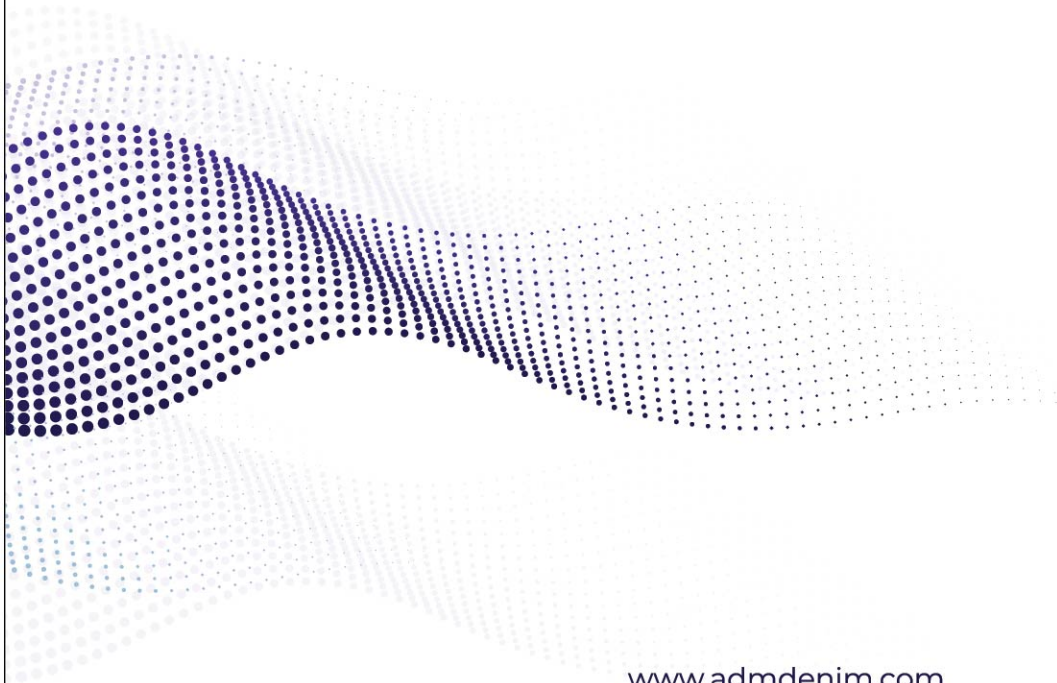




Quarterly Report

September 30, 2022



www.admdenim.com

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COMPANY INFORMATION

Board of Directors

Chief Executive
Chairman
Directors

Mr. Muhammad Faisal Ahmed
Mr. Muhammad Iqbal Ahmed
Mr. Muhammad Yousuf Ahmed
Mr. Muhammad Ali Ahmed
Ms. Zahra Faisal Ahmed
Mr. Yazdani Zia
Mr. Muneer Ahmed

Audit Committee

Chairman
Members

Mr. Yazdani Zia
Mr. Muhammad Iqbal Ahmed
Mr. Muhammad Ali Ahmed

Human Resource and Remuneration Committee

Chairman
Members

Mr. Yazdani Zia
Mr. Muhammad Faisal Ahmed
Ms. Zahra Faisal Ahmed

Chief Financial Officer

Mr. Sagheer Ahmed

Company Secretary

Mr. Muhammad Ozair Qureshi

Chief Internal Auditor

Mr. Salman Arif

Auditors

M/s. Reanda Haroon Zakaria & Company
Chartered Accountants

Legal Advisor

Monawwer Ghani
Advocate

Share Registrar

M/s F.D. Registrar Services (SMC Pvt.) Limited
17th Floor, Saima Trade Tower-A,
I.I. Chundrigar Road, Karachi.
Tel: (+92-21) 35478192-3 / 32271905-6

Bankers

Allied Bank Limited
Bank Al Habib Limited
BankIslami Pakistan Limited
Faysal Bank Limited
Habib Metropolitan Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
United Bank Limited
Woori Bank

Registered Office and Factory

Plot No. 5-9, 23-26, Sector 16,
Korangi Industrial Area, Karachi.
UAN: 111 236 236, Fax No. 3505 4652
www.admdenim.com

DIRECTORS' REVIEW

The Directors of **Artistic Denim Mills Limited** (the Company) takes pleasure in presenting this Review Report together with the un-audited condensed interim financial statements of the Company for the first quarter ended September 30, 2022.

