

Quarterly Report
March 31, 2023



DEWAN FAROOQUE SPINNING MILLS LIMITED

 YD | A YOUSUF DEWAN COMPANY

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COMPANY INFORMATION

BOARD OF DIRECTORS

Executive Directors	: Syed Maqbool Ali Chief Executive Officer & Director
Non-Exective Director	: Mr. Mehmood-ul-Hassan Asghar - Chairman, Board of Directors Mr. Ghazanfar Baber Siddiqi Mr. Abdul Basit Mr. Muhammad Hanif German Mrs. Nida Jamil
Independent Director	: Mr. Aziz -ul-Haque
Audit Committee	: Mr. Aziz -ul-Haque (Chairman) Mr. Abdul Basit (Member) Mr. Ghazanfar Baber Siddiqi (Member)
Human Resources & Remuneration Committee	: Mr. Aziz -ul-Haque (Chairman) Mr. Imran Ahmed Javed (Member) Syed Maqbool Ali (Member)
Auditors	: Feroze Sharif Tariq & Company Chartered Accountants 4/N/4 Block-6, P.E.C.H.S. Karachi
Company Secretary	: Mr. Muhammad Hanif German
Chief Financial Officer	: Mr. Muhammad Irfan Ali
Tax Advisor	: Abbas & Atif Law Associates
Legal Advisor	: Sharif & Co. Advocates
Bankers	: United Bank Limited Bank Islami Pakistan Limited MCB Bank Limited Silk Bank Limited Askari Bank Limited Allied Bank Limited Soneri Bank Limited Summit Bank Limited
Registered Office	: Dewan Centre 3-A, Lalazar Beach Hotel Road Karachi.
Shares Registrar & Transfer Agent	: BMF Consultants Pakistan (Private) Limited Anum Estate Building, Room No. 310 & 311, 3rd Floor, 49, Darul Aman Society, Main Shahrah-e-Faisal, adjacent to Baloch Colony Bridge, Karachi 75350, Pakistan.
Factory Office	: 54 Km, Multan Road, Phool Nagar By Pass District Kasur, Punjab , Pakistan.
Website	: www.yousufdewan.com

IN THE NAME OF ALLAH; THE MOST GRACIOUS AND THE MERCIFUL

IF YE GIVE THANKS, I WILL GIVE YOU MORE (HOLY QURAN)

The Board of Directors of your Company is pleased to present unaudited condensed interim financial statements for the nine months and third quarter ended on 31 March 2023 in compliance with the requirements of section 237 of the Companies Act, 2017 and code of corporate governance issued by Securities and Exchange Commission of Pakistan.

General market conditions:

The current state of the economy is worrisome as it is facing multiple challenges such as low foreign reserves, a weakening currency, sharp increase in interest rates and soaring inflation. Moreover, the CAD (Current Account Deficit) has narrowed more than previously expected, primarily due to significant import curtailment measures. Dwindling foreign reserves, import restrictions, flood impacts, high fuel costs, policy uncertainty, and the slowdown in domestic and global demand have affected industry and service sector activity in the Country.

The demand of textile products declined and the situation is becoming worst by each passing day for the textile sector. Pakistan's textile sector exports plunged by 21 per cent to \$1.29 billion in March 2023 as compared to \$1.63 billion recorded in the corresponding month of 2022. Industry was forced to curtail operations due to reduced availability of major Raw Material Cotton through domestic as well as imported supply due to operational constraints caused by limited availability of Foreign Exchange for establishing Letter of Credits. Concessionary Tariff for Five Export Oriented Sectors has been withdrawn, that have raised the cost of electricity by about 80%. The government has fixed the RLNG rate at US\$ 9 per MMBTU for Export Oriented Companies, however, only 40% to 50% of gas quota was made available to the industry. The LTTF facility, which incentivized new investment, has been withdrawn and resulted in no investment and BMR in textile sector. Refunds from FBR are stuck and not being released. Businesses are facing severe liquidity issues due to above factors and struggling for day-to-day operations like never before. Textile sector, that plays a vital role in the country's economy, exports and employment, had expanded production capacity by setting up new plants as well BMR of existing plants especially during 2021 to 2022 in response to positive market conditions but currently this sector is on the brink of collapse due to significant reduction in production levels (50% approximately) or shut down of various plants as the circumstances of market changed entirely and causing adverse impact.

