

# SANA Industries Limited

## DIRECTORS' REPORT

The Directors take pleasure in submitting their Report together with the Audited Accounts of the Company for the year ended 30th June, 2009.

### Financial Results

The Financial Results of the Company for the year ended 30th June, 2009 are summarized below:-

		Rupees
Profit for the period before taxation		36,102,133
Add: Provision for taxation - current	Nil	
- prior year	17,567	
- deferred (current)	12,635,746	
	-----	12,653,313
		-----
Profit after taxation		23,448,820
		=====
Earning per share (basic and diluted) after taxation		0.43
		=====

Alhamd-o-Lillah! the Al-mighty has been very kind in showering HIS unlimited bounties on your Company for which we do not have appropriate words to thank HIM, may Allah continue to cherish HIS blessings on your Company, Ameen. The profit after taxation for the current year has enhanced from Rs.2.17 M to 23.45 M an increase of Rs.21.28 M. In order to facilitate our Shareholders following comparisons of operating and financial data are annexed.

(a) Comparison with last year	Annex-A
(b) Comparison with previous quarter	Annex-B
(c) Quarter-wise comparison of Balance Sheets	Annex-C
(d) Quarter-wise comparison of Profit & Loss accounts	Annex-D
(e) Statistical summary of key operating and financial data of last 6 years	Annex-E

The salient features for the year under review, of 'Textile Segment', are as under:

(1) Though the Sales, in Rupee terms, have registered an increase of Rs.55.90 M (14.50%), yet in quantitative terms it has declined by 85,632 Kilos (3.76%). The Gross Profit amount and G.P.Rate have enhanced by 27.79 M (131.39%) and 5.60% respectively. The net loss of Rs.3.91 M, has been converted into a 'Net Profit' of Rs.18.53 M. Sales in quantitative terms have declined due to continuity of Management's policy to not to succumb to the selling pressure applied by the market forces and enhance the selling price of its product (Yarn) to its maximum, the result is evident from the fact that the average selling price of Yarn has enhanced by 20.24% and G.P.Rate by 5.60%.

(2) The production of Yarn, in quantitative terms has declined by 137,928 Kilos (6.03%) due to reduction in 'average spindles operated' during the year from 19,374 Spindles to 16,769 Spindles, which is a reduction of 2,605 Spindles or 13.45%. It is also worth mentioning that during the year the Management has disposed off 4 obsolete Spinning Frames comprising of 4,544 Spindles.

# SANA Industries Limited

(3) The average cost of raw-materials consumed has enhanced by Rs.10.53 Per Kilo (8.78%), due to increase in price of 'Polyester Staple Fibre' which increased by Rs.6.34 Per Kilo (6.59%). It is worth mentioning that the average selling price of Yarn has enhanced by Rs.33.77 Per Kilo (20.24%).

(4) The cost of manufacturing over heads has enhanced from Rs.40.17 per Kilo to Rs.48.58 per Kilo mainly due to lesser production and increase in expenses, significant increases on this account are attributed to the following heads:

- (a) Salaries and wages by Rs.3.37 per Kilo or 23.72% due to increase in salary rates of the workers and lesser production.
  - (b) Fuel and Power by Rs.4.58 Per Kilo or 29.57% due to increase in Gas prices.
  - (c) Insurance cost by 0.14 Per Kilo or 24.14% due to additions in fixed assets.
  - (d) Depreciation cost by Rs.0.11 per Kilo or 2.12% due to lesser production.
  - (e) Other manufacturing overhead by Rs.0.22 Per Kilo or 26.83% due to increase in expenses and lesser production.
- (5) The Selling and Distribution expenses have increased by Rs.0.34 per Kilo, mainly due to increase in salaries.
- (6) The General and Administration expenses have increased by Rs.0.72 Per Kilo due to increase in salaries, bad debts and prior year's sales tax refund written off and lesser production.
- (7) The financial charges have increased by Rs.5.11 M due to increased borrowings necessiated by enhanced working capital requirement and increase in profit rate. The average borrowing during the current year were Rs.112.69 M as compared to Rs.102.59 M during the previous year. The weighted average rate of profit paid to the Bank also registered an increase from 11.84% during the previous year to 15.30% during the current year.
- (8) The net loss of last year, before tax (Textile Segment), of Rs.3.91 M has been converted into a net profit before tax of Rs.18.53 M.
- (9) The consolidated amount of net profit, after tax of Rs.2.17 M, has increased to Rs.23.45 M.
- (10) The period of trade debts (receivable) has decreased from 65 days to 51 days.
- (11) The inventory of raw-materials has increased from 53 days to 73 days.
- (12) The inventory of finished goods has decreased from 31 days to 26 days.

## Future Prospects

The Management is optimistic about the future profitability of the Company and hopes, that Insha Allah the present level of the profit would be maintained during the coming year.

