only 7 percent from the same quarter of 2014-15. Sales volume for Polyester Filament Yarn (PFY) increased by 5 percent, but the sales revenue dropped by over 10 percent. The main reason for the decline is imported filament yarn being dumped at rates that are below our manufacturing cost. Unfortunately increase in sales volume could not produce positive results due the continuous pressure on selling prices of PSF and PFY.

Sales revenue for the nine months ended 31 March 2016 increased to Rs.3,512 million from Rs.3,389 million in same period of 2014-15. Revenue for the third quarter Jan-March 2016 stood at Rs.1,211 million compared to Rs.1,097 million for the same quarter of FY 2014-15. As reported in our Half-Yearly Review, our Polymer modification in energy consumption and the change to coal fired steam boilers has decreased the conversion cost, thus improving the gross margin.

Gross loss during the nine months ended 31 March 2016 substantially decreased to Rs.83.684 million from Rs.260.750 million in corresponding period ended 31 March 2015. Gross loss for Q3 decreased to Rs.7.264 million compared to Rs.90.833 million in the same quarter of the last year. Operating loss for the nine months ended 31 March 2016 fell to Rs.146.752 million from Rs.342.331 million in nine monthly period ended 31 March 2015. Operating loss in Q3 declined to Rs.38.846 million from Rs.117.845 million in Q3 of FY 2014-15. Finance cost also reduced in both periods under review as a result of prudent utilization of borrowed working capital. Before tax loss for the nine months decreased to Rs.247.822 million from Rs.473.566 million in corresponding period of 2014-15. Net loss for the nine months and Q3 ended 31 March 2016 declined to Rs.300.155 million and



Rs.104.464 million as opposed to Rs.458.319 million and Rs.161.677 million respectively in the same periods of FY 2014-15.

During the nine months under review, prices of Polyester Staple Fiber (PSF) and Polyester Filament Yarn (PFY) remained volatile. Despite substantial increase in quantitative sale of PSF decline in prices diluted the profit margin and the increased volume of PSF could not compensate the impacts of price decline. Unviable pricing competition with dumped products continued to jeopardize our sales and revenues.

Administrative and general expenses were kept under strict control and remained comparable with corresponding periods of financial year 2014-15.

Future Outlook

The local Polyester and Yarn industry is suffering heavy losses with dumped / subsidized products from China, India and Malaysia at prices which hardly cover raw material, packing and energy costs only. We have moved an application to the National Tariff Commission (NTC) for imposing an anti-dumping duty on PFY imports from China and Malaysia. NTC should take immediate steps as it would ensure and protect the growth and stability of the domestic industry and markets. With recent improvement of PSF prices, it can be hoped that results in coming period may be relatively better. However, unless the anti-dumping duty is imposed on dumped exports from regional countries, the domestic industry may not survive and loss situation will not turn into profits.

The Management team continues its efforts to transform the Company's production facility into a financially sound and economically sustainable manufacturing unit.

We appreciate the patronage and confidence placed in the Company by our stakeholders, the Development Financial Institutions and Commercial Banks. We are thankful to our valued customers and expect growing business relationship with them. We also appreciate the continued hard work by the management and staff of the Company.

On behalf of the Board

Nooruddin Feerasta
Chief Executive Officer

Lahore

27 April 2016

Condensed Interim Balance Sheet (Un-audited) as at 31 March 2016

| | Note | Un-audited 31 March 2016 | Audited 30 June 2015 |
|---|------|-----------------------------|-------------------------|
| Rupees in thousand | | | |
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 1,656,571 | 1,729,858 |
| Investment property | | 362,500 | 325,000 |
| Long term deposits | | 4,361 | 4,361 |
| CURRENT ASSETS | | | |
| Stores, spares and loose tools | | 798,122 | 783,764 |
| Stock-in-trade | | 736,557 | 724,138 |
| Trade debts | | 31,661 | 1,552 |
| Loans and advances | | 18,852 | 22,788 |
| Trade deposits and short-term prepayments | | 9,882 | 5,398 |
| Other receivables | | 552,235 | 459,628 |
| Taxation - net | | 185,005 | 212,345 |
| Cash and bank balances | | 4,544 | 19,568 |
| | | <u>2,336,858</u> | <u>2,229,181</u> |
| | | <u>4,360,290</u> | <u>4,288,400</u> |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorised share capital 35,000,000 (30 June 2015: 35,000,000) ordinary shares of Rs. 10 each | | <u>350,000</u> | <u>350,000</u> |
| Issued, subscribed and paid-up capital | | 340,685 | 340,685 |
| Capital reserve | | 71,490 | 71,490 |
| General reserve | | 1,664,125 | 1,664,125 |
| Accumulated loss | | (1,303,566) | (1,003,411) |
| | | 772,734 | 1,072,889 |
| Surplus on revaluation of freehold land | | 293,388 | 293,388 |
| | | <u>1,066,122</u> | <u>1,366,277</u> |
| NON-CURRENT LIABILITIES | | | |
| Long-term financing | 7 | 254,983 | 283,314 |
| Staff retirement benefits | | 114,264 | 105,313 |
| Deferred taxation | | 283,105 | 265,888 |
| Liabilities against assets subject to finance lease | 8 | 3,657 | 4,402 |
| | | <u>656,009</u> | <u>658,917</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 763,210 | 927,618 |
| Short-term borrowings | 9 | 1,819,667 | 1,306,341 |
| Accrued mark-up | | 26,049 | 28,404 |
| Current portion of long-term liabilities | 10 | 29,233 | 843 |
| | | <u>2,638,159</u> | <u>2,263,206</u> |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 11 | <u>4,360,290</u> | <u>4,288,400</u> |

