

3rd  
Quarter  
Report

**IDEAL SPINNING MILLS LIMITED**



**IdealGroup**

**CONDENSED INTERIM  
FINANCIAL INFORMATION**

3rd Quarter Report  
(UN-AUDITED)  
31 MARCH, 2023



**COMPANY INFORMATION**

<b>CHAIRMAN:</b>	MR. MUHAMMAD SAEED
<b>CHIEF EXECUTIVE OFFICER:</b>	MR. AMJAD SAEED
<b>DIRECTORS:</b>	MRS. RUBINA AMJAD MR. OMER SAEED MR. AHSAN SAEED MR. KHIZER SAEED MR. MUHAMMAD ASIF (INDEPENDENT) MR. MUHAMMAD AZHAR (INDEPENDENT)
<b>AUDIT COMMITTEE:</b>	
<b>CHAIRMAN</b>	MR. MUHAMMAD AZHAR
<b>MEMBER</b>	MR. MUHAMMAD SAEED
<b>MEMBER</b>	MR. AHSAN SAEED
<b>H.R. &amp; REMUNERATION COMMITTEE:</b>	
<b>CHAIRMAN</b>	MR. MUHAMMAD AZHAR
<b>MEMBER</b>	MR. AHSAN SAEED
<b>MEMBER</b>	MRS. RUBINA AMJAD
<b>NOMINATION COMMITTEE:</b>	
<b>CHAIRMAN</b>	MR. OMER SAEED
<b>MEMBER</b>	MR. AHSAN SAEED
<b>MEMBER</b>	MR. KHIZER SAEED
<b>RISK MANAGEMENT COMMITTEE:</b>	
<b>CHAIRMAN</b>	MR. AHSAN SAEED
<b>MEMBER</b>	MR. OMER SAEED
<b>MEMBER</b>	MR. KHIZER SAEED
<b>CHIEF FINANCIAL OFFICER:</b>	MR. MUHAMMAD KASHIF ZAHUR
<b>COMPANY SECRETARY:</b>	MR. MUHAMMAD NADEEM
<b>SHARE REGISTRAR:</b>	F. D. Registrar Services (SMC-Pvt.) Limited  17 <sup>th</sup> Floor, Saima Trade Tower-A, I. I. Chundrigar Road Karachi.
<b>AUDITORS:</b>	M/S RIAZ AHMAD & COMPANY.  CHARTERED ACCOUNTANTS
<b>BANKERS:</b>	BANK AL-FALAH LIMITED BANK AL-HABIB LTD HABIB METROPOLITAN BANK THE BANK OF PUNJAB HABIB BANK LIMITED
<b>REGISTERED OFFICE :</b>	ROOM NO 404 & 405, 4 <sup>TH</sup> FLOOR, BUSINESS CENTRE, MUMTAZ HASSAN ROAD, KARACHI. <a href="http://www.idealsm.com">www.idealsm.com</a>
<b>FACTORY:</b>	35-K.M SHEIKHUPURA ROAD, TEHSIL JARANWALA, DISTT. FAISALABAD.

**DIRECTORS' REVIEW REPORT TO THE SHAREHOLDERS**

The Board of Directors of your Company are pleased to present the Un-audited Financial Statements of the Company for the Third Quarter ended 31<sup>st</sup> March, 2023.

**INDUSTRY OVERVIEW:**

The textile industry is a crucial contributor to the economy of Pakistan, and its significance is amplified by the country's reliance on foreign exchange. The recent devaluation of the Pakistani Rupee against the US dollar has given textile exporters a competitive edge in terms of pricing. However, in the long run, devaluation has become a growing concern for textile exporters as it raises input costs, making exports less competitive.

Apart from this, the shortage of cotton remains a major challenge for the country, especially with the growing demand for the textile industry. Cotton production has declined substantially in the last decade, primarily due to the fall in cultivation area followed by lower yield resulting from water scarcity and inconsistent rainfall/flood.

Looking towards the future, the economy is facing severe challenges, which have been further compounded by floods. These challenges will not only impede the already feeble economic growth, but they will also lead to spiraling prices of food items due to supply disruptions. As a result, inflation is likely to remain high throughout the year. The textile industry is expected to remain under stress due to sluggish product demand from both local and export customers, along with all-time high markup rates and increasing energy costs.

**COMPANY'S PERFORMANCE**

Third quarter brief financial position of the Company is presented here under:

	<u>31.03.2023</u>	<u>31.03.2022</u>
REVENUE FROM CONTRACTS WITH CUSTOMERS	4,839,791	4,390,810
COST OF SALES	(4,683,465)	(3,527,591)
GROSS PROFIT / (LOSS)	156,326	863,219
DISTRIBUTION COST	(135,740)	(89,420)
ADMINISTRATIVE EXPENSES	(263,641)	(224,346)
OTHER EXPENSES	(716)	(32,205)
OTHER INCOME	39,894	18,739
FINANCE COST	(218,161)	(106,277)
(LOSS) / PROFIT BEFORE TAXATION	(422,038)	429,710
TAXATION	(18,471)	(107,409)
(LOSS) / PROFIT AFTER TAXATION	(440,509)	322,301
(LOSS) / EARNING PER SHARE-BASIC AND DILUTED (RUPEES)	(44.41)	32.49

We regret to inform you that our company's financial performance during the current period has been unsatisfactory. We have incurred a significant loss of Rs. 440.509 Million, a sharp decline compared to the after-tax profit of Rs. 322.301 Million reported last year. Several factors have adversely impacted our operations, including the high cost of cotton, rising interest rates, expensive energy costs, currency inflation, economic instability, and political uncertainty. These challenges have collectively contributed to the overall negative impact on our financial performance.

