



Vortex of Imagination

un-audited accounts
September 30, 2018



**Cherat Cement
Company Limited**

A Ghulam Faruque Group Company

contents

- | | |
|----|---|
| 02 | company information |
| 03 | directors' review |
| 04 | condensed interim statement of financial position |
| 05 | condensed interim statement of profit or loss |
| 06 | condensed interim statement of comprehensive income |
| 07 | condensed interim statement of cash flows |
| 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. Asif Qadir	Director
Mr. Abrar Hasan	Director
Mrs. Zeeba Ansar	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. 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
Habib Metropolitan 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, University 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, 2018.

Overview

Despite the backdrop of national elections, Eid holidays, and uncertain macro-economic scenario, cement industry witnessed a growth of 4.50% during the first quarter of the year 2018/19 over the same period last year. However, the growth in cement dispatches came through export sales. Local sales of the cement industry remained almost flat during the period under review.

Dispatches

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

	September 2018 (in tons)	September 2017 (in tons)
● Domestic Sales		
- Cement	437,402	453,741
- Clinker	-	77,886
● Export Cement Sales	101,639	149,740
	539,041	681,367

As explained above, there was a slowdown in growth for demand of cement during the first quarter of the year. Uncertain political and economic scenario also had an adverse impact on the cement sales of the Company during the period under review. During this quarter, local cement sales of the Company were lower by 16,339 tons and exports to Afghanistan declined by 48,101 tons compared to the corresponding period last year.

Operating Performance

Decline in cement dispatches affected the sales turnover of the Company during the quarter under review. During this period, there was significant increase in costs of production due to rise in international prices of coal and oil and devaluation of Pak rupee. This resulted in an increase in variable costs and eroded the margins of the Company. However, despite these conditions, 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, 2018 the Company posted an after tax profit of Rs. 431 million.

Expansion of cement plant

Work on the installation of Cement Line III is progressing on schedule. Furthermore, work on installation of WHR plant for Cement Line-III is also progressing in parallel, which will help in reducing the energy costs of the plant. During the period, the Company also installed Wartsila dual fuel engines, which will be beneficial as a gas pipeline is being laid and gas will be available soon. The management is confident of completing the expansion project before the scheduled time.

Future Outlook

Cement industry has benefitted from the positive business environment in the country over the last few years. Mega infrastructural projects initiated under CPEC program and by the private sector increased the local demand for cement. However, deteriorating macroeconomic conditions in the country present a major challenge for the industry as it may have a detrimental impact on the growth of the economy, which may also impact cement demand. However, the new government is expected to initiate construction of new dams in the country and launch low cost housing projects, which will generate the demand for cement. The installation 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, rising oil and coal prices along with recent increase in discount rates by State Bank of Pakistan and expected devaluation of Pak rupee are areas 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

Azam Faruque
Chief Executive

October 16, 2018

**condensed interim statement of financial position
as at September 30, 2018**

	Note	September 30, 2018 (Unaudited)	June 30, 2018 (Audited)
----- (Rupees in '000) -----			
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	4	25,477,242	23,805,845
Intangible assets		14,455	15,406
		25,491,697	23,821,251
Long-term investments	5	468,911	396,794
Long-term loans		603	686
Long-term deposits		19,008	19,008
		488,522	416,488
		25,980,219	24,237,739
CURRENT ASSETS			
Stores, spare parts and loose tools		2,872,456	2,778,907
Stock-in-trade		773,290	753,638
Trade debts		138,215	188,272
Loans and advances		116,565	84,081
Trade deposits and short-term prepayments		44,389	25,940
Other receivables		1,226,181	1,599,017
Taxation - net		847,161	804,915
Cash and bank balances		39,892	47,052
		6,058,149	6,281,822
TOTAL ASSETS		32,038,368	30,519,561
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised Capital			
225,000,000 (June 2018: 225,000,000)			
Ordinary shares of Rs. 10/- each		2,250,000	2,250,000
Share capital		1,766,318	1,766,318
Reserves		9,910,658	9,407,430
		11,676,976	11,173,748
NON-CURRENT LIABILITIES			
Long-term financings	6	15,600,000	14,700,000
Long-term security deposits		18,217	17,667
Deferred taxation		842,591	975,640
		16,460,808	15,693,307
CURRENT LIABILITIES			
Trade and other payables		1,359,972	1,990,431
Accrued mark-up		364,312	230,024
Short-term borrowings		1,309,581	963,947
Current maturity of long-term financing	6	800,000	400,000
Unclaimed dividend		66,719	68,104
		3,900,584	3,652,506
CONTINGENCIES AND COMMITMENTS			
TOTAL EQUITY AND LIABILITIES		32,038,368	30,519,561

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
Chief Financial Officer

condensed interim statement of profit or loss (unaudited)
for the period ended September 30, 2018