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Nooruddin Feerasta
Chief Executive Officer

Muhammad Rashid Zahir
Director



Condensed Interim Profit and Loss Account (Un-audited) for the nine months ended 31 March 2016

| | Quarter Ended | | Nine Months Ended | |
|--|--------------------|------------------|-------------------|------------------|
| | 31 March 2016 | 31 March 2015 | 31 March 2016 | 31 March 2015 |
| | Rupees in thousand | | | |
| Sales | 1,211,246 | 1,097,036 | 3,511,584 | 3,388,570 |
| Cost of goods sold | (1,218,510) | (1,187,869) | (3,595,268) | (3,649,320) |
| Gross loss | (7,264) | (90,833) | (83,684) | (260,750) |
| Selling and distribution expenses | (3,275) | (2,633) | (9,263) | (7,502) |
| Administrative and general expenses | (33,397) | (32,765) | (104,155) | (98,203) |
| Other operating charges | (60) | - | (60) | (6) |
| Other operating income | 5,150 | 8,386 | 50,410 | 24,130 |
| Operating loss | (38,846) | (117,845) | (146,752) | (342,331) |
| Finance cost | (33,620) | (43,832) | (101,070) | (131,235) |
| Loss before taxation | (72,466) | (161,677) | (247,822) | (473,566) |
| Taxation | (31,998) | - | (52,333) | 15,247 |
| Loss after taxation | (104,464) | (161,677) | (300,155) | (458,319) |
| | Amount in Rupees | | | |
| Earnings per share - basic and diluted | (3.07) | (4.75) | (8.81) | (13.45) |

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Nooruddin Feerasta
Chief Executive Officer

Muhammad Rashid Zahir
Director



Condensed Interim Statement of Comprehensive Income (Un-audited) for the nine months ended 31 March 2016

| | Quarter Ended | | Nine Months Ended | |
|----------------------------|--------------------|------------------|-------------------|------------------|
| | 31 March 2016 | 31 March 2015 | 31 March 2016 | 31 March 2015 |
| | Rupees in thousand | | | |
| Loss after taxation | (104,464) | (161,677) | (300,155) | (458,319) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive loss | <u>(104,464)</u> | <u>(161,677)</u> | <u>(300,155)</u> | <u>(458,319)</u> |

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Nooruddin Feerasta
Chief Executive Officer

Muhammad Rashid Zahir
Director

Condensed Interim Cash Flow Statement (Un-audited) for the nine months ended 31 March 2016