Despite macro-economic challenges, the Company's Q3 operational performance was good with an 10.23% revenue growth, mainly from a 9.40% increase in local sales. Export sales also rose by 12.32%. However, gross profit decreased due to high cotton prices, operating cost increased by 15.64%, and finance cost increased due to record-high borrowing rates.


We understand the importance of addressing these issues and have already taken steps to mitigate their impact on our business. Our management team is closely monitoring the situation and exploring various strategies to improve our financial performance in the future. We remain committed to delivering sustainable growth and value to our stakeholders and are confident that with the right measures in place, we can overcome these challenges and emerge stronger.


**ACKNOWLEDGEMENT**

The Board records its profound appreciation for all our colleagues, customers, banks, management and factory staff who are strongly committed to their work as the success of your Company is built around their efforts. The Company acknowledges and thanks all stakeholders for the confidence reposed in it.

Faisalabad  
April 25, 2023

On behalf of the Board

  
**Anjad Saeed**  
 Chief Executive Officer

  
**Omer Saeed**  
 Director

حصہ داران کے لیے ڈائریکٹرز کی جائزہ رپورٹ

آپ کی کمپنی کے بورڈ آف ڈائریکٹرز کو 31 مارچ 2023 کو ختم ہونے والی تیسری سہ ماہی کے لیے کمپنی کے غیر آڈٹ شدہ مالیاتی بیانات پیش کرنے پر خوشی ہے۔

صنعت کا جائزہ

ٹیکسٹائل کی صنعت پاکستان کی معیشت میں ایک اہم شراکت دار ہے، اور اس کی اہمیت غیر ملکی زرمبادلہ پر ملک کے انحصار سے بڑھ گئی ہے۔ امریکی ڈالر کے مقابلے پاکستانی روپے کی حالیہ قدر میں کمی نے ٹیکسٹائل کے برآمد کنندگان کو قیمتوں کے حوالے سے مسابقتی برتری فراہم کی ہے۔ تاہم، طویل مدت میں، قدر میں کمی ٹیکسٹائل کے برآمد کنندگان کے لیے ایک بڑھتی ہوئی تشویش بن گئی ہے کیونکہ اس سے ان پینٹ لاگت میں اضافہ ہوتا ہے، جس سے برآمدات کم مسابقتی ہوتی ہیں۔

اس کے علاوہ کپاس کی قلت ملک کے لیے ایک بڑا چیلنج بنی ہوئی ہے، خاص طور پر ٹیکسٹائل انڈسٹری کی بڑھتی ہوئی مانگ کے ساتھ پچھلی دہائی میں کپاس کی پیداوار میں خاطر خواہ کمی آئی ہے، بنیادی طور پر کاشت کے رقبے میں کمی کے بعد پانی کی کمی اور بارشوں / سیلاب کے نتیجے میں کم پیداواری ہوئی ہے

مستقبل کی طرف دیکھتے ہوئے، معیشت کو خوشیہ پختہ بنانا ہے، جنہیں سیلاب نے مزید پیچیدہ کر دیا ہے۔ یہ چیلنجز نہ صرف پیلے سے کمزور معاشی نمو کو روکیں گے بلکہ سیلابی میں رکاوٹ کی وجہ سے ایشیاء خورد و نوش کی قیمتوں میں اضافے کا باعث بھی بنیں گے۔ اس کے نتیجے میں موبگائی سال بھر بلند رہنے کا امکان ہے۔ توقع ہے کہ ٹیکسٹائل کی صنعت مقامی اور برآمدی صارفین دونوں کی طرف سے سستی مصنوعات کی مانگ کے ساتھ ساتھ ہر وقت بلند مارک اپ کی شرحوں اور توانائی کے بڑھتے ہوئے اخراجات کی وجہ سے دباؤ میں رہے گی۔