PERIOD UNDER REVIEW

Comparative financial results for the current period and that of the corresponding period last year are as follows:

	September 30, 2022 Rs. in ('000')	September 30, 2021 Rs. in ('000')
Net Sales	3,463,382	4,405,561
Gross profit	400,807	406,533
Other income	187,034	41,224
Finance costs	131,096	70,543
Net Profit	245,078	178,364
EPS (Rs. per share)	2.92	2.12

Despite the challenging economic conditions, your Company recorded net sales revenue of Rs. 3,463.382 million as compared to Rs. 4,405.561 million during the same period last year. The decrease in sales was primarily due to global recession, therefore, slowdown in demand in the international market. The gross profit margin improved to 11.57% from 9.23% as compared to same period last year on account of devaluation of Pakistan Rupee and effective cost controls. Other income increased from Rs. 41.224 million to Rs. 187.034 million due to exchange gain on exports. Finance costs increased from Rs. 70.543 million to Rs. 131.096 million due to steep increase in policy rate, increase in SBP Long Term Financing Facility (LTFF) & Export Finance Scheme (EFS) rate and increase in working capital requirement due to increase in cotton prices. Accordingly, the Company earned net profit after tax for the period amounting to Rs. 245.078 million (September 30, 2021: 178.364 million) reflecting an increase of profit by 37.40%. The net profit translated into Earnings per Share (EPS) of Rs. 2.92 as against Rs. 2.12 for the corresponding period of last year.

FUTURE OUTLOOK

Pakistan business outlook is undetermined amidst fear of global recession indicate lower demand in Pakistan's export market at a time when the country is facing supply chain challenges for import of raw materials, inflationary pressures and monetary tightening policies. Further escalation in Russia-Ukraine conflict and local political scenario coupled with adverse impact on economy due to unprecedented floods in Pakistan may also take a toll on exports. At present, competition in textiles is becoming increasingly tough in the midst of the aforesaid factors, thereby negatively impacting the competitiveness of exports. Price competitiveness and prompt delivery of quality products will therefore be increasingly instrumental in determining which countries are able to enhance or even maintain exports. Accordingly, based on currently available information, GDP growth could fall to around 2 percent in Financial Year 2023, compared to the previous forecast of 3-4 percent before the floods.

The textile industry commits to achieving the targets set and is eager to contribute to Pakistan's sustained economic growth. However, to maintain the export level and subsequently increase as committed, the Government to ensure uninterrupted and adequate gas and electricity at regionally competitive energy tariffs, restoration of zero rating (SRO 1125) to restore liquidity of the textile sector, comprehensive policy and action for the realization of enhanced export potential and SBP to allow all export oriented sectors to open L/Cs without pre-approval.

Despite of these challenges, your Company remained fully aware of the down side risk to the economic and operating environment and pursued its strategy to maintain entity's growth and market share by tapping new opportunities i.e. remains focused on improving its operational efficiencies, exploring new markets, effectively minimizing the production costs and focusing on the right performance levers. Further, the Company has been investing in value additions, which is an ongoing process by utilizing SBP's LTFF Scheme to stay competitive in a global market and expect these investments will yield positive results in the long run for the Company and its shareholders.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, we would like to place on record our gratitude to esteemed shareholders for continued support and valued customers for placing their trust in our products. We would also like to thank the esteemed suppliers, bankers, colleagues and all stakeholders who are helping and contributing towards the sustained support in achieving the Company's goals and objectives.

On behalf of the BOARD of DIRECTORS

MUHAMMAD FAISAL AHMED
CHIEF EXECUTIVE

YAZDANI ZIA
DIRECTOR

Karachi: October 26, 2022

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2022 (UN-AUDITED)