# **SANA Industries Limited**

## **Board of Directors**

The present Board of Directors who were elected on 29th September, 2007, will continue to hold the office upto 3rd December, 2010

## **Auditors**

The present Auditors M/s. Muniff Ziauddin & Co, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

## **Pattern of Holding of Shares**

The Pattern of Holding of Shares as prescribed by the SECP Circular dated 28/3/2002 to the Stock Exchange has been included in the Annual Report.

## **Dividend and Notice of Book Closure**

Your Directors have decided to recommend payment of Final Dividend @ Re.3.50 per share (35%), which comes to about 82% of the current years' after tax earnings.

The Dividend will be paid to the Shareholders whose name appears in the Register of Members on 6/10/2009. The Share Transfer Books of the Company will remain closed from 7/10/2009 to 10/10/2009 (both days inclusive). Transfers received in order at the office of the Company, i.e. SF-96, S.I.T.E., Karachi at the close of business on 6/10/2009 will be treated in time for the purpose of payment of Dividend to the Transferees.

## **Corporate and Financial Reporting Framework**

As required vide Circular No.2(10)SE/SMD/202 dated 28th March, 2002, issued to all Stock Exchanges of Pakistan and listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges, the Board of Directors of Sana Industries Limited confirm that the Company applies the principles contained in the Code in the following manner.

- (1) The financial statements present fairly the Company's state of affairs, the result of its operations, cash flows and changes in equity.
- (2) The Company has maintained proper books of account.
- (3) Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on, have been adequately disclosed.
- (4) The system of internal control is of sound design and has been effectively implemented and monitored.
- (5) There are no significant doubts upon the Company's ability to continue as a going concern.

# SANA Industries Limited

(6) There has been no material departure from the best practices of corporate governance, as detailed in the Stock Exchange's Listing Regulations.

(7) The Company operates an approved gratuity fund, being administered by a gratuity fund trust, covering all its employees who have completed their qualifying period. The Project Unit Credit Actuarial Cost Method (PUC) was used for calculating the accounting entries, which method is mandated under the latest version of IAS-19. The most recent actuarial valuation of the scheme was carried out as at 30th June, 2009. Following are the significant assumption used for the valuation of scheme:

	30-Jun-2009	30-Jun-2008
Valuation discount rate	13% p.a	12% p.a
Salary increase	13% p.a	12% p.a
Expected return on Plan Assets	10% p.a	9% p.a

A statement as to the value of assets / investments of gratuity fund, based on its audited accounts is as under:-

(a) Investment in Shares of listed companies	Rs.11,463,760/=
(b) Due from company	Rs. 1,427,524/=
(c) Profit receivable on PLS Account	Rs. 4,745/=
(d) Dividend receivable	Rs. 87,000/=
(d) Bank balances	Rs. 33,307/=
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Total of assets / investments as on 30/6/2009	Rs.13,016,336/=
	=====

(8) Following Directors were elected in the Annual General Meeting held on 24/9/2007, in accordance with the provisions of Section 178 of the Companies Ordinance, 1984 for a term of three years, commencing from 3/12/2007. A total of 5 Meetings of the Board of Directors were held during the financial year ended 30th June, 2009. Number of Meeting attended by each Directors are stated their against:

Name of Directors	Number of Meeting Attended
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(1) Mr. Mohammed Yousuf	2
(2) Mr. Mohammed Tariq Yousuf	3
(3) Mr. Mohammed Junaid Nawab	4
(4) Mr. Mohammed Irfan Nawab	5
(5) Mr. Ibrahim Younus	5
(6) Mr. Mohammed Younus Nawab	5
(7) Mr. Kemal Shoaib (Nominee Director NIT)	4

# SANA Industries Limited

(9) Following trades in the shares of the Company were carried out by its Directors, CEO, Company's Secretary and their spouses and minor children during the current financial year:

DATE OF TRANSACTION	PURCHASER/SELLER	NO OF SHARES TRANSACTED	RATE/ SHARE
<b>PURCHASES</b>			
30/09/2008	Mr. Mohammed Younus Nawab	5,500	Rs.15.5651
30/09/2008	Mr. Mohammed Irfan Nawab	5,500	Rs.15.5651
06/10/2008	Mr. Mohammed Younus Nawab	3,000	Rs.15.5651
06/10/2008	Mr. Mohammed Irfan Nawab	3,000	Rs.15.5651
09/10/2008	Mr. Mohammed Younus Nawab	4,000	Rs.14.8120
09/10/2008	Mr. Mohammed Irfan Nawab	4,000	Rs.14.8120
08/05/2009	Mrs. Afshan Irfan	500	Rs.13.5567
15/05/2009	Mrs. Afshan Irfan	1,000	Rs.15.5651
18/05/2009	Mrs. Afshan Irfan	500	Rs.15.8162
<b>SALES</b>			
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## Personnel

I would like to place on record my sincere appreciation for the devotion and loyalty of the staff and workers without whose efforts this success could not have been achieved. I look forward to the same devotion and cooperation in the years to come.

On behalf of the Board

(Mohammed Younus Nawab)  
Chief Executive.

Karachi: 31<sup>st</sup> August, 2009.