کمپنی کی کارکردگی

کمپنی کی تیسری سہ ماہی کی مختصر مالی پوزیشن ذیل میں پیش کی گئی ہے

31.03.2022	31.03.2023	(روپے ہزار میں)
4,390,810	4,839,791	صارفین کے ساتھ مابعدوں سے حاصل ہونے والی آمدنی
(3,527,591)	(4,683,465)	فروخت کی قیمت
863,219	156,326	گراس منافع / ( نقصان)
(89,420)	(135,740)	ڈسٹری بیوشن اخراجات
(224,346)	(263,641)	انتظامی اخراجات
(32,205)	(716)	متفرق اخراجات
18,739	39,894	دیگر آمدن
(106,277)	(218,161)	غناظلی اخراجات
429,710	(422,038)	ٹیکس کے بغیر (نقصان) / منافع
(107,409)	(18,471)	ٹیکس
322,301	(440,509)	خالص (نقصان) / منافع ٹیکس کے بعد
32,49	(44.41)	(نقصان) / منافع فی حصہ فیاد (روپے)

ہمیں آپ کو یہ بتانے ہوئے افسوس ہے کہ موجودہ مدت کے دوران ہماری کمپنی کی مالی کارکردگی غیر تسلی بخش رہی ہے۔ ہمیں 440.509 ملین روپے کا نمایاں نقصان ہوا ہے۔ جو پچھلے سال کے بعد از ٹیکس منافع 322.301 ملین روپے کے مقابلے میں زبردست کمی ہے۔ کئی عوامل نے ہمارے کاموں کو بری طرح متاثر کیا ہے، بشمول کپاس کی بلند قیمت، بڑھتی ہوئی شرح سود، مہنگی توانائی کی قیمتیں، کرنسی کی افراط زر، معاشی عدم استحکام، اور سیاسی غیر یقینی صورتحال۔ ان چیلنجوں نے مجموعی طور پر ہماری مالی کارکردگی پر مجموعی طور پر منفی اثرات مرتب کیے ہیں۔

میکرو اکنامک چیلنجوں کے باوجود، کمپنی کی تیسری سہ ماہی کی آپریشنل کارکردگی 10.23 فیصد آمدنی میں اضافے کے ساتھ اچھی رہی، خاص طور پر مقامی فروخت میں 9.40 فیصد اضافے سے برآمدات کی فروخت میں بھی 12.32 فیصد اضافہ ہوا۔ تاہم، کپاس کی اونچی قیمتوں کی وجہ سے مجموعی منافع میں کمی واقع ہوئی، آپریٹنگ لاگت میں 15.64 فیصد اضافہ ہوا، اور قرضے کی ریکارڈڈ بلند شرحوں کی وجہ سے مالیاتی لاگت میں اضافہ ہوا۔

ہم ان مسائل کو حل کرنے کی اہمیت کو سمجھتے ہیں اور اپنے کاروبار پر ان کے اثرات کو کم کرنے کے لیے پیلے ہی اقدامات کر چکے ہیں۔ ہماری انتظامی ٹیم صورتحال پر گہری نظر رکھے ہوئے ہے اور مستقبل میں ہماری مالی کارکردگی کو بہتر بنانے کے لیے مختلف حکمت عملیوں کو تلاش کر رہی ہے۔ ہم اپنے اسٹیبل ہولڈرز کو پائیدار ترقی اور قدر فراہم کرنے کے لیے پرعزم ہیں اور ہر اعتمادیہ کہ صحیح اقدامات کے ساتھ، ہم ان چیلنجوں پر قابو پا سکتے ہیں اور مضبوط و براہبر کیسٹ بنیں۔

اعتراف

پروڈیوے تمام ساتھیوں، صارفین، بینکوں، انتظامیہ اور دیگر فیڈرز کے عملے کے لیے اپنی گہرائیوں سے تعریف کرتا ہے جو اپنے کام کے لیے مضبوطی سے پرعزم ہیں کیونکہ آپ کی کمپنی کی کامیابی ان کی کوششوں سے بنی ہے۔ کمپنی اپنے اعتماد کے لیے تمام اسٹیبل ہولڈرز کو تسلیم کرتی ہے اور ان کا شکریہ ادا کرتی ہے۔