		September 30, 2022	June 30, 2022
		------(Rupees in '000)-----	
ASSETS	Note	(Un-audited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	5	10,048,526	9,644,964
Long-term loans		28,105	29,864
Long-term deposits		1,732	1,732
		<u>10,078,363</u>	<u>9,676,560</u>
CURRENT ASSETS			
Stores and spares		288,001	242,841
Stock-in-trade		6,703,170	5,106,292
Trade debts - considered good		3,374,529	3,753,777
Loans and advances		155,332	43,560
Trade deposits and prepayments		27,302	29,289
Other receivables		108,795	102,286
Short term investments		69,594	75,710
Sales tax refundable		579,842	177,467
Taxation - net		242,701	243,089
Cash and bank balances		536,731	629,129
		<u>12,085,997</u>	<u>10,403,440</u>
TOTAL ASSETS		<u>22,164,360</u>	<u>20,080,000</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
100,000,000 (2022: 100,000,000) ordinary shares of Rs. 10/- each		<u>1,000,000</u>	<u>1,000,000</u>
Issued, subscribed and paid-up Reserves			
	6	840,000	840,000
		<u>6,644,827</u>	<u>6,399,749</u>
		<u>7,484,827</u>	<u>7,239,749</u>
NON-CURRENT LIABILITIES			
Long-term financing		4,005,964	3,763,158
Deferred liability		174,688	173,612
		<u>4,180,652</u>	<u>3,936,770</u>
CURRENT LIABILITIES			
Trade and other payables		3,278,994	2,314,880
Unclaimed dividend		3,135	3,135
Accrued mark-up		74,392	75,116
Short-term borrowings - secured		6,820,974	6,223,000
Current maturity of long-term financing		321,386	287,350
		<u>10,498,881</u>	<u>8,903,481</u>
CONTINGENCIES AND COMMITMENTS	7		
TOTAL EQUITY AND LIABILITIES		<u>22,164,360</u>	<u>20,080,000</u>

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

Muhammad Faisal Ahmed
Chief Executive Officer

Sagheer Ahmed
Chief Financial Officer

Yazdani Zia
Director

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE QUARTER ENDED SEPTEMBER 30, 2022 (UN-AUDITED)**

	September 30, 2022	September 30, 2021
	------(Rupees in '000)-----	
TURNOVER	3,463,382	4,405,561
Cost of sales	(3,062,575)	(3,999,028)
GROSS PROFIT	400,807	406,533
Distribution costs	(86,758)	(90,834)
Administrative expenses	(58,935)	(34,657)
Other operating expenses	(24,099)	(28,271)
Other income	187,034	41,224
	17,242	(112,538)
OPERATING PROFIT	418,049	293,995
Finance costs	(131,096)	(70,543)
PROFIT BEFORE TAXATION	286,953	223,452
Taxation	(41,875)	(45,088)
NET PROFIT FOR THE PERIOD	245,078	178,364
EARNINGS PER SHARE		
- Basic and diluted (Rs. per share)	2.92	2.12

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

Muhammad Faisal Ahmed
Chief Executive Officer

Sagheer Ahmed
Chief Financial Officer

Yazdani Zia
Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED SEPTEMBER 30, 2022 (UN-AUDITED)**

	September 30, 2022	September 30, 2021
	----- (Rupees in '000) -----	
Net profit for the period	245,078	178,364
Other comprehensive income	-	-
Total comprehensive income for the period	<u>245,078</u>	<u>178,364</u>

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

Muhammad Faisal Ahmed
Chief Executive Officer

Sagheer Ahmed
Chief Financial Officer

Yazdani Zia
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED SEPTEMBER 30, 2022 (UN-AUDITED)

	Share Capital	Revenue Reserves			Total equity
	Issued, subscribed and paid-up	Unappropriated profit	Actuarial gain / (loss) on defined benefit plan	Total	
----- (Rupees in '000) -----					
Balance as at July 01, 2021	840,000	5,913,382	(25,864)	5,887,518	6,727,518
Net profit for the period ended September 30, 2021	-	178,364	-	178,364	178,364
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	178,364	-	178,364	178,364
Balance as at September 30, 2021	<u>840,000</u>	<u>6,091,746</u>	<u>(25,864)</u>	<u>6,065,882</u>	<u>6,905,882</u>
Balance as at July 01, 2022	840,000	6,399,634	115	6,399,749	7,239,749
Net profit for the period ended September 30, 2022	-	245,078	-	245,078	245,078
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	245,078	-	245,078	245,078
Balance as at September 30, 2022	<u>840,000</u>	<u>6,644,712</u>	<u>115</u>	<u>6,644,827</u>	<u>7,484,827</u>

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

Muhammad Faisal Ahmed
Chief Executive Officer

Sagheer Ahmed
Chief Financial Officer

Yazdani Zia
Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED SEPTEMBER 30, 2022 (UN-AUDITED)

