



Interim Report September 2015
FECTO CEMENT LIMITED



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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-75350
 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 un-audited financial results of the company for the three months ended September 30, 2015.

OVERVIEW

During the period under review overall dispatches of cement industry witnessed a growth of 1.43% with total sales volume of 8.274 million tons as against the total sales volume of 8.157 million tons of same period last year. Local sales volume of the industry witnessed a handsome growth of 11.12% with dispatches of 6.774 million tons as against the sales volume of 6.097 million tons of same period last year. Exports of the industry, however, reduced by 27.23% with sales volume of 1.499 million tons as against the sales volume of 2.060 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
	2015	2014	%
Production			
Clinker	136,530	161,130	(15.27)
Cement	161,894	164,039	(1.31)
Dispatches			
Local	126,164	111,128	13.53
Export	32,409	51,513	(37.08)
Total	<u>158,573</u>	<u>162,641</u>	<u>(2.50)</u>

During the period under review, production of clinker reduced by 15.27% whereas, production of cement decreased by 1.31% as compared to same period last year.



Overall sales volume of the Company reduced by 2.50% during the period under review mainly due to exports which reduced by 37.08% as against the reduction of 27.23% in the industry volume. Local sales volume of the Company whereas witnessed a growth of 13.53% as against the industry growth of 11.12%.

FINANCIAL RESULTS

During the period under review overall net sales revenue of the Company remained same as compared to same period last year. Local sales revenue of the Company reached to Rs.906 million as against Rs.810 million of same period last year. This growth in revenue was achieved because of improved local sales volume, whereas retention prices marginally reduced. Retention price of exports, however, improved by 10% during the period under review as compared to same period last year despite reduction in volume.

Cost of sales during the period under review reduced by 2.34%. Cost on account of coal and electricity reduced during the period, however, cost on account of salaries and store and spare consumption increased during the period. Company achieved gross profit of Rs.371 million as against the gross profit of Rs.353 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.181 million as against the net profit after taxation of Rs.163 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 despite improved prices. Dispatches of cement in local market are expected of continuing with same pace considering the improved law and order situation, planned expenditure on infrastructure and lower inflation and interest rate scenario. Exports on the other hand would remain under pressure as prices in Afghanistan have reduced during the month of October. Prices of coal have reduced significantly in international market, hence providing relief to the industry.



MINING LEASE

There is no change in the status of issue of mining lease cancellation as we reported in our last report for the year ended June 30, 2015, on which Statutory Auditors' also drawn attention of the members in their report for the year as mentioned above.

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, 2015



Condensed Interim as at

	Un-audited September 30, 2015	Audited June 30, 2015
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	501,600	501,600
GENERAL RESERVE	550,000	550,000
ACCUMULATED PROFIT	<u>2,050,267</u>	<u>1,869,625</u>
	3,101,867	2,921,225
NON-CURRENT LIABILITIES		
Long term financing	40,000	80,000
Deferred taxation	5 438,860	436,830
	478,860	516,830
CURRENT LIABILITIES		
Short term running finance	6 -	200,000
Current maturity of long term liabilities	80,000	180,000
Trade and other payables	432,610	435,068
	512,610	815,068
CONTINGENCIES AND COMMITMENTS	7	
	<u>4,093,337</u>	<u>4,253,123</u>

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



Balance Sheet

September 30, 2015

	Un-audited September 30, 2015	Audited June 30, 2015
Note	(Rupees in '000)	
PROPERTY, PLANT AND EQUIPMENT		
Operating assets	8 1,938,707	1,957,505
Capital work in progress	<u>4,683</u>	<u>3,640</u>
	1,943,390	1,961,145
LONG TERM LOANS AND DEPOSITS		
	11,351	11,857
CURRENT ASSETS		
Stores and spares	9 928,467	824,561
Stock-in-trade	1,030,593	1,062,162
Trade debts - considered good	15,030	13,549
Loans, advances, deposits, prepayments and accrued markup	114,419	159,399
Cash and bank balances	50,087	220,450
	2,138,596	2,280,121
	<u>4,093,337</u>	<u>4,253,123</u>


(MOHAMMED YASIN FECTO)
 Chief Executive


(ROHAIL AJMAL)
 Director



Condensed Interim Profit & Loss Account (Un-audited) for the three months ended September 30, 2015

