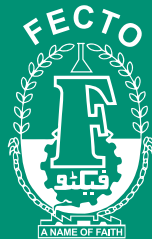


# INTERIM REPORT

September 2013



**FECTO CEMENT LIMITED**

## Contents

Corporate Information .....	2
Directors' Review .....	3
Condensed Interim Balance Sheet .....	6
Condensed Interim Profit and Loss Account .....	8
Condensed Interim Statement of Comprehensive Income....	9
Condensed Interim Cash Flow Statement .....	10
Condensed Interim Statement of Changes in Equity .....	11
Notes to the Condensed Interim Financial information.....	12



## Corporate Information

### BOARD OF DIRECTORS

### CHAIRPERSON

Mrs. Zubeda Bai

### CHIEF EXECUTIVE

Mr. Mohammed Yasin Fecto

### DIRECTORS

Mr. Mohammed Asad Fecto  
 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 Investment Co. Ltd.

### AUDIT COMMITTEE

**Chairman:** Mr. Mohammed Anwar Habib  
**Members:** Mr. Mohammed Asad Fecto  
 Mr. Safdar Abbas Morawala  
 Mr. Altaf A. Hussain

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

### FACTORY

Sangjani, Islamabad

### MARKETING OFFICE

House # 13, Najam Shaheed Street  
 Atta ul Haq Road, Westridge-1  
 Rawalpindi

### SHARE REGISTRAR

Technology Trade (Private) Limited  
 241-C, Block 2, P.E.C.H.S.  
 Karachi



## DIRECTORS' REVIEW

Your directors are pleased to present before you their report together with the unaudited financial results of the company for the quarter ended September 30, 2013.

### OVERVIEW

During the period under review overall dispatches of cement industry witnessed a marginal growth of 1.2% with a total sales volume of 7.80 million tons as against the total sales volume of 7.70 million tons of same period last year. Local sales volume of the industry increased by 2.17% with dispatches of 5.55 million tons as against the sales volume of 5.43 million tons of same period last year whereas exports of the industry reduced by 1.40% with sales volume of 2.24 million tons as against the sales volume of 2.27 million tons of same period last year. Exports to Afghanistan and India reduced by 4.38% and 23.83% respectively during the period under review whereas exports by sea increased 5.99%.

### OPERATING PERFORMANCE

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

	Tonnes	
	2013	2012
<b>Production</b>		
Clinker	<b>165,030</b>	162,150
Cement	<b>159,968</b>	171,876
<b>Dispatches</b>		
Local	<b>105,489</b>	103,948
Export	<b>53,586</b>	71,503
<b>Total</b>	<b>159,075</b>	175,451



During the period under review, production of clinker increased marginally however, production of cement reduced by 6.93% as compared to same period last year mainly due to lesser dispatches.

Overall sales volume of the Company reduced by 9.33% during the period under review because of reduced exports to Afghanistan and India whereas local sales volume of the Company almost remained same.

### FINANCIAL RESULTS

During the period under review Company achieved net sales revenue of Rs. 1,071.75 million as against the net sales revenue of Rs. 1,081.36 million of same period last year witnessing a meager negative growth of 0.88% as against the reduction in sales volume by 9.33% due to improved selling prices in both local and exports as compared to same period last year.

Cost of sales during the period under review reduced by 3.85% however, cost per ton of cement increased by 6.03% as compared to same period last year. During the period under review prices of coal in international market reduced, however, electricity rates were increased by around 60% in August by the Government coupled with increase in diesel prices resulted higher cost of production. Company achieved gross profit of Rs. 310.84 million as against the gross profit of Rs. 289.94 million of same period last year.

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 payment of loans. Company achieved net profit after taxation of Rs. 152.80 million as against the net profit after taxation of Rs. 147.55 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. Prices of coal have also increased in International market whereas higher rates of electricity will continue pressure on profitability of 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 YASIN FECTO**  
CHIEF EXECUTIVE