	Note	September 30, 2018	September 30, 2017
----- (Rupees in '000) -----			
Turnover - net		3,340,939	3,891,022
Cost of sales		(2,788,334)	(2,901,696)
Gross profit		552,605	989,326
Distribution costs		(91,035)	(81,171)
Administrative expenses		(64,743)	(56,579)
Other expenses		(18,599)	(41,096)
		(174,377)	(178,846)
Other income		24,649	20,409
Operating profit		402,877	830,889
Finance costs	8	(97,639)	(95,425)
Profit before taxation		305,238	735,464
Taxation			
Current		(7,176)	(21,664)
Deferred		133,049	(107,691)
	9	125,873	(129,355)
Net profit for the period		431,111	606,109
Earnings per share - basic and diluted		Rs. 2.44	Rs. 3.43

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
 Chief Financial Officer

**condensed interim statement of comprehensive income (unaudited)
for the period ended September 30, 2018**

	September 30, 2018	September 30, 2017
	----- (Rupees in `000) -----	
Net profit for the period	431,111	606,109
Other comprehensive income		
Items that may be reclassified subsequently to statement of profit or loss		
Unrealized gain / (loss) on available-for-sale securities	72,117	(86,348)
Total comprehensive income for the period	503,228	519,761

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
Chief Financial Officer

condensed interim statement of cash flows (unaudited)
for the period ended September 30, 2018

	Note	September 30,	September 30,
		2018	2017
----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		305,238	735,464
Adjustments for:			
Depreciation	4	265,499	266,473
Amortisation		951	951
Gain on disposal of operating property, plant and equipment		(212)	(1,191)
Finance costs		97,639	95,425
Exchange loss / (gain)		18	(12)
		363,895	361,646
		669,133	1,097,110
Decrease / (increase) in current assets			
Stores, spare parts and loose tools		(93,549)	502,195
Stock-in-trade		(19,652)	344,471
Trade debts		50,057	(37,934)
Loans and advances		(32,484)	(38,974)
Trade deposits and short-term prepayments		(18,449)	(29,865)
Other receivables		372,836	612,350
		258,759	1,352,243
		927,892	2,449,353
Decrease in current liabilities			
Trade and other payables		(630,477)	(73,454)
Cash generated from operations		297,415	2,375,899
Income tax paid		(49,422)	(81,974)
Long-term loans and security deposits - net		633	857
Net cash generated from operating activities		248,626	2,294,782
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(1,774,510)	(738,490)
Proceeds from disposal of operating property, plant and equipment		1,230	2,223
Net cash used in investing activities		(1,773,280)	(736,267)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financings - net		1,300,000	(300,000)
Short-term borrowings - net		345,634	(1,062,832)
Dividend paid		(1,385)	(478)
Finance costs paid		(126,755)	(216,102)
Net cash generated from / (used in) financing activities		1,517,494	(1,579,412)
Net decrease in cash and cash equivalents		(7,160)	(20,897)
Cash and cash equivalents as at the beginning of the period		47,052	45,814
Cash and cash equivalents as at the end of the period		39,892	24,917

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
Chief Financial Officer

condensed interim statement of changes in equity (unaudited) for the period ended September 30, 2018

	Reserves							Sub-total	Total
	Capital Reserves		Revenue Reserves						
	Share premium	Others	General reserve	Unappropriated profit	Actuarial gain on gratuity fund	Unrealised gain / (loss) on available for sale securities			
	(Rupees in '000)								
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
Balance as at July 01, 2018	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
Balance as at September 30, 2018	1,766,318	1,047,658	50,900	420,000	8,160,384	8,371	223,345	9,910,658	11,676,976

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
Chief Financial Officer

notes to the condensed interim financial statements (unaudited) for the period ended September 30, 2018

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 activities are 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, 2018.

3. 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, 2018.

4. PROPERTY, PLANT AND EQUIPMENT

	Note	September 30, 2018 (Unaudited)	June 30, 2018 (Audited)
----- (Rupees in '000) -----			
Opening net book value (NBV)		12,277,573	12,909,284
Additions during the period / year (cost)	4.1	1,858,686	467,482
		14,136,259	13,376,766
Depreciation charged during the period / year		(265,499)	(1,086,046)
Disposals during the period / year - NBV		(1,018)	(13,147)
Closing net book value		13,869,742	12,277,573
Capital work-in-progress	4.2	11,607,500	11,528,272
		25,477,242	23,805,845
4.1 Additions during the period / year			
Building on leasehold land		54,860	90,955
Plant and machinery		1,792,852	197,961
Power and other installations		3,046	40,010
Furniture and fittings		144	4,040
Quarry, factory and laboratory equipment		351	46,236
Motor vehicles		6,631	52,338
Office equipment		154	22,387
Computers		648	13,555
		1,858,686	467,482

