

Minutes of the Corporate Briefing Session - 2020

The Corporate Briefing Session (“CBS”) was conducted virtually on November 23, 2020 and the session was chaired by Mr. Muhammad Salim, the director of the company.

The CBS was commenced by the brief introduction about the Umer Group and the company followed by the prevailing economic scenario and financial performance of the company for the year ended June 30, 2020.

Finally, the question and answers session were carried by the participant in the session.

The presentation is enclosed for your perusal.



BHANERO TEXTILE MILLS LIMITED

WE WARMLY GREETS ALL THE PARTICIPANTS IN THE
CORPORATE BRIEFING SESSION - 2020



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Introduction

Group Profile

Since inception **Bhanero Textile Mills Ltd** is operating under the umbrella of Umer Group of Companies which is one of the leading groups of Pakistan. The core business of group has always been textiles however, in recent past the group has diversified itself by engaging in other endeavors like leather footwear, real estate, dairy farm and sugar industry.

Over the span of 41 years the company is at the forefront of textile industry with a trusted name in the corporate world for its financial soundness and impeccable credit worthiness. Through continual efforts of all the members of governing board and stakeholders it has gained a remarkable market share and repute in both local and international market.

Incorporation

The company **Bhanero Textile Mills Limited** established in March 1980.

Symbol

BHAT

Legal Status

Public Limited Company.

Capital

Authorized Capital - 60,000,000

Issued Paid-up Capital - 30,000,000

(Ordinary Shares of Rs. 10 each)

Associated Undertakings

Faisal Spinning Mills Ltd

Blessed Textiles Ltd

Registered and Liaison Office

Registered office of the company is located at Umer House, 23/1, Sector 23, K.I.A , Karachi.

Liaison office of the company is located at City Towers, Main Boulevard, Gulberg-II, Lahore.

Manufacturing Units

- i) Spinning Unit I with an installed capacity of 27,840 spindles, located at Kotri, Sindh.
- ii) Spinning Unit II with an installed capacity of 52,272 spindles, located at Sheikhupura, Punjab.
- iii) Weaving Unit III with an installed capacity of 162 air-jet looms, located at Sheikhupura, Punjab.

Credit Rating

The final rating of A+/A 1 (Single A Plus / A One) has been assigned to the company by the rating company Messer's JCR-VIS on April 22 ,2020. The assigned ratings have been placed on "Rating Watch-Developing" status.

Board of Directors

The elections were held during the year and board was reconstituted on January 31, 2020 in which all the contesting members were duly elected unopposed. The appointments of independent, executive, non-executive and female directors have been made in strict compliance of the regulations issued under Code of Corporate Governance regulations, 2019. All the members of the governing board are accredited under Directors Training Program.

Sr	Names of Directors	Designation
i	Mr. Khurram Salim	Executive Director / CEO
ii	Mr. Mohammad Amin	NXD Director
iii	Mr. Bilal Sharif	NXD Director
iv	Mr. Hamza Shakeel	NXD Director
v	Mrs. Saba Yousaf	NXD Director
vi	Mr. Mohammad Salim	Executive Director
vii	Mr. Mohammad Shaheen	NXD Director / Chairman
viii	Mr. Mustafa Tanvir	Independent Director
ix	Mr. Asif Elahi	Independent Director
x	Mr. Iqbal Mehboob	Independent Director

Economic Environment

Global Perspective

Albeit businessmen in Pakistan expects no significant change in US economic policies for Islamabad but we have to stay cautious after winning of democratic candidate. Most analysts believe that new government will stay on the course set by Trump administration with minor changes rather altering the overall trajectory.

With the US-Pakistan relations tentatively improving due to its contribution in Afghan peace process and now Pakistan is seeking to revamp its image , getting more economic support from US and removal from FATF grey list.

The win will help Pakistan to build trade ties with Iran as Mr. Biden spoke out normalizing the relations with Iran during his campaign.

The change in the US top slot will also help to ease trade tensions with China as Trump's policies had put world economies into a recession due to the intensification of the US trade war with China. Unlike predecessor Mr. Biden advocates a free trade economy rather protectionist stance.

