



**Cherat Cement  
Company Limited**  
A Ghulam Faruque Group Company

**Un-Audited Accounts  
September 30, 2019**



**Strength To Be Reckoned With**

## Contents

- 02** Company Information

---

- 03** Directors' Review

---

- 05** Condensed Interim Statement of Financial Position

---

- 06** Condensed Interim Statement of Profit or Loss (Unaudited)

---

- 07** Condensed Interim Statement of Comprehensive Income (Unaudited)

---

- 08** Condensed Interim Statement of Cash Flows (Unaudited)

---

- 09** Condensed Interim Statement of Changes in Equity (Unaudited)

---

- 10** Notes to the Condensed Interim Financial Statements (Unaudited)

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# Company Information

## Board of Directors

Mr. Omar Faruque	Chairman
Mr. Azam Faruque	Chief Executive
Mr. Akbarali Pesnani	Director
Mr. Arif Faruque	Director
Mr. Asif Qadir	Director
Mr. Abrar Hasan	Director
Mrs. Zeeba Ansar	Director
Mr. Yasir Masood	Director

## Audit Committee

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

## Human Resource & Remuneration Committee

Mr. Abrar Hasan	Chairman
Mr. Azam Faruque	Member
Mr. Omar Faruque	Member

## Director & Chief Financial Officer

Mr. Yasir Masood

## Executive Director & Company Secretary

Mr. Abid Vazir

## Head of Internal Audit

Mr. Aamir Saleem

## 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  
Habib Metropolitan Bank Ltd  
Industrial & Commercial Bank of China  
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  
MCB Islamic Bank Ltd  
Meezan Bank Ltd

## Share Registrar

CDC Share Registrar  
Services Limited  
CDC House, 99-B, Block 'B'  
S.M.C.H.S., Main Shahrah-e-Faisal  
Karachi-74400  
Tel: 0800-23275  
UAN: 111-111-500  
Email: info@cdcsrsl.com

## Contact Information

UAN: 111-000-009  
Email: info@gfg.com.pk  
Web: www.gfg.com.pk



## Registered Office / Factory

Village Lakrai, P.O. Box 28,  
Nowshera  
Tel: +9291 5270531-4  
Fax: +9291 5270536

## Head Office

Modern Motors House,  
Beaumont Road  
Karachi-75530  
Tel: +9221 35683566-7, 35689538  
Fax: +9221 35683425

## Sales Offices

### Peshawar:

1st Floor, Betani Arcade,  
University Road  
Tel: +9291 5842285, 5842272  
Fax: +9291 5840447

### Lahore:

3, Sunder Das Road  
Tel: +9242 36286249-50, 36308259  
Fax: +9242 36286204

### Islamabad:

1st Floor, Razia Sharif Plaza  
Jinnah Avenue, Blue Area  
Tel: +9251 2344531-33  
Fax: +9251 2344534, 2344550

# Directors' Review

The Board of Directors presents the un-audited financial results of the Company for the first quarter ended September 30, 2019.

## Overview

The quarter started on a slower note due to prevailing economic environment, tightening of monetary policy, and reduction in PSDP allocation by the government. However, cement demand picked considerably during the month of September 2019. As a result, in the quarter under review, local dispatches for the industry increased by 1% while exports rose by 13%. On an aggregate basis, cement dispatches for the industry increased by 3% during the first quarter of the year 2019/20.

## Dispatches

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

September 2019	September 2018
(in tons)	
645,277	437,402
180,942	101,639
<u>826,219</u>	<u>539,041</u>

- Domestic Sales
- Export Sales

As a result of enhanced production capacity following the commissioning of Cement Line III in January 2019, there was an increase of 287,178 tons i.e. 53% in the aggregate cement dispatches of the Company compared to the corresponding period last year. Despite challenging market conditions for the cement industry during the period under review, local dispatches of the Company went up by 207,875 tons, an increase of 48%, while export sales to Afghanistan rose by 79,303 tons, an increase of 78%.