بورڈ کی جانب سے

عمر سعید  
ڈائریکٹر

اجمل سعید  
چیف ایگزیکٹو آفیسر

فیصل آباد

25 اپریل 2023

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023

	NOTE	Un-audited 31 March 2023 (RUPEES IN THOUSAND)	Audited 30 June 2022 (RUPEES IN THOUSAND)	NOTE	Un-audited 31 March 2023 (RUPEES IN THOUSAND)	Audited 30 June 2022 (RUPEES IN THOUSAND)
<b>EQUITY AND LIABILITIES</b>						
<b>SHARE CAPITAL AND RESERVES</b>						
<b>Authorized share capital</b>						
20 000 000 (30 June 2022: 20 000 000) ordinary shares of Rupees 10 each		200,000	200,000			
<b>Issued, subscribed and paid up share capital</b>						
9 920 000 (30 June 2022: 9 920 000) ordinary shares of Rupees 10 each fully paid in cash		99,200	99,200		1,681,026	1,769,932
<b>Sponsors' loans</b>		241,800	241,800		3,107	4,454
<b>Reserves</b>					121	41
<b>Capital reserves</b>					1,961	1,953
Equity portion of shareholders' loans		183,291	183,291			
Surplus on revaluation of freehold land		235,857	235,857			
		415,146	415,146			
<b>Revenue reserve - unappropriated profit</b>		139,132	599,481	6		
<b>Total reserves</b>		558,280	1,018,629			
<b>TOTAL EQUITY</b>		899,280	1,359,629		1,686,215	1,769,380
<b>LIABILITIES</b>						
<b>NON-CURRENT LIABILITIES</b>						
Long term financing		160,478	172,883		109,082	102,350
Deferred income tax liability	3	91,533	104,527		1,470,671	859,048
Staff retirement gratuity		126,409	101,469		401,421	366,645
		378,420	378,879		23,629	33,038
<b>CURRENT LIABILITIES</b>						
Trade and other payables		747,080	580,554		6,499	661
Unclaimed dividend		2,781	2,177		110,125	133,763
Accrued mark-up		63,722	16,646		249,122	63,242
Short term borrowings	4	1,804,457	729,360		62,372	45,445
Current portion of long term financing		164,815	162,804		2,432,921	1,606,192
Current portion of deferred liabilities		58,581	122,932			
Provision for taxation		2,841,436	1,657,064			
		3,219,856	2,015,943			
<b>TOTAL LIABILITIES</b>		4,119,136	3,375,572		4,119,136	3,375,572
<b>CONTINGENCIES AND COMMITMENTS</b>						
<b>TOTAL EQUITY AND LIABILITIES</b>	5	4,119,136	3,375,572		4,119,136	3,375,572

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

  
**AHMAD SAEED**  
 CHIEF EXECUTIVE OFFICER

  
**OMER SAEED**  
 DIRECTOR

  
**MUHAMMAD KASHIF ZAHUR**  
 CHIEF FINANCIAL OFFICER

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (Un-audited)  
FOR THE THIRD QUARTER ENDED 31 MARCH 2023**

	NOTE	THIRD QUARTER ENDED		QUARTER ENDED	
		31 March 2023	31 March 2022	31 March 2023	31 March 2022
------(RUPEES IN THOUSAND)-----					
REVENUE FROM CONTRACTS WITH CUSTOMERS		4,839,791	4,390,810	1,606,851	1,488,697
COST OF SALES	7	(4,683,465)	(3,527,591)	(1,524,748)	(1,203,795)
GROSS PROFIT / (LOSS)		156,326	863,219	82,103	284,902
DISTRIBUTION COST		(135,740)	(89,420)	(40,329)	(28,624)
ADMINISTRATIVE EXPENSES		(263,641)	(224,346)	(84,457)	(79,179)
OTHER EXPENSES		(716)	(32,205)	594	(11,482)
OTHER INCOME		39,894	18,739	38,966	(1,686)
FINANCE COST		(218,161)	(106,277)	(84,332)	(40,041)
(LOSS) / PROFIT BEFORE TAXATION		(422,038)	429,710	(87,455)	123,890
TAXATION		(18,471)	(107,409)	9,039	(25,500)
(LOSS) / PROFIT AFTER TAXATION		(440,509)	322,301	(78,416)	98,390
(LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES)		(44.41)	32.49	(7.90)	9.92

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

  
AMJAD SAEED  
CHIEF EXECUTIVE OFFICER

  
OMER SAEED  
DIRECTOR

  
MUHAMMAD KASHIF ZAHUR  
CHIEF FINANCIAL OFFICER

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)  
FOR THE THIRD QUARTER ENDED 31 MARCH 2023**

	THIRD QUARTER ENDED		QUARTER ENDED	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
	----- (RUPEES IN THOUSAND) -----			
(LOSS) / PROFIT AFTER TAXATION	(440,509)	322,301	(78,416)	98,390
OTHER COMPREHENSIVE INCOME				
<b>Items that will not be reclassified subsequently to profit or loss</b>	-	-	-	-
<b>Items that may be reclassified subsequently to profit or loss</b>	-	-	-	-
Other comprehensive income for the period	-	-	-	-
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	<u>(440,509)</u>	<u>322,301</u>	<u>(78,416)</u>	<u>98,390</u>

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

  
AMJAD SAEED  
CHIEF EXECUTIVE OFFICER

  
OMER SAEED  
DIRECTOR

  
MUHAMMAD KASHIF ZAHUR  
CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited)  
FOR THE THIRD QUARTER ENDED 31 MARCH 2023