	Note	2015 (Rupees in '000)	2014
Sales -net	10	1,116,667	1,115,953
Cost of sales	11	<u>(745,583)</u>	<u>(763,446)</u>
Gross Profit		371,084	352,507
Administrative expenses		<u>(63,428)</u>	<u>(52,711)</u>
Distribution cost		<u>(41,295)</u>	<u>(49,114)</u>
Finance cost	12	<u>(5,932)</u>	<u>(18,036)</u>
Other income		<u>1,964</u>	<u>2,978</u>
		<u>(108,691)</u>	<u>(116,883)</u>
		262,393	235,624
Workers' funds		<u>(18,105)</u>	<u>(16,258)</u>
Profit before taxation		244,288	219,366
Provision for taxation			
Current		<u>(61,615)</u>	<u>(11,174)</u>
Deferred		<u>(2,031)</u>	<u>(45,107)</u>
		(63,646)	(56,281)
Profit after taxation		<u>180,642</u>	<u>163,085</u>
		----- (Rupees) -----	
Earning per share - basic & diluted		<u>3.60</u>	<u>3.25</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, 2015

	2015	2014
	(Rupees in '000)	
Net Profit after taxation	180,642	163,085
Other comprehensive income	-	-
Total comprehensive income for the period	<u><u>180,642</u></u>	<u><u>163,085</u></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, 2015

	2015 (Rupees in '000)	2014
Profit before taxation	244,288	219,366
Adjustments for:		
Depreciation	28,344	26,801
Finance cost	5,932	18,036
Operating Profit before working capital changes	278,564	264,203
(Increase) in stores and spares	(103,906)	(85,952)
Decrease / (Increase) in stock-in-trade	31,569	(153,682)
(Increase) / Decrease in trade debts	(1,482)	2,189
Decrease / (Increase) in loans, advances, deposits, prepayments and accrued markup	7,296	(29,584)
Increase in trade and other payables	3,402	46,428
Cash generated from operations	215,443	43,602
Income tax (paid/deducted) at source	(23,934)	(14,973)
Decrease in Long term loans and deposits	506	953
Net cash generated from operating activities	192,015	29,582
Cash flows from investing activities		
Fixed capital expenditure	(10,589)	(14,003)
Net cash (used) in investing activities	(10,589)	(14,003)
Cash flows from financing activities		
Repayment of long term financing	(140,000)	-
Repayment of Short term financing	(200,000)	-
Finance cost paid	(11,787)	(19,071)
Dividend paid	(2)	(18,614)
Net cash (used) in financing activities	(351,789)	(37,685)
Net (Decrease) in cash and cash equivalents	(170,363)	(22,106)
Cash and cash equivalents as at beginning of the period	220,450	147,708
Cash and cash equivalents as at end of the period	<u>50,087</u>	<u>125,602</u>
Cash and cash equivalent:		
Cash and bank balances	50,087	150,825
Short term running finance	-	(25,223)
	<u>50,087</u>	<u>125,602</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 Changes in Equity (Un-audited) for the three months ended September 30, 2015

	Share Capital	General Reserve	Accumu- lated Profit	Total
----- (Rupees in '000) -----				
Balance as at 30 June, 2014	501,600	550,000	1,327,395	2,378,995
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>
Total comprehensive income for the nine months ended June 30, 2015	-	-	454,385	454,385
Transactions with owners recorded directly in equity				
Final Cash dividend @ 15% for the year ended 30 June, 2014	-	-	(75,240)	(75,240)
Balance as at 30 June, 2015	<u>501,600</u>	<u>550,000</u>	<u>1,869,625</u>	<u>2,921,225</u>
Total comprehensive income for the three months ended September 30, 2015	-	-	180,642	180,642
Balance as at September 30, 2015	<u><u>501,600</u></u>	<u><u>550,000</u></u>	<u><u>2,050,267</u></u>	<u><u>3,101,867</u></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, 2015

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 2015 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 2015.

The comparative balance sheet presented in this condensed interim financial information as at 30 September 2015 has been extracted from the audited financial statements of the Company for the year ended 30 June 2015, 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 2014.

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, 2015.



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, 2015.

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, 2015.