31 March 2016 31 March 2015
Rupees in thousand

| CASH FLOW FROM OPERATING ACTIVITIES | | |
|---|------------------|------------------|
| Loss before taxation | (247,822) | (473,566) |
| Adjustments for non-cash and other items | | |
| Depreciation | 122,784 | 109,771 |
| Provision for staff retirement benefits | 10,509 | 10,168 |
| (Profit)/loss on disposal of property, plant and equipment | (939) | 6 |
| Exchange gain | (20) | - |
| Remission of liabilities | (295) | - |
| Interest income | 1,590 | (1,550) |
| Finance cost | 101,070 | 131,235 |
| | 234,699 | 249,630 |
| | (13,123) | (223,936) |
| Effect on cash flow due to working capital changes (Increase) / Decrease in current assets | | |
| Stores, spares and loose tools | (14,358) | (30,064) |
| Stock-in-trade | (12,419) | 278,357 |
| Trade debts | (30,109) | (56,693) |
| Loans and advances | 3,936 | (1,333) |
| Trade deposits and short-term prepayments | (4,484) | (7,169) |
| Other receivables | (92,607) | (54,570) |
| | (150,041) | 128,528 |
| (Decrease)/Increase in current liabilities: | | |
| Trade and other payables | (164,114) | 215,634 |
| Cash used in operations | | |
| Finance cost paid | (103,424) | (118,252) |
| Income tax paid | (7,777) | (16,696) |
| Interest income received | (1,590) | 1,550 |
| Staff retirement benefits paid | (1,557) | (6,465) |
| | | |
| Net cash outflow from operating activities | (441,626) | (19,637) |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Capital expenditure | (87,109) | (231,095) |
| Proceeds from disposal of operating assets | 1,050 | 885 |
| | | |
| Net cash outflow from investing activities | (86,059) | (230,210) |



Condensed Interim Cash Flow Statement (Un-audited) for the nine months ended 31 March 2016

| | 31 March 2016 | 31 March 2015 |
|---|--------------------|--------------------|
| | Rupees in thousand | |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Long-term financing | - | 137,000 |
| Finance lease | (685) | 1,204 |
| Dividend paid | - | (3) |
| Net cash (outflow)/inflow from financing activities | (685) | 138,201 |
| Net decrease in cash and cash equivalents | (528,370) | (111,646) |
| Cash and cash equivalents at the beginning of the period | (1,286,773) | (1,325,026) |
| Effect of exchange rate fluctuations | 20 | - |
| Cash and cash equivalents at the end of the period | (1,815,123) | (1,436,672) |

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Nooruddin Feerasta
Chief Executive Officer

Muhammad Rashid Zahir
Director



Condensed Interim Statement of Changes in Equity (Un-audited) for the nine months ended 31 March 2016

Rupees in thousand

| | Issued Subscribed and Paid - up Capital | Capital Reserve | Revenue Reserves | | Total Reserves | Sub Total | Revaluation Surplus | Total Equity and Reserves |
|---|--|--------------------|--------------------|---------------------|-------------------|--------------|------------------------|---------------------------------|
| | | Share Premium | General Reserve | Accumulated Loss | | | | |
| Balance as on 30 June 2014 | 340,685 | 71,490 | 1,664,125 | (613,511) | 1,050,614 | 1,462,789 | 293,388 | 1,756,177 |
| Final Dividend for the year ended 30 June 2014 | - | - | - | - | - | - | - | - |
| Loss for the nine months ended 31 March 2015 | - | - | - | (458,319) | (458,319) | (458,319) | - | (458,319) |
| Other comprehensive income for the nine months ended 31 March 2015 | - | - | - | - | - | - | - | - |
| Balance as on 31 March 2015 | 340,685 | 71,490 | 1,664,125 | (1,071,830) | 592,295 | 1,004,470 | 293,388 | 1,297,858 |
| Balance as on 01 April 2015 | 340,685 | 71,490 | 1,664,125 | (1,071,830) | 592,295 | 1,004,470 | 293,388 | 1,297,858 |
| Profit for the quarter ended 30 June 2015 | - | - | - | 73,872 | 73,872 | 73,872 | - | 73,872 |
| Other comprehensive income for the last quarter ended 30 June 2015 | - | - | - | (5,453) | (5,453) | (5,453) | - | (5,453) |
| Balance as on 30 June 2015 | 340,685 | 71,490 | 1,664,125 | (1,003,411) | 660,714 | 1,072,889 | 293,388 | 1,366,277 |
| Balance as on 01 July 2015 | 340,685 | 71,490 | 1,664,125 | (1,003,411) | 660,714 | 1,072,889 | 293,388 | 1,366,277 |
| Final Dividend for the year ended 30 June 2015 | - | - | - | - | - | - | - | - |
| Loss for the nine months ended 31 March 2016 | - | - | - | (300,155) | (300,155) | (300,155) | - | (300,155) |
| Other comprehensive income for the nine months ended 31 March 2016 | - | - | - | - | - | - | - | - |
| Balance as on 31 March 2016 | 340,685 | 71,490 | 1,664,125 | (1,303,566) | 360,559 | 772,734 | 293,388 | 1,066,122 |

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Nooruddin Feerasta
Chief Executive Officer

Muhammad Rashid Zahir
Director



Notes to the Condensed Interim Financial Information

for the nine months ended 31 March 2016

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 Pakistan Stock Exchange Limited. 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 2015.

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 2015.

The provision for taxation for the nine months ended 31 March 2016 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 2015, 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 2015.