Karachi: October 30, 2013



	Note	Un-audited September 30, 2013 (Rupees in '000)	Audited June 30, 2013
<b>SHARE CAPITAL</b>			
<b>Authorised</b>			
75,000,000 Ordinary shares of Rs. 10/- each		<u>750,000</u>	<u>750,000</u>
<b>Issued, subscribed and paid-up</b>			
50,160,000 Ordinary shares of Rs. 10/- each		<b>501,600</b>	501,600
<b>GENERAL RESERVE</b>		<b>550,000</b>	550,000
<b>ACCUMULATED PROFIT</b>		<u>1,010,252</u>	<u>857,454</u>
		<b>2,061,852</b>	1,909,054
<b>NON-CURRENT LIABILITIES</b>			
Long term financing		<b>62,500</b>	125,000
Deferred taxation	5	<b>144,625</b>	117,979
		<b>207,125</b>	242,979
<b>CURRENT LIABILITIES</b>			
Short term running finance	6	<b>568,397</b>	463,847
Current maturity of long term liabilities		<b>125,000</b>	125,000
Trade and other payables		<b>611,116</b>	618,142
		<b>1,304,513</b>	1,206,989
<b>CONTINGENCIES AND COMMITMENTS</b>	7		
		<u>3,573,490</u>	<u>3,359,022</u>

The annexed notes 1 to 14 form an integral part of these Condensed Interim Financial Information.



# Balance Sheet

September 30, 2013

	Note	Un-audited September 30, 2013 (Rupees in '000)	Audited June 30, 2013
<b>PROPERTY, PLANT AND EQUIPMENT</b>			
Operating assets	8	2,027,003	2,051,702
Capital work in progress		<u>10,367</u>	<u>-</u>
		2,037,370	2,051,702
<b>LONG TERM LOANS AND DEPOSITS</b>			
		19,893	19,730
<b>CURRENT ASSETS</b>			
Stores and spares	9	901,048	874,058
Stock-in-trade		469,091	308,566
Trade debts - considered good		22,535	15,125
Loans, advances, deposits, prepayments and accrued markup		50,661	41,460
Cash and bank balances		<u>72,892</u>	<u>48,381</u>
		1,516,227	1,287,590
		<u>3,573,490</u>	<u>3,359,022</u>

  
(MOHAMMED YASIN FECTO)  
Chief Executive

  
ROHAIL AJMAL  
Director





## Condensed Interim Profit & Loss Account (Un-Audited) For the three months ended September, 2013

	Note	2013 (Rupees in '000)	2012
Sales -net	10	1,071,748	1,081,361
Cost of sales	11	<u>(760,909)</u>	<u>(791,417)</u>
Gross Profit		<b>310,839</b>	289,944
Administrative expenses		<u>(38,391)</u>	<u>(40,412)</u>
Distribution cost		<u>(50,907)</u>	<u>(66,864)</u>
Finance cost	12	<u>(26,462)</u>	<u>(41,952)</u>
Other income		<u>5,277</u>	<u>9,750</u>
		<u>(110,483)</u>	<u>(139,478)</u>
		<b>200,356</b>	150,466
Workers' funds		<u>(13,825)</u>	<u>(10,382)</u>
Profit before taxation		<b>186,531</b>	140,084
Provision for taxation			
Current		<u>(7,087)</u>	<u>(7,700)</u>
Deferred		<u>(26,646)</u>	<u>15,161</u>
		<b>(33,733)</b>	7,461
Profit after taxation		<u><b>152,798</b></u>	<u>147,545</u>
		<b>(Rupees)</b>	
Earning per share - basic & diluted		<u><b>3.05</b></u>	<u>2.94</u>

The annexed notes 1 to 14 form an integral part of these Condensed Interim Financial Information.

  
**(MOHAMMED YASIN FECTO)**  
 Chief Executive

  
**ROHAIL AJMAL**  
 Director



Condensed Interim Statement of Comprehensive  
Income (Un-Audited)  
For the three months ended September 30, 2013

	Note	2013	2012
		(Rupees in '000)	
<b>Net Profit after taxation</b>		<b>152,798</b>	147,545
<b>Other comprehensive income</b>		-	-
Total comprehensive Income for the period		<u><b>152,798</b></u>	<u>147,545</u>

The annexed notes 1 to 14 form an integral part of these Condensed Interim Financial Information.



