

contents

02	company information
03	directors' review
04	condensed interim balance sheet
05	condensed interim profit and loss account
06	condensed interim statement of comprehensive income
07	condensed interim cash flow statement
08	condensed interim statement of changes in equity
09	notes to the condensed interim financial statements

company information

Board of Directors

Mr. Omar Faruque	Chairman
Mr. Azam Faruque	Chief Executive
Mr. Akbarali Pesnani	Director
Mr. Shehryar Faruque	Director
Mr. Arif Faruque	Director
Mr. Saquib H. Shirazi	Director
Mr. Shamshad Nabi (NIT)	Director
Mr. Asif Qadir	Director

Audit Committee

Mr. Akbarali Pesnani	Chairman
Mr. Arif Faruque	Member
Mr. Asif Qadir	Member

Human Resource & Remuneration Committee

Mr. Saquib H. Shirazi	Chairman
Mr. Azam Faruque	Member
Mr. Shehryar Faruque	Member

Executive Director & Chief Financial Officer

Mr. Yasir Masood

Executive Director & Company Secretary

Mr. Abid Vazir

Auditors

EY Ford Rhodes,
Chartered Accountants

Legal Advisor

K.M.S. Law Associates

Bankers

Allied Bank Ltd
Bank Al Habib Ltd
Faysal Bank Ltd
Habib Bank Ltd
MCB Bank Ltd
National Bank of Pakistan
Samba Bank Ltd
Soneri Bank Ltd
Standard Chartered Bank (Pakistan) Ltd
The Bank of Punjab
United Bank Ltd

Islamic Bankers

Bank Alfalah Ltd
Dubai Islamic Bank Pakistan Ltd
Meezan Bank Ltd

Registered Office / Factory

Village Lakrai, P.O. Box 28, Nowshera

Head Office

Modern Motors House, Beaumont Road
Karachi-75530

Sales Offices

Peshawar: 1st Floor, Betani Arcade, Jamrud Road

Lahore: 3, Sunder Das Road

Islamabad: 1st Floor, Razia Sharif Plaza
Jinnah Avenue, 91 Blue Area

Share Registrar

Central Depository Company
of Pakistan Limited (CDC)
CDC House, 99-B, Block 'B'
S.M.C.H.S., Main Shahrah-e-Faisal
Karachi-74400
Tel: 0800-23275

directors' review

The Board of Directors is pleased to present the un-audited financial results of the Company for the first quarter ended September 30, 2017.

Overview

The cement industry witnessed strong growth of over 15% during the first quarter of the year 2017/18 with almost 22% increase in domestic demand. Launch of mega infrastructural projects under CPEC along with increase in spending by the private sector on construction projects has given a major boost to the market. However, decline in export of cement by 16.70%, mainly due to drop in exports by sea and to India, remains a cause of concern for the industry.

Dispatches

Comparative dispatch figures of the Company for the current period and that of the corresponding period last year are as follow:

	September 2017 (in tons)	September 2016 (in tons)
● Domestic dispatches (cement & clinker)	531,627	210,688
● Export dispatches	149,740	55,456
	681,367	266,144

Despite monsoon rains and eid holidays, cement sales remained strong during the period under review due to rise in construction activities in the country. Production from Cement Line II helped achieve healthier sales figures and a greater share of the market as well. During the quarter under review, there was 152% rise in the local sales of the Company from the same period last year. Likewise, there was 170% increase in export of cement to Afghanistan. Following the enhancement in its production capacity, the aggregate dispatches of the Company increased by an impressive 156% from the corresponding period last year.

Operating Performance

On the back of strong demand for cement and its adequate availability with the Company following the commissioning of Cement Line II, there was an increase of around 120% i.e. Rs. 2.1 billion in the sales turnover of the Company from the corresponding period last year. During the period, dispatches increased significantly as already explained above. There was also an increase in costs of production due to rise in international prices of coal and oil, which resulted in an increase in variable costs. Furthermore, unlike last year, the Company also recorded depreciation expense and finance cost pertaining to Cement Line II. However, the Company benefited from economies of scale and improved efficiencies as a result of the expansion of cement plant. For the quarter ended September 30, 2017 the Company posted a historical quarterly after tax profit of Rs. 606 million.