	SHARE CAPITAL	SPONSORS' LOANS	RESERVES				TOTAL EQUITY	
			CAPITAL RESERVES		REVENUE RESERVE			TOTAL
			Equity portion of shareholders' loan	Surplus on revaluation of freehold land	Sub total	UNAPPROPRIATED PROFIT		
----- (RUPEES IN THOUSAND) -----								
<b>Balance as at 30 June 2021 - (Audited)</b>	99,200	241,800	159,358	235,857	395,215	289,758	684,973	1,025,973
Transaction with owners - Final cash dividend for the year ended 30 June 2021 at the rate of Rupees 1.80 per share	-	-	-	-	-	-	(17,856)	(17,856)
Profit for the period	-	-	-	-	-	-	322,301	322,301
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	322,301	322,301
<b>Balance as at 31 March 2022 - (Un-audited)</b>	99,200	241,800	159,358	235,857	395,215	594,203	989,418	1,330,418
Profit for the period	-	-	-	-	-	-	732	732
Other comprehensive income for the period	-	-	-	-	-	-	4,546	4,546
Total comprehensive income for the period	-	-	-	-	-	-	5,278	5,278
Equity portion of shareholder's loan	-	-	23,933	-	23,933	-	-	23,933
<b>Balance as at 30 June 2022 - (Audited)</b>	99,200	241,800	183,291	235,857	419,148	599,481	1,018,629	1,359,629
Transaction with owners - Final cash dividend for the year ended 30 June 2022 at the rate of Rupees 2.00 per share	-	-	-	-	-	-	(19,840)	(19,840)
Loss for the period	-	-	-	-	-	-	(440,509)	(440,509)
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	-	(440,509)	(440,509)
<b>Balance as at 31 March 2023 - (Un-audited)</b>	99,200	241,800	183,291	235,857	419,148	139,132	558,280	899,280

**Balance as at 30 June 2021 - (Audited)**

Transaction with owners - Final cash dividend for the year ended 30 June 2021 at the rate of Rupees 1.80 per share

Profit for the period

Other comprehensive income for the period

Total comprehensive income for the period

**Balance as at 31 March 2022 - (Un-audited)**

Profit for the period

Other comprehensive income for the period

Total comprehensive income for the period

Equity portion of shareholder's loan

**Balance as at 30 June 2022 - (Audited)**

Transaction with owners - Final cash dividend for the year ended 30 June 2022 at the rate of Rupees 2.00 per share

Loss for the period

Other comprehensive income for the period

Total comprehensive loss for the period

**Balance as at 31 March 2023 - (Un-audited)**

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



AMIR SAEEED  
CHIEF EXECUTIVE OFFICER



OMAIR SAEEED  
DIRECTOR



MUHAMMAD KASHIF ZAHUR  
CHIEF FINANCIAL OFFICER



**CONDENSED INTERIM STATEMENT OF CASH FLOWS (Un-audited)  
FOR THE THIRD QUARTER ENDED 31 MARCH 2023**

	<b>THIRD QUARTER ENDED</b>	
	<b>31 March 2023</b>	<b>31 March 2022</b>
	<b>(RUPEES IN THOUSAND)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net cash (used in)/ generated from operations</b>	8	
Finance cost paid	(742,411)	69,567
Income tax paid	(161,687)	(75,825)
Staff retirement gratuity paid	(71,258)	(61,245)
Net (increase) / decrease in long term deposits and prepayments	(15,975)	(32,740)
Net increase in long term loans	(8)	118
	(80)	(162)
<b>Net cash used in operating activities</b>	<u>(991,419)</u>	<u>(100,287)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure on property, plant, equipment and intangible asset	(28,236)	(394,444)
Proceeds from disposal of property, plant and equipment	500	20,033
<b>Net cash used in investing activities</b>	<u>(27,736)</u>	<u>(374,411)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long term financing	(19,779)	(61,220)
Dividend paid	(19,236)	(17,155)
Short term borrowings - net	1,075,097	443,028
<b>Net cash from financing activities</b>	<u>1,036,082</u>	<u>364,653</u>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>16,927</u>	<u>(110,045)</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	45,445	166,999
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>62,372</u>	<u>56,954</u>

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

  
AMJAD SAEED  
CHIEF EXECUTIVE OFFICER

  
OMER SAEED  
DIRECTOR

  
MUHAMMAD KASHIF ZAHUR  
CHIEF FINANCIAL OFFICER

**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited)  
FOR THE THIRD QUARTER ENDED 31 MARCH 2023**

**1. THE COMPANY AND ITS OPERATIONS**

Ideal Spinning Mills Limited (the Company) is a public limited company incorporated in Pakistan on 08 June 1989 under the Companies Ordinance, 1984 (Now Companies Act, 2017) and listed on Pakistan Stock Exchange Limited. The principal activity of the Company is manufacturing and sale of yarn, cloth and hosiery products. The Company's registered office is situated at Room No. 404-405, 4th Floor, Business Centre, Mumtaz Hassan Road, Karachi.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
**2.1 BASIS OF PREPARATION**
**a) Statement of compliance**

- i) These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards 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.

- ii) These condensed interim financial statements do not include all the information and disclosures as required for annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2022.
- iii) These condensed interim financial statements are un-audited, and are being submitted to the shareholders as required by the Listed Companies (Code of Corporate Governance) Regulations, 2019 and section 237 of the Companies Act, 2017.

**b) Accounting policies, computation methods and financial risk management**

The accounting policies and methods of computations adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the Company for the year ended 30 June 2022. The Company's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended 30 June 2022.

**2.2 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of these condensed interim financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the annual financial statements of the Company for the year ended 30 June 2022.