Operating results and performance

Company's net revenue for nine months is Rs. 496.010 million as compared to net revenue of Rs. 504.372 million of the corresponding period of last year. Company has suffered gross loss of Rs. 139.935 million as compared to the gross loss of Rs. 86.483 million of comparable period of last year, whereas operating expenses have also increased by Rs.6.556 million. Further, due to working capital constraints, the company continued the production of yarn on contract basis to keep the company operational.

The company approached its lenders for further restructuring of its liabilities, which is in process.

Future Outlook

Businesses are currently focusing on sustainability and survival rather than growth in near future. The policies of government towards textile sector and businesses overall are not friendly which is heading towards more bad days for industry. The finance cost is as much high that no business can sustain its operations at such level of interest rates. Organizations on its own are struggling for survival by taking different measures but industry can only survive and move forward out of the way with support by government.

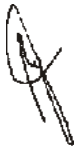
The industry performance mainly depends on consistency in government policies and continuous provision of utilities at affordable rates. We look for the attention of government to address the challenges and help the industry in order to eliminate poverty and unemployment from country by reducing the markup rates substantially and restoration of energy concessions for export-oriented industry making it possible for the textile sector to compete in the international market.

Conclusion

With grace of Allah Almighty, the management of the company will put its best endeavors to bring better results in forthcoming half year. In conclusion, we bow beg and pray to Almighty Allah, Rahman-o-Rahim, in the name of our beloved Prophet Muhammad (Peace be upon him) for the continued showering of his blessings, Guidance, strength, health and prosperity to us, our company, country and nation, and also pray to Almighty Allah to bestow peace, Harmony, brotherhood and unity in true Islamic spirit to whole of Muslim Ummah; Ameen: Summa Ameen

LO-MY LORD IS INDEED HEARER OF PRAYER (HOLY QURAN)

By and under Authority of the Board of Directors



Syed Maqbool Ali
Chief Executive Officer &
Director



Mehmood-ul-Hassan Asghar
Chairman - Board of Directors

Dated: April 26, 2023

DEWAN FAROOQUE SPINNING MILLS LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2023

		Un-Audited Mar 31, 2023	Audited June 30, 2022
Notes		----- (Rupees) -----	
<u>EQUITY AND LIABILITIES</u>			
SHARE CAPITAL AND RESERVES			
	Authorized share capital		
	100,000,000 (2022: 100,000,000) Ordinary shares of Rs.10/- each	1,000,000,000	1,000,000,000
	Issued, subscribed and paid-up capital	977,507,260	977,507,260
	Revenue reserve - accumulated loss	(1,626,507,716)	(1,463,021,085)
	Capital reserve - revaluation surplus on property, plant and equipment	2,242,989,534	2,294,365,071
		1,593,989,078	1,808,851,246
NON-CURRENT LIABILITIES			
	Long term loan	14,609,375	16,406,250
	Deferred taxation	265,124,545	286,108,919
	Deferred liability for staff gratuity	23,259,555	21,054,094
CURRENT LIABILITIES			
	Trade and other payables	174,837,281	117,891,869
	Accrued mark-up	371,814,602	319,474,688
	Short term borrowings	412,864,355	412,864,355
	Current & overdue portion of long term liabilities	447,178,227	446,553,227
	Provision for taxation	6,200,123	8,677,877
		1,412,894,588	1,305,462,016
CONTINGENCIES AND COMMITMENTS			
	6	-	-
		3,309,877,141	3,437,882,525
<u>ASSETS</u>			
NON-CURRENT ASSETS			
	Property, plant and equipment	3,087,799,816	3,196,911,765
	Long term deposits	38,226,745	38,226,745
CURRENT ASSETS			
	Stores & spares	28,002,329	25,350,641
	Trade debts- unsecured, considered good	55,504,525	69,983,502
	Loans and advances - unsecured, considered good	19,927,439	19,715,514
	Trade deposits and other receivables - considered good	28,977,356	40,704,645
	Taxes recoverable	39,121,932	36,751,422
	Cash and bank balances	12,316,999	10,238,291
		183,850,580	202,744,015
		3,309,877,141	3,437,882,525

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

Syed Maqbool Ali
Chief Executive Officer & Director

Muhammad Irfan Ali
Chief Financial Officer

Mehmood-ul-Hassan Asghar
Chairman Board of Directors

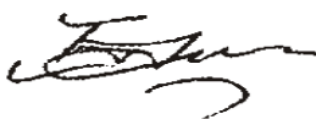
DEWAN FAROOQUE SPINNING MILLS LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR THE NINE MONTHS ENDED 31ST MARCH 2023