The pandemic situation wreak havoc across the globe by killing and affecting millions of people causing all the major economies to suffer from this pandemic. The world still struggling from the first wave of pandemic but the news for eruption of second wave of deadly virus is coming from all over. It is expected that second wave will be more lethal and our local authorities censuring the public for worsening situation by not observing SOP's. As a struggling economy we can't afford the pandemic situation to worsen down at a level where we will be left with no option except a full fledged lockdown.

Fortunately, we somehow sustained from the major financial impact of first wave due to monetary and macro financial measure by the SBP. The massive cut in policy rate, refinance scheme for employees' salaries and wages, introduction of TERF to stimulate new investment in manufacturing sector, rescheduling of existing long-term loans for industries are some of the remarkable measures taken by the SBP to keep the economy moving and face the onslaught of COVID 19.

Finally, the news that experimental Covid-19 vaccine is more than 90 percent effective has brought a renewed hope among world leaders, scientists, economists and global investors that the battle against a pandemic that has killed over a million people could be won.

Pakistan's Perspective

The inflow remained above \$2 billion for the 5th consecutive month as home remittances amounting to \$2.3 billion received during October 2020 showed an increase by 14.1 percent compared to October 2019. It is anticipated that foreign currency reserves may increase up to \$14.00 billion by June 30, 2021.

LSM industries grew by 4.8% whereas textiles grew by 2.1% during the 1st quarter of the current fiscal year. This gives us a ray of hope for the revival of economic activities but challenges remain there under the 2nd wave of the pandemic. The lowering of interest rates and reduction in duties on raw materials will further spur economic activities.

The rupee continued to gain ground against the greenback and it is likely to remain stable against the dollar due to a slowdown in the demand for the hard currency, improved and inflows of \$300 million from ADB.

The inflation at 8.91 percent in October 2020 is slightly lower than 9.00 percent in the previous month of September 2020 whereas lower by 2.09 percent as compared to the corresponding month at 11 percent in October 2019.

The SBP has decided to maintain its policy rate at seven percent in its new monetary policy by considering key trends and prospects in the real, external and fiscal sectors.

Financial Performance

By the grace of Almighty Allah, the company earned the profit after tax of PKR 329.399 million during the year ended 30 June, 2020 (2019: PKR 832.410 million).

The company by the grace Allah succeeded to steer its way through challenges due to outbreak of coronavirus pandemic situation across the globe and able to post a net profit during the year.

The company sales slightly decreased from PKR 9,347.773 million to PKR 8,923.611 million whereas gross profit is decreased from PKR 1,293.672 million to PKR 823.552 million during the current year ended June 30, 2020 as compared to corresponding year.

Bhanero Textile Mills Limited

Statement of Profit or Loss For The Year Ended June 30, 2020

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	June 30, 2020	June 30, 2019
	Rupees	Rupees
Sales	8,923,611,447	9,347,772,864
Cost of sales	8,100,058,950	8,054,100,783
Gross profit	823,552,497	1,293,672,081
Other income	159,679,917	227,825,645
	983,232,414	1,521,497,726
Distribution cost	162,909,192	178,150,675
Administrative expenses	148,382,741	145,357,054
Other operating expenses	34,863,784	74,784,807
Finance cost	181,440,442	166,322,524
	527,596,159	564,615,060
Profit before tax	455,636,255	956,882,666
Provision for taxation		
Current tax - current year	119,247,158	91,837,659
Current tax - prior year	-	(34,512)
Deferred	6,990,216	32,669,693
	126,237,374	124,472,840
Profit after taxation for the year	329,398,881	832,409,826
Earnings per share - basic and diluted	109.80	277.47

Bhanero Textile Mills Limited

For the year ended June 30, 2020

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Year-Wise Operating Data

2020	2019	2018	2017	2016	2015
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Spinning Unit

Spindle installed	80,112	80,112	80,112	69,312	69,312	69,312
Spindles worked	80,112	80,112	80,112	69,312	69,312	69,312
Installed capacity after conversion into 20/s count - Kg	14,810,385	14,810,385	14,810,385	13,954,119	13,954,119	13,954,119
Actual production - Kg	10,727,209	12,363,406	11,392,698	10,621,496	10,008,485	9,832,682