Un-audited 31 March 2023	Audited 30 June 2022
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**(RUPEES IN THOUSAND)**

**3. LONG TERM FINANCING**

Opening balance	335,687	273,331
Add:		
Obtained during the period / year	-	140,000
Fair value adjustment	9,244	19,248
Amortized during the period / year	141	1,900
	<hr/> 345,072	<hr/> 434,479
Less:		
Repaid during the period / year	19,779	74,859
Gain on recognition of shareholder's loan at fair value	-	23,933
	<hr/> 19,779	<hr/> 98,792
Closing balance (Note 3.1)	<hr/> 325,293	<hr/> 335,687
Less: Current portion shown under current liabilities	164,815	162,804
	<hr/> 160,478	<hr/> 172,883

- 3.1 These represent Rupees 140 million (30 June 2022: Rupees 159.639 million) secured bank borrowings and Rupees 185.292 million (30 June 2022: Rupees 176.048 million) unsecured borrowing from sponsor director / shareholder.

	<b>Un-audited</b>	<b>Audited</b>
	<b>31 March</b>	<b>30 June</b>
	<b>2023</b>	<b>2022</b>
	<b>(RUPEES IN THOUSAND)</b>	
<b>4. SHORT TERM BORROWINGS</b>		
<b>From banking companies - secured</b>		
Cash finances	518,555	-
Running finances	235,267	151,144
Other short term finances	576,847	352,278
	1,330,669	503,422
<b>Others - unsecured</b>		
Other related parties	473,788	225,938
	<u>1,804,457</u>	<u>729,360</u>
<b>5. CONTINGENCIES AND COMMITMENTS</b>		
<b>a) Contingencies</b>		
i) Guarantees of Rupees 54,695 million (2022: Rupees 56.012 million) are given by the banks of the Company to Sui Northern Gas Pipelines Limited against gas connections and to Faisalabad Electric Supply Company Limited against electricity connections.		
ii) There is no significant change in the status of other contingencies as reported in the annual financial statements of the Company for the year ended 30 June 2022.		
<b>b) Commitments</b>		
i) Commitments for capital expenditure are of Rupees Nil (30 June 2022: Rupees 4.207 million).		
ii) Letters of credit other than for capital expenditure are of Rupees 53.352 million (30 June 2022: Rupees 60.102 million).		
iii) Outstanding foreign currency forward contracts are of Rupees Nil (30 June 2022: Rupees 409.941 million).		
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>		
Operating fixed assets (Note 6.1)	1,671,960	1,730,812
Capital work-in-progress (Note 6.2)	9,066	32,120
	<u>1,681,026</u>	<u>1,762,932</u>
<b>6.1 Operating fixed assets</b>		
Opening net book value	1,730,812	1,272,784
Add: Cost of additions during the period / year (Note 6.1.1)	51,290	589,185
	1,782,102	1,861,969
Less: Book value of deletions during the period / year (Note 6.1.2)	425	11,803
	1,781,677	1,850,166
Less: Depreciation charged during the period / year	109,717	119,354
	<u>1,671,960</u>	<u>1,730,812</u>
<b>6.1.1 Cost of additions during the period / year</b>		
Freehold land	-	6,472
Buildings	-	191,220
Plant and machinery	20,848	188,942
Stand-by equipment	-	119,381
Electric installations	418	5,580
Factory equipment	1,183	19,986
Office equipment	-	65
Computers	728	3,413
Electric appliances	1,189	3,765
Furniture and fixtures	-	1,465
Vehicles	26,924	48,896
	<u>51,290</u>	<u>589,185</u>
<b>6.1.2 Book value of deletions during the period / year</b>		
Plant and machinery	-	1,463
Stand-by equipment	-	224
Vehicles	425	10,116
	<u>425</u>	<u>11,803</u>
<b>6.2 Capital work-in-progress</b>		
Vehicles	3,523	26,473
Intangible assets	5,543	5,647
	<u>9,066</u>	<u>32,120</u>

(Un-audited)			
Third Quarter ended		Quarter ended	
31 March 2023	31 March 2022	31 March 2023	31 March 2022

----- (RUPEES IN THOUSAND) -----

**7. COST OF SALES**

Raw materials consumed	3,293,669	2,366,201	1,042,404	822,920
Cost of raw materials sold	-	1,315	-	940
Stores, spare parts and loose tools consumed	223,341	276,548	70,103	79,576
Salaries, wages and other benefits	448,047	437,609	140,904	152,707
Fuel and power	606,273	418,710	213,936	162,528
Sizing materials consumed	43,604	32,370	13,253	10,634
Outside processing / conversion and other charges	48,243	64,595	19,741	25,918
Packing materials consumed	138,910	119,063	43,864	39,863
Repair and maintenance	8,727	6,979	5,715	2,397
Insurance	12,026	9,247	4,356	3,304
Other factory overheads	1,731	2,976	372	681
Depreciation	81,367	66,288	27,395	23,050
	<u>4,905,938</u>	<u>3,801,901</u>	<u>1,582,043</u>	<u>1,324,518</u>
Work-in-process				
Opening stock	100,206	58,438	83,884	85,176
Closing stock	(76,970)	(87,205)	(76,970)	(87,205)
	<u>23,236</u>	<u>(28,767)</u>	<u>6,914</u>	<u>(2,029)</u>
Cost of goods manufactured	<u>4,929,174</u>	<u>3,773,134</u>	<u>1,588,957</u>	<u>1,322,489</u>
Finished goods				
Opening stock	436,972	204,703	618,472	331,552
Closing stock	(682,681)	(450,246)	(682,681)	(450,246)
	<u>(245,709)</u>	<u>(245,543)</u>	<u>(64,209)</u>	<u>(118,694)</u>
	<u>4,683,465</u>	<u>3,527,591</u>	<u>1,524,748</u>	<u>1,203,795</u>

