



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

# Knowing our Strength



# CHAPTERS

05

ORGANIZATIONAL  
OVERVIEW AND  
EXTERNAL  
ENVIRONMENT

STRATEGY AND  
RESOURCE  
ALLOCATION

51

FUTURE  
OUTLOOK

65

RISKS AND  
OPPORTUNITIES

167

IT GOVERNANCE AND  
CYBERSECURITY

175

179

STAKEHOLDERS  
RELATIONSHIP AND  
ENGAGEMENT

77

SUSTAINABILITY AND  
CORPORATE SOCIAL  
RESPONSIBILITY

GOVERNANCE

95

139

ANALYSIS OF  
THE FINANCIAL  
INFORMATION

STRIVING FOR  
EXCELLENCE  
IN CORPORATE  
REPORTING

185

BUSINESS MODEL

189

205

FINANCIAL  
STATEMENTS

## About the Report |

We are pleased to present the Annual Report of Cherat Cement Company Limited (the Company) for the year ended June 30, 2022. 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.

This Report is structured in way that the shareholders of the Company can get an insight of the affairs as well as financial and business information of the Company. We always believe on the transparent disclosure of information and practices of the Company.

The Report covers the substantial aspects of the Company's Business and underlines the risk management framework, governance structure, corporate performance, future strategies, Directors' Report, Chairman's Review and other governance and policies. The Report also covers the Company's aim of aligning its business processes and activities with the United Nations Sustainability Development Goals (SDGs) and highlights its contributions towards each goal. The Company also explains its corporate social responsibility and its efforts towards it.

An integrated report is a concise communication about how an organization's strategy, governance, performance and prospects in context of its external environment lead to creation of value. Since the Company has adopted the International Integrated Reporting Framework therefore, the Report has also been prepared in accordance with the International Integrated (IR) Framework and

Global Reporting Initiative (GRI) in order to provide the stakeholders a transparent reflection of value creation ability, contributions and quality information of the Company. We consistently evaluate our processes and approach in order to meet the best practices in order to create sustainable value. The principal objective of the Report is adherence with the principles of inclusivity, materiality, responsiveness and evaluation against the elements of IR. The material presented in this report is such a way that it enables the stakeholders to understand better. The Company also considers the importance and strengthening of this report in terms of information, connectivity and demonstration of results.

The Report also includes audited financial statements of the Company along with the Auditor's Report thereon. The Report consists the compliances, provisions and directives of the Companies Act, 2017, Code of Corporate Governance Regulations, 2019, Auditor's review report on compliance of such Regulations and International Financial Reporting Standards.

This Annual Report is available in both print and online form at [www.gfg.com.pk/cccl/](http://www.gfg.com.pk/cccl/)



# Organizational Overview & External Environment

- 18 Vision
- 19 Mission
- 20 Our Values
- 22 Culture
- 23 Ethics
- 24 Code of Conduct
- 25 Nature of Business
- 25 Our Certifications
- 25 Key Elements of Business Model
- 26 Company Information
- 28 Group Structure
- 30 Our Journey at a Glance
- 32 Our National & International Recognition
- 34 Geographical Presence
- 35 Main Distribution
- 36 Position within the Value Chain
- 38 Organizational Structure
- 42 Competitive Landscape and Market Positioning
- 44 Factors Affecting the External Environment  
and the Organization's Response
- 46 SWOT Analysis
- 47 ERP upgradation to meet modern business essentials
- 48 Significant Development and Changes from Prior year
- 48 Legitimate needs, Interest of Key Stakeholders, Industry trends
- 49 Political Environment where organization operates
- 49 Legislative and Regulatory Environment

# OUR STRENGTH IS IN...

knowing our strength

**Equipped with state-of-the-art technology to monitor different stages of our process flow, we ensure that the market is supplied with best Quality product.**





...QUALITY

# OUR STRENGTH IS IN...

knowing our strength

**CCCL encourages teamwork and building ability to work together towards a common vision. CCCL works as a family to direct individual accomplishments toward organizational objectives. It is the fuel that allows the organization to perform in a dynamic way.**



...TEAMWORK

# OUR STRENGTH IS IN...

knowing our strength



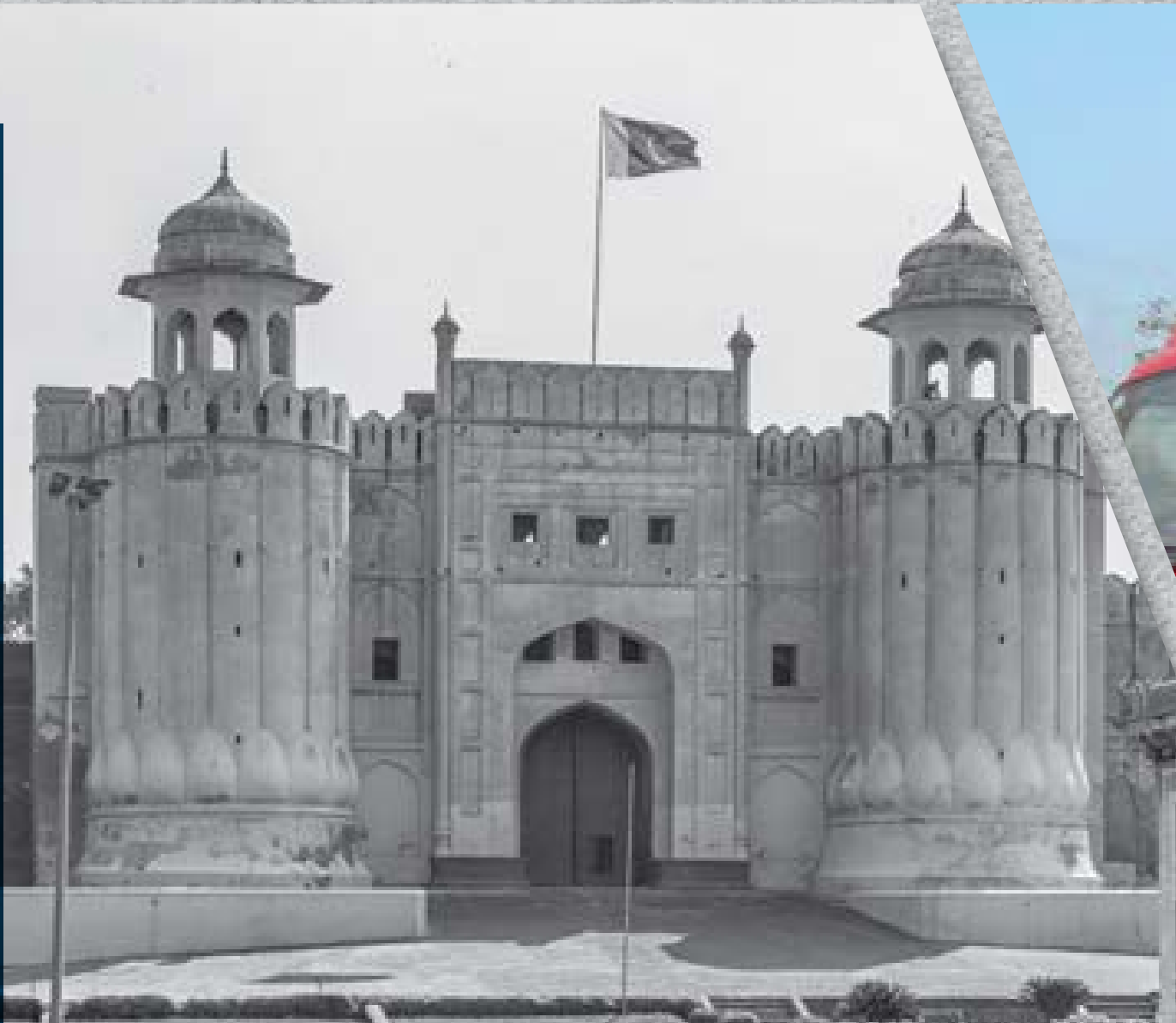
**Our modernization in product manufacturing process and production facilities aims to attaining total quality management in product attributes. We are pioneers in introducing new technologies in the industry e.g. Waste Heat Recovery System, use of SAP and recently installation of Solar Panels.**



...INNOVATIVE  
TECHNOLOGY

# OUR STRENGTH IS IN...

knowing our strength



**The Company strongly believes in maintaining high standards in health and safety of its people. This reflects in our organizational culture.**



## ...HEALTH & SAFETY

# OUR STRENGTH IS IN...

knowing our strength

**Everything we produce, we try to produce it most efficiently resulting not only savings in cost but also protecting natural resources and environment.**





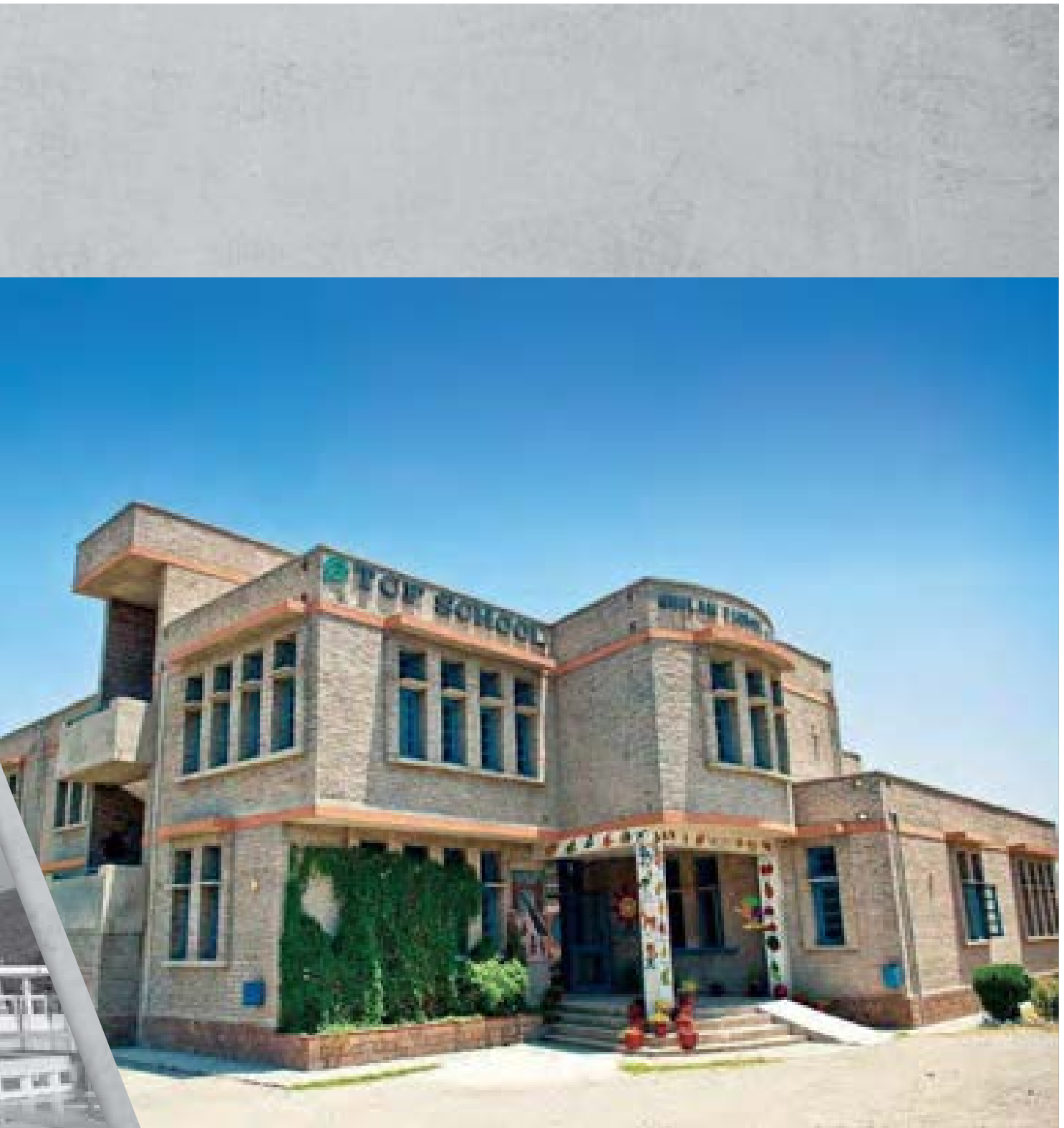
# ...EFFICIENT MANUFACTURING

# OUR STRENGTH IS IN...

knowing our strength



**The Company actively takes initiatives as a part of business model that helps a Company be socially accountable to itself, its stakeholders, and the public. We try to pay back to the community from where we belong.**



...GIVING BACK TO  
SOCIETY

# Vision

Growth through the best value creation for the benefit of all stakeholders.



# Mission

Invest in projects that will optimize the risk-return profile of the Company.

Achieve excellence in business.

Maintain competitiveness by leveraging technology.

Continuously develop our human resource.

To be regarded by investors as amongst the best blue-chip stocks in the country.





# Our Values



**RESPECT**  
is our way of life



**OWNERSHIP**  
is our way to success



**QUALITY**  
is our legacy



**FAIRNESS**  
is our way of work

# Culture

Organizational culture in the Company is a manifestation of shared values and beliefs, which we practice every day to move towards a better and more successful organization.

These shared values have a strong influence on the respective teams and help them in a win win outcome for both the employees and the organization. Our values provide the foundation of our culture and bind us into a world class team yearning to outperform the competition.





# Ethics

Our Code of Conduct reflects our commitment to meet the expectations of our stakeholders and contains the fundamental principles and rules concerning ethical business conduct. Cherat Cement Company Limited (CCCL) is committed to conducting its business with honesty and integrity, and we expect all our employees to maintain high standards in accordance with this Code.

The CCCL Code of Conduct forms an integral part of the terms of employment of all employees. The Company insists on full compliance and does not tolerate any misconduct. Unlawful behaviour is not tolerated under any circumstances. Breach of the CCCL's Code of Conduct can lead to disciplinary action upto and including termination of employment.

It is the obligation of every employee to be responsible, honest, trustworthy, conscientious, and dedicated to the highest standards of ethical business practices. The employees have a legal, moral and ethical responsibility to report to their Line Managers or Compliance Committee, any known or suspected violations of law, regulations and / or corporate policies.



# Code of Conduct

The Code of Conduct of the Company is based on the principles of honesty, integrity and professionalism at every stage.

## Scope

The code of conduct policy is applicable to all regular and direct contract staff in the Company and its locations.

## Compliance Committee and Reporting of Violations

The Company has established a Compliance Committee to provide advice concerning compliance with the code of conduct. All employees are encouraged to report any suspected violation of this Code of Conduct to their Line Managers (Functional Heads) or Compliance Committee or their respective Executive Director.

## Compliance with the Law

The observance of the laws and regulations of the legal systems in which we operate is mandatory for all employees in their dealings with customers, suppliers, competitors, other employees, government bodies and officials.

## Competition and Anti-trust Law

The Company obligates its employees for strict compliance with Competition and Anti-trust Laws wherever it operates.

## Bribery and Corruption

The Company is committed to conducting its business in an open, honest and ethical manner in all the jurisdictions in which it operates and will not engage in any form of bribery or corruption in order to secure any kind of business advantage.

## Money Laundering

It is the Company's policy to refrain from conducting business with persons or entities who are involved in criminal or illegal activities. All employees have to adhere to applicable anti-money laundering laws and regulations.

## Product Quality

We discover, develop and manufacture high-quality products that meet all regulatory requirements, and pursue quality beyond compliance in both our products and processes. We focus on regularly updating ourselves with technological advancements to produce under the highest standards and maintain all relevant technical and professional standards.

## Books, Records and Financial Reporting

The accuracy and completeness of our books, records and financial reporting is of critical importance for the Company. We fulfill all applicable legal obligations with regard to public filings and reporting.

## Confidentiality

It is our policy that no employee entrusted with confidential

information about the Company, its suppliers, customers or other business partners may disclose such information to any third party or use such information for his or her personal benefit while employed with the Company or thereafter, unless prior written approval is obtained from a duly authorized person or the disclosure of confidential information is required by law, any governmental agency, court or other quasi-judicial or regulatory body.

## Protection and Information Security

The Company has a policy that sets out rules on data protection and the legal conditions that must be satisfied in relation to the obtaining, handling, processing, storage, transportation and destruction of personal information. We comply with all applicable laws & regulations regarding the collection, processing and use of personal data. Any illegal collection, processing or use of personal data of our employees, suppliers, customers and third parties are strictly prohibited. All personal data must be safeguarded with appropriate care and protected against unauthorized access by third parties at all times.

## Handling and Safeguarding of the Company's Property

Employees must handle the Company's property (including both tangible & intangible) with due care and in a responsible manner. The Company does not tolerate any unauthorized use or misappropriation of its property or services.

## Equal Treatment and Fair Working Conditions

The Company is committed to promoting equality of opportunity for all staff and job applicants. We aim to create a working environment in which all individuals are able to make best use of their skills and abilities, free from discrimination or harassment, and in which all decisions or promotions are objectively based on merit. We do not tolerate any form of discrimination, harassment or bullying in the workplace.

## Health, Safety and Environmental Protection

We focus on all aspects of occupational health, safety and environmental protection. We identify and manage health, safety and environmental risks in our activities and over the entire value chain of our products and services.

We make efficient use of natural resources and minimize the environmental impact of our activities and products over their life cycle.

## Conflict of Interest

Employees may not engage in any activities, on or off the job, that conflict with the Company's business interest, nor they may use their position with the Company for their personal gains, or for the improper benefit to others. As a policy, conflicts of interest or the mere appearance of such a conflict must be avoided.

## Nature of Business

Cherat Cement Company Limited is a Ghulam Faruque Group (GFG) Company. Its main business activity is manufacturing, marketing and sale of Ordinary Portland Cement with the brand name of 'Cherat'. The Company is amongst the pioneers of cement industry in Pakistan and is the number 1 cement in its region. Quality is our business; therefore, there are no compromises on Quality Management. The plant is located at Village Lakrai, District Nowshera, Khyber Pakhtunkhwa (KPK) Province.

Due to plant's geographical position, it is ideally located to export cement to Afghanistan as well as to cater the local market needs in KPK, FATA, Punjab and Azad Kashmir. The Company is registered on Pakistan Stock Exchange and is also ISO 9001 and 14001 certified.

## Our Certifications



## Key Elements of Business Model

The key elements of Business Model of the Company includes:

- Key inputs
- Our Value Chain
- Key Outputs
- Outcomes

All these elements are fully explained alongwith diagram in the Chapter "Business Model"

# 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 Operating Officer

Mr. Yasir Masood

## Chief Financial Officer

Mr. Ijaz Ahmed

## Company Secretary

Ms. Hina Mir

## Head of Internal Audit

Mr. Aamir Saleem

## External Auditors

EY Ford Rhodes  
Chartered Accountants

## Cost Auditors

UHY Hassan Naeem & Co.  
Chartered Accountants

## Shariah Advisor

M/s. Alhamd Shariah Advisory Services (Pvt.) Ltd

## Legal Advisor

K.M.S. Law Associates

## Bankers

Allied Bank Ltd  
Bank Al Habib 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  
The Bank of Punjab  
United Bank Ltd

## Non-Banking Financial Institution

Pakistan Kuwait Investment Co. (Pvt) Ltd.

## Islamic Bankers

Bank Alfalah Ltd  
Bank-Islami Pakistan Ltd  
Dubai Islamic Bank Pakistan Ltd  
Faysal Bank Ltd  
MCB Islamic Bank Ltd  
Meezan Bank Ltd  
The Bank of Khyber

## Credit Rating

Long-term rating: A+  
Short-term rating: A1  
Outlook: Stable  
by The Pakistan Credit Rating  
Agency Limited (PACRA)

## 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



# Group Structure

Since its inception, the Ghulam Faruque Group has continuously strengthened and diversified its lines of operations. Faruque (Pvt) Ltd is the Parent Company; details and brief profile of other leading group companies / ventures are as follows:

## Faruque (Pvt.) Ltd Parent Company

Established in 1964 as a Parent Company of the Group, it primarily serves as an investment arm of the Group.



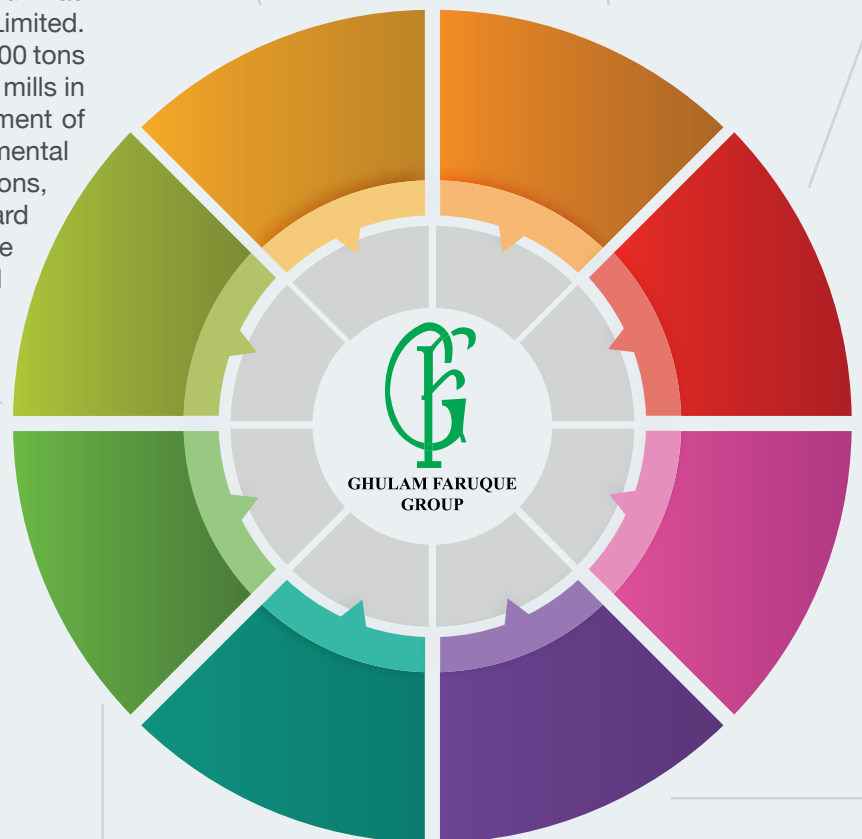
## Mirpurkhas Sugar Mills Ltd Manufacturer of Cane Sugar

Established in 1964, its principal activity is manufacturing and selling of sugar. It is located about 230 km from the port city of Karachi in Mirpurkhas and is listed on the Pakistan Stock Exchange Limited. The Company has a crushing capacity of 12,500 tons per day and is one of the most efficient sugar mills in Pakistan. Moreover, it is involved in development of higher yield sugar cane varieties on its experimental farm. In order to further diversify its operations, the Company is setting up a Paper and Board project. The project will serve to enhance the business prospects of the Company and will allow it to leverage synergies and enhance its revenues from avenues other than sugar.



## Cherat Packaging Ltd Manufacturer of Kraft Paper, Polypropylene Bags and Flexible Packaging Products

Established in 1991, it is the largest producer and supplier of paper sack and polypropylene (PP) bags to the cement industry in Pakistan. CPL also produces and provides bags to other industries such as sugar, rice and chemical etc. It also produces flexible packing material as through its state-of-the-art facilities. CPL is listed on Pakistan Stock Exchange. The Company has a production capacity of 400 million paper bags, 260 million PP bags and 12.6 million kg flexible packaging products per annum. The Company is in process of expanding its Roto printing capacity to meet increasing customer demands. CPL caters to the domestic as well as export markets and is also a recipient of the prestigious Pakistan Stock Exchange "Top Companies" Award and Management Association of Pakistan's Best Company Award several times.



## UniEnergy Limited Joint Venture for Renewable Wind Energy



#### **Zensoft (Pvt.) Ltd**

Information Systems Services Provider Specializing in Business Software Solutions

It was established in 1998 and is engaged in development of computer softwares.

The Company specializes in providing high quality business solutions.



#### **Greaves Pakistan (Pvt.) Ltd**

Providing Specialized Engineering Sales and Services

It was established in 1859 to provide specialized engineering equipment sales and services. However in 1964, the Group acquired a controlling interest in the shares of the Company and by 1981 Greaves became a wholly owned subsidiary of Faruque (Pvt.) Ltd. Greaves has the following divisions namely i) Power Generation, ii) CNG Equipment, iii) Industrial Machinery, iv) Solar Energy, v) LED, vi) Elevator, vii) Earth Moving & Construction Machinery, viii) Air Compressor ix) Fuel Dispenser and x) UPS.

#### **Greaves Airconditioning (Pvt.) Ltd**

Equipment Suppliers and HVAC Solution Provider

Commencing operations in 1975, this Company is the only HVAC solution provider of its kind and is the sole distributor of York (JCI) products in Pakistan.

It is involved in providing a wide array of services related to HVAC equipment that includes designing, installation and maintenance of central and packaged units. Moreover, it has also launched residential light air conditioning units under the brand name of Euro Aire.

#### **Greaves CNG (Pvt.) Ltd**

Retail Sales of CNG to end consumers

Greaves CNG was established in 2001 with a prime motive to install CNG facilities at the retail outlets of Petroleum Companies. It is a preferred third party investor for all major petroleum companies in Pakistan.

#### **Greaves Engineering Services (Pvt.) Ltd**

HVAC Contractors

Established in 2003, its principal activity is to provide services associated with airconditioning, installation and maintenance of central and packaged units.

#### **Unicol Ltd**

Joint Venture Distillery Producing Ethanol and Liquid Carbon Dioxide (CO<sub>2</sub>)

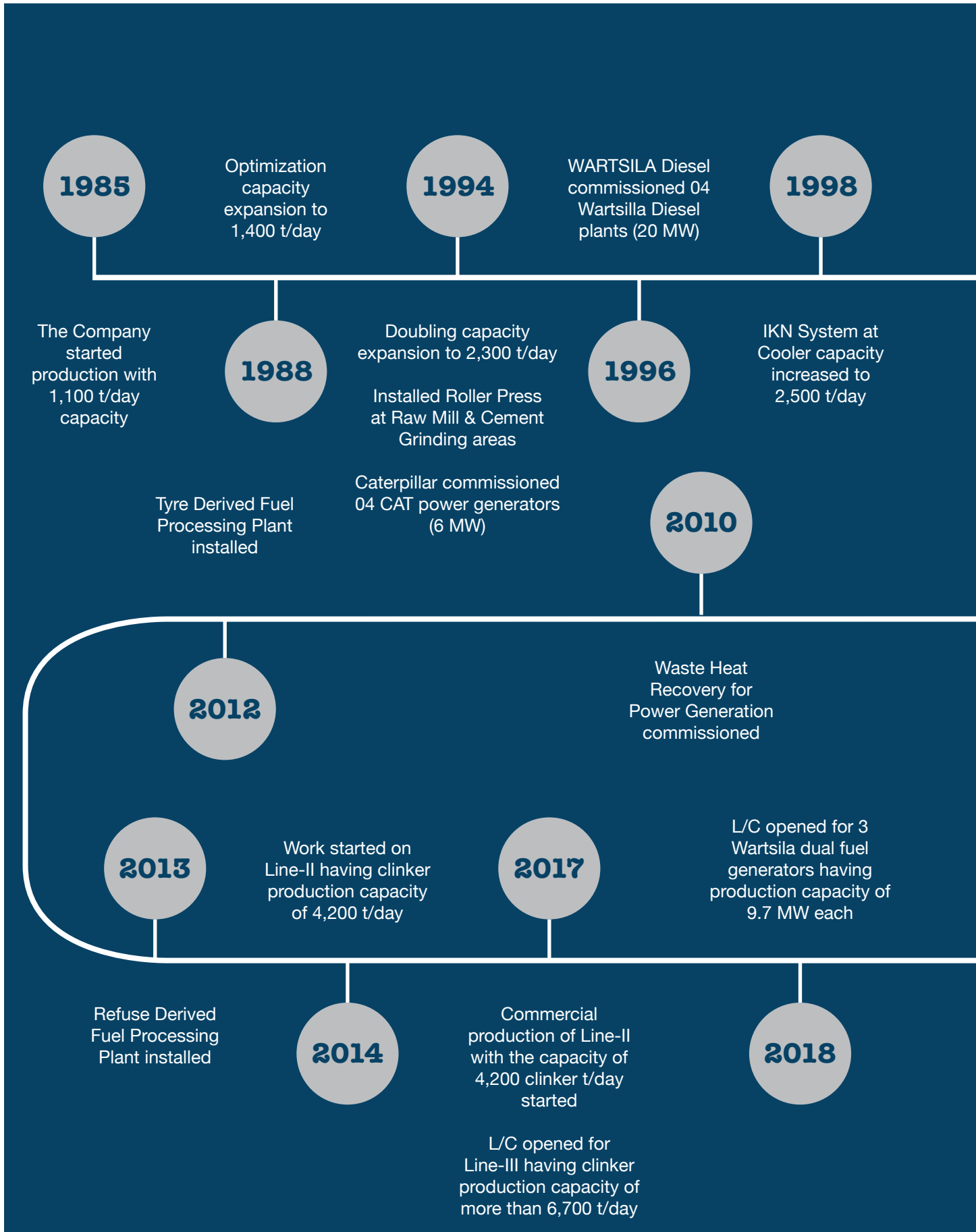
Unicol was incorporated in 2003 as a public unlisted company having a joint venture with equal shareholding between Faran Sugar Mills Limited, Mehran Sugar Mills Limited, and Mirpurkhas Sugar Mills Limited. All three sponsor companies are listed at the Pakistan Stock Exchange Limited. It is engaged in the production and marketing of the finest quality superfine ethanol being produced from molasses. Unicol produces various grades of ethanol including super fine ENA Anhydrous (99.9%), ENA (>96%), and B Grade (>92%). It is also engaged in the production and marketing of food-grade liquid carbon dioxide (LCO<sub>2</sub>). Unicol has an installed ethanol capacity of 56,000 MT per annum while LCO<sub>2</sub> installed capacity of 18,000MT per annum. Unicol exports its complete production of ethanol to various regions across the globe. Unicol is the proud recipient of the FPCCI Best Export Performance Award for 2020-21.



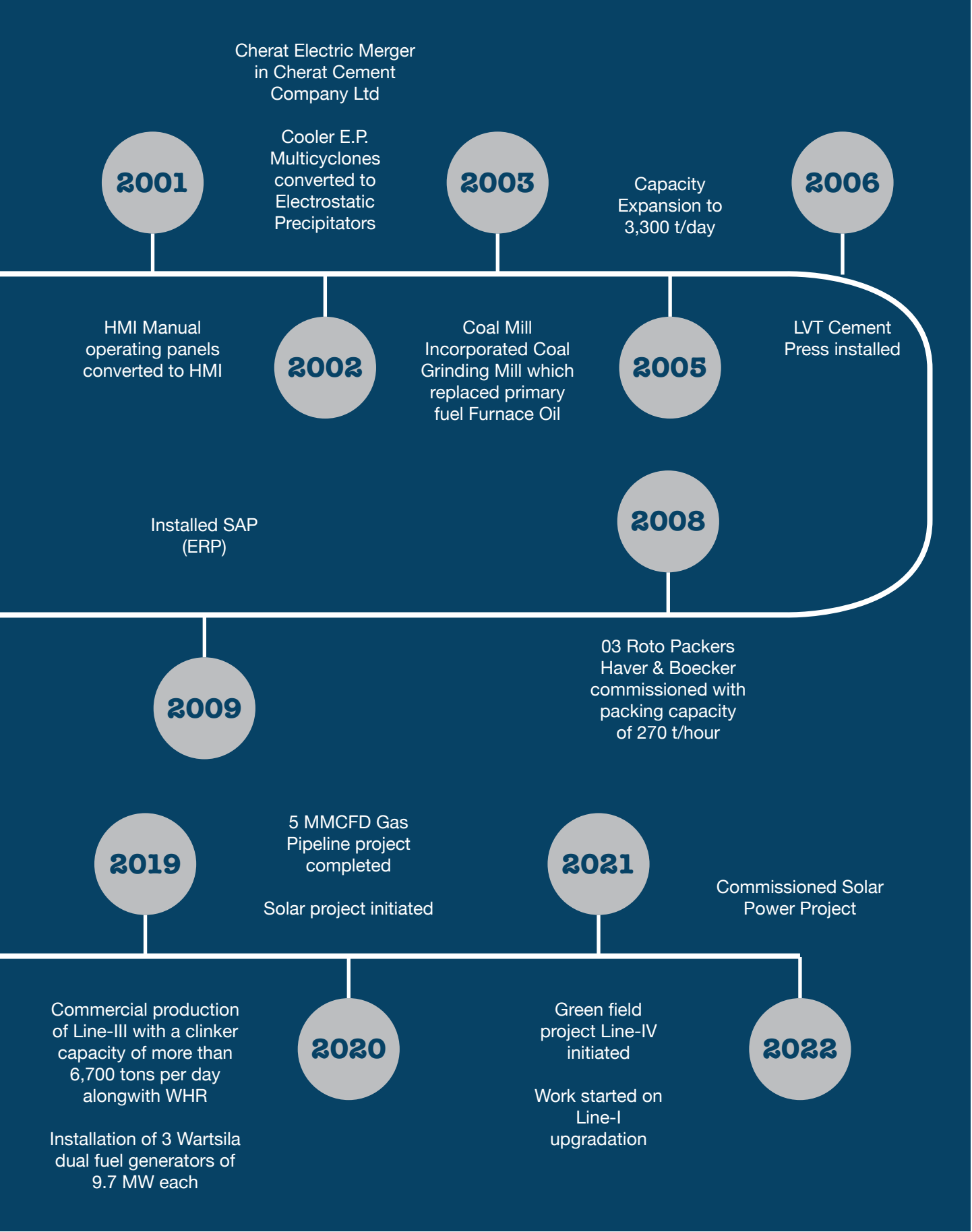
#### **Madian Hydro Power Ltd**

Joint Venture for Establishing 148 MW Hydro Power Plant.

# Our Journey at a Glance







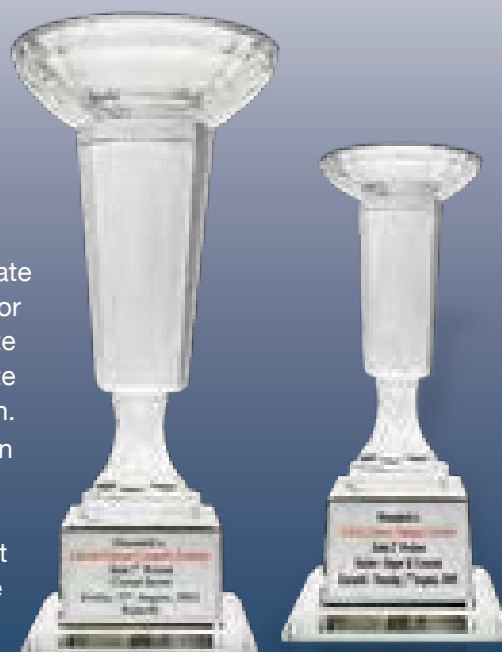
# Our National & International Recognition

These achievements show that the Company is a responsible corporate citizen and believes in transparency in the process of data gathering and timely dissemination of factual information to our valuable stakeholders.

## Best Corporate and Sustainability Report Award by ICAP & ICMAP

The Company secured first position in Best Corporate and Sustainability Report Award in the Cement sector for the financial year 2020, jointly organized by Institute of Chartered Accountants of Pakistan and Institute of Cost and Management Accountants of Pakistan. Previously, the Company also secured first position in two consecutive years i.e. 2016 and 2017.

Moreover, the Company secured 2nd position in Best Corporate and Sustainability Report Award in the Cement sector for the financial years 2014, 2015 and 2019. In addition to it, the Company secured 3rd position in 2018.



## South Asian Federation of Accountants (SAFA) Award

In recognition of the Company's endeavor for transparency in corporate reporting, the annual report of the Company for the year 2019 was nominated in the SAARC Anniversary Awards for Corporate Governance Disclosures. The event was held in Colombo, Sri Lanka in December, 2020. The Company secured Joint Second Runner-up position for Improvement in Transparency, Accountability & Governance in Corporate Governance Disclosures. Previously, the Company also secured certificate of merit for the FY 2014 and 2017.



## Pakistan Stock Exchange Top Companies Award

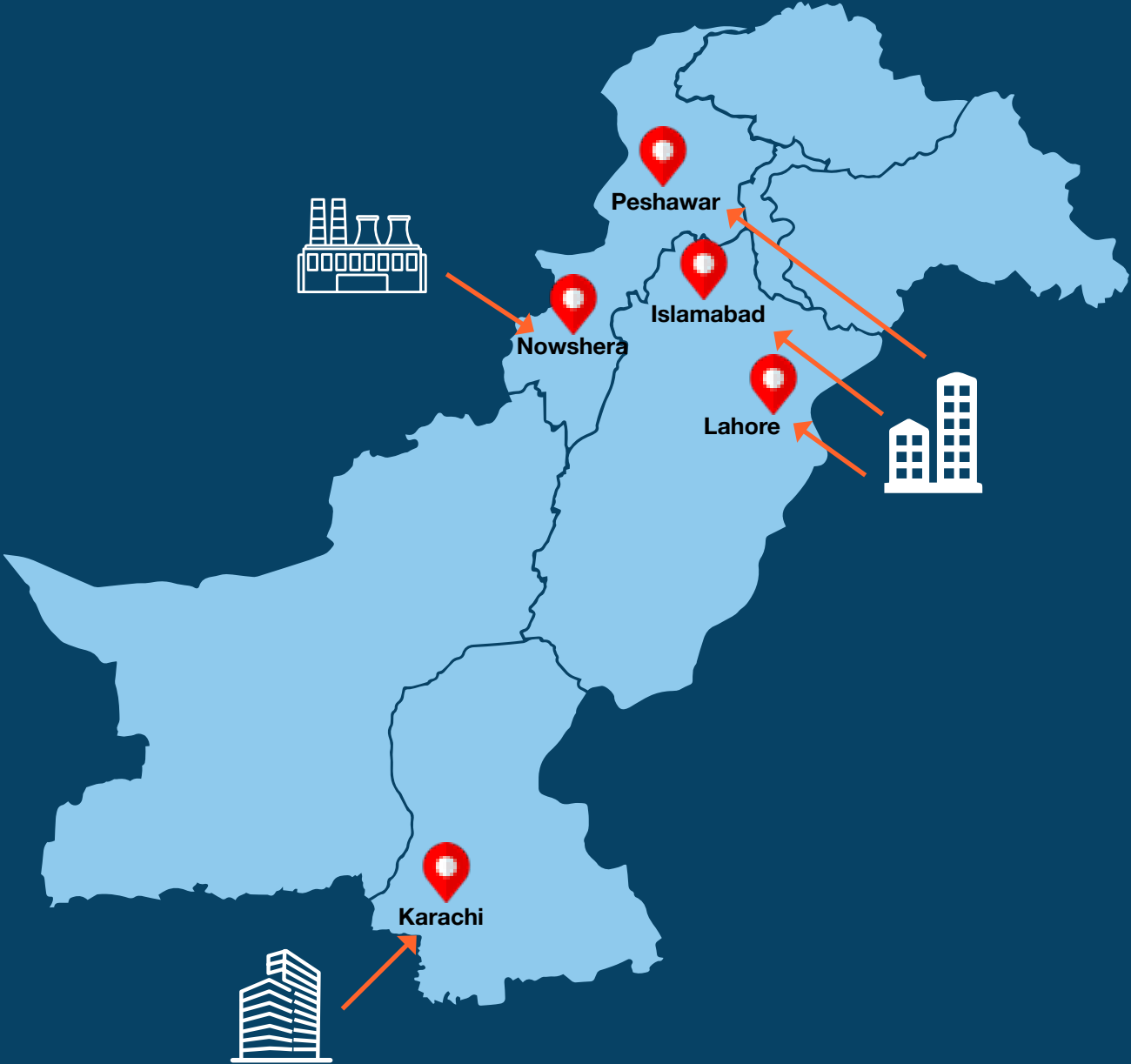
The Company's outstanding performance was also recognized by the Pakistan Stock Exchange and the Company was awarded the Top Companies Award for the year 2020 and 2014.

## Business Excellence Award

The Company was awarded with Business Excellence Award in FY 2021 presented by the resident of Sarhad Chamber of Commerce and Industry for being the winner for its exports to Afghanistan since FY 2003.




# Geographical Presence



**HEAD OFFICE**  
Karachi



**SALES OFFICE**  
Peshawar  
Lahore  
Islamabad



**FACTORY**  
Nowshera



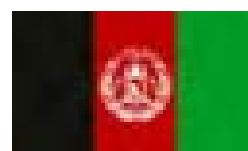
# Main Distribution



## Local

- Abbotabad
- Arifwala
- Attock
- Bagh
- Bahawalnagar
- Bahawalpur
- Bajaur
- Bannu
- Bhakkar
- Bhimber
- Bunair
- Chakwal
- Chaman
- Charsadda
- Chilas
- Chitral
- Dera Allah Yaar
- Dera Ghazi Khan
- Dera Ismail Khan
- Dir
- Faisalabad
- Gambat
- Gilgit
- Gujranwala
- Gujrat
- Hafizabad
- Hunza
- Hyderabad
- Islamabad
- Jhang
- Jhelum
- Karachi
- Karak
- Kasur
- Khairpur
- Khyber
- Khuchlak
- Khushab
- Kohat
- Kotli
- Kurram
- Khuzdar
- Lahore
- Larkana
- Layyah
- Lodhran
- Malakand
- Mansehra
- Mardan
- Mianwali
- Mirpur
- Mirpurkhas
- Mohmand
- Multan
- Muzaffarabad
- Muzaffargarh
- Muslim Bagh
- Nankana
- Narowal
- Nawabshah
- Nowshera
- Oghi
- Okara
- Orakzai
- Pabbi
- Parachinar
- Peshawar
- Quetta
- Rahim Yar Khan
- Rajanpur
- Ranipur
- Rawalakot
- Rawalpindi
- Sahiwal
- Sakrand
- Sanghar
- Sargodha
- Shangla
- Sheikhupura
- Shikarpur
- Sialkot
- Sibbi
- Skardu
- Sukkur
- Swabi
- Swat
- Talagang
- Tank
- Topi
- Vehari
- Waziristan

## Export



## AFGHANISTAN

### Main Distribution

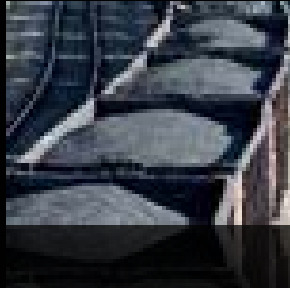
- Jalalabad
- Kabul
- Kandhar
- Khost
- Kunduz
- Mazar-i-Sharif

# Position within the Value Chain

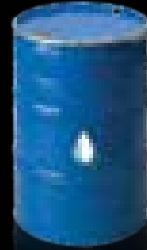
Limestone, Laterite  
Gypsum, Slate Stone



Coal



Furnace Oil



End Users



Up Stream

Retailers



Natural Gas



Supplier / Contractor



Cherat Cement Factory

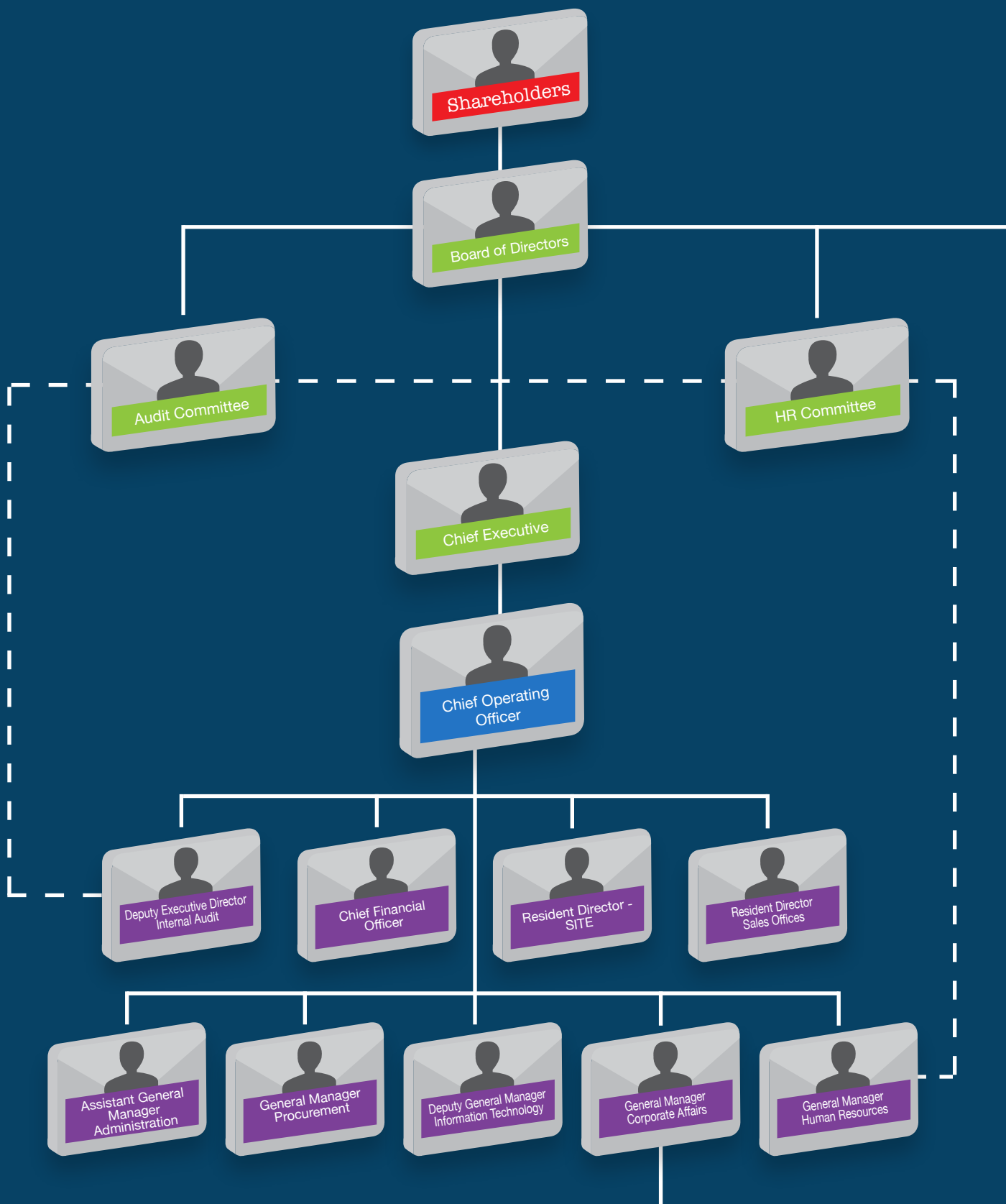


Down Stream

Transportation



# Organizational Structure

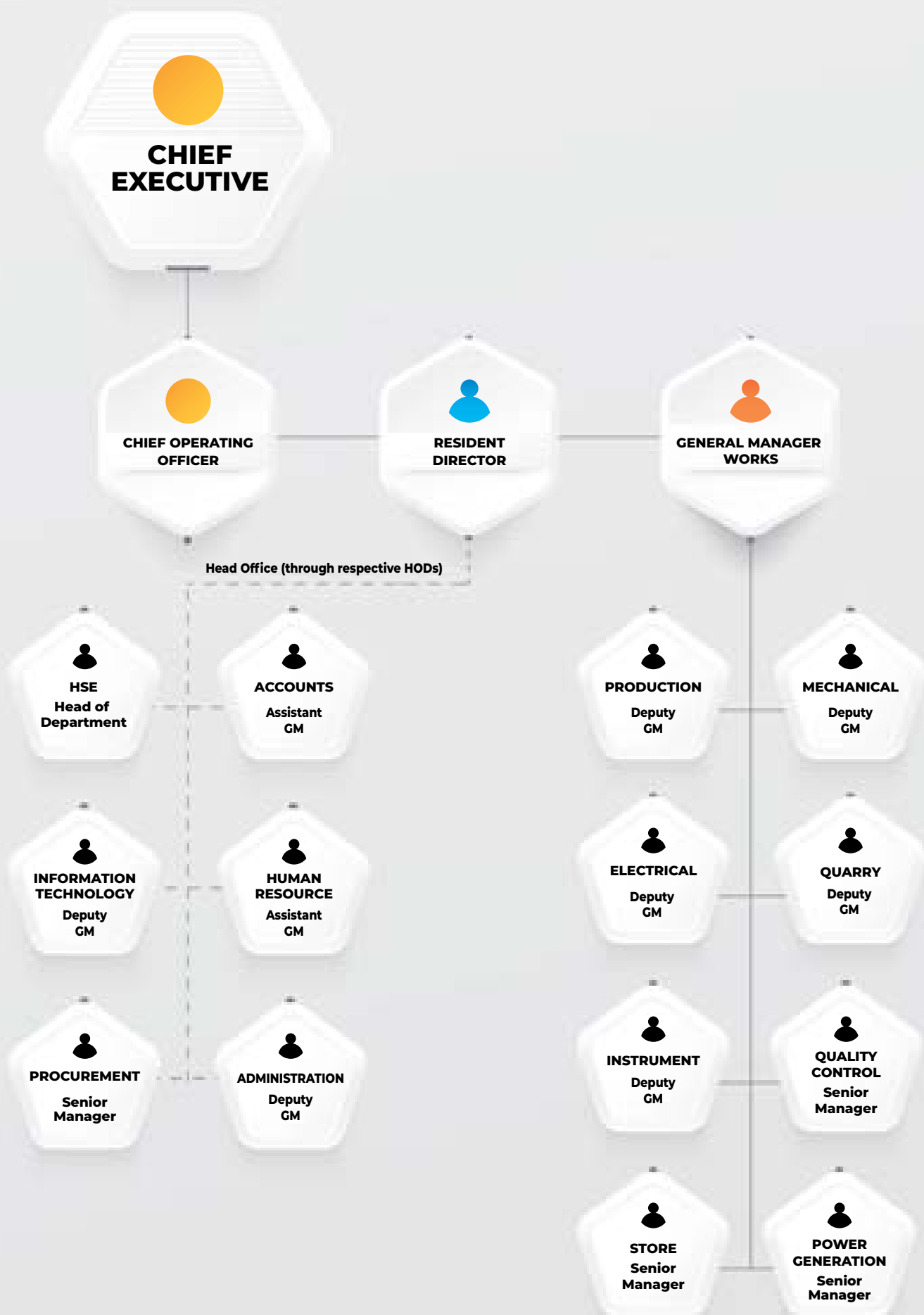


— Administrative Reporting  
 - - - Functional Reporting

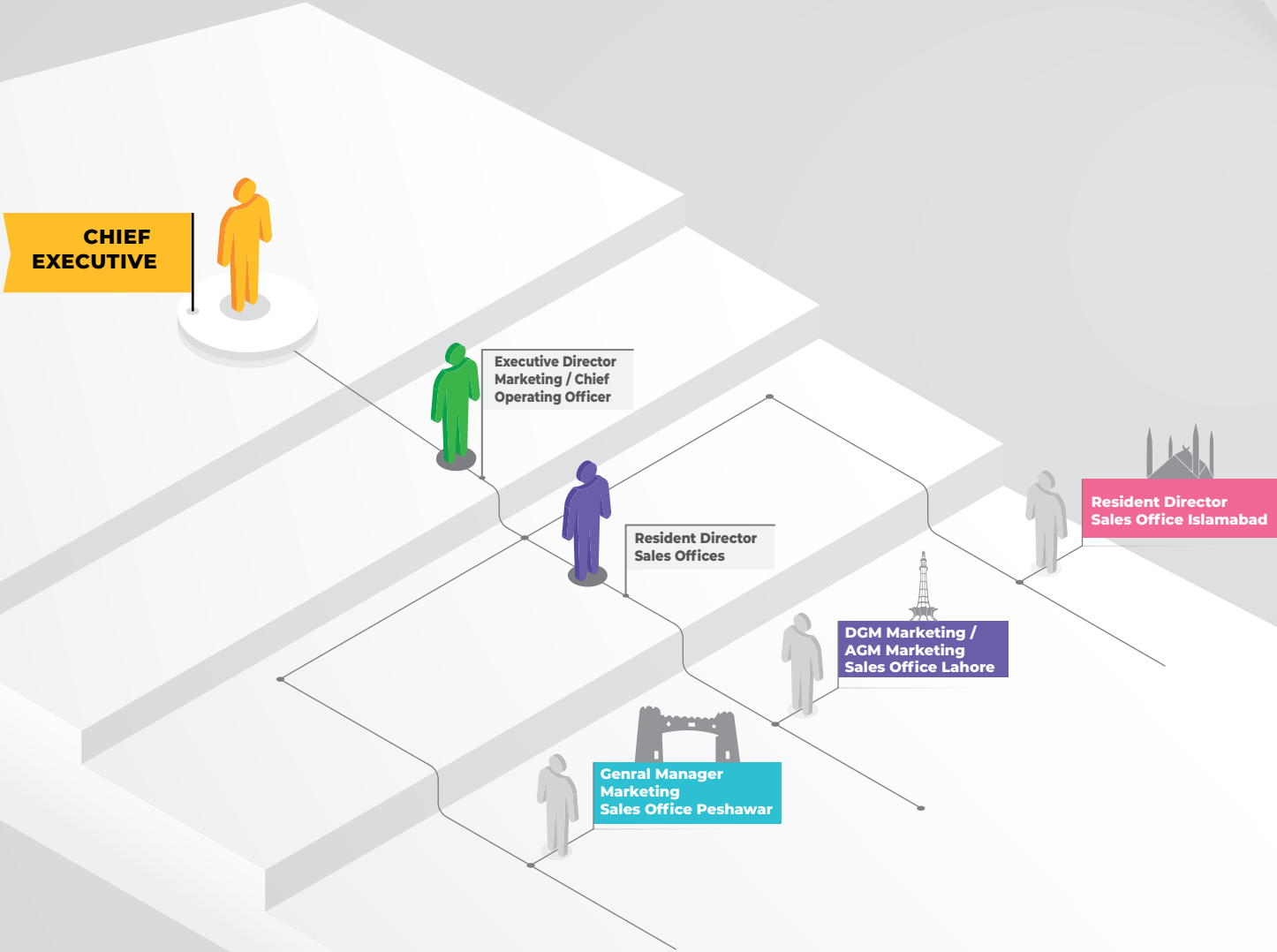




# \* Factory Site Organizational Structure



# \*\* Sales Offices Organizational Structure



# Competitive Landscape and Market Positioning

CCCL has a large distribution network serving customers throughout the Country. The vast network of cement dealers provides logistical and working capital efficiencies, while providing products to the end consumer in a timely manner.

The Company focus remains on instigating business strategies for the local market that ensure sustainability and increase in market share. The Company utilizes its resources and energies towards development of new markets and territories with the aim of being more accessible to the global construction industry and to cater to the demands of customers in local and international markets.

With a state-of-the-art production facility, it has continued to gain market share across the cement industry it operates in. During the year, coal prices were historically at high levels which is a key component of our cost. However, the Company successfully managed to control its cost by efficient mix of imported Afghanistan and local coal. Further, power cost was also controlled by using right mix of WHR, self-generation (gas and furnace oil) and National Grid.

During the year, the Company also commissioned Solar Power Project at factory site, which will

enable the Company to gain further efficiencies with respect to production process and environmental sustainability.

The competitive landscape and market positioning is explained below:

## Power of Suppliers

Suppliers hold a key position in our entire value chain due to scarcity of resources which are critical to our business. The Company has invested considerably in building resilient business relationship with our key suppliers. Our continuous growth is attributable to engaging dependable and reputed suppliers as our business partners for supply of raw material, industrial inputs, equipment and machinery in addition to supply of debt for meeting working capital and other financial requirements. Other procurements, both local and international, were made in line with the Company's approved budget.

## Power of Customers

The Company prioritizes its relationship with its customers and the trust they have in the Company. CCCL has played a major role in shaping the cement sector of Pakistan. The Company's success



and performance depend upon the loyalty of our customers, their preference of the brand and our supply chain management. CCCL has invested significantly over the years in customer relationship management going beyond extending credit facilities and rebate and commission. Focus is on customer service standards being continuously augmented, innovative solutions are being devised to make customer experiences more enjoyable, convenient and hassle-free and market competitive rates are being offered to effectively increase switching costs for customer.

### **Competition and Rivalry**

Intensity of competition within the domestic cement sector has grown significantly over the years. All major players have focused on expansion plans in order to increase market share in existing and potential market.

The Company believe in a healthy competition for maintaining market share and continuously improve the high quality standards of Cement. Most of the cement manufacturers have high fixed cost structures in terms of land, capital equipment and significant personnel related costs. This gives existing competitors a strong economic incentive to strive for market share more aggressively than if they had low fixed costs. Each additional percent of the market allows them to spread their fixed costs and brings a better net margin.

Cement players in south area of Pakistan have an edge over cement plants in north region due to availability of sea route to export oriented countries whereas cement plants in north have much higher local demand of cement in province of Punjab and KPK and have easy access to Afghanistan market for export of cement.

### **Threat of New Entrants**

There is minimal risk of a new entrant in domestic cement industry due to the fact that any new entrant to the industry would require significant financial resources for infrastructure, machinery, R&D and advertising. Further, current industry players have cost advantages that cannot be easily replicated by a potential new entrant. However, the existing players continue coming up with new capacities which increases the competition.

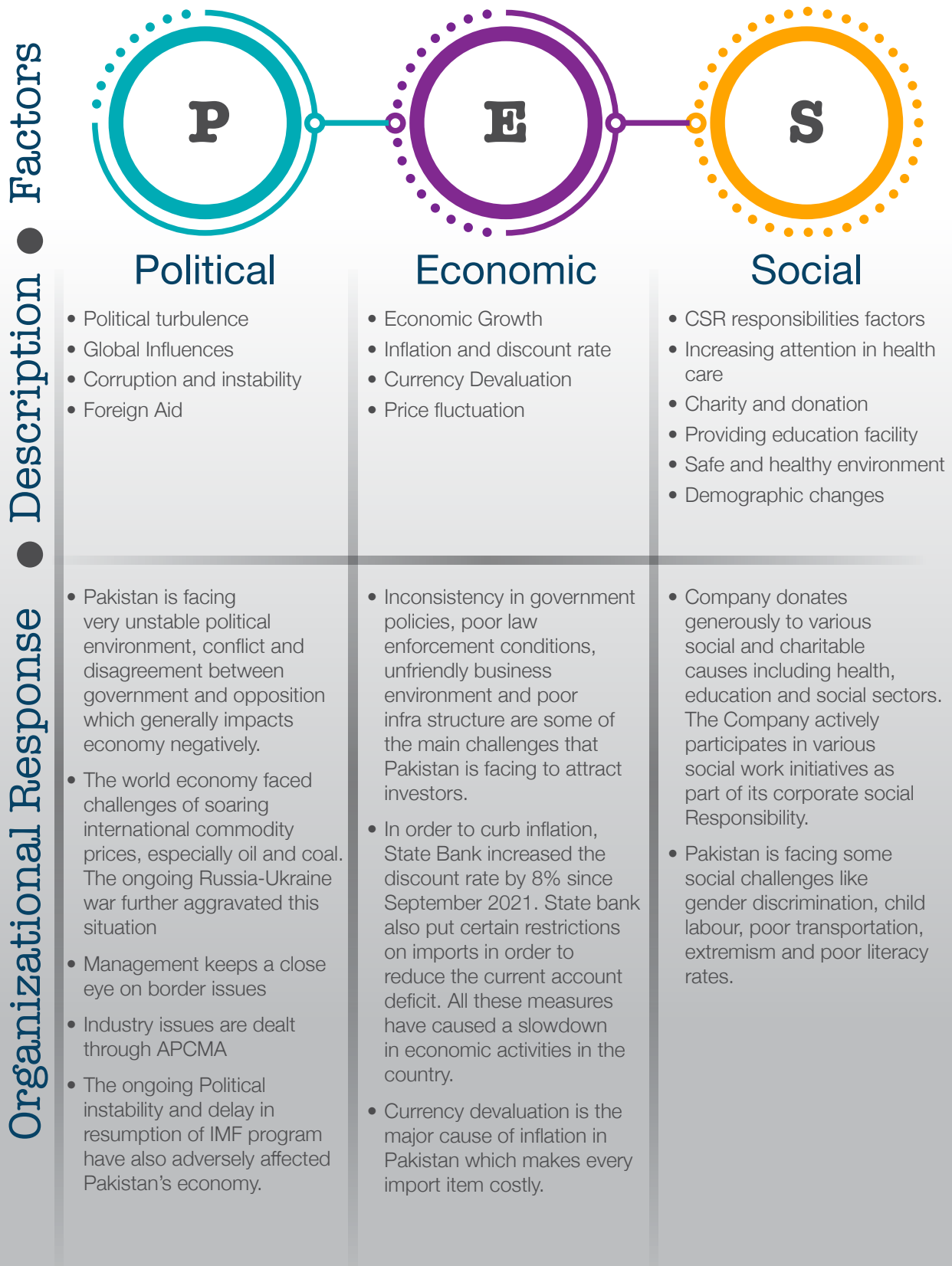
The length of time consumed to establish a significant brand loyalty and the need to adhere to strict regulatory stipulations along with access and ability to extract basic Raw Material i.e. Limestone and to set-up factory nearby is detrimental for new entrants.

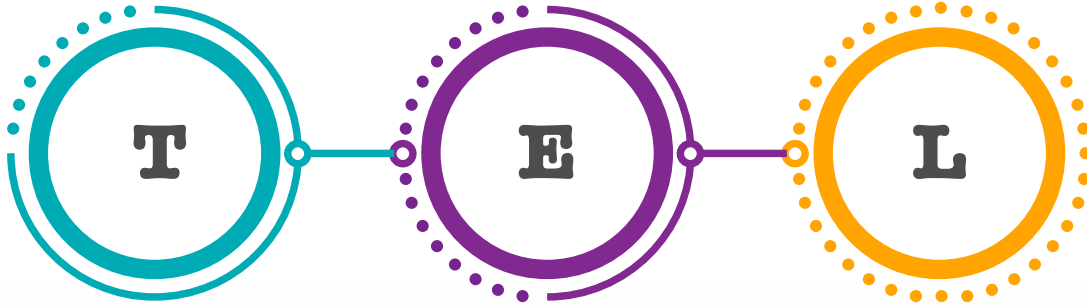
### **Threat of Substitute Products**

The nature of product is such that the risk of substitute products in the market is minimal.



# Factors Affecting the External Environment and the Organization's Response





## Technological

- Technology incentive and level of innovation
- Continuous development of information technology infrastructure
- Communication infrastructure
- New software and machinery

## Environmental

- Adverse weather condition
- Growing attention to environmental protection
- Climatic conditions
- Global warming
- Natural Disasters
- Air pollution and deforestation

## Legal

- Companies Act 2017
- Income Tax Ordinance 2001
- Sales Tax Act and provincial sales tax on services
- Pakistan Stock Exchange
- listing regulations
- Law and order

- The Company has successfully commissioned the state-of-the-art 13.05 MW Solar Power Project at the Plant.
- Company continuously invests in the software and hardware for upgradation and currently in the process of upgrading to the SAP S/4 HANA database and also implementing SAP Success Factor.
- System is equipped with Sophos Endpoint protection product that combines anti-malware, web and application control, device control, Barracuda Email Security Gateway and much more.
- Company also uses Voice over Internet Protocol (VoIP) technology that allows making voice calls using a broadband Internet connection instead of a regular or analog phone lines.

The Company has complied with ISO 14001 and NEQ Standards. The installation of WHR plants has also helped to protect the environment.

The plant is equipped with Electrostatic Precipitators and bag filter which controls dust and gas emissions which is ultimately a shield against Global warming. Further, to improve the environment, natural tree plantation on large scale has been conducted.

The Company has strongly abides all acts, listing, rules and regulations applicable on it. In this connection consistent endeavors put by the management to fulfill every legal aspect.

### Seasonality of Business:

Cement demand is normally on higher side during summer.

# SWOT Analysis



## STRENGTHS

- The Company utilises modern and efficient state-of-the-art machinery, which includes WHR, gensets, and Solar Panels
- Our plant is at an ideal location, close to Afghanistan border, which makes our exports cheaper in relation to freight costs.
- The Company employs a skilled workforce having very low employee turnover, which makes our production process efficient.
- Cherat Cement along with its group companies is well diversified in various sectors, i.e. Packaging, Sugar, Ethanol, Airconditioning and Generators, thus making a strong and well established portfolio of the group.
- The ideal location of Plant makes it easier to access raw materials and close to quarries making the production process efficient.
- Our well-established relations and trust levels with customers, vendors and transporters is reflected in the form of enhanced Sales and strong operating performance throughout the years.
- The Company is pioneer in establishing world's renowned SAP system in the Cement industry, which makes our systems, process and controls highly efficient and readily available. Furthermore, it aims to improve its system by migration to S/4 HANA database.

## WEAKNESSES

- Freight distribution cost is higher due to remote location of KPK especially to bigger market of Punjab.
- The Company sells only a single variant i.e. Ordinary portland cement. However, it can consider selling new variants of cement as well as clinker in the future, after commissioning of Line-IV.

## OPPORTUNITIES

- The China-Pakistan Economic Corridor initiative remains a great opportunity for long-term growth of the industry.
- With the increasing production capacity, there is a potential to tap into the international market with neighboring countries as primary target.
- Government's initiative on Housing schemes is a key potential for the Company's future orders.

## THREATS

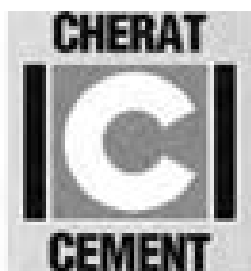
- Growing pressure on prices due to rising input costs on account of increase in gas, coal and other fuel prices coupled with devaluation of PKR currency puts pressure on the growth of local sales volumes in the short-term. However, growing export demand on the back of favorable market dynamics and PKR devaluation is expected to substitute such slow-down in growth of local sales with growing export volumes, thereby mitigating such risk.
- Political instability in the country may affect and defer Government spending on construction projects, which are potential projects for the Company.
- Recent announcements of new production lines by the competitors, can affect our market share. However, our high quality cement and strong reputation in north zone can reduce the threat.



# ERP upgradation to meet modern business essentials

Cherat Cement always made sure to match the pace of technological advancement. It can be seen in its production facilities and implementation of world renowned ERP, SAP. The SAP was implemented in the year 2009. It was upgraded and reconfigured from time to time as per the changing needs of the Company. Since SAP has announced that it will stop providing support for the legacy ECC System, the Company had to take this inevitable decision timely. Moreover, viewing the promising potential of SAP S/4 HANA, the Company decided to convert its existing system to SAP S/4 HANA sooner then later. The Company has engaged a renowned SAP consultant for the project. It is the first such migration project on cloud in Pakistan. The major benefits of this conversion are detailed below:

- **Simplification:** Simplicity is one of the key features of SAP S/4 HANA application. It brings about great simplification to the management and administration of the IT landscape. It allows the centralizing of hardware and network resources, and serves as the digital core for business processes.
- **Cost Effectiveness:** As far as cost efficiency is considered, it brings together all the analytical and transactional capabilities of a variety of systems onto one location. This enhances the decision making process immensely. It also enables to provide better service for customer-centric applications
- **Innovation:** The company wants to stay ahead of the curve and make decisions that are future ready. SAP S/4 HANA sets the stage for future innovation as the technology is evolving rapidly, which means merely 'keeping up' doesn't connect it anymore. The new system is expected to go-live by October 2022.



## Significant Development and Changes from Prior Year

- The Company is in the process of purchasing factory land, mining leases, technical feasibilities and certain NOCs from Saif Cement Limited in order to install a new Cement line at D.I. Khan and now in the process of transferring lease titles to its name.
- 13.05 MW Solar power project has been commissioned which will minimize power cost by replacing costly electricity from the national grid and it will help conserve natural resources.
- The Company has started work on the upgradation of Line-I and the installation of a single line crusher under the SBP TERF scheme. A significant portion of machinery pertaining to the projects has been delivered and installed at factory SITE.

## Legitimate needs, Interest of Key Stakeholders, Industry trends

The company take into consideration concerns of all major stakeholders while planning and implementing new policies/procedures, expansions, or significant events keeping in view past trends of major players in cement industry. In addition to it, all the needs / decisions are made within boundaries of applicable rules and regulations of different authorities.