	Nine Months Ended		Quarter Ended	
	March 31,	March 31,	March 31,	March 31,
	2023	2022	2023	2022
Notes	------(Rupees)-----			
Sales / Revenue - Net	496,009,800	504,372,418	164,768,400	169,878,455
Cost of sales / revenue	<u>(635,945,012)</u>	<u>(590,855,680)</u>	<u>(202,958,505)</u>	<u>(202,367,669)</u>
Gross loss	<u>(139,935,212)</u>	<u>(86,483,262)</u>	<u>(38,190,105)</u>	<u>(32,489,214)</u>
Operating expenses				
Administrative expenses	<u>(28,131,615)</u>	<u>(23,714,263)</u>	<u>(7,131,243)</u>	<u>(6,557,196)</u>
Selling and distribution expenses	<u>(9,108,924)</u>	<u>(6,970,456)</u>	<u>(3,477,105)</u>	<u>(2,680,056)</u>
	<u>(37,240,539)</u>	<u>(30,684,719)</u>	<u>(10,608,348)</u>	<u>(9,237,252)</u>
Operating loss	<u>(177,175,751)</u>	<u>(117,167,981)</u>	<u>(48,798,453)</u>	<u>(41,726,466)</u>
Finance cost	<u>(52,470,668)</u>	<u>(32,041,000)</u>	<u>(17,439,610)</u>	<u>(12,834,977)</u>
Loss before taxation	<u>(229,646,419)</u>	<u>(149,208,981)</u>	<u>(66,238,063)</u>	<u>(54,561,443)</u>
Taxation				
Current	<u>(6,200,123)</u>	<u>(6,304,655)</u>	<u>(2,059,605)</u>	<u>(1,412,681)</u>
Deferred	<u>20,984,374</u>	<u>23,288,264</u>	<u>6,994,791</u>	<u>7,762,755</u>
	<u>14,784,251</u>	<u>16,983,609</u>	<u>4,935,186</u>	<u>6,350,074</u>
Loss after taxation	<u>(214,862,168)</u>	<u>(132,225,372)</u>	<u>(61,302,877)</u>	<u>(48,211,369)</u>
Loss per share - basic and diluted	<u>10 (2.20)</u>	<u>(1.35)</u>	<u>(0.63)</u>	<u>(0.49)</u>

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



Syed Maqbool Ali
Chief Executive Officer & Director



Muhammad Irfan Ali
Chief Financial Officer

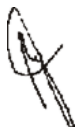


Mehmood-ul-Hassan Asghar
Chairman Board of Directors

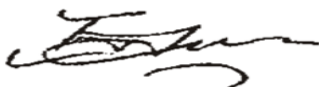
DEWAN FAROOQUE SPINNING MILLS LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS ENDED 31ST MARCH 2023

	<u>Nine Months Ended</u>		<u>Quarter Ended</u>	
	<u>March 31,</u>	<u>March 31,</u>	<u>March 31,</u>	<u>March 31,</u>
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	(Rupees)			
(Loss) after taxation	(214,862,168)	(132,255,372)	(61,302,877)	(48,211,369)
Items that will not be subsequently reclassified to profit or loss:				
Other Comprehensive Income				
Revaluation during the period	-	-	-	-
Related deferred tax	-	-	-	-
	-	-	-	-
Remeasurement of defined benefit liability	-	-	-	-
	-	-	-	-
Total comprehensive income /(loss) for the period	<u>(214,862,168)</u>	<u>(132,255,372)</u>	<u>(61,302,877)</u>	<u>(48,211,369)</u>