(MOHAMMED YASIN FECTO)  
Chief Executive



ROHAIL AJMAL  
Director



## Condensed Interim Cash Flow Statement (Un-Audited) For the three months ended September 30, 2013

	Note	2013 (Rupees in '000)	2012
Profit before taxation		186,531	140,084
Adjustments for:			
Depreciation		26,601	26,771
Gain on disposal of operating assets		-	(1,058)
Finance cost		26,462	41,952
Operating Profit before working capital changes		<u>239,594</u>	207,749
(Increase) / Decrease in stores and spares		(26,989)	119,982
(Increase) in stock-in-trade		(160,525)	(11,999)
(Increase) in trade debts		(7,410)	(10,000)
Decrease in loans, advances, deposits, prepayments and accrued markup		19,908	26,252
(Decrease) in trade and other payables		(1,723)	(123,908)
Cash generated from operations		<u>62,855</u>	208,076
Income tax (paid/deducted) at source		(36,195)	(11,325)
(Increase) / Decrease Long term loans and deposits		(163)	22
Net cash generated from operating activities		<u>26,497</u>	196,773
Cash flows from investing activities			
Fixed capital expenditure		(12,269)	(8,525)
Sale proceeds of operating assets		-	1,700
Net cash (used) in investing activities		(12,269)	(6,825)
Cash flows from financing activities			
Repayment of long term financing		(62,500)	(75,000)
Finance cost paid		(31,767)	(67,773)
Repayment of lease finance		-	(462)
Dividend paid		-	(8,351)
Net cash (used) in financing activities		<u>(94,267)</u>	(151,586)
Net (Decrease) / Increase in cash and cash equivalents		<u>(80,039)</u>	38,362
Cash and cash equivalents as at beginning of the period		(15,466)	(253,268)
Cash and cash equivalents as at end of the period		<u>(95,505)</u>	<u>(214,906)</u>
Cash and cash equivalent:			
Cash and bank balances		72,892	53,096
Short term running finance		(168,397)	(268,002)
		<u>(95,505)</u>	<u>(214,906)</u>

The annexed notes 1 to 14 form an integral part of these Condensed Interim Financial Information.



  
**(MOHAMMED YASIN FECTO)**  
 Chief Executive

  
**ROHAIL AJMAL**  
 Director

Condensed Interim Statement of Changes  
in Equity (Un-Audited)  
For the three months ended September 30, 2013

	Share Capital	General Reserve	Accumulated Profit	Total
	(Rupees in '000)			
Balance as at 30 June 2012	501,600	50,000	824,465	1,376,065
<b>Total comprehensive income for the three months ended September 30, 2012</b>				
Profit for the three months ended September 30, 2012	-	-	147,545	147,545
<b>Transaction not effecting the statement of Equity</b>				
Transferred to General Reserve	-	500,000	(500,000)	-
Balance as at September 30, 2012	<u>501,600</u>	<u>550,000</u>	<u>472,010</u>	<u>1,523,610</u>
Final Cash Dividend @ 10% for the year ended June 30, 2012	-	-	(50,160)	(50,160)
<b>Total comprehensive income for the nine months ended June 30, 2013</b>				
Profit for the nine months ended June 30, 2013	-	-	435,604	435,604
Balance as at June 30, 2013	<u>501,600</u>	<u>550,000</u>	<u>857,454</u>	<u>1,909,054</u>
<b>Total comprehensive income for the three months ended September 30, 2013</b>				
Profit for the three months ended September 30, 2013	-	-	152,798	152,798
Balance as at September 30, 2013	<u>501,600</u>	<u>550,000</u>	<u>1,010,252</u>	<u>2,061,852</u>

The annexed notes 1 to 14 form an integral part of these Condensed Interim Financial Information.

  
(MOHAMMED YASIN FECTO)  
Chief Executive

  
ROHAIL AJMAL  
Director



## Notes to the Condensed Interim Financial Information (Un-Audited) For the three months ended September 30, 2013

### 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, 2013

### 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, 2013

### 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, 2013

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, 2013



	Un-audited September 30, 2013	Audited June 30, 2013
<b>5. DEFERRED TAXATION</b>	(Rupees in '000)	
Taxable temporary differences arising in respect of : Accelerated tax depreciation	441,975	448,400
Deductible temporary difference arising in respect of Provision against slow moving and obsolete spares	(3,570)	(3,570)
Available tax losses	<u>(293,780)</u>	<u>(326,851)</u>
	<u>144,625</u>	<u>117,979</u>

## 6. SHORT TERM RUNNING FINANCE-SECURED

The Company has a total finance facility of Rs. 1,470 million (30 June 2013: Rs. 1,470 million) which includes Running Finance of Rs. 520 million, Export Refinance of Rs. 400 million and Finance Against imported Material of Rs. 550 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 2013: 3 months KIBOR plus 1.75% - 3%) per annum except Export Re-Finance on which mark-up rate is 9.4% (30 June 2013: 9.4%) per annum. The facilities are available for various periods expiring upto 31 December 2013.