## Operating Performance

During the quarter under review, the turnover of the Company increased by Rs. 1.13 billion or 34% over the corresponding period last year. However, rise in turnover was not in the same proportion as the dispatches of the Company, due to substantial decline in the selling price of cement owing to market conditions. During the period, there was also an increase in cost of input items like electricity and fuel costs and other related items. Both decline in sales price of cement and increase in cost of production had a negative impact on the operating profitability of the Company for the quarter under review. There was also a sharp increase in finance cost from the corresponding period last year due to long term loan for the erection of new cement line as well as steep rise in discount rates by the State Bank of Pakistan. As a result, for the quarter ended September 30, 2019, the Company made an after-tax loss of Rs. 339 million.

## Future Outlook

Operating in a challenging business environment with the national economy on the mend, the cement industry is passing through a critical phase. By installing its third cement line, the Company has enhanced its market share and achieved improved operational efficiencies, which will benefit in the long run. In order to rationalize its production costs, the Company has signed Wheeling Regime Energy Purchase Agreement with Pakhtunkhwa Energy Development Organization (PEDO) for supply of up to 3.8 GWH per annum electricity at a cheaper tariff. The Company also intends to install 12.6 MW solar panels at the factory to

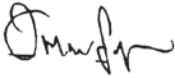
reduce its electricity costs. Furthermore, the gas line to the factory will be commissioned shortly. In a highly competitive and challenging business environment, all of the above cost controlling measures will result in curtailing the production costs.

We take this opportunity to urge the government to take immediate steps to kick start the economy by initiating construction of dams and launching low-cost housing schemes in the country, which will not only generate employment but will also boost the demand for cement. The Company remains confident that because of the economic measures being taken by the government, the macroeconomic indicators of the country will improve in the medium term and demand for cement will rise in days ahead.

**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



**Azam Faruque**  
Chief Executive

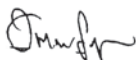
Karachi: October 29, 2019

# Condensed Interim Statement of Financial Position

As at September 30, 2019

	Note	September 30, 2019 (Unaudited)	June 30, 2019 (Audited)
<b>ASSETS</b>			
(Rupees in '000)			
<b>NON-CURRENT ASSETS</b>			
Fixed Assets			
Property, plant and equipment	4	26,671,220	26,890,963
Intangible assets		17,328	18,462
		<u>26,688,548</u>	<u>26,909,425</u>
Long-term investments	5	211,908	254,970
Long-term loans		630	701
Long-term deposits		21,498	21,392
		<u>234,036</u>	<u>277,063</u>
		<u>26,922,584</u>	<u>27,186,488</u>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		3,767,517	3,484,620
Stock-in-trade		645,274	1,268,194
Trade debts		316,298	311,488
Loans and advances		145,606	143,862
Trade deposits and short-term prepayments		57,081	23,759
Other receivables		327,277	1,551,308
Taxation – net		1,361,587	1,280,573
Cash and bank balances		26,495	29,535
		<u>6,647,135</u>	<u>8,093,339</u>
<b>TOTAL ASSETS</b>		<u>33,569,719</u>	<u>35,279,827</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised Capital			
225,000,000 (June 2019: 225,000,000) Ordinary shares of Rs. 10/- each		2,250,000	2,250,000
Share capital		1,766,318	1,766,318
Reserves		9,608,276	9,989,851
		<u>11,374,594</u>	<u>11,756,169</u>
<b>NON-CURRENT LIABILITIES</b>			
Long-term financings	6	16,590,000	16,900,000
Long-term security deposits		26,956	21,871
Deferred taxation		193,244	405,659
		<u>16,810,200</u>	<u>17,327,530</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,415,788	1,863,434
Accrued mark-up		789,984	544,086
Short-term borrowings		2,184,352	2,902,527
Current maturity of long-term financings	6	910,000	800,000
Unclaimed dividend		84,801	86,081
		<u>5,384,925</u>	<u>6,196,128</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	7		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>33,569,719</u>	<u>35,279,827</u>

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.