## Political Environment where organization operates

The political environment has an impact on the ability of any organization to implement its strategy. Political uncertainties negatively affect consumers, businesses, investors, financial markets and economic policymakers. Long-term political instability has obstruct Pakistan's economic growth the most. Political compulsions under these circumstances have led to short-term macroeconomic policies and a more frequent change of policies than is desirable. The economic challenges facing the country including depleting foreign exchange reserves, soaring inflation and increasing interest rates lead to reduced Government's spending on infrastructure development and slowdown in economic activities. Accordingly, political instability on a domestic level together with economic challenges has an impact on Company's business, where the cement demand contracts in the face of sluggish construction activities.

On a global level, Russia-Ukraine conflict has led to a commodity super-cycle, where the prices of various fuels have increased significantly. This has an impact on the Company's input costs which have increased significantly.

Following to withdrawal of NATO Forces from Afghanistan the political scenario is volatile which lead to decline in exports of the Company being its main export market. However, the strategic placement of its factory in Nowshera, which is close to the Afghan border and the brand value of Cherat within Afghanistan has helped us retain our position as top exporter of cement to Afghanistan.

## Legislative and Regulatory Environment

The Company firmly believes and confirms that its compliance of all the statutory legal requirements is in line with the relevant and applicable provisions of law and regulatory framework.

Applying all relevant and applicable legal and regulatory requirements is constantly improving our strategies, goals and achievements. Furthermore, for the purposes of good corporate governance, the Company is continuously striving to improve its legislative and regulatory environment for its workers, stakeholders, and business operations.



# Strategy and Resource Allocation

- 53 Strategic Objectives and Strategies in Place
- 53 Short, Medium & Long-Term Objectives
- 54 Management Strategies and Resource Allocation Plans
- 56 Competitive Edge
- 57 Value Created by the Business Using These Resources and Capabilities
- 58 Key Performance Indicators
- 59 Methods and Assumptions in Compiling Indicators
- 59 Effect of technological changes, societal issues and environmental challenges
- 60 Specific Processes Used To Make Strategic Decisions & To Establish & Monitor The Culture of the Organization Including Its Attitude To Risk And Mechanisms for Addressing Integrity and Ethical Issues
- 61 Significant Changes in Objectives and Strategies from Prior Year
- 62 Liquidity and Financial Capital Structure
- 62 Significant Plans and Decision
- 63 Business Rationale for Major Capital Expenditure



# Strategic Objectives and Strategies in Place

In order to create value creation for all the stakeholders, Cherat Cement Company Limited primarily focuses on its strategic priorities which aims to continuous sustainable development, growth and cost efficiencies. The Company has constantly been striving to improve efficiency through continuous innovations, process modernization, optimizing its capacity utilization and better use of available resources. The Company endeavors to maximize the shareholder's wealth by maximizing profits.

Based on dynamic business environment, corporate strategic objectives and their implementation strategies are developed and executed professionally. There is no significant change in the strategic objectives and strategies of the Company, however,

some new strategic initiatives related to the strategic objectives have been included in strategic Plan. The Company also aims to create long-term sustainability through grooming its human capital through a congenial work environment and motivation to result high standards output.

The Company also intends to optimize its management processes, exploring of new markets, cheaper energy options, plant modernization, achieve higher-level customer satisfaction and market penetration. Further, the Company also planned for its business expansions through green field project and being remain complied with national and international standards on quality and manufacturing.

## Short, Medium & Long-Term Objectives

Following are the main strategic objectives of the Company:

### **Short-Term Objectives:**

- Effective capacity utilization of production facilities
- Efficient use of available resources

### **Medium-Term Objectives:**

- Effective marketing and Increase in market share
- Optimization of management processes and adoption of latest technologies
- Modernization of production facilities
- Effective and efficient use of Captive Power Gensets through gas

### **Long-Term Objectives:**

- Explore further energy alternatives and planning for cost reduction
- Increased production capacity through green field projects
- Implementation of sustainability development goals and community development
- Implementation of effective HR solutions and development of human capital

# Management Strategies and Resource Allocation Plans



## **Business Strategies**

The core objective of our management is to achieve excellence in business where our venture may be regarded as amongst the best blue-chip stocks in the country.

## **Stakeholders' Values**

To achieve our objectives, the management strategically strives to enhance stakeholders' value and customer satisfaction. The stakeholders' value is maximized through returns on investments, which management believes can be achieved through revenue maximization and cost control measures.

## **Marketing Targets**

The tone of our business is set by the marketing targets and budgets, which are intensely designed by the management to achieve the highest possible returns. The management has constantly been working for the growth of the Company. Keeping in view of the increasing market demand in the upcoming years, the Company has planned to commission its fourth production line at Dera Ismail Khan, KPK province for which the Company is in the process of acquiring land, mining leases, technical feasibilities and certain NOCs etc.

## **Cost Controls**

Cost is effectively managed by following energy conservation measures through the use of Waste Heat Recovery, alternate fuels and partial commissioning of solar project resulted in dilution of power cost. Moreover, the Company has already installed 3 Wartsila dual-fuel Generators of 9.7 MW each having capacity to run on gas, diesel and furnace oil. We have also

installed Descon boilers for generation of electricity by using gas emitted from Wartsila generators. Our new plant Line-III is state of the art technology and most economical in terms of energy consumption. Our reliance on national grid has increased as we have generated 87% of required electricity from our own sources this year (2021:94%) due to gas curtailment /suspension. In addition, the Company uses a combination of both imported and local coal in order to keep the fuel costs low.

## **Efficiencies**

We are successful in reducing our cost moderately during the year through strict controls and effective management. During the year, coal prices increased drastically which is the key component of our cost. However, the Company successfully managed to control its cost by an efficient mix of imported and local coal. Further, power cost was also controlled by using right mix of self-generation including generations from WHRs, Solar Power Plant, Wartsila Generators and National Grid.

## **Financing Facilities**

Cherat Cement Company Limited maintains cordial relationship with all the reputable banks and financial institutions of the Country. Adequate unutilized short-term financing facilities are available at the Company's disposal. Moreover, the Company has financed Line-III through syndicated Diminishing Musharakah and term finances are obtained to finance WHR Plant for Line-III and Captive Power Plant. Whereas Company also took benefit from the State Bank of Pakistan's (SBP) refinance schemes and has obtained the finance for Balancing, Modernization and Replacement (BMR) of





Line-I under SBP's Temporary Economic Refinance Facility (TERF) and Solar Power Plant under SBP's Islamic Financing Facility for Renewable Energy (IFRE).

### **Human Capital**

Developing our people is important to us. Human capital is an asset and plays an important role in our success. Our Core Values, Code of Conduct and HR policies provide an outline which serves as a guiding force for the whole organization. The Company gives key consideration to Human Resource Management. A full fledged HR department is established which is supervised by HR & RC of the Board of Directors.

### **HR Excellence**

Approved HR policies are in place. All the HR functions are integrated where the employees' performances are evaluated based on SMART goals. Moreover, Training Need Assessment (TNA) is effectively in place where in-house and external trainings are arranged at all management levels. Further, eligible employees receive Service Awards based on their performance and length of service. The Management's objective is to recognize and reward employee's contribution to the business. Moreover, the Company has effective succession planning system in place. These processes help the availability of high quality workforce which plays a vital role in achieving day-to-day targets and tactical and strategic objectives of the Company.

### **SAP**

We take pride in being Pakistan's first cement Company having the world's largest ERP, 'SAP' in place. The Company carried out one of the fastest implementation of SAP in Pakistan. The use of SAP

helps management implement better internal controls and employ best business practices. During the year, the Company has initiated to migrate its existing system to SAP S/4 HANA, as well as integration of HR Success Factor Module to keep up with upto date efficient system and controls.

### **Effectiveness**

Effectiveness of internal controls is ensured through active Internal Audit Department, which independently recommends its suggestions to the Board's Audit Committee. On all constructive suggestions, the Management takes corrective actions immediately.

### **Raw Material**

The Company has the benefit of lease of limestone mountain chains near plant location which has enough reserves for an extensive number of years.

### **Customer Satisfaction**

Another prime objective of the management is customer satisfaction for which management takes every step to ensure high quality customer care and product quality. For this purpose the Company has obtained certification of Quality Management System (QMS) system ISO 9001: 2015 and Environment Management System ISO 14001: 2015.

### **Social Responsibilities**

Being a responsible corporate citizen, the Company is committed to continuous improvements in safety, health and environment protection measures. The Company has earned great respect and appreciation through continuous and generous donations to social and charitable causes including towards health, education and social sectors.

# Competitive Edge

## SAP Enterprise System

“Being the pioneer in establishing SAP system in the Cement industry, the Company functions as the foremost in the digital world with efficient process and controls. Business processes are fully integrated in the system throughout the company at all locations. The Company undertakes various initiatives on a regular basis, including reviews by external consultants to ensure that the SAP functionalities are configured on an optimal basis, to allow its users to derive maximum benefits. The Company regularly generate customised reports as required by departmental personnel from time-to-time, making the best use of technology and modern systems.

In order to keep up with upto date efficient system and controls, the Company has initiated to migrate its existing system to S/4 HANA database, as well as implementation of certain modules of HR Success Factor.

## Diversified Business

Cherat Cement alongwith its group companies is widely diversified in various business sectors, including Packaging, Sugar, Ethanol, Airconditioning

and Generators. Thus making a strong diverse business portfolio, thereby enabling the Company to make best use of resources within the group, providing healthy returns to the parent company and being able to face-off business risks with diversified group.

## Energy Efficient And Cost Minimisation

The Company utilises modern state-of-the-art technology and machineries including WHR gensets, captive power plant which assists in achieving the Company's objectives to utilise its scarce resources in cost-efficient. Furthermore, the Company have installed Solar panels at its Site to enable further cost savings.

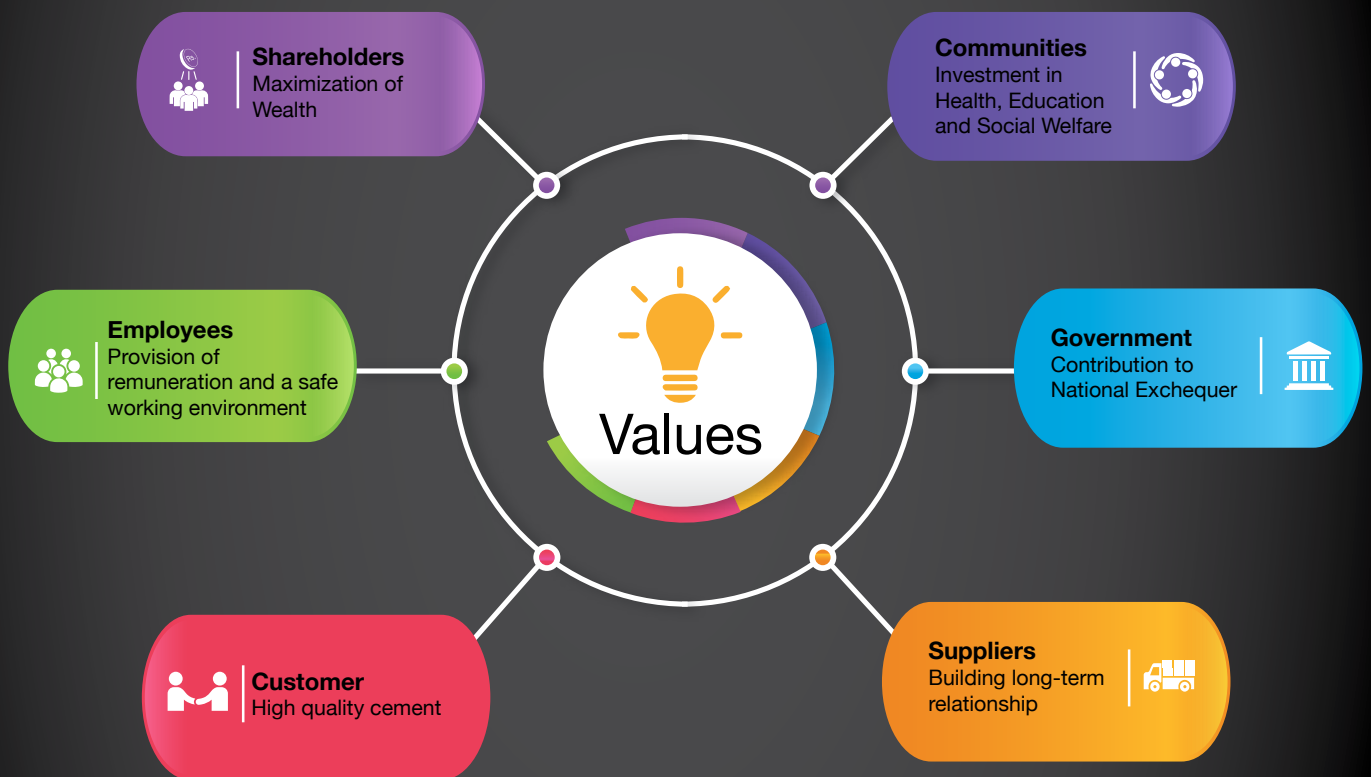
## Ideal Location for Exports

Our Plant is located very close to Afghan border, which makes our exports cheaper in relation to freight costs. Furthermore, raw materials i.e. Limestone are easily accessible at our Site, which minimises our costs, thereby giving us a competitive edge.



# Value Created by the Business Using These Resources and Capabilities

By using these resources and capabilities, Cherat Cement creates value for its stakeholders in the following manner:



# Key Performance Indicators

Turnover

**32,085**

(Rs. in Million)

Increased by

**27%**



Gross Profit

**8,951**

(Rs. in Million)

Increased by

**33%**

Profit After Tax

**4,456**

(Rs. in Million)

Increased by

**39%**



Earnings Per Share

**22.93**

(Rs)

Increased by

**39%**

Cement Dispatches

**3,552**

(Tons in '000)

Decreased by

**10%**



Wealth Distributed

**44,254**

(Rs. in Million)

Increased by

**23%**

Fixed Assets Turnover Ratio

**1.16**

(Times)

Increased by

**18%**



Afghanistan Export Market share

**32%**

(in percentage)

Increased by

**37%**

# Methods and Assumptions in Compiling Indicators

A Key Performance Indicator (KPI) is a measurable value that demonstrates how effectively a company is achieving key business objectives. Organizations use KPIs at multiple levels to evaluate their success at reaching targets. High-level KPIs may focus on the overall performance of the business, while low-level KPIs may focus on processes

in departments such as sales, marketing, HR, support and others. Cherat Cement Company Limited has identified and updated KPIs that are critical to its business. While identifying KPIs, the Company analyzed various indicators, their interpretations and accordingly their extent to which they may correctly and clearly communicate the Company's performance.

## Effect of technological changes, societal issues and environmental challenges

### **Technological changes:**

Cherat Cement has strategically taken several initiatives for digitalizing its various processes so as to bring efficiencies and avoid redundancies. The Company not only ensures that it acquires latest technologies and tools for its expansion projects, it also implement/replicate the newer technologies for its earlier plants as well. These investments in technology allows the Company to reap benefits in terms of efficiencies and lower costs.

### **Societal issues:**

Cherat Cement believes in giving back to the society and accordingly the societal issues relating to education, health and poverty alleviation are part of its strategic plans. While for the employees, the Company has adequate health, safety and environment related policies and procedures; for the society at large, Company takes part in various philanthropic activities, capacity building programs, vocational training programs, sponsorship of schools, scholarships, special clinics and other health related initiative.

### **Environmental challenges:**

Cherat Cement acknowledges that our environment faces several problems, and many of these seem to be worsening with time. The issues which arise because of environmental challenges pose various threats to our planet and impact every individual. It is therefore increasingly important to raise awareness of the existence of these issues, as well as taking practical steps to reduce their negative impact. Climatic changes, poor air quality, deforestation, waste disposal, carbon emissions and water scarcity are the major challenges which create a hindrance in achieving the strategic objectives of the Company.

# Specific Processes Used to Make Strategic Decisions and to Establish and Monitor the Culture of the Organization Including its Attitude to Risk and Mechanisms for Addressing Integrity and Ethical Issues

The Company has structured processes for operating its business and strategic decisions making with involvement of higher level of management. The Board of Directors of Cherat Cement Company Limited is involved in the strategic decision making process, assessment of risks and reviewing the steps to mitigate and manage the risks then approves for implementation.

Management Committee is involved in the strategic decision making process with the assistance of key team members. For any strategic decision making, the very first step is to identify problem or an opportunity and information gathering and further to evaluate. Different options are evaluated and among them the best possible option is identified based on set criteria. Finally, after all above steps, decision is implemented and monitored.

The Company promotes a culture of high values with excellent work environment and rewards to its employees on the basis of their performance appraisal, innovation, excellence and ethical behavior. The Company's hiring policy is transparent.

It hires and retains top talents regardless of their gender, caste, age, religion etc. The Company has implemented a transparent system of performance evaluation, where the employees' performance is appraised on the basis of achievement of their SMART goals. The employees are given feedback and their training needs are identified.

To inculcate the organizational culture in the employees, the Company also established cultural values and a Code of Conduct for its employees which caters variety of matters pertaining to employees' conduct which is discuss in detail under the heading Code of Conduct of this Annual Report. The Company also conducts refresher courses on the Code of Conduct.

The Company has developed a detailed simple whistle blowing policy for addressing integrity and ethical issues which is explained under the heading of Whistle Blowing Policy section of this Annual Report.

## Significant Changes in Objectives and Strategies from Prior Year

There is no material change in Company's objectives and strategies from the prior years. However, due to current economic situation and competition in the market, the Company is focusing on increasing its

market share and to take competitive edge through minimizing costs by taking effective cost saving measures as described under the heading 'Forward Looking Statement'.



# Liquidity and Financial Capital Structure

The Company designs its capital structure to take advantage of the opportunities and makes adjustment to it, in light with changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares. Long-term debts are only utilized to finance the capital expenditures. For working capital requirements short-term financings are available to adequately maintain the debt and equity ratio throughout the year. Enhanced sales have considerably supported the liquidity position of the Company. Healthy cash flows and prudent liquidity management aids the Company to achieve a current ratio 1.06 which reflects its strong liquidity position.

## Liquidity Strategy

The Company has prudent liquidity management policy in place. Under this policy the Company finances all of its capital expenditures through long-term financing facilities. During the year, the Company has obtained Temporary Economic Refinance Facility (TERF) amounting to Rs. 1,863 million offered by State Bank of Pakistan (SBP) at extremely competitive rates from three banks for Balancing, Modernization and Replacement (BMR) for Line I, also the Company has capitalized its Solar Power Project obtained under Islamic Financing Facility for Renewable Energy (IFRE) at extremely subsidize rates from SBP. The Company monitors its liquidity position vigilantly and utilizes any excess liquidity in the most optimized manner by paying off relatively expensive financings. In order

to meet the working capital requirements, the Company has arrangements with commercial banks in form of short-term financing facilities of Rs. 5.7 billion. Out these facilities, Rs. 1.4 billion are against Islamic mode of financing, which includes Running Musharakah, Murabaha and Istisna. Management has a practice of continuous monitoring of cash flows on daily basis and is in finalizations of enhancing its short-term financing facilities to cater its future working capital requirements amounting to Rs. 10 billion.

The Company's credit rating has been improved during the year from A to A+ in Long-term and maintained at A1 for Short-term. A+ in Long-term denotes high credit quality with low expectation of credit risk and the capacity for timely payment of financial commitments of the Company is considered strong. Whereas, A1 in Short-term denotes a strong capacity for timely repayment. High credit rating is the evidence to the credit worthiness of the Company and its efficient cash flow strategies to meet its financial obligations.

## Financing Arrangements

Due to strong financing standing and sound financial management, the Company enjoys good business relationship with all reputable banks and financial institutions of the Country. The Company has abundant unutilized short-term financing facilities, under conventional and Islamic modes, to meet its short-term working capital requirements.

# Significant Plans and Decisions

The Board of Directors in its meetings approved following significant plans and decisions from time to time:

## Green field cement plant

- Keeping in view of cement demand in upcoming years, the Company has decided to establish its fourth production Line (Line-A) as part of its long term strategic plan. For this purpose, the Company is in the process of acquiring land from Saif Cement and started construction of boundary wall.

## Implementation of SAP S/4 HANA and Success Factor

- In line with automation of systems and processes of Human Resources, the Company has successfully implemented 2 modules of SAP success factor. Additionally, state-of-the-art ERP, SAP S/4 HANA is under implementation process and is expected to complete by October 2022.



# Business Rationale for Major Capital Expenditure

The Board of Directors of the Company continuously evaluate and analyze new business opportunities and projects and pursue them aggressively. The Board is authorized to incur capital expenditure in line with the business requirements of the Company.

## Growth

Cherat Cement Company Limited is a growth-oriented Company. It grew multifold over the years, especially during the last decade when Company installed World's largest ERP i.e. SAP. The Company invested in state-of-the-art machinery like Solar Panels, WHRs, Refused Derived fuel, Bio-Mass, Wartsila Generators, Solar Power Project, and Waste Heat Recovery plants. The Company also enhanced production capacity from 3,300 tons / day clinker to 14,400 tons/day clinker by installing production lines II and III.

## Current Year Expansion

In continuation with the past year's growth, the commissioning of the Solar Renewal Energy Project

has been completed in line with cost controlling measures. This will not only help in lowering our power cost but will also save precious foreign exchange by replacing imported fuel.

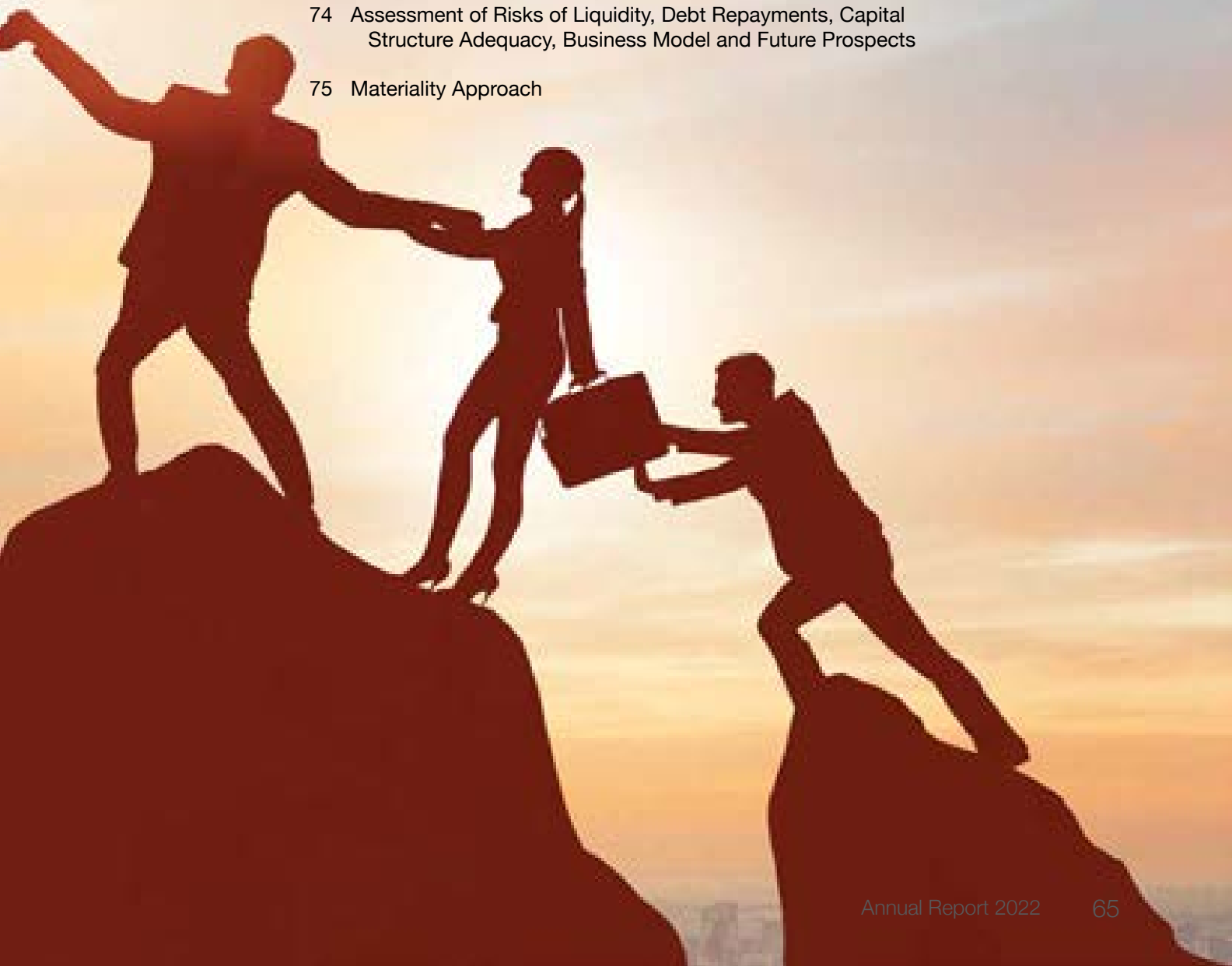
## Future Expansion

Keeping in view of cement demand in upcoming years, the Company has decided to establish its fourth production Line IV in DI Khan as part of its long term strategic plan. For this purpose, the Company is in the process of acquiring land from Saif Cement and started construction of boundary wall. This will result in increase in market share of the Company and will benefit the Company and Shareholders. Proximity to lower Punjab and Baluchistan will substantially save logistics cost for the Company.



# Risks and Opportunities

- 66 Risks and Opportunities
- 66 Risk Management Framework and Methodology
- 66 Key Risks and Opportunities of Capitals
- 67 Risk and mitigating strategies of the company
- 71 Opportunities
- 73 Initiative taken by management to promote and enable “INNOVATION”
- 73 Determining level of risk tolerance and establishing risk management policies
- 73 Capital structure and assessment of its adequacy
- 74 Assessment of Risks of Liquidity, Debt Repayments, Capital Structure Adequacy, Business Model and Future Prospects
- 75 Materiality Approach



# Risks and Opportunities

The board of Cherat Cement Company Limited (CCCL) principally assumes the responsibility to mitigate all possible risks and to identify and utilize potential events that may affect the Company. This principle keeps the Company within its risk appetite and helps to achieve its corporate objectives.

## Risks

CCCL is susceptible to various risks, however, through comprehensive planning and an acute business understanding of the management, the Company continues to identify and mitigate actual, potential and perceived risks. The Company maintains an established control framework comprising clear structures, authority limits and accountabilities, well implemented policies and procedures and budgeting for review processes.

The Board of Directors of the Company establishes corporate strategy and business objectives. Moreover, the Board's Audit Committee is responsible for Internal Control in the Company. The Internal and External Auditors' reports are submitted to the Audit Committee for its review, which after detailed deliberations and with improvement suggestions are submitted to the Board of Directors.

## Risk Management Framework and methodology

Risk is an inherent part of business activities of the Company. The Company executes its risk strategy and undertakes controlled risk-taking activities within its risk management framework. The Company actively drives the risk management framework. The Board of Directors of the Company remain watchful in identifying potential risks to which the Company is exposed, the related uncertainties and their impact on the Company, and how such risks and uncertainties can be managed by formulating strategies to mitigate and counter the same. All this is done with the aim of maximizing shareholder's value by achieving an appropriate trade-off between risk and returns.

The Company constantly endeavors to improve its risk management framework in light of international best practices and regulatory guidelines. Accordingly, all policies and procedures that form part of the Company's risk management framework are regularly reviewed, followed by undertaking steps for its improvement, in order to keep them aligned with changing market dynamics/practices, regulatory environment and international standards. An effective risk management framework along with a robust risk governance structure, policies and procedures remain the cornerstone of the Company's risk management goals.

## Key Risks and Opportunities of Capitals

Following are the key risks and opportunities effecting the availability, quality and affordability of capitals:

Key Risk	Key Opportunities	Form of Capital	Time Horizon
<ul style="list-style-type: none"> <li>• Rising coal Cost</li> <li>• Currency/ Exchange Rate Fluctuation</li> <li>• Information System and Cyber security Risk</li> <li>• Risk of demand supply gap</li> </ul>	<ul style="list-style-type: none"> <li>• Identification of alternate source</li> <li>• Future contracts/ hedging</li> <li>• Secure connections, firewalls, data backups</li> <li>• Exploring new Markets</li> </ul>	Financial Capital	Short to Medium
Depletion/ Stoppage or interruption	Solar, WHR and captive power arrangements	Natural Capital	Long-term
Key employees/ workers leave the company	Rewarding and succession planning	Human Capital	Medium to long term
Technology Obsolescence	continuous improvement in product quality and process efficiency	Manufactured Capital	Medium to long term

Legal charges	Cases are handled through reputable law firms	Social and Relationship Capital	Short to Medium
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## Risk and mitigating strategies of the company

Following are the major risks which may affect our business operations and mitigating strategies for controlling these risks.

Assessment of Risk	Risk	Area of impact	Source of Risk	Mitigating strategy
<p><b>Assessment:</b> Likelihood: Medium Impact: High</p>	<ul style="list-style-type: none"> <li>• Rising Cost of Coal</li> <li>• Rising cost of Energy</li> <li>• Rising cost of commodities</li> </ul>	Financial Capital	<p><b>Source: External</b></p> <p>Coal price could heavily impact cost of sales and therefore income statement. Considering huge size of coal consumption its monetary effect would be large.</p> <p>Energy with rising cost (either Electricity or Gas) availability from Governmental sources are in serious situation and not guaranteed. Energy is the lifeline of plant and its non-availability could stop plant operations.</p>	<p>The Company analyses Coal prices of various suppliers on a regular basis to compare and control its purchasing cost. Moreover, it has strategic relationships with key suppliers which benefit the company in price negotiation and prompt material delivery.</p> <p>Availability of Gas supply, captive power plant built on dual fuel basis i.e. gas and furnace oil, WHR, recently commissioned Solar plant to mitigate the risk of availability and rising cost factors.</p>
<p><b>Assessment:</b> Likelihood: High Impact: Medium</p>	Risk of Inconsistent/ Arbitrary Changes In Government Policies	Financial Capital	<p><b>Source: External</b></p> <p>Adverse impact on Company's earnings due to changes in Government policies with respect to taxation measures, Power tariff and Regulatory matters.</p>	<p>Advocacy through different forums, like APCMA, Pakistan Business Council etc. to timely apprise the relevant Government departments and Regulators of all issues that may have an adverse impact on the Industry or competitive environment. Management regularly monitors the changing regulatory and competitive environment and assesses the impact of any change in Government policy, so as to take timely action.</p>

# Risks and Opportunities

<p><b>Assessment:</b> Likelihood: Medium Impact: Medium</p>	<p>Information System and Cyber Security Risk</p>	<p>Financial Capital</p>	<p><b>Source: Internal/ External</b></p> <p>Technology risks having potential impact due to technology disruption, cyber-attack, hacking or failure to disrupt business process posing adverse impact on Confidentiality, Integrity and availability of organization environment.</p>	<p>Information is transmitted through secure connections and firewalls such as Sophos Endpoint protection product that combines antimalware, web and application control, device control, Barracuda Email Security Gateway and much more to prevent malicious activities.</p> <p>Appropriate data back-up mechanism is in place. Moreover, alternative data processing sites are also available. Periodic systems audit is performed to identify any weaknesses / non-compliances and any areas for further improvements.</p>
<p><b>Assessment:</b> Likelihood: Medium Impact: Medium</p>	<p>Political Risk</p>	<p>Financial Capital</p>	<p><b>Source: External</b></p> <p>These include taxes, spending, regulation, currency valuation, trade tariffs, labor laws such as the minimum wage, and environmental regulations.</p>	<p>We continue to closely monitor political and macroeconomic developments. Accordingly, we maintain a balanced sales profile across key sales regions. Further, In order to avoid the risk of disruption, we operate three production facilities and have a diversified customer base.</p>
<p><b>Assessment:</b> Likelihood: Medium Impact: Medium</p>	<p>Exchange Rate Fluctuation</p>	<p>Financial Capital</p>	<p><b>Source: External</b></p> <p>It becomes challenging for the Company to compete in the market due to frequent fluctuation of PKR parity against USD.</p>	<p>The Company regularly scrutinizes the parity fluctuations and whenever needed, enters into hedging arrangements.</p>
<p><b>Assessment:</b> Likelihood: Medium Impact: Low</p>	<p>Interest Rate Risk</p>	<p>Financial Capital</p>	<p><b>Source: External</b></p> <p>Risk of Return's rate fluctuation affecting value of interest-bearing assets</p>	<p>Economic indicators are carefully monitored on a regular basis and a diversified portfolio of short term investment of funds in Islamic products is maintained</p>

<p><b>Assessment:</b> Likelihood: Medium Impact: Low</p>	<p>Risk of Demand Supply gap</p>	<p>Financial Capital</p>	<p><b>Source: External</b>  Any decline in cement's demand may create an over-supply situation in the industry.</p>	<p>CCCL matches its capacity expansion plans keeping in view the anticipated supply / demand growth pattern  The Company continues to identify and develop new markets for its cement sell.</p>
<p><b>Assessment:</b> Likelihood: Low Impact: Low</p>	<p>Credit Risk</p>	<p>Financial Capital</p>	<p><b>Source: External</b>  The Company extends credit to its customers. There lies a risk factor that the customers may fail to discharge their obligations and cause a financial loss to the Company.</p>	<p>The Company regularly analyses the credit position and credit worthiness of its Customers and extends credits based on minimum risk of financial loss.</p>
<p><b>Assessment:</b> Likelihood: High Impact: Medium</p>	<p>Gas Supply Shortfall</p>	<p>Natural Capital</p>	<p><b>Source: External</b>  Stoppage / interruption in gas supply at plant due to curtailment, gas reserve depletion or revision in gas supply policy.</p>	<p>The Company has installed solar power plant to reduce its reliance on fossil fuel. captive power plant built on dual fuel basis i.e. gas and furnace oil and WHR plants can be use in case of any shortage</p>
<p><b>Assessment:</b> Likelihood: Medium Impact: Low</p>	<p>Employee Turnover</p>	<p>Human Capital</p>	<p><b>Source: internal</b>  Key employees and workers leave the company causing lack of competent workforce.</p>	<p>The Company values its worker and employees and worker as essential capital therefore, it provides congenial environment and growth opportunities. Further Company has robust succession plan in place.</p>
<p><b>Assessment:</b> Likelihood: Medium Impact: Medium</p>	<p>Technology Obsolescence</p>	<p>Manufactured Capital</p>	<p><b>Source: External</b>  Technological shift rendering the Company's production process inefficient.</p>	<p>Major investments are made regularly to continuously improve product quality and process efficiency. Addition of Vertical Grinding Mills to produce finer quality of cement is one such example. The Company has always led by bringing innovative technologies to its processes.</p>

# Risks and Opportunities

<p><b>Assessment:</b> Likelihood: High Impact: Medium</p>	<p>Risk of Litigation</p>	<p>Social and Relationship Capital</p>	<p><b>Source: External</b>  Risk of having major legal cases initiated against the company</p>	<p>Significant litigation cases are handled through reputable law firms engaged by the Company which specialize in particular areas. Additionally, in house legal affairs team supports operations by effective SOPs and additional review steps for significant contractual and regulatory obligations of the Company.</p>
<p><b>Assessment:</b> Likelihood: Low Impact: Medium</p>	<p>Natural Catastrophe</p>	<p>Manufactured Capital</p>	<p><b>Source: External</b>  Destruction of production facility due to natural disaster</p>	<p>The Company has comprehensive insurance cover in case of any catastrophic event. Further, the Company has taken into every possible aspect of safety measures during construction and erection of building and plant. Further, the Company has well-established disaster recovery plan and data backup to coup-up any unwarranted event.</p>
<p><b>Assessment:</b> Likelihood: Medium Impact: Medium</p>	<p>Environmental Risks</p>	<p>Natural Capital</p>	<p><b>Source: Internal</b>  Actual or potential threat of adverse effects on environment arising out of the Company's activities</p>	<p>Various environmental friendly projects such as Solar Project, Waste Heat Recovery units, Tyre Derived Fuel and Refuse Derived Fuel units and implemented, thus reducing environmental de-generation. The company focuses on energy conversation, operational efficiencies and carbon footprint reduction.</p> <p>Cherat cement The plant is equipped with Electrostatic Precipitators and bag filter which controls dust and gas emissions which ultimately a shield against global warming. Further, to improve the environment, natural tree plantation</p>



				on large scale has been done. Company's effluent emissions are regularly monitored. Regular environmental audits are also promoted.
<b>Assessment:</b> Likelihood: Low Impact: Medium	Health & Safety Risks	Social / Human Capital	<p><b>Source: Internal</b></p> <ul style="list-style-type: none"> <li>• Personal health and safety risks at operating sites.</li> <li>• Risk of pandemic related issues</li> </ul>	<p>HSE issues are addressed by focusing on safety measures such as conducting appropriate trainings, use of prescribed safety gadgets, equipment and safe practices. There is a dedicated HSE function at plants. Periodic review of safety related incidents and internal audits ensure process effectiveness.</p> <p>Cherat Cement has invested in providing awareness to its employees for precautionary measures regarding COVID-19 and about protecting their families and communities.</p>

## Opportunities

Opportunity	Impact area	Key source opportunity	Strategy to materialize
Production Capacity	Financial Capital	Higher capacity utilization	The Company actively pursues local and international markets to fully utilize its potential capacity and earn higher return for its shareholders.
Shariah Compliant Company.	Financial Capital	Offering investors an avenue to invest in Shariah Compliant Companies.	<p>Being a Shariah Compliant company, it continues to comply with the applicable Shariah Governance Regulations.</p> <p>The Company has also continued to maintain its position on KMI-30 Index of the PSX.</p>

Modern Equipment	Manufactured Capital	Most modern and state-of-the-art machinery including WHR and captive power plant.	Efficient machinery enables the company to operate with the minimum cost of production, thereby offering its customers high quality Portland cement. This in turn results not only in customer retention but also attracts new customers.
Efficient and congenial work environment	Human Capital	Provide congenial work environment where employee feels motivated for work	Provide effective environment without excessive work pressure. Continuous training and development of employees. Benefit aligned with efficient and effective work and team management
Growth of Cement industry	Relationship Capital, Manufactured Capital	Expected growth in Cement industry owing to CPEC, PSDP and housing projects announced by the Government	The company has regularly invested in its production facilities to furnish the production/supply demand to materialize potential growth.



## Initiative taken by management to promote and enable “INNOVATION”

The management strongly believes in innovation and major investments has been regularly made to continuously improve product quality and process efficiency.

During the year, the management took following initiatives:

- Installation of solar energy plant at factory located in Nowshera, which will provide clean energy, reduce country’s reliance on imported fossil fuel and reduce energy costs for the Company.
- In line with innovation of systems and processes of Human Resources, company has successfully implemented certain modules of SAP success factor. Additionally, the migration to SAP S/4 HANA is under implementation process and is expected to complete by October 2022.
- The company has decided to establish its fourth production Line (Line-A) in DI Khan as part of its long term strategic plan.

## Determining level of risk tolerance and establishing risk management policies

The Board of Directors of the Company establishes corporate strategies and business objectives. Moreover, the Board’s Audit Committee is responsible for Internal Controls in the Company. The Internal and External Auditors’ reports are submitted to the Audit Committee for its review, which after detailed deliberations and suggestions for improvement are submitted to the Board of Directors.

## Capital structure and assessment of its adequacy

The Company’s ability of generating sufficient liquidity is its biggest strength. The Company primarily manages its long-term investment requirements and short-term working capital requirements from its internally generated cash-flows. This provides the management with flexibility to fund business expansion, invest in cost saving initiatives and diversified businesses. Healthy cash flows and prudent liquidity management aids the Company to maintain its strong liquidity position.

# Assessment of Risks of Liquidity, Debt Repayments, Capital Structure Adequacy, Business Model and Future Prospects

In connection with the risk and opportunities pertaining to the Cherat Cement Company Limited, the Board's efforts for determining level of risks, the Board's statement regarding robust assessment of risks, information about liquidity, debt repayments,

default in payment of any debt, inadequacy in capital structure and future prospects have been covered in the Directors' Report. However, the Business Model have been covered in a separate section of this report.



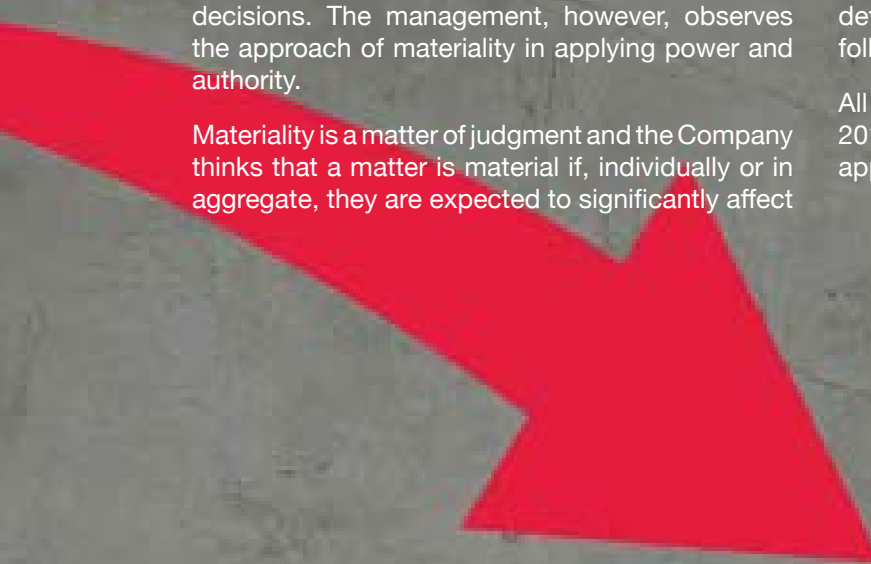
# Materiality Approach

The Board of Directors of Cherat Cement Company Limited has given authority and power to the Company's management for taking day to day decisions. The management, however, observes the approach of materiality in applying power and authority.

Materiality is a matter of judgment and the Company thinks that a matter is material if, individually or in aggregate, they are expected to significantly affect

the performance and profitability of the Company. In order to execute day to day operations / transactions delegation of powers has also been defined clearly and formalized procedures are followed for their execution.

All the matters as required by the Companies Act 2017 are referred to the Board of Directors for its approval.







# Sustainability & Corporate Social Responsibility

78 Sustainability Highlights

90 Corporate Social Responsibility Highlights

# Sustainability Highlights

Sustainability is the fundamental challenge of our time and it grows continually more pressing, as the last year has demonstrated in so many ways. Thinking and acting sustainably is an inherent part of our culture and a natural extension of our purpose – helping people live healthier, fuller lives. We believe that sustainability is built on integrated thinking, collaboration and applying our unique strengths. The following principles inform our approach and help amplify the inherently positive social impact.

Sustainability is defined through the following interconnected domains or pillars: environmental, economic and social. Sustainability presumes that resources are finite, and should be used conservatively and wisely with a view to long-term priorities and consequences of the ways in which resources are used. At Cherat, we ensure our commitment to constant improvement and always been very aware of its responsibility towards the people, environment and climate of Pakistan and has strived to ensure the wellbeing of all. Our commitment to Health, Safety and Environment (HSE) also continues with initiative to contribute in UN Sustainable Development Goals (SDGs) during the year. The Company has used its resourcefulness to add up to these goals as responsible part of the society.



The Sustainable Development Goals (SDGs) are a collection of 17 global goals set by the United Nations General Assembly in 2015 for the year 2030. The Company takes the initiative to adopt many of these goals and has made strong efforts in complying the same.



## Certifications acquired and international standards adopted

Our production facility remained fully compliant with industry standards and safety requirements. For this purpose the Company has fully adopted and has obtained certification of Quality Management System (QMS) ISO 9001:2015 and Environment Management System ISO 14001:2015. Moreover, the Company fully complies with regulatory requirements of National Environmental Quality Standards (NEQS). In addition, to further ensure regulatory compliances, environmental testing is performed regularly from EPA approved laboratory. The company is regularly participating in KP-Environment Protection Agency meetings to remain updated for their subsequent standards & specification revisions and their compliances. Moreover, company is regularly participating in KP-Environment Protection Agency meetings to remain updated for their subsequent standards & specification revisions and their compliances.

Further highlights of the Company's performance, policies, initiatives and plans in place relating to various aspects of sustainability are as follows



### 1. ECONOMIC

The economic dimension of sustainability concerns the Company's impact on the economic conditions of its stakeholders.

#### a. Economic Performance

Sustainable economic growth is economic development that attempts to satisfy the needs of humans but in a manner that sustains natural resources and the environment for future generations.



Cherat cement is working as an economy functions in the ecosystem, which provides the factors of production that fuels economic growth: land, natural resources, labor,



and capital. Cherat Cement is managing sustainable economic growth of these resources in a manner that they will not be depleted and will remain available for future use. Cherat Cement is committed to provide enduring growth and value for all stakeholders. This growth and value can be quantified and assessed accurately through complete audited financial statements of the Company and the statement of value addition and distribution of wealth, which are part of this report. In addition, economic performance carries implications for all other material topics reported upon.

### b. Market Presence

Our Company's presence in the market has significant impacts in terms of employment and business opportunities provided. The Company encourages hiring of workforce from local community at each area of business operations from entry level to the senior management. The Company also gives business opportunities to local transporters, suppliers, contractors and wide scattered cement dealers all over the Pakistan and certain areas of Afghanistan.



### c. Indirect Economic Impacts

This illustrate our Company's economic impacts on a wider socioeconomic which is the social standing or class of an individual or group. It is often measured as a combination of education, income and occupation. if we just take our customers and suppliers into

consideration. Our growth and development means the growth and development of our homeland Pakistan. Additionally, we consider ourselves responsible corporate citizens, therefore it is important we monitor and measure our ongoing indirect economic impacts in the wider context. The Company supports in development of infrastructure and other facilities of the country in general and of our factory vicinity Nowshera in particular.



## 2. ENVIRONMENTAL



The Company's aim in respect of environment is to reduce all adverse environmental aspects arising out of our operations. Regardless of our growth and plant expansion and consequently energy needs and environmental outputs, we ensure that we manage these impacts in line with regulatory compliance requirements such as National Environmental Quality Standards (NEQS) and international standard of environmental management system ISO 14001:2015. Safe and healthy environment has always been the priority of the management of the Company. Management is fully aware of its responsibilities in this regards and environment protection policy is already in place. At an operational level, significantly improving energy efficiency with the increasing use of renewable energy such as Solar power generation helping our organization to achieve climate change goals by going green and driving down CO2 footprints.

### a. Energy

Energy efficiency has proven to be a lucrative and proficient way to guarantee a sustainable

future. The efficient energy usage is not only vital in terms of the environment, but it can also provide the Company a competitive edge in terms of cost factors. Energy is a significant component of our cement production process and further due to the national energy crisis, this topic has become of significant importance to the Company. The Company has taken numerous initiatives to save energy which also decrease the cost of production. In order to reduce reliance on conventional fuels, the Company continuously seeks to undertake significant measures to conserve energy by creating awareness at Head Office and Plant site on efficient energy usage through regular sessions.

- **Waste Heat Recovery Plant**



The company has installed Waste Heat Recovery (WHR) systems to all three cement lines and power generators at its plant. The WHR system does not need any external fuel to operate but encapsulates all the wasted heat (which otherwise would have been released in the atmosphere) from the production line and power generators and utilizes it to generate electricity, which not only conserves energy, but also helps in reduction of Carbon footprints of the Company.

- **Refused Derived Fuel**

The Company has also invested in implementing projects that reduce energy consumption and address issues of environmental degradation like Refused Derived Fuel (RDF). They replace conventional fossil fuels like coal and furnace oil. RDF uses municipal solid waste to generate energy. Investment in these projects

emphasizes Cherat Cement's initiative for sustainable operations through transforming from a fossil-fuel based energy to alternative-energy structure.

- **Captive Power Plant**

The company has also installed three dual-fuel captive power plant of 9.7 MW each which can run on gas, furnace oil and diesel. Currently, these captive power plants are running on 5 MMCFD gas from SNGPL. Consequently, this has further reduce the environmental impact on our society by decreasing the emission of Carbon dioxide gas generated from using furnace oil.

- **Variable Frequency Drives**

The Company has also installed Variable Frequency Drives (VFD) at various parts of the plant to conserve energy.

- **Energy Conservation Drive**

The Company has installed Light Emitting Diode (LED) lights. Further, trainings and awareness on energy conservation measures have also been conducted. These measures have resulted in considerable savings in electricity consumption.

- **Solar Panel Installation**

The Company has installed Solar Panel plant of 13.05 MW to avail the cost efficiency and developing the green environment. These solar panels will directly reduce the cost of energy utilization hence efficient use of available resources. It will help to reduce air pollution and greenhouse gases which results in favorable impact on the environment.





**b. Emissions and Effluents**

Our primary objective is to minimize our carbon footprint and any negative impact we may have on the environment.

Cherat Cement is committed to the following:

- ◆ Meet or exceed the requirements of relevant legislative, regulatory and environmental standards.
- ◆ To keep emissions of particulate matter, CO2, Sulphur dioxides, oxides of nitrogen, carbon monoxide etc. at minimum levels / below the respective limits specified in the National Environmental Quality Standards (NEQS).
- ◆ To identify, reduce and dispose of waste arising from our operations in a manner that minimizes harm to the environment and prevents pollution of land, air and water.
- ◆ To reduce the consumption of energy and water and use renewable and/or recyclable resources wherever practicable.

• **Mitigating efforts to control emission and effluents**

Our air quality measurement program identifies the limit of pollution parameters in the ambient air in and around our factory. The stack emissions monitoring is done on monthly basis for the priority parameters in compliance with the requirements of NEQS (Self-Monitoring and Reporting) Rules, 2001.

• **Electrostatic Precipitators**

Our plant is equipped with Electrostatic Precipitators which controls dust and gas emissions.

• **Bag filters**

The Company has also installed bag houses (bag filters) for raw mill and cement mill complying the requirements of Environment Protection Agency, which more effectively controls emission and increase air flow and productivity. These are installed in entire production system and dropping distances

during material transfers are kept minimum thereby reducing emissions of particulate matters.



Limestone is the major raw material used in cement production. Limestone has high moisture content and is hard in nature. Due to these properties, emission of fine limestone during the blasting at the quarry is very low. Additionally, splinters generated during blasting are quite large and resultantly they do not fly over longer distances.

• **Noise Pollution**

Our plant has been designed in such a way to minimize the noise levels and to comply with acceptable limits of the NEQS. Moreover, noise levels are regularly monitored. Furthermore, periodic repair and maintenance of the plants guarantees compliance of noise levels with the NEQS.

**c. Recycling**

Cherat Cement recycles or sale all the available waste and scrap in order to comply its sustainable operations agenda. Most of these items are subsequently recycled and include:

- Solid waste
- Used oil, lubricants and greases
- Furnace oil sludge
- Bursted paper bags
- Brick waste
- Waste from Quality Control i.e. cement cubes, cement, pieces of cement pallets, analyzed samples of limestone, shale, iron ore, sand, gypsum, raw mix, kiln feed and clinker
- Empty drums and containers

- Grinding media, and
- Miscellaneous waste



#### d. Water Resources

Ensure availability and sustainable water management and sanitation for all. The Company is committed for the improvement in quality and sustainability of water resources. In order to provide clean water to employees & workforce associated with its operations tube wells are installed to fulfil the requirements of clean drinking water. Distribution network is available to supply the clean drinking water to all plant areas, parking and waiting areas. Clean drinking water is also supplied to the nearby villages free of cost.



The quality parameters of drinking water are well within the limits of National Environmental Quality Standards (NEQS). Water quality parameters are monitored and tested at regular intervals from well-reputed accredited laboratories. Plant water returned from various process stages is not wasted and used to suppress the dust formation by sprinkling at roads. Plant returned water is also used in ornamental gardening & vegetation.



#### e. Sanitation & Hygiene

The Company has invested considerable resources in providing Sanitation and hygiene (wash) facilities to all employees and relevant

labour force. Hygiene facilities are available and well maintained at various essential areas of plant, hostels, parking & waiting areas. Trained workforce is engaged in maintenance of sanitation and hygiene facilities



#### f. Products

Our cement does not have any harmful impact on environment. We use two types of packaging material i.e. paper bags and PP bags. Paper bags are reusable and recyclable and they do not have any harmful environmental impact. PP bags also have resale value and can be recycled or reused.



#### g. Quality Management

The Company is committed to the manufacturing of high quality cement. At each stage in the cement production process controlling the chemical composition is a priority. All our manufacturing facilities are accredited to Quality Management System ISO 9001:2015. The consistency of performance of the cement is vital for our customers so the raw materials, intermediate and final products are regularly tested as part of the whole cement production process.

Our Quality Management procedures include:

- Careful and accurate analysis of the chemical composition of the raw materials.
- Fine grinding and mixing to produce a homogenous mixture known as “Raw Meal”.
- High temperature (>1450°C) to ‘melt’ the

raw materials and formation of new “Clinker compounds”.

- Quality Control testing of the clinker.
- Milling of the clinker with gypsum and grinding aids.
- Continuous sampling and testing at each stage.
- Independent testing of the cement product by Regulatory Authorities.

The key to comprehensive quality control is the use of an in-house laboratory. Having an in-house, state-of-the-art laboratory is absolutely necessary to manufacture best quality cement. Our Quality Control laboratory is a primary component to achieve our mission of maintaining strict control over every aspect of manufacture and quality and is an integral piece of our ISO 9001:2015 certification.

Our in-house laboratory allows for timely, accurate, cost-effective testing that ensures every product, from raw material to finished goods, meets all quality requirements. Cement is tested before being released for sale. Such stringent attention to quality control is extremely difficult to accomplish without a state-of-the-art, in-house laboratory.



Cherat Cement’s State-of-the Art Quality Control Equipment includes:

- Cross Belt On-line Analyzers, Controlled Neutron Analyzer (CAN) of SODERN, France and Prompt Gamma Neutron Activation Analyzer (PGNAA) of SCANTECH, Australia
- X-Ray Spectrometer, ARL (Switzerland)
- X’ Pert Powder XRD PANalytical (Netherland)
- TGA-701, (Thermo Gravimetric Analyzer), Leco (USA) & Carbon Sulphur Analyzer CS-2000 of Eltra GmbH, Germany
- Sulphur Carbon Analyzer 144-DR, Leco (USA)

- Bomb Calorimeter 6200 of Parr Instrument Company USA & AC-600, Leco (USA)
- Heating Furnaces, Carbolite (UK)
- Weighing Balances, Sartorius (Germany)
- Physical Testing Equipment, Controls Italy, ELE (England)

#### **h. Transport**

Our cement is transported to dealers and institutions through heavy trucks. The Company is cognizant of the fact that these trucks could have impact on surroundings as small mishaps can lead to heavy accidents. In order to mitigate this risk the Company has adopted measures for safe transportation. Company has invested huge funds on roads and drainage development work. Also, we work only with the approved transporters. Further, quantity-wise trucks are being used in order to avoid over or under loading. Truck’s capacity is effectively utilized due to which risk of accidents resulting from overloading is avoided. For bulk cement, the Company allows only ‘specialized bulk trailers’ to dispatch cement.

Coal transport from supply point to the factory and handling at the Plant are a big source of particulate matter emissions all along the roads used for transport and at the plant. Imported coal from Karachi Port is transported by trucks. In order to minimize fugitive coal dust on the way, these trucks have special covers. This drastically cuts the fugitive coal dust on the way to the plant site.





**i. Tree Plantation Drive and Zoo**



Company-wide tree plantation drives were continued through the year surrounding the factory along with the Head Office and Sales Offices. The Company has planted a large number of trees in and around the factory premises. The Company is managing a nursery to grow different species of seasonal flowers, every year to collect seeds for the next year and by using these seeds plant numerous in quantity. Moreover, the Company has maintained a large Zoo for wild life protection at factory location where different kinds of birds and animals redecorate the environment.

**3. SOCIAL**

**a. Employment**

Cherat Cement has given tremendous employment opportunities through expansion of business and production lines. With the introduction of Line II and Line III of the Company new employment opportunities have been created especially for the locals. At year-end total number of employees were 1,007 including 851 factory employees.



Cherat Cement is recognized among top employers due to its excellent employee benefits. Following benefits are provided to employees:

- Health care
- Life insurance
- Education assistance
- Furniture facility
- Leave fare assistance
- Provident fund
- Gratuity fund
- Earned leaves
- Bonus
- Company maintained vehicle, and
- Others

**b. Employee Engagement Activities**



The Company has always focused on employee development and motivation. To keep them motivated various recreational activities has been arranged by the Company. Recreational activities always plays a vital role in development of employee motivation & engagement therefore the Company has ensured engagement of employees from all levels of the organization to participate in them. Recreational activities include:

- Independence Day Celebration
- International Women Day Celebration
- Employee Loyalty Awards Distribution Ceremony –Wrist Watches & Gold medals for completion of 10 years & 20 years of service with the Company
- Annual Dinner at Factory.

### c. Labor / Management Relations

The Company supports right to exercise freedom of association and collective bargaining. For this purpose, two unions are registered from which one is elected as CBA which represents all classes of workers. Provision for consultation and negotiation with Collective Bargaining Agent (CBA) are specified in collective agreements. Sufficient time is given by the Company to employees and their elected representatives for any significant operational changes which affect them. Furthermore, CBA tables 'charter of demand' every second year which is amicably negotiated.



### d. Occupational Health and Safety

We manage and utilize resources and operations in such a way that the safety and health of our people is ensured. We believe our safety and health responsibilities extend beyond protection and enhancement of our own facilities. We have a highly trained safety team, emergency response team, a qualified doctor and paramedical staff at our plant. In addition, the factory is provided with dedicated safety van, fully equipped ambulance and an in-house dispensary. Moreover, safety sign boards are in place at all important visible places.

Our workers are sufficiently trained through fire & safety trainings and are also adequately equipped with Personal Protection Equipment which is monitored at regular intervals. Workers are also trained by theoretical explanations and practical drills to handle unforeseen emergencies. Regular mock drills are also carried out to familiarize everyone with the steps and procedure to follow in emergency situations. Mock drills of chemical spillage,

firefighting, evacuation, casualty handling and security are also conducted. Moreover, safety audits are also conducted on regular basis.

The Company now has Heavy Duty Fire Tender fully equipped with all the necessary and advanced gadgets to encounter all types of fire emergencies at site as well as in local communities for CSR.

At Cherat Cement, Health and Safety is the first and foremost agenda topic for our each in-house and higher management meetings.

The Company has made safety manual containing policies and procedures. Moreover, contractors' safety measures and mechanism are also in place, which are in full compliance. Furthermore, certifications have been obtained for all construction related equipments like cranes etc. In addition, Health and Safety concerns are explicitly included in SMART goals of head of departments and senior management of plant.

Hundred percent compliance with policy programmes resulted in the conclusion of the year with no reportable occupational illness of Company employees. These programmes include the regular testing of plant equipment and sites from a health perspective, as well as monitoring of employee health. Additionally, health awareness sessions on basic lifesaving techniques, medical emergency handling and first aid were conducted at our factory, sales offices and head office. Basic Life Support is a first-aid resuscitation that educates and equips individuals to recognize various life-threatening emergencies. In addition, we have Cardiopulmonary Resuscitation (CPR) equipment. CPR is an emergency procedure that combines chest compressions often with artificial ventilation in an effort to manually preserve intact brain function until further measures are taken to restore spontaneous



blood circulation and breathing in a person who is in cardiac arrest. By educating our employees basic life support and medical practices we are maintaining a safe and healthy workplace.

Our production lines achieved the whole year without any major injury. Reported injury case if happens, is thoroughly investigated by trained personnel and findings are subsequently circulated to higher ups. Once investigations are completed, actions and recommendations are assigned to individuals with a strict follow-up system put in place to avoid any recurrence.



#### e. Training and Education

- Training on Business Writing & Email
- Core Value / Roll Out Sessions
- Leadership Voyage Training Programs
- Advance Ms-Excel Trainings
- Power BI Training

The Company has always worked in the best interest of its employee and for that, the Company has provided the facility of education funding to employees who desire to excel their talent by acquiring additional qualification. Moreover, Apprenticeship and Management Trainee Programs are also in place.

A comprehensive Future Leadership Program (FLP) is in plan where fresh graduates are selected through a rigorous selection process and are given one year training to polish their skills.

#### f. Diversity and Equal Opportunity

As part of our HR policy, we strive to be an



The training, education and development of our people is a topic of critical importance to us as reiterated in our mission statement 'continuously develop our human resource'. We have a long-standing ambition to be an employer of choice and to be known as a "Talent factory", recruiting and retaining the best and the brightest. We work towards this goal on a continuous basis, with formal training, development and growth opportunities, effective and timely performance appraisal and feedback systems, and by creating an open culture that encourages feedback and discussion. An extensive program Training Need Assessment (TNA) in this regard is in place. Following training programs executed at required levels:

- Programme On Advanced Corporate Finance

equal opportunity employer. Cherat Cement is committed to encourage greater diversity and ensuring equal opportunities for individuals based on merit. Policies, objectives and progress in this regard is elaborated in detail under the governance policies section presented earlier in this report.



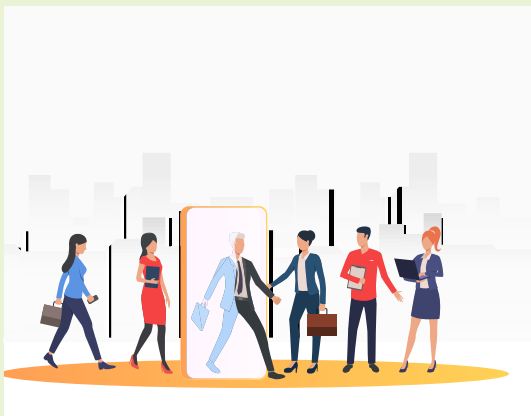


**g. Female Employee**

The Company encourage female in the work force and ensure more women-friendly congenial environment. The company has developed policy against harassment happenings and has made environment where no one can manifest in multiple forms such as remarks about a person’s body, appearance or clothing, to unwelcome physical advancements and any other nonverbal actions that can create a hostile, offensive or intimidating environment.



**h. Non-discrimination**



Cherat Cement seek to promote the core value of the non-discriminatory and equal opportunities environment where people work in fair working condition with equal treatment. Cherat Cement is committed to ensure that

all employees must not be treated differently on the basis of a personal characteristic that is unrelated to their ability to do the job. The Company encourages not to use prohibited grounds includes gender, race nationality, ethnic origin, religion or belief, disability, age or sexual orientation. Non-discrimination measures should apply to all workers

**i. Child Labour**

The Company has manufacturing operations in KPK but they promote strict policy over prohibition of child labour. No child has ever been employed by the Company and the same policy will go in future. Although, the company promote child education, enhancement of mental and physical growth and the Company is also working to provide facilities for children.

**j. Forced or Compulsory Labour**

The Company believes in free working environment; no employed worker is a forced or compulsory.

**k. Consumer Protection Measures**



The Company ensures that the cement is packed and dispatched to its consumers in a safe manner. It also complies with all safety standards and industrial requirements. The Company ensures that the customers get best value for money.

**l. Business Ethics and Anti-Corruption Measures**

The Company is fully committed to promoting the highest standards of ethical behavior throughout its business. The management condemns corrupt and fraudulent practices and ensures transparency, integrity and honesty in all aspects of work. The Company expects all its employees to perform services with integrity and professionalism. Fundamental to this is the adoption of a ‘zero tolerance’ approach to all forms of corruption and misrepresentation.

**m. Local Communities**

We strive for the development of communities surrounding us. Investment in the communities we operate in, and near, is a strong focus for Cherat Cement. Further details on this topic are presented under the next section of Corporate Social Responsibility.



**n. Health, Safety And Environment (HSE):**

A legal and professional responsibility to provide employees with a workplace that is free from recognized hazards that cause or

**• HSE Environment:**

Workplace injuries and unsafe working environments are bad for employee morale. Employers who maintain a safe and healthy work environment and conduct employee training on safety build a stronger relationship with employees. At Cherat Cement, we have developed safe, high quality, and environmentally friendly processes, working practices and systemic activities that prevent or reduce the risk of harm to people in general, operators, or patients. Work areas are kept neat and orderly, maintaining work areas and substations free of slip and trip hazards, and removing of waste materials (e.g., paper, cardboard) and other potential hazards from work areas.



are likely to cause serious physical injury or death, and to maintain working conditions that are safe and healthful for their employees. To cater this needs we have a dedicated HSE department to ensure effective systems of measuring, monitoring and reporting of necessary compliance with HSE matters. It is adequately staffed and Head of HSE directly reports to the Chief Executive. HSE aims to prevent and reduce accidents, overcome emergencies and health issues at work and to protect the environment. The HSE key performance indicators are as follows:

Reduction in energy consumption by upgrading lighting to latest energy efficient LED lights. The old fluorescence lights are being replaced by new energy efficient LED lights. Upgradation resulted in and power saving and equivalent reduction in CO2 emissions.

We also strive to save the environment by recycling exhaust heat from production process to generate electricity through WHR (Waste Heat Recovery) process. We plant trees for maintaining the green belt in and surrounding areas of the plant sites and offices.

• **HSE Management Systems:**

Tools that help an organization continually improve its health, safety and environmental performance contain organizational elements that follow a continuous cycle of planning, implementing, checking, and improving. Our workforce is routinely updated about occupational health, safety and environment concerns through a continuous process of training and coaching at different levels. To enhance safety awareness and to build a culture of continuous improvement in personal and process safety, a comprehensive communication structure has been established such as daily, weekly and monthly safety reviews.

Safety measures at Cherat Cement have been taken according to the work environment (by conducting risk assessment) at our plants and the corporate offices. At all offices of Cherat Cement, safety is everybody's responsibility therefore every area/ functional head is the owner of safety practices under the umbrella of HSE principles. The operation teams at all locations collaborate in implementation of HSE policies and procedures. To sustain HSE awareness and to build a culture of continuous improvement in personal and process safety, different committees at appropriate levels are formed and periodic reviews are regularly carried out.

Promoting highest standards of health and safety, encouraging employees to take personal and collective responsibility for creating a safe working environment. Implementing operational, safety and protection interlocks for sustainable process in our DCS system (Simatic S7 400 PLC and PCS7 control system) that reduces the risk of human error and accidents in production.

**Response to COVID-19:**

Recent COVID-19 pandemic has unwrapped exceptional challenges and tested the vigilance required to deal with unpredicted emergencies. Cherat Cement took initiatives through several means to ensure the safety of its employees and stakeholders, securing environment to continue the operations without hindrance. In house vaccination against COVID - 19 was carried out for all employees (Permanent, Contract, Third party and Daily wagers).

A separate section, 'Pandemic Management Plan' provides the detailed efforts made by the Company to contribute and make a difference in this worldwide health crisis.



# Corporate Social Responsibility Highlights

Corporate Social Responsibility (CSR) is an integral part of the Company's ethics and policy and it has been pursuing this on a sustained basis. The Company has always been at the forefront for voluntary CSR activities. The Company's CSR policy made it imperative to institutionalize the CSR activities.

The company has formulated an efficient policy for sustainability and corporate social responsibilities in accordance with the SECP's CSR guidelines 2013 and the Companies' Act 2017. The Board approves the CSR activities with respect to monetary and avenue terms.

The management has designated specific employees for conducting CSR activities for better monitoring and execution of all CSR related tasks. These employees supervises all CSR activities and ensures the progress of all CSR related goals, objectives and targets. They plan and determines the priority areas wherein the CSR projects which are currently being managed (ongoing projects) and are planned to be initiated in the future.

We are committed to responsible business practices, both within the Company and throughout our value chain. The Company has a proven track record of its strong commitment towards the purpose and feel proud to work in the best interest of all the stakeholders and environment.

CCCL's social responsibility policy focuses on using the capabilities of neighbouring communities by improving quality and standard of lives and sustainable living, through contributions to local communities and society at large. With focus on creating thriving conditions for the marginalised and underprivileged sections, the Company's CSR activities have transformed the standard of living, quality of life of the communities residing in the plant's functional and nearby areas. These goals have become achievable under the aegis of our Company and its affiliates.