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



Syed Maqbool Ali
Chief Executive Officer & Director



Muhammad Irfan Ali
Chief Financial Officer



Mehmood-ul-Hassan Asghar
Chairman Board of Directors

DEWAN FAROOQUE SPINNING MILLS LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE NINE MONTHS ENDED 31ST MARCH 2023

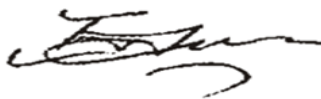
	March 31, 2023	March 31, 2022
Note	------(Rupees)-----	
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) before taxation	(229,646,419)	(149,208,981)
Adjustments for non cash and other items:		
Depreciation	110,408,649	119,896,823
Financial charges	52,470,668	32,041,000
Provision for gratuity	7,805,991	6,426,936
Cash flow before working capital changes	(58,961,111)	9,155,778
Working Capital changes		
<i>(Increase) / Decrease in current assets:</i>		
Stores & spares	(2,651,688)	(3,286,966)
Stock in trade	-	361,003
Trade debts	14,478,977	605,945
Loans & advances	(211,925)	(3,952,161)
Trade deposits & other receivables	11,727,289	12,047,256
<i>Increase / (Decrease) in current liabilities:</i>		
Trade and other payables	56,945,412	(6,859,311)
Cash generated from / (used in) operations	21,326,954	8,071,544
Payments for:		
Taxes - net of refund	(11,048,387)	(14,413,060)
Gratuity	(5,600,530)	(2,224,978)
Finance cost	(130,754)	(145,865)
	4,547,283	(8,712,359)
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(1,296,700)	(32,149,712)
Long term deposits	-	-
Net cash outflow from investing activities	(1,296,700)	(32,149,712)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loan	(1,171,875)	(468,750)
Net cash Inflow / (out flow) from financing activities	(1,171,875)	(468,750)
Net increase / (decrease) in cash and cash equivalents	2,078,708	(41,330,821)
Cash and Cash equivalents at the beginning of the period	10,238,291	44,049,557
Cash and Cash equivalents at the end of the period	12,316,999	2,718,736

8

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



Syed Maqbool Ali
Chief Executive Officer & Director



Muhammad Irfan Ali
Chief Financial Officer



Mehmood-ul-Hassan Asghar
Chairman Board of Directors

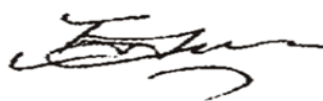
DEWAN FAROOQUE SPINNING MILLS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED 31ST MARCH 2023

Issued, subscribed and Paid-up Capital	Revenue reserve	Capital Reserve	Total
	Accumulated loss	Revaluation surplus on property, plant & equipment	
(Rupees)			
977,507,260	(1,345,216,585)	2,370,386,530	2,002,677,205
--	(132,225,372)	--	(132,225,372)
--	--	--	--
--	(132,225,372)	--	(132,225,372)
--	57,016,095	(57,016,095)	--
977,507,260	(1,420,425,862)	2,313,370,435	1,870,451,833
977,507,260	(1,463,021,085)	2,294,365,071	1,808,851,246
--	(214,862,168)	--	(214,862,168)
--	--	--	--
--	(214,862,168)	--	(214,862,168)
--	51,375,537	(51,375,537)	--
977,507,260	(1,626,507,716)	2,242,989,534	1,593,989,078

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



Syed Maqbool Ali
Chief Executive Officer & Director



Muhammad Irfan Ali
Chief Financial Officer



Mehmood-ul-Hassan Asghar
Chairman Board of Directors

1 THE COMPANY AND ITS OPERATIONS

Dewan Farooque Spinning Mills Limited is incorporated in Pakistan on December 22, 2003 as public limited company, under the Companies Ordinance, 1984. The shares of the company are listed on the Pakistan Stock Exchange Limited. The registered office of the company is located at Dewan Centre, 3-A, Lalazar Beach Hotel, Road, Karachi, Pakistan; while its manufacturing facilities are located at 54 km Multan Road, near the Phool Nagar By-pass, District Kasur, near the city of Lahore in Pakistan. The principal activity of the company is manufacturing and sale of fine quality yarn. Company also manufactures yarn on contract basis. The company has installed capacity of 28,800 spindles.

2 GOING CONCERN ASSUMPTION

The condensed interim financial statements for the nine months ended March 31, 2023 reflect that company sustained net loss after taxation of Rs. 214.862 million (2022: Rs. 192.991 million) and as of that date it has negative reserves of Rs. 1,626.508 million and its current liabilities exceeded its current assets by Rs. 1,229.044 million (2022: 1,102.718 million). Furthermore, the short term facilities of the company have expired and not been renewed by banks and it had defaulted in repayment of restructured liabilities. Following course, the company is facing litigations with its lenders. These conditions indicate the existence of material uncertainty, which may cast significant doubt about Company's ability to continue as going concern.

These condensed interim financial statements have been prepared using going concern assumption as these conditions are temporary and would reverse in foreseeable future. The company's operating cash flows are positive and sponsors provide support as and when required to meet working capital requirements. Therefore the preparation of these condensed interim financial statements using going concern assumption is justified.