Weaving Unit

Air jet looms installed	162	162	160	160	160	160
Air jet looms worked	162	162	160	160	160	160
Installed capacity after conversion into 50 picks - Meter	26,566,890	26,566,890	21,534,566	21,534,566	21,534,566	21,534,566
Actual production - Meter	17,372,400	15,864,187	15,952,617	15,100,469	15,992,288	19,272,241

Year-Wise Financial Data

2020	2019	2018	2017	2016	2015
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Rupees in Thousands

Profit and loss account

Turnover (Net)	8,923,611	9,347,773	8,073,845	6,837,254	6,637,411	7,350,098
Gross profit	823,552	1,293,672	868,396	754,284	684,364	641,534
Operating profit	637,077	1,123,205	636,131	456,308	391,023	351,971
Financial expenses	181,440	166,323	93,971	87,063	69,828	115,128
Profit before tax	455,636	956,883	542,160	369,245	321,195	236,843
Profit after tax	329,399	832,410	482,037	275,737	220,349	207,410
Cash dividend	150,000	167,400	192,900	110,400	30,000	30,000

Balance Sheet

Share Capital	30,000	30,000	30,000	30,000	30,000	30,000
Reserves	4,800,000	4,700,000	4,000,000	3,700,000	3,300,000	3,150,000
Shareholder equity	4,919,120	4,913,117	4,262,737	3,886,302	3,639,552	3,427,026
Long term liabilities	1,090,593	1,121,716	885,234	428,762	348,588	583,099
Short term loan	1,570,614	992,657	220,458	676,558	-	-
Current liabilities	2,258,970	1,897,523	1,089,456	1,256,655	493,105	497,897
Current portion of long term loans	21,515	140,183	81,367	77,464	77,464	67,141
Fixed assets	3,004,663	3,168,486	2,794,871	2,029,940	1,957,647	2,080,122
Current assets	5,735,826	5,183,986	3,790,735	3,784,088	2,720,643	2,597,798

Ratios**Performance**

Sales growth percentage - Year to Year basis	-4.54%	15.78%	18.09%	3.01%	-9.70%	-8.82%
Gross profit (%)	9.23%	13.84%	10.76%	11.03%	10.31%	8.73%
Profit before tax (%)	5.11%	10.24%	6.72%	5.40%	4.84%	3.22%
Profit after tax (%)	3.69%	8.90%	5.97%	4.03%	3.32%	2.82%

Breakup value per share - Rupees per share	1,639.71	1,637.71	1,420.91	1,295.43	1,213.18	1,142.34
Market value of share - at the year end - Rupees per share	770.01	800.00	807.49	900.00	680.00	474.00

Earnings per share - Rupees per share	109.80	277.47	160.68	91.91	73.45	69.14
Price earning ratio	7.01	2.88	5.03	9.79	9.26	6.86

Leverage

Gearing ratio	0.55	0.46	0.28	0.30	0.12	0.19
Debt to equity (%)	22.17%	22.83%	20.77%	11.03%	9.58%	17.01%
Interest covering ratio	3.51	6.75	6.77	5.24	5.60	3.06

