



INTERIM REPORT

September 2012



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Corporate Information

BOARD OF DIRECTORS

CHAIRMAN

Mr. Mohammed Asad Fecto

CHIEF EXECUTIVE

Mr. Mohammed Yasin Fecto

DIRECTORS

Mrs. Zubeda Bai

Mr. Ijaz Ali

Mr. Safdar Abbas Morawala

Mr. Altaf A Hussain

Mr. Aamir Ghani

Mr. Mohammed Anwar Habib

Mr. Rohail Ajmal { Nominee of Saudi Pak Industrial & Agricultural Invest. Co. Ltd. }

AUDIT COMMITTEE

Chairman: Mr. Mohammed Asad Fecto

Members: Mr. Mohammed Anwar Habib

Mr. Safdar Abbas Morawala

HUMAN RESOURCE & REMUNERATION COMMITTEE

Chairman: Mr. Mohammed Asad Fecto

Members: Mr. Aamir Ghani

Mr. Mohammed Anwar Habib

SECRETARY

Mr. Abdul Samad, FCA

AUDITORS

KPMG Taseer Hadi & Co.

Chartered Accountants

LEGAL ADVISOR

Nisar Law Associates

51, Mozang Road

Lahore

REGISTERED OFFICE

35-Darulaman Housing Society

Block 7/8, Shahra-e-Faisal

Karachi-75350

Website <http://www.fectogroup.com>

FACTORY

Sangjani, Islamabad

MARKETING OFFICE

2nd Floor, Majeed Plaza

Bank Road, Saddar

Rawalpindi

SHARE REGISTRAR

Technology Trade (Private) Limited

241-C, Block 2, P.E.C.H.S.

Karachi



Your directors are pleased to present before you their report together with the un-audited financial results of the company for the period ended September 30, 2012.

OVERVIEW

During the period under review overall dispatches of cement industry witnessed a marginal growth of 2.66% with a total sales volume of 7.70 million tons as against the total sales volume of 7.50 million tons of same period last year. Local sales volume of the industry increased by 5.03% with dispatches of 5.43 million tons as against the sales volume of 5.17 million tons of same period last year whereas exports of the industry reduced by 2.64% with sales volume of 2.27 million tons as against the sales volume of 2.33 million tons of same period last year. Exports to Afghanistan and India reduced by 6.92% and 15.67% respectively during the period under review whereas exports by sea increased 6.31%.

During the period under review, plants located in north were also forced to curtail production because of load management instructions issued by the respective power utility companies during the holy month of Ramadan.

OPERATING PERFORMANCE

The production and dispatches for the period under review were as follows:

Production	Tonnes	
	2012	2011
Clinker	162,150	203,195
Cement	171,876	203,069
Dispatches		
Local	103,948	102,011
Export	71,503	108,889
Total	<u>175,451</u>	<u>210,900</u>

During the period under review clinker and cement production of the Company reduced by 20.20% and 15.36% respectively as compared to same period last year mainly due to maintenance shutdown and reduced power supply from Islamabad Electricity Company in Holy month of Ramadan.

Overall sales volume of the Company reduced by 16.81% during the period under review because of reduced exports to Afghanistan whereas local sales volume of the Company almost remained same.

FINANCIAL RESULTS

During the period under review Company achieved net sales revenue of Rs. 1,081.36 million as against the net sales revenue of Rs. 994.23 million of same period last year witnessed a growth of 8.76% despite reduction in sales volume by 16.81% due to improved selling prices in both local and exports as compared to same period last year. Local prices, however, slightly reduced as compared to last quarter of previous financial year.



DIRECTORS' REVIEW

Cost per ton of cement increased by 11.60% as compared to same period last year. During the period under review prices of coal in international market reduced, however, electricity rates and diesel prices continued to increase. Store and spare consumption also increased during the period under review because of plant maintenance whereas salaries and wages cost increased due to increase in minimum wage by the Government and annual increment. Company achieved gross profit of Rs. 289.94 million as against the gross profit of Rs. 156.33 million of same period last year.

Administrative expenses increased due to normal increment whereas distribution cost reduced due to lesser payment of commission and incentives to export dealers due to reduced exports. Finance cost also reduced as the total debt of the Company reduced because of principal re-payment of loans and reduction in lending rates. Company achieved net profit after taxation of Rs. 147.55 million as against the net profit after taxation of Rs. 18.69 million of same period last year.