3 BASIS OF PREPARATION

3.1 These condensed interim financial statements of the Company for the nine months ended 31 March 2023 have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards 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 provisions of and directives issued under the Companies Act, 2017 differ from the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2 These condensed interim financial statements do not include all the information and disclosures required in the annual audited financial statements, and should be read in conjunction with the Company's annual audited financial statements for the year ended 30 June 2022.

4 SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

4.1 The accounting policies and methods of computation adopted and applied in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 30 June 2022.

4.2 Application of new and revised International Financial Reporting Standards

4.2.1 Standards, amendments to standards and interpretations becoming effective during the period

There are certain new standards, amendments to existing standards and new interpretations on approved accounting standards that became effective during the period and are mandatory for accounting periods of the Company beginning on or after July 01, 2021 but are considered not to be relevant or not to have any material effect on the Company's operations and are, therefore, not disclosed in these condensed interim financial statements.

4.2.2 Standards, amendments to standards and interpretations becoming effective in future periods

There are certain new standards, amendments to standards and interpretations that will become effective in future accounting periods but are considered not to be relevant or not to have any material effect on the Company's operations and are, therefore, not disclosed in these condensed interim financial statements.

5 ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

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

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

5.3 The Company's financial risk management objectives and policies are consistent with those objectives and policies which were disclosed in the financial statements of the Company for the year ended June 30, 2022.

		March 31, 2023	Jun 30, 2022
6 CONTINGENCIES AND COMMITMENTS			
There has been no significant change in the contingencies and commitments since the last audited financial statements for the year ended June 30, 2022.			
7 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	7.1	3,087,799,816	3,196,911,765
Capital work in progress		-	-
		<u>3,087,799,816</u>	<u>3,196,911,765</u>
7.1 Operating fixed assets			
Opening balance		3,196,911,765	3,316,315,029
Additions during the period / year	7.2	1,296,700	41,279,650
Depreciation during the period / year		(110,408,649)	(160,682,914)
Closing balance		<u>3,087,799,816</u>	<u>3,196,911,765</u>
7.2 Additions during the period / year			
Plant & Machinery		1,201,700	41,125,650
Office Equipment		-	19,000
Computer Equipment		-	135,000
Vehicles		95,000	-
		<u>1,296,700</u>	<u>41,279,650</u>
		March 31, 2023	March 31, 2022
8 CASH AND CASH EQUIVALENTS			
Cash and bank balances		12,316,999	2,718,736
		<u>12,316,999</u>	<u>2,718,736</u>

9 FINANCE COST

The Company has not made the provision of markup for the period amounting to Rs.10.117 million (up to June 30, 2022: Rs.84.658 million) in respect of borrowings of certain banks who have not yet accepted the restructuring proposal. The management of the Company is quite hopeful that these banks will also accept restructuring proposal in near future. Had the provision been made the loss for the period would have been higher by Rs.10.117 million and accrued markup would have been higher and shareholders' equity would have been lower by Rs.94.775 million.

	<u>March 31,</u> <u>2023</u>	<u>March 31,</u> <u>2022</u>
	Rupees	
10 BASIC EARNINGS PER SHARE		
Loss after taxation	(214,862,168)	(132,225,372)
Weighted average number of ordinary shares	97,750,726	97,750,726
Basic loss per share	(2.20)	(1.35)

No figure for diluted earning per share has been presented as the company has not yet issued any instruments which would have an impact on basic earning per share when exercised.

11 RELATED PARTY TRANSACTIONS

Provident Fund	1,483,298	1,299,948
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12 CORRESPONDING FIGURES

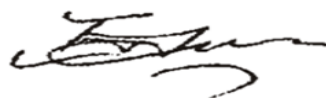
In order to comply with the requirements of International Accounting Standard 34 "Interim Financial Reporting", statement of financial position has been compared with the balances of annual financial statements, whereas statement of profit or loss, statement of comprehensive income, statement of cash flows and statement of changes in equity have been compared with the balances of comparable period of immediately preceding financial year.

13 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information has been authorized for issue on April 26, 2023 by the Board of Directors of the company.



Syed Maqbool Ali
Chief Executive Officer & Director



Muhammad Irfan Ali
Chief Financial Officer



Mehmood-ul-Hassan Asghar
Chairman Board of Directors