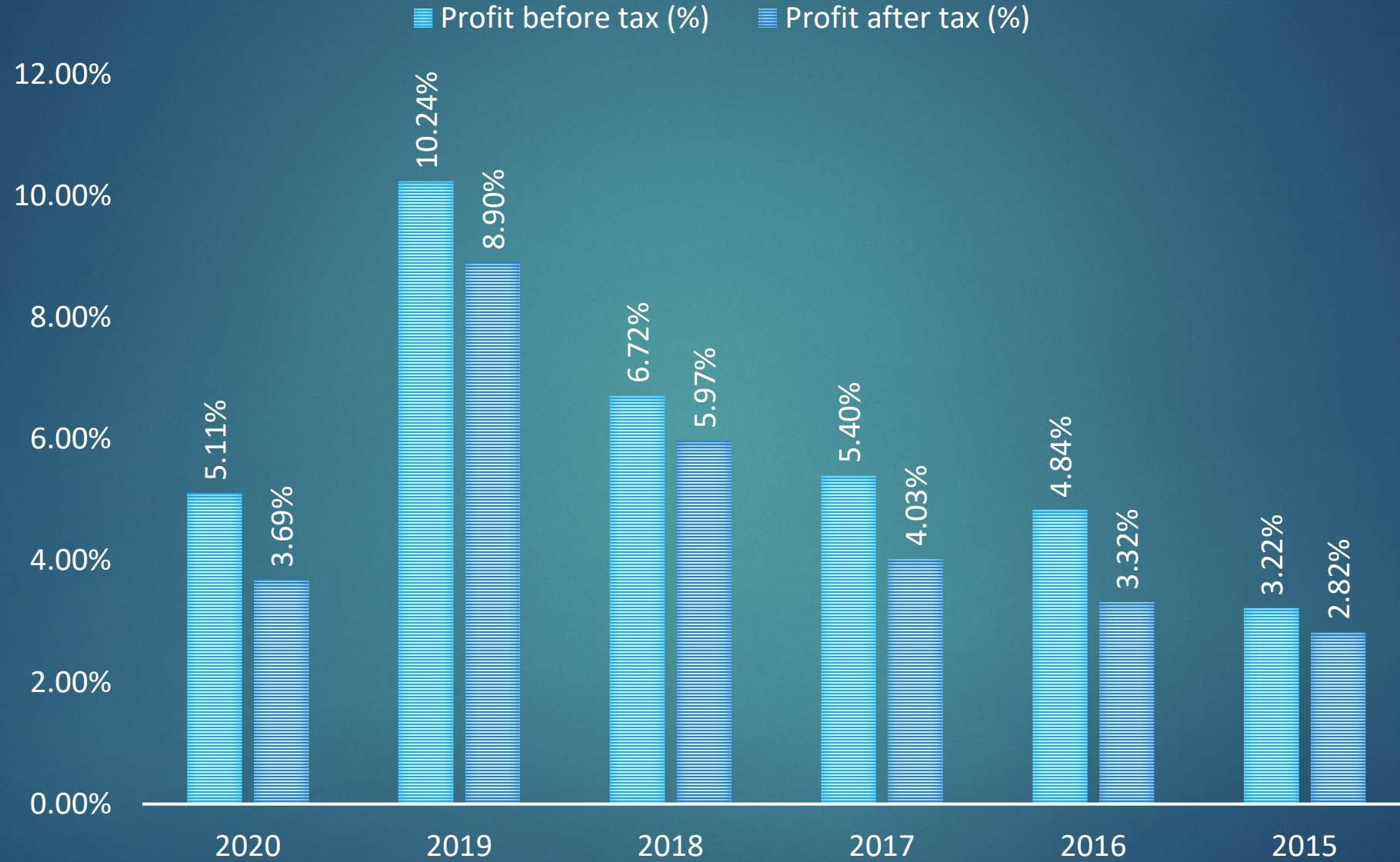
Liquidity ratio

Current ratio	2.54	2.73	3.48	3.01	5.52	5.22
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Turnover - (Millions)



