



**FECTO
CEMENT
LIMITED**

**Interim Report
September 2014**

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, Shakra-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 three months ended September 30, 2014.

OVERVIEW

During the period under review overall dispatches of cement industry witnessed a growth of 4.68% with total sales volume of 8.16 million tons as against the total sales volume of 7.80 million tons of same period last year. Local sales volume of the industry increased by 9.85% with dispatches of 6.10 million tons as against the sales volume of 5.55 million tons of same period last year whereas exports of the industry reduced by 8.13% with sales volume of 2.06 million tons as against the sales volume of 2.24 million tons of same period last year.

OPERATING PERFORMANCE

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

	Tons		Change in
	2014	2013	%
Production			
Clinker	161,130	165,030	(2.36)
Cement	164,039	159,968	(2.54)
Dispatches			
Local	111,128	105,489	5.35
Export	51,513	53,586	(3.87)
Total	<u>162,641</u>	<u>159,075</u>	<u>2.24</u>

During the period under review, production of clinker reduced by 2.36% whereas, production of cement increased by 2.54% as compared to same period last year.



Overall sales volume of the Company increased by 2.24% during the period under review out of which local sales volume increased by 5.35% whereas exports of the Company reduced by 3.87% of same period last year.

FINANCIAL RESULTS

During the period under review Company achieved net sales revenue of Rs. 1,116 million as against the net sales revenue of Rs. 1,072 million of same period last year witnessing a growth of 4.12% out of which 2.24% was of volumetric growth and remaining 1.88% due to improved selling prices in local market. Retention price of exports remained under pressure and reduced by 7.71% as compared to same period last year.

Cost of sales during the period under review witnessed marginal increase as compared to same period last year. During the period under review prices of coal in international market reduced, however, electricity rates were on the higher side as compared to same period last year as rates were increased by around 60% in August 13 by the Government. Company achieved gross profit of Rs. 353 million as against the gross profit of Rs. 311 million of same period last year.

Administrative expenses increased whereas distribution and Finance costs reduced during the period under review as compared to same period last year. Company achieved net profit after taxation of Rs.163 million as against the net profit after taxation of Rs. 153 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, exports of the industry however, reduced as compared to same period last year. Dispatches of cement in local market are expected to further improve but exports are expected to be remained under pressure resulting reduction in retention price. Prices of coal have reduced in International market however; 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, 2014



Condensed Interim as at

		Un-audited September 30, 2014	Audited June 30, 2014
	Note	(Rupees in '000)	
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 Issued for cash		501,600	501,600
GENERAL RESERVE		550,000	550,000
ACCUMULATED PROFIT		<u>1,490,480</u>	<u>1,327,395</u>
		2,542,080	2,378,995
NON-CURRENT LIABILITIES			
Long term financing		170,000	260,000
Deferred taxation	5	290,240	245,133
		460,240	505,133
CURRENT LIABILITIES			
Short term running finance	6	425,223	407,643
Current maturity of long term liabilities		230,000	140,000
Trade and other payables		488,259	461,480
		1,143,482	1,009,123
CONTINGENCIES AND COMMITMENTS	7	<u>4,145,802</u>	<u>3,893,251</u>

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



Balance Sheet

September 30, 2014

	Un-audited September 30, 2014	Audited June 30, 2014
Note	(Rupees in '000)	
PROPERTY, PLANT AND EQUIPMENT		
Operating assets	8 1,945,395	1,964,768
Capital work in progress	<u>6,923</u>	<u>348</u>
	1,952,318	1,965,116
 LONG TERM LOANS AND DEPOSITS		
	24,767	25,720
 CURRENT ASSETS		
Stores and spares	9 1,041,867	955,915
Stock-in-trade	791,025	637,343
Trade debts - considered good	14,338	16,527
Loans, advances, deposits, prepayments and accrued markup	<u>170,662</u>	<u>137,278</u>
Cash and bank balances	<u>150,825</u>	<u>155,352</u>
	2,168,717	1,902,415
	<u>4,145,802</u>	<u>3,893,251</u>


(MOHAMMED YASIN FECTO)
Chief Executive

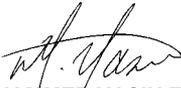

(ROHAIL AJMAL)
Director



Condensed Interim Profit & Loss Account (Un-audited) for the three months ended September 30, 2014

	Note	2014 (Rupees in '000)	2013
Sales -net	10	1,115,953	1,071,748
Cost of sales	11	<u>(763,446)</u>	<u>(760,909)</u>
Gross Profit		352,507	310,839
Administrative expenses		(52,711)	(38,391)
Distribution cost		(49,114)	(50,907)
Finance cost	12	(18,036)	(26,462)
Other income		<u>2,978</u>	<u>5,277</u>
		<u>(116,883)</u>	<u>(110,483)</u>
		235,624	200,356
Workers' funds		<u>(16,258)</u>	<u>(13,825)</u>
Profit before taxation		219,366	186,531
Provision for taxation			
Current		(11,174)	(7,087)
Deferred		(45,107)	(26,646)
		<u>(56,281)</u>	<u>(33,733)</u>
Profit after taxation		<u>163,085</u>	<u>152,798</u>
		----- (Rupees) -----	
Earning per share - basic & diluted		<u>3.25</u>	<u>3.05</u>