CCCL undertook various activities during the year 2021-22 in line with its CSR Policy which are reflected below in detail:



## 1. EDUCATION

Because of the overarching role education plays in socio-economic and human capital advancement, the Company have prioritised educational empowerment as a key corporate social responsibility and social investment objective. Donations have been extended to many educational institutes, which includes:

### a) The Citizens Foundation

The Company has donated to TCF Ghulam Faruque Campus Shaidu Village in order to provide quality education enabling moral, spiritual and intellectual enlightenment for under privileged community

### b) IBP School of Special Education

Company in area of special child education development has financed to IBP School in Karachi. The School caters for the educational, psychological, vocational and therapeutic needs of children and youth with educational and developmental delays and disabilities.

### c) CALPAK Education Services

The company has significantly donated, to support girl's rights, and women's empowerment through education and advocacy, to CALPAK Education Services to stimulate the economic growth in these underserved communities and empowers an entire community and the generations to come.

### d) Ghulam Ishaq Khan Institute of Engineering Sciences and Technology

The Company have sponsored deserving students on request of Ghulam Ishaq Khan Institute of Engineering Sciences and Technology for achieving life goals.



### e) Agha Khan Medical College

The company has a history to donate Agha Khan Medical College to support quality education is viewed as consistent practice.

### f) Ghulam Faruque Welfare Trust

The Company always assist educational

needs, vocational training within or outside Pakistan by donating to Ghulam Faruque Welfare Trust to support the needy irrespective of any province, religion, caste or creed.

### g) Approved Religious Institutions

The Company take pride in recurrently supporting religious education and knowledge by supporting local Madarasas & Masjids.

## 2. HEALTH

The Company seeks to support key initiatives that bolster the healthcare sector of Pakistan. Support extended to health related initiatives includes funding for hospitals and different medical centres which mainly includes:

### a) The Kidney Centre

The Company observe more specific challenges related to kidney disease therefore; it has donated to The Kidney Centre and its postgraduate training institute for well-being of society in this respect.

### b) Agha Khan Hospital

AKU is always immensely grateful to Cherat Cement Company Limited for the support to deliver high-quality care, this is depicted through our donations made to The Agha Khan Hospital.

### c) SHINE Humanity

The Company believe to support healthcare needs and provide compassionate, sustainable Preventive and primary healthcare to the underserved by donating in SHINE Humanity to Strengthen the primary healthcare system.

### d) Patients' Aid Foundation

The Company has generously donated to Patients' Aid Foundation in order to facilitate and cater needs of cardio vascular and paediatric patients and grant them access to quality healthcare, free of cost.

### e) Nowshera Dialysis Centre

Nowshera Dialysis center is providing free dialysis to needy people. The Company became a part of this good cause in the form of donations to the Centre.

### f) Shaukat Khanum Memorial Trust

Shaukat Khanum Memorial Trust believes that healthcare is a fundamental human right and gives new hopes for cancer patient to

save their life, the Company appreciate the efforts of Shaukat Khanum, and contribute in their cause by handsome donations.

**g) Welfare Health Centre in Lakrai, Nowshera**

**Purpose**

As company focuses on well-being of society and its people, in this regard a welfare hospital is established in the vicinity of Nowshera in order to provide medical facilities free of cost to the people living nearby. Under-privileged patients were provided with quality healthcare facilities to improve their living standard. Record number of patient visit has demonstrated its true value to the community.

**Facilities Available**

All basic medical facilities are available at the hospital including:

- Separate male/female consultation
- Dispensary with almost all types of medicines
- All emergency equipment
- Basic lab tests

**Areas Covered**

Four villages in the vicinity of Nowshera are being facilitated through this hospital including:

- Lakrai
- Shaikhai
- Khattak
- Lokhart

**3. SPECIAL PERSON EDUCATION AND EMPLOYMENT**

Special/disabled people are given less privileged in our society but the Company always care and consider them as integral part of our society. In this regard the Company has made various donations to special trusts and schools for their education and vocational training including:

- IBP School of Special Education
- The Society of Rehabilitation of Special Children
- Karwan-e-Hayat for mental health

**4. DEVELOPMENT AND COMMUNITY SUPPORT**

Our operations are supported by our communities, both directly and indirectly. It is the fact that bolstering them to develop simply makes good sense in the long run for both of us. In this regard, company have made donations to:

**a) D.C Nowshera**

Company supported through donations to DC Nowshera on Independence day ceremony

**b) Anjuman Kashana-e-Atfal-o-Naunihal**

Donation for development of children means donation for development of future of the country. Upholding this faith, the Company has donated to Anjuman Kashana e Atfal-o-Naunihal for development of orphan children.

**c) Ummah Welfare Trust**

The Company has supported through donations to Ummah Welfare, a trust established to support the impoverished and neglected people all across the Pakistan and Afghanistan.

**d) Other Social Services**

- Installation of tubewells in nearby villages
- Free transport for local students
- Women vocational centre & gynaecologist by joining hands with an NGO

**5. ENERGY**

The Company has taken many initiatives including replacement of conventional lights with LEDs, installation of solar energy generation and building infrastructure that enable us to enhance natural light utilization.

The Company has installed state-of-the-art technology such as WHR in order to increase efficiency and reduce carbon emissions.

**6. FLOOD RELIEF**

Subsequent to the year end, the company generously supported communities which were victims of heavy rains resulting in flood situation in Pakistan. Support was provided in the form of distributing relief goods including cooked and staple food amongst affected people in Nowshera and D.I. Khan.

Furthermore, the Company's employees and contractor vehicles were used to evacuate families during flood in Nowshera and they were transferred to the safe places as per the instructions of relevant authorities.

**7. TREE PLANTATION ACTIVITY**

We are proactive in promoting activities that deal with environment-preservation. Tree plantation drives are at the forefront of our sustainable eco-friendly practices. Plantation is also regularly carried out at our production sites. The aim is to promote afforestation and reforestation, and trigger the carbon sequestration role that trees play in our ecosystem.

## HEALTH

- The Kidney Center
- Personal Treatments
- Welfare hospital in village Lakrai

## EDUCATION

- The Citizens Foundation - School in Shaidu Village
- Anjuman Kashana-E-Atfal-o-Naunihal
- Approved Religious Institutions

## CHARITY ACCOUNT

During the year the Company made a donation of Rs. 15.2 Million to the following:

- Ghulam Faruque Welfare Trust,
- Noor Foundation
- CALPAK Education Services,
- Shine Humanity,
- Kidney Centre,
- Nowshera Lions Club,
- Ummah Welfare Trust,
- D.C Nowshera,
- IBP School of Special Education, and
- Others.

## NATIONAL CAUSE DONATIONS

The Company has always stood by the people of Pakistan in their hour of need and shall always.

## DEVELOPMENT & COMMUNITY SUPPORT

- D.C Nowshera
- Ummah Welfare Trust
- Anjuman Kashan e Atfal o Naunihal
- SOS Childrens Villages Park
- Tree Plantation Activity

## SPECIAL PERSONS EDUCATION & EMPLOYMENT

- IBP school of special education







# Governance

96	Notice of Annual General Meeting	119	Information Systems Security Policy
100	Directors' Profiles	120	Social and Environmental Responsibility Policy
104	Chairman's Review	121	Human Resource Policy
106	Directors' Report to the Members	122	Safety of Records Policy
112	Annual Evaluation of Board, Chief Executive Officer (CEO), Committees and Individual Members	123	Conflict of Interest Policy
112	Directors' Orientation and Training	124	Whistle Blower Policy
112	External Oversight of Functions and Measures Taken to Enhance The Credibility of Internal Controls and Systems	125	Insider Trading Policy
113	Matters Delegated to the Management	126	Related Party Transactions Policy
113	Understanding Shareholders Views	128	Business Continuity and Disaster Recovery Policy
114	Governance Practices Exceeding Legal Requirements	128	Business Continuity and Disaster Recovery Plan
114	Executive Director(s) serving as Non-Executive and Independent Director in other companies / body corporate	129	Policy on Non-Executive and Independent Directors' Remuneration
114	Independent Directors	129	Investor's Grievance Policy
114	Female Director	129	Diversity Policy
114	Board Meetings Held Outside Pakistan	130	Report of the Audit Committee
115	External Search Consultancy	131	Independent Auditors' Review Report To the members of Cherat Cement Company Limited (the Company) Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019
115	Related Parties	132	Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019
115	Statement of Management's Responsibility towards Preparation & Presentation of Financial Statements and Directors' Compliance Statements	134	Chairman and Chief Executive Offices of the Chairman and Chief Executive
115	Disclosure of Directors' Interest	136	Salient Features of Terms of Reference of the Audit Committee and the Human Resource & Remuneration Committee
116	Pandemic Management		
117	Governance of Risk and Internal Control		
118	IT Governance Policy		

# Notice of Annual General Meeting

Notice is hereby given that the 41st Annual General Meeting of Cherat Cement Company Limited will be held on Wednesday, October 12, 2022 at 12:30 p.m. at the Registered Office of the Company at Factory premises, Village Lakrai, Nowshera, Khyber Pakhtunkhwa, to transact the following businesses:

## ORDINARY BUSINESS

1. To confirm the minutes of the annual general meeting held on October 16, 2021
2. To receive and consider the Audited Accounts of the Company for the year ended June 30, 2022 with the Directors' and the Auditors' Reports thereon.
3. To consider and approve the payment of final cash dividend @ 30% (Rs. 3.00 per share) for the financial year ended June 30, 2022 as recommended by the Board of Directors.
4. To appoint Auditors for the year 2022/23 and to fix their remuneration.
5. To transact any other business with the permission of the chair.

## SPECIAL BUSINESS

6. To consider and approve the following resolution as Special Resolution:

- a) "RESOLVED that the transactions carried out in the normal course of business with related parties and associated companies as disclosed in Note 28 and 40 of the Financial Statements during the year ended June 30, 2022, be and are hereby ratified and approved."
- b) "FURTHER RESOLVED that the Board of Directors of the Company be and is hereby authorized to approve all transactions to be carried out in the normal course of business with related parties and associated companies during the ensuing year ending June 30, 2023."

A statement under section 134 of the Companies Act, 2017, pertaining to the above-mentioned Special Business, is attached with the notice.

By Order of the Board of Directors



**Hina Mir**  
Company Secretary

Karachi: August 25, 2022



## Notes:

1. The register of members of the Company will be closed from Wednesday, October 5, 2022 to Wednesday, October 12, 2022 (both days inclusive) and no transfers will be registered during that time. Shares received in order at the Office of the Share Registrar of the Company, M/s. CDC Share Registrar Services Limited (CDCSRSL), CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400 at the close of business on Tuesday, October 4, 2022 will be treated in time for the above entitlement.
2. A member of the Company eligible to attend, speak and vote at the Annual General Meeting may appoint another member as his/her proxy to attend, speak and vote in his/her stead. Proxies to be effective must be in writing and must be received by the Company's Head Office 48 hours before the Meeting.
3. Members of the Company whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to bring original Computerized National Identity Card along with their account number in CDS and participant's ID number for verification.
4. Members of physical shares are requested to notify any change in their addresses to the Company's Share Registrar. Whereas, shareholders of CDC Accounts are requested to immediately notify any change in their addresses to their respective CDC Participant / Broker / CDC Investor Account Services.
5. Members of physical shares who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) are requested to send the same to the Share Registrar of the Company.
6. As per Section 72 of the Companies Act, 2017 every existing listed company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the SECP. The Shareholder having physical shareholding are accordingly required to open their account with investors account services of CDC or sub account with any of the brokers and convert their physical shares in script less form. This will facilitate the shareholder in many ways, including safe custody and sale of shares, any time they want, as the trading of physical shares is not permitted as per existing regulations of the Pakistan Stock Exchange Limited.
7. According to Section 119 of the Companies Act, 2017 and Regulation 19 of the Companies (General Provisions and Forms) Regulations, 2018, all physical shareholders are advised to provide their mandatory information such as CNIC number, address, email address, contact mobile / telephone numbers, occupation, etc. to CDC Share Registrar Services Limited immediately to avoid any non-compliance of law or any inconvenience in future.
8. Shareholders are hereby reminded that Section 242 of the Companies Act, 2017 provides that in case of a listed company, any cash dividend declared by the company must be paid electronically directly into the bank accounts of the shareholders. In order to receive dividends directly into their bank account, shareholders are requested to fill in E-Dividend Mandate Form available on the Company's website i.e. [www.gfg.com.pk](http://www.gfg.com.pk) and send it duly signed along with a copy of CNIC to the Registrar of the Company M/s. CDC Share Registrar Services Limited in case of physical shares. In case shares are held in CDC, then E-Dividend Mandate Form must be submitted directly to shareholder's broker/participant/CDC investor account services. In case of non-submission of IBAN, the Company will withhold the payment of dividends under the Companies (Distribution of Dividends) Regulations, 2017. Further, the information regarding gross dividend, tax/zakat deduction and net amount of dividend will be provided through the Centralized Cash Dividend Register (CCDR), therefore, shareholders should register themselves to CDC's eServices Portal at <https://eservices.cdcaccess.com.pk>.
9. In compliance of Section 244 of the Companies Act 2017, once the Company has completed stipulated formalities, any unclaimed dividend and /or shares that have remained outstanding for a period of three years from the date of becoming due and payable or more shall be credited to the Federal Government (in case of dividend) or delivered to the SECP (in case of physical

shares). Shareholders who by any reason could not collect and remain their unclaimed dividend/shares are advised to contact our Share Registrar of the Company, M/s. CDC Share Registrar Services Limited (CDCSRSL), CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400 to collect/inquire about their unclaimed dividend or shares, if any.

10. All Shareholders are advised to check their status on Active Taxpayers List (ATL) available on FBR Website and if required take necessary actions for inclusion of their name in ATL. In case a person's name does not appear in the ATL, the applicable tax rate will be increased by hundred percent.
11. In case of joint account, please intimate proportion of shareholding of each account holder along with their individual status on the ATL.
12. Withholding Tax exemption from the dividend income shall only be allowed if copy of valid tax exemption certificate is made available to CDC Share Registrar Services Limited by first day of Book Closure.
13. With reference to S.R.O. 787(I)/2014 dated September 8, 2014 issued by SECP; shareholders have option to receive Annual Audited Financial Statements and Notice of General Meeting through email. Shareholders of the Company are requested to give their consent to the Company's Head Office to update our record if they wish to receive Annual Audited Financial Statements and Notice of General Meeting through email. However, if shareholder, in addition, request for hard copy of Audited Financial Statements, the same shall be provided free of cost within seven [7] days of receipt of such written request.
14. Members may exercise their right to vote by means of postal ballot i.e. by post or through electronic mode subject to the requirements of section 143 and 144 of the Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations, 2018.

15. Members can also avail video conference facility, in this regard, please fill the following and submit to the Head Office of the Company seven (7) days before holding of the Annual General Meeting. If the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least seven (7) days prior to date of the meeting, the Company will arrange video conference facility in the city subject to availability of such facility in that city.

"I/We, \_\_\_\_\_ of \_\_\_\_\_, being a member of Cherat Cement Company Limited, holder of \_\_\_\_\_ ordinary share(s) as per Registered Folio No. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_".

#### **Statement Under Section 134 of the Companies Act, 2017**

The statement sets out material facts concerning "Special Business" to be transacted at the Annual General Meeting of the Company to be held on Wednesday, October 12, 2022. The approval of the Members of the Company will be sought for:

During the financial year ended June 30, 2022 the Company carried out transactions with its associated companies and related parties in accordance with its policies and applicable laws and regulation. Related party transactions require shareholders' approval under sections 207 and 208 of the Companies Act, 2017. Such transactions are being placed before the shareholders for their approval through special resolution proposed to be passed in the Annual General Meeting.

The shareholders are requested to ratify the transactions which have been disclosed in Note no. 40 of the Financial Statements for the year ended June 30, 2022 and further to authorize the Board of Directors to conduct transactions with related parties or associated companies for the year ending June 30, 2023.

Party wise breakup of transactions as disclosed in Note no. 28 and 40 of the Financial Statements for the year ended June 30, 2022 is given below:

<b>Name of Related Party</b>	<b>Nature of Transaction</b>	<b>(Rs. in '000)</b>
Cherat Packaging Limited	Purchase of packing material	2,648,647
Cherat Packaging Limited	Sale of goods	6,247
Cherat Packaging Limited	Dividend received	15,613
Cherat Packaging Limited	Dividend paid	6,660
Mirpurkhas Sugar Mills Limited	Dividend paid	4,809
Faruque (Private) Limited	Purchase of raw material	332,559
Faruque (Private) Limited	Payment of royalty	542,338
Faruque (Private) Limited	Payment of excise duty	13,559
Faruque (Private) Limited	Dividend paid	52,620
Greaves Pakistan (Private) Limited	Purchase of fixed assets	191,013
Greaves Pakistan (Private) Limited	Dividend paid	3,024
Greaves Airconditioning (Private) Limited	Purchase of fixed assets	10,140
Zensoft (Private) Limited	I.T support charges	24,311
Zensoft (Private) Limited	Dividend paid	5
Jubilee General Insurance Company Limited	Insurance premium paid	75,000
Employees' Provident Fund and Gratuity Fund	Contribution to fund	108,215



## Directors' Profiles

### **Mr. Omar Faruque** - Chairman

Mr. Omar Faruque studied from the City of London, Polytechnic London, and got a Honours degree in B.A. Finance. Currently, he is the Chief Executive of Zensoft (Pvt.) Ltd. He is also a Director of Greaves CNG (Pvt.) Ltd. and Madian Hydro Power Ltd. He is a 'Certified Director' from the Pakistan Institute of Corporate Governance.



**Mr. Azam Faruque** - Chief Executive

Mr. Azam Faruque is the Chief Executive of Cherat Cement Co. Ltd. He is an Electrical Engineering and Computer Science graduate from Princeton University, USA. He completed his MBA with high honors from the University of Chicago, Booth School of Business. Apart from the time he has spent in the cement industry, he has also served as a member on the Boards of State Bank of Pakistan, National Bank of Pakistan, and Oil and Gas Development Corporation Ltd. He was a Member of the Board of Governors of GIK Institute, Member of the National Commission of Science & Technology and also a Member of the National Committee of the Aga Khan Foundation. Mr. Azam Faruque has served on the Board of the Privatization Commission of the Government of Pakistan, Madian Hydro Power Ltd., Atlas Asset Management Ltd., and was the Chairman KPK Oil & Gas Development Company Ltd.

At present, he is a member of the Board of Directors of Faruque (Pvt.) Ltd., Greaves Pakistan (Pvt.) Ltd., Unicol Ltd., International Industries Ltd., Indus Motor Company Ltd., Atlas Battery Ltd. and Habib University Foundation. He is a 'Certified Director' from the Pakistan Institute of Corporate Governance.

# Directors' Profiles

## ● **Mr. Akbarali Pesnani** - Director

Mr. Akbarali Pesnani is an MBA and fellow member of both the Institute of Chartered Accountants and Institute of Cost and Management Accountants of Pakistan. He has served as Chairman Gwadar Port and Gwadar Port Implementation Authority from 2004 to 2006. Mr. Pesnani has been associated with the Aga Khan Development Network at senior levels for over 44 years. Presently he is the Chairman of Cherat Packaging Ltd., Aga Khan Cultural Service Pakistan and a Director on the Board of Jubilee General Insurance Co. Ltd., Agha Steel Ltd. and Pakistan Cables Ltd. His association with the Ghulam Faruque Group dates back almost 41 years.

## ● **Mr. Arif Faruque** - Director

Mr. Arif Faruque is a Swiss - qualified Attorney-at-Law and also holds Masters degrees in both Law and Business Administration from the USA. He is the Chief Executive of Faruque (Pvt.) Ltd. as well as Madian Hydro Power Ltd. He is on the Board of Directors of Mirpurkhas Sugar Mills Ltd., Cherat Packaging Ltd. and UniEnergy Ltd. Besides the above, he is also a member of the Board of Governors of Lahore University of Management Sciences (LUMS).

## ● **Mr. Asif Qadir** - Director

Mr. Asif Qadir holds a degree in Chemical Engineering from Columbia University, New York. He joined Exxon Chemical Pakistan Ltd. in 1978 as a Process Engineer and held various assignments in manufacturing and marketing of fertilizers.

Mr. Qadir has served as President and Chief Executive Officer of Engro Polymer & Chemicals Ltd. He has also served on the Board of Engro Corporation Ltd., Engro Fertilizer Ltd., Engro Polymer & Chemical Ltd., Engro Powergen Ltd., Sindh Engro Coal Mining Company Ltd., Karachi Stock Exchange, Pakistan Poverty Alleviation Fund and Inbox Business Technologies (Pvt.) Ltd.

He is currently serving as Director in Unicol Ltd. and is also on the Boards of Tripack Films Ltd., Descon Oxychem Ltd., Liaquat National Hospital and Medical College and Century Paper & Board Mills Limited.

## ● **Mr. Abrar Hasan** - Director

Mr. Abrar Hasan serves as the Chief Executive Officer and as a Director on the Board of National Foods since 2000. He graduated with a BS in Industrial Management and a minor in Industrial Engineering from Purdue University, Indiana, USA. Mr. Hasan has used his proficiency in Operations Management, Marketing and Finance with diligence to make National Foods one of the largest, most successful and innovative food industries in Pakistan. He was elected on the Board of Cherat Cement Company Ltd. as an independent director on October 16, 2018. Besides this, he is also a Director of Associated Textile Consultants (Pvt.) Ltd., Pakistan Business Council, The Health Foundation and Engro Foods Friesland Campina. He is a 'Certified Director' from the Pakistan Institute of Corporate Governance.



● **Mrs. Zeeba Ansar** - Director

Mrs. Zeeba Ansar has over 27 years of private and corporate banking experience. She did her Bachelors in Economics and Statistics from the University of Punjab and then completed her MBA in Marketing and Finance from the Institute of Business Administration. In her career as a banker she has worked with Deutsche Bank AG as Manager Corporate Banking Department and Faysal Bank as Senior Vice President and Corporate Head-South. She then joined UBL as Executive Vice President and Regional Corporate Head-South and retained the position for 10 years. Her most recent professional engagement was with NIB Bank as Group Head-Corporate and Investment Banking where she worked till 2017.

She is currently serving as Director in Gul Ahmed Textile Mills Ltd. and Samba Bank Ltd. She is also a 'Certified Director' from the Pakistan Institute of Corporate Governance.

● **Mr. Yasir Masood** - Director

Mr. Yasir Masood is a fellow member of the Institute of Chartered Accountants of Pakistan. He is a Certified Internal Auditor (CIA) and qualified Certified Information Systems Auditor (CISA). He is also a certified Director from Pakistan Institute of Corporate Governance. He is serving as the Director and Chief Operating Officer of Cherat Cement Company Ltd., and also serving on the Boards of Greaves Airconditioning (Pvt.) Ltd., Greaves CNG (Pvt.) Ltd., Greaves Engineering Services (Pvt.) Ltd. and Madian Hydro Power Ltd.

Mr. Yasir is also serving as Chief Financial Officer of Madian Hydro Power Ltd. and Faruque (Pvt.) Ltd. He has been working and contributing in various committees of different Business forums.

# Chairman's Review

Post Pandemic recovery, the world economy faced the challenge of higher international commodity prices. The situation got worse after the Russia-Ukraine war. As with all emerging market economies, our economy was also affected very badly by these events. The ongoing political instability has made the fragile situation worse. In order to contain the current account deficit, the Central Bank is attempting to slow down the economy. Despite all these challenges, your Company managed to post an after tax profit of Rs. 4,456 million through operational efficiencies.

Cement industry witnessed a decline of 8% on an overall basis. Local and export dispatches reduced by 1% and 44% respectively. Afghanistan exports which is our niche market, also declined by 64%. Accordingly, our local and export sales also decreased by 5% and 43% respectively. Local cement demand is expected to remain affected in short term due to slowing down of economy. Subsequent to the year end, we have witnessed an unusually wet monsoon, which will affect the demand for cement in the first quarter. Political and economic conditions in Afghanistan have still not improved. All this will make next year a challenging one. Management is putting all its efforts to manage these challenging conditions in the best possible way. We are hopeful that after the IMF deal, economic conditions will start improving.

I am pleased to report that the Board of Directors has performed its duties and responsibilities diligently and has contributed towards guiding the Company in its strategic affairs. It focused on major risk areas and remained actively involved in the strategic planning process of the Company. The Board recognizes that well defined corporate governance processes are important to preserve and enhance stakeholders' value. All Directors including Independent Directors, fully participated and contributed in the decision making process of the Board. The Board carried out its annual self-


evaluation in line with the requirements of Code of Corporate Governance.

COVID pandemic mildly affected the businesses in Pakistan during the year. We have taken all the steps for the safety of our employees. All our employees are fully vaccinated and most of them have taken the booster shots also.

I am pleased to inform you that 13.05 MW solar power generation plant has been successfully commissioned at site. This initiative will improve our operational efficiencies and reduce costs.

Groundwork for new cement line in D. I. Khan is currently going on. We are carefully monitoring the situation. Any decision for going ahead on this project will be taken once the economic conditions improve.

I would like to take this opportunity to extend my appreciation to the staff, customers, suppliers, bankers, Board of Directors, and shareholders for their continued support, commitment and hard work.



Omar Faruque  
Chairman

August 25, 2022





## Directors' Report to the Members

For the year ended June 30, 2022

**The Board of Directors is pleased to present you the annual report of the Company along with the audited financial statements for the year ended June 30, 2022.**

### **Overview:**

After recovering from the COVID-19 pandemic, the world economy faced challenges of soaring international commodity prices, especially oil and coal. The ongoing Russia-Ukraine war further aggravated this situation. All emerging economies were impacted by this. The ongoing Political instability and delay in resumption of IMF program have also adversely affected Pakistan's economy. We saw a significant current account deficit and depreciation of the Rupee during the year. In order to curb inflation, State Bank increased the discount rate by 8% since September 2021. State bank also put certain restrictions on imports in order to reduce the current account deficit. All these measures have caused a slowdown in economic activities in the country. Accordingly, there is a declining trend in local demand of cement, at least for the short term.

### **Business Review:**

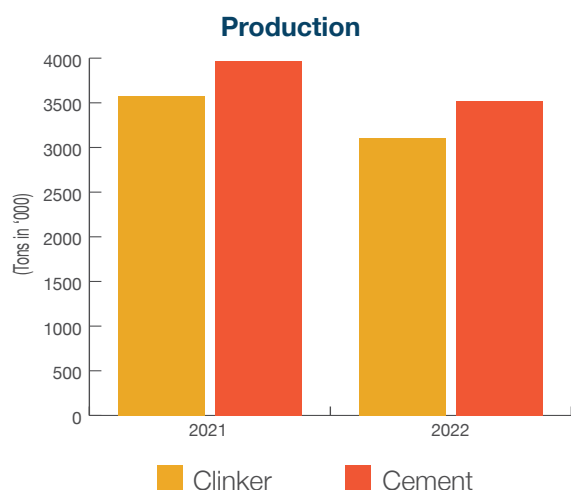
On an overall basis, cement demand declined by 8% during the year under review. While domestic uptake of the commodity reduced by 1%, exports declined

by 44%. Low export prices and higher freight cost made exporting overseas via sea unviable. Exports to Afghanistan were also affected by political and economic uncertainty in that country, and this was further aggravated by problems of clearance of goods at the border. As a result, exports declined by 64% during the year.

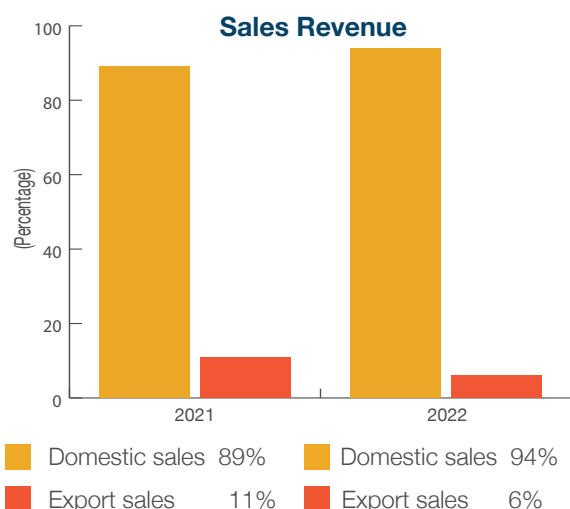
### Production and Sales Review:

Comparative production and sales figures are provided as under:

	2022	2021
	(in tons)	
• Clinker production	3,109,280	3,573,307
• Cement production	3,525,199	3,965,217
• Domestic sales	3,259,763	3,438,944
• Export sales	292,710	510,733
Total sales	3,552,473	3,949,677



On the back of lower demand for cement, the local dispatches of the Company decreased by 5% and export sales to Afghanistan declined by 43%. On aggregate basis, the cement dispatches of the Company reduced by 10% from last year.



### Financial Performance:

There has been a 27% increase in the sales revenue over the preceding year. This was mainly due to upward adjustment in cement prices due to cost inflation in inputs. During the year, cost of sale increased by 25% due to higher fuel and power costs. There was significant increase in coal and electricity prices due to persistent higher prices of international coal and oil. However, the Company mitigated the total impact of these cost through operational efficiencies. There was decline in finance cost as compared to last year mainly due to repayment of loans and six-monthly resetting of markup rate pertaining to these loans. However, a substantial provision has been recorded due to imposition of super tax on cement industry. Despite all these challenges, the Company posted an after-tax profit of Rs. 4,456 million for the year ended June 30, 2022.

Summarized performance of the Company for the current year as compared to last year is as follows:

	2022	2021
	(Rs. in million)	
Net sales	32,085.36	25,206.81
Cost of sales	23,134.58	18,478.51
Gross Profit	8,950.78	6,728.30
Expenses & taxes	4,494.81	3,523.24
Net Profit	4,455.97	3,205.06

### Dividend Payout:

The Company has always strived to be consistent in its approach towards distribution of profits. The decision on dividend payout is made after taking into consideration various parameters like Company's financial performance, its business needs, growth prospects and expansion plans. For the year under review, the Board of Directors is pleased to recommend a final cash dividend of Rs. 3.00 per share.

### Ongoing Projects:



Works on BMR for Cement Line 1 and installation of a new Crusher at the quarry face was affected due to

manufacturing disruptions and international shipment delays. The Company expects them to be completed by December 2022. We are pleased to inform that the Company has successfully commissioned the state-of-the-art 13.05 MW Solar Power Project at the Plant located at Nowshera. All these projects will positively contribute towards the achievement of the management's long-term vision i.e. growth through the best value creation.

### **Greenfield Cement Plant:**

The Company has entered into an agreement with a private party for purchase of limestone mining lease, factory land and certain NOCs. The Company is currently working for transfer of all these assets in its name. Initial groundwork is underway at the land. We are carefully monitoring the situation in the country and the decision to move ahead on the Project will be taken once the economic situation improves.

### **Corporate Social Responsibility:**

The Company is committed to play its due role in the society in the interest of all stakeholders particularly towards its people and environment. In line with its corporate social responsibility policies, the Company has always endeavored to improve the overall conditions of the people living around the manufacturing plant and the surrounding areas. The Company is spending on education, health, water, women empowerment and firefighting facilities, aiding in emergency and disaster condition in adjacent area of the factory. Following the outbreak of COVID – 19, the Company reached out to those who required help and provided necessary support. Apart from the ongoing activities, the Company has started providing free transportation for school students of nearby villages to promote education. We have installed tube wells in nearby villages to provide drinking water. We



have also initiated on providing Gynae facilities and a women empowerment centre for the nearby villages. We believe that all these measures will go a long way in the economic and social development of the areas we belong to.

### **Safety, Health and Environment:**

The Company strongly believes in maintaining high standards in health and safety of its people. Several measures have been taken by the Company to respond to the changing business needs due to outbreak of COVID – 19 through implementation of protocols on health and employee safety to ensure all staff members are protected in best possible way from this virus. All our employees are fully vaccinated and most of them have taken the booster dose also. Personal protection equipment was provided to all levels of staff and measures like social distancing, contact tracing, random testing etc. were introduced by the Company to ensure wellbeing of employees and continuity of business. Whenever the need arose, the Company conducted COVID tests of its staff, at its cost, and also allowed them to work from home.

The production facility of the Company is fully compliant with the applicable standards for environment and safety in the country. The Company has a dedicated HSE department to oversee the implementation of HSE objectives. The department not only ensures compliance with the best HSE practices but also carries out regular fire and safety training of the staff. The Company has increased the tree-plantation at its site. Commissioning of 13.05 MW solar power plant will also reduce our reliance on non-renewable energy sources and will improve the environment.

### **Contribution to National Exchequer:**

The Company contributed around Rs. 15 billion to the government treasury in the form of royalty duties and taxes during the year.

### **Statement on Corporate and Financial Reporting Framework:**

- The financial statements prepared by the management of the Company present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any

departure therefrom has been adequately disclosed and explained.

- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance.
- Key operating and financial data for the last six (6) years in summarized form is annexed.
- There is nothing outstanding against your Company on account of taxes, duties, levies and charges except for those which occur in normal course of business.
- The Company maintains Provident and Gratuity Fund accounts for its employees. Stated below are the values of the investments of the funds as on June 30, 2022.

Provident Fund	Rs. 1,291.13 million
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Gratuity Fund	Rs. 702.85 million
---------------	--------------------

#### Board of Directors:

Total number of Directors on the board is 8 and its composition is as follows:

- |      |                                |   |
|------|--------------------------------|---|
| •    | Male Directors                 | 7 |
| •    | Female Director                | 1 |
| a.   | <b>Independent Directors</b>   | 3 |
| i.   | Mr. Asif Qadir                 |   |
| ii.  | Mr. Abrar Hasan                |   |
| iii. | Mrs. Zeeba Ansar               |   |
| b.   | <b>Non-Executive Directors</b> | 3 |
| i.   | Mr. Omar Faruque               |   |
| ii.  | Mr. Akbarali Pesnani           |   |
| iii. | Mr. Arif Faruque               |   |
| c.   | <b>Executive Directors</b>     | 2 |
| i.   | Mr. Azam Faruque               |   |
| ii.  | Mr. Yasir Masood               |   |
| d.   | <b>Female Director</b>         | 1 |
| i.   | Mrs. Zeeba Ansar               |   |

- During the year, six meetings of the Board of Directors were held. The attendance record of each director is as follows:

Name of Director	Meetings Attended
Mr. Omar Faruque	6
Mr. Azam Faruque	6
Mr. Akbarali Pesnani	6
Mr. Arif Faruque	6

- |   |                  |   |
|---|------------------|---|
| • | Mr. Asif Qadir   | 5 |
| • | Mr. Abrar Hasan  | 5 |
| • | Mrs. Zeeba Ansar | 6 |
| • | Mr. Yasir Masood | 6 |
- During the year, four meetings of the Audit Committee were held. The attendance record of each director is as follows:

Name of Director	Meetings Attended
Mr. Asif Qadir	4
Mr. Akbarali Pesnani	4
Mr. Arif Faruque	4

- During the year, two meetings of the Human Resource and Remuneration Committee were held. The attendance record of each director is as follows:

Name of Director	Meetings Attended
Mr. Abrar Hasan	2
Mr. Azam Faruque	2
Mr. Omar Faruque	2

- Pattern of shareholding is annexed with the report.
- Earnings per share during the year was Rs. 22.93 compared to earnings per share of Rs. 16.5 last year.

#### Directors' Remuneration:

Through the Articles of the Company, the Board of Directors is authorized to fix remuneration of Non-Executive and Independent Directors from time to time. In this regard, the Board of Directors has developed a Remuneration policy for Non-executive and Independent Directors of the Company. The detail of Directors' remuneration is disclosed in Note 39 of the Financial Statements for the year ended June 30, 2022.

#### Performance Evaluation of Board of Directors and Board Committees:

The Company carries out annual evaluation of the Board of Directors, its Committees and Individual Directors as part of Code of Corporate Governance. Strict level of confidentiality is exercised by the Company Secretary upon receipt of completed questionnaires. In order to ensure transparency of the process, the Company has engaged M/s. Grant Thornton Anjum Rahman, Chartered Accountants to compile results and prepare a report for the Board of Directors. The contents of the report are evaluated and areas that require improvement are identified.

#### Related Parties Transactions:

All transactions with related parties have been executed at arm's length and have been properly disclosed in the financial statements of the Company.

## **Statement of Compliance with Code of Corporate Governance:**

The Company has fully complied with requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019. Statement of Compliance is provided under the relevant section of the report.

### **UniEnergy Limited:**

UniEnergy – a joint venture wind power project, has been granted Letter of Intent and formally allotted land for setting up the project at Jhampir, district Thatta. The JV partners have made an initial equity investment in the Company to meet the ongoing financial requirements for the project. In this regard, Cherat Cement has made an equity investment of Rs. 7.69 million following the approval of the shareholders. The Government has, so far, not notified the tariff for the project.

### **Madian Hydro Power Limited:**

Madian Hydro Power Limited (MHPL), a public unlisted company, which is a joint venture of the Company and Shirazi Investments (Private) Limited with 50% interest of each Company. MHPL was formed to build, operate and maintain hydro power generation plant at Madian over River Swat for the generation and supply of electric power. Technical feasibility of MHPL was completed in 2009, which was approved by the Private Power and Infrastructure Board. Due to the law and order situation in Swat and adjoining areas the project was not undertaken. In view of the uncertainty involved, the management of the Company in the prior years had decided to record full impairment loss on this investment in MHPL amounting to Rs. 107 million. During the year, MHPL has entered into an agreement with Pakhtunkhwa Energy Development Organization (PEDO) for sale of the feasibility study for total consideration of Rs. 160 million and has also received the sale consideration net of tax. Accordingly, reversal of impairment loss net of tax has been booked in these financial statements.

### **Risk and Opportunities:**

- **Risk Management**

The Board of Directors kept a close watch on the socio-economic environment and consequential internal and external risks that might impact the safe and smooth operations and performance of the Company. As caretakers of the interest of all the stakeholders, the Directors remained vigilant in identifying and mitigating risks throughout the year. The Board of Directors identified potential risks, assessed their impact on the Company and formulated strategies

to mitigate foreseeable risks to the business. These strategies were enforced throughout the hierarchy of the Company under the supervision of the Audit Committee to ensure that no gaps remained in risk mitigation. The Board has also approved a business continuity plan including disaster recovery plan which is properly in place.

- **Risk Assessment**

The Board of Directors has carried out thorough assessments of both internal and external risks that the Company might face. Businesses face numerous uncertainties that might pose threats to its objectives and if not addressed may cause preventable losses. Energy costs makes up a major portion of the overall cost of production. Any variation in prices of coal and/or electricity tariffs poses a constant risk to the Company. The Company has installed Waste Heat Recovery plant to reduce its cost of power and has obtained a gas connection for the plant. Furthermore, installation of solar panels have also been completed. Another economic risk facing the Company is the decline in exports to its main export market Afghanistan due to the political uncertainties. However, the strategic placement of its factory in Nowshera, which is close to the Afghan border and the brand value of Cherat within Afghanistan has helped us retain our position as top exporter of cement to Afghanistan.

Cherat Cement is the first Company in the cement sector which implemented complete SAP solution in 2009. Through this, all business activities including finance, supply chain and inventory management are properly integrated. Users are properly trained on this system. Management is continuously reviewing the system for upgradation and currently in the process of upgrading to S/4 HANA database and also implementing SAP Success Factor for certain modules of HR. Proper access and other controls are in place to ensure security of the system.

The Board recognises the importance of cybersecurity, keeping in view the evolving information security threats, which can directly affect our business operations. The Company has an in-house IT department, which has dedicated resource for IT related security. During the year, on the advice of the Board, cybersecurity audit was conducted by an external consultant and their recommendations were properly implemented. There was no such breach during the year.



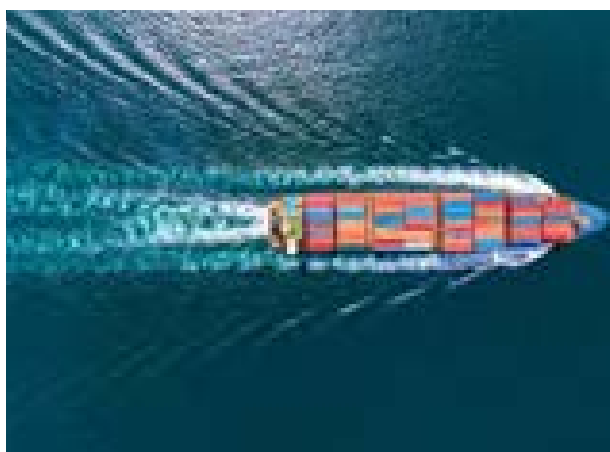
- **Debt Repayment**

The Company has always paid off all its due debts on time. During the year, the Company has made early full repayment of Cement Line II term loan. Also, Rs 1,900 million installment has been made relating to Cement Line III loan. Furthermore, the Company has obtained Islamic Financing Facility for Renewable Energy (IFRE) for Solar Power Plant and Temporary Economic Refinance Facility (TERF) from three banks for various purposes including Line I upgradation and purchase of Crusher along with wage financing scheme offered by State Bank of Pakistan at extremely competitive rates.

- **Capital Structure**

The current debt to equity ratio of the Company is 43:57. The Board of Directors and the management are confident that the capital structure of the Company will improve in the future. The ratio may get affected due to Line IV project but it will eventually improve over the years.

**Future Prospects:**



Next year is expected to be a challenging one. Although there are signs of recession in world economy but commodity prices especially oil and coal are still on a very higher side. There are no signs of immediate resolution of Russia- Ukraine conflict. Pakistan is experiencing high inflation on account of higher international commodity prices and depreciation of PKR due to record current account deficit. Delay in IMF program worsened the economic situation. State Bank has responded to this situation by significantly increasing the discount rate and imposing certain import restrictions. All this has resulted in slow down of economy and has put a dent on the local cement demand in the short term. We are expecting economic situation to improve after formal approval of IMF program by its Board. Decline in oil and other

international commodity prices can help Pakistan manage its current account deficit. We are hopeful that this will bring some stability in the economy and the Government may initiate some projects to support local demand of cement. In order to manage the fiscal deficit, Government has imposed Super tax and increased the burden of taxes on already taxed segment. We request the Government to reconsider this after getting some fiscal space. Political stability can also support our ailing economy. Although exports to Afghanistan have again started but any major improvement is not expected during next year in the political and economic conditions there. The management is putting all its efforts to manage these challenging conditions in the best possible manner.


**Appointment of Auditors:**

The present auditors – M/s. EY Ford Rhodes, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

**Acknowledgment:**

We would like to thank all the financial institutions having a business relationship with us, our dealers and customers for their continued support, cooperation and trust they have reposed in us. We would also like to share our deepest appreciation for all our staff for their dedication, loyalty and hard work.

On behalf of the Board of Directors

  
**Omar Faruque**  
Chairman

  
**Azam Faruque**  
Chief Executive

Karachi: August 25, 2022

# Annual Evaluation of Board, Chief Executive Officer (CEO), Committees and Individual Members

Board evaluation mechanisms facilitate the Board of Directors in evaluating and assessing its performance and ability to provide strategic leadership and oversight to the senior management of the Company. Accordingly appropriate procedures have been developed based on emerging and leading practices to assist in the assessment of the Board, its committees and the individual directors themselves.

Questionnaires have been developed based on relevant criteria such as effectiveness, accountability, planning, leadership and strategy formulation by the Board and also its committees. Directors are also asked to fill out a self-evaluation questionnaire which focuses on their participation and satisfaction with the different proceedings of the Board and their individual role as a member.

In addition, a separate evaluation questionnaire for Chief Executive has also been developed for his performance. The performance evaluation of the CEO is carried out by all the Directors.

These questionnaires are circulated annually and are filled out by the Directors anonymously. The collected answers are then compiled by an independent chartered accountant firm.

The Company has engaged M/s. Grant Thornton Anjum Rahman, Chartered Accountants to ensure transparency of the process.

## Directors' Orientation and Training

All the Directors of the Company are well experienced and have diverse backgrounds. At the time of induction of any new director, he or she is given proper orientation about the operations of the Company and his or her fiduciary responsibilities. The Company had also arranged an in-house Directors' training program to apprise the directors of their authorities and responsibilities. Six Directors of the Company namely Mr. Azam Faruque, Mr. Omar Faruque, Mr. Abrar Hasan, Mr. Akbarali Pesnani, Mrs. Zeeba Ansar and Mr. Yasir Masood are also certified under the Board Development Series Program offered by Pakistan Institute of Corporate Governance (PICG).

## External Oversight of Functions and Measures Taken to Enhance The Credibility of Internal Controls and Systems

Cherat Cement ensures the efficiency, effectiveness, accuracy and the credibility of all its functions by regular monitoring, making benchmarks and assesses the targets and goals of respective functions. Following are the summary of measures taken to attain the benchmarks through oversight:

- All processes and functions of the Company are subject to review by the Internal Audit function;
- The Manufacturing processes are reviewed on the basis and guidelines of International industry best practices, industry norms and standards setting authorities;
- The Information Systems and network security are periodically reviewed by Information Systems auditors. An IT audit was conducted last year by external consultant. During the year, cybersecurity audit was conducted by an external consultant.
- Surveys conducted by third parties or otherwise to ensure the credibility and control hallmarks.

## Matters Delegated to the Management

Management is primarily responsible for implementing the strategies as approved by the Board of Directors. It is the responsibility of management to conduct the routine business operations of the Company in an effective and ethical manner in accordance with the strategies and goals as approved by the Board and to identify and administer the key risks and opportunities which could impact the Company in the ordinary course of execution of its business. Management is also concerned in keeping the Board members updated regarding any changes in the operating environment. It is also the responsibility of management, with the oversight of the Board and its Audit Committee, to prepare financial statements that fairly present the financial position of the Company in accordance with applicable accounting standards and legal requirements.

## Understanding Shareholders View

Company's shareholders comprise of investors including, mutual funds, investment companies, brokerage houses, insurance companies, foreign shareholders, pension funds, individuals, professionals, high profile individuals to housewives. The Company regularly interacts with all categories of shareholders, through Annual General Meeting, Extraordinary General Meeting, regular corporate / investor briefings etc. The Company has also been arranging annual corporate briefing sessions from last few years. The Chief Financial Officer and the Company Secretary remain available to respond to any shareholder / investor's query. The non-executive members are also kept informed about the views of the major shareholders about the Company.

## Governance Practices Exceeding Legal Requirements

The Company has always believed in going the extra mile and staying ahead of the curve. In line with this strategy, not only have we complied with all mandatory legal compliances under the Code of Corporate Governance, the Companies Act 2017 and other applicable rules, regulations and standards, we have also carried out the following activities in addition to the legal requirements;

- a. Implementations of HSE: the Company has developed and implemented aggressive HSE strategies at its Plants to ensure proper safety of its people and equipment.
- b. Dissemination of the information: the Company has always ensured that all material information is communicated to the PSX, the SECP and the Company's shareholders as soon as it becomes available. At all times we have ensured that such information is sent out much before the deadlines set out in the laws.
- c. Integrated Reporting Framework: The management reports various other essential information in this annual report which is not required by law. We are trying to adopt Integrated Reporting framework.

## Executive Director(s) serving as Non-Executive and Independent Director in other companies / body corporate

Our Chief Executive Mr. Azam Faruque, and Director & Chief Operating Officer Mr. Yasir Masood are also serving as a Non-Executive and Independent Directors in other companies / body corporate, details of which are available in the Directors' Profiles section.

## Independent Directors

The Company has ensured that the composition of its Board of Directors is compliant with all prevailing legal and governance requirements with respect to independent directors. All independent Directors have submitted along with their consent to act as Director, the declaration as required under the Code and Companies Act, 2017, to the Company that they meet the criteria of independent director.

## Female Director

Mrs. Zeeba Ansar was elected as an Independent female Director on the Board and the requirement for a female director on the board of a listed company has been complied.

## Board Meetings Held Outside Pakistan

During the year, 6 meetings of the Board of Directors were held. As recommended by SECP Guidelines and to keep the costs in control, the management has conducted all meetings in Pakistan.

Keeping in view of the COVID-19 pandemic, all Board meetings were conducted through video conference. Recently, we have started physical meetings but the option of participation through zoom link is also available.

## External Search Consultancy

Being a good corporate governance the Company believes and undertakes a formal process of external consultancy for the performance of the Board.

## Related Parties

As required under fourth schedule of the Companies Act, 2017, detailed disclosures regarding related party transactions have been presented in note 39 to the financial statements presented afterwards in this annual report. Such disclosure is in line with the requirements of the 4th Schedule to the Companies Act, 2017 and applicable International Financial Reporting Standards.

Approval of the transactions from the shareholders is obtained at the Annual General Meeting.

## Statement of Management's Responsibility towards Preparation and Presentation of Financial Statements and Directors' Compliance Statements

The Company, its Board of Directors and the management have always been keen to follow the standards set down by governing institutions. In light of the same strict compliance of all standards set out by ICAP, the Companies Act, and the International Accounting Reporting Standards have been adhered to and otherwise good and responsible reporting has been our general practice.

### **Directors are kept informed and updated**

To keep update to the Directors with major amendments and changes in applicable relevant laws.

## Disclosure of Directors' Interest

All Directors disclose the interest in all contracts or arrangements in others companies. Furthermore these disclosure are placed before the board in every year.

# Pandemic Management

## The COVID-19 pandemic

The pandemic was the most defining global crisis in living memory. The virus was declared a global pandemic by the World Health Organisation in 2020. The government implemented a national lockdown several times, which covered the comprehensive closure of offices, factories and public places.

The standard idea of “returning to normal” after the COVID-19 Pandemic is counterproductive because it re-establishes the same lack of resilience – the emphasis is on “building back better”. Since, there isn’t a clear timeline of ending the Pandemic, it is crucial to be prepared to come out on the other side as efficiently as possible.

As economies limping back to normalcy, survival is the name of the game. There is an opportunity to work on the process improvements. During the year, the Company concentrate on supply chain optimization, improving working capital efficiency, smart sourcing, improving inventory management and process automation along with reviewing the existing processes to make these leaner and agile.

We ensured safety of our employees during COVID and they were allowed to work from home. A special COVID Response Team (CRT) was formed comprising of senior management to take timely decisions.

All our employees are fully vaccinated and most of them have taken booster shots.





## Governance of Risk and Internal Control

The Company has various policies in connection with Governance of Risk and Internal Control that have been approved by the Board of Directors and covered in Director's Report and other different policies and disclosures. These include but are not limited to Health Safety Environment (HSE) policy, Information Technology (IT) Governance policy, Information System Security policy, Disaster Recovery policy etc. The implementation of such policies is in accordance with law to assure smooth operations of the business at all levels.



## IT Governance Policy

The Company has a well-conceived and implemented IT Governance Policy which seeks to ensure that IT is aligned with Cherat's organizational goals and strategies and delivers value to the organization. The policy is designed to promote effective, efficient, timely, and informed decision-making concerning Cherat's IT investments and operations. Specifically the policy aims to establish the IT governance structure and its associated procedures, roles, and responsibilities, as a critical component of the overall IT Management (ITM) Framework, which guides the management, implementation, and monitoring of IT investments for Cherat.

The Company's IT Governance Policy is mainly charged with:

- Establishing a shared vision of how information technology can add value to the organization;
- Establishing information technology goals, and the strategies for achieving those goals;
- Establishing principles and guidelines for making information technology decisions and managing initiatives;
- Overseeing the management of institutional information technology initiatives;
- Establishing and communicating organizational information technology priorities;
- Determining information technology priorities in resource allocation;
- Establishing, amending and retiring, as necessary, organizational information technology and other technology related policies, and
- Determining the distribution of responsibility between the IT Department and end users.





## Information Systems Security Policy

### OBJECTIVE

The objective of Information Security is to ensure continuity of business of the company and to minimize business damage by preventing and limiting the impact of security incidents.

### POLICY

1. The purpose of the Policy is to protect Company information assets from all threats, whether internal or external, deliberate or accidental. These assets relate to information stored and processed electronically.
2. It is the Policy of the Company to ensure that:
  - a. Information will be protected against unauthorized access.
  - b. Confidentiality of information will be assured by protection from unauthorized disclosure or intelligible interruption.
  - c. Integrity of information (its accuracy and completeness) will be maintained by protecting against unauthorized modification.
  - d. Regulatory and legislative requirements will be met, including record keeping, according to Information Security Management System standard.
  - e. Disaster Recovery Plans will be produced, maintained and tested, to ensure that information and vital services are available to Company when needed.
  - f. Information on security matters will be made available to all staff.
  - g. All breaches of information security, actual or suspected, will be reported to and investigated by the Information Security Officer / Internal Audit.
3. Standards will be produced to support the policy. These standards will include regulations, guidelines and procedures covering matters such as (not limited to) data security, backup, virus control and passwords.
4. Business requirements for the available of information and information system will be met.
5. The role and responsibility for managing information security will be assigned to a designated Information Security Officer / Internal Audit.
6. The information Security Officer / Internal Audit will be responsible for maintaining the Policy and providing advice and guidance on its implementation.
7. All managers are responsible for implementing the Policy within their business areas, and for adherence by their staff.
8. It is responsibility of each employee to adhere to the Policy.



## Social and Environmental Responsibility Policy

The Company's Social and Environmental Responsibility Policy envisages an active commitment and participation on the part of the Company in various social work initiatives as part of its corporate social responsibility. Being a conscientious member of the corporate community, the Company contributes generously to various social and charitable causes including towards health and education sectors. In this regard, it has worked with many reputable organizations and NGOs in Pakistan.

The Company also participated in flood relief activities and helped IDP's (Internally Displaced Persons). The Company has always stood by the people of Pakistan in their hour of need and shall always continue to do so.

The Company is fully committed to acting in an environmentally responsible manner. To achieve this result, we:

1. Ensure our product and operations comply with relevant environmental legislation and regulations.
2. Maintain and continually improve our environmental management systems to conform to the ISO-14001 Standard or more stringent requirements as dictated by specific markets or local regulations.
3. Operate in a manner that is committed to continuous improvement in environmental sustainability through recycling, conservation of resources, prevention of pollution, product development, and promotion of environmental responsibility amongst our employees.
4. Ensure that no emission of hazardous materials emits from the Company factory.
5. Inform suppliers, including contractors, of our environmental expectations and require them to adopt environmental management practices aligned with these expectations.



## Human Resource Policy

At Cherat Cement Company Limited we attribute our continued success to our people. Our employees are our enduring advantage and it is our ability to create high performance teams in a culture of inclusiveness, professionalism and excellence that drives our growth. To maintain our HR competitiveness, we remain focused on areas of talent management, learning & development; succession planning, and the development of a robust Management Trainee Program.

### Attracting the Best Talent

To support the Company's objective of acquiring the best talent, we have recalibrated our Trainee Engineer Program as "Future Leaders Program" to make it dynamic in its offerings to students allowing them to challenge their potential. By providing graduating students with an exhilarating route to enter our Graduate Trainee Engineering programs, we undertook several campus recruitment drives at leading Engineering educational institutions with an aim to find the best talent that would build the Company-wide pipeline of emerging leaders and also to be part of our enterprising organizational culture.

### Industrial Relations

We maintain excellent relations with our employees and labour. There is a formal labour union in place which represents all classes of workers and independently takes care of all labour related issues. The Company takes every reasonable step for swift and amicable resolution of all their issues.

### Succession Planning

Our Succession Planning policy is aimed at building a pipeline for future leadership and creating backups for critical roles.

The salient features of this policy are detailed as under:

- Talent Assessment is conducted based on achievements, Competencies and Group Values.
- Gap Analysis is done to determine time period and tools needed to groom / develop them as possible successors.
- Put through an outbound Leadership Course to determine areas of development vis-a-vis leadership.
- On-going coaching / rotation / training and developmental plans are in place to bring out best in class talent for succession.
- To deep reach successors at all levels, upward mobility is a pre-requisite in the hiring programme.

### Core Values

Values are what support the vision, shape the culture and reflect what an organization values. They are the essence of the organization's identity the principles, beliefs or philosophy of values.

Our Core Values (Respect, Fairness, Quality, Ownership) are embedded in our recruitment process, performance appraisals and recognition initiatives.



## Safety of Records Policy

The Company is effectively implementing the policy to ensure the safety of records. All records must be retained for as long as they are required to meet legal, administrative, operational, and other requirements of the Company. The main purposes of the Company policy are:

- To ensure that the Company's records are created, managed, retained, and disposed off in an effective and efficient manner;
- To facilitate the efficient management of the Company's records through the development of a coordinated Records Management Program;
- To ensure preservation of the Company's records of permanent value to support both protection of privacy and freedom of information services throughout the Company to promote collegiality and knowledge sharing;
- Information will be held only as long as required and disposed off in accordance with the record retention policy and retention schedules; and
- Records and information are owned by the Company, not by the individual or team



## Conflict of Interest Policy

A Conflicts of Interest Policy has been developed by the Company to provide a framework for all directors of the Company ("Directors") to disclose actual, potential or perceived conflicts of interest.

The policy provides guidance on what constitutes a conflict of interest and how it will be managed and monitored by the Company.

The policy is applicable to Directors as the Company strongly believes that a Director owes certain fiduciary duties, including the duties of loyalty, diligence and confidentiality to the Company which requires that the Directors act in good faith on behalf of the Company and to exercise his or her powers for stakeholders' interests and not for their own or others interest.

### **Management of Conflict of Interest**

The Company stands fully committed to the transparent disclosures, management and monitoring of actual potential or perceived conflicts of interest. All Directors under the policy are obligated and have a duty to avoid actual, potential or perceived conflicts of interest.

Any Director with personal interest, relationship or responsibility which conflicts with the interest of the Company or its shareholders shall excuse himself or herself from any discussions on the matter that would give rise to the conflict of interest and, if necessary, from the Board meeting, or applicable part thereof.



## Whistle Blower Policy

An important aspect of accountability and transparency is a mechanism to enable all individuals to voice concerns internally in a responsible and effective manner when they discover information which they believe shows serious malpractice.

Our whistle blowing policy is therefore fundamental to the organization's professional integrity. In addition, it reinforces the value of the organization places on staff to be honest and respected members of their individual professions. It provides a method of properly addressing bona fide concerns that individuals within the organization might have, while also offering whistle blowers protection from victimization, harassment or disciplinary proceedings.

It should be emphasized that the policy is intended to assist only those individuals who believe they have discovered malpractice or impropriety. It is not designed to question financial or business decisions taken by the organization nor should it be used to reconsider any matters which have been investigated under the harassment, grievance or disciplinary policies and procedures.

Fundamental elements of our Whistle Blower Policy are highlighted below:

- All staff are protected from victimization, harassment or disciplinary action as a result of any

disclosure, where the disclosure is made in good faith and is not made maliciously or for personal gain.

- All disclosures are required to be made in writing.
- Disclosures made anonymously are not entertained.
- Disclosures made are investigated fully including interviews with all the witnesses and other parties involved.
- All whistle blowing disclosures made are treated as confidential and the identity of the whistle blower is protected at all stages in any internal matter or investigation.
- Disciplinary action (up to and including dismissal) may be taken against the wrongdoer dependant on the results of the investigation.
- There are no adverse consequences for anyone who reports a whistle blowing concern in good faith. However, any individual found responsible for making allegations maliciously or in bad faith may be subject to disciplinary action.

During the year no whistle blowing incidence was reported under the mentioned procedure.



## Insider Trading Policy

The Company has taken definitive steps in ensuring that all employees, officers, members of the Board and all such relevant persons follow strict guidelines while trading in the shares of the Company. The Insider Trading Policy codifies the Company's standards on trading and enabling the trading of securities of the Company or other publicly-traded companies while in possession of material non-public information.

### **The general guidelines within the policy state that:**

1. No trading in the securities of the Company is permitted for directors and all employees who are "Executives" as defined in the relevant laws within the Closed Periods announced by the Company.
2. No insider may purchase or sell any Company's security while in possession of material non-public information about the Company, its customers, suppliers, consultants or other companies with which the Company has contractual relationships or may be negotiating transactions.

3. No insider who knows of any material non-public information about the Company may communicate that information to any other person, including family and friends.
4. In addition, no insider may purchase or sell any security of any other company, whether or not issued by the Company, while in possession of material non-public information about that company that was obtained in the course of his or her involvement with the Company in the way of conducting official business. No insider who knows of any such material non-public information may communicate that information to any other person, including family and friends.

### **The Company's Responsibility to Disclose Inside Information**

The Company's responsibility, in case of inside information made known to a third party, shall be to ensure that in such case the knowledge is given full public disclosure or if such information still needs to be kept non-public then the Company must ensure that the third party, is placed under legal obligation to maintain confidentiality.

# Related Party Transactions Policy

## Preamble

The Board of Directors (the "Board") of Cherat Cement Company Limited (the "Company") has adopted this Policy pursuant to the provisions of Section 208 of the Companies Act 2017 read with Regulation No. 15 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 and the Companies (Related Party Transactions and Maintenance of Related Records) Regulations, 2018 issued by the Securities & Exchange Commission of Pakistan.

## Scope of the Policy

This Policy applies to transactions between the Company and one or more of its related parties. It provides a framework for governance and reporting of related party transactions. It is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its related parties. Amendments, from time to time, to the Policy, if any, shall be considered and approved by the Board. The policy covers all related party transactions of Cherat Cement Company Limited as defined under Section 208 of Companies Act 2017. The policy is applicable on all individuals responsible to initiate, authorize, record and report related party transactions.

The Policy is applicable to all related party transactions irrespective of their value and size.

This Policy is intended to work in conjunction with regulatory provisions and other Company policies.

## Definitions

**(i) Arm's length transaction** means a transaction which is subject to such terms and conditions and is carried out in a way, as if:

- a) the parties to the transaction were unrelated in any way;
- b) the parties were free from any undue influence, control or pressure;
- c) through its relevant decision-makers, each party was sufficiently knowledgeable about the circumstances of the transaction, sufficiently experienced in business and sufficiently well advised to be able to form a sound business judgment as to what was in its interests; and
- d) each party was concerned only to achieve the best available commercial result for itself in all the circumstances.

**(ii) Office of profit** means any office:

- a) where such office is held by a director, if the director holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.
- b) where such office is held by an individual other than a director or by any firm, private company or

other body corporate, if the individual, firm, private company or body corporate holding it receives from the Company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

**(iii) Related party** includes:

- a) a director or his relative;
- b) a key managerial personnel or his relative; a key managerial person shall mean the following:
  - the Chief Executive Officer of the Company;
  - the Company Secretary of the Company;
  - the whole time Directors on the Board of the Company; and
  - the Chief Financial Officer of the Company.
- c) a firm, in which a director, manager or his relative is a partner;
- d) a private company in which a director or manager is a member or director;
- e) a public company in which a director or manager is a director or holds along with his relatives, any shares of its paid up share capital;
- f) any body corporate whose chief executive or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- g) any person on whose advice, directions or instructions a director or manager is accustomed to act;
- h) any company which is:
  - a holding, subsidiary or an associated company of such company; or
  - a subsidiary of a holding company to which it is also a subsidiary
- i) such other person as may be specified.
- j) Relative means spouse, siblings and lineal ascendants and descendants of a person.

Provided that nothing in sub-clauses (f) and (g) shall apply to the advice, directions or instructions given in a professional capacity.

\*All other terms will be construed as per the Companies Act 2017 and all other relevant laws.

## Types of related party transactions

Any contract or arrangement with respect to the following, but not limited to:

- (i) sale, purchase or supply of any goods or materials;
- (ii) selling or otherwise disposing of, or buying, property of any kind;
- (iii) leasing of property of any kind;
- (iv) availing or rendering of any services;
- (v) appointment of any agent for purchase or sale of goods, materials, services or property; and



- (vi) such related party's appointment to any office or place of profit in the company, its or associated company, provided:
  - a) where majority of the directors are interested in any of the above transactions, the matter shall be placed before the general meeting for approval as special resolution;
  - b) also that nothing in this sub-section shall apply to any transactions entered into by the company in its ordinary course of business on an arm's length basis.

#### **Disclosure and Approval of Related Party Transactions**

The board shall approve related party transactions that require its approval and the following minimum information shall be circulated and disclosed to the directors along with agenda for board's meeting called for approval of related party transactions:

- i. name of related party;
- ii. names of the interested or concerned persons or directors;
- iii. nature of relationship, interest or concern along with complete information of financial or other interest or concern of directors, managers or key managerial personnel in the related party;
- iv. detail, description, terms and conditions of transactions;
- v. amount of transactions;
- vi. timeframe or duration of the transactions or contracts or arrangements;
- vii. pricing policy;
- viii. recommendations of the Audit Committee, where applicable; and
- ix. any other relevant and material information that is necessary for the board to make a well informed decision regarding the approval of related party transactions.

#### **Identification of Related Party Transaction**

Every Director will be responsible for providing a notice containing the following information to the Board of Directors on an annual basis:

- i. a firm, in which the director, manager or his relative is a partner;
- ii. a private company in which the director or manager is a member or director;
- iii. a public company in which the director or manager is a director or holds alongwith his relatives, any shares of its paid up share capital;
- iv. any body corporate whose chief executive or manager is accustomed to act in accordance with the advice, directions or instructions of the director or manager;
- v. any person on whose advice, directions or instructions the director or manager is accustomed to act.

#### **Terms of the policy**

The terms of reference for the Policy are as follows:

- i. The management shall obtain approval of the policy by the Board of Directors ("Board");
- ii. The management may enter into any contract or arrangement with a related party only in accordance with the policy approved by the Board, subject to such conditions as may be specified;
- iii. The management shall obtain approval of the Board for contracts that are not on arm's length basis or not in the ordinary course of business;
- iv. The management shall present all related party transactions to the Audit Committee for their recommendation to the Board for approval;
- v. Every contract or arrangement entered into with a related party shall be referred to in the Board's report to the shareholders along with justifications;
- vi. Management shall maintain records of the transactions undertaken with related parties;
- vii. If a director or any other employee enters into any contract or arrangement with a related party without obtaining the consent of the Board or approval by a special resolution in the general meeting, and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within 90 days from the date of the contract, such contract or arrangement shall be voidable at the discretion of the Board;

#### **Maintenance of Record**

The Company shall maintain one or more registers with regards to transactions undertaken with related parties and contracts or arrangements in which directors are interested, in the manner prescribed, and shall enter therein the particulars of:

- i. contracts or arrangements, in which any director is, directly or indirectly, concerned or interested; and
- ii. contracts or arrangements with a related party with respect to transactions to which section 208 of the Companies Act, applies.

#### **Pricing Methodology**

Any related party transactions carried out on arm's length basis shall use one of the following pricing methodologies:

- i. Comparable Uncontrolled Price method;
- ii. Resale Price method;
- iii. Cost Plus method; and
- iv. Profit Split method

#### **Scope of Limitation**

In the event of any conflict between the provisions of this Policy and the Companies Act, 2017 or any other statutory enactments, rules, the provisions of the Companies Act, 2017 or statutory enactments, rules shall prevail over this policy.

# Business Continuity and Disaster Recovery Policy

The Board of Directors has approved and continuously reviews the IT Policy and Business Continuity Plan of the Company. The management has arranged offsite data storage facilities. All the key records are being maintained at different locations. Employees are aware of the steps required to be taken in case of any emergency.

## Business Continuity and Disaster Recovery Plan

### Introduction

The concept of Business Continuity Planning has become a major business management requirement over the past few years.

Business Continuity Planning is a process used to develop a practical plan for how a business can recover or partially restore critical business activities within a predetermined timeframe after a crisis or disaster. The resulting plan is called a Business Continuity Plan.

### Business Continuity Plan

#### Manufacturing Facilities

The Company's manufacturing facility is in Nowshera, Khyber Pakhtunkhwa and is a state of the art construction with its structure being earthquake proof. The building is fire resilient and fully equipped with modern firefighting equipment. It also meets HSE requirements at all levels. Despite all these arrangements, insurance coverage is made at the maximum level. Therefore, in case of any natural disaster, the Company would be able to recover its financial loss through insurance coverage. Hence, partial loss would not affect the Company's operations. Moreover, other locations of the Ghulam Faruque Group are available as alternate locations therefore; interruptions, if any, can be managed.

#### Identification of Potential Issues and the Plan Update

Potential issues are identified and updated from time to time to have an up to the mark solution for the anticipated problems. For the purposes of such identification, independent studies are conducted and drills are carried out. Based on the results obtained from these studies and drills, plans are updated.

### Disaster Recovery Plan and IT Infrastructure

The Company's production server facility is at PTCL Karachi with backup server facility at Lahore. In case of any disaster, the Company would be able to continue its operations smoothly. Availability of servers at such distant locations enables the Company to perform its IT functions without glitches in the event of an infrastructural damage at any particular location. Moreover, the Company is situated at various locations across Pakistan and operations may be carried out through all such locations. Also, at the time of imposition of lockdowns by the government due to COVID-19 pandemic, the employees of the Company were able to work from home smoothly via VPN clients.