FUTURE OUTLOOK

Demand of cement in the local market has witnessed growth during the period under review as compared to same period last year, but off take of the industry was reduced as compared to last quarter of previous financial year mainly due to falling of Holy month of Ramadan during the period in which historically cement dispatches are always slow. Dispatches of cement in local market, however, have started improving in the month of October. Exports to Afghanistan have also improved but exports to India are sluggish. Stable Prices of coal will help industry to keep its cost low however, availability of uninterrupted power at sustainable rates is really critical for the industry.

ACKNOWLEDGEMENT

The Board would like to place on record their sincere appreciation to all the banks, customers and employees of the Company for their continued support, co-operation and dedicated work.

On behalf of the Board



MOHAMMED ASAD FECTO
CHAIRMAN

Karachi: October 30, 2012



Condensed Interim as at September

	Note	Un-audited September 30, 2012 (Rupees in thousands)	Audited June 30, 2012
SHARE CAPITAL			
Authorised			
75,000,000 Ordinary shares of Rs. 10/- each		<u>750,000</u>	<u>750,000</u>
Issued, subscribed and paid-up			
50,160,000 Ordinary shares of Rs. 10/- each		501,600	501,600
GENERAL RESERVE			
		550,000	50,000
ACCUMULATED PROFIT			
		<u>472,010</u>	824,464
		1,523,610	1,376,064
NON-CURRENT LIABILITIES			
Long term financing		187,500	250,000
Liabilities against assets subject to finance lease		4,036	4,648
Deferred taxation	5	10,647	25,809
		202,183	280,457
CURRENT LIABILITIES			
Short term running finance	6	668,002	695,072
Current maturity of long term liabilities		189,582	201,932
Trade and other payables		597,163	755,244
		1,454,747	1,652,248
CONTINGENCIES AND COMMITMENTS			
	7	<u>3,180,540</u>	<u>3,308,769</u>

The annexed notes 1 to 13 form an integral part of these financial statements



Balance Sheet

30, 2012

	Note	Un-audited September 30, 2012 (Rupees in thousands)	Audited June 30, 2012
PROPERTY, PLANT AND EQUIPMENT			
Operating assets	8	2,111,165	2,136,402
Capital work in progress		7,441	1,092
		<u>2,118,606</u>	<u>2,137,494</u>
LONG TERM LOANS AND DEPOSITS			
		34,902	34,924
CURRENT ASSETS			
Stores and spares	9	676,823	796,805
Stock-in-trade		239,498	227,499
Trade debts - considered good		35,734	25,734
Loans, advances, deposits, prepayments and accrued markup		21,881	44,508
Cash and bank balances		53,096	41,805
		<u>1,027,032</u>	<u>1,136,351</u>
		<u><u>3,180,540</u></u>	<u><u>3,308,769</u></u>



(MOHAMMED YASIN FECTO)
Chief Executive



(ROHAIL AJMAL)
Director



Condensed Interim Profit & Loss Account (Un-Audited) For the Three Months ended September 30, 2012

	Note	2012 (Rupees in thousands)	2011
Sales -net		1,081,361	994,234
Cost of sales	10	<u>(791,417)</u>	<u>(837,904)</u>
Gross Profit		289,944	156,330
Administrative expenses		(40,412)	(29,951)
Distribution cost		(66,864)	(74,058)
Finance cost	11	(41,952)	(50,185)
Other income		9,750	2,733
		<u>(139,478)</u>	<u>(151,461)</u>
		150,466	4,869
Workers' funds		<u>(10,382)</u>	<u>(852)</u>
Profit before taxation		140,084	4,017
Provision for taxation			
Current		(7,700)	(10,401)
Deferred		15,161	25,074
Profit after taxation		<u>7,461</u>	<u>14,673</u>
		<u>147,545</u>	<u>18,690</u>
		(Rupees)	
Earning per share - basic & diluted		<u>2.94</u>	<u>0.37</u>

The annexed notes 1 to 13 form an integral part of these financial statements


(MOHAMMED YASIN FECTO)
 Chief Executive


(ROHAIL AJMAL)
 Director



Condensed Interim Statement of Comprehensive
Income (Un-Audited)
For the Three Months ended September 30, 2012

	2012 (Rupees in thousands)	2011
Net Profit after taxation	147,545	18,690
Other comprehensive income	-	-
Total comprehensive Income for the period	<u>147,545</u>	<u>18,690</u>

The annexed notes 1 to 13 form an integral part of these financial statements



(MOHAMMED YASIN FECTO)
Chief Executive



(ROHAIL AJMAL)
Director



Condensed Interim Cash Flow Statement (Un-Audited) For the Three Months ended September 30, 2012