Expansion of cement plant

Work on the installation of Cement Line III is progressing on schedule. The Company has established the letter of credit for the imported equipment, and has awarded contracts for local works also. Subsequent to the period under review, some of the imported equipment has arrived at the factory. On the financing front, the Company has finalized the long term loan for the project with leading banks on competitive terms. Furthermore, the Company has also placed the order for 3 new Wartsila Diesel 34 DF engines with an ISO rating of about 10MW each, which will help in reducing the energy costs of the plant. The management is extremely confident of completing the expansion project well within scheduled time frame.

Future Outlook

Cherat Cement has come out stronger and more efficient following the expansion of its cement plant in January 2017. The Company has shown that it has the potential and the ability to grow further and sustain its profitability. Business activities, especially in the construction sector, have gathered momentum in the country over the past few years following an improvement in the law and order situation, stable economic outlook, and low interest rates. Cement industry has benefitted from the positive business environment in the country. Many large infrastructural projects have been initiated by the government under CPEC program and the private sector have also followed, which are increasing the local demand for cement. In such a scenario, the addition of third cement line at existing location by the Company will not only enhance its domestic market share but will also allow it to achieve greater efficiencies and better allocation of fixed costs. However, rise in oil and coal prices along with other input costs is an area of concern for the Company for which measures are being taken to mitigate the risk.

Acknowledgment

The management would like to thank all customers, financial institutions, suppliers and staff members who have been associated with the Company for their support and cooperation.

On behalf of the Board of Directors



Omar Faruque
Chairman

Karachi: October 30, 2017

03

Cherat Cement Company Limited

**condensed interim balance sheet
as at September 30, 2017**

	Note	September 30, 2017 (Unaudited)	June 30, 2017 (Audited)
----- (Rupees in `000) -----			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	14,103,849	13,632,864
Intangible assets		18,259	19,210
		14,122,108	13,652,074
Long-term investments	5	479,927	566,275
Long-term loans		573	625
Long-term security deposits		19,008	19,008
		499,508	585,908
		14,621,616	14,237,982
CURRENT ASSETS			
Stores, spare parts and loose tools		1,708,117	2,210,312
Stock-in-trade		499,349	843,820
Trade debts		168,701	130,767
Loans and advances		76,297	37,323
Trade deposits and short-term prepayments		42,005	12,140
Other receivables		372,680	985,030
Taxation - net		363,872	303,562
Cash and bank balances		24,917	45,814
		3,255,938	4,568,768
TOTAL ASSETS		17,877,554	18,806,750
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised Capital 225,000,000 (June 2017: 225,000,000) Ordinary shares of Rs.10/- each		2,250,000	2,250,000
Share capital		1,766,318	1,766,318
Reserves		8,596,939	8,695,389
		10,363,257	10,461,707
NON-CURRENT LIABILITIES			
Long-term financing	6	4,480,452	4,840,508
Long-term security deposits		16,546	15,741
Deferred taxation		1,024,997	917,306
		5,521,995	5,773,555
CURRENT LIABILITIES			
Trade and other payables		739,498	812,964
Unpaid and unclaimed dividend		669,446	51,713
Accrued mark-up		25,666	146,343
Short-term borrowings		437,579	1,500,411
Current maturity of long-term financing		120,113	60,057
		1,992,302	2,571,488
CONTINGENCIES AND COMMITMENTS			
	7		
TOTAL EQUITY AND LIABILITIES		17,877,554	18,806,750

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.