### Marketing and Other Staff

The Company's senior management, as a part of Ghulam Faruque Group, is present across Pakistan and not restricted to one location. In case of any mishap, operations can be taken over and continued from any other location.

# Policy on Non-Executive and Independent Directors' Remuneration

## Preamble

The Board of Directors (the "Board") of Cherat Cement Company Limited (the "Company") has adopted this Policy upon the implementation of Section 170 of the Companies Act, 2017 read with Regulation No. 17 of the Code of Corporate Governance.

Amendments, from time to time, to the policy, if any, shall be considered by the Board in light of changes in applicable laws and/or such external circumstances that directly apply to the scope of this policy.

## Scope and Applicability

The policy shall apply to all Non-Executive and Independent Directors who attend Board meetings, Audit Committee meetings, Human Resource and Remuneration Committee meetings and any other meetings called by the Board.

## Terms of the Policy

Through the Articles of the Company, the Board is authorized to fix remuneration of Non-Executive and Independent Directors from time to time. The fee of the Non-Executive and Independent Directors for attending the Board and Committee meetings of the Company shall be as determined by the Board of Directors from time to time.

# Investor's Grievance Policy

The Company has an Investors' Grievance Policy in place. Any complaint or observation received either directly by the Corporate Department or during General Meetings are addressed by the Company Secretary. The Shareholders are given the information as desired by them as per the law well in time. All the written complaints are replied in writing. Our share registrar is CDC Share Registrar Services Limited (CDCSRSL) which is leading name in the field. The Company has many old and loyal shareholders, which shows the trust of the shareholders in the management of the Company.

# Diversity Policy

The Company is committed to fostering, cultivating and preserving a culture of diversity and inclusion. Our human capital is the most valuable asset we have. The collective sum of the individual differences, life experiences, knowledge, inventiveness, innovation, self-expression, unique capabilities and talent that our employees invest in their work represents a significant part of not only our culture, but our reputation and Company's achievement as well.

We embrace and encourage our employees' differences in age, color, disability, ethnicity, family or marital status, gender identity or expression, language, national origin, physical and mental ability, political affiliation, race, religion, socio-economic status, veteran status, and other characteristics that make our employees unique. Cherat Cement Company Limited's 'diversity initiatives are applicable but not limited to our practices and policies on recruitment and selection; compensation and benefits; professional development and training; promotions; transfers; social and recreational programs; layoffs; terminations; and the ongoing development of a work environment built on the premise of gender and diversity equity that encourages and enforces:

- Respectful communication and cooperation between all employees.
- Teamwork and employee participation, permitting the representation of all groups and employee perspectives.
- Employer and employee contributions to the communities we serve to promote a greater understanding and respect for the diversity.

All employees of Cherat Cement Company Limited have a responsibility to treat others with dignity and respect at all times. All employees are expected to exhibit conduct that reflects inclusion during work, at work functions on or off the work site, and at all other company-sponsored and participative events. Any employee found to have exhibited any inappropriate conduct or behavior against others may be subject to disciplinary action.

# Report of the Audit Committee

## Audit Committee

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

The Audit Committee of the Company comprises of two Non-Executive Directors and one Independent Non-Executive Director who is the Chairman of the Committee. The Head of Internal Audit attends Audit Committee meetings. The Chief Executive Officer and Chief Financial Officer attend Audit Committee meetings by invitation. The Audit Committee also separately meets the external auditors at least once in a year without the presence of the Management.

Meetings of the Audit Committee are held at least once every quarter. Four meetings of the Audit Committee were held during the year 2021-2022. Based on reviews and discussions in these meetings, the Audit Committee reports that:

1. The Company has issued a Statement of Compliance with the Code of Corporate Governance which has also been reviewed and certified by the auditors of the Company.
2. The Audit Committee reviewed and approved the quarterly, half yearly and annual financial statements of the Company and recommended them for approval of the Board of Directors. Further, the financial statements comply with the requirements of the Fourth Schedule to the Companies Act, 2017, and applicable International Accounting Standards and International Financial Reporting Standards notified by SECP.
3. The Audit Committee has reviewed and approved all related party transactions.
4. The Audit Committee takes into account any feedback from the Board of Directors and incorporates for improvement.

## INTERNAL AUDIT AND RISK MANAGEMENT

1. For appraisal of internal controls and monitoring compliance, the Company has in place an appropriately staffed, Internal Audit department. The Audit Committee reviewed the resources and performance of the Internal Audit department to ensure that they were adequate for the planned scope of the Internal Audit function. Head of Internal Audit Department has direct access to the Audit Committee.
2. An Internal Audit Risk Assessment document is submitted to the Audit Committee and based on

that an Audit Plan is prepared to mitigate the risks involved in the Company's operations. Further, on the basis of this plan, audits are conducted and reports are submitted. The Committee on the basis of the said reports reviews the adequacy of controls and compliance shortcomings in areas audited and discuss corrective actions in the light of management responses. Regular follow ups of these reports are also taken. This ensures the continual evaluation of controls and improved compliance. Minutes of Audit Committee meetings are timely circulated to the Board of Directors.

3. For continuous improvement of internal controls, the Committee also discussed the internal controls and the management letter with the external auditors.

## EXTERNAL AUDIT

1. The external auditors M/s. EY Ford Rhodes, Chartered Accountants were allowed direct access to the Audit Committee and necessary coordination with internal auditors was ensured. Major findings arising from audits and any matters that the external auditors wished to highlight were freely discussed with them.
2. The Audit Committee has reviewed and discussed with the external auditors and management, all the Key Audit Matters and other issues identified during the external audit along with the methods used to address the same.
3. Being eligible for reappointment as Auditors of the Company, the Audit Committee has recommended the appointment of M/s EY Ford Rhodes, Chartered Accountants as External Auditors of the Company for the year ending June 30, 2023 as it is one of the Big Four audit firm and has thorough knowledge of the Company's business and industry due to long association with the Company.
4. The Company also obtains taxation related services from M/s. EY Ford Rhodes, Chartered Accountants as it is one of the reputed firm in provision of said services and has sound professional policies and procedure to ensure compliance of independence.

By Order of the  
Audit Committee

  
Asif Qadir  
Chairman

August 23, 2022



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Chartered Accountants  
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## Independent Auditors' Review Report

### To the members of Cherat Cement Company Limited (the Company) Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Cherat Cement Company Limited for the year ended 30 June 2022 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2022.

EY Ford Rhodes  
Chartered Accountants

Place: Karachi  
Date: August 26, 2022

UDIN Number: CR2022101205VDk7cBfu

# Statement of Compliance

with Listed Companies (Code of Corporate Governance) Regulations, 2019

For the year ended June 30, 2022

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of Directors are 8 (eight) as per the following,-
  - a. Male: 7
  - b. Female: 1
2. The composition of Board is as follows:

Category	Names
Independent Directors	Mr. Asif Qadir Mr. Abrar Hasan Mrs. Zeeba Ansar
Non - Executive Directors	Mr. Omar Faruque Mr. Arif Faruque Mr. Akbarali Pesnani
Executive Directors	Mr. Azam Faruque Mr. Yasir Masood
Female Director	Mrs. Zeeba Ansar

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company;
4. The Company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/shareholders as empowered by the relevant provisions of the Act and these Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;

9. Following Directors and Executives attended Directors' Training program till June 30, 2022:

#### Name of Directors & Executives :

Mr. Omar Faruque	Chairman
Mr. Azam Faruque	Chief Executive
Mr. Akbar Ali Pesnani	Director
Mr. Abrar Hasan	Director
Mr. Yasir Masood	Director & Chief Operating Officer
Mrs. Zeeba Ansar	Director

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed committees comprising of members given below:

#### a) Audit Committee

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

#### b) HR and Remuneration Committee

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


13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
14. The frequency of meetings (quarterly/half yearly/yearly) of the committee were as per following:
  - a) Audit Committee. - Quarterly
  - b) HR and Remuneration Committee. - Half Yearly
15. The Board has set up an effective internal audit function supervised by a Head of Internal Audit who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company;

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, Company secretary or director of the Company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory

requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard; and

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 have been complied with.

On behalf of the Board of Directors

  
Omar Faruque  
Chairman

  
Azam Faruque  
Chief Executive

Karachi: August 25, 2022



# Chairman and Chief Executive

## Offices of the Chairman and Chief Executive

Being a corporate governance compliant company, Cherat Cement Company Limited designates separate persons for the position of the Chairman of the Board of Directors and the office of the Chief Executive with clear division of roles and responsibility.

Pursuant to the provisions of Section 192(2) of the Companies Act 2017, the Board of Directors of Cherat Cement Company Limited has outlined the roles and responsibilities of the Chairman as well as the Chief Executive Officer (CEO) of the Company, which are detailed here in below;

### Role of Chairman

The principal role of the Chairman of the Board is to manage and to provide leadership to the Board of Directors of the Company. The Chairman is accountable to the Board. The Chairman acts as the communicator for Board decisions where appropriate.

More specifically, the duties and responsibilities of the Chairman are as follows:

- acting as a liaison between management and the Board, through the CEO;
- keeping abreast generally of the activities of the Company and its management;
- ensuring that the Directors are properly informed and that sufficient information is provided to enable the Directors to form appropriate judgements and make informed decisions;
- preparing the review report (to be included with the annual financial statements) on the overall performance of the Board of Directors and effectiveness of the role played by the Board of Directors in achieving the Company's objectives;
- developing and setting the agendas for meetings of the Board;
- acting as Chair at meetings of the Board;
- ensuring that the minutes of Board meetings are appropriately recorded and reviewing and signing minutes of Board meetings;
- presiding over the Board meetings and ensuring that all relevant information has been made available to the Board;
- confirming the quorum of the meeting;
- ensuring that the agenda, notice of meeting alongwith all relevant material were circulated within stipulated time;
- ensuring that the minutes of the Board meetings are kept in accordance with applicable laws;
- ensuring that the appropriate recording and circulation of the minutes of the Board meeting to the Directors and officers entitled to attend the Board meetings;
- safeguarding shareholders' interest in the Company;
- issuing the letter to the directors at the commencement of each three year term of the Directors setting out their role, obligations, powers and responsibilities;
- ensuring that the Board is playing an effective role in fulfilling its responsibilities;
- determining the date, time and location of the annual or extraordinary general meetings of shareholders and to develop the agenda for the meeting;
- presiding as chairman at every General Meeting of the Company;
- recommending to the Board, after consultation with the Directors and management, the appointment of members of the Committees of the Board;
- assessing and making recommendations to the Board annually regarding the effectiveness of the Board.

### Role of Chief Executive

The CEO is, subject to control and directions of the Board, entrusted with the powers of management of affairs of the Company. In such capacity the CEO's role and responsibilities include:

- planning, formulating and implementing strategic policies;
- ensuring the achievement of productivity and profitability targets and efficient Company operations;



- ensuring that necessary coordination exists between various departments of the Company to achieve smooth and effective operations;
- maintaining an ongoing dialogue with the Directors in regard to changes in and implementation of Company's policies and the performance and development of the Company's business;
- ensuring that the Company's interests and assets are properly protected and maintained and all the required Government obligations are complied with in a timely manner;
- maintaining a close liaison with the Government, customers, suppliers and sales offices;
- chalking out human resource policies for achieving high professional standards, overall progress / betterment of the Company as a whole;
- ensuring that proper succession planning for all levels of hierarchy exists in the Company and the same is constantly updated;
- ensuring proper functioning of the Management Committees of the Company of which he is the chairman;
- preparing and presenting personally to the Board of Directors following reports/details:
  - ◆ annual business plan, cash flow projections and long-term plans.
  - ◆ budgets including capital, manpower and overhead budgets along with variance analysis.
  - ◆ quarterly operating results of the Company in terms of its operating divisions and segments.
- promulgation or amendment of the law, rules or regulations, accounting standards and such other matters as may affect the Company.
- reviewing performance against budgets / targets, revenue and capital expenditure, profits, other administration, commercial, personnel and other matters of importance to the Company.
- ensuring that open and progressive atmosphere is created among employees giving them a sense of participation and providing them with an opportunity to give their best.

# Salient Features of Terms of Reference of the Audit Committee and the Human Resource & Remuneration Committee

The Board is assisted by two Committees, namely the Audit Committee and the Human Resource & Remuneration Committee, to support its decision-making in their respective domains:

## AUDIT COMMITTEE

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

The Audit Committee comprises of three Non-Executive Directors one of whom is Independent. The Chairman of the Committee is an Independent Director.

Meetings of the Audit Committee are held at least once every quarter. The Committee reviews the annual financial statements in the presence of external auditors. The recommendations of the Audit Committee are then submitted for approval of financial results of the Company by the Board. During the year 2021-22, the Audit Committee held Four [4] meetings. The minutes of the meetings of the Audit Committee are provided to all the members, Directors and the Chief Financial Officer. The Head of Internal Auditor attends the Audit Committee meetings regularly and meets the Audit Committee without the presence of the Management, at least once a year, to point out various risks, their intensity and suggestions for mitigating risks and improvement areas. The business risks identified are then referred to the respective departments and mitigating actions are then implemented.

## Terms of Reference of Audit Committee

The Code of Corporate Governance mandates that the Board of Directors of the Company shall determine the Terms of Reference of the Audit Committee.

In light of the mandate the Board of Directors of Cherat Cement Company Limited has drafted and approved the following terms of Reference for its Audit Committee. This is a non-exhaustive list and only outlines the most important guidelines for the Committee. Amendments to these shall be made from time to time in line with change in laws, and internal and external relevant factors.

The Committee shall;

- a) determine appropriate measures to safeguard the company's assets;
- b) review annual and interim financial statements of the company, prior to their approval by the Board of Directors, focusing on:

- (i) major judgmental areas;
- (ii) significant adjustments resulting from the audit;
- (iii) going concern assumption;
- (iv) any changes in accounting policies and practices;
- (v) compliance with applicable accounting standards;
- (vi) compliance with these regulations and other statutory and regulatory requirements; and
- (vii) all related party transactions.

- c) review preliminary announcements of results prior to external communication and publication;
- d) facilitate the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- e) review management letter issued by external auditors and management's response thereto;
- f) ensure coordination between the internal and external auditors of the company;
- g) review the scope and extent of internal audit, audit plan, reporting framework and procedures and ensure that the internal audit function has adequate resources and is appropriately placed within the company;
- h) consider major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
- i) ascertain that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
- j) review the company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;
- k) institute special projects, value for money studies or other investigations on any matter specified by the board of directors, in consultation with the

Chief Executive Officer and consider remittance of any matter to the external auditors or to any other external body;

- l) determine compliance with relevant statutory requirements;
- m) monitor compliance with these regulations and identify significant violations thereof;
- n) review arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
- o) recommend to the board of directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements. The board of directors shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof.
- p) consider any other issue or matter as may be assigned by the Board of Directors.

## HUMAN RESOURCE & REMUNERATION COMMITTEE

The Code of Corporate Governance mandates that the Board of Directors of the Company shall determine the Terms of Reference of the Human Resource and Remuneration Committee.

### Human Resource & Remuneration Committee

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

In light of the mandate the Board of Directors of Cherat Cement Company Limited has drafted and approved the following terms of Reference for its HR&R Committee. This is a non-exhaustive list and only outlines the most important guidelines for the Committee. Amendments to these shall be made from time to time in line with change in laws, and internal and external relevant factors.

#### The Committee shall;

- i. recommend to the Board for consideration and approval a policy framework for determining remuneration of directors (both executive and non-executive directors and members of senior

management). The definition of senior management will be determined by the Board which shall normally include the first layer of management below the Chief Executive Officer level;

- ii. undertake annually a formal process of evaluation of performance of the Board as a whole and its committees either directly or by engaging external independent consultants and if so appointed, a statement to that effect shall be made in the directors' report disclosing name, qualifications and major terms of appointment;
- iii. recommend human resource management policies to the Board;
- iv. recommend to the Board the selection, evaluation, development, compensation (including retirement benefits) of Chief Operating Officer, Chief Financial Officer, Company Secretary and Head of Internal Audit;
- v. carry out consideration and approval on recommendations of Chief Executive Officer on such matters for key management positions who report directly to Chief Executive Officer or Chief Operating Officer;
- vi. where human resource and remuneration consultants are appointed, their credentials shall be known by the committee and a statement shall be made by them as to whether they have any other connection with the company; and
- vii. carry out all actions in addition to those stated above, in order to ensure that the Company's risks are mitigated and growth in the right direction is taking place.

Records: All documentation related to the holding, proceedings and recommendations of the HR & R Committee shall be ensured by and stored with the Secretary (HR & RC).

#### Strategy and Performance

The Board reviews the implementation of organization's strategic & financial plans, Board meeting agendas and supporting documents provide sufficient information and time to explore & resolve key issues. Board members demonstrate preparation for meetings through active participation in decision making.



# Analysis of the Financial Information

- 140 Analysis of the Financial and Non-Financial Performance
- 142 Change in Indicators and Performance Measures
- 142 Explanation of Negative Changes in Performance over the Period
- 143 Debt Repayment
- 143 Segment Results
- 143 Market Share
- 143 Shariah Ratios
- 144 Analysis of Financial Ratios
- 145 Comments on Ratios
- 146 Graphical Presentation of Analysis of Financial Statements
- 149 Economic Value Added
- 150 DuPont Analysis
- 151 DuPont Chart
- 152 Free Cash Flows
- 153 Key Financial Information - Six Years
- 154 Horizontal Analysis - Six Years
- 156 Vertical Analysis - Six Years
- 158 Graphical Presentation of Statement of Financial Position & Statement of Profit or Loss
- 160 Statement of Summary of Cash Flows - Six Years
- 161 Statement of Cash Flows - Direct Method
- 162 Quarterly Performance Analysis
- 163 Share Price Sensitivity Analysis
- 164 Composition of local and imported material and sensitivity analysis due to foreign currency fluctuations
- 165 Calendar of Notable Events

# Analysis of the Financial and Non-Financial Performance

Financial Indicators:

## Actual Results:

Pakistan has achieved GDP growth at 5.97% in the fiscal year 2022. However, this growth in the economy is not translated into cement demand and the cement industry witnessed a negative growth of 8% during the year. While, the local cement industry declined by 1%, whereas export cement declined significantly by 44% during the financial year 2022. In line with this, Cement dispatches of the Company decreased by 10% whereas sales revenue increased by 27% due to favorable sales price variance. Our local cement price increased significantly by Rs.2,727 per ton whereas the export price increased by Rs.1,323 per ton. Hence, our average sales price increased by Rs.2,650 per ton. Additionally, the Cost of sales increased by Rs.1,834 per ton. In line with this, our Gross profit increased significantly from Rs.1,704 per ton to Rs.2,520 per ton (increased by Rs.816 per ton). Finance costs decreased to Rs.1,359 million from Rs.1,524 million as compared to the corresponding year. During the year, the Company posted an after-tax profit of Rs.4,456 million as compared to after tax profit of Rs.3,205 million in the corresponding year.

Summarized operating performance of the Company for the current year as compared to last year is as follows:

	<b>2022</b>	2021
	(Rupees in million)	
Net sales	<b>32,085</b>	25,207
Cost of sales	<b>23,135</b>	18,479
Gross profit	<b>8,951</b>	6,728
Expenses and taxes	<b>4,495</b>	3,523
Net profit	<b>4,456</b>	3,205

In quantitative terms, total dispatches showed decline from 3,949,677 to 3,552,473 tons (i.e. by 397,204 tons) which is 10%. Further, cement export declined by 43%.

	<b>2022</b>	2021
	(in tons)	
Domestic sales	<b>3,259,763</b>	3,438,944
Export sales	<b>292,710</b>	510,733
Total sales	<b>3,552,473</b>	3,949,677

## Budgeted Results:

After incorporating all factors i.e. updating budget assumptions, reviewing bottlenecks, available funding, obtaining department budgets, obtaining capital budget requests, manufacturing capacities etc. the budget for 2021-22 has been made. This year, the Company has set sales volume, which was challenging considering the slowdown in the economy due to inflation and lower allocation of PSDP. The company met all its targets except for a few.

	<b>2022</b>	2022
	Actual	Budget
	(in tons)	
Total sales volume	<b>3,552,473</b>	4,300,000

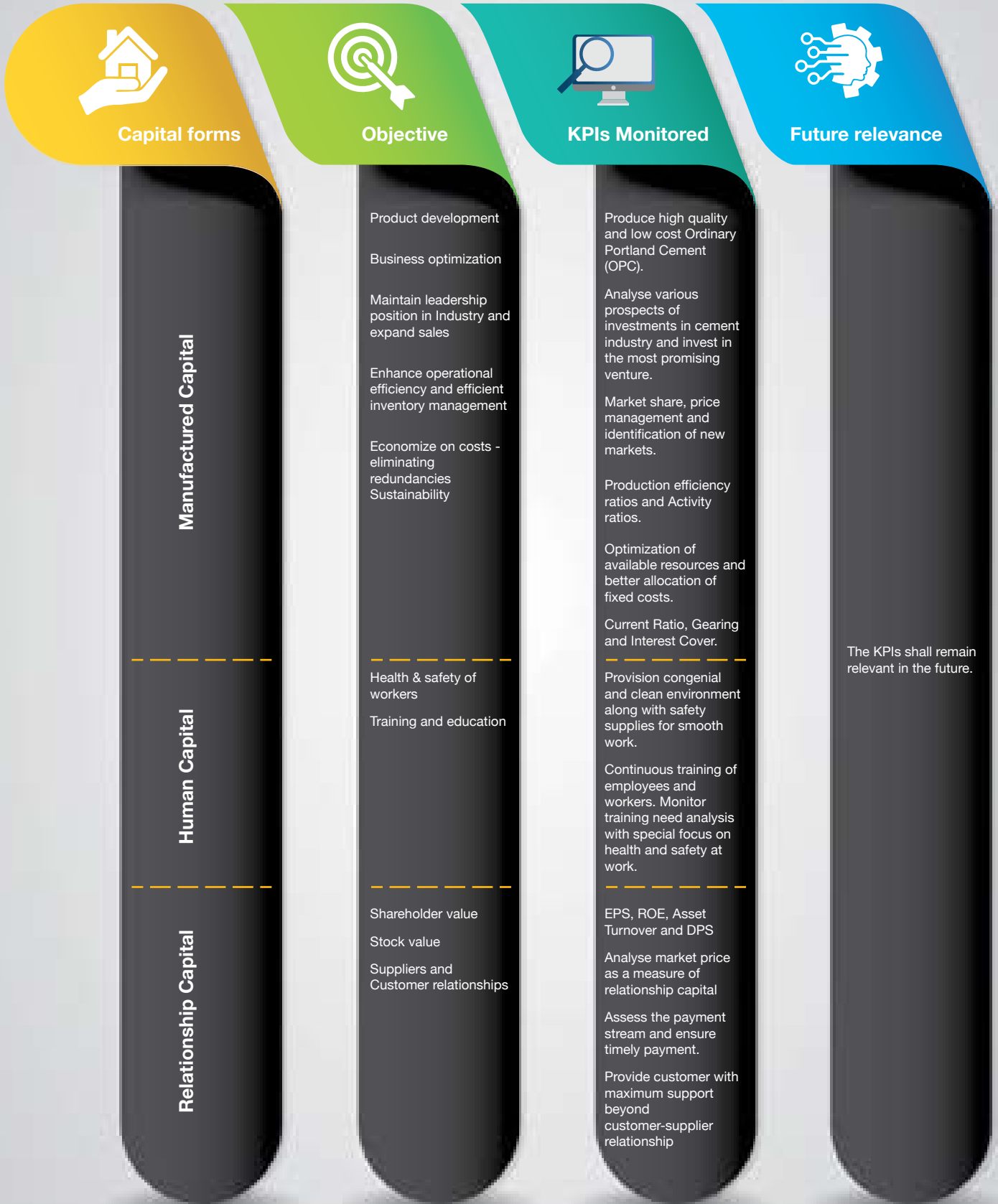
Actual vs budget figures under respective heads are as follows:

	<b>2022</b>	2022
	(Rupees in million)	
Net sales	<b>32,085</b>	30,310
Cost of sales	<b>23,135</b>	22,823
Gross profit	<b>8,951</b>	7,487
Expenses and taxes	<b>4,495</b>	3,746
Net profit	<b>4,456</b>	3,741

The Company has healthy dividend payout history. The Board of directors has recommended a dividend of Rs. 3.00 per share which will be approved by shareholders in the AGM.

The Company has duly paid taxes, duties and other levies on a timely basis without any overdue or outstanding of such payments and complied with applicable laws and regulations.

# Non-Financial Indicators



# Change in Indicators and Performance Measures

Cherat Cement Company Limited has established key indicators, which pertain to its key performing areas. Such indicators are subject to change with the Internal and external environment associated with the organization. Cherat Cement Company Limited has identified KPI's that are critical to its business. While identifying KPI's, the Company analysed various indicators, their interpretations and accordingly their extent to which they may correctly and clearly communicate the Company's performance. Some important indicators are as under:

## Market Share:

Market share is a critical key indicator for scaling market competitiveness with respect to size and capacity of the Company. Cherat is a premium brand of Ordinary Portland Cement in Pakistan and Afghanistan. Our main markets in Pakistan are KPK, FATA, Azad Kashmir and Punjab and small market in Sindh. As per the basic data available on the website of All Pakistan Cement Manufacturers Association our market share is around 7% because of our superior quality and commissioning of line-III. Cherat is the first choice of customers in most of the markets.

## Financial Leverage:

Financial leverage has shown a positive impact in the current year as debt-to-equity ratio clocked in at 0.99 times, a decrease of 21.43% as compared to the year 2021 when the ratio stood at 1.26 times due to repayment of long term loans. Leverage is neither inherently good nor bad. Its resultant effect is based on the investment options selected by the company to amplify its shareholders' return on investment by investing in projects whose returns exceed the cost of debts uses it. Nonetheless, uncontrolled debt levels can lead to credit downgrades or worse. On the other hand, too few debts can also raise questions on the Company's ability to capitalize the opportunities. However, it is linked to the capital structure policy of a company. The Company has a dynamic process of evaluating its financial leverage and keep it aligned to its capital structure policies. The Company focuses to take advantage of the opportunities at lower cost through effective negotiations with financial institutions. Following the back-to-back expansions, financial leverage of the Company now has significantly increased on one hand but on the other side, the Company has reached among the top 7 Cement producers in the country.

## Fixed Cost per unit:

Higher production capacities of an entity help in bringing down the cost per unit of the item manufactured. In our Company, fixed cost per unit reduce after start of production activities from Line-III along with Line-II. Production units inversely proportion to the fixed cost per unit, higher production means low per unit cost or vice versa. The Company is keen to bring its fixed cost per unit down in order to enhance its profitability.

# Explanation of Negative Changes in Performance over the Period

Post Pandemic recovery, the world economy faced the challenge of higher international commodity prices. The situation worsened after the Russia-Ukraine war. As with all emerging market economies, our economy was also affected very badly by these events. The ongoing political instability has made the fragile situation worse. In order to contain the current account deficit, the Central Bank is attempting to slow down the economy. During the year, local dispatches of the Company decreased by 5% and export sales to Afghanistan declined by 43%. On aggregate basis, the cement dispatches of the Company reduced by 10% from last year. There has been a 27% increase in the sales revenue over the preceding year. This was mainly due to upward adjustment in cement prices due to cost inflation in inputs. During the year, cost of sale increased by 25% due to higher fuel and power costs. There was significant increase in coal and electricity prices due to persistent higher prices of international coal and oil. However, the Company mitigated the total impact of these cost through operational efficiencies. There was decline in finance cost as compared to last year mainly due to repayment of loans and six-monthly resetting of markup rate pertaining to these loans. However, a substantial tax provision has been recorded due to imposition of super tax on cement industry. Despite these challenges, the company posted the highest ever after-tax profit of Rs. 4,456 million for the year ended June 30, 2022.

The detailed explanation pertaining to the negative changes in performance against prior year is provided in the relevant sections of the analysis of financial statements and the vertical and horizontal analysis of Statement of Financial Position, Statement of Profit or Loss, Quarterly performance and Statement of Cash Flows.



## Debt Repayment

The Company has no history of debt repayment default. Instead, the Company has the practice of early settlement of its debts to improve its capital structure and to reduce costs. During the period, the Company has made early full repayment of Cement Line-II loan amounting to Rs. 700 million along with regular principal repayments amounting to Rs 3,060 million relating to other loans. With the current economic scenario, the Company has managed to generate healthy cash flows which is a sign of sound financial position and commitment.

## Segment Results

The activities of the Company are organized into one operating segment based on its manufacturing, marketing and sale of cement. However, the Company has been maintaining its books of accounts line wise. Analysis of local and export sales is given in the Director's Report.

## Market Share

“Cherat” brand is widely acknowledged as the best quality cement brand of Pakistan. The Company is a leading brand having vast customer base with the presence in almost all over in Pakistan and Afghanistan, where it exported. Presently, due to the effective marketing efforts and superior quality of our brand, we have more than 7% market share of cement sales in Pakistan, as evident from the basic data of All Pakistan Cement Manufacturing Association website.

## Shariah Ratios

For the year ended June 30, 2022

	Benchmark	2022	2021
Loan on interest to Total Assets	30%	16%	13%
Total interest-taking deposits to market capitalization of Total Equity	30%	1%	1%
Income generated from prohibited component to Total Income	5%	1%	0%
Net liquid assets per share to market value per share	Yes	Yes	Yes

# Analysis of Financial Ratios

For the year ended June 30, 2022

	2022	2021	2020	2019	2018	2017
<b>Profitability Ratios:</b>						
Gross Profit Ratio (percentage)	<b>27.90</b>	26.69	2.26	18.18	21.82	33.31
Net Profit Before Tax to Sales (percentage)	<b>21.28</b>	17.21	(15.93)	6.61	14.92	26.02
Net Profit to Sales (percentage)	<b>13.89</b>	12.72	(11.08)	11.11	14.82	20.28
EBITDA Margin to Sales (percentage)	<b>30.57</b>	29.88	9.14	22.59	24.98	35.16
Operating Leverage Ratio	<b>1.45</b>	(65.16)	(14.08)	(1.22)	(0.15)	0.79
Return on Equity (average in percentage)	<b>28.84</b>	27.11	(17.36)	15.38	19.71	19.96
Return on Capital Employed (percentage)	<b>14.72</b>	11.11	(6.91)	5.98	8.12	12.74
Shareholders' Funds (percentage)	<b>44.86</b>	39.74	30.54	33.32	36.61	55.63
Return on Shareholders' Funds (percentage)	<b>25.71</b>	23.62	(18.86)	15.00	19.01	18.70
<b>Liquidity Ratios:</b>						
Current Ratio	<b>1.06</b>	1.08	1.14	1.31	1.72	1.78
Quick / Acid Test Ratio	<b>0.97</b>	0.88	0.92	1.05	1.46	1.40
Cash to Current Liabilities	<b>0.11</b>	0.02	0.01	0.00	0.01	0.02
Cash flow from Operations to Sales	<b>0.19</b>	0.27	0.21	0.09	0.18	0.02
Cash flow to capital expenditures	<b>1.72</b>	3.58	11.23	0.36	0.24	0.13
Cash flow coverage Ratio	<b>0.36</b>	0.40	0.18	0.07	0.17	0.03
<b>Investment / Market Ratios:</b>						
Earnings per Share (Before Tax) - Basic & Diluted	<b>35.15</b>	22.32	(14.01)	5.39	11.05	12.92
Earnings per Share (After Tax) - Basic & Diluted	<b>22.93</b>	16.50	(9.74)	9.07	10.97	10.07
Price Earnings Ratio	<b>4.06</b>	10.75	(8.95)	3.41	8.86	17.75
Price to Book Ratio	<b>1.04</b>	2.54	1.68	0.47	1.54	3.02
Dividend Yield Ratio	<b>0.03</b>	0.01	-	0.03	0.05	0.03
Dividend Payout Ratio	<b>0.13</b>	0.14	-	0.11	0.46	0.45
Dividend Cover Ratio	<b>7.64</b>	7.33	-	9.07	2.19	2.24
Cash Dividend per Share	<b>3.00</b>	2.25	-	1.00	5.00	4.50
Stock Dividend per Share (percentage)	-	-	-	10.00	-	-
Market Value per Share						
- Closing	<b>93.04</b>	177.38	87.17	30.96	97.23	178.78
- High	<b>181.06</b>	192.32	95.91	97.64	174.53	212.00
- Low	<b>89.96</b>	91.88	24.63	29.70	88.50	118.31
Break-up Value per Share	<b>89.12</b>	69.94	51.74	66.56	63.26	59.23
Break-up Value per Share including the effect of all Investments	<b>91.60</b>	73.34	53.76	68.00	65.51	62.43
Break-up Value per Share including Investment in Related Party at Market Value	<b>91.60</b>	73.34	53.76	68.00	65.51	62.43
<b>Capital Structure Ratios:</b>						
Financial Leverage Ratio	<b>0.99</b>	1.26	1.99	1.75	1.44	0.61
Weighted Average Cost of Debt	<b>0.09</b>	0.08	0.13	0.09	0.06	0.07
Debts to Equity Ratio (percentage)	<b>36.42</b>	48.16	62.74	58.98	56.81	31.63
Interest Cover Ratio (Times)	<b>6.03</b>	3.85	(0.08)	1.92	7.02	14.33
Net Assets per Share	<b>89.12</b>	69.94	51.74	66.56	63.26	59.23
<b>Activity / Turnover Ratios:</b>						
Total Assets Turnover Ratio	<b>0.83</b>	0.74	0.52	0.45	0.47	0.51
Fixed Asset Turnover Ratio	<b>1.16</b>	0.98	0.67	0.59	0.60	0.71
Inventory Turnover (Days)	<b>15</b>	19	24	28	26	33
Inventory Turnover (Times)	<b>24</b>	19	15	13	14	11
Debtor Turnover (Days)	<b>11</b>	12	10	11	12	21
Debtor Turnover (Times)	<b>34</b>	31	38	34	31	17
Creditor Turnover (Days)	<b>15</b>	18	22	33	29	21
Creditor Turnover (Times)	<b>25</b>	20	17	11	12	18
Operating Cycle	<b>11</b>	13	12	6	9	33
<b>Employee Productivity ratios</b>						
Production per Employee	<b>3,501</b>	4,105	3,480	2,479	2,760	2,027
Revenue per Employee (Rs. In thousand)	<b>32,250</b>	26,203	17,655	15,780	16,350	13,056
Staff turnover ratio (percentage)	<b>2.64</b>	3.10	4.94	4.64	4.77	8.72
<b>Non-Financial Ratios</b>						
% of Plant Availability (percentage)	<b>97.40</b>	98.25	95.65	84.17	100.70	88.66
Customer Satisfaction Index (percentage)	<b>98.78</b>	99.50	99.20	98.10	98.00	99.1
<b>Others</b>						
Spares Inventory as % of Assets Cost	<b>5.80</b>	5.89	5.70	3.60	3.08	4.72
Maintenance Cost as % of Operating Expenses	<b>4.73</b>	4.33	3.13	5.11	5.01	5.58

# Comments on Ratios



## Profitability Ratios:

The profitability ratios of the Company have shown a triumphant recovery mainly due to increase in retention prices and effective control over costs through creating efficiencies in process and supply chain following an ongoing strategy of shifting from national power grid to self-generation by successfully installing Solar power plant and become cost efficient. Return on equity has also increased from prior years due to sustained growth, robust operational performance and efficient strategic decision making.



## Liquidity Ratios:

Liquidity Ratios depicts the Company's strong financial position and better working capital management. Company's current year liquidity position is going towards improvement and now has stabilized due to better working capital management. The Company has prudent approach to divert its cash to high yielding assets or repaying high-cost liabilities.



## Investment / Market Ratios:

The Company is stepping up towards value creation for its shareholders and this is evident from its investment/market ratios. Political and economic instability has deteriorated market conditions but due to effective resource allocation the company has successfully attained higher earnings per share and breakup value per share as compared to last year. Furthermore, the Company's policy and ability to pay dividends to its shareholders also contributed towards strengthening the shareholder confidence.



## Capital Structure Ratios:

The Company has maintained its capital structure through optimum utilization of financing at subsidized long-term and short-term debts offered by SBP. Due to this, the financing cost is reduced to the minimum level, hence the Company maintained weighted average cost of capital at a lower level. Improved debt to equity ratio and interest cover ratio is the result of higher earnings and loans debt balances.



## Activity / Turnover Ratios:

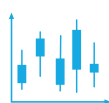
These ratios are the combination of timeframe from procurement of inventory to final receipts. The dedication towards efficient capital management is a true mirror of activity ratios.

As the Company was able to offload its significant cement stock, inventory turnover days were reduced and restricted to 15 days as compared to previous six year. Greater sale against advance payment in 2022 results in debtor turnover of as compared to previous six years, whereas creditor turnover days declined to 15 days. The Company's operating cycle clocked at positive 11 days compared to positive 20 days on six year average. The company has performed effective utilization of its assets for generating elevated levels of sales revenue as illustrated from assets turnover ratios.



## Employee Productivity ratios:

The Company is always striving hard to provide better working environment to its employees. This is evident from reduction of employee turnover from 2.64% in 2022 to six years' average 4.8%. The employees are working with optimum level of motivation which eventually work for better productivity and performance of the Company which is reflected through highest revenue per employee amounting to Rs. 32.25 million in 2022.



## Non-Financial Ratios:

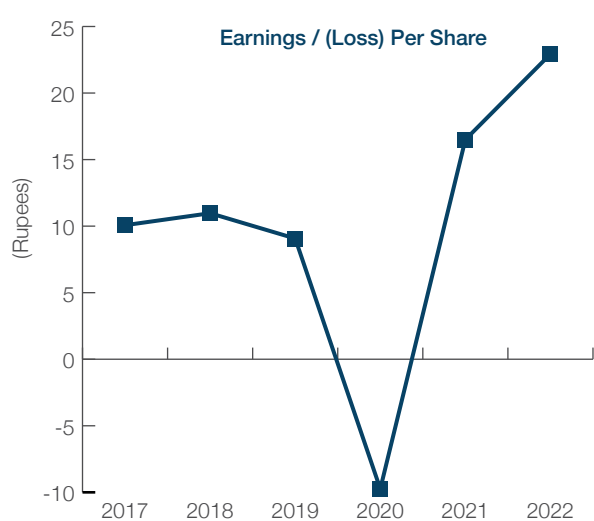
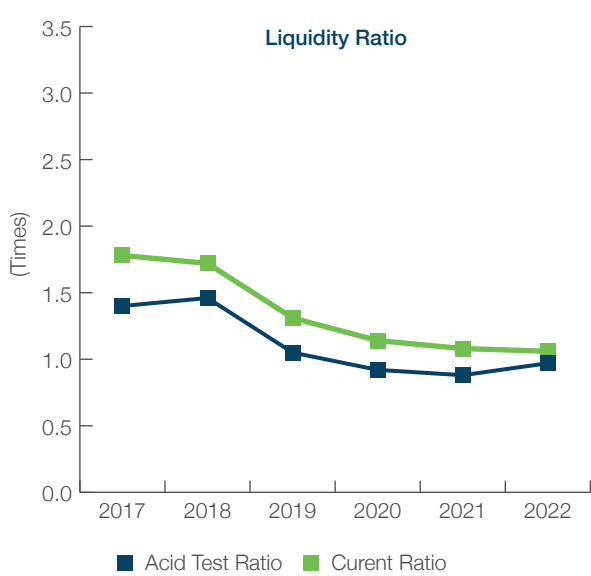
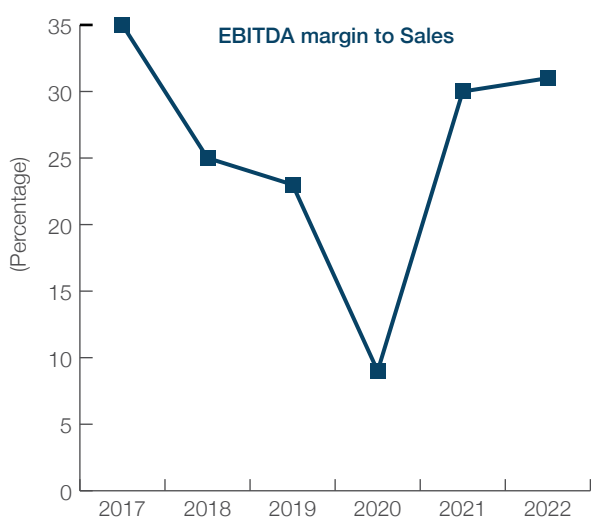
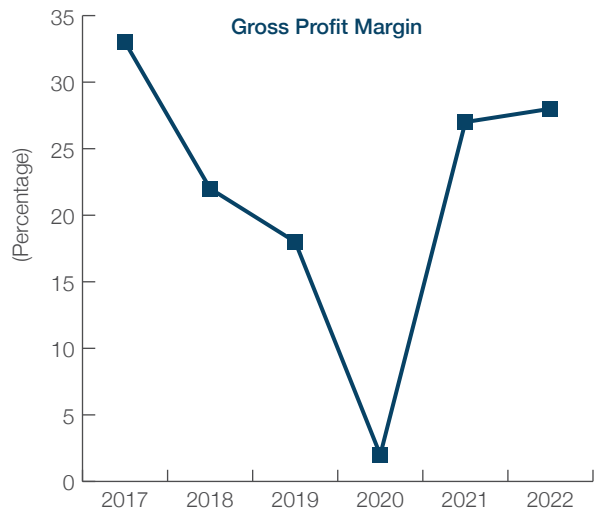
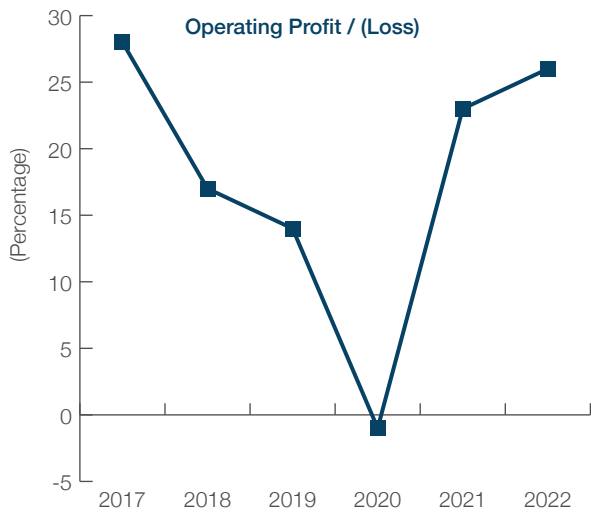
The non-financial ratios of the Company are showing its effectively and efficiently managed plant operations, also depicting its successful meeting of market demand, customer satisfaction and customer retention by providing its quality product in sustainable environment.

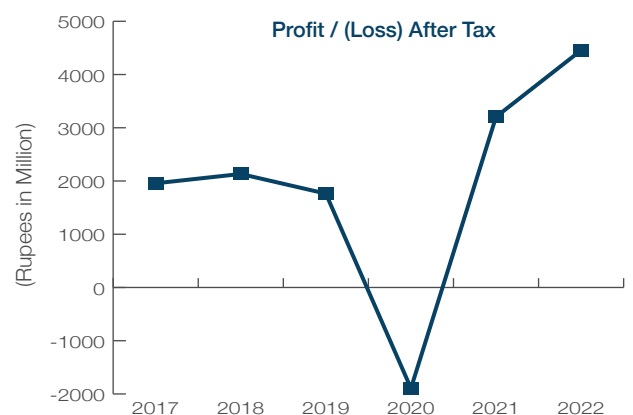
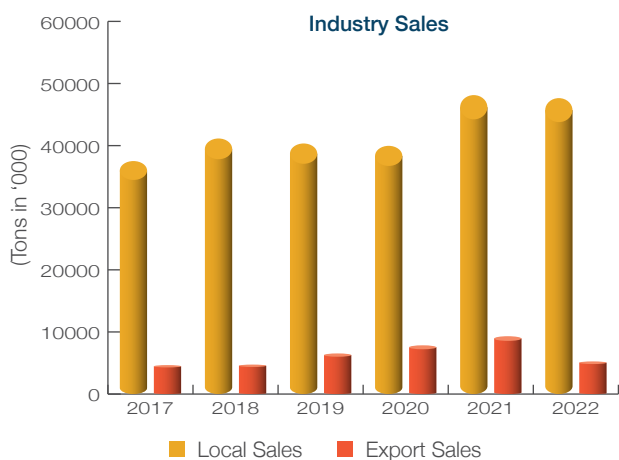
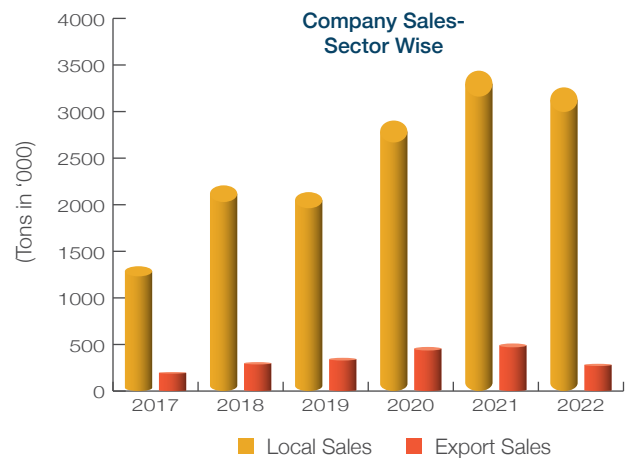
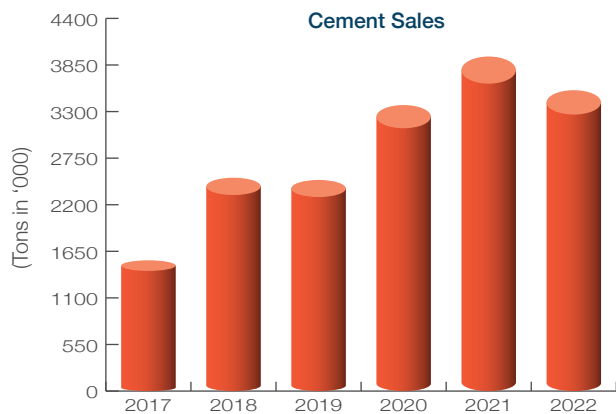
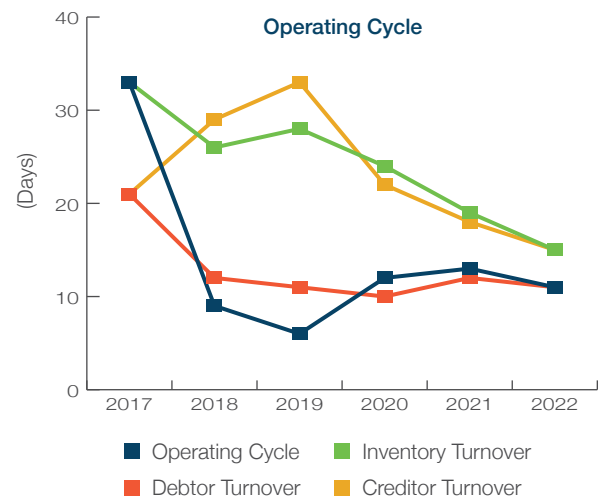
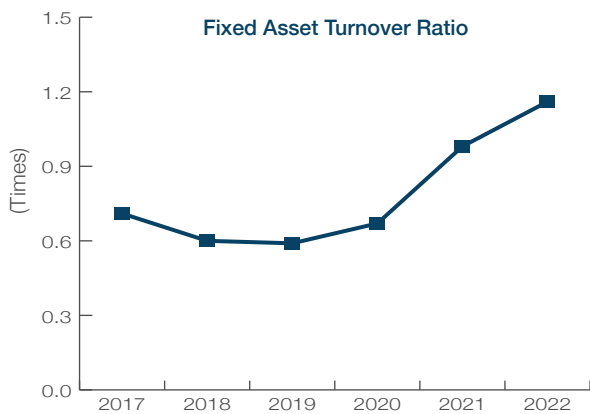
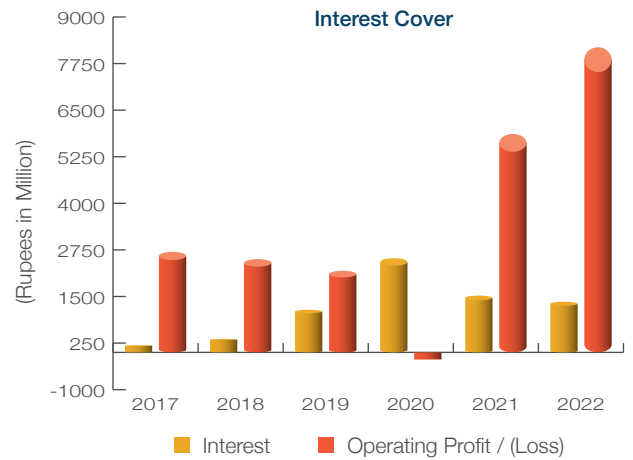
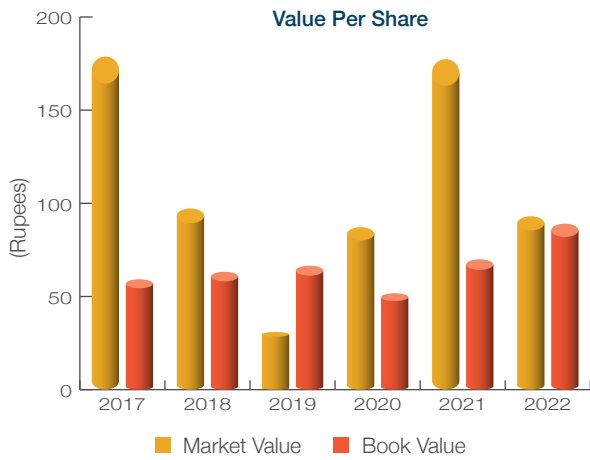


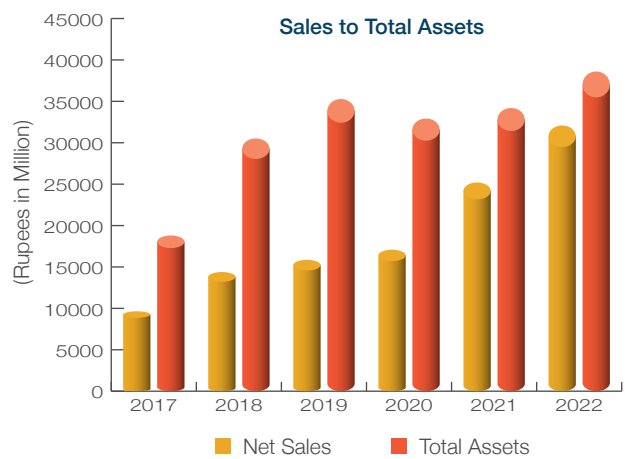
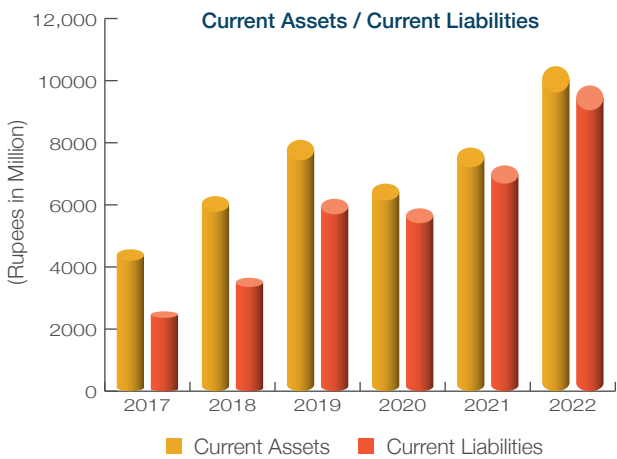
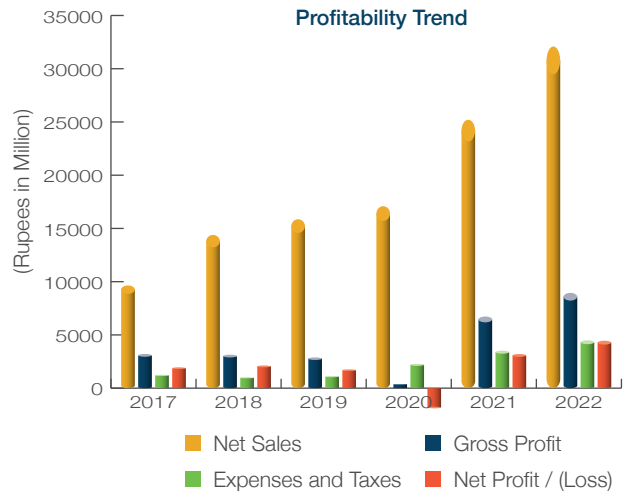
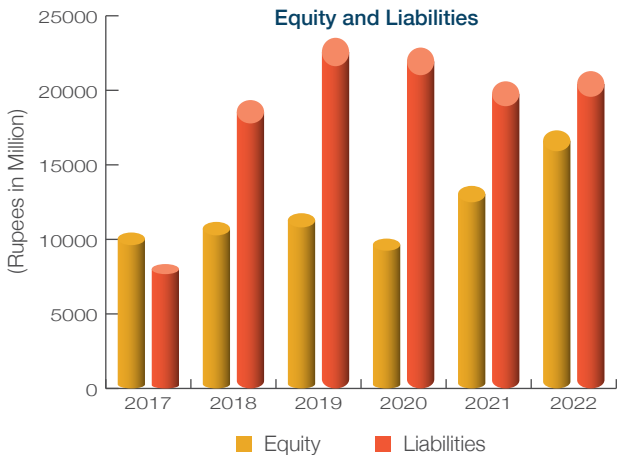
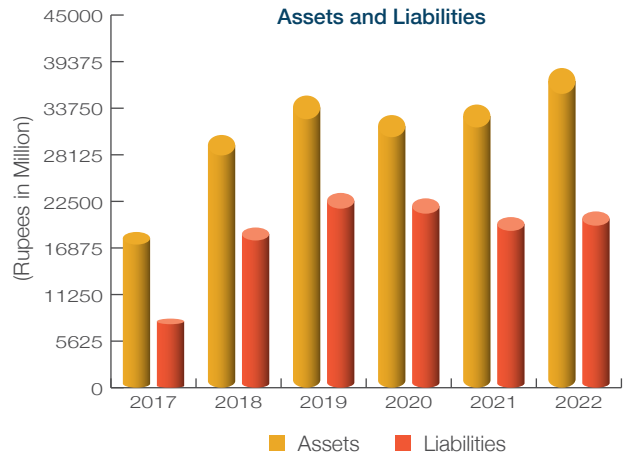
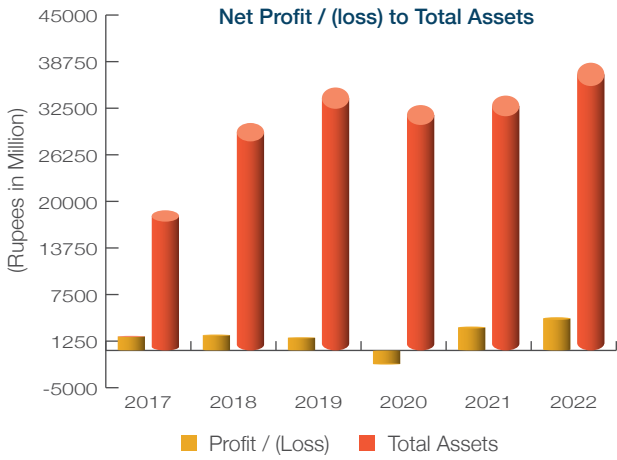
## Others:

The Company has made back to back installation of Cement Line-II and III from FY 2017 and FY 2019, therefore, the spares requirements of the Company have been increased in a reasonable range. The maintenance costs of the Company has downward trend as a result of newly installed cement plants following the timely BMR and efficient plant maintenance.

# Graphical Presentation of Analysis of Financial Statements







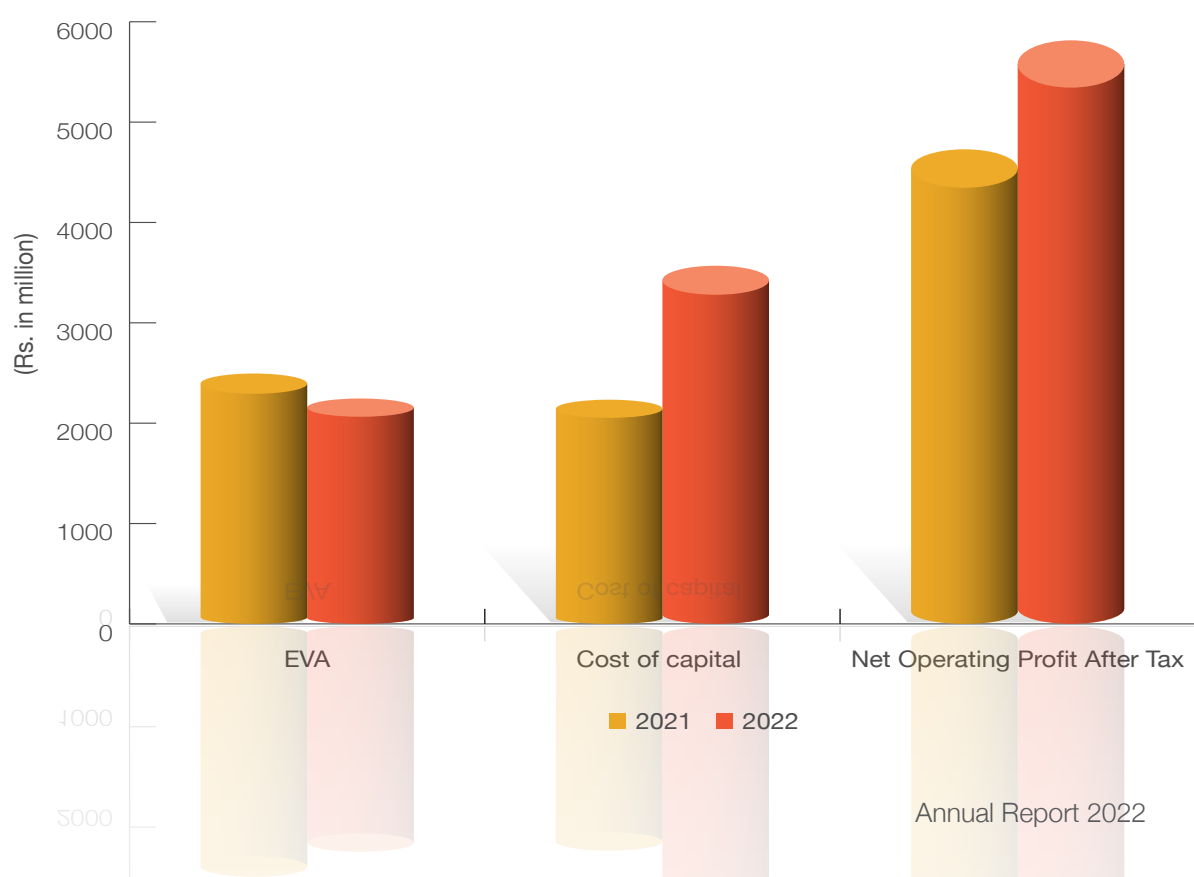
# Economic Value Added

	2022	2021
	-----Rupees in 000-----	
Net Operating Profit After Tax	<b>5,814,839</b>	4,729,233
Cost of capital	<b>(3,568,823)</b>	(2,234,402)
Economic Value Added	<b>2,246,016</b>	2,494,831
Cost of Capital		
Total Assets	<b>38,604,886</b>	34,193,522
Current Liabilities	<b>(9,847,247)</b>	(7,273,010)
Invested Capital	<b>28,757,639</b>	26,920,512
	*	*
Weighted Average Cost of Capital (%)	<b>12.41%</b>	8.30%
Cost of capital	<b>3,568,823</b>	2,234,402

## Comments on Economic Value Added

Economic value added (EVA) assesses the performance of the Company and its management. The Company has managed to increase its revenue. However, its cost of capital also increased in line with an increase in policy rates. The Company has improved its performance by increasing its business, resulting in creating wealth and returns for its shareholders.

## Graphical Presentation of Economic Value Added



# DuPont Analysis

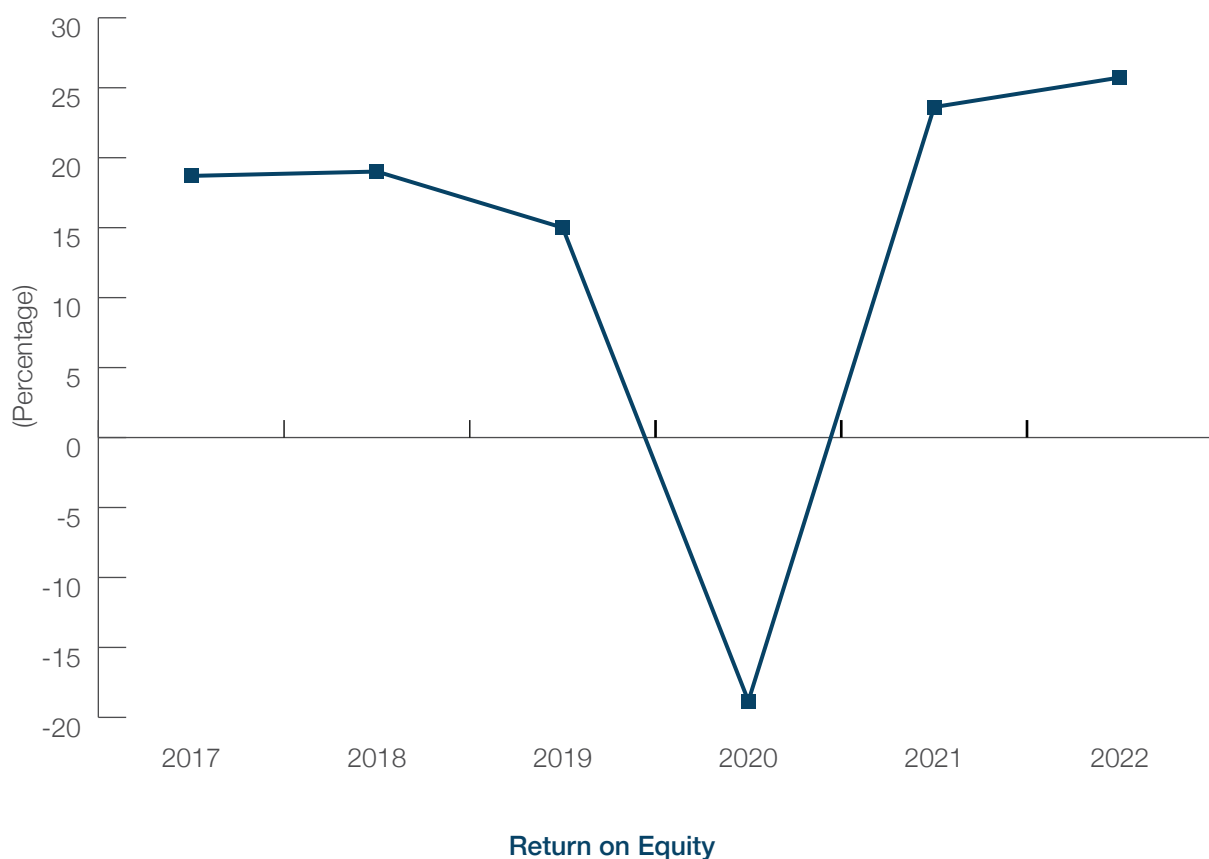
<b>Profitability Ratios:</b>	<b>2022</b>	2021	2020	2019	2018	2017
Operating margin (%)	<b>25.52</b>	23.25	(1.15)	13.81	17.40	27.97
Asset turnover (times)	<b>0.83</b>	0.74	0.52	0.45	0.47	0.51
Interest burden / efficiency (%)	<b>83.40</b>	74.00	1,391.06	47.84	85.76	93.02
Tax burden / efficiency (%)	<b>65.25</b>	73.90	69.53	168.24	99.29	77.96
Leverage (times)	<b>2.23</b>	2.51	3.26	3.00	2.73	1.80
Return on Equity (%)	<b>25.71</b>	23.62	(18.86)	15.00	19.01	18.70

## Comments on DuPont Analysis

The DuPont analysis is a framework for analyzing fundamental performance and it is a useful technique used to decompose the different drivers of return on equity (ROE).

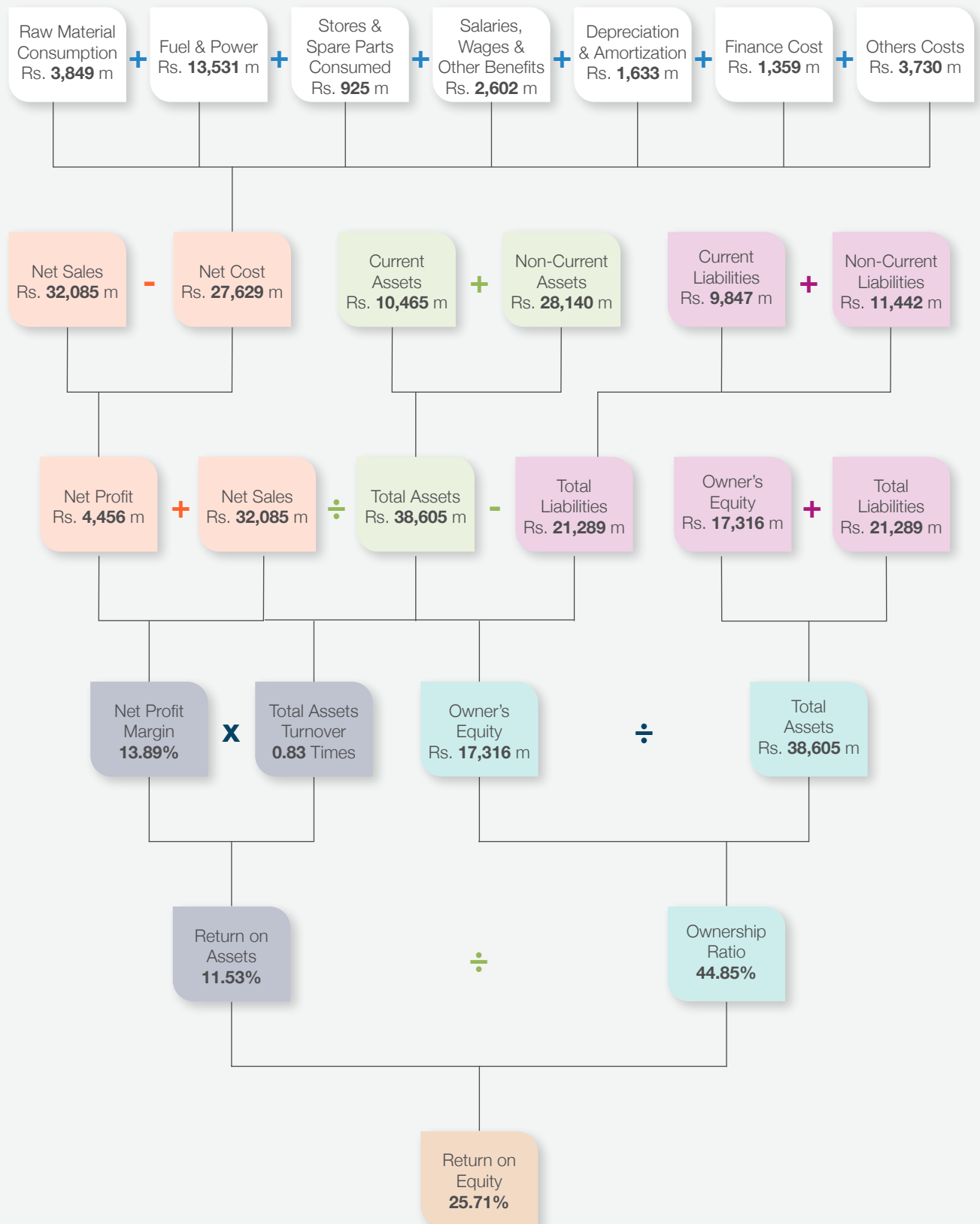
The Company's has increased its ROE over the years due to increase in sales price, volumetric growth and an efficient controlling of input cost time to time which resulted in a V-shaped recovery in ROE. Besides these factors, the Company is utilising its assets with optimum output in order to generate great return and better financial planning facilitated the Company to reduce its interest burden and reduced its financial leverage.