	2012	2011
	(Rupees in thousand)	
Profit before taxation	140,084	4,017
Adjustments for:		
Depreciation	26,771	24,989
Gain on disposal of operating assets	(1,058)	(405)
Finance cost	41,952	50,185
Operating Profit before working capital changes	207,749	78,786
Decrease / (Increase) in stores and spares	119,982	(52,244)
(Increase) in stock-in-trade	(11,999)	(19,040)
(Increase) in trade debts	(10,000)	(4,801)
Decrease / (Increase) in loans, advances, deposits, prepayments and accrued markup	26,252	(10,557)
(Decrease) / Increase in trade and other payables	(123,908)	160,639
Cash generated from operations	208,076	152,783
Income tax (paid/deducted) at source	(11,325)	(14,170)
Decrease / (Increase) Long term loans and deposits	22	(224)
Net cash generated from operating activities	196,773	138,389
Cash flows from investing activities		
Fixed capital expenditure	(8,525)	(6,094)
Sale proceeds of operating assets	1,700	700
Net cash (used) in investing activities	(6,825)	(5,394)
Cash flows from financing activities		
Repayment of long term financing	(75,000)	(75,000)
Finance cost paid	(67,773)	(34,661)
Repayment of lease finance	(462)	(9,254)
Dividend paid	(8,351)	-
Net cash used in financing activities	(151,586)	(118,915)
Net increase in cash and cash equivalents	38,362	14,080
Cash and cash equivalents as at beginning of the period	(653,268)	(604,783)
Cash and cash equivalents as at end of the period	(614,906)	(590,703)
Cash and cash equivalent:		
Cash and bank balances	53,096	22,112
Short term running finance	(668,002)	(612,815)
	(614,906)	(590,703)

The annexed notes 1 to 13 form an integral part of these financial statements


(MOHAMMED YASIN FECTO)
 Chief Executive


(ROHAIL AJMAL)
 Director



Condensed Interim Statement of Changes
in Equity (Un-Audited)
For the Three Months ended September 30, 2012

	Share Capital	General Reserve	Accumulated Profit	Total
	----- (Rupees in thousands) -----			
Balance as at June 30, 2011	501,600	50,000	477,738	1,029,338
Total comprehensive income for the three months ended September 30, 2011				
Profit for the three months ended September 30, 2011	-	-	18,690	18,690
Balance as at September 30, 2011	501,600	50,000	496,428	1,048,028
Total comprehensive income for the nine months ended June 30, 2012				
Profit for the nine months ended June 30, 2012	-	-	328,037	328,037
Balance as at June 30, 2012	501,600	50,000	824,465	1,376,065
Total comprehensive income for the three months ended September 30, 2012				
Profit for the three months ended September 30, 2012	-	-	147,545	147,545
Transaction not effecting the Statement of Equity				
Transferred to General Reserve	-	500,000	(500,000)	-
Balance as at September 30, 2012	501,600	550,000	472,010	1,523,610

The annexed notes 1 to 13 form an integral part of these financial statements



(MOHAMMED YASIN FECTO)
Chief Executive



(ROHAIL AJMAL)
Director



Notes to the Condensed Interim Financial Information (Un-Audited) For the Three Months ended September 30, 2012

1. INTRODUCTION

The Company was incorporated in Pakistan on February 28, 1981 as a public limited company with its Registered Office situated at 35-Darulaman Housing Society, Block 7/8, Shahra-e-Faisal, Karachi, Sindh. Its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges. It is principally engaged in production and sale of cement.

2. BASIS OF PRESENTATION

These condensed interim financial statements (Condensed Interim Financial Information) are un-audited and have been presented in accordance with the International Accounting Standard 34 "Interim Financial Reporting" and are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and the listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges. These condensed interim financial information do not include all of the information required for full annual financial statement, and should be read in conjunction with the financial statements of the company as at and for the year ended June 30, 2012

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial information are the same as those applied in the preparation of preceding annual financial statement for the year ended June 30, 2012

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of condensed interim financial information requires management to make judgments, estimates and assumption that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. However, actual results may differ from these estimates.

In preparing these condensed interim financial information, the significant judgments made by management in applying the company's accounting policies and the key sources of estimates uncertainty were the same as those that applied to the financial statements as at and for the year ended June 30, 2012

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual financial statement as at and for the year ended June 30, 2012



	Un-audited September 30, 2012 (Rupees in thousand)	Audited June 30, 2012
5. DEFERRED TAXATION		
Taxable temporary differences arising in respect of :		
Accelerated tax depreciation	359,959	387,451
Finance lease arrangements	83	(21)
	<u>360,042</u>	<u>387,430</u>
 Deductible temporary difference arising in respect of carried forward losses	 <u>(349,395)</u>	 <u>(361,621)</u>
	<u>10,647</u>	<u>25,809</u>