5 Investment property

Property held to earn rentals or for capital appreciation or for both is classified as investment property. Investment property comprises freehold land. Investment property is carried at fair value.

Investment property of the Company has been valued by independent professionally qualified valuers. The fair value of the investment property is based on active market price.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and fair value of this item at the date of transfer is recognised in equity as a revaluation reserve for investment property. However, if fair value gain reverses a previous impairment loss, the gain is recognised in the profit and loss account. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings, the transfer is not made through profit and loss account.

If an investment property becomes owner-occupied or stock-in-trade, it is reclassified as property, plant and equipment or stock-in-trade and its fair value at the date of reclassification becomes its cost for accounting purpose for subsequent recording.

| | Un-audited 31 March 2016 | Audited 30 June 2015 |
|--------------------------------------|-----------------------------|-------------------------|
| | Rupees in thousand | |
| 6 Investment property | | |
| Opening net book value | 325,000 | - |
| Transfer from owned assets | - | 300,000 |
| Disposal of investment property | - | - |
| | 325,000 | 300,000 |
| Fair value gain | 37,500 | 25,000 |
| Fair value at the end of period/year | 362,500 | 325,000 |

The fair value of investment properties, comprising land, situated at Lahore have been determined by independent valuers having relevant professional qualifications. The fair value was determined on the basis of professional assessment of current prices in an active market for similar properties in the same location and condition.

7 Long term financing

The Company has obtained a term finance facility of Rs. 500 million from MCB Bank Limited for the purpose of import of plant and machinery, spare parts and related civil works. The facility is secured by way of first charge over fixed assets aggregating to Rs. 667 million, lien over import documents and promissory note of Rs. 975 million. The loan is repayable in 10 equal bi-annual installments starting from November 2016 and carries mark-up of 6 months KIBOR + 0.5% to be reset on semi annual basis.

| | Un-audited 31 March 2016 | Audited 30 June 2015 |
|--|-----------------------------|-------------------------|
| | Rupees in thousand | |
| 8 Liabilities against assets subject to finance lease | | |
| Minimum lease payments | | |
| - Payable within one year | 1,238 | 1,238 |
| - Payable after one year | 4,192 | 5,206 |
| | 5,430 | 6,444 |
| Future financial charges | | |
| - Payable within one year | 336 | 395 |
| - Payable after one year but before five years | 535 | 804 |
| | 871 | 1,199 |
| Present value of minimum lease payments | | |
| - Payable within one year | 902 | 843 |
| - Payable after one year but before five years | 3,657 | 4,402 |
| | 4,559 | 5,245 |
| Current portion shown under current liabilities | (902) | (843) |
| Non-current portion | 3,657 | 4,402 |

Minimum lease payments have been discounted using the effective interest rate of 11.44% implicit in the lease to arrive at the present value. Rentals are payable in advance in monthly installments. The lease contains a bargain purchase option exercisable at the end of lease and it is reasonably certain that the Company will exercise this option at maturity.

| | Un-audited 31 March 2016 | Audited 30 June 2015 |
|--|-----------------------------|-------------------------|
| | Rupees in thousand | |
| 9 Short term borrowings | | |
| Secured- From Banking Companies | | |
| Running Finances Utilized under Mark-up arrangements | 1,542,667 | 1,306,341 |
| Interest free loans | | |
| Loan from sponsors | 277,000 | - |
| | <u>1,819,667</u> | <u>1,306,341</u> |
| 10 Current portion of long-term liabilities | | |
| Long-term financing | 28,331 | - |
| Liabilities against assets subject to finance lease | 902 | 843 |
| | <u>29,233</u> | <u>843</u> |

11 Contingencies and commitments

11.1 Contingencies:

Guarantees issued to different organizations in the normal course of business amounted to Rs.81.314 million (30 June 2015: Rs.66.314 million). Outstanding guarantees given on behalf of Related Parties amounted to Rs.Nil (30 June 2015: Rs. Nil).

11.2 Commitments:

Contracts for Capital expenditure commitments outstanding as at 31 March 2016 amounted to Rs. 144.452 million (30 June 2015: Rs. 93.432 million).

Commitments against irrevocable letters of credit as at 31 March 2016 amounted to Rs. 746.596 million (30 June 2015: Rs. 1,049.124 million).

12 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). 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 27 April 2016 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 in these financial statements.

15 General

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

Nooruddin Feerasta
Chief Executive Officer

Muhammad Rashid Zahir
Director

rupaligroup.com



Rupali Polyester Limited

Registered Office

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