## Graphical Presentation of DuPont Analysis





# DuPont Chart



# Free Cash Flows

	2022	2021	2020	2019	2018	2017
----- Rupees in '000 -----						
Profit / (loss) before taxation	<b>6,828,725</b>	4,337,218	(2,722,727)	1,047,768	2,147,367	2,509,791
<b>Adjustment for non-cash items</b>						
Depreciation	<b>1,630,968</b>	1,680,349	1,765,687	1,389,264	1,086,046	689,913
Amortisation	<b>2,509</b>	2,594	3,756	4,278	3,804	2,987
Gain on disposal of operating property, plant and equipment	<b>(7,646)</b>	(5,065)	(2,719)	(7,335)	(4,977)	(19,101)
Gain on redemption of short-term investments	<b>(10,739)</b>	(27,963)	-	-	-	(2,186)
Finance costs	<b>1,358,874</b>	1,524,177	2,526,997	1,142,559	356,585	188,215
Interest income on financial asset	<b>(9,629)</b>	(9,280)	(11,184)	-	-	-
Reversal of Impairment loss	<b>(76,000)</b>	-	-	-	-	-
Exchange (gain) / loss	<b>(27)</b>	5,925	(2,296)	35,635	9,890	1,540
Share of (profit) / loss from joint venture	<b>(26)</b>	(31)	(80)	(32)	37	-
Dividend income	<b>(15,613)</b>	(6,870)	(7,097)	(19,832)	(20,160)	(21,973)
	<b>2,872,671</b>	3,163,836	4,273,064	2,544,537	1,431,225	839,395
Working capital changes	<b>(3,595,161)</b>	(614,924)	1,971,479	(2,176,806)	(918,379)	(3,144,694)
<b>Net cash generated from operating activities</b>	<b>6,106,235</b>	6,886,130	3,521,816	1,415,499	2,660,213	204,492
Capital expenditure	<b>(3,551,131)</b>	(1,924,518)	(313,679)	(3,931,779)	(11,171,332)	(1,547,620)
<b>Free cash flows to the firm</b>	<b>2,555,104</b>	4,961,612	3,208,137	(2,516,280)	(8,511,119)	(1,343,128)
Net borrowing (repaid) / raised	<b>(73,369)</b>	(2,944,396)	(570,049)	4,538,580	9,662,971	2,170,223
Interest payment & other adjustments	<b>(1,110,407)</b>	(1,682,871)	(2,426,811)	(1,304,215)	(326,348)	(215,968)
<b>Free Cash Flows to Equity holders</b>	<b>1,371,328</b>	334,345	211,277	718,085	825,504	611,127

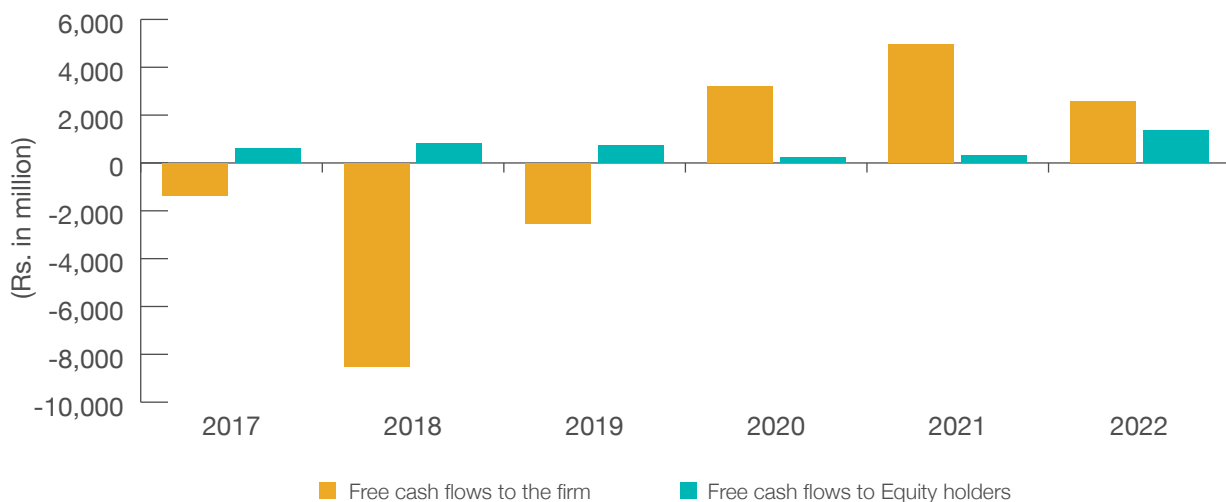
## Comments on Free Cash Flow to the Firm

Free cash flow to the firm (FCFF) is an indicator of a Company's operations and its performance, represents the Company's available cashflows from operations for distribution. Positive FCFF shows that the Company is generating enough revenue to cover its costs and investment activities. During the year, the FCFF of the Company has been decreased due to capital expenditure incurred on Balancing, Modernization and Replacement (BMR) to improve the performance of its Line-I.

## Comments on Free Cash Flow to the Equity Holders

Free cash flow to equity holders (FCFE) represents the amount of cash available to Company's equity investors. With the growth of the Company, FCFE has improved significantly, reflecting the profitability and distribution capacity of the Company. The significant increase in FCFE in current year is due to restricted bank balance pertaining to purchase of factory land amounting to Rs. 975 million as disclosed in note 14.1 to the financial statements.

## Graphical Presentation of Free Cash Flow to the Firm and Equity Holder





# Horizontal Analysis - Six Years

	2022 (Rupees in Million)	22 Vs. 21 %	2021 (Rupees in Million)	21 Vs. 20 %
<b>Statement of Financial Position</b>				
<b>Assets</b>				
Non-Current Assets	<b>28,140</b>	<b>7</b>	26,348	1
Current Assets	<b>10,465</b>	<b>33</b>	7,846	17
<b>Total Assets</b>	<b>38,605</b>	<b>13</b>	34,194	4
<b>Equity &amp; Liabilities</b>				
Shareholders' equity	<b>17,317</b>	<b>27</b>	13,590	35
Non-Current Liabilities	<b>11,441</b>	<b>(14)</b>	13,331	(21)
Current Liabilities	<b>9,847</b>	<b>35</b>	7,273	24
<b>Equity &amp; Liabilities</b>	<b>38,605</b>	<b>13</b>	34,194	4
<b>Statement of Profit or Loss</b>				
Turnover - net	<b>32,085</b>	<b>27</b>	25,207	47
Gross Profit	<b>8,951</b>	<b>33</b>	6,728	1643
Operating Profit / (Loss)	<b>8,188</b>	<b>40</b>	5,861	n/m
Profit / (Loss) Before Taxation	<b>6,829</b>	<b>57</b>	4,337	n/m
<b>Profit / (Loss) After Taxation</b>	<b>4,456</b>	<b>39</b>	3,205	n/m

## Comments on Horizontal Analysis

### Statement of Financial Position

Non-current assets of the Company showed massive growth which portrays Company's aspiration to become one of the leading cement manufacturer in the industry through capacity enhancement. The Company remained engaged in installation of back to back 2 production lines, with Waste Heat Recovery system and Captive Power Plants.

Current assets and current liabilities levels are in line with the capacities to meet the working capital requirements of the Company.

The Company's equity significantly increased during the past five years due to increase in profit after tax mainly due to increase in market share and increase in cement demand in local markets except for FY 2020 where losses incurred due the adverse economic conditions imposed by the pandemic.

Non-Current liabilities of the Company increased till 2019 mainly due to the long-term financings obtained for commissioning of new Cement Lines, WHRs and Captive power plant project which subsequently started to decrease from FY 2020 due to repayments of principal.

2020 (Rupees in Million)	20 Vs. 19 %	2019 (Rupees in Million)	19 Vs. 18 %	2018 (Rupees in Million)	18 Vs. 17 %	2017 (Rupees in Million)	17 Vs. 16 %
26,237	(3)	27,187	12	24,238	70	14,238	6
6,685	(17)	8,093	29	6,282	37	4,569	128
32,922	(7)	35,280	16	30,520	62	18,807	22
10,054	(14)	11,756	5	11,174	7	10,462	14
16,980	(2)	17,328	10	15,693	172	5,774	28
5,888	(5)	6,196	70	3,653	42	2,571	42
32,922	(7)	35,280	16	30,520	62	18,807	22
17,090	8	15,863	10	14,388	49	9,645	36
386	(87)	2,883	(8)	3,139	(2)	3,213	22
(196)	(109)	2,190	(13)	2,504	(7)	2,698	29
(2,723)	(360)	1,048	(51)	2,147	(14)	2,510	22
(1,893)	(207)	1,763	(17)	2,132	9	1,957	39

## Statement of Profit or Loss

Turnover of the Company showed significant growth mainly due to increase in production capacities in order to meet high demand in local as well as export market.

Gross profits of the Company during FY 2022 and 2021 showed highest levels, where the Company earned Rs. 8.9 billion and Rs. 6.7 billion respectively due to volumetric growth and various cost saving measures. Gross profits and operating profits of the Company shrunk during FY 2019 and 2020 due to vulnerability in Cement retention prices and high cost of production coupled with COVID-19 pandemic and devaluation of Pak Rupee.

Significant growth in net profits were recorded during FY 2022 and 2021 mainly due to achieving economies of scale and cost controlling measures.

# Vertical Analysis - Six Years

	2022 (Rupees in Million)	22 Vs. 21 %	2021 (Rupees in Million)	21 Vs. 20 %
<b>Statement of Financial Position</b>				
<b>Assets</b>				
Non-Current Assets	<b>28,140</b>	<b>73</b>	26,348	77
Current Assets	<b>10,465</b>	<b>27</b>	7,846	23
<b>Total Assets</b>	<b>38,605</b>	<b>100</b>	34,194	100
<b>Equity &amp; Liability</b>				
Shareholders Equity	<b>17,317</b>	<b>45</b>	13,590	40
Non-Current Liabilities	<b>11,441</b>	<b>29</b>	13,331	39
Current Liabilities	<b>9,847</b>	<b>26</b>	7,273	21
<b>Equity &amp; Liability</b>	<b>38,605</b>	<b>100</b>	34,194	100
<b>Statement of Profit or Loss</b>				
Turnover - net	<b>32,085</b>	<b>100</b>	25,207	100
Gross Profit	<b>8,951</b>	<b>28</b>	6,728	27
Operating Profit / (Loss)	<b>8,188</b>	<b>26</b>	5,861	23
Profit / (Loss) Before Taxation	<b>6,829</b>	<b>21</b>	4,337	17
<b>Profit / (Loss) After Taxation</b>	<b>4,456</b>	<b>14</b>	3,205	13

## Comments on Vertical Analysis

### Statement of Financial Position

Being a capital intensive industry sectors, the non-current assets proportion on higher side mainly due to back to back expansions and BMR project, i.e., Cement Line II & III, WHR and Captive & Solar power plants. The percentage of current assets over current liabilities also showed stable outlook and Company's aspiration towards growth.

Shareholders' equity of the Company continued to improve in weightage due to the increased profitability in line with market share of the Company except for FY 2020. Whereas, the non-current liabilities proportion decreased due to principal repayments of syndicated long-term finances including early principal repayments.

2020 (Rupees in Million)	20 Vs. 19 %	2019 (Rupees in Million)	19 Vs. 18 %	2018 (Rupees in Million)	18 Vs. 17 %	2017 (Rupees in Million)	17 Vs. 16 %
26,237	80	27,187	77	24,238	79	14,238	76
6,685	20	8,093	23	6,282	21	4,569	24
32,922	100	35,280	100	30,520	100	18,807	100
10,054	30	11,756	33	11,174	37	10,462	55
16,980	52	17,328	49	15,693	51	5,774	31
5,888	18	6,196	18	3,653	12	2,571	14
32,922	100	35,280	100	30,520	100	18,807	100
17,090	100	15,863	100	14,388	100	9,645	100
386	2	2,883	18	3,139	22	3,213	33
(196)	(1)	2,190	14	2,504	17	2,698	28
(2,723)	(16)	1,048	7	2,147	15	2,510	26
(1,893)	(11)	1,763	11	2,132	15	1,957	20

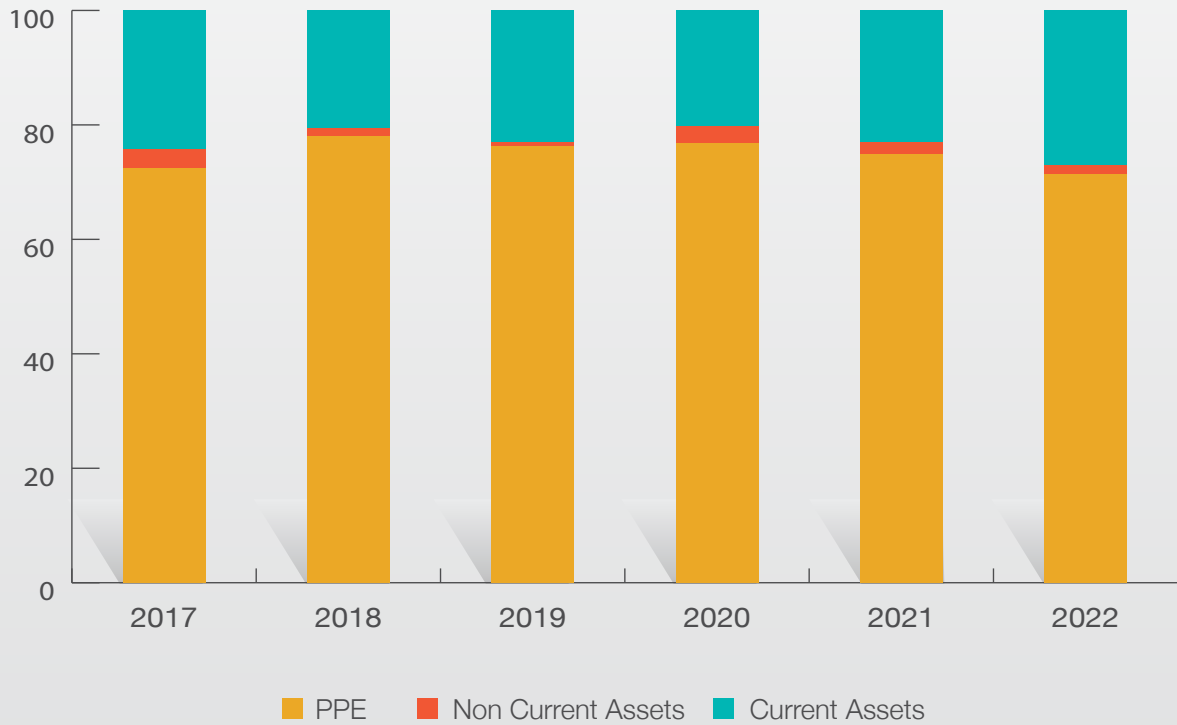
## Statement of Profit or Loss

Top line of the Company witnessed a sustainable growth as a result of capacity expansion and better retentions except for FY 2020 where the retention did not absorbed costs.

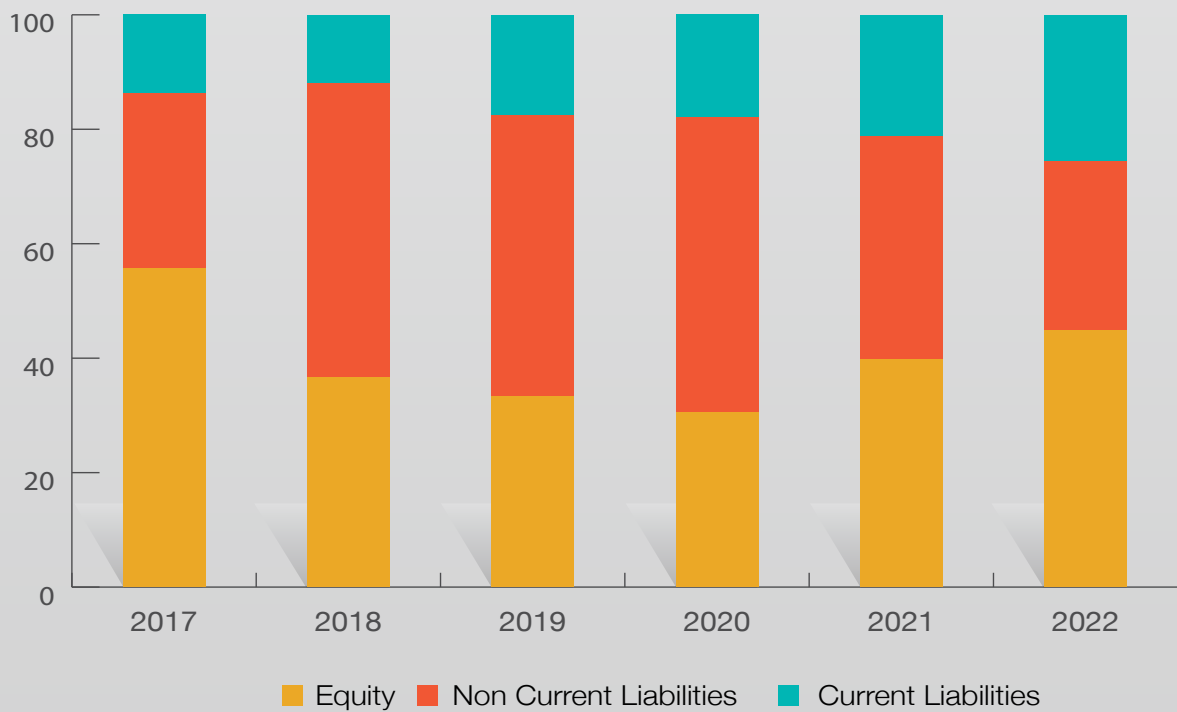
Gross and operating profits of the Company were in decreasing trend from year 2017 till 2020 due to increased cost of production which is not fully supported by sales prices. However, the profits substantially improved in the years 2021 and 2022 mainly due to increase in local sale prices on the back of high demand of cement in local market, input costs reduction through operational efficiencies and decreased finance costs due to low discount rates.

# Graphical Presentation of Statement of Financial Position & Statement of Profit or Loss

**Statement of Financial Position Analysis - Assets**

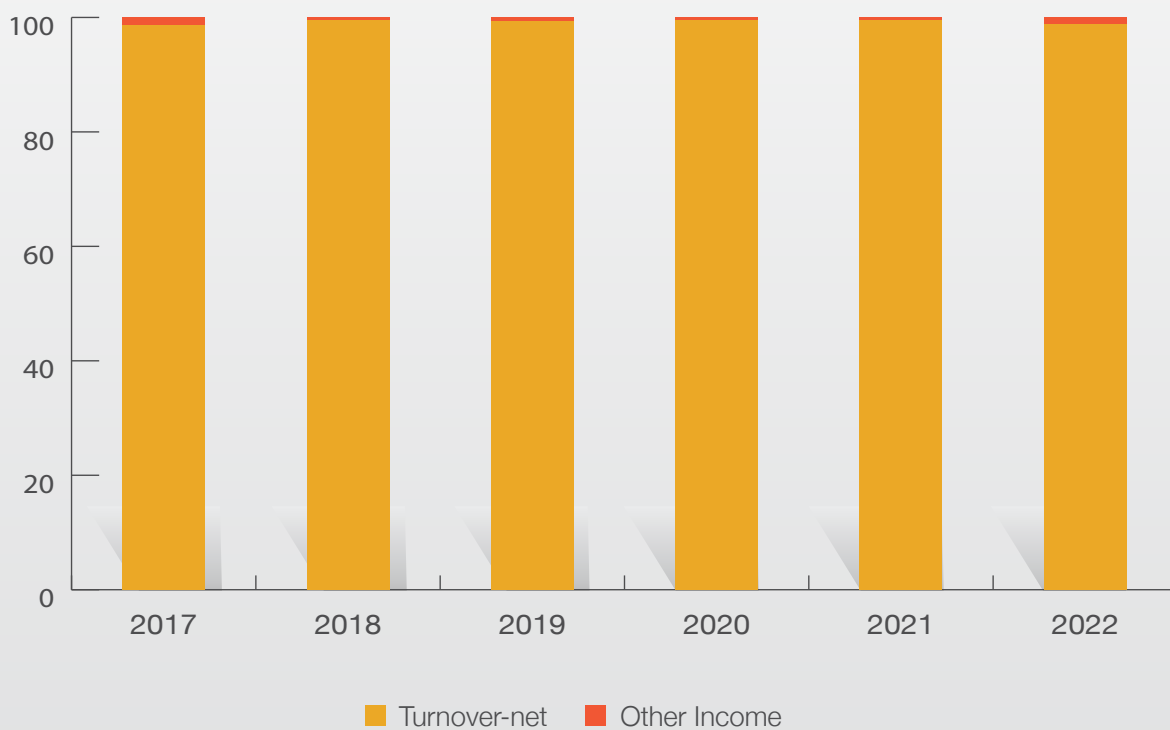


**Statement of Financial Position Analysis - Equity & Liability**

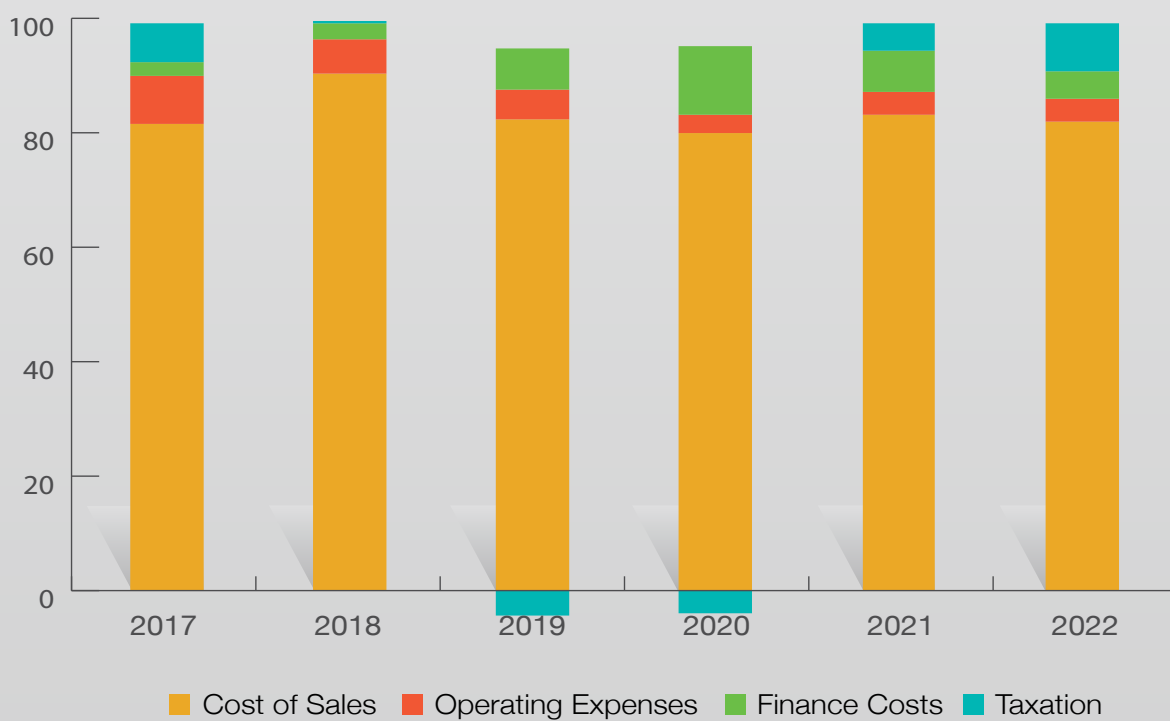




### Statement of Profit or Loss Analysis - Income



### Statement of Profit or Loss Analysis - Expenses



# Statement of Summary of Cash Flows - Six Years

	2022	2021	2020	2019	2018	2017
	----- (Rupees in million) -----					
<b>Summary of Cash Flows</b>						
Net cash generated from operating activities	<b>6,106</b>	6,886	3,522	1,416	2,660	204
Net cash used in investing activities	<b>(4,502)</b>	(1,872)	(294)	(3,891)	(11,170)	(1,555)
Net cash (used in) / generated from financing activities	<b>(3,008)</b>	(3,989)	(2,981)	519	9,047	80
Change in cash and cash equivalents	<b>(1,404)</b>	1,025	247	(1,956)	537	(1,271)
Cash & cash equivalents - year end*	<b>(3,008)</b>	(1,604)	(2,629)	(2,876)	(920)	(1,457)

\*Cash and cash equivalents includes Cash and bank balances, as well as Short-term borrowings, (previously a part of Financing activities) as per the presentation in the Financial Statements.

## Comments on Statement of cash flows

The Company's cash generation from operations has been healthy throughout the past six years except for FY 2017. The Company have shown tremendous growth in the current and prior year cash generation from operations owing to increase in dispatches / turnover and effective working capital management.

The Company aims to be amongst the top players in the industry. Therefore, it is in continuous phase of growth by expansion of its production lines, as well as significant capital expenditure on Plant and Machinery to ensure efficiency. This is evident from significant cash utilisation for investment activities, The significant cash outflows in FY 2018 represents investments for the installation of the production Line-III, alongwith Waste Heat Recovery (WHR) Plant and Captive Power Plant. In the current year, the Company's investments were made for upgradation of Line-I, installation of new crusher and installation of Solar Power Plant to get competitive advantage.

The Company experienced a positive cash flow from financing activities since FY 2017 to FY 2019, where it obtained long-term financing facilities to fund its production Line-III, WHR-III and Captive power plant. In the FY 2020 to 2022 the Company obtained new financing facilities under subsidized rate for the upgradation of Line-I, installation of new crusher, Solar Power Project and refinance scheme for payment of wages and salaries. However, the Company is now in the process of repayment of its long-term loans including significant finance cost arising from these facilities which outweighs the financings obtained leading to substantial cash outflows in the financing activities.

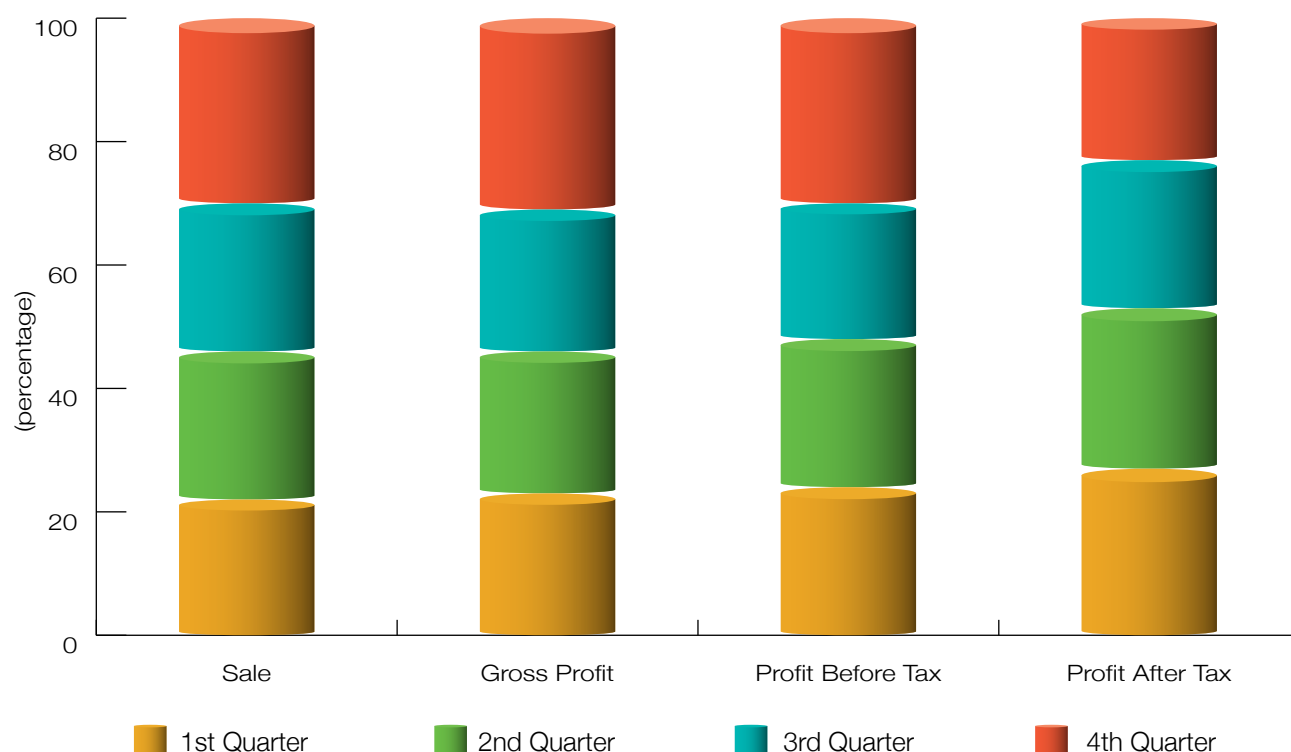
# Statement of Cash Flows - Direct Method

	2022	2021
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers - net	<b>31,999,832</b>	25,141,185
Cash paid to suppliers and employees	<b>(25,211,889)</b>	(17,926,680)
<b>Cash generated from operations</b>	<b>6,787,943</b>	7,214,505
Income tax paid	<b>(696,017)</b>	(357,100)
Long-term loans and deposits - net	<b>14,309</b>	33,623
<b>Net cash generated from operating activities</b>	<b>6,106,235</b>	6,891,028
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	<b>(3,550,080)</b>	(1,923,082)
Restricted bank balance	<b>(995,270)</b>	-
Additions to intangible assets	<b>(1,051)</b>	(1,436)
Proceed from disposals of operating property, plant and equipment	<b>18,345</b>	12,327
Dividend received	<b>15,613</b>	6,870
Short-term investments - net	<b>10,739</b>	27,963
<b>Net cash used in investing activities</b>	<b>(4,501,704)</b>	(1,877,358)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long-term financings - net	<b>(1,450,393)</b>	(2,007,727)
Lease rentals paid	<b>(17,514)</b>	(15,815)
Dividend paid	<b>(244,854)</b>	(194,323)
Finance costs paid - net	<b>(1,295,126)</b>	(1,771,487)
<b>Net cash used in financing activities</b>	<b>(3,007,887)</b>	(3,989,352)
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(1,403,356)</b>	1,024,318
<b>Cash and cash equivalents as at the beginning of the year</b>	<b>(1,601,365)</b>	(2,625,683)
<b>Cash and cash equivalents as at the end of the year</b>	<b>(3,004,721)</b>	(1,601,365)

# Quarterly Performance Analysis

Particulars	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
	----- (Rupees in '000) -----				
Turnover - net	7,161,086	7,617,629	7,802,735	9,503,911	32,085,361
Cost of sales	(5,081,736)	(5,538,980)	(5,723,083)	(6,790,777)	(23,134,576)
Gross profit	2,079,350	2,078,649	2,079,652	2,713,134	8,950,785
Distribution cost	(111,724)	(130,954)	(142,884)	(143,692)	(529,254)
Administrative expenses	(84,835)	(83,033)	(78,013)	(103,260)	(349,141)
Other expenses	(133,772)	(71,010)	(93,738)	23,234	(275,286)
	(330,331)	(284,997)	(314,635)	(223,718)	(1,153,681)
Other income	156,487	132,158	15,095	86,755	390,495
Operating profit	1,905,506	1,925,810	1,780,112	2,576,171	8,187,599
Finance cost	(298,921)	(301,409)	(304,992)	(453,552)	(1,358,874)
Profit before taxation	1,606,585	1,624,401	1,475,120	2,122,619	6,828,725
Taxation	(414,050)	(446,974)	(409,777)	(1,101,959)	(2,372,760)
Net profit for the year	1,192,535	1,177,427	1,065,343	1,020,660	4,455,965

## Graphical Presentation of Quarterly Performance Analysis & Comments



The Company's performance is satisfactory in 1st and 2nd quarters and maintained the profitability mainly due to cost control measures, economies of scale and working capital management. However, profit slightly deteriorated in 3rd quarter due to high fuel prices and power cost as international fuel prices showed upward trajectory and hit all time high cost. Company also faced curtailment of gas in mid of the year which adversely affected the profit. However, the Company managed the situation quite well by timely shifting to cheaper Afghan coal. In 4th quarter, retrospective implementation of super tax unfavorably affected Company's net profitability.

# Share Price Sensitivity Analysis

Share price in the Pakistan stock market moves due to various internal and external factors such as Company's performance, general market sentiments, economic events and interest rates, etc. Being a responsible and law-compliant Company, Cherat Cement circulates price sensitive information to the Pakistan Stock Exchange (PSX) in accordance with the requirements of the PSX Rulebook in a timely manner. During the current year, Cherat's share price touched the peak of Rs. 181.06 while the lowest recorded price was Rs. 89.96 with a closing price of Rs. 93.04 at the end of the year.

## Selling Price:

The profitability in the cement industry is highly sensitive to the selling prices of cement bag which eventually has strong effect on the share price of the Company.

## Company's performance:

Company reported operating profit for the year of PKR 8,188 million that turn to net profit of PKR 4,456 million due to notable growth in cement industry due to back-log construction activities. The financial performance improved massively due to improved EX-factory price and sales volume, which improved operating results of the Company to great extend despite of constant cost pressures and uncertain economic environment.

## Energy Costs:

The Company's operations are energy sensitive and the energy cost constitutes a sizable proportion of the overall manufacturing costs, therefore any increase in coal and power prices impact product pricing directly. During the year 2022, the Company experienced significant change in coal and power price. Further, Solar Plant was commissioned during the year as part of energy cost saving measure.

## Government Policies and Regulations:

The policies adopted and regulations promulgated by the Government have a direct association with share prices. Any policy that will result in increased demand, improved tax rates, reducing production costs, the better economic environment may positively influence the share price. Whereas the policies

that create hindrances for the cement industry and for the overall business environment will adversely impact the share price. During the year, the inconsistencies in Government policies resulted in adverse impact on share price of Cherat.

## Law and Order:

Political stability and controlled law & order situation is a pre-requisite for any economic development. This in turn reposes investor confidence in the soils of Pakistan, making our corporates a potential investment opportunity. However, any act of terrorism or political instability can negatively affect the equity market and share prices of traded stocks.

## Economic Conditions:

The Company's performance has a direct relationship with economic conditions so as the share price. The factors that contribute to economic conditions include the discount rate, currency devaluation, and inflation. Based on different assessment parameters, the State Bank of Pakistan can change the monetary policy rate. Any volatility in the interest rates might impact revenue and profitability of the Company. The Company funded its Line III from external borrowing, which carry financial cost, which is benchmarked against prevailing interest rates. During the year 2022, the interest rates increased drastically as SBP adopted various measures to support the economy, affecting Company's profitability and eventually affecting share price adversely. The Company's revenues, import, and export are subject to foreign exchange volatility. Higher inflation has an impact on the demand for the commodities and resultantly adverse impact on the performance of the Company. All these factors distorted the performance of the company due to adverse economic conditions.

## Investor Sentiments:

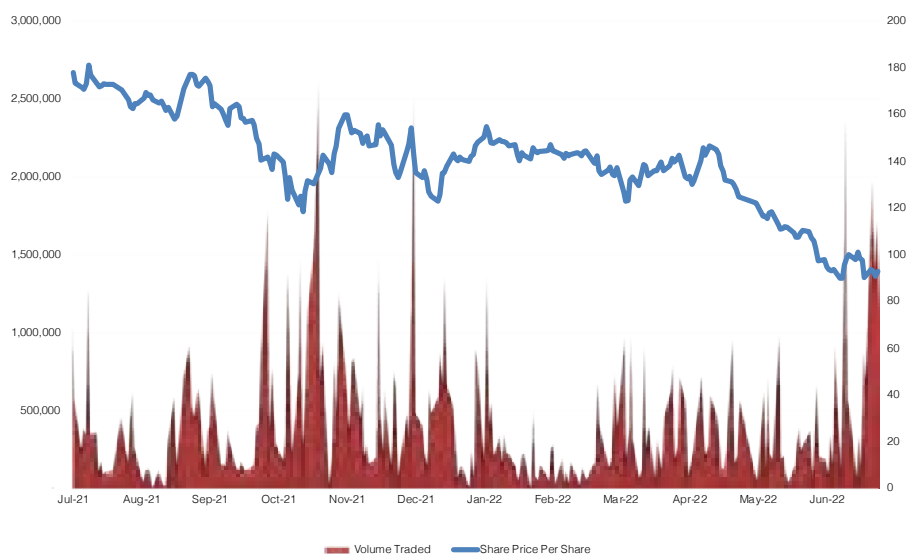
The share price of the Company is also open to the volatility of investor sentiments or confidence in the stock market and macro-economic conditions. In a strong stock market, the investors' confidence is growing and so as the share prices. Whereas in weak stock market investors' sentiments are negative so do the share prices. Stock market's strength is closely associated with economic conditions.

## Sensitivity Analysis of Change in Market Capitalization

Share Price as of 30.06.2022 Rs. 93.04  
Market Capitalization as of 30.06.2022 Rs. 18,077,206,800

Change in Share Price by Change in Market Capitalization

+10% Rs. 1,807,720,680  
- 10% Rs. (1,807,720,680)

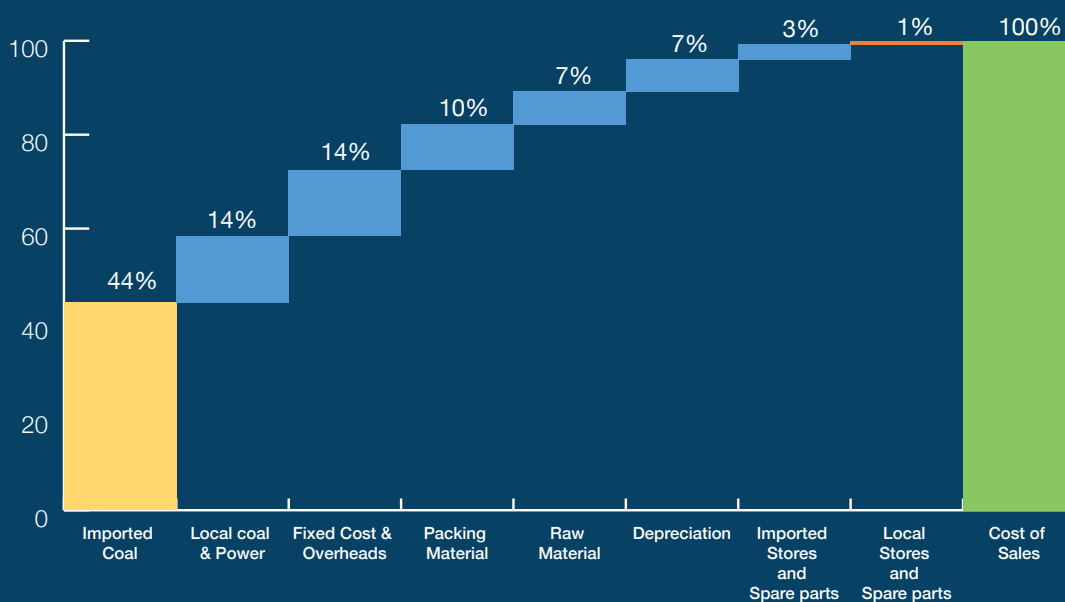


# Composition of local and imported material and sensitivity analysis due to foreign currency fluctuations

For the year ended June 30, 2022

The Company produces Cement and Clinker using mix of local and imported inputs.

Imported Fuel (coal) represents significant part of Cost of Sales i.e. 44%.



## Sensitivity Analysis:

Management of the Company closely monitors international coal prices and exchange rate fluctuations and takes necessary action to mitigate the risks associated with such fluctuations.

	Fluctuation in Exchange rate by 10%	Fluctuation in Exchange rate by 20%
Increase in Cost of Sales (%)	4.75	9.50
Decrease in Cost of Sales (%)	(4.75)	(9.50)

# Calendar of Notable Events

July 2021 - June 2022

## August 2021

- 14<sup>th</sup>: Independence Day Celebration
- 18<sup>th</sup>: Tree Plantation Day
- 26<sup>th</sup>: Board of Directors Meeting - Annual 2021
- 27<sup>th</sup>: Honored with 1st position in the Best Corporate and Sustainability Report Award 2020 organized by ICAP & ICMAP

## September 2021

- 13<sup>th</sup>: Corporate Briefing Session held at our head office via Zoom

## October 2021

- 16<sup>th</sup>: 40<sup>th</sup> AGM at Registered Office
- 27<sup>th</sup>: Board of Directors Meeting - 1<sup>st</sup> Quarter 2022

## December 2021

- 27<sup>th</sup>: Dinner with Dealers - Peshawar

## January 2022

- 7<sup>th</sup>: Dinner with Dealers - Islamabad
- 14<sup>th</sup>: Annual staff dinner - Lahore

## February 2022

- 17<sup>th</sup>: Board of Directors Meeting - 2nd Quarter 2022

## March 2022

- 8<sup>th</sup>: International Women's day 2022
- 21<sup>st</sup>: Dinner with Dealers - Lahore

## April 2022

- 7<sup>th</sup>: World Health Day
- 25<sup>th</sup>: Board of Directors Meeting - 3rd Quarter 2022

## June 2022

- 5<sup>th</sup>: World Environment Day
- 7<sup>th</sup>: World Food Safety Day
- 30<sup>th</sup>: Year end closing





# IT Governance and Cybersecurity

- 168 IT Governance Policy
- 168 IT Security Policy
- 169 Board's risk oversight function for Cybersecurity
- 169 Formation of Board Level Committee
- 169 Controls and procedures about cybersecurity risks and incidents
- 170 Comprehensive security assessment of technology environment
- 170 Contingency and disaster recovery plan
- 172 Advancement in digital transformation
- 172 Staff training to avoid Cybersecurity threat & risks

# IT Governance Policy

The Company has a well-conceived and implemented IT Governance Policy which seeks to ensure that it is aligned with Cherat's organizational goals and strategies and delivers value to the organization. The policy is designed to promote effective, efficient, timely, and informed decision-making concerning Cherat's IT investments and operations. Specifically, the policy aims to establish the IT governance structure and its associated procedures, roles, and responsibilities, as a critical component of the overall IT Management (ITM) framework, which guides the management in respect of implementation and monitoring of IT investments for Cherat.

The Company's IT Governance Policy is mainly charged with:

- Establishing a shared vision of how information technology can add value to the organization
- Establishing information technology goals, and the strategies for achieving those goals
- Establishing principles and guidelines for making information technology decisions and managing initiatives
- Overseeing the management of institutional information technology initiatives
- Establishing and communicating organizational information technology priorities
- Determining information technology priorities in resource allocation
- Establishing, amending and retiring, as necessary, organizational information technology and other technology related policies, and determining the distribution of responsibility between the IT department and end users.

# IT Security Policy

The objective of Information Security is to ensure continuity of business of the Company and to minimize business damage by preventing and limiting the impact of security incidents.

## **Policy**

The purpose of the Policy is to protect Company information assets from all types of threats including cybersecurity threats, whether internal or external, deliberate or accidental. These assets relate to information stored and processed electronically.

It is the Policy of the Company to ensure that:

- Information will be protected against unauthorized access.
- Confidentiality of information will be assured by protection from unauthorized disclosure or intelligible interruption.
- Integrity of information (its accuracy and completeness) will be maintained by protecting against unauthorized modification.
- Regulatory and legislative requirements will be met, including record keeping, according to Information Security Management System standard.
- Disaster Recovery Plans will be produced, maintained and tested, to ensure that information and vital services are available to Company when needed.
- Information on security matters will be made available to all staff.
- All breaches of information security, actual or suspected, will be reported to and investigated by the Cybersecurity Security Officer / Internal Audit.
- The controls, rules and procedures for all individuals accessing and using an organization's IT assets and resources

## **Standards**

Standards have been produced to support the policy. These standards include regulations, guidelines and procedures covering matters such as (not limited to) cybersecurity threats, data security, backup, endpoints users control and password:

- Business requirements for the available of information and information system will be met.
- The role and responsibility for managing information security will be assigned to a designated Cybersecurity Officer / Internal Audit.
- The information Security Officer / Internal Audit will be responsible for maintaining the policy and providing advice and guidance on its implementation.
- All managers are responsible for implementing the Policy within their business areas, and for adherence by their staff.
- It is responsibility of each employee to adhere to the Policy.

### **Industry specific requirements for cybersecurity and strategy**

IT steering committee comprises of CEO and senior management which duly approve and enforce IT teams to implement multiple controls for cybersecurity attacks & risks mitigations. CCCL is not a bank or NBF, therefore has no risk of losing personal data. However CCCL has a proper IT system and has risk of ERP disruption, email or data halt.

In order to deal with the above risks or threats CCCL adopt robust strategies through In-house IT team and external experts to continuously identify and mitigate the risk of such threats, periodic systems audit performed which include IT Audits and penetration testing, Vulnerability testing, Cyber Security Audits etc. to ensure the safety of IT systems of the entity, also has appropriate data back-up mechanism is in place to cope any unforeseen incident.

As per direction of the IT steering committee, the IT team has made Service level agreements to ensure data availability and data mirroring technology in case of backup required as best industry practices to ensure secure environment from any type of cybersecurity threats.

## **Board's risk oversight function for Cybersecurity**

When it comes to cybersecurity governance, company board of directors has specifically assigned agenda to IT steering committee to align with management on the appropriate risk appetite related to cybersecurity.

### **Management engagement with the board**

The Board's audit committee while performing risk oversight function also reviews and evaluates the cybersecurity risks. The budgets and capex for Network upgradation and strengthening cyber security are approved by the Board. Internal Audit department regularly performs network and cyber security audits, the results of which are presented to the Board's Audit Committee.

## **Formation of Board Level Committee**

Through its oversight function the IT steering committee plays an important role in encouraging management to take broader ownership of cybersecurity risk, and it is incumbent on them to understand if and how the responsibility for cybersecurity is shared across the Company.

Cybersecurity risks and mitigation factors are included in agenda of IT steering committee meeting with respect to discussions about strategy and risk, prioritizing self-education and external advice to improve cybersecurity risk controls.

IT security policy, controls, procedures & third party audit are reviewed in IT steering committee meeting and ensure that all the recommendations identified in third party security audit report should be implemented.

## **Controls and procedures about cybersecurity risks and incidents**

Networks and systems are constantly evolving due to threats, organizational growth or new regulatory &

business requirements. Traditional analysis products focus on recording and identifying Company-wide threats through logging, analysis and reporting over time.

Company has deployed multiple systems to secure IT systems and data i.e network firewall, email security gateway and end point security systems which are all monitored by system and firewall log Analyzer.

Firewall log Analyzer is powerful log management tool which acts as analytics and reporting platform. It provides organization with a single console to manage, automate, orchestrate, and respond, enabling simplified security operations, proactive identification and remediation of risks, and complete visibility of the entire attack landscape.

Few measures that IT team have implemented includes advanced threat detection capabilities, centralized security analytics, end-to-end security posture awareness and control and Firewall Security Fabric helps security teams to identify and mitigate threats proactively.

## Comprehensive security assessment of technology environment

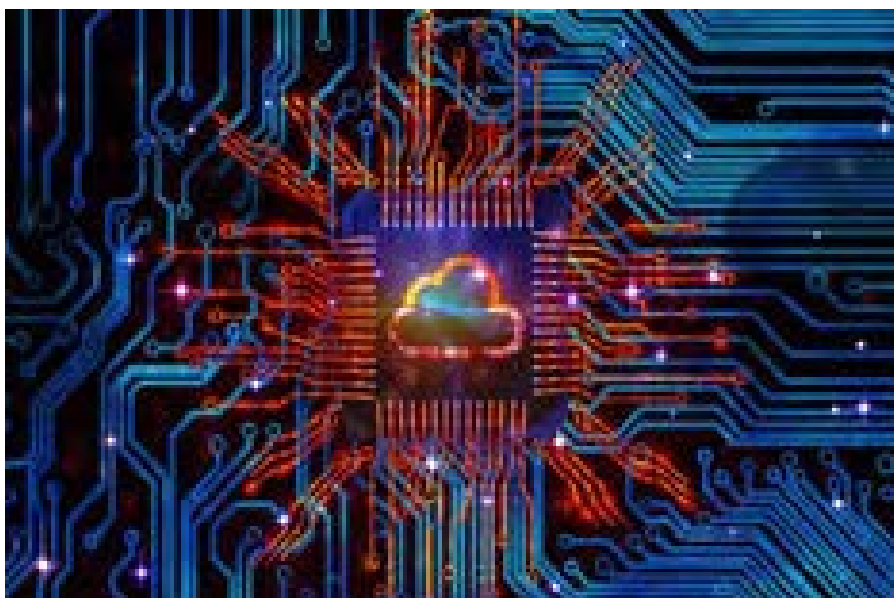
Information Security Policies and assessment of IT objects serve as the backbone of any mature information security program. IT steering committee has implemented information security policies that support its organizations' business objectives while also adhering to industry standards and regulations. Board of directors always fully support and participate in the development, enforcement of information security policies and independent third party security assessment of IT environment to ascertain the security level of the Company and communicate the findings thereon.

During the year, board has approved and executed Vulnerability Assessment and Penetration Testing (VAPT) of IT assets from third party which provides enterprises with a comprehensive application evaluation than any single test alone. Using the VAPT approach gives an organization a more detailed view of the threats facing its applications, enabling the business to better protect its systems and data from malicious attacks. Vulnerabilities can be found in applications from third-party vendors and internally made software, but most of these flaws are easily fixed once found. Using a VAPT provider enables IT security teams to focus on mitigating critical vulnerabilities while the VAPT provider continues to discover and classify vulnerabilities.

VAPT report submitted by Third Party and duly reviewed by the IT steering committee members and enforce IT security teams to do measures against the gaps identified in the report.

## Contingency and disaster recovery plan

The Board of Directors has approved and continuously reviews the IT Policy and Business Continuity Plan of the Company. The management has arranged offsite data storage facilities. All the key records are being maintained at different locations. Employees are aware of the steps required to be taken in case of any emergency. The concept of Business Continuity Planning has become a major business management requirement over the past few years.



## Business Continuity Plan

Business Continuity Planning is a process used to develop a practical plan for how a business can recover or partially restore critical business activities within a predetermined timeframe after a crisis or disaster.

## Manufacturing Facilities

The Company's manufacturing facility is in Nowshera, Khyber Pakhtunkhwa and is a state of the art construction with its structure being earthquake proof. The building is fire resilient and fully equipped with modern firefighting equipment. It also meets HSE requirements at all levels. Hence, partial loss would not affect the Company's operations. Moreover, other locations of the Ghulam Faruque Group are available as alternate locations therefore; interruptions, if any, can be managed.

## Identification of Potential Issues and the Plan Update

Potential issues are identified and updated from time to time to have an up to the mark solution for the anticipated problems. For the purposes of such identification, independent studies are conducted and drills are carried out. Based on the results obtained from these studies and drills, plans are updated.

## Disaster Recovery Plan and IT Infrastructure

The Company's production server facility is at PTCL Karachi with backup server facility at Lahore. In case of any disaster, the Company would be able to continue its operations smoothly. Availability of servers at such distant locations enables the Company to perform its IT functions without glitches in the event of an infrastructural damage at any particular location. Moreover, the Company is situated at various locations across Pakistan and operations may be carried out through all such locations. Also, at the time of imposition of lockdowns by the government due to COVID-19 pandemic, the employees of the Company were able to work from home smoothly via VPN clients.

## Cyber Insurance

Cybersecurity insurance, is a contract that an entity can purchase to help reduce the financial risks associated with doing business online. In exchange for a monthly or quarterly fee, the insurance policy transfers some of the risk to the insurer.

Cybersecurity insurance is a new and emerging industry. Companies that purchase cybersecurity insurance today are considered early adopters. Cybersecurity policies can change from one month to the next, given the dynamic and fluctuating nature of the associated cyber-risks. Unlike well-established insurance plans, underwriters of cybersecurity insurance policies have limited data to formulate risk models to determine insurance policy coverages, rates and premiums.

Currently we have no specific Cyber insurance. But we have kept the option of DR as contingency in any case of theft, disaster and cyberattack to restore the data and hardware. Resources are available to make data and hardware to restore at any level with all harmony of DR & BC.



Currently we have no specific Cyber insurance. Although, we have implemented relevant prevention about the cyber security. As result, the theft, disaster and cyberattack to restore the data and hardware as per our DR policy.

## Advancement in digital transformation

In the past few decades, a fourth industrial revolution has emerged, known as Industry 4.0. Industry 4.0 takes the emphasis on digital technology from recent decades to a whole new level with the help of interconnectivity through the Internet of Things (IoT), access to real-time data, and the introduction of cyber-physical systems. Industry 4.0 offers a more comprehensive, interlinked, and holistic approach to manufacturing. It connects physical with digital, and allows for better collaboration and access across departments, partners, vendors, product, and people. Industry 4.0 empowers business owners to better control and understands every aspect of their operation, and allows them to leverage instant data to boost productivity, improve processes, and drive growth.

There are hundreds of concepts and terms (ERP, IoT, RPA, Block chain, AI, Big data, Cloud Computing etc) that relate to Industry 4.0, but we have to decide in which domain we want to invest in Industry 4.0 solutions as per our business requirement.

In our case, board of directors in IT steering committee decided to invest in ERP and Cloud computing to improve business process management tools and reporting that can be used to manage information across an organization.

Cloud computing is the delivery of computing services—including servers, storage, databases, networking, software, analytics, and intelligence—over the Internet (“the cloud”) to offer faster innovation, flexible resources, and economies of scale. Organization typically pay only for cloud services.

The Board of Directors has decided to migrate company’s on premises SAP ERP solution to SAP S/4 HANA on cloud in IT steering committee. The Company is now moving towards SAP S/4 HANA and Success Factors on cloud. Multiple cloud service provider solutions have been reviewed and evaluated in IT steering committee and finalized one cloud service provider. SAP S/4 HANA and Success factor on cloud is on execution phase and expected to be live by the end of year 2023.

## Staff training to avoid Cybersecurity threat & risks

IT steering committee advised IT team to regularly informed and organized training for the company’s end users to follow best standard practises to avoid any cybersecurity threats & risks.

IT team regularly conduct information security awareness session. The purpose of security awareness is to focus attention on security, creating sensitivity to the threats and vulnerabilities of computer systems and recognition of the need to protect data, information and systems. Security awareness training helps to minimize risk thus preventing the loss of Personal Identification Information (PII), Internet Protocols (IP), and money or brand reputation. An effective awareness training program addresses the cybersecurity mistakes that employees may make when using email, the web and in the physical world such as tailgating or improper document disposal.









# Future Outlook

176 Forward Looking Statement

# Forward Looking Statement

Pakistan has achieved the GDP growth at 5.97% in the fiscal year 2022. Due to Russia-Ukraine war commodity prices continue to increase. Inflationary environment resulted in increased interest rates all across the world. The Government with its various relief projects and schemes has been quite successful in revitalizing economic growth post COVID-19 pandemic. However, this growth in the economy is not translated into cement demand due to various factors such as high construction material cost, a higher inflationary environment and political uncertainty. Rollback/halt of Naya Pakistan Housing Scheme & housing loan at subsidized rates further dented cement demand. As a result, the cement industry declined by 8% whereas local demand remained almost flat with a decline of 1% and export declined by 44%. It is anticipated that cement demand will remain under pressure in short term due to the inflationary environment and political uncertainty.

In line with industry, Company's dispatches also decreased significantly. On the back of high input costs specially coal, power and packing material, cement prices also increased significantly. International coal prices touched its ever highest level resulting in major shift in coal mix during second half of the year from imported South African to Afghan origin coal. Costly electricity from national grid, gas suspension/curtailment and high furnace oil resulted in increased power cost. However, this increase is partially off-set by generation of cheap electricity from WHR and Solar and supply of cheaper electricity from PEDO under wheeling arrangement. Company also managed to save significant amounts on account of finance cost due to principal repayments of long term financings. In light of these factors, the overall profitability of the Company increased by good margins.

Line-I upgradation and installation of single line crusher will lead to cost saving due to improvement in efficiency of plant. Availability of power at competitive rates is a critical factor. Generation of electricity via WHR helped the company in reducing power cost drastically. Further, electricity via PEDO under wheeling arrangement has helped us in diluting our power cost further. After installation of solar plant, power cost diluted further.

Keeping in mind uptick in cement demand in coming years, the company has decided to commission new Line in DI Khan. The Company is in the process of purchasing factory land, mining leases, technical feasibilities and certain NOCs from SAIF Cement Limited in this regard.

Subsequent to the year end, country has been hit by the worst floods in its history. This will affect our economy very badly and put more pressure on PKR. PKR witnessed devaluation against USD during the current year. We expect PKR to devalue further as international commodity prices are increasing. We expect cement demand will either post moderate or no growth in next year as economy will once again enter its recession phase. We expect cement demand to improve from second quarter of next financial year due to post flood reconstruction activities. Pre-election works can also support cement demand. Export via land is expected to remain flat in next year. We expect recession in world economy in next year which can bring some downward adjustment in oil and other commodity prices.

On the human resource side, based on the last year's Training Need Analysis (TNA) and performance appraisal of the company personnel, adequate technical trainings were conducted for the identified employees. The same process is followed on yearly basis. The company has developed extensive training program for all levels of management. The company will be conducting these trainings in future also which would equip the employees with required technical and management skills in the years to come.

We hope that the Company and the industry as a whole will play a key role in the economic development of the country in the years to come.

## Update on Last year's targets

The Company on an annual basis sets marketing, production and other targets in the form of a budget exercise which is duly approved by the Board of Directors. During the year, our project team successfully completed all of its targets. Profitability targets for the year have been met successfully and actual performance was way ahead of our targets. For liquidity and gearing, cash flows are monitored on a daily basis to achieve the targets. We fell short on dispatches target due to more than expected economic slowdown. Cost of coal also escalated more than our expectation but we managed this well through efficient management.

## Sources of Information used for Projections of Future Revenue:

For the preparation of budget/projections of future revenue, internal meetings amongst Head Office, Site and Sales offices have been carried out for sharing/gathering of information and assumptions to be used for budget/projections. Based on the information and

assumptions used by the management for the preparation of budget/forecast, detail budget exercise has been carried out and approved by the Board of Directors.

Future revenue projections based on management's best estimates and judgements are as follows:

### **Financial Projections**

The Company is expecting to increase in turnover due to an increase in dispatches in upcoming years because of the aforesaid factors.

Future revenue projections based on management's best judgment and estimates are as follows:

<b>Year</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>Revenue – net (Rs. in million)</b>	<b>46,125</b>	<b>49,202</b>	<b>49,608</b>

### **Company Performance Against Last Year's Projections**

The sales revenue of the Company witnessed staggering growth of around 27%. The company has actively strived to minimize its cost by using an alternative fuel-efficient mix of local and imported coal, an optimum mix of WHR, National Grid, and self-power generations. All financial and non-financial targets established during last year were met to a greater extent except those mentioned above related to dispatch quantity and coal prices.



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# Stakeholders' Relationship and Engagement

180 Corporate Governance - Stakeholders' Engagement

182 Analyst Briefing

183 Statement of Value Addition and Distribution of Wealth

# Corporate Governance - Stakeholders' Engagement



Our stakeholders extend valuable contribution towards our growth and existence. Procedure for stakeholders' engagement includes effective communication, good harmony and compliance with laws & regulations. We cannot truly execute our purpose without input from our stakeholders.

**SHAREHOLDERS**  
Safeguarding our shareholders' interest is our prime responsibility. Our shareholders' interest revolves around good returns, profitability, growth and regulatory compliances. We respond to our shareholders' expectations through improvement in business mechanics, effective governance and corporate reporting framework. Annual General Meetings and statutory reporting are the most effective means of our engagement with our shareholders. Support of shareholders is critical in achieving the Company objectives.

**MINORITY SHAREHOLDERS**  
The management of the Company firmly believes in encouraging and ensuring the equitable treatment of all shareholders including minority shareholders to attend, speak and vote at the Annual General Meeting and appoint another member as his / her proxy instead. The Notice of the AGM is published in Urdu and English language in one issue of a daily newspaper of respective language

having a nationwide circulation. Such notice is also placed on the Company's website.

**DEALERS, CUSTOMERS AND TRANSPORTERS**  
Sustaining and developing long-term relationships with our dealers, customers and transporters forms the key of our business' success. Their expectations are focused on product quality, pricing and service delivery. Our sales and marketing teams remain in close contact to this segment of our stakeholders to resolve issues on a priority basis. We continue to engage with our dealers, customers and transporters through meetings and market visits and communications. We derive success from the brand loyalty of Cherat and the cooperation from our transporters.

**SUPPLIERS AND VENDORS**  
Efficient supplier network is a key for effective working capital management. To achieve this objective, we conduct market surveys to strengthen our bond with our suppliers and vendors. Our supply chain management team is in continuous contact with suppliers and vendors through meetings and correspondence to resolve all queries for on time deliveries. Cooperation of our suppliers gives us an extra edge over our competitors.



### **BANKS AND OTHER LENDERS**

We value our relationship with our financial partners and lenders. Financial risk management and business sustainability are few of the interests of this segment of stakeholders. Periodic briefings, Quarterly financial reporting, Head Office and Site visits are the main means for our engagement with this category of stakeholders. Bank and other institutes help us in obtaining loans at attractive rates and advise on strategic issues whenever needed.



### **GOVERNMENT AND REGULATORY BODIES**

Our commitment to compliance with laws and regulations is evident from our Corporate and Legal team's continued efforts for efficient and effective legal and regulatory obedience. The engagement includes submission of periodic reports, responding to enquiries and meetings as and when required. Active engagement with regulators improves level of compliance.



### **EMPLOYEES**

Our company has extensive employee engagement schemes in place. The employees' issues revolve around work life balance, training and development and rewards. We have educational loan schemes, in-house and outside training programs and long-term employment reward schemes in place to value our employees as Human Capital. Employee meetings are on regular intervals in form of Annual get-togethers, celebrating sports day and team building activities. Employees engagement improves the level of dedication and hard work.



### **MEDIA**

Ads and campaigns are launched in media based on marketing requirements. Interaction with media improves the Company's brand image.



### **INVESTORS SECTION**

To keep transparency in the relationship between the Company and its shareholders, the website of Cherat Cement (<https://gfg.com.pk/cccl/>) contains all the major financial information needed for investors' decision making in a separate tab of "Investor Relations".



### **AGM PROCEEDINGS**

The last AGM was conducted at registered office of the Company on Saturday, October 16, 2021 at 11:30 a.m. The meeting was properly organized and attended by the Shareholders.

The Chief Executive answered the questions of Shareholders. The Shareholders appreciated the management for making tireless efforts to achieve another noteworthy year in terms of production, sales and profitability. Shareholders asked different questions regarding Company's increase in market share.

Shareholders approved the Financial Statements and also gave approval for appointment of M/s. EY Ford Rhodes. Chartered Accountants as external auditors and distribution of cash dividend.

# Analyst Briefing

In compliance of listing regulations of PSX, Cherat Cement Company Limited is continuously conducting a corporate / analyst briefing on annual basis for its valued stakeholders, investors where the Company takes the opportunity to apprise investors about the Company in explaining its financial performance, business outlook, competitive environment and correct perspective of affairs of the Company in which it operates and invests.

The Company has strong connections with the institutional investors and analysts. Institutional investors regularly obtain Company's business briefings and financial institutions.

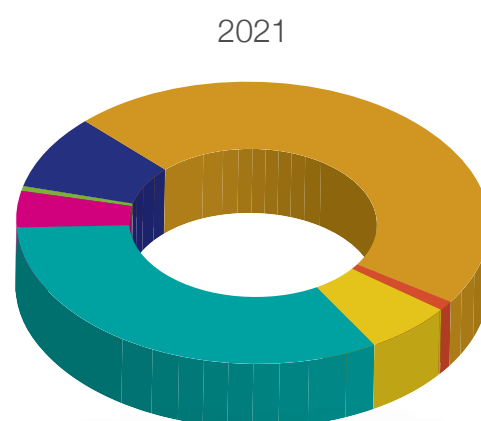
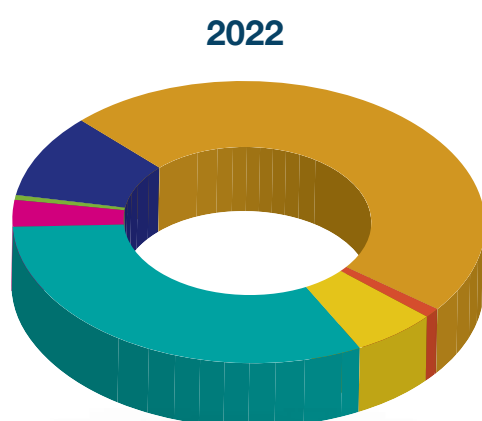
Despite COVID-19 pandemic creating a global economic crisis of unparalleled proportion, the Company has conducted a proper corporate briefing session at its Head Office on September 13, 2021 to apprise the stakeholders about the Company's operational and financial performance during the year 2021. The management of the Company summarized the Company's performance and progress highlighting the growth, expansions, opportunities and challenges regarding the cement sector. A separate Question & Answer session was also smoothly held in order to provide further explanation, justification and showing the sincere commitment of the Company towards continuous achievements and targets.






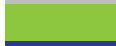






# Statement of Value Addition and Distribution of Wealth

	2022		2021	
	(Rupees in '000)	%	(Rupees in '000)	%
<b>Wealth Generated</b>				
Turnover (including taxes)	43,863,262	99.12	35,883,184	99.71
Other operating income	390,495	0.88	104,900	0.29
	<b>44,253,757</b>	<b>100.00</b>	<b>35,988,084</b>	<b>100.00</b>
<b>Distribution of Wealth</b>				
Cost of sales (excluding employees' remuneration)	21,155,990	47.81	16,836,118	46.77
Selling, administrative and other expenses	515,390	1.16	448,965	1.25
To employees as remuneration	2,601,674	5.88	2,154,558	5.99
To government as taxes	14,150,661	31.98	11,808,535	32.81
To providers of finance as financial charges	1,358,874	3.07	1,524,177	4.24
To society as donations	15,203	0.03	10,675	0.03
To shareholders as dividend	242,869	0.55	194,295	0.54
Retained within the business	4,213,096	9.52	3,010,761	8.37
	<b>44,253,757</b>	<b>100.00</b>	<b>35,988,084</b>	<b>100.00</b>



	2022		2021
Cost of sales (excluding employees' remuneration)	47.81		46.77
Selling, administrative and other expenses	1.16		1.25
To employees as remuneration	5.88		5.99
To government as taxes	31.98		32.81
To providers of finance as financial charges	3.07		4.24
To society as donations	0.03		0.03
To shareholders as dividend	0.55		0.54
Retained within the business	9.52		8.37



Jan

Feb

Mar

Apr

May



Integrating  
Branding  
Solution  
Marketing  
Analysis  
Ideas  
Success  
Management

Jan

Feb

Mar





Jun Jul Aug Sep Oct Nov Dec

# Business Model

186 Our Business Model

Innovation  
Branding  
Solution  
Marketing  
Analysis  
Success  
Management

Apr May Jun Jul Aug Sep Oct Nov Dec

# Our Business Model

## An integrated approach to value-creation

Anchored to our core values and aligned with our vision, our business model is designed to reflect our integrated approach to create values for all stakeholders and ensures our continued progress towards co-creating a sustainable future.

### Key Inputs

#### Our People:

Strong commitment to staff development through extensive training programme on timely basis, to create the highly skilled and experienced professionals we need to sustain our business.

#### Our Investors:

Around 194 million issued shares outstanding with a diverse mix of institutional and retail investors.

#### Our Communities:

With operations in Pakistan and Afghanistan, we have a commitment to working with local communities to create jobs, procure local products and services while providing other essential benefits such as roads, water and healthcare.

#### Our Assets:

We have modern, efficient and low-cost production plants with proximity to key natural resources.

#### Our Suppliers:

Long-term and constructive partnerships with key suppliers in each market.

#### Our Customers:

We focus on quality and superior products for all our customers.