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


(MOHAMMED YASIN FECTO)
 Chief Executive

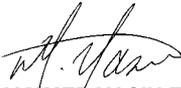

(ROHAIL AJMAL)
 Director



Condensed Interim Statement of Comprehensive
Income (un-audited)
for the three months ended September 30, 2014

	2014	2013
	(Rupees in '000)	
Net Profit after taxation	163,085	152,798
Other comprehensive income	-	-
Total comprehensive income for the period	<u>163,085</u>	<u>152,798</u>

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


(MOHAMMED YASIN FECTO)
Chief Executive

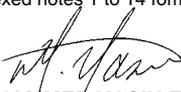

(ROHAIL AJMAL)
Director



Condensed Interim Cash Flow Statement (Un-audited) for the three months ended September 30, 2014

	2014 (Rupees in '000)	2013
Profit before taxation	219,366	186,531
Adjustments for:		
Depreciation	26,801	26,601
Finance cost	18,036	26,462
Operating Profit before working capital changes	264,203	239,594
Increase in stores and spares	(85,952)	(26,989)
Increase in stock-in-trade	(153,682)	(160,525)
Decrease / (Increase) in trade debts	2,189	(7,410)
(Increase) / Decrease in loans, advances, deposits, prepayments and accrued markup	(29,584)	19,908
Increase / (Decrease) in trade and other payables	46,428	(1,723)
Cash generated from operations	43,602	62,855
Income tax (paid/deducted) at source	(14,973)	(36,195)
Decrease / (Increase) Long term loans and deposits	953	(163)
Net cash generated from operating activities	29,582	26,497
Cash flows from investing activities		
Fixed capital expenditure	(14,003)	(12,269)
Net cash (used) in investing activities	(14,003)	(12,269)
Cash flows from financing activities		
Repayment of long term financing	-	(62,500)
Finance cost paid	(19,071)	(31,767)
Dividend paid	(18,614)	-
Net cash (used) in financing activities	(37,685)	(94,267)
Net (Decrease) in cash and cash equivalents	(22,106)	(80,039)
Cash and cash equivalents as at beginning of the period	147,708	(15,466)
Cash and cash equivalents as at end of the period	125,602	(95,505)
Cash and cash equivalent:		
Cash and bank balances	150,825	72,892
Short term running finance	(25,223)	(168,397)
	125,602	(95,505)

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


(MOHAMMED YASIN FECTO)
Chief Executive

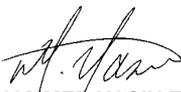

(ROHAIL AJMAL)
Director



Condensed Interim Statement Changes in Equity (Un-audited) for the three months ended September 30, 2014

	Share Capital	General Reserve	Accumu- lated Profit	Total
----- (Rupees in '000) -----				
Balance as at 30 June, 2013	501,600	550,000	857,454	1,909,054
Total comprehensive income 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>
Total comprehensive income for the nine months ended June 30, 2014	-	-	442,543	442,543
Transactions with owners recorded directly in equity				
Final Cash dividend @ 15% for the year ended 30 June, 2013	-	-	(75,240)	(75,240)
Interim Cash dividend @ 10% for the year ending 30 June, 2014	-	-	(50,160)	(50,160)
Balance as at 30 June, 2014	<u>501,600</u>	<u>550,000</u>	<u>1,327,395</u>	<u>2,378,995</u>
Total comprehensive income for the three months ended September 30, 2014	-	-	163,085	163,085
Balance as at September 30, 2014	<u>501,600</u>	<u>550,000</u>	<u>1,490,480</u>	<u>2,542,080</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, 2014

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

2.1 Statement of compliance

These Condensed interim financial information of the Company for the three months period ended 30 September, 2014 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and the provisions of and directives issued under Companies Ordinance, 1984. In case where requirements differ, the provisions and directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim financial information is unaudited and is being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and the listing regulation of Karachi, Lahore and Islamabad Stock Exchanges.

This condensed interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with the annual audited financial statements of the company as at and for the year ended 30 June, 2014.

The comparative balance sheet presented in this condensed interim financial information as at 30 September, 2014 has been extracted from the audited financial statements of the Company for the year ended 30 June, 2014, whereas the comparative profit and loss account, statement of comprehensive income, statement of changes in equity and the cash flow statement are extracted from the unaudited condensed interim financial information for the three months period ended 30 September, 2013.