**Omar Faruque**  
Chairman



**Azam Faruque**  
Chief Executive



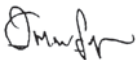
**Yasir Masood**  
Director &  
Chief Financial Officer

# Condensed Interim Statement of Profit or Loss (Unaudited)

For the Period Ended September 30, 2019

	Note	September 30, 2019	September 30, 2018
		(Rupees in '000)	
<b>Turnover – net</b>		4,480,510	3,340,939
Cost of sales		(4,292,292)	(2,788,334)
<b>Gross profit</b>		188,218	552,605
Distribution costs		(91,612)	(91,035)
Administrative expenses		(72,023)	(64,743)
Other expenses		(2,602)	(18,599)
		(166,237)	(174,377)
Other income		20,999	24,649
<b>Operating profit</b>		42,980	402,877
Finance costs	8	(593,908)	(97,639)
<b>(Loss) / profit before taxation</b>		(550,928)	305,238
<b>Taxation</b>			
Current		-	(7,176)
Deferred		212,415	133,049
	9	212,415	125,873
<b>Net (loss) / profit for the period</b>		(338,513)	431,111
<b>(Loss) / earnings per share – basic and diluted</b>		Rs. (1.92)	Rs. 2.44

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.



**Omar Faruque**  
Chairman



**Azam Faruque**  
Chief Executive



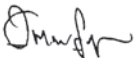
**Yasir Masood**  
Director &  
Chief Financial Officer

# Condensed Interim Statement of Comprehensive Income (Unaudited)

For the Period Ended September 30, 2019

	September 30, 2019	September 30, 2018
	(Rupees in '000)	
Net (loss) / profit for the period	(338,513)	431,111
Other comprehensive income		
Items that may not be reclassified subsequently to statement of profit or loss		
Unrealized (loss) / gain on remeasurement of equity investment at fair value through other comprehensive income	(43,062)	72,117
<b>Total comprehensive (loss) / income for the period</b>	<b>(381,575)</b>	<b>503,228</b>

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.



**Omar Faruque**  
Chairman



**Azam Faruque**  
Chief Executive



**Yasir Masood**  
Director &  
Chief Financial Officer

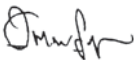


# Condensed Interim Statement of Cash Flows (Unaudited)

For the Period Ended September 30, 2019

Note	September 30, 2019	September 30, 2018
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
	(Loss) / profit before taxation	305,238
	(550,928)	
	<b>Adjustments for:</b>	
4	Depreciation	265,499
	Amortisation	951
	Gain on disposal of operating property, plant and equipment	(212)
	Finance costs	97,639
	Exchange (gain) / loss	18
	1,012,989	363,895
	462,061	669,133
	<b>Decrease / (increase) in current assets</b>	
	Stores, spare parts and loose tools	(93,549)
	Stock-in-trade	(19,652)
	Trade debts	50,057
	Loans and advances	(32,484)
	Trade deposits and short-term prepayments	(18,449)
	Other receivables	372,836
	1,524,178	258,759
	1,986,239	927,892
	<b>Decrease in current liabilities</b>	
	Trade and other payables	(630,477)
	<b>Cash generated from operations</b>	297,415
	1,552,394	
	Income tax paid	(49,422)
	Long-term loans and security deposits – net	633
	<b>Net cash generated from operating activities</b>	248,626
	1,476,430	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
	Additions to property, plant and equipment	(1,774,510)
	Proceeds from disposal of operating property, plant and equipment	1,230
	2,985	
	<b>Net cash used in investing activities</b>	(1,773,280)
	(212,005)	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
	Long-term financings – net	1,300,000
	Short-term borrowings - net	345,634
	Dividend paid	(1,385)
	Finance costs paid	(126,755)
	<b>Net cash (used in) / generated from financing activities</b>	1,517,494
	(1,267,465)	
	<b>Net decrease in cash and cash equivalents</b>	(7,160)
	(3,040)	
	<b>Cash and cash equivalents as at the beginning of the period</b>	47,052
	29,535	
	<b>Cash and cash equivalents as at the end of the period</b>	39,892
	26,495	