(Un-audited)	
Third Quarter ended	
31 March 2023	31 March 2022

(RUPEES IN THOUSAND)

**8. NET CASH USED IN OPERATIONS**

(Loss) / profit before taxation		(422,038)	429,710
<b>Adjustments for non-cash charges and other items:</b>			
Amortization		1,347	1,202
Depreciation		109,717	83,033
Gain on disposal of property, plant and equipment		(75)	(168)
Allowance for / (reversal of) expected credit losses - net		7	430
Provision for staff retirement gratuity		40,915	43,641
Finance cost		218,161	106,277
Amortization of deferred grant		(141)	(1,624)
Provision for doubtful loans and advances		27	430
Working capital changes (Note 8.1)		(690,331)	(593,364)
		<u>(742,411)</u>	<u>69,567</u>

**8.1 Working capital changes**
**(Increase) / decrease in current assets**

Stores, spare parts and loose tools	(6,732)	(10,836)
Stock-in-trade	(611,623)	(481,503)
Trade debts	(32,783)	(65,735)
Loans and advances	9,382	(43,505)
Short term deposit and prepayments	(5,838)	(4,709)
Other receivables	(185,880)	(52,895)
	<u>(833,474)</u>	<u>(659,183)</u>
Increase in trade and other payables	143,143	65,819
	<u>(690,331)</u>	<u>(593,364)</u>

9. SEGMENT INFORMATION

	Spinning		Weaving		Socks		Elimination of Inter-segment transactions		Total - Company	
	(Un-audited) Third Quarter ended 31 March 2023	(Un-audited) Third Quarter ended 31 March 2022	(Un-audited) Third Quarter ended 31 March 2023	(Un-audited) Third Quarter ended 31 March 2022	(Un-audited) Third Quarter ended 31 March 2023	(Un-audited) Third Quarter ended 31 March 2022	(Un-audited) Third Quarter ended 31 March 2023	(Un-audited) Third Quarter ended 31 March 2022	(Un-audited) Third Quarter ended 31 March 2023	(Un-audited) Third Quarter ended 31 March 2022
Revenue from contracts with customers										
External	2,883,164	2,364,951	849,565	1,058,983	1,107,062	966,876	-	-	4,839,791	4,390,810
Inter segment	701,612	881,762	-	-	(701,612)	(881,762)	(701,612)	(881,762)	-	-
	3,584,776	3,246,713	849,565	1,058,983	1,107,062	966,876	(701,612)	(881,762)	4,839,791	4,390,810
Cost of sales	(3,666,152)	(2,603,015)	(779,339)	(939,586)	(957,307)	(855,031)	(701,612)	(881,762)	(4,683,465)	(3,527,581)
Gross (loss) / profit	(81,376)	643,698	70,226	107,676	167,476	111,845	-	-	156,326	863,219
Distribution cost	(14,745)	(12,359)	(13,200)	(17,762)	(107,775)	(59,299)	-	-	(135,740)	(89,420)
Administrative expenses	(133,592)	(108,279)	(42,489)	(38,523)	(87,560)	(77,544)	-	-	(263,641)	(224,346)
Other income	1,292	1,789	8,622	1,676	29,890	15,274	-	-	39,894	18,739
(Loss) / profit before taxation and unallocated expenses	(228,421)	524,849	23,138	53,067	2,121	(9,729)	-	-	(203,161)	566,192
Unallocated expenses:										
Other expenses									(716)	(32,205)
Finance cost									(218,161)	(106,277)
Taxation									(18,471)	(107,409)
(Loss) / profit after taxation									(440,509)	322,301

9.1 Reconciliation of reportable segment assets and liabilities

	Spinning		Weaving		Socks		Total - Company	
	(Un-audited) 31 March 2023	(Audited) 30 June 2022	(Un-audited) 31 March 2023	(Audited) 30 June 2022	(Un-audited) 31 March 2023	(Audited) 30 June 2022	(Un-audited) 31 March 2023	(Audited) 30 June 2022
Total assets for reportable segments as per condensed interim statements of financial position	2,587,785	1,972,520	876,355	703,655	654,996	699,387	4,119,136	3,375,572
Total liabilities for reportable segments	1,678,724	574,915	560,272	369,699	820,440	895,664	3,059,437	1,750,278
Unallocated liabilities							160,419	265,665
Total liabilities as per condensed interim statement of financial position							3,219,856	2,015,943