### Our Value Chain

#### Our Values

-  Integrity
-  Trust
-  Care
-  People
-  Quality

#### Strategic objectives

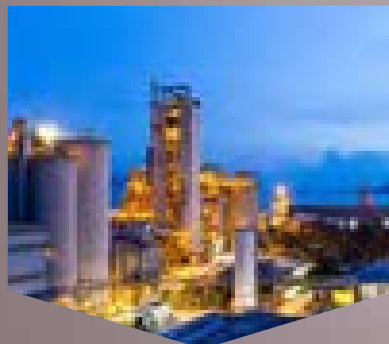
- |                                 |                                |
|---------------------------------|--------------------------------|
| Strategic objectives            | Widen visibility               |
| Capacity expansion              | Launch of value added products |
| Optimise operational efficiency | Customer centricity            |
| Consolidate market position     | Sustainable operations         |



#### UPSTREAM

Quarrying raw materials

Preparation of raw mix

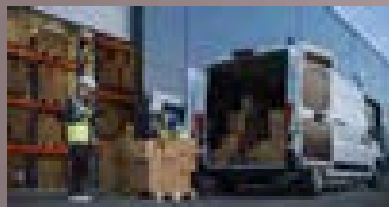


#### MIDSTREAM

Drying and grinding of raw meal

Clinkerisation

Blending, grinding and storage



#### DOWNSTREAM

Packing and dispatch

After sales

## Key Outputs

- Increasing shareholder return to Rs. 9.821 billion EBITDA (Over Rs. 3.8 billion paid to shareholders in the form of dividends in last 9 years)
- PAT: Rs. 4,456 million  
Market Capitalisation: Rs. 18.077 billion  
Dividend per share: Rs. 3.00
- Rs. 15.203 million spend on social investment
- Capacity utilisation of installed capacity: 78%
- In process of acquisition of land & mining lease for Line IV
- Spent Rs. 13.8 billion on local procurements
- Installation of Solar Project at plant

## Outcomes

### • **OPC Cement**

High-quality premium “Cherat” brand

### • **Trusted Brand**

Our brand enables us to sustain relationships, secure business and attract talent.

### • **Over 4.5 MT per annum capacity across Pakistan**

Leading cement producer in diverse regional markets with excellent growth prospects.

### • **Modern plants**

Product innovation through strong industry expertise and excellent market knowledge, enabled by modern technology.

### • **Robust governance**

38% independent Board members; 13% female Board member; and 38% Non-executive Board members

### • **Sustainable value for shareholders**

Fully committed to sustainable growth that benefits all stakeholders





# Striving for Excellence in Corporate Reporting

- 190 Statement of Compliance of International Financial Reporting Standards (IFRSs) Issued by International Accounting Standards Board (IASB)
- 191 Statement and Adoption of Adherence with the International Integrated Reporting Framework (IR)
- 193 Glossary of Terms and Definitions
- 194 BCRA Criteria Index



# Statement of Compliance of International Financial Reporting Standards (IFRSs) Issued by International Accounting Standards Board (IASB)

Cherat Cement Company Limited preparing statutory financial statements in accordance with the IFRS issued by IASB as notified under the Companies Act 2017 including the disclosure requirements of fourth schedule.

However, SECP has not notified adoption of following IFRS:

## Standards


## IASB effective date (annual periods beginning on or after)

IFRS 1 – First time adoption of IFRSs  
IFRS 17 - Insurance Contracts

01 January 2004  
01 January 2023

In addition to this, note 2.4 to the financial statement specify few standards and interpretations, which are yet to be effective in Pakistan. The Company believes that the impact of the above standards and those referred in note 2.4 does not have any material impact on the financial statements.

Karachi: August 25, 2022



**Omar Faruque**  
Chairman



# Statement and Adoption of Adherence with the International Integrated Reporting Framework (IR)

## Overview:

This annual report (report) of the Cherat Cement Company Limited (Company) has been prepared as per the guidelines of the International Integrated Reporting (IR) framework and the Global Reporting Initiative (GRI) Standards. The report's aim is to provide its stakeholders a quality, concise and transparent briefing of the Company's ability, position and expertise to create sustainable value, which is vital for its position, performance and reporting capabilities.

Management of the Company is following the spirit of adhering to the best corporate and governance practices. The management is also committed to achieve excellence in all aspects of transparent reporting. The Company also achieved good stage of compliance. The Company also considers the importance and strengthening of this report in terms of information connectivity and demonstration of results impact regarding various capital employed.

## Business operations:

The Company is engaged in manufacturing, marketing and sale of cement. The data and information presented in this report pertains to its plants, marketing offices and head office.

## Objectives and Contents:

The contents of this report are based on Company's engagement with its stakeholders, IR framework and GRI Standards sustainability and to provide quality information of interest of various group of stakeholders of impacts of activities on economy, market, environment and society as well as long-term sustainability of the Company's business.

It is imperative to ensure that the material is being presented in such a way that it enables the stakeholders to better understand these activities. The business strategy information has been linked directly to business activities and non-financial information.

## Methodologies:

In compilation of data basic scientific measurements, mathematical calculation methods, accounting principles, actual basis and other different logical methodologies are used. The Company strives to ensure the accuracy of the sustainability as well as the information being provided.

## Role of the Board:

The Board of Directors (the Board) has crucial role, since directors are elected by shareholders and IR framework is a mechanism of ensuring long-term value creation and increasing transparency. The IR framework requires involvement and support of the Board and Chief Executive.

Henceforth, the Management of the Company is guided to achieve Company objectives by advising, assessing, and monitoring the business strategies and ensuring the execution and modification of these activities.

## Role of Management:

The Management has laid the business foundation built on the principles of ethics and corporate professionalism. The same is being developed by devising and disseminating procedural steps and policies thereby highlighting need of good governance and resource allocation in achieving the desired objectives.

## Financial and Non-Financial Information:

The report also includes both financial and nonfinancial information about the Company's brand, financial structure, operations, performance, insight, risks & opportunities and outcome attributable to the value creation ability.

The Company has adopted the IR framework to give an overview of the Company's business affairs and philosophy by connecting and presenting the financial and non-financial information considering the varied interests of stakeholders.

The forward-looking statement explains the future challenges and how the Company plans to address these.

## Connectivity, Monitoring and Control:

The Company's reporting is monitored and it is ensure that the relevant information is shared in the most suited way for the stakeholders. Connectivity of the information is another aspect which needs to be addressed properly.

Thus, the stakeholders are made aware of the Company's philosophy and attitude towards achieving the enhanced stakeholders' value and customer satisfaction. The stakeholders' value is maximized through returns on investment, which management believes can be achieved through revenue maximization and cost control measures.

## Other factors:

This report also includes other factors which impacted the economic performance of the Company.

The Company also provides an overview of Health, Safety and Environment (HSE) to its stakeholders and addresses complaints and grievances. Achieving sustainable corporate value by focusing economic, societal, technological and environmental factors and their impacts is the Company's core strength.

The analysis and conclusions presented in this report demonstrates various factors that have been taken into account and the management is taking measures to increase the resilience of the business and its operations.

## Users:

This report intended to address the needs of users, investors, stakeholders, suppliers, employee, regulators and society to provide view of value creation potential taking into account risks and opportunities. The Company

believes that this report provides better understanding of its business strategies, opportunities & risks, business model, governance, performance which creates value to the Company and its shareholders. The Company shall continue to improve the information produced to make it even easier to understand.

#### **Materiality:**

The report includes the information relevant for its stakeholders to make decisions on the organization's economic, social and environmental performance.

#### **Reporting period:**

This report of the Company is published annually and covers period beginning from July 01, 2021 till June 30, 2022.

#### **Our Report:**

This report of the Company has included following content elements for the users of this report:

- Organizational overview and external environment
- Strategy and resource allocation
- Risks and opportunities
- Governance
- Performance and position
- Stakeholders' relationship and engagement
- Sustainability and corporate social responsibility
- Striving for Excellence in corporate reporting



**Omar Faruque**

Chairman

Karachi: August 25, 2022

# Glossary of Terms and Definitions

**Activity / Turnover Ratios:** Activity ratios measure the efficiency of the company in using its resources / assets. These ratios indicate the efficiency with which the assets of the company are managed/utilized.

**Borrowing Cost:** Finance costs that are directly attributable to the construction/acquisition of a qualifying asset and included in the cost of such asset.

**BCRA:** Best Corporate Report Awards

**CCG:** Code of Corporate Governance

**Capital Structure Ratios:** The capital structure ratios measure how a company finances its overall operations and growth by using different sources of funds.

**Captive Power Plant:** An electricity generation facility used and managed by an industrial or commercial energy user for their own energy consumption.

**Consortium Financing:** Is a solution usually entails several banks or financial institutions joining hands to finance large projects through a common appraisal, common documentation and joint supervision.

**Corporate Social Responsibility (CSR):** A self-regulating business model that helps a company be socially accountable - to itself, its stakeholders, and the public.

**Diminishing Musharakah:** Refers to joint ownership of asset by financier and borrower. The share of financier in the asset is divided into number of units and borrower will purchase those units periodically, thus increasing his own share till complete ownership.

**Dividend Cover Ratio:** It measures the number of times that a company could pay dividends to its shareholders.

**Dividend Mandate:** An authorization by a shareholder to the company, to pay his or her dividends directly into a bank account.

**EBITDA:** Earnings Before Interest, Taxes, Depreciation and Amortization.

**HR & RC:** Human Resource and Remuneration Committee.

**HSE:** Health, Safety and Environment

**Government Grants:** are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity.

**Human Capital:** Intangible collective resources, like knowledge, talents, skills, abilities, experience, intelligence, training, judgment, and wisdom possessed by individuals and groups within an organization. It is a form of wealth available to organizations to accomplish its goals.

**IAS:** International Accounting Standards.

**IASB:** International Accounting Standards Board.

**IFRIC:** International Financial Reporting Issues Committee.

**IFRS:** International Financial Reporting Standard.

**Interest Cover Ratio:** It measures how many times a company can cover its current interest payment with its available earnings.

**Investment / Market Ratios:** Investor ratios are used to measure the ability of a business to earn an adequate return for the owners of the business.

**ISO 9001:2015:** A standard that specifies requirements for a quality management system (QMS). Organizations use the standard to demonstrate the ability to consistently provide products and services that meet customer and regulatory requirements.

**ISO 14001:2015:** A standard for the management of environmental matters that is widely used in various parts of the world.

**Joint Venture (JV):** A business arrangement in which two or more parties agree to pool their resources for the purpose of accomplishing a specific task.

**KIBOR:** Karachi Inter Bank Offer Rate.

**Liquidity Ratios:** A liquidity ratio is a financial ratio that indicates whether a company's current assets will be sufficient to meet the company's obligations when they become due.

**Long-Term Debt-to-Equity Ratio:** The ratio found by dividing long-term debt by the equity (all assets minus debts) held in stock (This is a measure of financial risk).

**Manufactured Capital:** It is the collection of physical, material and technological objects that are available to a company for use in the production process.

**Market Ratio:** It helps to determine the market value of a company relative to its actual worth.

**Operating Cycle:** The average time between purchasing or acquiring inventory and receiving cash proceeds from its sale.

**Price-Earnings Ratio (P/E):** The ratio found by dividing market price per share by earnings per share (This ratio indicates what investors think of the firm's earnings' growth and risk prospects).

**Profitability Ratios:** The Profitability Ratios measure the overall performance of the company in terms of the total revenue generated from its operations.

**Relationship Capital:** It is the company's relationships with customers, partners, suppliers, shareholders. It is an important business asset.

**ROUA:** Right-of-use-asset

**Running Musharakah:** is Shariah compliant alternative of Running Finance Facility available in conventional banking system.

**Security:** A pledge made to secure the performance of a contract or the fulfillment of an obligation.

**Shariah-Compliant Finance / Banking:** Facility which meets all of the requirements of Shariah law and the principles articulated for "Islamic Finance".

**Solar Power:** is the conversion of energy from sunlight into electricity, either directly using photovoltaics, indirectly using concentrated solar power, or a combination.

**Spread:** Rate charged by the bank over KIBOR.

# BCRA Criteria Index

<b>1</b>	<b>Organizational Overview and External Environment</b>	<b>Page No.</b>
<b>1.01</b>	Principal business activities and markets (local and international) including key brands, products and services.	<b>25, 215</b>
<b>1.02</b>	Geographical location and address of all business units including sales units and plants.	<b>26, 215</b>
<b>1.03</b>	Mission, vision, code of conduct, culture, ethics and values.	<b>18-24</b>
<b>1.04</b>	Ownership, operating structure and relationship with group companies (i.e. subsidiary, associated undertaking etc.) and number of countries in which the organization operates. Also name and country of origin of the holding company/subsidiary company, if such companies are a foreign company.	<b>28-29 34-35</b>
<b>1.05</b>	Organization chart indicating functional and administrative reporting, presented with legends.	<b>38-41</b>
<b>1.06</b>	Identification of the key elements of the business model of the company through simple diagram supported by a clear explanation of the relevance of those elements to the organization. (The key elements of business model are Inputs, Business activities, Outputs and Outcomes).	<b>25</b>
<b>1.07</b>	Position of the reporting organization within the value chain showing connection with other businesses in the upstream and downstream value chain. (This disclosure shall be provided by the companies in service and non-service sector organizations through graphical presentation).	<b>36-37</b>
<b>1.08</b>	Significant factors effecting the external environment and the associated organization's response. Also describe the effect of seasonality on business in terms of production and sales. (External environment includes commercial, political, economic, social, technological, environmental and legal environment).	<b>44-45</b>
<b>1.09</b>	The legitimate needs, interests of key stakeholders and industry trends.	<b>48</b>
<b>1.10</b>	SWOT Analysis of the company.	<b>46</b>
<b>1.11</b>	Competitive landscape and market positioning (considering factors such as the threat of new competition and substitute products or services, the bargaining power of customers and suppliers, relative strengths and weaknesses of competitors and customer demand and the intensity of competitive rivalry).	<b>42-43</b>
<b>1.12</b>	The legislative and regulatory environment in which the organization operates.	<b>49</b>
<b>1.13</b>	The political environment where the organization operates and other countries that may affect the ability of the organization to implement its strategy.	<b>49</b>
<b>1.14</b>	Significant changes from prior years (regarding the information disclosed in this section).	<b>48</b>
<b>1.15</b>	History of major events.	<b>30-31</b>
<b>1.16</b>	Details of significant events occurred during the year and after the reporting period.	<b>92, 215</b>
<b>2</b>	<b>Strategy and Resource Allocation</b>	
<b>2.01</b>	Short, medium and long term strategic objectives.	<b>53</b>
<b>2.02</b>	Strategies in place or intended to be implemented to achieve the strategic objectives.	<b>53</b>
<b>2.03</b>	Resource allocation plans to implement the strategy and financial capital structure.	<b>54-55</b>
<b>2.04</b>	Key resources and capabilities of the company which provide sustainable competitive advantage.	<b>56-57</b>
<b>2.05</b>	Value created by the business, and for whom, using these resources and capabilities.	<b>56-57</b>

		<b>Page No.</b>
<b>2.06</b>	The effect of technological change, societal issues such as population and demographic changes, human rights, health, poverty, collective values and educational systems, environmental challenges, such as climate change, the loss of ecosystems, and resource shortages on the company strategy and resource allocation.	<b>59</b>
<b>2.07</b>	Specific processes used to make strategic decisions and to establish and monitor the culture of the organization, including its attitude to risk and mechanisms for addressing integrity and ethical issues.	<b>60</b>
<b>2.08</b>	Key performance indicators (KPIs) to measure the achievement against strategic objectives including statement as to whether the indicators used will continue to be relevant in the future.	<b>58</b>
<b>2.09</b>	Board's statement on the following: a) significant plans and decisions such as corporate restructuring, business expansion, or discontinuance of operations; b) business rationale of major capital expenditure or projects started during the year and those planned for next year etc.	<b>62-63</b>
<b>2.10</b>	Significant changes in objectives and strategies from prior years.	<b>61</b>
<b>3</b>	<b>Risks and Opportunities</b>	
<b>3.01</b>	Key risks and opportunities effecting availability, quality and affordability of CAPITALS in the short, medium and long term.	<b>66-72</b>
<b>3.02</b>	Risk Management Framework including risk management methodology and principal risk and uncertainties facing the company.	<b>66</b>
<b>3.03</b>	Sources of risks and opportunities (internal and external).	<b>66-72</b>
<b>3.04</b>	The initiatives taken by the company in promoting and enabling innovation.	<b>73</b>
<b>3.05</b>	Assessment of the 'likelihood' that the risk or opportunity will come to fruition and the 'magnitude' of its effect if it does.	<b>66-72</b>
<b>3.06</b>	Specific steps being taken to mitigate or manage key risks or to create value from key opportunities by identifying the associated strategic objectives, strategies, plans, policies, targets and KPIs.	<b>66-72</b>
<b>3.07</b>	Board's efforts for determining the company's level of risk tolerance by establishing risk management policies.	<b>73</b>
<b>3.08</b>	Statement from the board that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten the business model, future performance and solvency or liquidity.	<b>74, 110-111</b>
<b>3.09</b>	Strategy to overcome liquidity problem and the company's plan to manage its repayment of debts and meet operational losses.	<b>74, 111</b>
<b>3.10</b>	Inadequacy in the capital structure and plans to address such inadequacy.	<b>73, 111</b>
<b>4</b>	<b>Sustainability and Corporate Social Responsibility</b>	
<b>4.01</b>	Highlights of the company's performance, policies, initiatives and plans in place relating to the various aspects of sustainability and corporate social responsibility as per best business practices including: a) environment related obligation applicable on the company; b) company progress towards environmental, social and & governance initiatives during the year; and c) company's responsibility towards the staff, health & safety.	<b>78-93</b>

		<b>Page No.</b>
<b>4.02</b>	Status of adoption/compliance of the Corporate Social Responsibility (Voluntary) Guidelines, 2013 issued by the SECP or any other regulatory framework as applicable.	<b>90</b>
<b>4.03</b>	Certifications acquired and international standards adopted for best sustainability and CSR practices.	<b>25, 78</b>
<b>5</b>	<b>Governance</b>	
<b>5.01</b>	Board composition:	<b>109, 132-133</b>
	a) Leadership structure of those charged with governance.	
	b) Name of independent directors indicating justification for their independence.	<b>100-103, 114</b>
	c) Diversity in the board i.e. competencies, requisite knowledge & skills, and experience.	<b>100-103</b>
	d) Profile of each director including education, experience and involvement /engagement of in other entities as CEO, Director, CFO or Trustee etc.	<b>100-103</b>
	e) No. of companies in which the executive director of the reporting organization is serving as non-executive director.	<b>100-103, 114</b>
<b>5.02</b>	Chairman's Review Report on the overall performance of the board and effectiveness of the role played by the board in achieving the company's objectives.	<b>104</b>
<b>5.03</b>	A statement of how the board operates, including a high-level statement of which types of decisions are to be taken by the board and which are to be delegated to management.	<b>113</b>
<b>5.04</b>	Annual evaluation of performance, along with description of criteria used for the members of the board including CEO, Chairman and board's committees.	<b>112</b>
<b>5.05</b>	Disclosure if the board's performance evaluation is carried out by an external consultant once in three years.	<b>115</b>
<b>5.06</b>	Details of formal orientation courses for directors.	<b>112</b>
<b>5.07</b>	Directors' Training Program (DTP) attended by directors, female executive and head of department from the institutes approved by the SECP and names of those who availed exemptions during the year.	<b>112</b>
<b>5.08</b>	Description of external oversight of various functions like systems audit or internal audit by an external specialist and other measures taken to enhance credibility of internal controls and systems.	<b>112</b>
<b>5.09</b>	a) Approved policy for related party transactions.	<b>126-128</b>
	b) Details of all related parties transactions, along with the basis of relationship describing common directorship and percentage of shareholding.	<b>99, 252-253</b>
	c) Contract or arrangement with the related party other than in the ordinary course of business on an arm's length basis, if any along with the justification for entering into such contract or arrangement.	<b>115</b>
	d) Disclosure of director's interest in related party transactions.	<b>115</b>
	e) In case of conflict, disclosure that how such a conflict is managed and monitored by the board.	<b>123</b>

		<b>Page No.</b>
<b>5.10</b>	Disclosure of Board's Policy on the following significant matters:	
	a) Governance of risk and internal controls.	<b>117</b>
	b) Diversity (including gender), any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives.	<b>129</b>
	c) Disclosure of director's interest in significant contracts and arrangements.	<b>115</b>
	d) Remuneration of non-executive directors including independent directors for attending board meetings and general meetings.	<b>129</b>
	e) Retention of board fee by the executive director earned by him against his services as non-executive director in other companies.	<b>129</b>
	f) Security clearance of foreign directors.	<b>N/A</b>
	g) Board meetings held outside Pakistan.	<b>114</b>
	h) Human resource management including preparation of succession plan.	<b>121</b>
	i) Social and environmental responsibility.	<b>120</b>
	j) Communication with stakeholders.	<b>180-181</b>
	k) Investors' relationship and grievances.	<b>129</b>
	l) Employee health, safety and protection.	<b>85-89</b>
	m) Whistle blowing policy including mechanism to receive and handle complains in a fair and transparent manner and providing protection to the complainant against victimization and reporting in Audit Committee's report.	<b>124</b>
	n) Safety of records of the company.	<b>122</b>
	o) Providing reasonable opportunity to the shareholder for participation in the AGM.	<b>113, 180</b>
<b>5.11</b>	Board review statement of the organization's business continuity plan or disaster recovery plan.	<b>128</b>
<b>5.12</b>	Disclosure of beneficial (including indirect) ownership and flow chart of group shareholding and relationship as holding company, subsidiary company or associated undertaking.	<b>257</b>
<b>5.13</b>	Compliance with the Best Practices of Code of Corporate Governance (No marks in case of any non-compliance).	<b>132-133</b>
<b>5.14</b>	A brief description about role of the Chairman and the CEO.	<b>134-135</b>
<b>5.15</b>	Shares held by Sponsors / Directors / Executives.	<b>257</b>
<b>5.16</b>	Salient features of TOR and attendance in meetings of the board committees (Audit, Human Resource, Nomination and Risk management).	<b>109, 136-138</b>
<b>5.17</b>	Timely Communication: Date of authorization of financial statements by the board of directors: within 40 days ---6 marks within 60 days ---3 marks (Entities requiring approval from a Regulator before finalization of their financial statements would be provided a 20 days relaxation, on providing evidence to the Committee).	<b>254</b>

		<b>Page No.</b>
<b>5.18</b>	Audit Committee report should describe the work of the committee in discharging its responsibilities. The report should include:	<b>130</b>
	a) Composition of the committee with at least one member qualified as “financially literate and all members are non-executive / Independent directors including the Chairman of the Audit Committee.	<b>130</b>
	b) Role of the committee in discharging its responsibilities for the significant issues in relation to the financial statements, and how these issues were addressed with details where particular attention was paid in this regard.	<b>130</b>
	c) Committee’s overall approach to risk management and internal control, and its processes, outcomes and disclosure.	<b>130</b>
	d) Role of Internal Audit to risk management and internal control, and approach to Internal Audit to have direct access to Audit Committee and evaluation of Internal Auditor’s performance.	<b>130</b>
	e) Review of arrangement for staff and management to report to Audit Committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommended instituting remedial and mitigating measures.	<b>130</b>
	f) An explanation as to how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current statutory auditor; and if the external auditor provides non-audit services, an explanation as to how auditor’s objectivity and independence is safeguarded.	<b>130</b>
	g) If Audit Committee recommends external auditors other than the retiring external auditors, before the lapse of three consecutive years, reasons shall be reported.	<b>130</b>
	h) The Audit Committee’s views whether the Annual Report was fair, balanced and understandable and also whether it provided the necessary information for shareholders to assess the company’s position and performance, business model and strategy.	<b>130</b>
	i) Results of the self-evaluation of the Audit Committee carried out of its own performance.	<b>130, 136</b>
	j) Disclosure of the number of whistle-blowing incidences reported to the Audit Committee during the year.	<b>124</b>
<b>5.19</b>	Presence of the chairman of the Audit Committee at the AGM to answer questions on the Audit Committee’s activities / matters that are within the scope of the Audit Committee’s responsibilities.	<b>130</b>
<b>5.20</b>	Board disclosure on Company’s use of Enterprise Resource Planning (ERP ) software including:	
	a) how it is designed to manage and integrate the functions of core business processes/ modules like finance, HR, supply chain and inventory management in a single system;	<b>47, 110</b>
	b) management support in the effective implementation and continuous updation;	<b>47, 110</b>
	c) details about user training of ERP software;	<b>47, 110</b>
	d) how the company manages risks or control risk factors on ERP projects;	<b>47, 110</b>
	e) how the company assesses system security, access to sensitive data and segregation of duties.	<b>47, 110</b>



		<b>Page No.</b>
<b>5.21</b>	Where an external search consultancy has been used in the appointment of the Chairman or a non-executive director, it should be disclosed if it has any other connection with the company.	<b>115</b>
<b>5.22</b>	Chairman's significant commitments and any changes thereto.	<b>104</b>
<b>5.23</b>	Disclosure about the Government of Pakistan policies related to company's business/sector in Directors' Report and their impact on the company business and performance.	<b>106-111</b>
<b>5.24</b>	How the organization's implemented governance practices have been exceeding legal requirements.	<b>114</b>
<b>6</b>	<b>Analysis of the Financial Information</b>	
<b>6.01</b>	Analysis of the financial and non-financial performance using both qualitative and quantitative indicators showing linkage between: (a) Past and current performance; (b) Performance against targets /budget; and (c) Objectives to assess stewardship of management. The analysis should cover significant deviations from previous year in operating results and the reasons for loss, if incurred and future prospects of profits.	<b>140-141</b>
<b>6.02</b>	Analysis of financial ratios (this includes marks of ratios for Shariah compliant companies and companies listed on Islamic indices)	<b>143-145 and 149-152</b>
<b>6.03</b>	Vertical and horizontal analysis of Balance Sheet, Profit and Loss Account and summary of Cash Flow Statement for last 6 years.	<b>154-157, 160</b>
<b>6.04</b>	Graphical presentation of 6.02 and 6.03 above.	<b>146-152</b>
<b>6.05</b>	Explanation of negative change in the performance against prior year including analysis of variation in results reported in interim reports with the final accounts, including comments on the results disclosed in 6.02 and 6.03 above.	<b>142</b>
<b>6.06</b>	Any significant change in accounting policies, judgements, estimates and assumptions with rationale.	<b>216</b>
<b>6.07</b>	Information about defaults in payment of any debts and reasons thereof period.	<b>74, 143</b>
<b>6.08</b>	Methods and assumptions used in compiling the indicators.	<b>59</b>
<b>6.09</b>	Cash Flow Statement based on Direct Method (separate Cash Flow for specific funds e.g. Zakat).	<b>161</b>
<b>6.10</b>	Segmental review and analysis of business performance including segment revenue, segment results, profit before tax, segment assets and liabilities.	<b>143, 254</b>
<b>6.11</b>	a) Share price sensitivity analysis using key variables (i.e. selling price, raw material cost, interest rate and currency) with the consequent impact on the company's earning.	<b>163</b>
	b) Composition of local versus imported material and sensitivity analysis in narrative form due to foreign currency fluctuations.	<b>164</b>
<b>6.12</b>	Brief description and reasons: a) for not declaring dividend despite earning profits and future prospects of dividend. b) where any payment on account of taxes, duties, levies etc. is overdue or outstanding.	<b>107, 140</b>

		Page No.
6.13	CEO presentation video on the company's business performance of the year covering the company business strategy to improve and future outlook. (Please provide relevant webpage link of the video in the company's annual report).	Refer website: <a href="https://gfg.com.pk/cccl">https://gfg.com.pk/cccl</a>
<b>7</b>	<b>Disclosures on IT Governance and Cybersecurity</b>	
7.01	The Board responsibility statement on the evaluation and enforcement of legal and regulatory implications of cyber risks and the responsibilities of the board in case of any breaches.	168-172
7.02	Disclosure related to IT governance and cybersecurity programs, policies and procedures and industry specific requirements for cybersecurity and strategy in place.	168-172
7.03	Disclosures about how cybersecurity fits into the board's risk oversight function and how the board is engaging with management on this issue.	168-172
7.04	Disclosure that at least one board-level committee is charged with oversight of IT governance and cybersecurity matters and how the board administers its IT risk oversight function related to these risks.	168-172
7.05	Disclosure about Company's controls and procedures about an "early warning system" that enables the company to identify, assess, address, make timely disclosures and timely communications to the board about cybersecurity risks and incidents.	168-172
7.06	Disclosure of policy related to independent comprehensive security assessment of technology environment, including third party risks and when last such review was carried out.	168-172
7.07	Disclosure about resilient contingency and disaster recovery plan in terms of dealing with a possible IT failure or cyber breach and details about company's cyber insurance.	168-172
7.08	Disclosure of advancement in digital transformation on how the organization has leveraged 4.0 Industrial revolution (RPA, Block Chain, AI, Cloud Computing etc.) to improve transparency, reporting and governance.	168-172
7.09	Disclosure about education and training efforts of the Company to mitigate cybersecurity risks.	168-172
<b>8</b>	<b>Future Outlook</b>	
8.01	Forward looking statement in narrative and quantitative form including projections or forecasts about known trends and uncertainties that could affect the company's resources, revenues and operations in the short, medium and long term.	111, 176-177
8.02	Explanation of the external environment including political, economic, social, technological, environmental and legal environment that is likely to be faced in the short, medium and long term and how it will affect the organization in terms of its business performance, strategic objectives and availability, quality and affordability of capitals.	44-45 and 176-177
8.03	Explanation as to how the performance of the company meets the forward looking disclosures made in the previous year.	176-177
8.04	Status of the projects in progress and were disclosed in the forward looking statement in the previous year.	176-177
8.05	Sources of information and assumptions used for projections / forecasts in the forward looking statement and assistance taken by any external consultant.	177

		<b>Page No.</b>
<b>8.06</b>	How the organization is currently equipped in responding to the critical challenges and uncertainties that are likely to arise.	<b>176</b>
<b>9</b>	<b>Stakeholders Relationship and Engagement</b>	
<b>9.01</b>	Stakeholders engagement policy of the company and how the company has identified its stakeholders.	<b>180-182</b>
<b>9.02</b>	Stakeholders' engagement process and the frequency of such engagements during the year. Explanation on how these relationships are likely to affect the performance and value of the company, and how those relationships are managed. These engagements may be with: a) Institutional investors; b) Customers & suppliers; c) Banks and other lenders; d) Media; e) Regulators; f) Local committees and g) Analysts.	<b>180-182</b>
<b>9.03</b>	Steps taken by the management to encourage the minority shareholders to attend the general meetings.	<b>180</b>
<b>9.04</b>	Investors' Relations section on the corporate website.	<b>181</b>
<b>9.05</b>	Issues raised in the last AGM, decisions taken and their implementation status.	<b>96-99, 181</b>
<b>9.06</b>	Statement of value added and its distribution with graphical presentation: a) Employees as remuneration; b) Government as taxes (separately direct and indirect); c) Shareholders as dividends; d) Providers of financial capital as financial charges; e) Society as donation; and f) Retained within the business.	<b>183</b>
<b>9.07</b>	Steps board has taken to solicit and understand the views of stakeholders through corporate briefing sessions and disclosure of brief summary of Analyst briefing conducted during the year.	<b>113, 182</b>
<b>9.08</b>	Highlights about redressal of investors' complaints.	<b>182</b>
<b>10</b>	<b>Business Model</b>	
<b>10.01</b>	Describe the business model including inputs, business activities, outputs and outcomes in accordance with the guidance as set out under section 4C of the International Integrated Reporting Framework (IR Framework).	<b>186-187</b>
<b>11</b>	<b>Striving for Excellence in Corporate Reporting</b>	
<b>11.01</b>	Board's responsibility statement on full compliance of financial accounting and reporting standards as applicable in Pakistan (i.e. International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB)).	<b>190</b>
<b>11.02</b>	Adoption of IR Framework by fully applying the 'Fundamental Concepts', 'Content Elements' and 'Guiding Principles' in the IR Framework.	<b>191-192</b>
<b>11.03</b>	BCR criteria cross referred with page numbers of the annual report. (details can be maintained by companies on the Investor Relation section of the company's website).	<b>194-203</b>
<b>11.04</b>	<b>Disclosures beyond BCR criteria:</b>	
	Our National and International recognition	<b>32-33</b>
	Materiality Approach	<b>75</b>
	Pandemic Management	<b>116</b>
	Insider Trading Policy	<b>125</b>
	Graphical presentation of Statement of Financial Position and Statement of Profit or Loss	<b>158-159</b>
	Quarterly performance Analysis and its Graphical presentation	<b>162</b>

		<b>Page No.</b>
	Calendar of Notable Events	<b>165</b>
	Glossary of Terms and Definitions	<b>193</b>
<b>Annexure I - Specific disclosures of the Financial Statements</b>		
<b>1</b>	Fair value of Property, Plant and Equipment.	<b>227-230</b>
<b>2</b>	Reconciliation of weighted average number of shares for calculating EPS and diluted EPS.	<b>247</b>
<b>3</b>	Particulars of significant/ material assets and immovable property including location and area of land.	<b>215, 227-230</b>
<b>4</b>	Key quantitative information (Number of persons employed as on the date of financial statements and average number of employees during the year, separately disclosing factory employees).	<b>253</b>
<b>5</b>	Disclosure of product wise data mentioning, product revenue, profit etc.	<b>243</b>
<b>6</b>	Capacity of an industrial unit, actual production and the reasons for shortfall.	<b>253</b>
<b>7</b>	Disclosure of discounts on revenue.	<b>243</b>
<b>8</b>	Sector wise analysis of deposits and advances.	<b>234</b>
<b>9</b>	Complete set of financial statements (Balance sheet, Income statement & Cash flow) for Islamic banking operations.	<b>210-214</b>
<b>10</b>	Status for adoption of Islamic Financial Accounting Standards (IFAS) issued by the ICAP.	<b>N/A</b>
<b>11</b>	Summary of significant transactions and events that have affected the company's financial position and performance during the year.	<b>215</b>
<b>12</b>	Forced sale value in case of revaluation of Property, Plant and Equipment or investment property.	<b>N/A</b>
<b>13</b>	Distribution of shareholders (Number of shares as well as category, e.g. Promoter, Directors / Executives or close family member of Directors/Executives etc.).	<b>257</b>
<b>14</b>	Particulars of major foreign shareholders, other than natural person, holding more than 5% of paid up capital in the company in Pattern of Shareholding.	<b>257</b>
<b>15</b>	Particulars where company has given loans or advances or has made investments in foreign companies or undertakings.	<b>N/A</b>
<b>16</b>	Accounts Receivable in respect of Export Sales - Name of company or undertaking in case of related party and in case of default brief description of any legal action taken against the defaulting parties.	<b>233</b>
<b>17</b>	Treasury shares in respect of issued share capital of a company.	<b>N/A</b>
<b>18</b>	In describing legal proceedings, under any court, agency or government authority, whether local or foreign, include name of the court, agency or authority in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis of the proceeding and the relief sought.	<b>241-243</b>
<b>19</b>	Management assessment of sufficiency of tax provision made in the company's financial statements shall be stated along with comparisons of tax provision as per accounts vis a vis tax assessment for last three years.	<b>246</b>
<b>20</b>	Income tax reconciliation as required by IFRS and applicable tax regime for the year.	<b>246</b>

		<b>Page No.</b>
<b>21</b>	In respect of loans and advances, other than those to the suppliers of goods or services, the name of the borrower and terms of repayment if the loan or advance exceeds rupees one million, together with the collateral security, if any.	<b>234</b>
<b>22</b>	Disclosure about Human Resource Accounting (includes the disclosure of process of identifying and measuring the cost incurred by the company to recruit, select, hire, train, develop, allocate, conserve, reward and utilize human assets).	<b>243-244</b>
<b>23</b>	In financial statements issued after initial or secondary public offering(s) of securities or issuance of debt instrument(s) implementation of plans as disclosed in the prospectus/ offering document with regards to utilization of proceeds raised till full implementation of such plans.	<b>N/A</b>
<b>24</b>	Where any property or asset acquired with the funds of the company and is not held in the name of the company or is not in the possession and control of the company, this fact along with reasons for the property or asset not being in the name of or possession or control of the company shall be stated; and the description and value of the property or asset, the person in whose name and possession or control it is held shall be disclosed.	<b>N/A</b>
<b>25</b>	Standards, amendments and interpretations adopted during the current year along with their impact on the company's financial statements.	<b>215</b>
<b>26</b>	Standards, amendments and interpretations, not yet effective and not adopted along with their impact on the company's financial statements.	<b>216</b>
<b>Annexure II - Specific Disclosures required for Shariah Compliant Companies and the Companies Listed on the Islamic Indices</b>		
<b>Following disclosures are required under clause 10 of the Fourth Schedule of the Companies Act, 2017 for Sharia compliant companies and the companies listed on Islamic index:</b>		
<b>1</b>	Loans/advances obtained as per Islamic mode.	<b>254</b>
<b>2</b>	Shariah compliant bank deposits/bank balances.	<b>254</b>
<b>3</b>	Profit earned from shariah compliant bank deposits/bank balances.	<b>254</b>
<b>4</b>	Revenue earned from a shariah compliant business segment.	<b>254</b>
<b>5</b>	Gain/loss or dividend earned from shariah compliant investments.	<b>254</b>
<b>6</b>	Exchange gain earned from actual currency.	<b>254</b>
<b>7</b>	Mark up paid on Islamic mode of financing.	<b>254</b>
<b>8</b>	Relationship with shariah compliant banks.	<b>254</b>
<b>9</b>	Profits earned or interest paid on any conventional loan or advance.	<b>254</b>



23

15.44

75.25

# Financial Statements

206	Independent Auditor's Report
210	Statement of Financial Position
211	Statement of Profit or Loss
212	Statement of Comprehensive Income
213	Statement of Cash Flows
214	Statement of Changes in Equity
215	Notes to and Forming Part of the Financial Statements
255	Pattern of Shareholding
261	Notice of Annual General Meeting (Urdu)
268	Directors' Report to the Members (Urdu)
	Proxy Form
	Proxy Form (Urdu)
	E-Dividend Mandate Form



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# Independent Auditor's Report

To the members of Cherat Cement Company Limited

Report on the Audit of the Financial Statements

## Opinion

We have audited the annexed financial statements of Cherat Cement Company Limited (the Company), which comprise the statement of financial position as at 30 June 2022, and the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2022 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

Key audit matters	How the matter was addressed in our audit
<b>1. Capital expenditure and related financing for capacity enhancement</b>	
As disclosed in note 4.2 to the accompanying financial statements, the Company has incurred significant amount of capital expenditure mainly on account of upgradation of Cement line 1 and installation of single crusher which amounted to Rs. 3,620 million. To finance the above capital expenditures, the Company has obtained long-term	Our procedures, amongst others, included obtaining an understanding of the Company's process with respect to capital expenditure including determination of useful lives and testing the Company's controls in this area relevant to our audit.



<p>borrowings as disclosed in note 17 to the accompanying financial statements.</p> <p>Capital expenditures incurred during the year represent a significant transaction and involves significant judgments in respect of capitalisation of elements of eligible components of costs, including borrowing costs, as per the applicable reporting standards in determining, when the assets are available for use and estimation of their useful lives and residual value. Further, financing agreements entail financial and non-financial covenants that the Company is subject to compliance.</p> <p>Accordingly, we have identified the capital expenditure and related financing as a key audit matter.</p>	<p>We considered whether the items of cost capitalised, including borrowing cost, meet the recognition criteria of an assets in accordance with the applicable financial reporting standards.</p> <p>We checked the timing of capitalisation by examining, on a sample basis, the completion certificates from the Company's technical departments.</p> <p>We also evaluated the basis used by the management for determining the useful lives of the new assets and the depreciation charged in relation thereto, by considering factors such as the current depreciation, estimates for similar or comparable assets, expected utilization of the assets and the estimated residual value at the end of the useful lives.</p> <p>We checked the relevant contracts and documents, including but not limited to, suppliers' invoices, delivery notes, international LC and shipping documentation supporting various components of the capitalised cost.</p> <p>We obtained and checked the financing agreements and circularized confirmations to the financing banks to confirm outstanding loan balances and other related terms at year end.</p> <p>We checked compliance of the covenants and their implications. We also checked the maturity analysis of the financing to ascertain the classification of loans as per their remaining maturities.</p> <p>We assessed the adequacy of the Company's disclosures in accordance with the applicable financial reporting standards.</p>
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## 2. Existence and valuation of stock in trade, stores and spare parts

<p>(Refer note 8 and 9 to the accompanying financial statements)</p> <p>The balance of stock in trade, stores and spare parts as at 30 June 2022 is Rs. 926 million, Rs. 5,152 million and Rs. 2,238 million respectively.</p> <p>The above items are stored in purpose-built sheds, stockpiles and silos. As the weighing of these items is not practicable, the management assesses the quantities on hand through a complex process involving various estimates.</p> <p>Further, these are valued at lower of cost and net realisable value. The assessment of net realisable value requires management's judgement of the appropriate level of provisioning including assessment of available facts and circumstances, it's physical conditions, the market selling prices and estimated selling costs of the stock in trade.</p> <p>Due to the significance of stock in trade, stores and spare parts balance and related estimations involved, this is considered as a key audit matter.</p>	<p>We obtained an understanding of the Company's processes in place for stock accounting.</p> <p>We attended physical count of stock in trade, stores and spare parts to observe the management's process of measurement of stockpiles and silos and the determination of quantities using conversion of volumes and density to total weight, and performed recalculations.</p> <p>We performed tests over the prices of raw materials and verified items in the product costing of work in progress.</p> <p>We performed tests over the NRV calculations and the assumptions used.</p> <p>We assessed the adequacy of the obsolescence provision and the management judgement used.</p> <p>We assessed the adequacy of the Company's disclosures in accordance with the applicable financial reporting standards.</p>
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### 3. Revenue Recognition

<p>(Refer note 27 to the accompanying financial statements)</p> <p>The Company generates revenue from local and export sale of cement.</p> <p>We identified revenue recognition and its reporting in the financial statements as a key audit matter primarily due it being a key performance indicator, significant increase of 27% in revenue from last year and the amount of audit efforts in relation to this area.</p>	<p>We obtained an understanding of the Company's processes in place for revenue recognition and tested key controls.</p> <p>We performed analytical review procedures and other test of details over revenue including cut-off procedures to check that revenue has been recognised in the appropriate accounting period.</p> <p>We assessed the adequacy of the Company's disclosures in accordance with the applicable financial reporting standards.</p>
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#### Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Omer Chughtai.



Chartered Accountants

Place: Karachi

Date: August 26, 2022

UDIN Number: AR202210120avrFiFVMh

# Statement of Financial Position

As at June 30, 2022

	Note	2022	2021
		----- (Rupees in '000) -----	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets			
Property, plant and equipment	4	27,568,302	25,590,839
Intangible assets	5	14,755	16,213
		<u>27,583,057</u>	<u>25,607,052</u>
Long-term investments	6	481,559	660,950
Long-term loans	7	67,811	75,446
Long-term deposits		7,141	3,841
		<u>556,511</u>	<u>740,237</u>
		<u>28,139,568</u>	<u>26,347,289</u>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	8	7,472,016	4,184,247
Stock-in-trade	9	926,075	1,005,590
Trade debts	10	533,973	407,548
Loans and advances	11	292,691	189,899
Trade deposits and short-term prepayments	12	15,469	25,174
Other receivables	13	4,487	198,060
Taxation – net		94,133	1,695,693
Cash and bank balances	14	1,126,474	140,022
		<u>10,465,318</u>	<u>7,846,233</u>
		<u>38,604,886</u>	<u>34,193,522</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	15	1,942,950	1,942,950
Reserves	16	15,373,372	11,646,602
		<u>17,316,322</u>	<u>13,589,552</u>
<b>NON-CURRENT LIABILITIES</b>			
Long-term financings	17	9,918,167	12,624,315
Lease liabilities	18	10,971	21,408
Long-term security deposits	19	28,450	28,105
Government grant	20	948,684	83,539
Deferred taxation	21	535,045	573,593
		<u>11,441,317</u>	<u>13,330,960</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	22	2,877,773	2,264,938
Contract liabilities		243,921	191,403
Accrued mark-up	23	435,350	305,412
Short-term borrowings	24	3,135,925	1,741,387
Current maturity of long-term financings	17	3,037,906	2,646,955
Current portion of lease liabilities	18	10,438	14,655
Current portion of Government grant	20	19,953	20,294
Unclaimed dividend	25	74,441	57,123
Unpaid dividend		11,540	30,843
		<u>9,847,247</u>	<u>7,273,010</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	26		
		<u>38,604,886</u>	<u>34,193,522</u>

The annexed notes from 1 to 47 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

# Statement of Profit or Loss

For the year ended June 30, 2022

	Note	2022 ----- (Rupees in '000) -----	2021 -----
<b>Turnover – net</b>	27	<b>32,085,361</b>	25,206,811
Cost of sales	28	<b>(23,134,576)</b>	(18,478,508)
<b>Gross profit</b>		<b>8,950,785</b>	6,728,303
Distribution costs	29	<b>(529,254)</b>	(429,264)
Administrative expenses	30	<b>(349,141)</b>	(291,220)
Other expenses	31	<b>(275,286)</b>	(251,324)
		<b>(1,153,681)</b>	(971,808)
Other income	32	<b>390,495</b>	104,900
<b>Operating profit</b>		<b>8,187,599</b>	5,861,395
Finance costs	33	<b>(1,358,874)</b>	(1,524,177)
<b>Profit before taxation</b>		<b>6,828,725</b>	4,337,218
<b>Taxation</b>			
Current		<b>(1,523,528)</b>	(206,196)
Prior		<b>(774,049)</b>	-
Deferred		<b>(75,183)</b>	(925,966)
	34	<b>(2,372,760)</b>	(1,132,162)
<b>Net profit</b>		<b>4,455,965</b>	3,205,056
Earnings per share - basic and diluted	35	<b>Rs. 22.93</b>	Rs. 16.50

The annexed notes from 1 to 47 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

# Statement of Comprehensive Income

For the year ended June 30, 2022

	2022	2021
	----- (Rupees in '000) -----	
<b>Net profit</b>	<b>4,455,965</b>	3,205,056
<b>Other comprehensive (loss) / income</b>		
<b>Items that will not be reclassified subsequently to statement of profit or loss</b>		
Unrealized (loss) / gain on remeasurement of equity investments at fair value through other comprehensive income	(255,417)	270,056
Actuarial (loss) / gain on defined benefit plan - net of deferred tax	(230,909)	255,177
	(486,326)	525,233
<b>Total comprehensive income</b>	<b><u>3,969,639</u></b>	<u>3,730,289</u>

The annexed notes from 1 to 47 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

# Statement of Cash Flows

For the year ended June 30, 2022

	Note	2022	2021
----- (Rupees in '000) -----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before taxation</b>		<b>6,828,725</b>	4,337,218
<b>Adjustments for:</b>			
Depreciation on operating property, plant and equipment	4.1.4	<b>1,616,884</b>	1,666,835
Depreciation - right-of-use assets	4.3	<b>14,084</b>	13,514
Amortisation	5.1	<b>2,509</b>	2,594
Gain on disposals of operating property, plant and equipment	4.1.5	<b>(7,646)</b>	(5,065)
Gain on short-term investments at fair value through profit or loss	32	<b>(10,739)</b>	(27,963)
Interest income on financial asset at amortised cost	32	<b>(9,629)</b>	(9,280)
Finance costs	33	<b>1,358,874</b>	1,524,177
Exchange (gain) / loss		<b>(27)</b>	5,925
Reversal of impairment loss - MHPL	32	<b>(76,000)</b>	-
Share of profit from joint venture - UniEnergy	32	<b>(26)</b>	(31)
Dividend income	32	<b>(15,613)</b>	(6,870)
		<b>2,872,671</b>	3,163,836
		<b>9,701,396</b>	7,501,054
<b>(Increase) / decrease in current assets</b>			
Stores, spare parts and loose tools		<b>(3,287,769)</b>	(417,573)
Stock-in-trade		<b>79,515</b>	(43,120)
Trade debts		<b>(126,425)</b>	(106,900)
Loans and advances		<b>(102,792)</b>	(143,044)
Trade deposits and short-term prepayments		<b>9,705</b>	(8,865)
Other receivables		<b>37,624</b>	(3,299)
		<b>(3,390,142)</b>	(722,801)
		<b>6,311,254</b>	6,778,253
<b>Increase / (decrease) in current liabilities</b>			
Trade and other payables		<b>424,171</b>	442,372
Contract liabilities		<b>52,518</b>	(6,120)
<b>Cash generated from operations</b>		<b>6,787,943</b>	7,214,505
Income tax paid		<b>(696,017)</b>	(357,100)
Long-term loans and deposits - net		<b>14,309</b>	33,623
<b>Net cash generated from operating activities</b>		<b>6,106,235</b>	6,891,028
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment		<b>(3,550,080)</b>	(1,923,082)
Restricted bank balance	14.1	<b>(995,270)</b>	-
Additions to intangible assets	5	<b>(1,051)</b>	(1,436)
Proceed from disposals of operating property, plant and equipment	4.1.5	<b>18,345</b>	12,327
Dividend received		<b>15,613</b>	6,870
Short-term investments - net		<b>10,739</b>	27,963
<b>Net cash used in investing activities</b>		<b>(4,501,704)</b>	(1,877,358)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long-term financings - net		<b>(1,450,393)</b>	(2,007,727)
Lease rentals paid	18	<b>(17,514)</b>	(15,815)
Dividend paid		<b>(244,854)</b>	(194,323)
Finance costs paid - net		<b>(1,295,126)</b>	(1,771,487)
<b>Net cash used in financing activities</b>		<b>(3,007,887)</b>	(3,989,352)
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(1,403,356)</b>	1,024,318
<b>Cash and cash equivalents as at the beginning of the year</b>		<b>(1,601,365)</b>	(2,625,683)
<b>Cash and cash equivalents as at the end of the year</b>	38	<b>(3,004,721)</b>	(1,601,365)

The annexed notes from 1 to 47 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

# Statement of Changes in Equity

For the year ended June 30, 2022

Issued, subscribed and paid-up capital	Reserves							Total Reserves	Total
	Capital Reserves		Revenue Reserves		Other Components of Equity				
	Share premium	Other	General reserves	Unappropri- ated profit	Actuarial gain / (loss) on defined benefit plan - net of deferred tax	Unrealised gain / (loss) on equity investments			
----- (Rupees in '000) -----									
<b>Balance as at July 01, 2020</b>	1,942,950	1,047,658	50,900	420,000	6,539,137	(92,272)	145,185	8,110,608	10,053,558
Interim cash dividend for the year ended June 30, 2021 @ Re. 1.00/- per share	-	-	-	-	(194,295)	-	-	(194,295)	(194,295)
Net profit	-	-	-	-	3,205,056	-	-	3,205,056	3,205,056
Other comprehensive income	-	-	-	-	-	255,177	270,056	525,233	525,233
Total comprehensive income	-	-	-	-	3,205,056	255,177	270,056	3,730,289	3,730,289
<b>Balance as at June 30, 2021</b>	<b>1,942,950</b>	<b>1,047,658</b>	<b>50,900</b>	<b>420,000</b>	<b>9,549,898</b>	<b>162,905</b>	<b>415,241</b>	<b>11,646,602</b>	<b>13,589,552</b>
<b>Balance as at July 1, 2021</b>	<b>1,942,950</b>	<b>1,047,658</b>	<b>50,900</b>	<b>420,000</b>	<b>9,549,898</b>	<b>162,905</b>	<b>415,241</b>	<b>11,646,602</b>	<b>13,589,552</b>
Final cash dividend for the year ended June 30, 2021 @ Rs. 1.25/- per share	-	-	-	-	(242,869)	-	-	(242,869)	(242,869)
Net profit	-	-	-	-	4,455,965	-	-	4,455,965	4,455,965
Other comprehensive loss	-	-	-	-	-	(230,909)	(255,417)	(486,326)	(486,326)
Total comprehensive income	-	-	-	-	4,455,965	(230,909)	(255,417)	3,969,639	3,969,639
<b>Balance as at June 30, 2022</b>	<b>1,942,950</b>	<b>1,047,658</b>	<b>50,900</b>	<b>420,000</b>	<b>13,762,994</b>	<b>(68,004)</b>	<b>159,824</b>	<b>15,373,372</b>	<b>17,316,322</b>

The annexed notes from 1 to 47 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER



# Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2022

## 1. THE COMPANY AND ITS OPERATIONS

- 1.1** 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 geographical location and addresses of the Company's business units / immovable assets are as under:

<b>Business Unit</b>	<b>Address</b>
Head Office Registered Office / Factory (immovable assets)	Modern Motors House, Beaumont Road, Karachi Village Lakrai, P.O Box 28, District Nowshera (Land measuring area - 360 acres)
Sales Office Peshawar Sales Office Lahore Sales Office Islamabad	First Floor, Betani Arcade, University Road, Peshawar 3, Sunder Das Road, Lahore First Floor, Razia Sharif Plaza, Jinnah Avenue, Blue Area, Islamabad

- 1.2** Summary of significant transactions and events that have affected Company's financial position and performance during the year are as follows:

- 1.2.1** During the year, the Company successfully commissioned commercial operation of the state-of-the-art Solar Power Project at Cherat Cement Plant located at Nowshera. This project will positively contribute towards the achievement of the management's long-term vision i.e. growth through the best value creation.

- 1.2.2** Finance cost of the Company has decreased. However, the SBP discount rate has significantly increased in the 4th quarter, and its major financial impact will accrue in the next financial year.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act); and
- Provisions of and directives issued under the Act.

Where the provisions of and directives issued under the Act differ from the Accounting standards, the provisions of and directives issued under the Act have been followed.

### 2.2 Accounting Convention

These financial statements have been prepared on the basis of historical cost convention except for certain items as disclosed in the relevant accounting policies below.

### 2.3 Standards, interpretations and amendments applicable to financial statements

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after July 1, 2021 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore not detailed in these financial statements.

## 2.4 Standards, amendments and improvements to IFRSs that are not yet effective

The following amendments and improvements to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective amendment or improvements:

<b>Amendment or Improvement</b>		<b>Effective dates (annual periods beginning on or after)</b>
IFRS 3	Reference to the Conceptual Framework (Amendments)	1-Jan-2022
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use (Amendments)	1-Jan-2022
IAS 37	Onerous Contracts – Costs of Fulfilling a Contract (Amendments)	1-Jan-2022
IAS 1	Classification of Liabilities as Current or Non-current (Amendments)	1-Jan-2023
IAS 1	Disclosure of Accounting Policies (Amendments)	1-Jan-2023
IAS 8	Definition of Accounting Estimates (Amendments)	1-Jan-2023
IAS 12	Deferred tax related to Assets and Liabilities arising from a single transaction (Amendments)	1-Jan-2023
IFRS 10 / IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)	Not yet finalised

### **Improvements to Accounting Standards Issued by the IASB (2018-2021 cycle)**

IFRS 9	Financial Instruments – Fees in the ‘10 percent’ test for derecognition of financial liabilities	1-Jan-2022
IAS 41	Agriculture – Taxation in fair value measurements	1-Jan-2022

The above standards and amendments are not expected to have any material impact on the Company’s financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan and are not expected to have any material impact on the Company’s financial statements in the period of initial application.

<b>Standard or interpretation</b>	<b>IASB Effective dates (annual periods beginning on or after)</b>	
IFRS 1	First-time Adoption of International Financial Reporting Standards	1-Jan-2004
IFRS 17	Insurance Contracts	1-Jan-2023

## 2.5 Significant accounting judgments and estimates

The preparation of these financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities and assets, at the end of the reporting period. However, uncertainty about these estimates and judgments could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The management continually evaluates estimates and judgments which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Revisions to accounting estimates are recognised prospectively.

In the process of applying the accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

### **2.5.1 Property, plant and equipment**

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. Any change in the estimates in future might affect the carrying amount of respective item of operating property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

### **2.5.2 Taxation**

#### **Current**

In applying the estimate for income tax payable, the Company takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past. Instances where the Company's view differ from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingency.

#### **Deferred**

Deferred tax is provided in full using the balance sheet liability method on all temporary differences arising at the statement of financial position between the tax bases of the assets, the liabilities and their carrying amounts.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences including unused tax losses and unused tax credits to the extent that it is probable that sufficient future taxable profits will be available against which these can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the statement of financial position date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted. Deferred tax is charged or credited to statement of profit or loss.

### **2.5.3 Stock-in-trade, stores, spare parts and loose tools**

The Company reviews the Net Realizable Value (NRV) of stock-in-trade and stores, spare parts and loose tools to assess any diminution in the respective carrying values. NRV is estimated with reference to the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

### **2.5.4 Staff retirement benefits**

Certain actuarial assumptions have been adopted for valuation of present value of defined benefit obligations and fair value of plan assets. Any change in these assumptions in future years might affect gains and losses in those years. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates.

### **2.5.5 Contingencies**

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non-occurrence of the uncertain future events.

## 2.5.6 Leases

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its Incremental Borrowing Rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Company estimates the IBR using observable inputs (such as market interest rates) and incorporate applicable spread.

## 2.5.7 Allowance for Expected Credit Losses (ECL) on financial assets

The Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

# 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## 3.1 Property, plant and equipment

Property, plant and equipment except for land and capital work-in-progress are stated at cost less accumulated depreciation and impairment loss, if any. Land and capital work-in-progress are stated at cost less impairment, if any. Capital work-in progress consists of expenditure incurred and advances made in the course of an assets construction and installation. Depreciation is charged to statement of profit or loss applying the reducing balance method except for computers, which are depreciated using the straight-line method at the rates mentioned in the note 4.1.1 to the financial statements. Depreciation is charged from the month in which an asset is available for use, while no depreciation is charged in the month in which an asset is disposed off.

Maintenance and repairs are charged to statement of profit or loss as and when incurred. Major renewals and improvements which increase the asset's remaining useful economic life or the performance beyond the current estimated levels are capitalized and the assets so replaced, if any, are retired.

Gains or losses on disposal of operating property, plant and equipment, if any, are recognised in the statement of profit or loss.

### 3.1.1 Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease i.e., the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the lower of the lease term and the estimated useful lives of the assets, as follows:

Sales offices - 1 to 3 years

Head office - 5 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of an asset.

### 3.1.2 Intangible assets

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of such assets can also be measured reliably.

Computer software and implementation costs that are directly associated with the computer and computer controlled machines which cannot operate without the related specific software, are included in the cost of respective assets. Software which is not an integral part of the related hardware is classified as intangible assets.

Intangible assets are stated at cost less accumulated amortisation and impairment loss, if any. Intangible assets are amortised on a straight-line method when assets are available for use. Amortisation is charged from the month of the year in which addition / capitalization occurs while no amortisation is charged in the month in which an asset is disposed off.

## **3.2 Investments**

### **3.2.1 Joint ventures**

The Company has interest in joint ventures which are jointly controlled entities. The Company combines its share and recognises its interest in the joint ventures using the equity method. Under equity method, the investment in joint ventures is carried in the statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the joint ventures. Statement of profit or loss reflects the share of the results of operations of joint ventures.

After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss on the Company's investment in joint ventures. The Company determines at each reporting date whether there is any objective evidence that the investment in joint ventures is impaired. If this is the case, the Company calculates the amount of impairment loss as the difference between the recoverable amount of joint ventures and their carrying value and recognises the amount in the statement of profit or loss.

Financial statements of joint ventures are prepared for same reporting period as that of the Company, using consistent accounting policies in line with that of the Company.

### **3.2.2 At fair value through other comprehensive income**

Equity investments are initially recognised at cost, being the fair value of the consideration paid including transaction cost. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price).

All gains or losses from change in the fair value of equity investments are recognised directly in other comprehensive income.

### **3.2.3 At fair value through profit or loss**

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuation in prices are classified as financial assets at fair value through profit or loss category.

These investments are initially recognized at fair value, relevant transaction costs are taken directly to statement of profit or loss account and subsequently measured at fair value. Net gains and losses arising on changes in fair value of these financial assets are taken to the statement of profit or loss in the period in which they arise.

## **3.3 Stores, spare parts and loose tools**

These are valued at lower of weighted average cost and NRV except items-in-transit which are stated at invoice value plus other charges paid thereon upto the date of statement of financial position.

Provision / write-off, if required, is made in the financial statements for slow moving, obsolete and unusable items to bring their carrying value down to NRV.

### 3.4 Stock-in-trade

Raw materials and finished goods are valued at lower of average cost and NRV, except items in-transit, if any, are valued at cost comprising invoice values plus other charges incurred thereon up to the statement of financial position date.

Cost signifies in relation to:

- |                                    |   |
|------------------------------------|---|
| Raw and packing material           | - Purchase cost on average basis  |
| Finished goods and work-in-process | - Cost of direct material, labour and proportion of manufacturing overheads |

Work-in-process is valued at average cost of raw-materials including a proportionate of manufacturing overheads.

Provision, if required is made in the financial statements for slow moving, obsolete and unusable items to bring their carrying value down to Net Realisable Value (NRV).

### 3.5 Trade debts, loans, deposits and other receivables

Trade debts, loans, deposits and other receivables are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Provision is made on the basis of lifetime ECLs that result from all possible default events over the expected life of the trade debts, loans, deposits and other receivables. Bad debts are written off when considered irrecoverable.

### 3.6 Cash and cash equivalents

Cash and cash equivalents are stated at cost. For the purpose of statement of cash flows, cash and cash equivalents comprise cash and cheques in hand, current and saving accounts with banks and short term borrowings.

### 3.7 Share Capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 3.8 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### 3.8.1 Financial asset

##### a) Initial recognition and measurement

Financial assets are classified at initial recognition and subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial

assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

## **b) Subsequent measurement**

For purposes of subsequent measurement, the Company classifies its financial assets into following categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) (FVOCI); and
- Financial assets at fair value through profit or loss (FVPL)

### **Financial assets at amortized cost (debt instruments)**

The Company measures financial assets at amortized cost if both of the following conditions are met:

The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in statement of profit or loss when the asset is derecognised, modified or impaired.

### **Financial assets designated at FVOCI (equity instruments)**

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

### **Financial assets at FVPL**

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value recognised in statement of profit or loss.

This category also includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognised as other income in profit or loss when the right of payment has been established.

The Company has not designated any financial asset at FVPL.

### **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

(a) the Company has transferred substantially all the risks and rewards of the asset, or

(b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control

When the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

### **Impairment of financial assets**

The Company recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL is recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For financial assets other than trade debts, the Company applies general approach in calculating ECL. It is based on difference between the contractual cashflows due in accordance with the contract and all the cashflows that the Company expects to receive discounted at the approximation of the original effective interest rate. The expected cashflows will include cash flows from sale of collateral held or other credit enhancements that are integral to the contractual terms.



For trade debts, the Company applies a simplified approach where applicable in calculating ECL. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Company has established a provision matrix for large portfolio of customer having similar characteristics and default rates based on the credit rating of customers from which receivables are due that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset to be at a risk of default when contractual payments are 180 days past due, unless there are factors that might indicate otherwise. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### **3.8.2 Financial liabilities**

"Financial liabilities are initially recognized at fair value, net of transaction costs incurred and subsequently carried at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities unless the Company has an unconditional / contractual right to defer settlement of the liability for at least twelve months after the statement of financial position date.

### **3.9 Offsetting of financial assets and liabilities**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realize the assets and settle liabilities simultaneously. Incomes and expenses arising from such assets and liabilities are also offset accordingly.

### **3.10 Government grant**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to expense, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed out. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

### **3.11 Leases**

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments at the lease commencement date, the Company uses the interest rate implicit in the lease. In case where the interest rate implicit in the lease is not readily determinable, the Company uses its incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

The Company applies the short-term lease recognition exemption towards short-term leases (i.e. those lease that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on such leases are recognised as expense on straight line basis over the lease term.

### **3.12 Trade and other payables**

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

### **3.13 Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

### **3.14 Contingent liabilities**

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of obligation cannot be measured with sufficient reliability.

### **3.15 Foreign currency transactions**

Transactions in foreign currencies are translated into Pak Rupees at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the date of statement of financial position are translated into Pak Rupees at the foreign exchange rate prevailing at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss. Derivative financial instruments are translated at the fair market rates as at the reporting date.

### **3.16 Revenue from contract with customers**

#### **3.16.1 Sale of goods**

Revenue from sale of goods is recognised when or as control of goods have been transferred to a customer either over time or at a point in time, when the performance obligations are met. It is recorded at net of trade discounts and rebates. Revenue is measured at fair value of the consideration received or receivable.

#### **3.16.2 Other income**

- (a) Profit on bank accounts is recognised on accrual basis using an effective interest rate method.
- (b) Dividend income is recognised when the right to receive such payment is established.
- (c) Scrap sales and miscellaneous income are recognised on receipt basis.
- (d) Other revenues are accounted when performance obligations are met.

### **3.17 Staff Retirement Benefits**

#### **3.17.1 Gratuity Fund**

The Company operates an approved defined benefit gratuity fund scheme for all eligible employees who have completed the minimum qualifying period of service. The scheme is administered by the trustees nominated under the trust deed. The contributions to the scheme are made in accordance with actuarial valuation using Projected Unit Credit method. Actuarial gains and losses are recognized in full in the period in which they occur in the other comprehensive income. All the past service costs are recognised at the earlier of when the amendments or curtailment occurs and when the Company has recognised related restructuring or terminations benefits.

#### **3.17.2 Provident Fund**

The Company operates an approved defined contributory provident fund scheme for all permanent employees who have completed the minimum qualifying period of service. Equal monthly contributions are made by the Company and the employees to the Fund at the rate of 8.33 percent of basic salary.

### **3.18 Provisions**

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

### **3.19 Taxation**

#### **3.19.1 Current**

The charge for current taxation is based on taxable income at the current rates in accordance with Income Tax Ordinance, 2001.

#### **3.19.2 Deferred**

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

As the provision for taxation has been made partially under the normal basis and partially under the final tax regime, therefore, the deferred tax liability has been recognised on a proportionate basis in accordance with TR 27 issued by the Institute of Chartered Accountants of Pakistan.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantially enacted by the statement of financial position date.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset current tax assets and liabilities and they relate to the income tax levied by the same tax authority.

### **3.20 Sales Tax**

Revenues, expenses and assets are recognized, net off amount of sales tax except:

- Where sales tax incurred on a purchase of asset or service is not recoverable from the taxation authorities, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- Receivables or payables that are stated with the amount of sales tax; and
- The net amount of sales tax recoverable from, or payable to, the taxation authorities is included as part of Receivables or payables in the statement of financial position.

### **3.21 Earnings per share**

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### **3.22 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### **3.23 Impairment of non-financial assets**

The carrying amount of non-financial assets other than inventories are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised, as an expense in the statement of profit or loss, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects the current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

### **3.24 Dividend and appropriation to reserves**

Dividend and appropriation to reserves are recognized in the financial statements in which these are approved. Transfer between reserves made subsequent to the statement of financial position date is considered as a non-adjusting event and is recognized in the financial statements in the period in which such transfers are made.

### **3.25 Functional and presentation currency**

These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

### **3.26 Operating segments**

For management purposes, the activities of the Company are organized into one operating segment i.e., manufacturing, marketing and sale of cement. The Company operates in the said reportable operating segment based on the nature of the products, risks and returns, organizational and management structure, and internal financial reporting systems. Accordingly, the figures reported in the financial statements are related to the Company's only reportable segment.

### 3.27 Derivative financial instruments

The Company uses derivative financial instruments to hedge its exposure to foreign exchange arising from operational activities. Any gain or loss from re-measuring the hedging instruments at fair value is recognised in the statement of profit or loss.