## 7. CONTINGENCIES AND COMMITMENTS

### 7.1 CONTINGENCIES

There is no material change since 30 June 2013.

### 7.2 COMMITMENTS

Outstanding letters of credit	<u>128,303</u>	<u>121,412</u>
	<b>September 30, 2013</b>	
	<b>Additions</b>	<b>Disposal (W.D.V)</b>

## 8. OPERATING ASSETS

(Rupees in '000)

Additions/ disposal during the period are as follows:

Owned		
Furniture, fixture and equipment	892	-
Motor Vehicle	<u>1,010</u>	<u>-</u>
	<u>1,902</u>	<u>-</u>



	Un-audited September 30, 2013	Audited June 30, 2013
<b>9. STORES AND SPARES</b>		
	(Rupees in '000)	
Stores	355,974	294,845
Spares	556,409	545,908
Store in transit	3,665	48,305
Provision against slow moving and obsolete spares	(15,000)	(15,000)
	<u>901,048</u>	<u>874,058</u>
	Three months ended September 30	
	2013	2012
	(Rupees in '000)	
<b>10. SALES-NET</b>		
Sales - Local	919,171	780,200
Less: Excise duty	(42,195)	(41,579)
Sales tax	(149,904)	(108,348)
	<u>(192,099)</u>	<u>(149,927)</u>
	727,072	630,273
Sales - Export	342,489	448,676
Export Rebate	2,187	2,412
	<u>344,676</u>	<u>451,088</u>
	<u>1,071,748</u>	<u>1,081,361</u>
<b>11. COST OF SALES</b>		
Raw and packing material consumed:		
Opening stock	60,910	33,427
Purchases	101,882	77,841
Excavation cost	102,533	59,352
	<u>265,325</u>	<u>170,620</u>
Closing stock	(137,184)	(61,652)
	128,141	108,968
Fuel and power	586,435	529,788
Stores and spares consumed	26,342	41,052
Salaries, wages and benefits	61,784	59,847
Insurance	6,550	6,525
Repairs and maintenance	1,647	806
Depreciation	19,394	19,377
Other manufacturing overheads	14,865	11,867
	<u>845,158</u>	<u>778,230</u>
Opening work-in-process	212,319	154,007
Closing work-in-process	(290,584)	(153,247)
Cost of goods manufactured	<u>766,893</u>	<u>778,990</u>
Opening finished goods	35,338	37,026
Closing finished goods	(41,322)	(24,599)
	<u>760,909</u>	<u>791,417</u>



12. FINANCE COST	Three months ended September 30	
	2013	2012
	(Rupees in '000)	
Markup on:		
Long term loans	7,883	14,155
Lease finance	-	214
Running finance	18,124	27,775
Legal documentation fee	-	16
Bank commission and charges	455	1,339
(Gain) on derivative financial instrument	-	(1,547)
	<u>26,462</u>	<u>41,952</u>

### 13. 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:

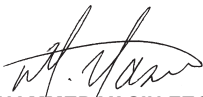
Associated company	Three months ended September 30	
	2013	2012
	(Rupees in '000)	
At 01 July	26,470	54,479
Purchases (Frontier Paper Products (Private) Ltd.)	32,466	31,570
Payment during the period	(16,986)	(25,821)
	<u>41,950</u>	<u>60,228</u>
<b>Others</b>		
Contribution to employees' provident fund	3,124	3,229
Chief Executive's remuneration	1,803	1,803
Directors's remuneration	1,803	1,803
Directors's meeting fee	20	25
Key management personnel remuneration (excluding Chief Executive and Directors)	24,572	24,782
Repayment of advances by key management personnel	155	310





**14. GENERAL****14.1 Non-adjusting event after the balance sheet date**

These condensed interim financial statements do not include the effect of Final Cash Dividend at 15% for the year ended June 30, 2013 approved in the Annual General Meeting held on October 28, 2013.

**14.2** These condensed interim financial statements were authorised for issue in the Board of Directors meeting held on October 30, 2013

**(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