Omar Faruque
Chairman


Azam Faruque
Chief Executive


Yasir Masood
Chief Financial Officer

condensed interim profit and loss account (unaudited)
for the period ended September 30, 2017

	Note	September 30,	September 30,
		2017	2016
		----- (Rupees in `000) -----	
Turnover - net		3,891,022	1,771,482
Cost of sales		(2,901,696)	(1,074,529)
Gross profit		989,326	696,953
Distribution costs		(81,171)	(63,130)
Administrative expenses		(56,579)	(49,994)
Other expenses		(41,096)	(42,752)
		(178,846)	(155,876)
Other income		20,409	18,554
Operating profit		830,889	559,631
Finance costs	8	(95,425)	(6,502)
Profit before taxation		735,464	553,129
Taxation			
Current	9	(21,664)	(151,518)
Deferred		(107,691)	2,717
		(129,355)	(148,801)
Net profit for the period		606,109	404,328
Earnings per share - basic		Rs. 3.43	Rs. 2.29

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.


Omar Faruque
Chairman


Azam Faruque
Chief Executive


Yasir Masood
Chief Financial Officer

**condensed interim statement of comprehensive income (unaudited)
for the period ended September 30, 2017**

	September 30, 2017	September 30, 2016
	----- (Rupees in `000) -----	
Net profit for the period	606,109	404,328
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss account		
Unrealized (loss) / gain on available-for-sale securities	(86,348)	91,908
Total comprehensive income for the period	<u>519,761</u>	<u>496,236</u>

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.


Omar Faruque
Chairman


Azam Faruque
Chief Executive


Yasir Masood
Chief Financial Officer

06
September 30, 2017

condensed interim cash flow statement (unaudited)
for the period ended September 30, 2017

	Note	September 30, 2017	September 30, 2016
----- (Rupees in `000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		735,464	553,129
Adjustments for:			
Depreciation	4	266,473	67,258
Amortisation		951	676
Gain on redemption of short-term investments		-	(447)
Gain on disposal of operating property, plant and equipment		(1,191)	(774)
Finance costs		95,425	6,502
Exchange (gain) / loss		(12)	358
		361,646	73,573
		1,097,110	626,702
Decrease / (increase) in current assets			
Stores, spare parts and loose tools		502,195	61,306
Stock-in-trade		344,471	(51,904)
Trade debts		(37,934)	-
Loans and advances		(38,974)	(31,905)
Trade deposits and short-term prepayments		(29,865)	(10,245)
Other receivables		612,350	180,879
		1,352,243	148,131
		2,449,353	774,833
(Decrease) / increase in current liabilities			
Trade and other payables		(73,454)	31,871
Cash generated from operations		2,375,899	806,704
Income tax paid		(81,974)	(122,155)
Long-term loans and security deposits - net		857	(299)
Net cash generated from operating activities		2,294,782	684,250
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(738,490)	(332,026)
Proceeds from disposal of operating property, plant and equipment		2,223	1,623
Investments made - net		-	(42,503)
Net cash used in investing activities		(736,267)	(372,906)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financing paid		(300,000)	-
Short-term borrowings - net		(1,062,832)	(150,470)
Dividend paid		(478)	(414)
Finance costs paid		(216,102)	(137,879)
Net cash used in financing activities		(1,579,412)	(288,763)
Net (decrease) / increase in cash and cash equivalents		(20,897)	22,581
Cash and cash equivalents as at the beginning of the period		45,814	23,002
Cash and cash equivalents as at the end of the period		24,917	45,583

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.