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

  
Omar Faruque  
Chairman

  
Azam Faruque  
Chief Executive

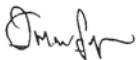
  
Yasir Masood  
Director &  
Chief Financial Officer

# Condensed Interim Statement of Changes in Equity (Unaudited)

For the Period Ended September 30, 2019

	Reserves								Total
	Capital Reserve		Revenue Reserves					Total Reserves	
	Share Premium	Other	General Reserve	Unappropriated profit / (loss)	Actuarial gain / (loss) on defined benefit plan	Unrealized gain / (loss) on equity investments			
Issued, Subscribed and Paid-up Capital									
(Rupees in '000)									
<b>Balance as at July 01, 2018</b>	1,766,318	1,047,658	50,900	420,000	7,729,273	8,371	151,228	9,407,430	11,173,748
Net profit for the period	-	-	-	-	431,111	-	-	431,111	431,111
Other comprehensive income	-	-	-	-	-	-	72,117	72,117	72,117
Total comprehensive income for the period	-	-	-	-	431,111	-	72,117	503,228	503,228
<b>Balance as at September 30, 2018</b>	1,766,318	1,047,658	50,900	420,000	8,160,384	8,371	223,345	9,910,658	11,676,976
<b>Balance as at July 01, 2019</b>	1,766,318	1,047,658	50,900	420,000	8,785,509	(323,588)	9,372	9,989,851	11,756,169
Net loss for the period	-	-	-	-	(338,513)	-	-	(338,513)	(338,513)
Other comprehensive loss	-	-	-	-	-	-	(43,062)	(43,062)	(43,062)
Total comprehensive loss for the period	-	-	-	-	(338,513)	-	(43,062)	(381,575)	(381,575)
<b>Balance as at September 30, 2019</b>	1,766,318	1,047,658	50,900	420,000	8,446,996	(323,588)	(33,690)	9,608,276	11,374,594

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

  
**Omar Faruque**  
 Chairman

  
**Azam Faruque**  
 Chief Executive

  
**Yasir Masood**  
 Director &  
 Chief Financial Officer

# Notes to the Condensed Interim Financial Statements (Unaudited)

For the Period Ended September 30, 2019

## 1. CORPORATE INFORMATION

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

## 2. BASIS OF PREPARATION

2.1 These condensed interim financial statements 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.

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 June 30, 2019.

## 3. ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended June 30, 2019.

		September 30, 2019 (Unaudited)	June 30, 2019 (Audited)
	Note	(Rupees in '000)	
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>			
Opening net book value (NBV)		26,264,797	12,277,573
Additions during the period / year (cost)	4.1	27,329	15,390,440
		26,292,126	27,668,013
Depreciation charged during the period / year		(432,169)	(1,389,264)
Disposals during the period / year - NBV		(2,564)	(13,952)
Closing net book value		25,857,393	26,264,797
Capital work-in-progress	4.2	813,827	626,166
		26,671,220	26,890,963
<b>4.1 Additions during the period / year</b>			
Building on leasehold land		-	2,664,771
Plant and machinery		2,067	11,640,854
Power and other installations		378	802,705
Furniture and fittings		403	18,019
Quarry, factory and laboratory equipment		9,268	149,651
Motor vehicles		9,154	72,698
Office equipment		3,188	13,210
Computers		2,871	28,532
		27,329	15,390,440
<b>4.2 Capital work-in-progress</b>			
Opening balance		626,166	11,528,272
Capital expenditure incurred / advances made during the period / year	4.2.1	214,990	4,488,334
		841,156	16,016,606
Transferred to operating fixed assets		(27,329)	(15,390,440)
Closing balance		813,827	626,166