4. PROPERTY, PLANT AND EQUIPMENT	Note	2022	2021
		----- (Rupees in '000) -----	
Operating property, plant and equipment	4.1	<b>24,164,146</b>	23,755,863
Capital Work-in-Progress	4.2	<b>3,385,370</b>	1,802,106
Right-of-use asset	4.3	<b>18,786</b>	32,870
		<b><u>27,568,302</u></b>	<u>25,590,839</u>

#### 4.1 Operating property, plant and equipment

##### 4.1.1 Following is a statement of operating property, plant and equipment:

2022 Description	COST			ACCUMULATED DEPRECIATION				Net book value as at June 30, 2022	Depreciation Rate % per annum
	As at July 01, 2021	Additions* / (disposals)	As at June 30, 2022	As at July 01, 2021	Disposals	Charge for the Year	As at June 30, 2022		
----- (Rupees in '000) -----									
Freehold land	1,605	170,434	172,039	-	-	-	-	172,039	-
Leasehold land	7,065	-	7,065	-	-	-	-	7,065	-
Building on leasehold land	5,643,769	102,098	5,745,867	1,569,527	-	307,961	1,877,488	3,868,379	7.5
Plant and machinery	24,154,698	1,601,422	25,756,120	7,158,788	-	979,369	8,138,157	17,617,963	5-7.5
Power and other installations	3,138,059	13,138 (391)	3,150,806	1,114,803	(194)	202,964	1,317,573	1,833,233	10-20
Furniture and fittings	77,503	8,263	85,766	34,397	-	4,578	38,975	46,791	10-20
Quarry, factory and laboratory equipment	915,030	10,471 (13,245)	912,256	601,057	(12,665)	47,316	635,708	276,548	10-20
Motor vehicles	423,494	110,373 (35,875)	497,992	192,404	(25,977)	55,135	221,562	276,430	20
Office equipment	79,864	7,168	87,032	32,047	-	5,323	37,370	49,662	10-20
Computers	146,941	12,499 (624)	158,816	129,142	(600)	14,238	142,780	16,036	33.33
	<b>34,588,028</b>	<b>2,035,866 (50,135)</b>	<b>36,573,759</b>	<b>10,832,165</b>	<b>(39,436)</b>	<b>1,616,884</b>	<b>12,409,613</b>	<b>24,164,146</b>	

2021 Description	COST			ACCUMULATED DEPRECIATION				Net book value as at June 30, 2021	Depreciation Rate % per annum
	As at July 01, 2020	Additions* / (disposals)	As at June 30, 2021	As at July 01, 2020	Disposals	Charge for the Year	As at June 30, 2021		
----- (Rupees in '000) -----									
Freehold land	1,605	-	1,605	-	-	-	-	1,605	-
Leasehold land	7,065	-	7,065	-	-	-	-	7,065	-
Building on leasehold land	5,576,465	67,304	5,643,769	1,242,807	-	326,720	1,569,527	4,074,242	7.5
Plant and machinery	24,086,524	68,174	24,154,698	6,175,045	-	983,743	7,158,788	16,995,910	5-7.5
Power and other installations	3,135,250	2,852 (43)	3,138,059	890,182		224,646 (25)	1,114,803	2,023,256	10-20
Furniture and fittings	69,542	7,961	77,503	30,022	-	4,375	34,397	43,106	10-20
Quarry, factory and laboratory equipment	895,437	19,593	915,030	545,956	-	55,101	601,057	313,973	10-20
Motor vehicles	326,256	123,299 (26,061)	423,494	163,812		47,665 (19,073)	192,404	231,090	20
Office equipment	77,275	2,589	79,864	26,581	-	5,466	32,047	47,817	10-20
Computers	139,082	8,237 (378)	146,941	110,145		19,119 (122)	129,142	17,799	33.33
	<u>34,314,501</u>	<u>300,009</u> <u>(26,482)</u>	<u>34,588,028</u>	<u>9,184,550</u>		<u>1,666,835</u>	<u>10,832,165</u>	<u>23,755,863</u>	

\* Additions to Property, Plant and Equipment includes transfers from Capital work-in-progress (Refer Note 4.2)

**4.1.2** Significant operating fixed assets of Cement production lines and power generation units, other than disclosed in note 1.1, inter alia, include the following:

Crusher  
Raw mill / press  
Coal mill  
Cooler  
Preheater  
Kiln  
Cement mill / press  
Packing machine  
Boilers  
Waste heat recovery plant  
Generators (Wartsila and Caterpillar)

**4.1.3 Reconciliation of net book value:**

	<b>2022</b>	2021
	----- (Rupees in '000) -----	
Net book value at the beginning of the year	<b>23,755,863</b>	25,129,951
Additions during the year - at cost	<b>2,035,866</b>	300,009
Depreciation for the year	<b>(1,616,884)</b>	(1,666,835)
Disposals during the year at net book value	<b>(10,699)</b>	(7,262)
Net book value as at the end of the year	<b><u>24,164,146</u></b>	<u>23,755,863</u>

Note **2022** 2021  
----- (Rupees in '000) -----

#### 4.1.4 The depreciation for the year has been allocated as follows:

Cost of sales	28	<b>1,584,087</b>	1,634,935
Distribution costs	29	<b>15,385</b>	14,599
Administrative expenses	30	<b>17,412</b>	17,301
		<b><u>1,616,884</u></b>	<u>1,666,835</u>

#### 4.1.5 Disposal of operating property, plant and equipment:

Description	Cost	Net Book Value	Sale Proceeds	Gain / (loss)	Mode of disposal	Particulars of buyers and relationship (4.1.5.1)
----- (Rupees in `000) -----						
<b>Motors Vehicles</b>						
Suzuki Cultus VXR Reg. No. ALH-340	1,340	729	1,600	871	Insurance claim	EFU General Insurance Ltd.
Suzuki Cultus VXR Reg. No. BD-2368	1,089	245	272	27	Employee car scheme	Mr. Nasir Gul - Employee
Honda City i-Vtec Reg. No. BV-753	1,454	268	1,828	1,560	Tender	Mr. Haseeb Tariq - Islamabad
Honda City MT, Reg. No. BD-4152	1,498	387	387	-	Employee car scheme	Mr. Usman Alam - Employee
Toyota Corolla Altis 1.6, Reg. No. BD-6683	1,973	494	494	-	Employee car scheme	Mr. Arshad Khan - Employee
Suzuki Wagon-R VX Reg. No. BDQ-519	887	210	222	12	Employee car scheme	Mr. Noman Ansari - Employee
Honda City MT, Reg. No. BD-4150	1,520	396	396	-	Employee car scheme	Mr. Abdur Rahman - Employee
Honda City MT, Reg. No. BD-4151	1,576	411	411	-	Employee car scheme	Mr. Farmanullah Khan - Employee
Suzuki Wagon-R VX, Reg. No. BD-3926	959	243	243	-	Employee car scheme	Mr. Arshad Ali - Employee
Suzuki Cultus VXR Reg. No. BD-3927	1,087	274	274	-	Employee car scheme	Mr. Faiz Muhammad - Employee
Suzuki Wagon-R VX Reg. No. FJ-184	854	214	214	-	Employee car scheme	Mr. Zaheer Ahmed - Employee
Honda City MT Reg. No. BEX-674	1,522	396	396	-	Employee car scheme	Mr. Wasique Shafat - Employee
Suzuki Wagon-R VX, Reg. No. BDQ-517	887	203	222	19	Employee car scheme	Mr. Anwar-ul-Haq - Employee
Suzuki Alto VXR, Reg. No. ATT-020	1,413	1,184	1,433	249	Insurance claim	EFU General Insurance Ltd
Toyota Corolla GLI Reg. No. BFK-302	1,768	468	468	-	Employee car scheme	Mr. Waqar Haider Kazmi - Employee
Suzuki Cultus VXR, Reg. No. BET-279	1,034	259	259	-	Employee car scheme	Mr. Humayun Akhtar Zuberi - Employee
Suzuki Cultus VXR, Reg. No. BEX-026	1,034	269	269	-	Employee car scheme	Mr. Syed Raza Ahmed - Employee
Suzuki Wagon-R VX, Reg. No. BD-4561	955	244	244	-	Employee car scheme	Mr. Noor Said Shah - Employee
Suzuki Mehran VXR, Reg. No. BD-1857	734	145	455	310	Tender	Mr. Fakhr-e-Alam - Peshawar

Description	Cost	Net Book Value	Sale Proceeds	Gain / (loss)	Mode of disposal	Particulars of buyers and relationship (4.1.5.1)
		----- (Rupees in `000) -----				
Honda City MT Reg. No. BD-3101	1,577	348	395	47	Employee car scheme	Mr. Haroon Rasheed - Employee
Honda City MT Reg. No. LEA-16-1727	1,527	383	383	-	Employee car scheme	Mr. Hamid Shahzad - Employee
Suzuki Cultus VXR Reg. No. BD-4583	1,034	259	259	-	Employee car scheme	Mr. Badar Zaman - Employee
Suzuki Cultus VXR Reg. No. BD-4604	1,099	281	281	-	Employee car scheme	Mr. Rafiullah - Employee
Suzuki Cultus VXR Reg. No. LEA-16-6889	1,099	281	281	-	Employee car scheme	Mr. Shaukat Mehmood Bhatti - Employee
Suzuki Cultus VXR Reg. No. BD-4597	1,150	289	289	-	Employee car scheme	Mr. Tila Muhammad - Employee
Suzuki Cultus VXR Reg. No. BD-4605	1,049	262	262	-	Employee car scheme	Mr. Salman Farhat Sheikh - Employee
Suzuki Cultus VXR Reg. No. BET-889	1,034	249	259	10	Employee car scheme	Mr. Imran Shaukat - Employee
Suzuki Wagon-R VX Reg. No. BEQ-894	879	205	1,255	1,050	Tender	Mr. Imran Ahmed - Karachi
Suzuki Cultus VXR Reg. No. BFC-308	1,093	268	1,210	942	Tender	Mr. Imran Ahmed - Karachi
Suzuki Potohar DLX Reg. No. B-2251	706	17	105	88	Tender	Mr. Inamullah - Peshawar
Super Power 70cc Reg. No. KKW-2657	44	17	24	7	Tender	Mr. Ozair Sagheer - Karachi
	<b>35,875</b>	<b>9,898</b>	<b>15,089</b>	<b>5,191</b>		
<b>Quarry, Factory &amp; Lab Equipment</b>						
Massey Ferguson MF-240 Tractor	656	101	210	109	Tender	Mr. M. Javed - Faisalabad
Airman Compressor PDS265	238	19	173	154	Tender	Mr. Abdul Manan - Nowshera
Airman Compressor PDSH500	400	2	420	418	Tender	Mr. Mubasher Ahmed - Lahore
Crawl Drill	848	3	3	-	Tender	Mr. Mubasher Ahmed - Lahore
Toyota Forklifter 3FD30 (2 Nos.)	1,035	173	173	-	Tender	Mr. Mubasher Ahmed - Lahore
Komatsu Loader WA-15	9,917	139	2,102	1,963	Tender	Mr. Mubasher Ahmed - Lahore
Humidifier Disc Type with Valve & Motor	151	143	-	(143)	Write-off	
	<b>13,245</b>	<b>580</b>	<b>3,081</b>	<b>2,501</b>		
<b>Power &amp; Other Installations</b>	<b>391</b>	<b>197</b>	<b>-</b>	<b>(197)</b>	Write-off	
<b>Computers</b>	<b>624</b>	<b>24</b>	<b>175</b>	<b>151</b>	Insurance claim	EFU General Insurance Limited
<b>2022</b>	<b>50,135</b>	<b>10,699</b>	<b>18,345</b>	<b>7,646</b>		
2021	26,482	7,262	12,327	5,065		



4.1.5.1 None of the buyers had any relationship with the directors of the Company.

4.1.6 The market value of property, plant and equipment based on an independent valuer's report as of December 2021 updated by adding subsequent additions at cost amounts to Rs. 49,672 million (2021: Rs. 40,250 million). However, the same has not been incorporated in these financial statements.

#### 4.2 Capital work-in-progress

Description	Freehold land	Building on leasehold land	Plant and machinery	Power and other installations	Furniture and fittings	Quarry, factory and lab equipment	Motor vehicles	Office equipment	Computers	Total
	(4.2.1)		(4.2.1)							
----- (Rupees in '000) -----										
<b>Balance as at June 30, 2020</b>	55,048	49,627	29,264	-	3,655	18,179	2,402	773	685	159,633
Capital expenditure incurred / advances made during the year	20,177	24,002	1,687,736	2,852	6,899	65,515	125,933	1,816	7,552	1,942,482
Transferred to operating property, plant and equipment	-	(67,304)	(68,174)	(2,852)	(7,961)	(19,593)	(123,299)	(2,589)	(8,237)	(300,009)
<b>Balance as at June 30, 2021</b>	<b>75,225</b>	<b>6,325</b>	<b>1,648,826</b>	<b>-</b>	<b>2,593</b>	<b>64,101</b>	<b>5,036</b>	<b>-</b>	<b>-</b>	<b>1,802,106</b>
Capital expenditure incurred / advances made during the year	95,209	195,581	3,130,742	19,420	11,142	29,796	109,145	12,443	16,703	3,620,181
Transferred to operating property, plant and equipment	(170,434)	(102,098)	(1,601,422)	(13,138)	(8,263)	(10,471)	(110,373)	(7,168)	(13,550)	(2,036,917)
<b>Balance as at June 30, 2022</b>	<b>-</b>	<b>99,808</b>	<b>3,178,146</b>	<b>6,282</b>	<b>5,472</b>	<b>83,426</b>	<b>3,808</b>	<b>5,275</b>	<b>3,153</b>	<b>3,385,370</b>

4.2.1 During the year, an amount of Rs. 3,024 million was paid against upgradation of Line-I and installation of single crusher under TERF scheme.

4.2.2 During the year, borrowing costs have been capitalised amounting to Rs. 69.05 million (2021: Rs. 19.40 million) using capitalization rate of 7.03% on account of long-term financing obtained specifically for this purpose as fully mentioned in note 17.3 and 17.7.

#### 4.3 Right-of-use assets

	Note	2022	2021
----- (Rupees in '000) -----			
As at July 01		<b>32,870</b>	17,250
Additions		-	29,134
Depreciation for the year	4.3.1	<b>(14,084)</b>	(13,514)
As at June 30		<b>18,786</b>	32,870

#### 4.3.1 The depreciation for the year has been allocated as follows:

Distribution costs	29	<b>12,336</b>	11,766
Administrative expenses	30	<b>1,748</b>	1,748
		<b>14,084</b>	13,514

4.3.2 The depreciation charge for the year on right-of-use assets pertains to rental payments of head office and sales offices.

## 5 INTANGIBLE ASSETS

Description	COST			ACCUMULATED AMORTISATION			Net book value as at June 30	Amortisation rate % per annum
	As at July 01	Additions during the year	As at June 30	As at July 01	Charge for the Year	As at June 30		
----- (Rupees in '000) -----								
<b>Computer software</b>								
2022	49,477	1,051	50,528	33,264	2,509	35,773	14,755	10
2021	48,041	1,436	49,477	30,670	2,594	33,264	16,213	10

5.1	The amortisation for the year has been allocated as follows:	Note	2022	2021
----- (Rupees in '000) -----				
	Cost of sales	28	1,178	1,151
	Distribution costs	29	42	110
	Administrative expenses	30	1,289	1,333
			<u>2,509</u>	<u>2,594</u>

## 6 LONG-TERM INVESTMENTS

### Investment in related parties

At fair value through other comprehensive income	6.1	397,737	653,154
Joint Ventures:			
- Madian Hydro Power Limited	6.2	76,000	-
- UniEnergy Limited	6.3	7,822	7,796
		<u>481,559</u>	<u>660,950</u>

### 6.1 At fair value through other comprehensive income

#### Cherat Packaging Limited

3,122,532 (2021: 3,122,532) fully paid ordinary shares of Rs. 10/- each 352,597 621,103

#### Mirpurkhas Sugar Mills Limited

288,750 (2021: 288,750) fully paid ordinary shares of Rs. 10/- each 45,140 32,051  
397,737 653,154

### 6.2 Interest in a joint venture – Madian Hydro Power Limited

As at July 01		-	-
Reversal of impairment loss	32	76,000	-
As at June 30		<u>76,000</u>	-

6.2.1 Represents 10,744,997 shares (2021: 10,744,997 shares) representing 50% (2021: 50%) interest in Madian Hydro Power Limited (MHPL), a public unlisted company, which is a joint venture of the Company and Shirazi Investments (Private) Limited. MHPL was formed to build, operate and maintain hydro power generation plant at Madian over River Swat for the generation and supply of electric power. Technical feasibility of MHPL was completed in 2009, which was approved by the Private Power and Infrastructure Board (PPIB). Due to the law and order situation in Swat and adjoining areas the project was not undertaken. In view of the uncertainty involved, the management of the Company in the prior years had decided to record full impairment loss on this investment in MHPL amounting to Rs. 107 million. During the year, MHPL has entered into an agreement with Pakhtunkhwa Energy Development Organization (PEDO) for sale of the feasibility study for total consideration of Rs. 160 million and has also received the sale consideration net of tax. Accordingly, reversal of impairment loss net of tax has been booked in these financial statements.

	Note	2022	2021
		----- (Rupees in '000) -----	
<b>6.3 Interest in a joint venture – UniEnergy Limited</b>			
As at July 01	6.3.1	<b>7,796</b>	7,765
Share of profits	32	<b>26</b>	31
As at June 30		<b>7,822</b>	7,796

**6.3.1** Represents 768,999 (2021: 768,999) shares of Rs. 10 each representing 7.69% interest in UniEnergy Limited (UEL), a public unlisted company. UEL is formed for the generation and transmission of wind power, however, the company has not yet commenced its commercial operations.

**6.4** Investments in associated companies have been made in accordance with the requirements of the Act.

	Note	2022	2021
		----- (Rupees in '000) -----	
<b>7 LONG-TERM LOANS – secured, considered good</b>			
Employees	7.1	<b>1,215</b>	1,051
Current maturity	11	<b>(304)</b>	(263)
		<b>911</b>	788
Loan to SNGPL	7.2	<b>74,658</b>	81,728
Current maturity	11	<b>(7,758)</b>	(7,070)
		<b>66,900</b>	74,658
		<b>67,811</b>	75,446

**7.1** Represent loans given to employees as per the Company's policy. These loans carry mark-up at 15% per annum (2021: 15% per annum) and are repayable within 4 to 5 years. These loans are secured against the provident fund balances of the respective employees. These loans do not exceed Rs. 1 million to any employee.

**7.2** The Company has an outstanding long-term loan amounting to Rs. 105.07 million (2021: Rs. 120.08 million) to Sui Northern Gas Pipelines Limited (SNGPL) against allocation of gas for cement plant. It carries mark-up at the rate of 1.5% and is repayable in 10 equal annual installments. During the year, Rs. 15.01 million has been received. The Company recognise the long-term loan as a financial asset at amortized cost. The effective interest rate was calculated at 13%.

	Note	2022	2021
		----- (Rupees in '000) -----	
<b>8 STORES, SPARE PARTS AND LOOSE TOOLS</b>			
Stores		<b>5,151,801</b>	1,865,571
Spare parts		<b>2,237,916</b>	2,012,297
Loose tools		<b>4,639</b>	4,417
		<b>7,394,356</b>	3,882,285
In transit		<b>77,660</b>	301,962
		<b>7,472,016</b>	4,184,247

## **9 STOCK-IN-TRADE**

Raw and packing material	28	<b>257,300</b>	183,685
Work-in-process	28	<b>331,337</b>	474,649
Finished goods	28	<b>337,438</b>	347,256
		<b>926,075</b>	1,005,590

## **10 TRADE DEBTS – secured, considered good**

Neither past due nor impaired	10.1	<b>533,973</b>	407,548
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**10.1** These are secured by way of postdated cheques and promissory notes and do not include any receivables in respect of export sales.

	Note	2022	2021
		----- (Rupees in '000) -----	
<b>11 LOANS AND ADVANCES – considered good</b>			
Advances to suppliers	11.1 & 11.2	<b>281,106</b>	179,035
Advances to employees		<b>3,523</b>	3,531
Current portion of long-term loans to employees	7	<b>304</b>	263
Current portion of loan to SNGPL	7	<b>7,758</b>	7,070
		<b>292,691</b>	<b>189,899</b>
<b>11.1 Sector wise analysis is as follows:</b>			
Government sector – secured		<b>424</b>	482
Other sectors – unsecured		<b>280,682</b>	178,553
		<b>281,106</b>	<b>179,035</b>
<b>11.2 These advances do not carry any interest.</b>			
<b>12 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>			
Trade deposits	12.1	<b>2,686</b>	1,450
Short-term prepayments		<b>12,783</b>	23,724
		<b>15,469</b>	<b>25,174</b>
<b>12.1 These deposits do not carry any interest.</b>			
<b>13 OTHER RECEIVABLES</b>			
Gratuity fund	22.4	-	184,385
Insurance claims receivable		<b>1,824</b>	2,058
Duty drawback receivable		<b>1,844</b>	9,508
Others		<b>819</b>	2,109
		<b>4,487</b>	<b>198,060</b>
<b>14 CASH AND BANK BALANCES</b>			
<b>Cash in hand</b>		<b>3,705</b>	2,143
<b>Bank balances</b>			
<b>Islamic banks</b>			
Current accounts		<b>95</b>	1,718
Saving accounts	14.1 & 14.2	<b>995,270</b>	-
		<b>995,365</b>	<b>1,718</b>
<b>Conventional banks</b>			
Current accounts		<b>21,602</b>	36,284
Saving accounts	14.2	<b>105,802</b>	99,877
		<b>127,404</b>	136,161
		<b>1,126,474</b>	<b>140,022</b>

**14.1** The Company has purchased factory land, mining leases, technical feasibilities and certain NOCs from M/s. Saif Cement Limited in order to install a new cement line in D.I. Khan at a total cost of Rs. 1,300 million out of which Rs. 975 million has been transferred to an Escrow account. The Company is in the process of transferring all the assets and NOCs in its name under an agreement. Upon the completion of this process and fulfillment of all conditions, the amount in escrow account will be transferred to the Seller. Being a party to an escrow account, the Company can withdraw the amount only if the conditions laid down in the purchase agreement are not fulfilled. The Company is entitled to receive all profits upon finalisation of this agreement.

**14.2** These carry profit rates ranging from 11.75% to 12.25% (2021: 5.50% to 5.75%) per annum.

## 15 SHARE CAPITAL

### 15.1 Authorised Capital

2022	2021		2022	2021
Number of shares			----- (Rupees in '000) -----	
<b>225,000,000</b>	225,000,000	Ordinary shares of Rs. 10/- each	<b>2,250,000</b>	2,250,000

### 15.2 Issued, Subscribed and Paid-Up Capital

		Fully paid ordinary shares of Rs. 10/- each		
<b>91,335,845</b>	91,335,845	- Issued for cash	<b>913,358</b>	913,358
<b>97,899,193</b>	97,899,193	- Issued as bonus shares	<b>978,992</b>	978,992
<b>5,060,000</b>	5,060,000	- Issued for consideration other than cash on amalgamation	<b>50,600</b>	50,600
<b>194,295,038</b>	194,295,038		<b>1,942,950</b>	1,942,950

### 15.3 Following is the detail of shares held by the related parties:

	2022	2021
	---- (Number of shares) ----	
Faruque (Private) Limited	<b>42,096,353</b>	42,096,353
Cherat Packaging Limited	<b>5,327,698</b>	5,327,698
Mirpurkhas Sugar Mills Limited	<b>2,747,277</b>	3,847,277
Greaves Pakistan (Private) Limited	<b>2,419,002</b>	2,419,002
Zensoft (Private) Limited	<b>24,750</b>	24,750
	<b>52,615,080</b>	53,715,080

15.4 Voting rights, board selection, right of first refusal and block voting are in proportion to the shareholding.

## 16 RESERVES

	Note	2022	2021
		----- (Rupees in '000) -----	
<b>Capital reserves</b>			
Share premium		<b>1,047,658</b>	1,047,658
Others	16.1	<b>50,900</b>	50,900
		<b>1,098,558</b>	1,098,558
<b>Revenue reserves</b>			
General reserves		<b>420,000</b>	420,000
Unappropriated profit		<b>13,762,994</b>	9,549,898
		<b>14,182,994</b>	9,969,898
<b>Other components of equity</b>			
Actuarial (loss) / gain on gratuity fund		<b>(68,004)</b>	162,905
Unrealized gain on equity investments		<b>159,824</b>	415,241
		<b>91,820</b>	578,146
		<b>15,373,372</b>	11,646,602

16.1 This reserve was created due to amalgamation of Cherat Electric Limited with the Company.

Note **2022** 2021  
 ----- (Rupees in '000) -----

## 17 LONG-TERM FINANCING – secured

### Islamic banks

Syndicated Long-Term Finance Loan – Line - II	17.1	-	574,737
Syndicated Long-Term Finance Loan – Line - III	17.2	<b>8,750,000</b>	10,650,000
Islamic Finance Facility for Renewable Energy	17.3	<b>1,147,365</b>	<u>1,316,302</u>
		<b>9,897,365</b>	<u>12,541,039</u>

### Conventional banks

Syndicated Long-Term Finance Loan – Line - II	17.1	-	125,263
Captive Power Plant Loan	17.4	<b>660,000</b>	880,000
Waste Heat Recovery Loan – Line III	17.5	<b>840,000</b>	1,080,000
Refinance Scheme for Payment of Wages and Salaries	17.6	<b>154,911</b>	451,007
Temporary Economic Refinance Facility	17.7	<b>1,403,797</b>	<u>193,961</u>
		<b>12,956,073</b>	<u>15,271,270</u>

Current maturities		<b>(3,037,906)</b>	<u>(2,646,955)</u>
		<b>9,918,167</b>	<u>12,624,315</u>

- 17.1** Represents syndicated long-term financing obtained from Islamic banks under Diminishing Musharaka Scheme and a term loan from a conventional bank. It carries mark-up at the rate of 6 month's KIBOR + 0.7% per annum. The financing was repayable in 10 equal semi-annual installments commencing after 42 months from the date of first draw down i.e. March 2019. The financing was secured against first pari-passu hypothecation charge of Rs. 5,333 million on plant and machinery and immovable fixed assets of the Company. In view of healthy cash inflows during the year, the Company has made an early full repayment of this loan. The charge registered against the said loan has also been vacated.
- 17.2** Represents a syndicated long-term financing obtained from Islamic banks under Diminishing Musharaka. It carries a profit at the rate of 6 month's KIBOR + 0.45% per annum. The financing is repayable in 10 equal semi-annual installments commencing after 42 months from the date of first draw-down i.e. April 2021. It is secured against first pari-passu hypothecation charge of Rs. 17,334 million on all present and future plant and machinery and immovable fixed assets of the Company.
- 17.3** Represents a long-term financing obtained from an Islamic bank under State Bank of Pakistan's Islamic Financing Facility for Renewable Energy (IFRE) to setup a 13.05 MW Solar Power Project. It carries a flat SBP's profit rate of 3% + 1.75% per annum. The financings are recognized at the present value using the effective interest rates applicable at the dates of the drawdown. The differential of present value and the drawn amounts has been recognized as government grant (as mentioned in note 20) and is being amortized. The financing is repayable in 20 equal semi-annual installments commencing after 30 months from the date of first draw down i.e. March 2023. It is secured against first pari-passu hypothecation charge of Rs. 1,867 million on all present and future plant and machinery of the Company.
- 17.4** Represents a long-term financing obtained from a conventional bank. It carries mark-up at the rate of 6 months KIBOR + 0.15% per annum. The financing is repayable in 10 equal semi-annual installments commencing after 30 months from the date of first draw down i.e. September, 2020. The financing is secured against first pari-passu hypothecation charge of Rs. 1,467 million on all present and future plant and machinery of the Company.
- 17.5** Represents a long-term financing obtained from a conventional bank. It carries mark-up at the rate of 6 month's 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. February 2021. The financing is secured against first pari-passu hypothecation charge of Rs. 1,600 million on all present and future fixed assets (excluding land and buildings).
- 17.6** It represents a long-term financing obtained from a conventional bank under the Refinance Scheme for Payment of Wages and Salaries by State Bank of Pakistan (SBP). It carries flat mark-up at the rate of 0.5% to 1% per annum. The SBP allowed spread under this scheme is up to 3% per annum. The

financings are recognized at the present value using the effective interest rates applicable at the date of the drawdowns. The differential of present value and the drawn amounts has been recognized as government grant (as mentioned in note 20). The loan is repayable in 8 equal quarterly installments commencing from April 2021 discounted at the effective rate of interest. The differential markup has been recognised as government grant (as mentioned in note 20). The financing is secured against first pari-passu hypothecation charge of Rs. 561.33 million on all present and future current assets of the Company.

- 17.7** It represents long-term financings obtained from three conventional banks under SBP's Temporary Economic Refinance Facility (TERF) for Balancing, Modernization, and Replacement (BMR). The financings carry flat markup rates of SBP's 1% plus banks' spreads of 0.7% to 1.50%. The financings are recognized at the present value using the effective interest rates applicable at the dates of the drawdown. The differential of present value and the drawn amounts has been recognized as government grant (as mentioned in note 20) and will be amortized. The first financing is repayable in 16 equal semi-annual installments commencing after 30 months from the date of the first drawdown i.e. November 2023 and is secured against hypothecation charge of Rs. 1,334 million over fixed assets (excluding land and buildings). The second financing is repayable in 32 equal quarterly installments commencing after 27 months from the date of first drawdown i.e. September 2023 and is secured against hypothecation charge of Rs. 1,334 million on plant and machinery of the Company. The third financing is repayable in 16 equal semi-annual installments commencing after 30 months from the date of 1st drawdown i.e. May 2024 and is secured against hypothecation charge of Rs. 733 million on plant and machinery of the Company.

## 18 LEASE LIABILITIES

The Company has lease contracts for rental of head office and sales offices used in its operations. These leases generally have lease terms between 1 to 5 years. In general, the Company is restricted from assigning and subleasing the leased assets. These lease contracts include extension and termination options subject to the mutual consent of the Company and the Lessors. The Company is bound by certain covenants, which includes but are not limited to payment of certain taxes and to exercise reasonable care.

	Note	2022 ----- (Rupees in '000) -----	2021 -----
As at July 01		<b>36,063</b>	19,322
Additions		-	29,134
Accretions of interest	33	<b>2,860</b>	3,422
Payments		<b>(17,514)</b>	(15,815)
As at June 30		<b>21,409</b>	36,063
Current portion of lease liabilities		<b>(10,438)</b>	(14,655)
Long-term portion of lease liabilities		<b>10,971</b>	21,408

## 19 LONG-TERM SECURITY DEPOSITS

Represent amount received from the dealers and contractors of the Company, which is utilised for the purpose of the business in accordance with the related agreements.

	Note	2022 ----- (Rupees in '000) -----	2021 -----
As at July 01		<b>103,833</b>	24,770
Recognised during the year		<b>887,286</b>	98,889
Released to the statement of profit or loss		<b>(22,482)</b>	(19,826)
As at June 30		<b>968,637</b>	103,833
Current portion of government grant		<b>(19,953)</b>	(20,294)
Long-term portion of government grant		<b>948,684</b>	83,539

As aforementioned in note 17.3, 17.6 and 17.7, the Government grant has been recorded as per the provisions of IAS-20 due to the difference between coupon and effective interest rates of the aforementioned financial liabilities.

21 DEFERRED TAXATION	Note	2022 ----- (Rupees in '000) -----	2021
<b>Temporary taxable differences</b>			
Accelerated tax depreciation		<b>2,294,643</b>	2,054,032
Defined benefit plan		-	66,539
<b>Temporary deductible differences</b>			
Defined benefit plan		<b>(47,192)</b>	-
Unused tax losses		<b>(275,428)</b>	(392,822)
Minimum tax		<b>(215,472)</b>	(215,472)
Alternate corporate tax		<b>(1,224,390)</b>	(938,684)
Others		<b>2,884</b>	-
		<b><u>535,045</u></b>	<b><u>573,593</u></b>
<b>22 TRADE AND OTHER PAYABLES</b>			
Creditors		<b>119,162</b>	149,138
Bills payable	22.1	<b>538,154</b>	590,343
Accrued liabilities	22.2	<b>628,110</b>	511,074
Provident fund	22.3	-	-
Gratuity fund	22.4	<b>162,888</b>	-
Retention money	22.1	<b>333,599</b>	6,686
Workers' Profits Participation Fund	22.5	<b>218,500</b>	228,274
Workers' Welfare Fund		<b>37,497</b>	-
Excise duty, sales tax and royalty payable		<b>657,324</b>	672,049
Others		<b>182,539</b>	107,374
		<b><u>2,877,773</u></b>	<b><u>2,264,938</u></b>

**22.1** Includes liability pertaining to Greaves Pakistan (Private) Limited, an associate amounting to Rs. 89.89 million (2021: Nil) which is payable upon completion of solar power project.

**22.2** Includes Gas Infrastructure Development Cess (GIDC) levied under GIDC Act 2015, and Infrastructure Development Cess amounting to Rs. 113.76 million and Rs. 244.95 million respectively (2021: Rs. 99.62 million and Rs. 197.46 million respectively).

The Honorable Supreme Court of Pakistan (SCP) decided the GIDC case against the companies. However, based on the detailed judgement of SCP, the Company moved to Peshawar High Court (PHC) with the main ground that the Company did not pass on the burden to end consumers as it was in loss in that year when its used Gas, the PHC granted stay on this. During the year, PHC dismissed the case and advised to take the case to proper judicial forum. Accordingly the Company filed the case in Civil Court Peshawar (CP) who admitted the case and granted interim stay against payment subsequent to the year end. However, as a matter of prudence full liability on this account has been provided in these financial statements.

Government of Sindh imposed an infrastructure fee on the goods entering or leaving the province through the Sindh Finance (Amendment) Ordinance, 2007 which was challenged in the Honorable Sindh High Court (SHC) which granted an interim relief in May 2011, whereby the goods of petitioners will be cleared by the Excise and Taxation Department on payment of 50% of the disputed amount and on furnishing bank guarantee for the balance 50% amount till the final outcome of the case. The Company became a party to the arrangement in February 2014 and issued bank guarantees in favor of the Department. In the month of June 2021, the SHC has decided the case in favor of Excise Department putting the implementation of the decision in abeyance for 90 days, during which the decision can be challenged in the SCP. During the year, the Company challenged the earlier decision of the SHC, in respect of infrastructure cess, in the SCP which provided relief to the petitioners by giving a stay order and allowing submission of bank guarantee of 100% of the amount till the time the case is finally decided. The amount of guarantee issued up to June 30, 2022 for infrastructure fee is Rs. 225 million. The management has made full provision of this amount in these financial statements.



22.3 Provident fund	2022	2021
	(Unaudited)	(Audited)
	----- (Rupees in '000) -----	
Size of the trust	1,291,132	1,222,915
Cost of investments	1,264,419	1,038,181
Fair value of investments	1,291,132	1,222,915
	----- (Percentage) -----	
Percentage of investments made	97.93	84.89

Major categories of investment of provident fund are as follows:

	2022		2021	
	Investment	Investment as size of the fund	Investment	Investment as size of the fund
	(Rupees in '000)	%	(Rupees in '000)	%
Government securities	356,755	28	399,766	39
Mutual Funds	785,650	62	542,458	52
Listed shares	66,197	5	52,488	5
TFC & others	38,932	3	25,868	2
Bank balances	16,885	2	17,601	2
	<u>1,264,419</u>	<u>100</u>	<u>1,038,181</u>	<u>100</u>

22.3.1 Investments out of provident fund have been made in accordance with the provisions of section 218 of the Act and the regulations formulated for this purpose.

## 22.4 Gratuity fund

The Company operates an approved funded gratuity scheme for all eligible employees. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuation was carried out as at June 30, 2022.

Gratuity fund (liability) / asset:	2022	2021
	----- (Rupees in '000) -----	
Present value of defined benefit obligations / payables	(865,736)	(754,859)
Fair value of plan assets	702,848	939,244
(Liability) / Asset recognised in the statement of financial position	<u>(162,888)</u>	<u>184,385</u>
Current service cost	63,393	56,180
Interest cost	73,742	56,519
Expected return on plan assets	(94,502)	(48,777)
Expense recognized	<u>42,633</u>	<u>63,922</u>

### Movement in net (liability) / asset recognised in the statement of financial position:

Balance as at July 01	184,385	(137,959)
Net charge for the year	(42,633)	(63,922)
Re-measurements routed through other comprehensive income	(344,640)	321,716
Contribution to the fund	40,000	64,550
Balance as at June 30	<u>(162,888)</u>	<u>184,385</u>

	2022	2021
	----- (Rupees in '000) -----	
<b>Movement in the present value of defined benefit obligation / payables:</b>		
Balance as at July 01	(754,859)	(699,667)
Current service cost	(63,393)	(56,180)
Interest cost	(73,742)	(56,519)
Benefits paid during the year	28,456	40,272
Actuarial (gain) / loss	(2,198)	17,235
Balance as at June 30	<u>(865,736)</u>	<u>(754,859)</u>

**Movement in the fair value of plan assets:**

Balance as at July 01	939,244	561,708
Expected return	94,502	48,777
Contributions	40,000	64,550
Benefits paid during the year	(28,456)	(40,272)
Actuarial (loss) / gain	(342,442)	304,481
Balance as at June 30	<u>702,848</u>	<u>939,244</u>

	2022	2021
	----- (Percentage) -----	

**Principal actuarial assumptions used are as follows:**

Expected rate of increase in salary level – long term	11.25	9.50
Valuation discount rate – long-term Government bonds	13.25	10.00
Rate of return on plan assets	13.25	10.00
Mortality rates	SLIC 2001-2005	SLIC 2001-2005

**22.4.1** The discount rate of 13.25% is representative of yields on long-term Government Bonds.

**22.4.2** Expected gratuity expense to the plan for the year ending June 30, 2023 is Rs. 86.15 million.

<b>Comparisons for past years:</b>	2022	2021	2020	2019	2018
<b>As at June 30</b>	----- (Rupees in '000) -----				
Present value of defined benefit obligations	(863,067)	(751,115)	(685,070)	(626,343)	(540,225)
Payables	(2,669)	(3,744)	(14,597)	(8,185)	-
Fair value of plan assets	702,848	939,244	561,708	305,301	545,951
Surplus / (deficit)	<u>(162,888)</u>	184,385	(137,959)	(329,227)	5,726
Experience adjustment on plan liabilities	(2,198)	17,235	29,928	(18,351)	(18,268)
Experience adjustment on plan assets	(342,442)	304,481	201,388	(313,608)	(400,823)
	<u>(344,640)</u>	321,716	231,316	(331,959)	(419,091)

<b>Sensitivity Analysis</b>	2022			
	Discount Rate		Salary Increase	
	+100 bps	-100 bps	+100 bps	-100 bps
	----- (Rupees in `000) -----			
Present value of obligations	<u>832,997</u>	<u>902,581</u>	<u>906,966</u>	<u>828,421</u>

	2022	2021
	----- (Rupees in '000) -----	
<b>Composition of plan assets is as follows:</b>		
Defence Savings Certificates/ PIBs / T-bills	83,540	163,450
Special Savings Certificates	16,492	36,383
Mutual funds / Shares / TFC	602,074	738,488
Bank balances	742	923
	<u>702,848</u>	<u>939,244</u>

The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the Company, at the beginning of the year, for returns over the entire life of related obligation. The return on plan assets was assumed to equal the discount rate. Actual loss on plan assets during the year amounts to Rs. 230.05 million (2021: Actual return Rs. 353.26 million).

	Note	2022	2021
		----- (Rupees in '000) -----	
<b>22.5 Workers' Profit Participation Fund</b>			
Opening balance		<b>228,274</b>	-
Interest thereon	33	<b>1,733</b>	-
		<b>230,007</b>	-
Payment made during the year		<b>(230,007)</b>	-
		<b>-</b>	-
Charge for the year	31	<b>218,500</b>	228,274
Closing balance		<b>218,500</b>	228,274
<b>23 ACCRUED MARK-UP</b>			
Islamic banks			
Long-term financing		<b>276,410</b>	239,573
Short-term borrowings		<b>29,015</b>	2,468
		<b>305,425</b>	242,041
Conventional banks			
Long-term financing		<b>66,604</b>	53,312
Short-term borrowings		<b>63,321</b>	10,059
		<b>129,925</b>	63,371
		<b>435,350</b>	305,412
<b>24 SHORT-TERM BORROWINGS – secured</b>			
Short-term running finance – Islamic banks		<b>838,945</b>	320,000
Short-term running finance – Conventional banks		<b>2,296,980</b>	1,421,387
		<b>3,135,925</b>	1,741,387

**24.1** Represents facilities obtained from various conventional banks amounting to Rs. 4,300 million (2021: Rs. 4,700 million) out of which Rs. 2,003 million (2021: Rs. 3,279 million) remains unutilized at the year end. These facilities carry mark-up ranging from 3 months KIBOR + 0.30% per annum to 3 months KIBOR + 0.65% per annum and 1 month KIBOR + 0.50% per annum to 1 month KIBOR + 0.75% per annum. These facilities are secured against joint pari-passu hypothecation charge over stocks and book debts for Rs. 5,067 million (2021: Rs. 5,467 million) and ranking hypothecation charge over stocks and book debts of Rs. 667 million. Further, the Company has obtained credit facilities from various Islamic banks amounting to Rs. 1,400 million (2021: Rs. 1,100 million) out of which Rs. 561 million (2021: Rs. 780 million) remain unutilized at the year end. These facilities carry profit ranging 1 month KIBOR + 0.40% to 1 month KIBOR + 0.75% and 3 month KIBOR + 0.25%. These facilities are secured against joint pari-passu hypothecation charge over stocks and book debts for Rs. 1,867 million (2021: Rs. 1,467 million).

## 25 UNCLAIMED DIVIDEND

During the previous year, in order to comply with section 244 of the Act, a separate bank account has been opened and the amount has been transferred.

## 26 CONTINGENCIES AND COMMITMENTS

### 26.1 Contingencies

- During the period from 1994 to 1999, excise duty was wrongly collected from the Company by the Federal Board of Revenue (FBR) based on retail price inclusive of excise duty which has resulted in a refund claim of Rs. 882 million. The Company challenged this matter in the Peshawar High Court (PHC). The PHC and subsequently the Honorable Supreme Court of Pakistan (SCP) have

agreed with the Company's point of view that excise duty shall not be included as component for determining the value i.e. retail price for levying excise duty. While verifying the refund claim, the Collector of Excise and Sales Tax - Peshawar issued a show cause notice to the Company raising certain objections against the release of said refund including an objection that the burden of this levy has been passed on to the end customers. The Company challenged this objection in the PHC which directed to appoint an independent firm of Chartered Accountants for verification of this refund claim. However, based on an out of court settlement, the Regional Tax Office (RTO) Peshawar carried out the verification of this refund claim based on the terms of reference advised by the Federal Tax Ombudsman (FTO). RTO Peshawar finalized the report which was not in line with the parameters given by the FTO, therefore, the FTO made a ruling for verification of the adverse observations of the RTO Peshawar through an independent firm of Chartered Accountants. This ruling of FTO was challenged by the FBR to the President of Pakistan who rejected representation of the FBR and approved the recommendations of FTO with modification that the verification be carried out by two reputed audit firms. The FBR filed writ petition in the PHC against the authority of FTO to pass such an order. PHC has dismissed the above petition and directed FBR to appoint two independent firms of Chartered Accountants to get the single point audit for verification of the refund claim. The FBR filed review petition before the PHC and has also filed appeal before SCP. PHC has dismissed the review petition of FBR. During the year, SCP dismissed the petition filed by the FBR and decided the case in favor of the Company. The Company will now coordinate with FBR for verification process after getting detailed judgement. Keeping in view the inherent uncertainties involved in such matters, the management as a matter of prudence, has not recognised this amount as refund in these annual financial statements

- During the year ended June 30, 2013, the Company won a petition in the High Court of Sindh (HCS) against special excise duty levied by the FBR for the period from July 2007 to June 2011 which resulted in a refund claim of Rs. 100.08 million. However, the FBR has challenged this decision in the SCP where it is pending for adjudication.
- The Company has also filed various refund cases of Rs. 56 million (2021: Rs. 63 million) at different appellate forums which are pending adjudication.

Keeping in view the inherent uncertainties involved in the above matters, the management as a matter of prudence, has not recognized the above listed refunds in the financial statements.

- The Competition Commission of Pakistan (CCP) passed an order in 2009 imposing a penalty of Rs. 6,312 million on the cement industry including a penalty of Rs. 226 million on the Company on the alleged grounds of increase in prices of cement across the country. This was challenged in the Honorable Lahore High Court where the judgement was made against the Company on October 26, 2021. Subsequently, the Company filed the Civil Petition in the Honorable Supreme Court of Pakistan (SCP) on the basis of several strong grounds against the aforesaid impugned Judgement. In the above judgement, few points were decided in favour of the Company against which the CCP has also filed an appeal in the SCP. Additionally, the Company has challenged the constitution of the Tribunal before the Sindh High Court. A stay has been granted in favor of the company. Based on the advice of legal counsel, the management of the Company believes that the Company has sound grounds for favorable decision and no provision for the above matters have been made in these financial statements.
- During the year ended 30 June 2018, the Mines and Mineral Department (the department) of Khyber Pakhtunkhwa (KPK) raised demand against cement factories operating in KPK on account of under reporting of production by the cement companies. Similarly, the department raised a demand order of Rs. 252 million on the same rationale against the Company. The Company filed an appeal against the demand order before the Secretary of the department who rejected the appeal without addressing the issue. The Company being aggrieved challenged the said decision and filed a writ petition before the PHC which granted stay on this matter. During the year, the PHC decided the case in favour of the Company and remanded back to the department to reassess on rational basis in consultation with the cement factories of Khyber Pakhtunkhwa.

<b>26.2 Commitments</b>	<b>2022</b>	2021
	----- (Rupees in '000) -----	
- Letters of credit – Conventional and Islamic bank	<b>682,972</b>	2,267,501
- Letters of guarantee – Conventional and Islamic bank	<b>1,137,601</b>	1,056,154
<b>27 TURNOVER - net</b>		
Local sales – gross	<b>43,150,754</b>	34,240,238
Rebates and discount	<b>(1,333,644)</b>	(1,251,844)
	<b>41,817,110</b>	32,988,394
Sales tax	<b>(6,888,256)</b>	(5,517,958)
Federal excise duty	<b>(4,889,645)</b>	(5,158,415)
	<b>(11,777,901)</b>	(10,676,373)
Local sales – net	<b>30,039,209</b>	22,312,021
Export sales – gross	<b>2,180,193</b>	3,128,335
Rebates, discount and commission	<b>(134,041)</b>	(233,545)
Export sales – net	<b>2,046,152</b>	2,894,790
	<b>32,085,361</b>	25,206,811
<b>27.1</b> Revenue recognised during the year from contract liabilities at the beginning of the year amounted to Rs. 191.40 million (2021: Rs. 197.52 million).		

<b>28 COST OF SALES</b>	Note	<b>2022</b>	2021
		----- (Rupees in '000) -----	
Raw and packing material consumed			
Opening stock		<b>183,685</b>	181,018
Purchases		<b>3,922,572</b>	3,696,684
		<b>4,106,257</b>	3,877,702
Closing stock	9	<b>(257,300)</b>	(183,685)
		<b>3,848,957</b>	3,694,017
Duty drawback on exports		<b>(13,250)</b>	(8,989)
		<b>3,835,707</b>	3,685,028
Manufacturing overheads			
Salaries, wages and benefits	28.1	<b>1,978,586</b>	1,642,390
Stores and spare parts consumed		<b>924,922</b>	656,920
Fuel and power		<b>13,530,921</b>	9,811,257
Rent, rates and taxes	28.2	<b>678,885</b>	721,943
Insurance		<b>78,377</b>	64,303
Vehicle running expenses		<b>202,971</b>	158,911
Travelling and conveyance		<b>21,218</b>	5,758
Printing and stationery		<b>4,172</b>	3,454
Legal and professional charges		<b>7,775</b>	10,543
Repairs and maintenance		<b>99,602</b>	89,464
Depreciation	4.1.4	<b>1,584,087</b>	1,634,935
Amortisation	5.1	<b>1,178</b>	1,151
Communication		<b>3,464</b>	3,781
Stores written-off		<b>114</b>	968
Others	28.3	<b>29,467</b>	28,155
		<b>22,981,446</b>	18,518,961
Work-in-process			
Opening		<b>474,649</b>	527,009
Closing	9	<b>(331,337)</b>	(474,649)
Cost of goods manufactured		<b>23,124,758</b>	18,571,321
Finished goods			
Opening		<b>347,256</b>	254,443
Closing	9	<b>(337,438)</b>	(347,256)
		<b>23,134,576</b>	18,478,508

- 28.1** Include expenditure in respect of provident fund and gratuity fund amounting to Rs. 48.48 million and Rs. 32.40 million, respectively (2021: Rs. 33.42 million and Rs. 43.50 million, respectively).
- 28.2** Includes royalty and excise duty paid to Government of Khyber Pakhtunkhwa amounting to Rs. 542.34 million and 13.56 million (2021: Rs. 521.23 million and 15.98 million) respectively on behalf of an associated company (Faruque Private Limited) on account of extraction of raw materials, directly consumed by the Company. The mining leases for raw materials are owned by Faruque (Private) Limited.
- 28.3** Includes an amount of Rs. 11.71 million (2021: Rs. 10.63 million) in respect of staff recruitment, selection, hiring, rewarding, utilising, human safety, training and development of the human assets by the Human Resources department of the Company.

<b>29 DISTRIBUTION COSTS</b>	Note	<b>2022</b>	2021
		----- (Rupees in '000) -----	
Salaries, wages and benefits	29.1	<b>398,807</b>	322,810
Export expenses		<b>1,777</b>	2,853
Travelling and conveyance		<b>8,748</b>	7,399
Staff training expenses		<b>170</b>	153
Vehicle running expenses		<b>23,705</b>	15,866
Communication		<b>6,588</b>	6,215
Printing and stationery		<b>2,208</b>	2,289
Rent, rates and taxes		<b>5,461</b>	6,401
Utilities		<b>8,824</b>	6,649
Repairs and maintenance		<b>11,201</b>	6,855
Insurance		<b>3,885</b>	3,704
Advertisement		<b>19,800</b>	18,636
Entertainment		<b>3,822</b>	894
Depreciation	4.1.4	<b>15,385</b>	14,599
Depreciation - right-of-use asset	4.3.1	<b>12,336</b>	11,766
Amortisation	5.1	<b>42</b>	110
License and subscription		<b>3,075</b>	1,240
Others		<b>3,420</b>	825
		<b>529,254</b>	429,264

- 29.1** Includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 11.05 million and Rs. 6.32 million, respectively (2021: Rs. 9.45 million and Rs. 11.84 million, respectively).

<b>30 ADMINISTRATIVE EXPENSES</b>	Note	<b>2022</b>	2021
		----- (Rupees in '000) -----	
Salaries, wages and benefits	30.1	<b>224,281</b>	189,358
Travelling and conveyance		<b>5,515</b>	2,189
Staff training expenses		<b>809</b>	61
Vehicle running expenses		<b>14,772</b>	9,215
Communication		<b>6,120</b>	4,781
Printing and stationery		<b>5,371</b>	3,759
Rent, rates and taxes		<b>5,431</b>	4,590
Utilities		<b>2,468</b>	2,052
Repairs and maintenance		<b>9,544</b>	4,713
Legal and professional charges		<b>30,684</b>	28,242
Insurance		<b>7,284</b>	5,454
License and subscription		<b>7,049</b>	6,303
Advertisement		<b>1,972</b>	5,249
Depreciation	4.1.4	<b>17,412</b>	17,301
Depreciation - right-of-use asset	4.3.1	<b>1,748</b>	1,748
Amortisation	5.1	<b>1,289</b>	1,333
Entertainment		<b>3,535</b>	2,117
Others		<b>3,857</b>	2,755
		<b>349,141</b>	291,220

- 30.1** Includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 8.68 million and Rs. 3.91 million respectively (2021: Rs. 6.83 million and Rs. 8.58 million respectively).

31 OTHER EXPENSES	Note	2022	2021
		----- (Rupees in '000) -----	
Workers' Profits Participation Fund	22.5	218,500	228,274
Workers' Welfare Fund		37,497	-
Auditors' remuneration	31.1	4,086	4,644
Donations	31.2	15,203	10,675
Loss on derivative instrument		-	7,731
		<u>275,286</u>	<u>251,324</u>

### 31.1 Auditors' remuneration

Audit fee	1,680	1,500
Half-yearly review and CCG certification	710	635
Tax and other corporate services	1,386	2,330
Out of pocket expenses	310	179
	<u>4,086</u>	<u>4,644</u>

### 31.2 Donations

Ghulam Faruque Welfare Trust	31.2.1	-	1,000
Noor Foundation		1,510	1,200
Others		13,693	8,475
		<u>15,203</u>	<u>10,675</u>

**31.2.1** Recipients of donations do not include any donee in which any director or his spouse had any interest except for donation paid to Ghulam Faruque Trust. Following directors of the Company are also trustees of the said trust:

- Mr. Omar Faruque
- Mr. Azam Faruque

32 OTHER INCOME	Note	2022	2021
		----- (Rupees in '000) -----	
<b>Income from financial assets</b>			
Profit on bank accounts	32.1	28,548	10,952
Gain on short-term investments at fair value through profit or loss		10,739	27,963
Interest income on financial asset at amortised cost		9,629	9,280
Dividend income	32.2	15,613	6,870
		<u>64,529</u>	<u>55,065</u>
<b>Income from non-financial assets</b>			
Gain on disposal of property, plant and equipment	4.1.5	7,646	5,065
Reversal of impairment loss - MHPL	6.2	76,000	-
Scrap sales		40,896	41,275
Exchange gain	32.3	199,829	1,806
Share of profit from joint venture - UniEnergy	6.3	26	31
Others		1,569	1,658
		<u>325,966</u>	<u>49,835</u>
		<u>390,495</u>	<u>104,900</u>

**32.1** Includes accrued profit amounting to Rs. 20.27 million on Escrow Account as fully disclosed in Note 14.1.

**32.2** Represents dividend income from Cherat Packaging Limited, a related party, listed as Shariah compliant company at Pakistan Stock Exchange under KMIALLSHR index and KMI-30 index.

**32.3** Includes net gain on derivative instrument at fair value through profit or loss on foreign exchange forward contracts that did not qualify for hedge accounting.

33 FINANCE COSTS	Note	2022	2021
		----- (Rupees in '000) -----	
<b>Islamic banks</b>			
Mark-up on long-term financings		981,773	1,202,209
Mark-up on short-term borrowings		45,796	11,692
Bank charges and commission		16,932	112
		<u>1,044,501</u>	<u>1,214,013</u>
<b>Conventional banks</b>			
Mark-up on long-term financings	33.1	157,939	223,854
Mark-up on short-term borrowings		125,543	53,860
Bank charges and commission		26,298	29,028
		<u>309,780</u>	<u>306,742</u>
Mark-up on lease liabilities	18	2,860	3,422
Interest on workers' profits participation fund	22.5	1,733	-
		<u>1,358,874</u>	<u>1,524,177</u>

**33.1** Includes the effect of amortization of government grant amounting to Rs. 22.48 million (2021: Rs. 19.82 million).

### 34 TAXATION

**34.1** Provision for current taxation is based on Alternate Corporate Tax at the current rates of taxation after taking into account tax credits. Income subject to final tax has been taxed accordingly. Accordingly the reconciliation between accounting profit before tax and tax expense has not been presented in these financial statements.

**34.2** Provision for taxation as per accounts is the aggregate of current tax expense and prior tax expense recorded in subsequent year.

**34.3** The Company computes tax based on the generally accepted interpretations of the tax laws to ensure that the sufficient provision for the purpose of taxation is available which can be analysed as follows:

Tax Year	Provision for taxation as per accounts (note 34.2)	Tax assessed as per return	Excess / (under) (note 34.2)
	----- (Rupees in '000) -----		
2021	-	-	-
2020	-	-	-
2019	-	-	-

**34.4** The return of income for the Tax year 2021 has been filed by the Company which is deemed to be an assessment under the provisions of Section 120 of the Income Tax Ordinance, 2001.

During the year ended June 30, 2017, the Company made investment in plant and machinery of Line - II which was eligible for a tax credit under section 65B of the Income Tax Ordinance, 2001 (the tax credit). The tax credit is in addition to tax exemption on profit and gains derived from Line - II under clause 126L of Part I of the Second Schedule of the Income Tax Ordinance, 2001. The management believes that the Company is eligible for both the above benefits for Line-II, and therefore, has taken both the benefits in the income tax returns filed for the tax years 2017 and 2018. However, in view of anticipated challenge by the tax department of claiming both the benefits simultaneously, the management as a matter of prudence had earlier recognized the benefit under clause 126L only but had not recognized the tax credit u/s 65B of the Income Tax Ordinance 2001.

During the year ended June 30, 2019, the Deputy Commissioner Inland Revenue has finalized the assessment for the Tax Year 2017 and rejected the Company's claim under clause 126L of the Second



Schedule to the ITO 2001 but allowed claim u/s 65B of the ITO 2001. The management filed first Appeal before the Commissioner (Appeals) to claim both the above benefits simultaneously. The Commissioner (Appeals), while disposing off the appeal also rejected claim under clause 126L and allowed claim under section 65B of the ITO 2001. The management filed a second appeal before Appellate Tribunal Inland Revenue to contest for simultaneous acceptance of claim under clause 126L of the Second Schedule to the ITO 2001. However, as a matter of prudence and other inherent uncertainties and delays involved, the management has revised the current and deferred tax provisions based on the allowance of claim u/s 65B of the ITO 2001.

- 34.5** During the year ended June 30, 2019, the Company has recorded tax credit under section 65B of ITO, 2001 @ 10% on commissioning and installation of Line-III as per law. Through Finance Act, 2019, the government has reduced tax credit under section 65B of ITO, 2001 from 10% to 5% retrospectively for the tax year 2019 and abolished the same for subsequent years. However, the management is hopeful that retrospective change may not be maintainable in the eyes of law and has challenged this amendment and got stay from the PHC. However, as a matter of prudence, the Company has reduced tax credit from 10% to 5% in prior year financial statements. In order to file petition in the PHC, the Company however, claimed full tax credit in income tax return. During the year, the case has been decided against the Company by PHC in respect of reduced tax credit under section 65B of ITO, 2001 from 10% to 5% retrospectively. However, review petition has been filed against the judgement in PHC which subsequent to the year end was duly accepted by the PHC. Therefore, the same accounting treatment has been maintained in these annual financial statements.
- 34.6** During the year ended June 30, 2020, the Deputy Commissioner Inland Revenue, Regional Tax Office, Peshawar issued Order under section 161/205 of the Income Tax Ordinance 2001 raising the demand of Rs. 20 million with respect to the Tax Year 2014 without given opportunity of being heard to the Company. The management filed Appeal before the Commissioner (Appeals). During the year ended June 30, 2021, the CIR (A) has remanded back the impugned order with specific directions to the tax department to verify the facts and pass speaking order. During the year, the tax authority passed an order wherein demand was reduced from Rs. 20 million to Rs. 0.48 million and duly deposited into the Government treasury.

<b>35 EARNINGS PER SHARE</b>	<b>2022</b>	2021
Net profit for the year (Rupees in '000)	<u>4,455,965</u>	<u>3,205,056</u>
Weighted average number of ordinary shares in issue	<u>194,295,038</u>	<u>194,295,038</u>
Earnings per share - basic and diluted	<u>Rs. 22.93</u>	<u>Rs. 16.50</u>

**35.1** No shares were issued during the year, therefore, calculation of weighted average number of ordinary shares has not been presented.

**35.2** There is no dilutive effect on basic earnings per share of the Company.

### **36 LINE - WISE RESULTS**

As fully explained in note 34.4 to the financial statements, 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 Line – II.

## 37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks i.e. market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Company's senior management oversees the management of these risks. The Company's senior management provides policies for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk and credit risk, use of financial derivatives, financial instruments and investment of excess liquidity. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors review and agree policies for managing each of these risks which are summarized below:

### 37.1 Market risk

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and equity price risk, such as equity risk.

#### 37.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in the market interest rates. The Company's interest rate risk arises from long-term and short-term borrowings obtained with floating rates. All the borrowings of the Company are obtained in the functional currency. The following figures demonstrate the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Company's profit before tax:

	Increase / decrease in basis points	Effect on profit before tax
<b>2022</b>		(Rupees in `000)
<b>KIBOR</b>	<b>+100</b>	<b><u>(160,920)</u></b>
<b>KIBOR</b>	<b>-100</b>	<b><u>160,920</u></b>
2021		
KIBOR	+100	<u>(170,127)</u>
KIBOR	-100	<u>170,127</u>

#### 37.1.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expenses are denominated in a different currency from the Company's functional currency).

	2022	2021
	----- ('000)	-----
Trade & other payables - US Dollars	<u>6</u>	<u>935</u>
The following exchange rate have been applied at reporting dates:	----- (Rupees)	-----
Exchange Rate - US Dollars	<u>206.00</u>	<u>158.30</u>

The management keeps on evaluating different options available for hedging purposes. The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's equity.

	Change in rate (%)	(Rupees in '000)
<b>30 June 2022 - US Dollars</b>	<b>+10</b>	<b><u>(124)</u></b>
	<b>-10</b>	<b><u>124</u></b>
30 June 2021 - US Dollars	+10	(14,801)
	-10	<u>14,801</u>

### 37.1.3 Equity price risk

The Company's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities.

At the date of statement of financial position, the exposure to listed equity securities was Rs. 397.74 million. A decrease of 10% in the share price of these securities would have an impact of approximately Rs. 39.77 million on the statement of other comprehensive income or statement of profit or loss depending whether or not the decline is below the cost of investment. An increase of 10% in the share price of the listed security would impact statement of other comprehensive income with the similar amount.

<b>Long-term investments</b>	Credit rating	<b>2022</b>	2021
		----- (Rupees in '000) -----	
Cherat Packaging Limited	A	<b>352,597</b>	621,103
Mirpurkhas Sugar Mills Limited	A-	<b>45,140</b>	32,051
		<b><u>397,737</u></b>	<u>653,154</u>

### 37.2 Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date with no defaults in the past year is:

	Note	<b>2022</b>	2021
		----- (Rupees in '000) -----	
Long-term investments	6	<b>397,737</b>	653,154
Long-term loans (including current portion)	7	<b>75,873</b>	82,779
Long-term deposits		<b>7,141</b>	3,841
Trade debts	10	<b>533,973</b>	407,548
Trade deposits	12	<b>2,686</b>	1,450
Other receivables	13	<b>4,487</b>	198,060
Bank balances	14	<b>1,122,769</b>	137,879
		<b><u>2,144,666</u></b>	<u>1,484,711</u>

### 37.2.1 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

Bank balances Credit rating	2022	2021
	----- (Rupees in '000) -----	
A1+	<u>1,122,765</u>	<u>137,544</u>
A1	<u>4</u>	<u>335</u>

All other financial assets are not exposed to any material credit risk.

### 37.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company applies prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual payments.

	2022					2021				
	INTEREST / MARKUP / PROFIT BEARING			NON-INTEREST BEARING	TOTAL	INTEREST / MARKUP / PROFIT BEARING			NON-INTEREST BEARING	TOTAL
	Less than one year	One to five years	Total			Less than one year	One to five years	Total		
	----- (Rupees in '000) -----									
Long-term financings	3,057,859	10,866,851	13,924,710	-	13,924,710	2,667,249	12,707,854	15,375,103	-	15,375,103
Lease liabilities	10,438	10,971	21,409	-	21,409	14,655	21,408	36,063	-	36,063
Long-term security deposits	-	-	-	28,450	28,450	-	-	-	28,105	28,105
Trade and other payables	-	-	-	1,605,742	1,605,742	-	-	-	1,067,541	1,067,541
Accrued mark-up	-	-	-	435,350	435,350	-	-	-	305,412	305,412
Short-term borrowings	3,135,925	-	3,135,925	-	3,135,925	1,741,387	-	1,741,387	-	1,741,387
Unclaimed dividend	-	-	-	74,441	74,441	-	-	-	57,123	57,123
Unpaid dividend	-	-	-	11,540	11,540	-	-	-	30,843	30,843
	<u>6,204,222</u>	<u>10,877,822</u>	<u>17,082,044</u>	<u>2,155,523</u>	<u>19,237,567</u>	<u>4,423,291</u>	<u>12,729,262</u>	<u>17,152,553</u>	<u>1,489,024</u>	<u>18,641,577</u>

Effective interest / yield rates for the financial liabilities are mentioned in the respective notes to the financial statements.

### 37.4 Capital risk management

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximize shareholders value and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, less cash and cash equivalents.

The gearing ratios as at June 30, 2022 and 2021 are as follows:

	2022	2021
	----- (Rupees in '000) -----	
Long-term financings	<b>13,924,710</b>	15,375,103
Accrued mark-up	<b>435,350</b>	305,412
Short-term borrowings	<b>3,135,925</b>	1,741,387
Total debt	<b>17,495,985</b>	17,421,902
Cash and cash equivalents	<b>(1,126,474)</b>	(140,022)
<b>Net debt</b>	<b>16,369,511</b>	17,281,880
Share capital	<b>1,942,950</b>	1,942,950
Reserves	<b>15,373,372</b>	11,646,602
<b>Total capital</b>	<b>17,316,322</b>	13,589,552
<b>Capital and net debt</b>	<b>33,685,833</b>	30,871,432
<b>Gearing ratio</b>	<b>48.59%</b>	55.98%

The Company finances its expansion projects through equity, borrowings and management of its working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk.

### 37.5 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate fair values.

The following table shows assets recognised at fair value, analysed between those whose fair value is based on:

Level 1: Quoted prices in active markets for identical assets or liabilities,

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those whose inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below categorised fair value measurement of financial instruments by the level in the fair value hierarchy into which the fair value measurement is categorized:

	Note	Carrying amount		Fair value		
		Fair value through statement of profit or loss	Fair value through OCI	Total	Level 1	Level 2
----- (Rupees in '000) -----						
Long-term investments	37.5.1	-	397,737	397,737	397,737	-
Derivative instrument	31	-	-	-	-	-
		-	397,737	397,737	397,737	-

		2021					
		Carrying amount			Fair value		
		Fair value through statement of profit or loss	Fair value through OCI	Total	Level 1	Level 2	Level 3
----- (Rupees in '000) -----							
Long-term investments	37.5.1	-	653,154	653,154	653,154	-	-
Derivative instrument	31	7,731	-	7,731	-	7,731	-
		<u>7,731</u>	<u>653,154</u>	<u>660,885</u>	<u>653,154</u>	<u>7,731</u>	<u>-</u>

During the year, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurement.

**37.5.1** Financial instruments which are tradable in an open market are revalued at the market prices prevailing on the statement of financial position date.

38	CASH AND CASH EQUIVALENTS	Note	2022	2021
			----- (Rupees in '000) -----	
	Cash and bank balances	14	<b>1,126,474</b>	140,022
	Restricted bank balance	14.1	<b>(995,270)</b>	-
	Short-term borrowings	24	<b>(3,135,925)</b>	(1,741,387)
			<u><b>(3,004,721)</b></u>	<u>(1,601,365)</u>

### 39 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2022			2021		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
----- (Rupees in '000) -----						
Managerial remuneration	<b>37,349</b>	<b>15,768</b>	<b>387,102</b>	32,041	13,533	308,169
Bonus	<b>18,425</b>	<b>7,320</b>	<b>175,292</b>	15,769	6,230	142,153
Housing allowance	<b>1,452</b>	<b>6,588</b>	<b>126,016</b>	1,452	5,607	97,861
Retirement benefits	<b>6,142</b>	<b>2,440</b>	<b>60,891</b>	5,257	2,077	48,317
Utilities	<b>1,898</b>	<b>1,463</b>	<b>26,618</b>	1,551	1,245	20,425
Leave fare assistance	<b>3,071</b>	<b>1,220</b>	<b>22,964</b>	2,628	1,038	20,803
	<u><b>68,337</b></u>	<u><b>34,799</b></u>	<u><b>798,883</b></u>	<u>58,698</u>	<u>29,730</u>	<u>637,728</u>
Number	<u><b>1</b></u>	<u><b>1</b></u>	<u><b>93</b></u>	<u>1</u>	<u>1</u>	<u>77</u>

**39.1** The Chief Executive and an executive have been provided with furnished accommodation. Further, the Chief Executive, Director and certain executives are provided with the use of company maintained cars, telephone facility, utilities and some other facilities, which are reimbursed at actual to the extent of their entitlements.

**39.2** The aggregate amount charged in the financial statements for meeting fee to 6 non-executive directors amounted to Rs. 3.00 million (2021: Rs. 2.28 million).