Omar Faruque
Chairman


Azam Faruque
Chief Executive


Yasir Masood
Chief Financial Officer

**condensed interim statement of changes in equity (unaudited)
for the period ended September 30, 2017**

Issued, subscribed and paid-up capital	Reserves						Sub-total	Total	
	Capital Reserves		Revenue Reserves						
	Share premium	Others	General reserve	Unappro- priated profit	Actuarial gain on gratuity fund	Unrealised gain / (loss) on available for-sale securities			
(Rupees in ` 000)									
Balance as at July 01, 2016	1,766,318	1,047,658	50,900	420,000	5,009,489	246,517	599,306	7,373,870	9,140,188
Net profit for the period	-	-	-	-	404,328	-	-	404,328	404,328
Other comprehensive income	-	-	-	-	-	-	91,908	91,908	91,908
Total comprehensive income for the period	-	-	-	-	404,328	-	91,908	496,236	496,236
Balance as at September 30, 2016	1,766,318	1,047,658	50,900	420,000	5,413,817	246,517	691,214	7,870,106	9,636,424
Balance as at July 01, 2017	1,766,318	1,047,658	50,900	420,000	6,391,997	427,462	357,372	8,695,389	10,461,707
Final cash dividend for the year ended June 30, 2017 @ Rs.3.50/- per share	-	-	-	-	(618,211)	-	-	(618,211)	(618,211)
Net profit for the period	-	-	-	-	606,109	-	-	606,109	606,109
Other comprehensive income	-	-	-	-	-	-	(86,348)	(86,348)	(86,348)
Total comprehensive income for the period	-	-	-	-	606,109	-	(86,348)	519,761	519,761
Balance as at September 30, 2017	1,766,318	1,047,658	50,900	420,000	6,379,895	427,462	271,024	8,596,939	10,363,257

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.


Omar Faruque
Chairman


Azam Faruque
Chief Executive


Yasir Masood
Chief Financial Officer

notes to the condensed interim financial statements (unaudited) for the period ended September 30, 2017

1. CORPORATE INFORMATION

Cherat Cement Company Limited (the Company) was incorporated in Pakistan as a public limited company in the year 1981. Its main business activity is manufacturing, marketing and sale of cement. The Company is listed on Pakistan Stock Exchange Limited. The registered office of the Company is situated at Village Lakrai, District Nowshera, Khyber Pakhtunkhwa province.

2. BASIS OF PREPARATION

2.1 During the previous financial year, the Companies Act, 2017 has been promulgated, however, Securities and Exchange Commission of Pakistan (SECP) vide its revised circular No. 23 of 2017 dated October 04, 2017, which was issued in continuation of circular No. 17 of 2017 dated July 20, 2017, communicated its decision that companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, the Company's financial statements for the period ended September 30, 2017 have been prepared in accordance with the requirements of the repealed Companies Ordinance, 1984. These condensed interim financial statements are required to be presented to the shareholders under Section 245 of the repealed Companies Ordinance, 1984 and have been prepared in accordance with the requirements of the International Accounting Standard (IAS) - 34, "Interim Financial Reporting" and provisions of and directives issued under the repealed Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984 have been followed.

2.2 These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended 30 June 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the preceding annual published financial statements of the Company for the year ended June 30, 2017.

	Note	September 30, 2017 (Unaudited)	June 30, 2017 (Audited)
----- (Rupees in `000) -----			
4. PROPERTY, PLANT AND EQUIPMENT			
Opening net book value (NBV)		12,909,284	3,144,601
Additions during the period / year	4.1	178,736	10,502,385
		13,088,020	13,646,986
Depreciation charged during the period / year		(266,473)	(689,913)
Disposals during the period / year (NBV)		(1,032)	(47,789)
Closing net book value (NBV)		12,820,515	12,909,284
Capital work-in-progress	4.2	1,283,334	723,580
		14,103,849	13,632,864
4.1 Additions during the period / year			
Building on leasehold land		29,873	1,979,909
Plant and machinery		89,026	6,222,598
Power and other installations		36,418	2,085,192
Furniture and fittings		2,157	20,177
Quarry, factory and laboratory equipment		3,148	103,142
Motor vehicles		13,065	53,737
Office equipment		3,349	17,866
Computers		1,700	19,764
		178,736	10,502,385