6. SHORT TERM RUNNING FINANCE-SECURED

The Company has a total finance facility of Rs. 970 million (30 June 2012: Rs. 970 million) which includes Running Finance of Rs. 320 million, Export Refinance of Rs. 400 million and Finance Against imported Material of Rs. 250 million from various banks. These arrangements are secured by way of first pari passu charge over all the Company's movable and immovable properties and hypothecation of Company's stock-in-trade, stores and spares, book debts, machinery, pledge of coal and personal guarantee of sponsoring directors of the Company. The rate of mark-up ranges from 3 months KIBOR plus 1.75% - 3% (30 June 2012: 3 months KIBOR plus 1.75% - 3%) per annum except Export Re-Finance on which mark-up rate is 9.5% (30 June 2012: 11%) per annum. The facilities are available for various periods expiring upto 31 December 2012.

7. CONTINGENCIES AND COMMITMENTS

7.1 CONTINGENCIES

There is no change in the status of Contingencies with respect to Competition Commission of Pakistan case since 30 June 2012. The matter is still pending in respective courts for adjudication.

7.2 COMMITMENTS

Outstanding letters of credit	<u>6,942</u>	<u>31,986</u>
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	September 30, 2012	
	Additions	Disposal (W.D.V)
	(Rupees in thousand)	
8 OPERATING ASSETS		
Additions/ disposal during the period are as follows:		
Owned		
Motor Vehicle	<u>2,176</u>	<u>1,167</u>
	September 30,	June 30,
	2012	2012
9. STORES AND SPARES		
Stores	156,032	193,697
Spares	512,070	504,465
Store in transit	<u>8,721</u>	<u>98,643</u>
	<u>676,823</u>	<u>796,805</u>
10. COST OF SALES		
	Quarter ended September 30	
	2012	2011
Raw and packing material consumed:		
Opening stock	33,427	48,156
Purchases	77,841	95,734
Excavation cost	<u>59,352</u>	<u>59,541</u>
	170,620	203,432
Closing stock	<u>(61,652)</u>	<u>(43,565)</u>
	108,968	159,867
Fuel and power	529,788	614,252
Stores and spares consumed	41,052	7,331
Salaries, wages and benefits	59,847	43,037
Insurance	6,525	6,627
Repairs and maintenance	806	711
Depreciation	19,377	18,809
Other manufacturing overheads	<u>11,867</u>	<u>11,285</u>
	778,230	861,919
Opening work-in-process	154,007	28,926
Closing work-in-process	<u>(153,247)</u>	<u>(76,535)</u>
Cost of goods manufactured	778,990	814,311
Opening finished goods	37,026	32,217
Closing finished goods	<u>(24,599)</u>	<u>(8,624)</u>
	<u>791,417</u>	<u>837,904</u>



11. FINANCE COST	Quarter ended September 30	
	2012	2011
	(Rupees in thousand)	
Markup on:		
Long term loans	14,155	25,587
Lease finance	214	1,019
Running finance	27,775	23,239
Legal documentation fee	16	32
Bank commission and charges	1,339	194
(Gain) / Loss on derivative financial instrument	(1,547)	114
	<u>41,952</u>	<u>50,185</u>

12. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties comprise of parties related to group companies (associated companies), directors, and their close family members, staff provident fund, executives and major shareholders of the Company. Remuneration and benefits to executives of the Company are in accordance with the terms of their employment while contribution to the provident fund is in accordance with the staff service rule. Transactions with related parties during the period other than those disclosed elsewhere in the financial statements were as follows:

Associated company		
Purchases (Frontier Paper Products (Private) Ltd.)	31,570	32,425
Others		
Contribution to employees' provident fund	3,229	2,633
Chief Executive's remuneration	1,803	1,500
Directors's remuneration	1,803	1,500
Directors's meeting fee	25	25
Key management personnel remuneration (excluding Chief Executive and Directors)	24,782	16,416
Repayment of advances by key management personnel	310	142

13. GENERAL

13.1 Non-adjusting event after the balance sheet date

These condensed interim financial statements do not include the effect of Final Cash Dividend at 10% for the year ended June 30, 2012 approved in the Annual General Meeting held on October 25, 2012.

13.2 These condensed interim financial statements were authorised for issue in the Board of Directors meeting held on October 30, 2012



(MOHAMMED YASIN FECTO)
Chief Executive



(ROHAIL AJMAL)
Director



BOOK POST

UNDER POSTAL CERTIFICATE

FECTO CEMENT LIMITED



35, Darulaman Housing Society, Block 7 & 8
Shahra-e-Faisal, Karachi-75350
Phones : 34530120-2, 34530124