### 40 TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company comprises of associated companies, directors, retirement funds, companies with common directorship and key management personnel of the Company. Amounts due from / to related parties are disclosed in respective notes to these financial statements. The Company enters into transactions with related parties on agreed terms as approved by the Board of Directors. Transactions with related parties other than those disclosed elsewhere in the financial statements, are as follows:

Relationship	Nature of transactions	2022	2021
		----- (Rupees in '000) -----	
Associated companies	Purchases	<b>2,981,206</b>	2,848,136
	Sale of goods	<b>6,247</b>	2,819
	Purchase of fixed assets	<b>201,153</b>	1,316,558
	IT support charges	<b>24,311</b>	22,798
	Dividend received	<b>15,613</b>	6,245
	Dividend paid	<b>67,118</b>	53,715
	Insurance premium paid	<b>75,000</b>	52,314

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

**40.1** Following are the related parties with whom the Company had entered into transactions or have arrangement / agreement in place.

Name	Basis of association	Aggregate % of Shareholding
Cherat Packaging Limited	Common directorship	2.74
Faruque (Private) Limited	Common directorship	21.67
Greaves Pakistan (Private) Limited	Common directorship	1.25
Mirpurkhas Sugar Mills Limited	Common directorship	1.41
Zensoft (Private) Limited	Common directorship	0.01
Madian Hydro Power Limited	Common directorship	Nil
UniEnergy Limited	Common directorship	Nil
Greaves Airconditioning (Private) Limited	Common directorship	Nil
Jubilee General Insurance Company Limited	Common directorship	Nil
International Industries Limited	Common directorship	Nil
Indus Motors Company Limited	Common directorship	Nil
Cherat Cement Company Limited – Employees' Provident Fund	Retirement benefit fund	0.27
Cherat Cement Company Limited – Employees' Gratuity Fund	Retirement benefit fund	1.66

**40.1.1** None of the key management personnel had any arrangements with the Company other than the employment contract.

#### **41 NUMBER OF EMPLOYEES**

The total number of employees and average number of employees at year end and during the year respectively are as follows:

	2022		2021	
	----- (Number) -----			
	Total	Factory	Total	Factory
Total number of employees	<b>1007</b>	<b>851</b>	966	814
Average number of employees during the year	<b>987</b>	<b>833</b>	969	817

#### **42 PRODUCTION CAPACITY**

	2022	2021
	----- (Rupees in '000) -----	
Annual installed capacity – Clinker	<b>4,320,000</b>	4,320,000
Annual installed capacity – Cement	<b>4,536,000</b>	4,536,000
Actual production – Clinker	<b>3,109,280</b>	3,573,307
Actual production – Cement	<b>3,525,199</b>	3,965,217

Plant operational capacity utilisation is in line with industry demand.

#### 43 OPERATING SEGMENTS

These financial statements have been prepared on the basis of a single reportable segment.

All sales of the Company comprise of cement.

Total sales of the Company relating to customers in Pakistan were 94% during the year ended June 30, 2022 (2021: 89%). All non-current assets of the Company at the end of the current and preceding year were located in Pakistan.

Sales to twenty major customers of the Company are around 39% of the Company's total sales during the year (2021: 38%).

#### 44 DISCLOSURE REQUIREMENT FOR SHARIAH COMPLIANT COMPANIES

As per the requirements of the fourth schedule to the Companies Act, 2017, Shariah compliant companies and companies listed on the Islamic Index shall disclose the following:

	Note	2022 ----- (Rupees in '000) -----	2021 -----
Long-term financings as per Islamic mode	17	<b>9,897,365</b>	12,541,039
Short-term borrowings as per Islamic mode	24	<b>838,945</b>	320,000
Shariah compliant bank balances	14	<b>995,365</b>	1,718
Profit earned from shariah compliant bank deposits	32	<b>20,278</b>	-
Revenue earned from shariah compliant business	27	<b>32,085,361</b>	25,206,811
Dividend earned from shariah compliant investment	32	<b>15,613</b>	6,245
Finance costs on Islamic mode of financings	33	<b>1,044,501</b>	1,214,013
Profit earned from any conventional loan or advances	32	<b>8,270</b>	10,952
Finance costs on conventional mode of financing	33	<b>309,780</b>	306,742

The Company has relationship with Meezan Bank Limited, Bank Alfalah Limited, Faysal Bank Limited, MCB Islamic Bank Limited and Dubai Islamic Bank Pakistan Limited being our Islamic banks which are fully disclosed in note 17 and note 24 to these financial statements.

#### 45 DATE OF AUTHORISATION

These financial statements were authorised for issue on August 25, 2022 by the Board of Directors of the Company.

#### 46 DIVIDEND AND APPROPRIATIONS

Subsequent to year ended June 30, 2022, the Board of Directors in its meeting held on August 25, 2022 has proposed final cash dividend @ Rs. 3.00 per share amounting to Rs. 582.89 million (2021: Rs. 1.25 per share amounting to Rs. 242.87 million) for approval of the members at the Annual General Meeting.

#### 47 GENERAL

47.1 Certain corresponding figures have been rearranged and reclassified, wherever considered necessary. However, there are no material reclassifications to report in these financial statements.

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER



# Pattern of Shareholding

As of June 30, 2022

No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
953	1	to 100	41,932
1074	101	to 500	309,884
980	501	to 1000	695,026
1329	1001	to 5000	3,079,717
435	5001	to 10000	3,061,077
216	10001	to 15000	2,554,980
86	15001	to 20000	1,496,739
60	20001	to 25000	1,332,959
75	25001	to 30000	2,030,378
24	30001	to 35000	777,596
25	35001	to 40000	941,630
24	40001	to 45000	1,035,835
18	45001	to 50000	868,242
25	50001	to 55000	1,324,589
7	55001	to 60000	403,606
7	60001	to 65000	442,714
9	65001	to 70000	604,343
10	70001	to 75000	723,335
6	75001	to 80000	465,142
1	80001	to 85000	83,747
4	85001	to 90000	354,446
4	90001	to 95000	365,326
7	95001	to 100000	691,612
3	100001	to 105000	310,640
5	105001	to 110000	541,755
3	110001	to 115000	335,785
2	115001	to 120000	236,886
2	120001	to 125000	245,300
3	125001	to 130000	382,311
3	130001	to 135000	392,953
4	135001	to 140000	552,715
1	140001	to 145000	142,670
3	145001	to 150000	443,500
1	150001	to 155000	153,128
1	165001	to 170000	168,532
2	170001	to 175000	346,992
4	175001	to 180000	712,247
2	195001	to 200000	394,000
2	200001	to 205000	409,038
2	205001	to 210000	414,692
1	210001	to 215000	212,371
1	225001	to 230000	228,451
1	235001	to 240000	237,100
2	240001	to 245000	480,894
1	260001	to 265000	263,699
1	265001	to 270000	268,262
1	270001	to 275000	272,500
1	295001	to 300000	296,750
1	305001	to 310000	306,900
1	320001	to 325000	322,110
1	325001	to 330000	330,000
1	330001	to 335000	334,970
1	335001	to 340000	335,400
1	370001	to 375000	372,303
1	375001	to 380000	375,068
1	380001	to 385000	380,342

No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
2	395001	to 400000	796,000
1	425001	to 430000	428,800
2	495001	to 500000	996,530
1	520001	to 525000	524,619
1	530001	to 535000	534,434
1	575001	to 580000	579,900
1	580001	to 585000	581,176
1	610001	to 615000	611,086
1	615001	to 620000	619,583
1	635001	to 640000	638,200
1	655001	to 660000	660,000
1	675001	to 680000	678,957
1	695001	to 700000	699,820
2	745001	to 750000	1,496,285
1	790001	to 795000	791,111
2	795001	to 800000	1,597,462
1	850001	to 855000	855,000
1	885001	to 890000	885,877
1	1030001	to 1035000	1,031,757
1	1035001	to 1040000	1,035,187
2	1070001	to 1075000	2,143,876
1	1180001	to 1185000	1,183,257
1	1205001	to 1210000	1,207,412
1	1275001	to 1280000	1,279,575
1	1325001	to 1330000	1,329,079
1	1365001	to 1370000	1,365,710
1	1410001	to 1415000	1,411,082
1	1445001	to 1450000	1,447,945
2	1580001	to 1585000	3,164,954
1	1770001	to 1775000	1,770,788
1	1885001	to 1890000	1,888,256
1	2155001	to 2160000	2,157,703
1	2185001	to 2190000	2,189,500
1	2415001	to 2420000	2,419,002
1	2665001	to 2670000	2,667,773
1	2745001	to 2750000	2,747,277
1	3145001	to 3150000	3,147,497
1	3220001	to 3225000	3,220,783
1	3535001	to 3540000	3,535,580
1	3540001	to 3545000	3,545,000
1	3795001	to 3800000	3,795,251
1	4240001	to 4245000	4,241,930
1	4600001	to 4605000	4,601,100
1	4665001	to 4670000	4,667,698
1	5125001	to 5130000	5,125,223
1	5575001	to 5580000	5,575,891
1	6260001	to 6265000	6,260,693
1	8545001	to 8550000	8,545,011
1	14635001	to 14640000	14,636,936
1	42095001	to 42100000	42,096,353
<b>5495</b>			<b>194,295,038</b>

# Pattern of Shareholding

As of June 30, 2022

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
<b>Directors, Chief Executive Officer and their spouse(s) and minor children</b>			
Mr. Omar Faruque	1	2,238,632	1.15
Mrs. Shamain Akbar Faruque W/o. Mr. Omar Faruque	1	396,000	0.20
Mr. Azam Faruque	1	2,755,940	1.42
Mrs. Samia Faruque W/o. Mr. Azam Faruque	1	57,981	0.03
Mr. Akbarali Pesnani	1	91,300	0.05
Mrs. Sakina Pesnani W/o. Mr. Akbarali Pesnani	1	72,600	0.04
Mr. Arif Faruque	1	2,255,194	1.16
Mr. Abrar Hasan	1	550	0.00
Mr. Asif Qadir	1	550	0.00
Mrs. Zeeba Ansar	1	110	0.00
Mr. Yasir Masood	1	1,100	0.00
<b>Associated Companies, undertakings and related parties</b>			
Faruque (Pvt.) Ltd.	1	42,096,353	21.67
Cherat Packaging Ltd.	1	5,327,698	2.74
Mirpurkhas Sugar Mills Ltd.	1	2,747,277	1.41
Greaves Pakistan (Pvt.) Ltd.	1	2,419,002	1.25
Zensoft (Pvt.) Ltd.	1	24,750	0.01
<b>NIT &amp; ICP</b>	3	6,313,841	3.25
<b>Banks Development Financial Institutions, Non Banking Financial Institutions.</b>	13	14,368,582	7.40
<b>Insurance Companies</b>	12	7,135,144	3.67
<b>Modarabas and Mutual Funds</b>	54	11,566,935	5.95
<b>General Public</b>			
a. Local	5,085	55,753,514	28.70
b. Foreign	131	2,874,960	1.48
<b>Foreign Companies</b>	7	7,385,328	3.80
<b>Others</b>	174	28,411,697	14.62
<b>Total</b>	<b>5,495</b>	<b>194,295,038</b>	<b>100.00</b>

Shareholders holding 10% or more	Shares Held	Percentage
<b>FARUQUE (PRIVATE) LIMITED</b>	42,096,353	21.67

مالیاتی گوشوارے برائے اختتام سال 30 جون، 2022 کے نوٹ نمبر 28 اور 40 میں واضح کردہ ٹرانزیکشنز کا بلحاظ فریق بریک اپ ذیل میں دیا گیا ہے:

متعلقہ فریق کا نام	ٹرانزیکشن کی نوعیت	(روپے '000)
چیراٹ پیکینجنگ لمیٹڈ	پیکینج میٹریل کی خریداری	2,648,647
چیراٹ پیکینجنگ لمیٹڈ	مال کی فروخت	6,247
چیراٹ پیکینجنگ لمیٹڈ	منافع منقسمہ کی وصولی	15,613
چیراٹ پیکینجنگ لمیٹڈ	منافع منقسمہ کی ادائیگی	6,660
میرپور خاص شوگر ملز لمیٹڈ	منافع منقسمہ کی ادائیگی	4,809
فاروق (پرائیویٹ) لمیٹڈ	خام مال کی خریداری	332,559
فاروق (پرائیویٹ) لمیٹڈ	رائٹی کی ادائیگی	542,338
فاروق (پرائیویٹ) لمیٹڈ	ایکسائز ڈیوٹی کی ادائیگی	13,559
فاروق (پرائیویٹ) لمیٹڈ	منافع منقسمہ کی ادائیگی	52,620
گریوز پاکستان (پرائیویٹ) لمیٹڈ	فلسڈ ایسٹس کی خریداری	191,013
گریوز پاکستان (پرائیویٹ) لمیٹڈ	منافع منقسمہ کی ادائیگی	3,024
گریوز ایئر کنڈیشننگ (پرائیویٹ) لمیٹڈ	فلسڈ ایسٹس کی خریداری	10,140
زین سافٹ (پرائیویٹ) لمیٹڈ	آئی ٹی سپورٹ چارجز	24,311
زین سافٹ (پرائیویٹ) لمیٹڈ	منافع منقسمہ کی ادائیگی	5
جوبلی جنرل انشورنس کمپنی لمیٹڈ	انشورنس پریمیئم ادائیگی	75,000
ملازمین کا پراویڈنٹ اور گریجویٹ فنڈ	فنڈ میں معاونت/حصہ	108,215

ضوابط، 2018 کی مجوزہ دفعات (پوسٹل بیٹ) کے لوازمات کے تحت ڈاک یا الیکٹرانک ذریعے سے۔

15) ارکان ویڈیو کانفرنس کی سہولت بھی حاصل کر سکتے ہیں، اس سلسلے میں برائے مہربانی درج ذیل معلومات پُر کر کے کمپنی کے صدر دفتر میں سالانہ اجلاس عام کے انعقاد سے سات (7) دن قبل جمع کروا دیں۔ اگر کمپنی، کسی جغرافیائی مقام پر رہنے والے، 10 فیصد یا اس سے زیادہ شیئر ہولڈنگ رکھنے والے ارکان سے، اجلاس کی تاریخ سے کم از کم سات (7) دن پہلے، ویڈیو کانفرنس کے ذریعے اجلاس میں شرکت کے لیے رضامندی حاصل کرے، تو کمپنی اُس شہر میں ویڈیو کانفرنس کا انتظام کرے گی بشرطیکہ اس شہر میں یہ سہولت موجود ہو۔

”میں / ہم \_\_\_\_\_ / \_\_\_\_\_  
 بحیثیت رکن چیراٹ سیمنٹ کمپنی  
 لمیٹڈ، \_\_\_\_\_  
 پر بمقام \_\_\_\_\_  
 عمومی شیئر/شیئرز بمطابق رجسٹرڈ فولیو نمبر  
 ویڈیو کانفرنس کی سہولت کا انتخاب کرتا/کرتی ہوں / کرتے ہیں۔“

### کمپنیز ایکٹ 2017 کے سیکشن 134 کے تحت اسٹیٹمنٹ

• اسٹیٹمنٹ میں، ”خصوصی امور“ سے متعلقہ وہ بنیادی حقائق بیان کیے گئے ہیں جنہیں بروز بدھ، مورخہ 12 اکتوبر، 2022 کو منعقد ہونے والے کمپنی کے سالانہ اجلاس عام میں زیر بحث لایا جائے گا۔ کمپنی کے ارکان سے اس کی منظوری حاصل کی جائے گی۔

• مالی سال برائے اختتام ميعاد 30 جون 2022 کے دوران، کمپنی نے اپنی متعلقہ کمپنیز اور متعلقہ فریقین کے ساتھ اپنی پالیسیز اور لاگو قوانین و ضوابط کے مطابق ٹرانزیکشنز کی تکمیل کی۔ متعلقہ فریقین کے ساتھ ٹرانزیکشنز کے لیے کمپنیز ایکٹ، 2017 کے سیکشنز 207 اور 208 کے تحت شیئر ہولڈرز کی منظوری حاصل کرنا ضروری ہے۔ ایسی ٹرانزیکشنز کو سالانہ اجلاس عام میں پاس کرنے کی تجویز کے ساتھ شیئر ہولڈرز سے منظوری حاصل کرنے کے لیے ان کے سامنے خصوصی قرارداد کے ذریعے پیش کیا جا رہا ہے۔

• شیئر ہولڈرز سے درخواست ہے کہ وہ اُن ٹرانزیکشنز کی توثیق کریں جو مالیاتی گوشوارے برائے اختتام سال 30 جون 2022 کے نوٹ نمبر 28 اور 40 میں واضح کی گئی ہیں، نیز برائے سال اختتام 30 جون، 2023، بورڈ آف ڈائریکٹرز کو متعلقہ فریقین یا ایسوسی ایٹڈ کمپنیز کے ساتھ ٹرانزیکشنز کی انجام دہی کا مجاز قرار دیں۔

انہیں وفاقی حکومت کے پاس (ڈیویڈنڈ ہونے کی صورت میں) جمع کروا دیا جائے گا یا SECP کو (فزیکل شیئرز ہونے کی صورت میں) بھجوا دیا جائے گا۔ جو شیئر ہولڈرز کسی وجہ سے اپنے ڈیویڈنڈ/شیئرز حاصل نہ کر سکے ہوں، انہیں ہدایت کی جاتی ہے کہ وہ اپنے غیر دعویٰ شدہ ڈیویڈنڈ یا شیئرز، اگر کوئی ہوں، وصول کرنے / ان کے بارے میں معلومات حاصل کرنے کے لیے کمپنی کے شیئر رجسٹرار، میسرز سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ (CDCSRSL)، سی ڈی سی ہاؤس، 99 بی، بلاک 9، ایس ایم سی ایچ ایس، مین شاہراہ فیصل، کراچی 74400 پر رابطہ کریں۔

10) تمام شیئر ہولڈرز کو ہدایت کی جاتی ہے کہ وہ فعال ٹیکس گزاروں کی فہرست (اے ٹی ایل) میں اپنا اسٹیٹس چیک کر لیں جو کہ FBR کی ویب سائٹ پر دستیاب ہے، اور اگر ضرورت ہو تو اے ٹی ایل میں اپنے نام کی شمولیت کے لیے ضروری کارروائی کریں۔ اگر کسی شخص کا نام اے ٹی ایل میں شامل نہیں ہوگا، تو لاگو ٹیکس کی شرح سو فیصد سے بڑھ جائے گی۔

11) جوائنٹ اکاؤنٹ ہونے کی صورت میں، برائے مہربانی ہر اکاؤنٹ ہولڈر کی شیئر ہولڈنگ کا تناسب اور اے ٹی ایل میں ان کی انفرادی کیفیت کے بارے میں مطلع کریں۔

12) ڈیویڈنڈ کی آمدنی سے ود ہولڈنگ ٹیکس کے استثنیٰ کی صرف اسی صورت میں اجازت ہوگی کہ جب ٹیکس سے استثنیٰ کا مستند سرٹیفکیٹ سی ڈی سی رجسٹرار سروسز لمیٹڈ کو کھاتے کی بندش کے پہلے روز تک مہیا کر دیا جائے گا۔

13) بحوالہ SECP کے جاری کردہ S.R.O.787(D)/2014، مورخہ 8 ستمبر 2014؛ شیئر ہولڈرز کو یہ اختیار حاصل ہے کہ وہ سالانہ آڈٹ شدہ مالیاتی گوشواروں اور اجلاس عام کی اطلاع بذریعہ ای میل موصول کریں۔ کمپنی کے شیئر ہولڈرز سے گزارش ہے کہ وہ ہمارے ریکارڈ کو اپ ڈیٹ رکھنے کے لیے کمپنی کے صدر دفتر کو اپنی رضامندی سے آگاہ کریں کہ آیا وہ سالانہ آڈٹ شدہ مالیاتی گوشوارے اور اجلاس عام کا نوٹس اپنے ای میل کے ذریعے وصول کرنا چاہتے ہیں۔ تاہم، اس کے علاوہ، اگر شیئر ہولڈر آڈٹ شدہ مالیاتی گوشواروں کی دستاویزی نقل بھی حاصل کرنا چاہیں تو وہ انہیں تحریری درخواست موصول ہونے کے سات (7) دن کے اندر اندر مفت فراہم کر دی جائے گی۔

14) ارکان پوسٹل بیٹ کے ذریعے اپنے ووٹ کا حق استعمال کر سکتے ہیں۔ یعنی کمپنیز ایکٹ، 2017 کے سیکشن 143 اور 144، اور کمپنیز کی

نوٹس:

کہ وہ سی ڈی سی کی انویسٹر اکاؤنٹ سروسز یا کسی بھی بروکر کے پاس ذیلی اکاؤنٹ کھلوائیں اور اپنے فزیکل شیئرز کو غیر تحریری شکل میں تبدیل کریں۔ اس سے شیئر ہولڈرز کو نئی طریقوں سے سہولت ملے گی، جن میں اپنی مرضی سے کسی بھی وقت شیئرز کی محفوظ تحویل کاری اور فروخت بھی شامل ہے، کیونکہ پاکستان اسٹاک ایکسچینج لمیٹڈ کی موجودہ ضوابط کے مطابق فزیکل شیئرز کی ٹریڈنگ ممنوع ہے۔

(1) کمپنی کے ارکان کا رجسٹر بروز بدھ، مورخہ 15 اکتوبر 2022 تا بدھ 12 اکتوبر 2022 (بشمول دونوں ایام) بند رہے گا اور اس دوران کوئی ٹرانسفر رجسٹر نہیں کیا جائے گا۔ کمپنی کے شیئر رجسٹرار، میسرز سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ (CDCSRSL)، سی ڈی سی ہاؤس، 99 بی، بلاک بی،

(7) کمپنیز ایکٹ، 2017 کے سیکشن 119 اور کمپنیز (عمومی دفعات اور فارمز) کی ضوابط، 2018 کے مطابق، تمام فزیکل شیئر ہولڈرز کو ہدایت کی جاتی ہے کہ وہ اپنی لازمی معلومات جیسے کہ CNIC نمبر، پتہ، ای میل پتہ، رابطہ موبائل/ٹیلیفون نمبر، پیشہ وغیرہ فوری طور پر سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ کو فراہم کریں تاکہ مستقبل میں قانون کی کسی بھی عدم تعمیل یا کسی اور پریشانی سے بچا جاسکے۔

ایس ایم سی ایچ ایس، مین شاہراہ فیصل، کراچی 74400 پر واقع دفتر میں بروز منگل، مورخہ 4 اکتوبر 2022 کو کاروباری اوقات کے اختتام تک درست صورت میں موصول ہونے والے شیئرز درج بالا استحقاق کے لیے بروقت تصور ہوں گے۔

(8) شیئر ہولڈرز کو بذریعہ ہذا یاد دہانی کرائی جاتی ہے کہ کمپنیز ایکٹ، 2017 کے سیکشن 242 کے مطابق، لسٹڈ کمپنی ہونے کی صورت میں کمپنی کی جانب سے اعلان کردہ کسی بھی نقد منافع منقسمہ کی رقم لازمی طور پر الیکٹرانک ذریعے سے براہ راست شیئر ہولڈرز کے بینک اکاؤنٹس میں جمع کروائی جائے۔ شیئر ہولڈرز سے درخواست ہے کہ منافع منقسمہ براہ راست اپنے بینک اکاؤنٹ میں وصول کرنے کے لیے ای ڈیویڈنڈ مینڈیٹ فارم پُر کریں جو کہ کمپنی کی ویب سائٹ [www.gfg.com.pk](http://www.gfg.com.pk) پر دستیاب ہے، اور اس پر دستخط کر کے CNIC کی ایک نقل کے ساتھ، فزیکل شیئر ہونے کی صورت میں، کمپنی کے رجسٹرار میسرز سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ کو بھجوا دیں۔ اگر شیئرز، سی ڈی سی میں ہوں تو ای ڈیویڈنڈ مینڈیٹ فارم لازماً براہ راست شیئر ہولڈرز کے بروکر/شرکت دار/ سی ڈی سی انویسٹر اکاؤنٹ سروسز کے پاس جمع کروایا جائے۔ IBAN جمع نہ کروانے کی صورت میں، کمپنیز (ڈیویڈنڈز کی تقسیم) کی ضوابط، 2017 کے تحت، کمپنی ڈیویڈنڈز کی ادائیگی روک لے گی۔ علاوہ ازیں، غیر حتمی (گروس) ڈیویڈنڈ، ٹیکس/زلکوٹہ کی کٹوتی اور ڈیویڈنڈ کی حتمی (نیٹ) رقم کے بارے میں معلومات سینٹرلائزڈ کیش ڈیویڈنڈ رجسٹر (CCDR) کے ذریعے فراہم کی جائے گی، لہذا شیئر ہولڈرز کو چاہیے کہ وہ خود کو سی ڈی سی کے ای سروسز پورٹل <https://eservices.cdcaccess.com.pk> پر رجسٹر کروالیں۔

(2) کمپنی کا کوئی رکن، جو سالانہ اجلاس عام میں شرکت، گفتگو اور ووٹ دینے کا اہل ہو، اپنی جگہ کسی دوسرے رکن کو شرکت، گفتگو اور ووٹ دینے کے لیے اپنا نمائندہ (پراکسی) مقرر کر سکتا ہے۔ نمائندگان کا اختیار نامہ موثر ہونے کے لیے تحریری شکل میں ہونا لازمی ہے اور یہ کمپنی کے صدر دفتر میں اجلاس سے 48 گھنٹے پہلے لازماً موصول ہونا چاہیے۔

(3) کمپنی کے ارکان، جن کے شیئرز سینٹرل ڈپازٹری سسٹم (CDS) کے پاس اپنے اکاؤنٹ/ذیلی اکاؤنٹ میں رجسٹرڈ ہیں، ان سے درخواست ہے کہ وہ تصدیق کے لیے اصل کمپیوٹرائزڈ قومی شناختی کارڈ مع CDS میں اپنا اکاؤنٹ نمبر اور شریک کا آئی ڈی نمبر ساتھ لائیں۔

(4) فزیکل شیئرز کے ارکان سے درخواست ہے کہ وہ اپنے پتوں میں کسی بھی تبدیلی کی اطلاع کمپنی کے شیئر رجسٹرار کو فراہم کریں۔ جبکہ سی ڈی سی اکاؤنٹس کے شیئر ہولڈرز سے درخواست کی جاتی ہے کہ وہ اپنے پتوں میں کسی بھی تبدیلی کی فوری اطلاع اپنے متعلقہ سی ڈی سی شرکت دار/ بروکر / سی ڈی سی انویسٹر اکاؤنٹ سروسز کو دیں۔

(5) فزیکل شیئرز کے وہ ارکان جنہوں نے اپنے مستند کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) کی فوٹو کاپی ابھی تک جمع نہیں کروائی ہے، ان سے درخواست ہے کہ وہ یہ کاپی کمپنی کے شیئر رجسٹرار کو بھیج دیں۔

(9) کمپنیز ایکٹ 2017 کے سیکشن 72 کے مطابق، ہر موجودہ لسٹڈ کمپنی کو اپنے فزیکل شیئرز ایک مقررہ طریقے پر اور SECP کی مقرر کردہ تاریخ سے، بک انٹری کی شکل میں تبدیل کرنے ہوں گے۔ ایسے شیئر ہولڈرز جو فزیکل شیئر ہولڈنگ کے حامل ہیں، ان سے درخواست ہے

(6) کمپنیز ایکٹ 2017 کے سیکشن 72 کے مطابق، ہر موجودہ لسٹڈ کمپنی کو اپنے فزیکل شیئرز ایک مقررہ طریقے پر اور SECP کی مقرر کردہ تاریخ سے، بک انٹری کی شکل میں تبدیل کرنے ہوں گے۔ ایسے شیئر ہولڈرز جو فزیکل شیئر ہولڈنگ کے حامل ہیں، ان سے درخواست ہے

## اطلاع برائے سالانہ اجلاس عام

### خصوصی امور

6 درج ذیل قرارداد پر بطور خصوصی قرارداد غور کرنا اور منظوری دینا:  
(a) ”طے پایا کہ متعلقہ فریقین اور متعلقہ کمپنیز کے ساتھ، جیسا کہ برائے اختتام سال 30 جون 2022 کے دوران مالیاتی گوشواروں کے نوٹ 28 اور 40 میں ظاہر کیا گیا، معمول کی کاروباری سرگرمیوں میں کی گئی ٹرانزیکشنز کی توثیق کی جاتی ہے اور منظوری دی جاتی ہے۔“

(b) ”مزید طے پایا کہ کمپنی کا بورڈ آف ڈائریکٹرز بذریعہ ہذا 30 جون 2023 کو ختم ہونے والے آئندہ سال کے دوران متعلقہ فریقین اور متعلقہ کمپنیز کے ساتھ معمول کی کاروباری سرگرمیوں میں کی جانے والی ٹرانزیکشنز کی منظوری کا مجاز ہوگا اور ہے۔“

درج بالا خصوصی امور سے متعلقہ، کمپنیز ایکٹ 2017 کے سیکشن 134 کے تحت ایک بیان نامہ اس اعلامیے کے ساتھ منسلک ہے۔

بحکم بورڈ آف ڈائریکٹرز

حنا میر  
کمپنی سیکریٹری

کراچی: 25 اگست، 2022

بذریعہ ہذا مطلع کیا جاتا ہے کہ چیراٹ سیمنٹ کمپنی لمیٹڈ کا 41 واں سالانہ اجلاس عام بروز بدھ مورخہ 12 اکتوبر، 2022، بوقت دوپہر 12:30 بجے درج ذیل امور کی انجام دہی کے لیے فیکٹری کی حدود، ویلج لکرائی، نوشہرہ، خیبر پختونخوا میں کمپنی کے رجسٹرڈ دفتر میں منعقد ہوگا:

### عمومی امور

- 1 عمومی امور مورخہ 16 اکتوبر 2021 کو منعقدہ سالانہ اجلاس عام کو کاروائی کی توثیق کرنا
- 2 کمپنی کے آڈٹ شدہ اکاؤنٹس برائے اختتام سال 30 جون 2022 میں ڈائریکٹرز اور آڈیٹرز رپورٹ وصول کرنا اور ان پر غور کرنا۔
- 3 برائے اختتام مالی سال 30 جون، 2022، بورڈ آف ڈائریکٹرز کی تجویز پر حتمی نقد منافع منقسمہ بحساب 30 فیصد (3.00 روپے فی شیئر) کی ادائیگی پر غور کرنا اور اس کی منظوری دینا۔
- 4 سال 2022/23 کے لیے آڈیٹرز کا تقرر کرنا اور ان کا مشاہرہ مقرر کرنا۔
- 5 صدر اجلاس کی اجازت سے کسی اور کاروباری عمل کی انجام دہی کرنا۔

## آڈیٹرز کا تقرر:

موجودہ آڈیٹرز میسرز ای وائے فورڈ رہوڈز، چارٹرڈ اکاؤنٹنٹس رینائر ہو گئے ہیں اور اہل ہونے کی بنیاد پر انہوں نے خود کو دوبارہ تقرری کے لیے پیش کیا ہے۔

## سائنسی کلمات:

ہم اپنے ساتھ کاروباری رشتہ استوار کرنے پر تمام مالیاتی اداروں کا شکریہ ادا کرتے ہیں، اپنے ڈیلرز اور کسٹمرز کی مسلسل حمایت، تعاون اور ہم پر اعتماد کے اظہار کے باعث انہیں سراہتے ہیں۔ ہم اپنے تمام اسٹاف کے خلوص، وفاداری اور انتھک محنت پر انہیں بھی دل کی گہرائیوں سے خراج تحسین پیش کرتے ہیں۔

منجانب بورڈ آف ڈائریکٹرز

عظیم فاروق  
چیف ایگزیکٹو

عمر فاروق  
چیرمین

کراچی: 25 اگست، 2022

آٹار پیدا ہوئے ہیں، لیکن ایشیائی تجارت خصوصاً تیل اور کونکے کی قیمتیں ابھی بھی بہت زیادہ ہیں۔ روس اور یوکرین کے درمیان تنازعے کے حل کے آثار بھی ابھی تک نظر نہیں آ رہے۔ پاکستان کو ایشیائی تجارت کی بلند عالمی قیمتوں اور تاریخ کے بلند ترین کرنٹ اکاؤنٹ خسارے کے باعث روپے کی قدر میں کمی کی وجہ سے بلند افراط زر کا سامنا ہے۔ آئی ایم ایف پروگرام میں تاخیر نے معاشی صورتحال کو بدتر کر دیا ہے۔ اسٹیٹ بینک نے اس صورتحال کے نتیجے میں رعایتی شرح میں خاطر خواہ اضافہ کر دیا اور مخصوص اشیاء کی درآمدات پر پابندی عائد کر دی ہے۔ ان تمام باتوں کا نتیجہ معیشت کی سُست روی کی صورت میں برآمد ہوا ہے اور مختصر سے عرصے میں سیمنٹ کی مقامی طلب پر کاری وار کیا ہے۔ ہمیں آئی ایم ایف بورڈ کی جانب سے آئی ایم ایف پروگرام کی باضابطہ منظوری کے بعد معاشی صورتحال بہتر ہونے کی توقع ہے۔ تیل اور دیگر بین الاقوامی ایشیائی تجارت کی قیمتوں میں کمی سے پاکستان اپنے کرنٹ اکاؤنٹ کا خسارہ کم کر سکتا ہے۔ ہمیں امید ہے کہ اس سے معیشت کو کچھ استحکام ملے گا اور گورنمنٹ سیمنٹ کی مقامی طلب کو پورا کرنے کے لیے کچھ پراجیکٹس کا آغاز کر سکتی ہے۔ مالی خسارے سے نمٹنے کے لیے حکومت نے سپر ٹیکس لاگو کیا ہے اور پہلے سے ٹیکسز کے بوجھ تلے دبے شعبے پر مزید ٹیکسز کا بوجھ لاد دیا ہے۔ ہماری حکومت سے درخواست ہے کہ وہ مالی خسارے میں کچھ کمی ہونے پر اس پر



نظر ثانی کرے۔ سیاسی استحکام بھی ہماری بہار معیشت کو سہارا دے سکتا ہے۔ اگرچہ افغانستان کو برآمدات شروع ہو چکی ہیں، لیکن وہاں سیاسی اور معاشی صورتحال میں اگلے سال کسی بڑی بہتری کی توقع نہیں ہے۔ نتیجتاً ان تمام مشکل حالات سے بہتر سے بہتر انداز میں نمٹنے کے لیے بھرپور کوشاں ہے۔



## خداشات اور مواقع:

عمدہ طور پر ہم آہنگ ہیں۔ اس سسٹم پر استعمال کنندگان کو مکمل تربیت حاصل ہے۔ مینجمنٹ، آپ گریڈیشن کے لیے سسٹم کا مسلسل جائزہ لے رہی ہے اور فی الحال S/4 HANA ڈیٹا بیس پر آپ گریڈنگ کے مرحلے میں ہے۔ اس کے علاوہ HR کے مخصوص ماڈیولز کے لیے SAP، کامیابی کے عامل کا نفاذ بھی کر رہی ہے۔ سسٹم کی سیکیورٹی یقینی بنانے کے لیے موزوں رسائی اور دیگر کنٹرولز نافذ العمل ہیں۔

بورڈ، انفارمیشن سیکیورٹی کے حوالے سے سے موجودہ خطرات کے پیش نظر، سائبر سیکیورٹی کی اہمیت کا اعتراف کرتا ہے۔ یہ خطرات ہماری کاروباری سرگرمیوں کو براہ راست متاثر کر سکتے ہیں۔ کمپنی کا ایک ان ہاؤس آئی ٹی ڈیپارٹمنٹ ہے جس میں آئی ٹی سے متعلقہ سیکیورٹی کے لیے ایک مختص عملہ ہے۔ دوران سال، بورڈ کی ہدایت پر، ایکسٹرنل کنسلٹنٹ کی جانب سے سائبر سیکیورٹی آڈٹ عمل میں لایا گیا تھا اور ان کی سفارشات کا مناسب طور پر نفاذ کیا گیا تھا۔ دوران سال اس حوالے سے کوئی انحراف نہیں دیکھا گیا۔

### • قرضوں کی ادائیگی:

کمپنی نے اپنے مالی واجبات ہمیشہ وقت پر ادا کیے ہیں۔ دوران سال، کمپنی نے سیمنٹ لائن II میعاد قرضے کی قبل از وقت مکمل ادائیگی کی ہے۔ اس کے علاوہ سیمنٹ لائن III کے قرضے کے حوالے سے 1,900 ملین روپے کی قسط بھی ادا کی ہے۔ مزید برآں، کمپنی نے سولر پاور پلانٹ کے لیے اسلامی قرضے کی سہولت برائے دینیو اہیل ازبجی (IFRE)، اس کے ساتھ ساتھ مختلف مقاصد بشمول لائن I کی آپ گریڈیشن اور کرشر کی خریداری کے علاوہ اسٹیٹ بینک آف پاکستان کی جانب سے انتہائی سستے نرخ پر پیش کردہ معاوضوں کے قرض کی اسکیم کے لیے تین مینکس سے عارضی معاشی ری فنانس کی سہولت (TERF) حاصل کی ہے۔

### • کیپیٹل اسٹرکچر:

کمپنی کے لیکوئی کے موجودہ قرضہ جات کی شرح تقریباً 43:57 ہے۔ بورڈ آف ڈائریکٹرز اور مینجمنٹ پُر اعتماد ہیں کہ مستقبل میں کمپنی کا کیپیٹل اسٹرکچر بہتر ہوگا۔ یہ شرح لائن IV پروجیکٹ کے باعث متاثر ہو سکتی ہے، لیکن بالآخر چند سال میں یہ بہتر ہو جائے گی۔

### • مستقبل کی توقعات:

توقع ہے کہ اگلا سال مشکل ثابت ہوگا۔ اگرچہ عالمی معیشت میں بحالی کے

### • خطرات سے نمٹنا:

بورڈ آف ڈائریکٹرز نے ان سماجی معاشی ماحول اور اس کے نتیجے میں اندرونی اور بیرونی خطرات پر گہری نظر رکھی جو کمپنی کے آپریشنز کو رواں رکھنے اور کارکردگی پر اثر انداز ہو سکتے تھے۔ اسٹیک ہولڈرز کے مفادات کے نگہبان کے طور پر ڈائریکٹرز نے سال بھر میں خطرات کی نشاندہی کرنے اور ان کو ختم کرنے کے لیے مستعدی سے کام کیا۔ بورڈ آف ڈائریکٹرز نے ممکنہ خطرات کی نشاندہی کی اور کمپنی پر ان کے اثرات کی جانچ کرتے ہوئے کاروبار کو لاحق خطرات ختم کرنے کی حکمت عملی تشکیل دی۔ ان حکمت عملیوں کی نگرانی آڈٹ کمیٹی کے ذریعے کمپنی کی تمام سطحوں پر کی گئی تاکہ خطرات کے تدارک میں کوئی کسر نہ رہے۔ بورڈ نے آفت سے بحالی کے ایک منصوبے سمیت کاروباری تسلسل کا منصوبہ بھی منظور کیا ہے جو کہ مناسب طور پر نافذ العمل ہے۔

### • خطرات کی جانچ:

بورڈ آف ڈائریکٹرز کی جانب سے کمپنی کو لاحق اندرونی اور بیرونی دونوں طرح کے خطرات کا مکمل تجزیہ عمل میں لایا گیا ہے۔ کاروبار کو متعدد غیر یقینی صورتحال کا سامنا کرنا پڑتا ہے جو اس کے مقاصد کے لیے خطرہ ہو سکتے ہیں اور اگر ان کا تدارک نہ کیا جائے تو ایسے نقصانات ہو سکتے ہیں جن سے بچا جاسکتا تھا۔ توانائی کے اخراجات، پراڈکشن کی مجموعی لاگتوں کے بڑے حصے پر مشتمل ہوتے ہیں۔ کوئلے اور یا بجلی کے نرخوں میں کوئی بھی تبدیلی، کمپنی کے لیے مستقل خطرے کی علامت بنی رہتی ہے۔ کمپنی نے بجلی کی لاگت کم کرنے کے لیے ویسٹ ہیٹ ریکوری (Waste Heat Recovery) پلانٹ نصب کیا ہے اور پلانٹ کے لیے گیس کا نکشن بھی لے لیا ہے۔ مزید برآں، سولر پنیلز کی تنصیب بھی مکمل ہو چکی ہے۔ ایک اور معاشی خطرہ، جس کا کمپنی کو سامنا ہے، وہ سیاسی عدم استحکام کے باعث اس کی سب سے بڑی مارکیٹ افغانستان کو جانے والی برآمدات میں کمی ہے۔ تاہم، حکمت عملی کی بنیاد پر نوشہرہ میں اس کی فیکٹری کے آغاز، جو کہ افغان سرحد کے قریب ہے اور افغانستان میں چیراٹ کی برانڈ ویلیو ہے، نے افغانستان کو صف اول کے سیمنٹ برآمد کنندہ کے طور پر ہماری ساکھ کو مستحکم کیا ہے۔

سیمنٹ سیکٹر میں چیراٹ سیمنٹ، وہ پہلی کمپنی ہے جس نے 2009 میں مکمل SAP سہولت کا نفاذ کیا تھا۔ اس کی بدولت، تمام کاروباری سرگرمیاں بشمول مالیات، رسدی سلسلہ اور انویسٹری مینجمنٹ

- رواں سال آڈٹ کمیٹی کے چار اجلاس منعقد ہوئے۔ ان میں ہر رکن کی شرکت کا ریکارڈ درج ذیل ہے:

ڈائریکٹر کا نام	اجلاسوں میں شرکت کی تعداد
محترم آصف قادر	4
محترم اکبر علی پستانی	4
محترم عارف فاروق	4

- رواں سال افرادی قوت اور مشاہرہ کمیٹی کے دو اجلاس منعقد ہوئے۔ ان میں ہر رکن کی شرکت کا ریکارڈ درج ذیل ہے:

ڈائریکٹر کا نام	اجلاسوں میں شرکت کی تعداد
محترم ابرار حسن	2
محترم اعظم فاروق	2
محترم عمر فاروق	2

- شیئر ہولڈنگ کی طرز اس رپورٹ کے ساتھ منسلک ہے۔
- دوران سال فی شیئر آمدنی (ای پی ایس) 22.93 روپے رہی جو کہ گزشتہ سال 16.5 روپے فی شیئر تھی۔

### ڈائریکٹرز کا مشاہرہ:

کمپنی کے آرٹیکلز کے ذریعے بورڈ آف ڈائریکٹرز وقتاً فوقتاً نان ایگزیکٹو اور خود مختار ڈائریکٹرز کا مشاہرہ مقرر کرنے کا مجاز ہے۔ اس سلسلے میں بورڈ آف ڈائریکٹرز نے کمپنی کے نان ایگزیکٹو اور خود مختار ڈائریکٹرز کے لیے ایک مشاہرہ پالیسی تشکیل دی ہے۔ ڈائریکٹرز کے مشاہرے کی تفصیلات مالیاتی گوشوارہ برائے اختتام سال 30 جون 2022 کے نوٹ 39 میں ظاہر کی گئی ہیں۔

### بورڈ آف ڈائریکٹرز اور بورڈ کمیٹیز کی کارکردگی کی جانچ:

کمپنی، کاروباری ضابطی اخلاق کے جزو کے طور پر بورڈ آف ڈائریکٹرز، اس کی کمیٹیز اور افرادی ڈائریکٹرز کی سالانہ جانچ کا اہتمام کرتی ہے۔ پُرشدہ سولنامہ موصول ہونے پر کمیٹی سیکریٹری انتہائی رازداری سے کام لیتا ہے۔ طریقہ کار کی شفافیت کو یقینی بنانے کے لیے کمیٹی نے میسرز گرانٹ تھورٹن انجم رحمان، چارٹرڈ اکاؤنٹینٹس کی خدمات حاصل کی ہیں، جو نتائج مرتب کرنے اور بورڈ آف ڈائریکٹرز کے لیے رپورٹ تیار کرنے کے ذمے دار ہیں۔ رپورٹ کے مندرجات کی جانچ کی جاتی ہے اور اُن پہلوؤں کی نشاندہی کی جاتی ہے جن میں بہتری کی ضرورت ہو۔

### متعلقہ پارٹیز کے ساتھ لین دین:

متعلقہ پارٹیز کے ساتھ تمام لین دین ایک مقررہ حد کے تحت انجام دیا جاتا ہے جس کو کمپنی کے مالیاتی گوشواروں میں مناسب طور پر ظاہر کیا جاتا ہے۔

### کاروباری ضابطی اخلاق پر عمل درآمد کا گوشوارہ:

کمپنی، لسٹڈ کمپنیز (کاروباری ضابطی اخلاق) کے ضوابط، 2019 پر پوری طرح عمل پیرا ہے۔ عمل درآمد کا گوشوارہ اس رپورٹ کے متعلقہ سیکشن کے تحت فراہم کیا گیا ہے۔

### یونی ازمی لیٹڈ:

یونی ازمی۔ ونڈ پاور پراجیکٹ کی ایک مشترکہ کاروباری مہم ہے، جس کو لیٹر آف انٹینٹ عطا کیا گیا ہے اور پراجیکٹ کے سیٹ اپ کے لیے جھمپیر، ضلع ٹھٹھہ میں باقاعدہ زمین الاٹ کی گئی ہے۔ مشترکہ مہم کے پارٹنرز نے پراجیکٹ کی جاری مالیاتی ضروریات پوری کرنے کے لیے کمپنی میں ابتدائی لیکوئی سرمایہ کاری کی ہے۔ اس سلسلے میں چیراٹ سیمنٹ نے اپنے شیئر ہولڈرز کی منظوری حاصل کر کے 7.69 ملین روپے کی لیکوئی سرمایہ کاری کی۔ حکومت نے پراجیکٹ کے لیے اب تک کسی زرغ نامے کا اعلان نہیں کیا ہے۔

### میڈیان ہائیڈرو پاور لیٹڈ:

میڈیان ہائیڈرو پاور لیٹڈ (MHPL) ایک عوامی غیر لسٹڈ کمپنی ہے، جو کمپنی اور شیرازی انویسٹمنٹس (پرائیویٹ) لیٹڈ کی مشترکہ کاروباری مہم ہے، اور اس میں دونوں کمپنیز کا 50 فیصد حصہ ہے۔ MHPL کو بجلی پیدا اور فراہم کرنے کے لیے دریائے سوات پر میڈیان کے مقام پر ہائیڈرو پاور جنریشن پلانٹ کو تعمیر کرنے، چلانے اور برقرار رکھنے کے لیے تشکیل دیا گیا تھا۔ MHPL کی تیکنیکی عمل پذیری 2009 میں مکمل ہو گئی تھی، جسے نجی پاور اور انفراسٹرکچر بورڈ نے منظور کیا تھا۔ سوات اور متصل علاقوں میں امن و امان کی صورتحال کے باعث پراجیکٹ پر عمل درآمد نہیں کیا جاسکا تھا۔ غیر یقینی صورتحال کے پیش نظر، سابقہ برسوں میں کمپنی کی مینجمنٹ نے MHPL میں سرمایہ کاری پر 107 ملین روپے کا مکمل خسارہ ریکارڈ کرنے کا فیصلہ کر لیا تھا۔ دوران سال، MHPL نے Feasibility Study کی مجموعی طور پر 160 ملین روپے میں فروخت کے لیے پختہ خواہ ازمی ڈیولپمنٹ آرگنائزیشن (PEDO) کے ساتھ ایک معاہدہ کیا اور بعد از ٹیکس فروخت کی رقم بھی حاصل کی۔ چنانچہ ان مالیاتی گوشواروں میں بعد از ٹیکس مکمل خسارے کے رپورٹس کا اندراج کیا جا چکا ہے۔

درج ذیل ہے:

پروویڈنٹ فنڈ 1,291.13 ملین روپے

گریجویٹی فنڈ 702.85 ملین روپے

بورڈ آف ڈائریکٹرز:

بورڈ میں مجموعی ڈائریکٹرز کی تعداد 8 ہے۔ جن کی ترتیب درج ذیل ہے:

- مرد ڈائریکٹرز 7
- خاتون ڈائریکٹر 1

a- خود مختار ڈائریکٹرز 3

- i- محترم آصف قادر
- ii- محترم ابرار حسن
- iii- محترمہ زیبا انصار

b- نان ایگزیکٹو ڈائریکٹرز 3

- i- محترم عمر فاروق
- ii- محترم اکبر علی پسنانی
- iii- محترم عارف فاروق

c- ایگزیکٹو ڈائریکٹرز 2

- i- محترم اعظم فاروق
- ii- محترم یاسر مسعود

d- خاتون ڈائریکٹر 1

- i- محترمہ زیبا انصار

- دوران سال بورڈ آف ڈائریکٹرز کے چھ اجلاس ہوئے۔ ان میں ہر ڈائریکٹر کی حاضری کا ریکارڈ درج ذیل ہے:

ڈائریکٹر کا نام اجلاسوں میں شرکت کی تعداد

- 6 محترم عمر فاروق
- 6 محترم اعظم فاروق
- 6 محترم اکبر علی پسنانی
- 6 محترم عارف فاروق
- 5 محترم آصف قادر
- 5 محترم ابرار حسن
- 6 محترمہ زیبا انصار
- 6 محترم یاسر مسعود

کمپنی کی پیداواری سہولت ملک میں ماحولیات اور سیفٹی کے مجوزہ اسٹینڈرڈز سے مکمل ہم آہنگ ہے۔ کمپنی کا ایک خصوصی HSE ڈپارٹمنٹ ہے جو HSE کے مقاصد کے نفاذ کی نگرانی کرتا ہے۔ ڈپارٹمنٹ نہ صرف HSE کے بہترین معمولات پر عمل درآمد کو یقینی بناتا ہے بلکہ آتشزدگی اور سیفٹی پر اسٹاف کی باقاعدہ تربیت کا اہتمام بھی کرتا ہے۔ کمپنی نے اپنی سائٹ پر شجر کاری میں اضافہ کیا ہے۔ 13.05 میگاواٹ کے سولر پاور پلانٹ سے بھی توانائی کے غیر تجدیدی وسائل پر ہمارا انحصار کم ہوگا اور ماحول میں بہتری آئے گی۔

قومی خزانے میں حصہ:

دوران سال کمپنی نے رائلٹی ڈیوٹیز اور ٹیکسز کی شکل میں قومی خزانے میں 15 بلین روپے کے لگ بھگ رقم جمع کرائی ہے۔

اسٹیٹمنٹ برائے کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک:

- کمپنی کی جانب سے تیار کردہ مالیاتی گوشوارے اس کے آپریشنز، کیش فلوز اور لیکوئٹی میں تبدیلیوں کی بالکل درست عکاسی کرتے ہیں۔
- کمپنی کی جانب سے درست ہی کھاتے برقرار رکھے گئے ہیں۔
- کمپنی نے مالیاتی گوشواروں کی تیاری میں موزوں اکاؤنٹنگ پالیسیز کی مسلسل پیروی کی ہے اور اکاؤنٹنگ کے تخمینے معقول اور محتاط فیصلہ سازی پر مبنی ہیں۔
- مالیاتی گوشواروں کی تیاری میں پاکستان میں لاگو ہونے والے بین الاقوامی مالیاتی رپورٹنگ کے اسٹینڈرڈز پر عمل کیا گیا ہے اور اس سے کسی بھی قسم کے انحراف کی موزوں نشاندہی اور وضاحت کر دی گئی ہے۔

• انٹرنل کنٹرول کا نظام اپنی ساخت میں مستحکم ہے اور اس کا مؤثر نفاذ اور نگرانی عمل میں لائی گئی ہے۔

• کمپنی کی کاروباری حیثیت آئندہ بھی جاری رہنے کی اہلیت پر کوئی شکوک و شبہات نہیں ہیں۔

• کاروباری ضابطی اخلاق کی بہترین تعمیل سے کوئی بڑا انحراف نہیں دیکھا گیا۔

• گزشتہ چھ (6) سال کے اہم آپریشن اور مالیاتی ڈیٹا کا خلاصہ اس سالانہ رپورٹ میں شامل ہے۔

• آپ کی کمپنی کے ڈے ٹیکسز، ڈیوٹیز، لیویز اور چارجز کی مد میں کوئی واجبات نہیں، سوائے ان کے کہ جو عام کاروباری معاملات میں جاری رہتے ہیں۔

• کمپنی اپنے ملازمین کے لیے پروویڈنٹ اور گریجویٹی فنڈز کے اکاؤنٹس برقرار رکھتی ہے۔ فنڈز کی سرمایہ کاریوں کی قدر بمطابق 30 جون 2022

لوگوں کی رہائشی صورتحال کو بہتر بنانے کے لیے مختلف سماجی اقدامات کرتی رہی ہے۔ کمپنی اپنی فیکٹری سے متصل علاقوں میں تعلیم، صحت، پانی، خواتین کو باختیار بنانے اور آتشزدگی سے بچاؤ کی سہولیات پر خرچ کرتے ہوئے ہنگامی اور قدرتی آفات کی صورتحال میں مدد فراہم کر رہی ہے۔ COVID-19 کے آغاز کے بعد، کمپنی نے ضرورت مند افراد تک رسائی پائی اور انہیں درکار مدد فراہم کی۔ جاری سرگرمیوں کے علاوہ، کمپنی نے تعلیم کے فروغ کے لیے قریبی گاؤں کے اسکول کے طلباء کے لیے مفت ٹرانسپورٹ کی سہولت فراہم کرنے کا آغاز کیا ہے۔ ہم نے پینے کا پانی فراہم کرنے کے لیے قریبی دیہات میں ٹیوب ویلز نصب کیے ہیں۔ ہم نے قریبی دیہات کے لیے زچہ بچے کے لیے سہولیات اور باختیار خواتین کے مرکز کی فراہمی کا آغاز بھی کیا ہے۔ ہمیں یقین ہے کہ یہ تمام اقدامات ہمارے ارد گرد کے علاقوں کی معاشی اور سماجی ترقی میں دُور رس کردار ادا کریں گے۔



### تحفظ، صحت اور ماحولیات:

کمپنی، خود سے وابستہ افراد کی صحت اور تحفظ میں اعلیٰ ترین اسٹینڈرڈز برقرار رکھنے پر پختہ یقین رکھتی ہے۔ ان میں COVID-19 کی عالمگیر وبا کے باعث کاروبار کی بدلتی ضروریات کے تحت صحت کے پروڈوکٹس کا نفاذ اور ملازمین کا تحفظ یقینی بناتے ہوئے کمپنی کی جانب سے کئی اقدامات شامل ہیں تاکہ اسٹاف کو اس وائرس سے ہر ممکن حد تک تحفظ دیا جاسکے۔ ہمارے تمام ملازمین مکمل ویکسین شدہ ہیں اور ان میں سے زیادہ تر نے بوسٹر بھی لگوا لی ہے۔ ہر سطح کے اسٹاف کو ذاتی تحفظ کا سامان فراہم کیا گیا اور کمپنی نے سماجی فاصلے، قربت، اپکانک ٹیسٹنگ وغیرہ جیسے اقدامات متعارف کرائے، تاکہ ملازمین کی تندرستی اور کاروباری تسلسل کو یقینی بنایا جاسکے۔ کمپنی نے اپنے خرچ پر، حسب ضرورت COVID ٹیسٹس کا اہتمام کیا اور ملازمین کو گھر سے کام کرنے کی اجازت بھی دی۔

### ڈیویڈنڈز کی ادائیگی:

کمپنی نے منافعوں کی تقسیم کا تسلسل ہمیشہ برقرار رکھنے کی کوشش کی ہے۔ ڈیویڈنڈز کی ادائیگی کا فیصلہ مختلف پیمانوں پر غور کر کے کیا جاتا ہے۔ جیسے کہ کمپنی کی مالیاتی کارکردگی، اس کی کاروباری ضروریات، ترقی کے امکانات اور توسیعی منصوبے وغیرہ۔ زیر جائزہ سال میں بورڈ آف ڈائریکٹرز مسرت کے ساتھ حتیٰ کیش ڈیویڈنڈ بلحاظ 3 روپے فی شیئر تجویز کرتے ہیں۔

### جاری پراجیکٹس:

سیمیٹ لائن 1 کے لیے نی ایم آر پر کام اور چٹانی کان کے سامنے نئے کرشر کی تنصیب مینوفیکچرنگ میں خلل اور بین الاقوامی ترسیل میں تاخیر کے باعث متاثر ہوا۔ کمپنی کو توقع ہے کہ یہ پراجیکٹس دسمبر 2022 تک مکمل ہو جائیں گے۔ ہمیں یہ بتاتے ہوئے خوشی محسوس ہوتی ہے کہ کمپنی نے کامیابی سے جدید ترین 13.05 میگا واٹ کا سولر پاور پراجیکٹ نوشہرہ میں قائم پلانٹ میں فراہم کر دیا ہے۔ یہ تمام پراجیکٹس مینجمنٹ کے طویل المیعاد نصب العین، یعنی بہترین قدر کی تخلیق کے ذریعے ترقی، کے حصول میں مثبت کردار ادا کریں گے۔

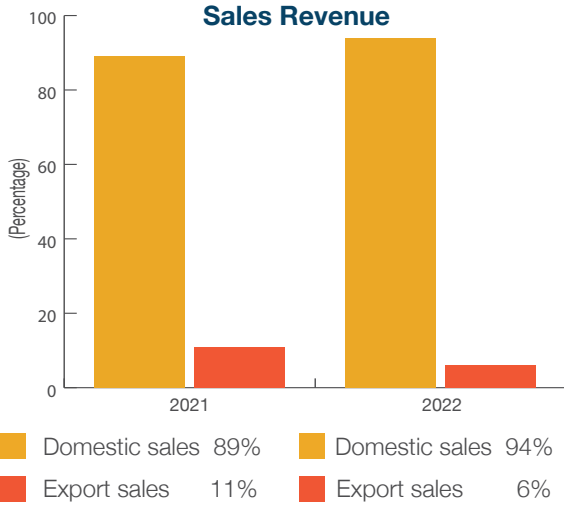


### گرین فیلڈ سیمیٹ پلانٹ:

کمپنی نے چونے کے پتھر کی کان کنی کی لیر، فیکٹری کی اراضی اور مخصوص این او سیز کی خریداری کے لیے ایک پرائیویٹ پارٹنر سے معاہدہ طے کیا ہے۔ فی الحال کمپنی ان تمام اثاثوں کی اپنے نام پر منتقلی کے لیے کام کر رہی ہے۔ اس اراضی پر ابتدائی کام جاری ہے۔ ہم ملک کی صورتحال کا باریک بینی سے جائزہ لے رہے ہیں اور پراجیکٹ پر مزید پیشرفت کا فیصلہ معاشی صورتحال بہتر ہوتے ہی کیا جائے گا۔

### کاروباری سماجی ذمہ داری:

کمپنی معاشرے میں تمام اسٹیک ہولڈرز خصوصاً خود سے وابستہ افراد اور ماحولیات کے مفاد کے لیے اپنا کردار ادا کرنے کے لیے پُر عزم ہے۔ اپنی کاروباری سماجی ذمہ داری کی پالیسیوں سے ہم آہنگ رہتے ہوئے، کمپنی ہمیشہ اپنے مینوفیکچرنگ پلانٹس اور اس کے گردونواح کے علاقوں میں رہنے والے



### مالیاتی کارکردگی:

گزشتہ سال کے مقابلے میں اس سال کمپنی کے سیلز ریوینیو میں 27 فیصد کا اضافہ دیکھا گیا۔ اس کی بنیادی وجہ ان پٹس میں افراط زر کی لاگت کے باعث سیمینٹ کی قیمتوں میں اضافہ شدہ ایڈجسٹمنٹ تھی۔ دوران سال، فیل اور بجلی کی بڑھی ہوئی لاگتوں کے باعث سیلز کی لاگت میں 25 فیصد تک اضافہ ہوا۔ کونسلے اور تیل کی بین الاقوامی قیمتوں میں مسلسل اضافے کے باعث کونسلے اور بجلی کے نرخوں میں نمایاں اضافہ ہوا۔ تاہم، کمپنی نے عملی کاروباری مؤثر پذیری کے ذریعے ان اخراجات کے مجموعی اثرات کو خاصا کم کیا۔ گزشتہ سال کے مقابلے میں مالیاتی لاگت میں کمی آئی جس کی وجہ قرضوں کی دوبارہ واپسی اور ان قرضوں کے حوالے سے مارک اپ کی شرح کی ششماہی ترتیب تھی۔ تاہم، سیمینٹ فیکٹری پر سپر ٹیکس عائد کیے جانے کے باعث خاطر خواہ فراہمی ریکارڈ کی گئی۔ ان تمام مسائل کے باوجود، برائے اختتام سال 30 جون، 2022 کمپنی کا بعد از ٹیکس منافع 4,456 ملین روپے رہا۔

گزشتہ سال کے مقابلے میں کمپنی کے موجودہ سال کی کارکردگی کا مختصر جائزہ ذیل میں پیش ہے:

2022	2021
(ملین روپوں میں)	
32,085.36	25,206.81
23,134.58	18,478.51
8,950.78	6,728.30
4,494.81	3,523.24
4,455.97	3,205.06

حتی سیلز  
سیلز کی لاگتیں  
غیر حتی منافع  
اخراجات اور ٹیکسز  
خالص منافع

آئی۔ ایشیائی تجارت کی مقامی طلب 1 فیصد سے کم ہوئی، جبکہ برآمدات میں 44 فیصد تک کمی آئی۔ برآمدات کی کم قیمتوں اور ترسیل کے بلند اخراجات نے بحری ترسیل کے ذریعے برآمدات کو غیر سود مند بنا دیا۔ افغانستان کو کی جانے والی برآمدات بھی ملک میں جاری سیاسی اور معاشی عدم استحکام سے متاثر ہوئیں اور ان مسائل میں سرحد پر اشیاء کے نقصان کے مسائل سے مزید اضافہ ہوا۔ نتیجتاً، دوران سال برآمدات میں 64 فیصد تک کمی آئی۔

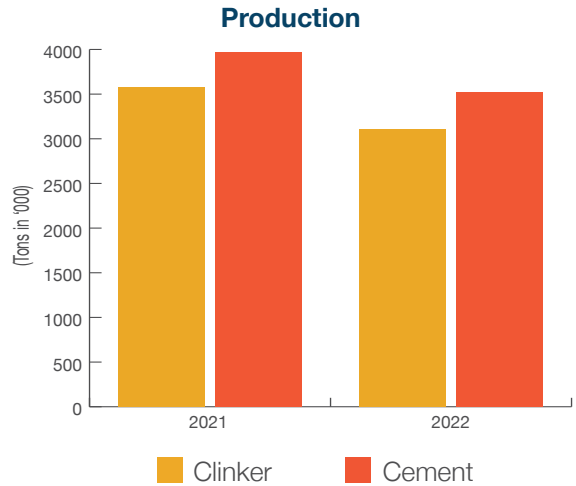
### پراڈکشن اور سیلز کا جائزہ:

پراڈکشن اور سیلز کا تقابلی جائزہ ذیل میں پیش ہے:  
ی شعبہ میں گاڑیوں کی مقامی صنعت کو فروغ دینے کی تسلسل کے ساتھ کوشش قابل ذکر ہیں۔ ہم حکومت کی طرف سے الیکٹریک اور ہائبرڈ گاڑیوں کے فروغ کے ذریعے انڈسٹری

2022	2021
(ٹنوں میں)	
3,109,280	3,573,307
3,525,199	3,965,217
3,259,763	3,438,944
292,710	510,733
3,552,473	3,949,677

کلنکر پراڈکشن  
سیمینٹ پراڈکشن

مقامی سیلز  
برآمداتی سیلز  
مجموعی سیلز



سیمینٹ کی طلب میں کمی کے باعث، کمپنی کی مقامی ترسیلات میں 5 فیصد اور افغانستان کو کی جانے والی برآمداتی سیلز میں 43 فیصد تک کمی آئی۔ مجموعی بنیاد پر، دوران سال کمپنی کی سیمینٹ ترسیلات میں 10 فیصد تک کمی آئی۔



## ڈائریکٹرز کی رپورٹ برائے ممبران برائے سال محترمہ 30 جون 2022

### عمومی جائزہ:

COVID-19 کی عالمگیر وبا سے بحالی کے بعد عالمی معیشت نے اشیائے تجارت، خصوصاً تیل اور کونکے میں بلند عالمی قیمتوں کا سامنا کیا۔ حالیہ روس و یوکرین جنگ نے اس صورتحال کو مزید خراب کیا۔ ابھرتی ہوئی تمام معیشتوں پر اس کے اثرات مرتب ہوئے۔ موجودہ سیاسی عدم استحکام اور آئی ایم ایف پروگرام کے دوبارہ آغاز میں تاخیر کے باعث پاکستان کی معیشت پر ناموافق اثرات مرتب ہوئے۔ دوران سال ہم نے کرنٹ اکاؤنٹ میں نمایاں خسارے اور روپے کی قدر میں کمی کا سامنا کیا۔ افراط زر کی روک تھام کے لیے اسٹیٹ بینک نے ستمبر 2021 سے رعایتی شرح میں 8 فیصد سے اضافہ کیا۔ کرنٹ اکاؤنٹ کا خسارہ کم کرنے کے لیے اسٹیٹ بینک نے درآمدات پر بھی مخصوص پابندیاں عائد کیں۔ ان تمام اقدامات نے ملک میں معاشی سرگرمیوں کو سست روی کا شکار کیا۔ چنانچہ سیمنٹ کی مقامی طلب میں کم از کم قلیل مدت کے لیے، تنزلی کا رجحان دیکھا گیا۔

### کاروباری جائزہ:

مجموعی سطح پر زیر جائزہ سال میں سیمنٹ کی طلب میں 8 فیصد تک کمی

بورڈ آف ڈائریکٹرز مسرت  
کے ساتھ کمپنی کی سالانہ  
رپورٹ مع آڈٹ شدہ  
مالیاتی گوشوارے برائے  
اختتام سال 30 جون،  
2022 پیش کر رہے ہیں۔



# پراکسی فارم

41 واں سالانہ اجلاس عام

چراٹ سیمنٹ کمپنی لمیٹڈ



میں مسماة / مسکنہ \_\_\_\_\_

ضلع \_\_\_\_\_ بحیثیت ممبر چراٹ سیمنٹ کمپنی لمیٹڈ، مسماة / مسکنہ \_\_\_\_\_

سکنہ \_\_\_\_\_ کو بطور مختار (پراکسی) مقرر کرتا کرتی ہوں تاکہ وہ میری جگہ اور

میری طرف سے کمپنی کے سالانہ اجلاس عام (یا جو بھی صورت حال ہو)، جو مورخہ 12 اکتوبر 2022 بروز بدھ 12:30 بجے بمقام فیکٹری کی حدود، گاؤں لکرائی، نوشہرہ، خیبر پختونخوا میں منعقد ہوگا، اس میں اور اس کے کسی ملتوی شدہ اجلاس میں شرکت کرے، بولے اور ووٹ ڈالے۔

گواہان



دستخط شیر ہولڈر

1 دستخط \_\_\_\_\_

نام \_\_\_\_\_

پتہ \_\_\_\_\_

CNIC/پاسپورٹ نمبر \_\_\_\_\_

(دستخط کمپنی میں درج نمونہ کے مطابق ہونے چاہئے)

2 دستخط \_\_\_\_\_

نام \_\_\_\_\_

پتہ \_\_\_\_\_

CNIC/پاسپورٹ نمبر \_\_\_\_\_

اہم نوٹ

۱۔ پراکسی فارم اس وقت تک قابل قبول نہیں ہوگا جب تک یہ جنرل میٹنگ کے وقت سے 48 گھنٹے پہلے کمپنی کے ہیڈ آفس میں وصول نہ ہو جائے۔

۲۔ سی ڈی سی حصص داران اجلاس ہذا میں شرکت کرنے، بولنے اور ووٹ دینے کیلئے اہل ہیں اور اپنی شناخت ثابت کرنے کے لیے اپنے اصلی کمپیوٹرائزڈ قومی شناختی کارڈ / پاسپورٹ ساتھ لائیں اور پراکسی کی صورت میں اپنے کمپیوٹرائزڈ قومی شناختی کارڈ / پاسپورٹ کی تصدیق شدہ کاپی ساتھ لگائیں۔

۳۔ کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اٹارنی بمعہ نمائندہ کے دستخط پراکسی فارم کے ساتھ منسلک کرنے ہوں گے۔

مجموعی شیرز

سی ڈی سی اکاؤنٹ نمبر		رجسٹرڈ فولیو نمبر
شراکتی نمبر	اکاؤنٹ نمبر	

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر \_\_\_\_\_











**GHULAM FARUQUE  
GROUP**

**Cherat Cement  
Company Limited**

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