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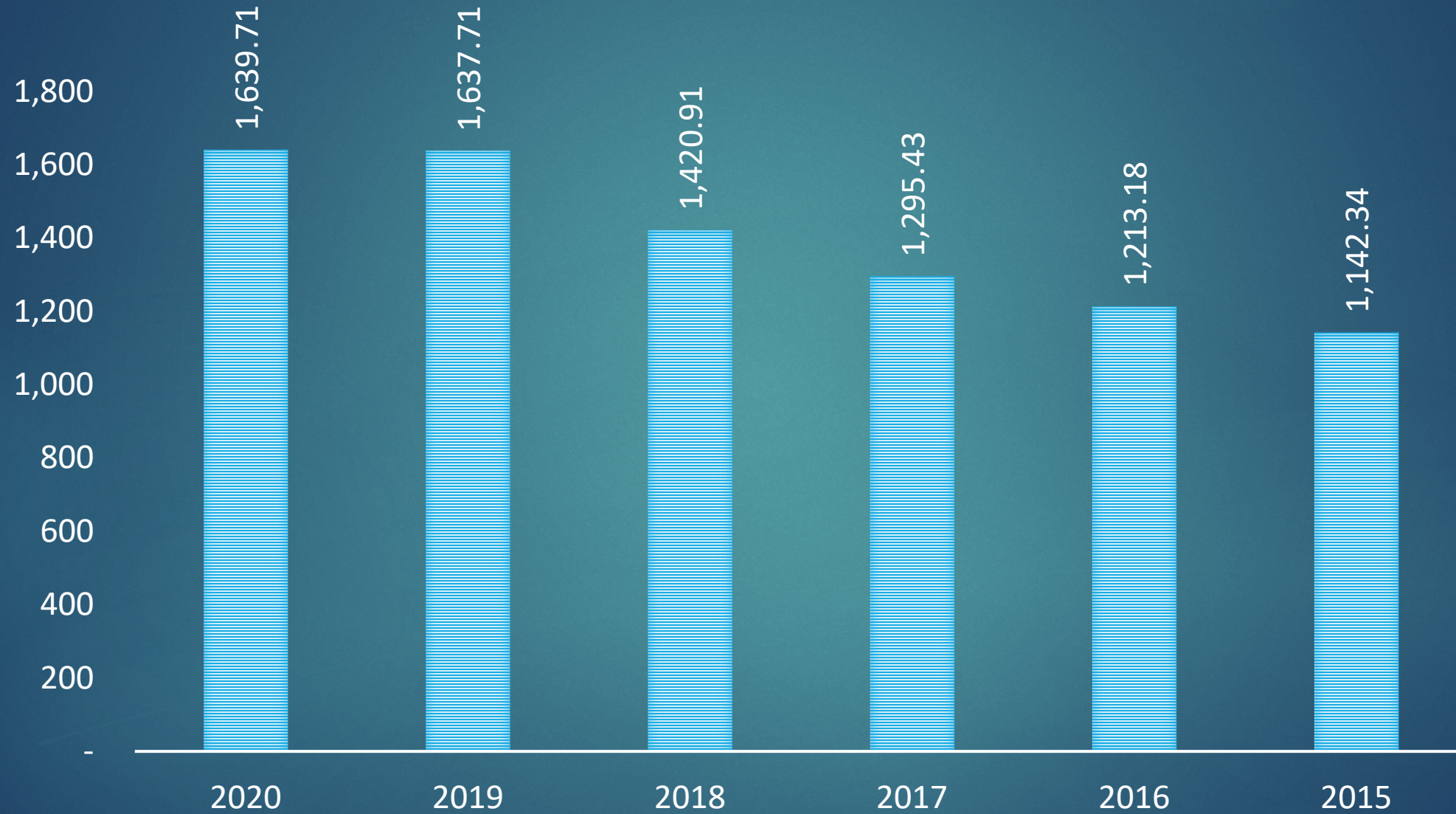