	Note	September 30, 2018 (Unaudited)	June 30, 2018 (Audited)
----- (Rupees in `000) -----			
4.2 Capital work-in-progress			
Opening balance		11,528,272	723,580
Capital expenditure incurred / advances made during the period / year	4.2.1	1,937,914	11,272,174
		13,466,186	11,995,754
Transferred to operating fixed assets		(1,858,686)	(467,482)
Closing balance		11,607,500	11,528,272
4.2.1 Capital expenditure incurred / advances made during period / year			
Building on leasehold land		117,149	2,125,509
Plant and machinery		1,708,337	8,871,470
Power and other installations		54,731	118,425
Furniture and fittings		1,604	36,215
Quarry, factory and laboratory equipment		2,762	45,694
Motor vehicles		45,234	62,380
Computers		8,097	12,481
		1,937,914	11,272,174
5. LONG-TERM INVESTMENTS			
Investment in related parties			
Available-for-sale	5.1	461,258	389,141
Joint ventures			
- Madian Hydro Power Limited	5.2	-	-
- UniEnergy Limited		7,653	7,653
		7,653	7,653
		468,911	396,794
5.1 Available-for-sale			
Cherat Packaging Limited			
2,468,406 (June 30, 2018: 2,468,406) fully paid ordinary shares of Rs.10/- each.		427,133	354,685
Mirpurkhas Sugar Mills Limited			
262,500 (June 30, 2018: 262,500) fully paid ordinary shares of Rs.10/- each.		34,125	34,456
		461,258	389,141
5.2 Joint Venture - Madian Hydro Power Limited			
Company's share in net assets		106,705	106,705
Less: Impairment loss		(106,705)	(106,705)
		-	-
6. LONG-TERM FINANCINGS - secured			
Islamic banks			
Syndicated Long-Term Finance Loan - Line - II	6.1	2,873,684	3,284,211
Syndicated Long-Term Finance Loan - Line - III		11,000,000	10,000,000
		13,873,684	13,284,211
Conventional banks			
Syndicated Long-Term Finance Loan - Line - II	6.1	626,316	715,789
Captive Power Plant Loan		1,100,000	1,100,000
Waste Heat Recovery Loan - Line - III	6.2	800,000	-
		16,400,000	15,100,000
Less: Current maturity		(800,000)	(400,000)
		15,600,000	14,700,000
6.1	During the period, an early repayment of Rs. 500 million has been made.		

- 6.2** Represents a long-term financing obtained from a conventional bank. It carries mark-up at the rate of 6 months KIBOR+ 0.2% per annum. The financing is repayable in 10 equal semi-annual installments commencing after 30 months from first draw down i.e. August 2018. The financing is secured against first pari-passu hypothecation charge of Rs. 1,600 million on plant and machinery.

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, 2018.

7.2 Commitments

Letters of credit - Islamic and conventional banks

Letters of guarantee - conventional bank

September 30, 2018 (Unaudited)	June 30, 2018 (Audited)
----- (Rupees in `000) -----	
63,094	278,484
359,060	359,060

8. FINANCE COSTS

Includes mark-up on long-term financings amounting to Rs. 73.295 million (September 30, 2017: Rs. 81.561 million), mark-up on short-term borrowings and bank charges amounting to Rs. 24.344 million (September 30, 2017: Rs. 13.864 million). Markup on long-term financing pertaining to Line - III capitalized during the 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 minimum tax at the rate of 1.25% under section 113 of the Income Tax Ordinance, 2001 has been charged on local turnover of Line - I in these condensed interim financial statements. Tax credit under section 65B has been recorded for capitalization made during the period.

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, 2018. 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, 2018 (Unaudited)	September 30, 2017 (Unaudited)
		----- (Rupees in `000) -----	
Associate	Purchases	355,364	292,073
	Sales of goods	7,748	4,593
	Purchase of fixed assets	-	2,054
	LT support charges	5,081	4,446
	Dividend receivable	-	15,224
	Dividend payable	-	174,672
Key management personnel	Remuneration	136,426	98,890
Other related parties	Contribution to staff provident and gratuity funds	11,404	9,345
	Services received	605	568

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

12. DIVIDEND AND APPROPRIATIONS

Subsequent to the year ended June 30, 2018, the Board of Directors has proposed the following in its meeting held on August 29, 2018 for approval of the members at the Annual General Meeting:

	June 30, 2018	June 30, 2017
	----- (Rupees in `000) -----	
Final cash dividend @ Rs. 4.00/- per share (2017: Rs. 3.50 per share)	706,527	618,211

13. DATE OF AUTHORISATION


These condensed interim financial statements were authorised for issue on October 16, 2018 by the Board of Directors of the Company.

14. GENERAL

14.1 Corresponding figures have been reclassified for the purpose of better presentation and comparison, wherever necessary. Key management personnel remuneration corresponding figure in related party transactions note has been revised in line with the new definition of executives in the Companies Act, 2017.

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


Omar Faruque
Chairman


Azam Faruque
Chief Executive


Yasir Masood
Chief Financial Officer



**GHULAM FARUQUE
GROUP**

**Cherat Cement
Company Limited**

Head Office:

Modern Motors House,
Beaumont Road,
Karachi 75530, Pakistan,
UAN: (9221) 111-000-009
Fax: (9221) 35683425
Email: info@gfg.com.pk
Web: www.gfg.com.pk