9.2 Geographical information

The Company's segment wise revenue from external customers as per geographical locations is detailed below:

	Spinning		Weaving		Socks		Total - Company	
	(Un-audited) Third Quarter ended 31 March 2023	(Un-audited) Third Quarter ended 31 March 2022	(Un-audited) Third Quarter ended 31 March 2023	(Un-audited) Third Quarter ended 31 March 2022	(Un-audited) Third Quarter ended 31 March 2023	(Un-audited) Third Quarter ended 31 March 2022	(Un-audited) Third Quarter ended 31 March 2023	(Un-audited) Third Quarter ended 31 March 2022
Europe	-	-	323,853	360,364	621,182	447,418	945,035	807,782
Asia	-	-	-	-	101,277	435,266	101,277	435,266
North America	2,883,164	2,364,951	525,712	698,619	34,749	84,190	3,443,625	3,147,760
Pakistan	2,883,164	2,364,951	849,565	1,058,983	1,107,062	966,876	4,839,791	4,390,810

9.3 Disaggregation of revenue from contracts with customers by major products / service lines

Yarn / socks	2,871,818	2,357,167	-	-	1,071,138	884,025	3,942,956	3,241,192
Waste	11,346	7,784	-	-	12,100	12,806	23,446	20,590
String income	-	-	849,565	1,055,294	23,824	70,045	873,389	1,125,339
Conversion and CMT income / cloth sale	2,883,164	2,364,951	849,565	1,058,983	1,107,062	966,876	4,839,791	4,390,810

**10. TRANSACTIONS WITH RELATED PARTIES**

Detail of transactions and balances with related parties is as follows:

(Un-audited)			
Third Quarter ended		Quarter ended	
31 March 2023	31 March 2022	31 March 2023	31 March 2022

------(RUPEES IN THOUSAND)-----

**i) Transactions**

**Associated undertakings**

Fuel purchased	4,514	4,096	1,352	2,871
Rental expense	4,590	4,964	1,530	3,209

**Other related parties**

Dividend paid to directors / major shareholders	16,578	14,921	-	14,921
Loans obtained from directors	247,850	74,720	129,350	19,495
Remuneration and meeting fee paid to Chief Executive Officer, directors and executives	57,420	33,583	18,974	21,117

Un-audited	Audited
31 March 2023	30 June 2022

(RUPEES IN THOUSAND)

**ii) Period end balances**

**Associated undertakings**

Trade and other payables	13,891	10,460
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**Other related parties**

Sponsors' loans	241,800	241,800
Long term financing	185,292	176,048
Short term borrowings	473,788	225,938
Loans and advances	2,490	459

**11. DISCLOSURES BY COMPANY LISTED ON ISLAMIC INDEX**

Description	(Un-audited)
	31 March 2023

(RUPEES IN THOUSAND)

**Loans / advances obtained as per Islamic mode**

Long term financing	140,000
Short term borrowings	-
Contract liabilities	58,005

**Shariah compliant bank deposits / bank balances**

Bank balances	21,243
---------------	--------

Description	(Un-audited)	
	Third Quarter ended	
	31 March 2023	31 March 2022
	(RUPEES IN THOUSAND)	

**Profit earned from shariah compliant bank deposits / bank balances**

Profit on deposits with banks	33	15
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<b>Revenue earned from shariah compliant business</b>	4,839,791	4,390,810
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<b>Exchange gain</b>	38,603	16,925
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**Mark-up on Islamic mode of financing**

Mark-up on long term financing	19,200	-
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Mark-up on short term borrowings	2,008	-
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**Interest on any conventional loans**

Mark-up on long term financing	233	3,736
--------------------------------	-----	-------

Mark-up on short term borrowings	172,963	77,580
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**Relationship with shariah compliant banks**

Bank Name	Relationship
Habib Bank Limited	Bank balances
AlBaraka Bank (Pakistan) Limited	Bank balances
Meezan Bank Limited	Bank balances, long term financing and short term borrowings

Comparative figures of the statement of financial position are not given as the Company ceased to be listed on Islamic Index as at 30 June 2022.

**12. DATE OF AUTHORIZATION**

These condensed interim financial statements were approved and authorized for issue on April 25, 2023 by the Board of Directors of the Company.

**13. CORRESPONDING FIGURES**

In order to comply with the requirements of IAS 34, the condensed interim statement of financial position and condensed interim statement of changes in equity have been compared with the balances of annual financial statements of preceding financial year, whereas, the condensed interim statement of profit or loss, condensed interim statement of comprehensive income and condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

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

**14. GENERAL**

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

  
AMJAD SAEED  
CHIEF EXECUTIVE OFFICER

  
OMER SAEED  
DIRECTOR

  
MUHAMMAD KASHIF ZAHUR  
CHIEF FINANCIAL OFFICER

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