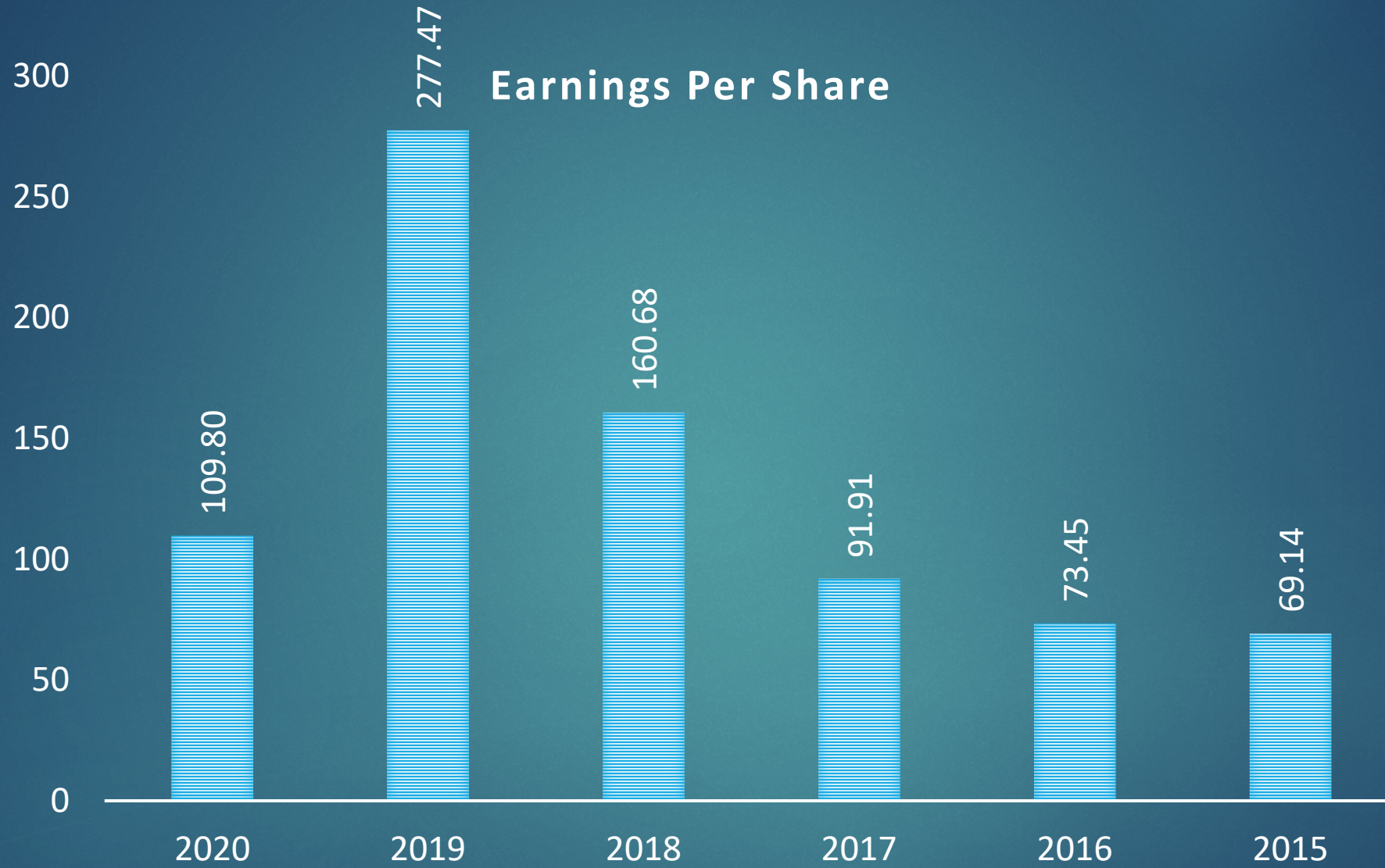
Shareholders Equity - (Million)