	Note	September 30, 2017 (Unaudited)	June 30, 2017 (Audited)
----- (Rupees in `000) -----			
4.2 Capital work-in-progress			
Building on leasehold land		367,842	79,791
Plant and machinery		891,689	571,055
Power and other installations		7,758	44,596
Furniture and fittings		984	3,652
Quarry, factory and laboratory equipment		7,958	12,035
Motor vehicles		6,897	10,880
Office equipment		206	-
Computers		-	1,571
		1,283,334	723,580
5. LONG-TERM INVESTMENTS			
Investment in related parties			
Available-for-sale securities	5.1	472,237	558,585
Interest in Joint Ventures			
- Madian Hydro Power Limited	5.2	-	-
- UniEnergy Limited		7,690	7,690
		7,690	7,690
		479,927	566,275
5.1 Available-for-sale securities			
Cherat Packaging Limited			
2,174,808 (June 30, 2017: 2,174,808) fully paid ordinary shares of Rs. 10/- each.		434,962	517,126
Mirpurkhas Sugar Mills Limited			
262,500 (June 30, 2017: 262,500) fully paid ordinary shares of Rs. 10/- each		37,275	41,459
		472,237	558,585
5.2 Madian Hydro Power Limited			
Company's share in net assets		106,705	106,705
Less: Impairment loss		(106,705)	(106,705)
		-	-
6. LONG-TERM FINANCING - secured			
Islamic banks			
Syndicated Long-Term Finance Loan		3,284,211	3,284,211
Waste Heat Recovery Loan		600,565	600,565
Fixed Assets Refinance Loan	6.1	-	300,000
		3,884,776	4,184,776
Conventional banks			
Syndicated Long-Term Finance Loan		715,789	715,789
		4,600,565	4,900,565
Less: Current maturity		(120,113)	(60,057)
		4,480,452	4,840,508
6.1	During the period, the loan has been settled early.		

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

There are no material changes in the status of contingencies as reported in the annual financial statements for the year ended June 30, 2017.

7.2 Commitments

Letters of credit - Islamic and conventional banks
Letters of guarantee - conventional bank

September 30, 2017 (Unaudited)	June 30, 2017 (Audited)
----- (Rupees in `000) -----	
7,053,488	5,472,608
223,320	129,000

8. FINANCE COSTS

Includes mark-up on long-term financing amounting to Rs. 81.561 million (September 30, 2016: Rs. 2.124 million), mark-up on short-term borrowings and bank charges amounting to Rs. 13.864 million (September 30, 2016: Rs. 4.378 million). Mark-up on long-term financing was capitalized during the corresponding period.

9. TAXATION

In view of the tax exemption on investment in Khyber Pakhtunkhwa and Baluchistan provinces under clause 126L of Part I of the Second Schedule to the Income Tax Ordinance, 2001, profits and gains are exempted on line - II. For this purpose, separate books of accounts have been maintained for both lines (i.e., line - I and line - II). However, provision for Alternative Corporate Tax under section 113C of the Income Tax Ordinance, 2001 has been made in these financial statements to the extent applicable.

10. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of group companies, directors, executives and retirement funds. Transactions with related parties other than those disclosed elsewhere in the financial statements are as follows:

Relationship	Nature of transactions	Period ended	
		September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)
		----- (Rupees in `000) -----	
Group Companies	Purchases	292,073	180,941
	Sales	4,593	4,609
	Purchase of fixed assets	2,054	-
	I.T support charges	4,446	3,380
	Dividend receivable	15,224	-
	Dividend payable	174,672	-
Key management personnel	Remuneration	177,774	134,516
Other related parties	Contribution to staff provident and gratuity funds	9,345	6,759
	Insurance premium	12,305	8,916

In addition, certain actual administrative expenses are being shared amongst the group companies.

11. CAPACITY - Clinker

Annual installed capacity

September 30, 2017 (Unaudited)	June 30, 2017 (Audited)
----- (Tons) -----	
2,310,000	2,310,000

12. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on October 30, 2017 by the Board of Directors of the Company.

13. GENERAL

13.1 Corresponding figures have been reclassified for the purpose of better presentation and comparison, wherever necessary.

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


Omar Faruque
Chairman


Azam Faruque
Chief Executive


Yasir Masood
Chief Financial Officer