	September 30, 2022	September 30, 2021
	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	286,953	223,452
Adjustments for non cash charges and other items:		
Depreciation / amortization	149,075	122,619
Provision for gratuity	16,613	13,833
Finance costs	131,096	70,543
Unrealised loss on short-term investment	5,986	12,755
Dividend income	(3,162)	(17)
Gain on disposal of operating fixed assets	-	(20)
	<u>299,608</u>	<u>219,713</u>
Profit before working capital changes	586,561	443,165
(Increase) / decrease in current assets		
Stores and spares	(45,160)	56,028
Stock-in-trade	(1,596,878)	(184,470)
Trade debts	379,248	(600,479)
Loans and advances	(111,772)	(63,086)
Trade deposits and prepayments	1,987	(6,684)
Other receivables	(6,509)	(7,856)
Sales tax refundable	(402,375)	(158,600)
	<u>(1,781,459)</u>	<u>(965,147)</u>
Increase in current liabilities		
Trade and other payables	964,114	657,911
Cash generated from / (used in) operations	<u>(230,784)</u>	<u>135,929</u>
Taxes paid	(41,485)	(37,151)
Gratuity paid	(15,537)	(1,312)
Finance costs paid	(131,820)	(74,901)
	<u>(188,842)</u>	<u>(113,364)</u>
Net cash generated from / (used in) operating activities	<u>(419,626)</u>	<u>22,565</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	(552,637)	(651,633)
Long-term loans	1,759	(915)
Short-term investment	128	(3)
Dividend received	3,162	17
Sale proceeds from disposal of operating fixed assets	-	63
Net cash used in investing activities	<u>(547,588)</u>	<u>(652,471)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Long-term financing repaid	(66,151)	(50,615)
Long-term financing acquired	342,993	329,677
Short-term borrowings (repaid) / acquired - net	597,974	293,714
Net cash generated from financing activities	<u>874,816</u>	<u>572,776</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(92,398)</u>	<u>(57,130)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>629,129</u>	<u>370,701</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>536,731</u>	<u>313,571</u>

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

Muhammad Faisal Ahmed
Chief Executive Officer

Sagheer Ahmed
Chief Financial Officer

Yazdani Zia
Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2022 (UN-AUDITED)

1 THE COMPANY AND ITS OPERATIONS

Artistic Denim Mills Limited (the Company) was incorporated in Pakistan on May 18, 1992 under the Companies Ordinance, 1984 (now the Companies Act, 2017) and is currently listed on Pakistan Stock Exchange Limited. The principal activity of the Company is to manufacture and sell yarn, rope dyed denim fabric, garments and value added textile products.

The registered office and factory premises of the Company is situated at Plot No. 5 - 9, 23 - 26, Sector 16, Korangi Industrial Area, Karachi.

2 BASIS OF PREPARATION

These condensed interim financial statements of the Company for the first quarter ended September 30, 2022 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.

These condensed interim financial statements are un-audited and are being submitted to the shareholders as required by the listing regulation of Pakistan Stock Exchange Limited and Section 237 of the Companies Act, 2017. These condensed interim financial statements do not include all the information and disclosures as required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2022.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the audited annual financial statements of the Company for the year ended June 30, 2022.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES

The preparation of these condensed interim financial statements in conformity with the approved accounting standards as applicable in Pakistan for interim reporting requires the management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgements and estimates made by the management in the preparation of these condensed interim financial statements are the same as those that were applied to the annual audited financial statements of the Company for the year ended June 30, 2022.

	Note	September 30, 2022 ------(Rupees in '000)----- (Un-audited)	June 30, 2022 ----- (Audited)
5 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	6,640,569	6,626,575
Capital work-in-progress	5.2	3,407,957	3,018,389
		10,048,526	9,644,964
5.1 The additions and disposals in property, plant and equipment are as follows:			
Opening net written down value		6,626,575	5,577,115
Additions during the period / year	5.1.1	163,069	1,580,866
Disposals, at their written down values during the period / year		-	(1,047)
Depreciation / amortization charge during the period / year		(149,075)	(530,359)
		(149,075)	(531,406)
		6,640,569	6,626,575
5.1.1 The following additions were made during the period / year			
Building on leasehold land		-	356,078
Plant & machinery		160,183	1,165,998
Factory equipment		2,690	47,905
Furniture & fixtures		196	1,914
Office equipment, including computers		-	8,898
Vehicles		-	73
		163,069	1,580,866

	September 30, 2022	June 30, 2022
	----- (Rupees in '000) -----	
5.2 Capital work-in-progress	(Un-audited)	(Audited)
Balances at the beginning of the period / year	3,018,389	2,168,764
Additions during the period / year		
Civil works	166,608	487,232
Plant and machinery	337,581	1,293,367
Factory equipment	2,691	47,905
Advances to suppliers	45,561	591,102
	552,441	2,419,606
Transfers to operating fixed assets	(162,873)	(1,569,981)
	<u>3,407,957</u>	<u>3,018,389</u>