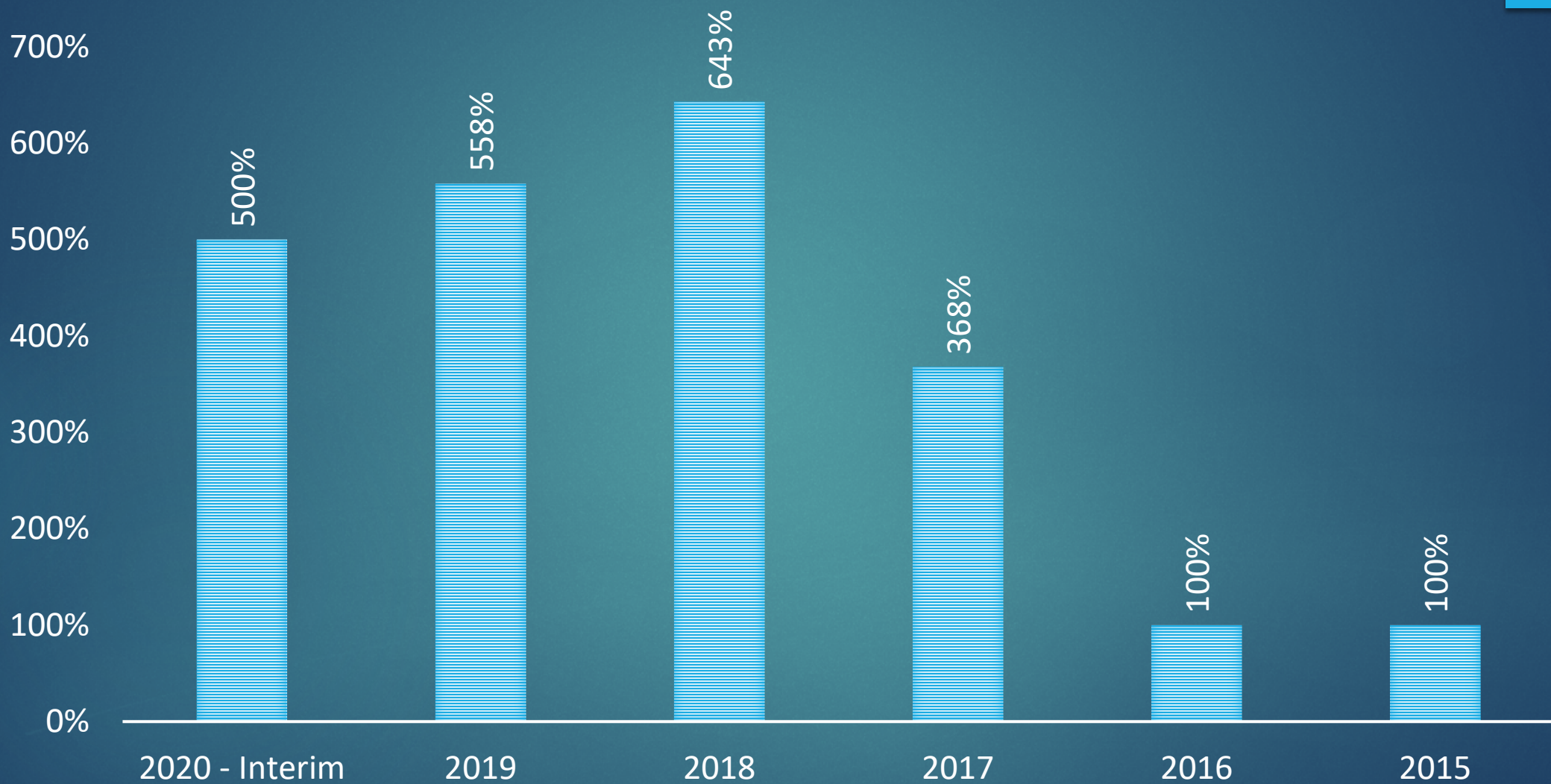
Breakup Value Per Share

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Cash Dividend %



Bhanero Textile Mills Limited

Pattern of Shareholding

As at June 30, 2020

Sr	Categories Of Shareholders	Numbers Of Shareholders	Shares Held	Percentage %
1	Director's, CEO, Spouse & Minor Children	19	1,420,779	47.36
2	Associated Companies & Related Parties	12	1,427,721	47.59
3	NIT & ICP	-	-	-
4	Insurance Company	1	70,500	2.35
5	General Public / Individuals	350	74,394	2.48
6	Other Companies	3	6,606	0.22
		385	3,000,000	100.00

Bhanero Textile Mills Limited

Free Float of Shares

As on June 30, 2020

Total outstanding shares		3,000,000
<u>Less :</u>		
Shares held by Directors, Sponsors, Senior Management and their Associates	2,347,900	
Government holding as Promoter /Acquirer /Controller		
Shares held by Associated Undertakings	500,600	
Shares held with General Public	<u>12,200</u>	2,860,700
Free Float		<u><u>139,300</u></u>
Total number of shares available in CDC		642,400
Total number of shares available in Physical Form		<u>2,357,600</u>
Total		<u><u>3,000,000</u></u>

Question & Answers Session

The honorable guest and shareholders of the company are requested to proceed for question and answer session with regard to the financial statements for the year ended June 30, 2020.

Thanks