2.2 Functional and presentation currency

This condensed interim financial information is presented in Pakistani Rupees which is the Company's functional currency.

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, 2014.



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, 2014.

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, 2014.

	Un-audited September 30, 2014	Audited June 30, 2014
	(Rupees in '000)	
5. DEFERRED TAXATION		
Taxable temporary differences arising in respect of :		
Accelerated tax depreciation	409,831	418,909
Deductible temporary difference arising in respect of		
Provision against slow moving and obsolete spares	(3,366)	(3,570)
Available tax losses	(116,225)	(170,206)
	<u>290,240</u>	<u>245,133</u>

6. SHORT TERM RUNNING FINANCE-SECURED

The Company has a total finance facility of Rs. 1,770 million (30 June 2014: Rs. 1,770 million) which includes Running Finance of Rs. 520 million, Export Refinance of Rs. 400 million and Finance against Imported Material of Rs. 850 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 2014: 3 months KIBOR plus 1.75% - 3%) per annum except Export Re-Finance on which mark-up rate is 7.5% (30 June 2014: 9.4%) per annum. The facilities are available for various periods expiring upto 31 July 2015.



7. CONTINGENCIES AND COMMITMENTS

7.1 CONTINGENCIES

There is no material change in contingencies since 30 June 2014.

7.2 COMMITMENTS

Outstanding letters of credit	<u>179,742</u>	<u>128,303</u>
-------------------------------	----------------	----------------

September 30, 2014

Additions	Disposal (W.D.V)
------------------	-----------------------------

(Rupees in '000)

8. OPERATING ASSETS

Additions/ disposal during the period are as follows:

Owned

Motor Vehicle

<u>7,428</u>	-
<u>7,428</u>	-

Un-audited September 30, 2014	Audited June 30, 2014
--	--------------------------------------

(Rupees in '000)

9. STORES AND SPARES

Stores	314,099	300,988
Spares	581,674	571,332
Store in transit	161,094	98,595
Provision against slow moving and obsolete spares	(15,000)	(15,000)
	<u>1,041,867</u>	<u>955,915</u>

**Three months ended September 30
2014**

2013

(Rupees in '000)

10. SALES-NET

Sales - Local	1,018,168	919,171
Less: Excise duty	(47,314)	(42,195)
Sales tax	(160,761)	(149,904)
	<u>(208,075)</u>	(192,099)
	810,093	727,072

Sales - Export

Export Rebate

304,350	342,489
1,510	2,187
305,860	344,676
<u>1,115,953</u>	<u>1,071,748</u>



Three months ended September 30

2014 2013

(Rupees in '000)

11. COST OF SALES

Raw and packing material consumed:

Opening stock	384,591	60,910
Purchases	80,759	101,882
Excavation cost	129,573	102,533
	<u>594,923</u>	<u>265,325</u>
Closing stock	(504,476)	(137,184)
	<u>90,447</u>	<u>128,141</u>
Fuel and power	565,393	586,435
Stores and spares consumed	15,363	26,342
Salaries, wages and benefits	82,648	61,784
Insurance	6,949	6,550
Repairs and maintenance	1,548	1,647
Depreciation	19,406	19,394
Other manufacturing overheads	15,489	14,865
	<u>797,243</u>	<u>845,158</u>
Opening work-in-process	219,874	212,319
Closing work-in-process	(247,129)	(290,584)
	<u>769,988</u>	<u>766,893</u>
Cost of goods manufactured	769,988	766,893
Opening finished goods	32,878	35,338
Closing finished goods	(39,420)	(41,322)
	<u>763,446</u>	<u>760,909</u>

12. FINANCE COST

Markup on:

Long term loans	12,780	7,883
Running finance	4,986	18,124
Bank commission and charges	270	455
	<u>18,036</u>	<u>26,462</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 rules. Transactions with related parties during the period other than those disclosed elsewhere in the financial statements were as follows:

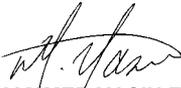
	Three months ended September 30,	
	2014	2013
	(Rupees in '000)	
Associated company		
At 01 July	40,457	26,470
Purchases (Frontier Paper Products (Private) Ltd.)	35,851	32,466
Payment during the period	<u>(27,942)</u>	<u>(16,986)</u>
	<u><u>48,366</u></u>	<u><u>41,950</u></u>
Others		
Contribution to employees' provident fund	3,498	3,124
Chief Executive's remuneration	4,211	1,803
Directors's remuneration	4,211	1,803
Directors's meeting fee	20	20
Key management personnel remuneration (excluding Chief Executive and Directors)	33,980	24,572
Repayment of advances by key management personnel	278	155

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, 2014 approved in the Annual General Meeting held on October 28, 2014.

14.2 These condensed interim financial statements were authorised for issue in the Board of Directors meeting held on October 30, 2014.


(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