6 SHARE CAPITAL

No. of shares			September 30, 2022	June 30, 2022
September 30, 2022	June 30, 2022		----- (Rupees in '000) -----	
(Un-audited)	(Audited)		(Un-audited)	(Audited)
		Issued, subscribed and paid-up capital		
		Ordinary shares of Rs.10 each		
14,000,000	14,000,000	Issued for cash	140,000	140,000
70,000,000	70,000,000	Issued as fully paid bonus shares	700,000	700,000
<u>84,000,000</u>	<u>84,000,000</u>		<u>840,000</u>	<u>840,000</u>

7 CONTINGENCIES AND COMMITMENTS

Contingencies

- 7.1** The Company is a respondent in J.C.M. Nos. 29 and 32, proceedings filed by the minority shareholders of the Company in the Honorable High Court of Sindh inter alia challenging the manner in which the business is being managed and seeking certain declaration and restraining order in this regard. The Company believes that there is no merit in the aforesaid proceedings and based on the view of the legal advisor there appears to be no liability expected on the Company on account of the above proceedings.
- 7.2** On July 25, 2019, SECP had issued a show cause notice under section 256 of the companies Act, 2017 and also a notice of hearing dated 19.9.2019 due to the complaints and insistence of certain minority shareholders on misplaced allegations pertaining to the manner in which the business of the company is being managed and seeking certain declaration. However, before the hearing of the show cause notice or an inspection or investigation was ordered / initiated, the company filed suit no. 1506 of 2019 before the Honourable High Court of Sindh which, vide its order dated 25.09.2019 was pleased to restrain SECP from further proceedings in pursuance to the aforementioned notices. The Honourable High Court further directed SECP to maintain status quo. The company believes that there is no merit in the aforesaid proceedings and based on the view of the legal advisor there appears to be no liability expected on the company on account of the above litigation.

	September 30, 2022	June 30, 2022
	----- (Rupees in '000) -----	
	(Un-audited)	(Audited)
7.3 Outstanding counter guarantees - conventional banks	<u>560,328</u>	<u>550,328</u>
Commitments		
7.4 Commitments in respect of plant & machinery and building on leasehold land at the end of the period amounted to Rs. 267.876 million (June 30, 2022: Rs. 272.040 million).		
7.5 Outstanding letters of credit at the end of the period amounted to Rs. 1,539.559 million (June 30, 2022: Rs. 798.070 million).		
7.6 Post dated cheques issued in favour of Custom Authorities aggregating to Rs. 345.918 million (June 30, 2022: Rs. 384.671 million), against various statutory notifications.		
7.7 Outstanding foreign currency forward contracts of Rs. 950.000 million (June 30, 2022: Rs. Nil).		

8 TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company comprise associated companies, directors of the Company and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Details of transactions with related parties, are given below:

Relationship	Nature of transactions	September 30, 2022	September 30, 2021
		----- (Rupees in '000) -----	
		(Un-audited)	(Un-audited)
Key management personnel	Managerial remuneration and others	<u>5,278</u>	<u>4,812</u>
Common directorship	Sales	32,446	227,599
Common directorship	Purchases	47,439	22,255
Common directorship	Services received	127	12,626
Common directorship	Services rendered	39	2,388
Spouse of a director	Sales	126,035	257,982
Spouse of a director	Reimbursement of expenses	<u>11,407</u>	<u>63,255</u>
Daughter of a director	Sales	865,737	1,340,964
Daughter of a director	Reimbursement of expenses	<u>14</u>	<u>1,393</u>

The above transactions are at arm's length using admissible valuation methods.

9 FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES

These condensed interim financial statements do not include all financial risk management information and disclosures which are required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2022. There have been no change in any risk management policies since the year end.

The carrying value of all financial and non-financial assets and liabilities measured at other than amortised cost in these condensed interim financial statements approximate their fair values.

10 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements have been authorised for issue on October 26, 2022 by the Board of Directors of the Company.

11 GENERAL

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

11.2 Corresponding figures have been reclassified, wherever necessary for the purpose of compliance, comparison and better presentation. However, no significant re-arrangements have been made.

11.3 Figures have been rounded-off to the nearest thousand rupees.

Muhammad Faisal Ahmed
Chief Executive Officer

Sagheer Ahmed
Chief Financial Officer

Yazdani Zia
Director



HEAD OFFICE + FACTORY

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74900 Karachi, Pakistan.

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