	Un-audited September 30, 2015 (Rupees in '000)	Audited June 30, 2015
5. DEFERRED TAXATION		
Taxable temporary differences arising in respect of :		
Accelerated tax depreciation	442,796	440,889
Deductible temporary difference arising in respect of		
Provision against slow moving and obsolete spares	(3,936)	(4,059)
Available tax losses	-	-
	<u>438,860</u>	<u>436,830</u>

6. SHORT TERM RUNNING FINANCE-SECURED

The Company has a total finance facility of Rs. 2,120 million (2015: Rs. 2,120 million) which includes Running Finance of Rs. 570 million, Export Refinance of Rs. 500 million and Finance Against imported Material and Murahbah /Istisna cum Wakala of Rs. 1,050 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% - 3% (2015: 3 months KIBOR plus 1.75% - 3%) per annum except Export Re-Finance on which mark-up rate is 6% (2015: 6%) per annum. The facilities are available for various periods expiring upto 31 December 2015.



7. CONTINGENCIES AND COMMITMENTS

7.1 CONTINGENCIES

There is no material change in contingencies since 30 June 2015.

7.2 COMMITMENTS

Outstanding letters of credit

	<u>49,113</u>	<u>44,450</u>
	September 30, 2015	
	Additions	Disposal (W.D.V)
	(Rupees in '000)	

8. OPERATING ASSETS

Additions/ disposal during the period are as follows:

Owned

Land

Motor Vehicle

	13	
	9,534	-
	<u>9,547</u>	<u>-</u>

Un-audited September 30, 2015	Audited June 30, 2015
(Rupees in '000)	

9. STORES AND SPARES

Stores

Spares

Store in transit

Provision against slow moving and obsolete spares

	329,446	219,508
	606,706	606,897
	7,315	13,156
	<u>(15,000)</u>	<u>(15,000)</u>
	<u>928,467</u>	<u>824,561</u>

Three months ended September 30	
2015	2014
(Rupees in '000)	

10. SALES-NET

Sales - Local

Less: Excise duty

Sales tax

	1,142,728	1,018,168
	<u>(53,740)</u>	<u>(47,314)</u>
	<u>(182,647)</u>	<u>(160,761)</u>
	<u>(236,387)</u>	<u>(208,075)</u>
	906,341	810,093

Sales - Export

Export Rebate

	<u>208,753</u>	<u>304,350</u>
	1,573	1,510
	<u>210,326</u>	<u>305,860</u>
	<u>1,116,667</u>	<u>1,115,953</u>



Three months ended September 30
2015 **2014**
(Rupees in '000)

11. COST OF SALES

Raw and packing material consumed:

Opening stock	635,203	384,591
Purchases	64,417	80,759
Excavation cost	47,732	129,573
	747,352	594,923
Closing stock	(613,508)	(504,476)
	133,845	90,447
Fuel and power	419,573	565,393
Stores and spares consumed	34,260	15,363
Salaries, wages and benefits	99,545	82,648
Insurance	6,527	6,949
Repairs and maintenance	5,029	1,548
Depreciation	19,784	19,406
Other manufacturing overheads	17,147	15,489
	735,710	797,243
Opening work-in-process	394,190	219,874
Closing work-in-process	(365,666)	(247,129)
Cost of goods manufactured	764,234	769,988
Opening finished goods	32,769	32,878
Closing finished goods	(51,420)	(39,420)
	745,583	763,446

12. FINANCE COST

Markup on:

Long term loans	3,549	12,780
Running finance	2,179	4,986
Bank commission and charges	204	270
	5,932	18,036



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:

	Three months ended September 30,	
	2015	2014
	(Rupees in '000)	
Associated company		
At 01 July	10,797	40,457
Purchases (Frontier Paper Products (Private) Ltd.)	40,289	35,851
Payment during the period	<u>(42,971)</u>	<u>(27,942)</u>
	<u>8,115</u>	<u>48,366</u>
Others		
Contribution to employees' provident fund	4,059	3,498
Chief Executive's remuneration	4,817	4,211
Directors's remuneration	4,817	4,211
Directors's meeting fee	20	20
Key management personnel remuneration (excluding Chief Executive and Directors)	47,486	33,980
Repayment of advances by key management personnel	136	278

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 50% for the year ended June 30, 2015 approved in the Annual General Meeting held on October 27, 2015.

14.2 These condensed interim financial statements were authorised for issue in the Board of Directors meeting held on October 30, 2015.


(MOHAMMED YASIN FECTO)
Chief Executive


(ROHAIL AJMAL)
Director



BOOK POST

UNDER POSTAL CERTIFICATE

FECTO CEMENT LIMITED



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Shahra-e-Faisal, Karachi-75350
Phones : 34530120-2, 34530124