		September 30, 2019 (Unaudited)	June 30, 2019 (Audited)
	Note	(Rupees in '000)	
<b>4.2.1 Capital expenditure incurred / advances made during period / year</b>			
Building on leasehold land		3,835	749,977
Plant and machinery		178,293	2,793,031
Power and other installations		509	679,694
Furniture and fittings		3,038	22,514
Quarry, factory and laboratory equipment		11,299	163,307
Motor vehicles		14,626	51,776
Computers		3,390	28,035
		<u>214,990</u>	<u>4,488,334</u>
<b>5. LONG-TERM INVESTMENTS</b>			
<b>Investment in related parties</b>			
At fair value through other comprehensive income	5.1	204,223	247,285
Interest in a Joint ventures:			
- Madian Hydro Power Limited	5.2	-	-
- UniEnergy Limited		7,685	7,685
		<u>7,685</u>	<u>7,685</u>
		<u>211,908</u>	<u>254,970</u>
<b>5.1 At fair value through other comprehensive income</b>			
<b>Cherat Packaging Limited</b>			
2,838,666 (June 30, 2019: 2,838,666) fully paid ordinary shares of Rs.10/- each.		187,948	228,910
<b>Mirpurkhas Sugar Mills Limited</b>			
262,500 (June 30, 2019: 262,500) fully paid ordinary shares of Rs.10/- each.		16,275	18,375
		<u>204,223</u>	<u>247,285</u>
<b>5.2 Interest in a Joint Venture - Madian Hydro Power Limited</b>			
Company's share in net assets		106,705	106,705
Less: Impairment loss		(106,705)	(106,705)
		<u>-</u>	<u>-</u>
<b>6. LONG-TERM FINANCINGS – secured</b>			
<b>Islamic banks</b>			
Syndicated Long-Term Finance Loan - Line – II		2,216,842	2,545,263
Syndicated Long-Term Finance Loan - Line – III		12,500,000	12,500,000
		<u>14,716,842</u>	<u>15,045,263</u>
<b>Conventional banks</b>			
Syndicated Long-Term Finance Loan - Line – II		483,158	554,737
Captive Power Plant Loan		1,100,000	1,100,000
Waste Heat Recovery Loan – Line III		1,200,000	1,000,000
		<u>17,500,000</u>	<u>17,700,000</u>
Less: Current maturity		(910,000)	(800,000)
		<u>16,590,000</u>	<u>16,900,000</u>
<b>7. CONTINGENCIES AND COMMITMENTS</b>			
<b>7.1 Contingencies</b>			
There are no material changes in the status of contingencies as reported in the annual financial statements for the year ended June 30, 2019.			
<b>7.2 Commitments</b>		September 30, 2019 (Unaudited)	June 30, 2019 (Audited)
		(Rupees in '000)	
Letters of credit - Islamic and conventional banks		185,640	960,850
Letters of guarantee - conventional bank		<u>376,060</u>	<u>376,060</u>

## 8. FINANCE COSTS

Includes mark-up on long-term financings amounting to Rs. 527.553 million (September 30, 2018: Rs. 73.295 million), mark-up on short-term borrowings and bank charges amounting to Rs. 66.355 million (September 30, 2018: Rs. 24.344 million). Markup on long-term financings pertaining to Line – III was capitalized during corresponding period.

## 9. TAXATION

Provision for current taxation is based on minimum tax at the current rates of taxation after taking into account tax credits u/s 65B. Income subject to final tax has been taxed accordingly.

## 10. 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, 2019. There have been no changes 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.

## 11. 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, 2019 (Unaudited)	September 30, 2018 (Unaudited)
		(Rupees in '000)	
Associate	Purchases	549,148	355,364
	Sales of goods	139	7,748
	Purchase of fixed assets	2,721	238
	I.T support charges	5,700	5,081
Key management personnel	Remuneration	160,576	148,117
Other related parties	Contribution to staff provident and gratuity funds	44,813	11,404

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

## 12. DIVIDEND AND APPROPRIATIONS

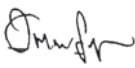
Subsequent to year ended June 30, 2019, the Board of Directors in its meeting held on August 07, 2019 has proposed final cash dividend @ Re. 1.00 per share amounting to Rs. 176.63 million (2018: Rs. 4.00/- per share amounting to Rs. 706.52 million) and bonus shares @ 10% (17,663,185 shares) for approval of the members at the Annual General Meeting.

## 13. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on October 29, 2019 by the Board of Directors of the Company.

## 14. GENERAL

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

  
**Omar Faruque**  
Chairman

  
**Azam Faruque**  
Chief Executive

  
**Yasir Masood**  
Director &  
Chief Financial Officer



GHULAM FARUQUE  
GROUP

**Cherat Cement  
Company Limited**

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