

Attock Cement Pakistan Limited



Third Quarter Report March 31, 2015

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Company Information

Board of Directors

Dr. Ghaith R. Pharaon (Chairman)
Laith G. Pharaon
Wael G. Pharaon
Shuaib A. Malik
Abdus Sattar
Agha Sher Shah
Babar Bashir Nawaz

Chief Executive

Babar Bashir Nawaz

Alternate Directors

Shuaib A. Malik
Fakhrul Islam Baig
Irfan Amanullah

Audit Committee of the Board

Abdus Sattar	Chairman
Shuaib A. Malik	Member
Agha Sher Shah	Member

HR & Remuneration Committee

Shuaib A. Malik	Chairman
Abdus Sattar	Member
Babar Bashir Nawaz	Member

Company Secretary

Irfan Amanullah

Auditors

A.F. Ferguson & Co.
Chartered Accountants

Cost Auditors

Naveed Zafar Ashfaq Jaffery & Co.
Chartered Accountants

Legal Advisor

Sattar & Sattar
Attorneys at Law

Bankers

Faysal Bank Limited
MCB Bank Limited
National Bank of Pakistan Ltd.
Allied Bank Ltd.
Bank Al-Habib
NIB Bank Limited
United Bank Limited
Meezan Bank Limited
Barclays Bank PLC, Pakistan
The Bank of Punjab
Habib Bank Limited
Askari Bank Limited
Samba Bank Limited
Dubai Islamic Bank Limited

Registered Office

D-70, Block-4, Kehkashan-5
Clifton, Karachi-75600
Tel: (92-21) 35309773-4
UAN: (92) 111 17 17 17
Fax: (92-21) 35309775
Email: acpl@attockcement.com
Website: www.attockcement.com

Plant

Hub Chowki, Lasbella
Baluchistan

Share Registrar

Technology Trade (Pvt) Limited
Dagia House, 241-C, Block-2
PECHS, Off: Shahrah-e-Quaideen,
Karachi.
Tel: (92-21) 34391316-17
Fax: (92-21) 34391318

Directors' Review

The Directors are pleased to announce the results of the Company for the period ended March 31, 2015.

OPERATIONAL & FINANCIAL REVIEW

Production and sales figures for the nine months period ended March 31, 2015 are as follows:

	July-Mar. 2015	July-Mar. 2014
	-----Tones-----	
Clinker Production	1,385,793	1,357,180
Cement Production	1,414,469	1,399,823
Cement Despatch - Local	818,417	905,567
- Export	597,476	491,346
	1,415,893	1,396,913
Clinker Capacity Utilization	106%	104%

During the period under review the Clinker production remained at 106% of the rated capacity.

Sales Review

The Company is managing its sales mix for both local and exports in the best possible manner without disturbing the existing pricing structure. Though the local sales are lower due to sluggish market conditions but the deficit is being managed through higher exports. Company is keeping its presence in all the established markets of Asia and Africa and is also exploring new markets in order to diversify its sales and maintaining existing level of its exports.

Financial Review

The overall net sales revenue increased by Rs. 626 million (7%) over corresponding period mainly due to increase in net retention by Rs. 355 per ton (5%) as compared to same period last year. Falling coal and oil prices in international markets and its impact on various input costs in Pakistan has helped the Company in terms of its production cost and both gross and operating margins improved significantly from 28% and 20% to 32% and 24% respectively. Consequently the Company recorded net profit after tax of Rs. 1,644 million higher by 17% as compared to same period last year.

Cement Grinding Unit in Iraq

On April 1, 2015 the Economic Coordination Committee of the Cabinet allowed Attock Cement Pakistan Limited to remit equity of US \$ 24 million with certain intervals for the project. The equity will be remitted after obtaining necessary approvals from the Board and the Shareholders.

Coal Fired Power Plant

The work on project is continuing and Company is now in the process of appointing suitable legal and financial consultants for the project and arranging funds necessary for the project.

FUTURE OUTLOOK

It is anticipated that because of political stability and improved law and order situation in the country, the economic activities in Pakistan would start improving further resulting in more internal generation of cement demand. Lower interest and inflation rates, improved liquidity with financial institutions and stable exchange rate would contribute favourably towards GDP growth. It is anticipated that export markets would remain under pressure and company would face stiff competition in terms of prices from both local and regional peers. With possible imposition of anti dumping duty in South Africa, the situation may further aggravate in short to medium term. The Company has increased its base in export markets and is exploring more frontiers to counter the situation.

On cost side of the equation, the company is aggressively negotiating with its suppliers of coal, paper bags and other bulk materials in order to get the maximum benefits of lower oil prices.

The Management is making every effort to maximize its margins and ensure a sustainable profitability for the company.

On behalf of the Board




BABAR BASHIR NAWAZ
Director & Chief Executive

April 13, 2015
Rawalpindi



Condensed Interim Financial Statements

For the Nine Months
Period Ended
March 31, 2015



Condensed Interim Balance Sheet

As at March 31, 2015

	Note	(Unaudited) Mar. 31, 2015	(Audited) June 30, 2014
-----Rupees '000-----			
ASSETS			
Non-current assets			
Fixed assets - property, plant and equipment	4	6,053,375	6,125,796
Long-term investment		4,500	4,500
Long-term loans and advances		44,107	32,968
Long-term deposits		42,980	42,980
		<u>6,144,962</u>	<u>6,206,244</u>
Current assets			
Stores, spares and loose tools	5	847,861	1,160,074
Stock-in-trade		744,217	523,402
Trade debts - considered good		129,043	262,063
Loans and advances		84,001	48,728
Short-term deposits and prepayments		23,569	18,477
Investments		3,254,831	3,165,428
Other receivables		61,878	28,737
Sales tax refundable		-	45,014
Cash and bank balances		472,173	467,835
		<u>5,617,573</u>	<u>5,719,758</u>
Total assets		<u>11,762,535</u>	<u>11,926,002</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital		1,145,225	1,145,225
Unappropriated profit		7,284,122	7,300,828
		<u>8,429,347</u>	<u>8,446,053</u>
LIABILITIES			
Non-current liabilities			
Liabilities against asset subject to finance lease		9,920	11,883
Deferred taxation		995,206	1,003,706
Retirement benefit obligations		234,843	240,493
		<u>1,239,969</u>	<u>1,256,082</u>
Current liabilities			
Trade and other payables	6	1,712,814	2,022,790
Current maturity of liabilities against asset subject to finance lease		3,410	3,927
Taxation - provision less payments		376,995	197,150
		<u>2,093,219</u>	<u>2,223,867</u>
Total liabilities		<u>3,333,188</u>	<u>3,479,949</u>
Contingency and commitments	7		
Total equity and liabilities		<u>11,762,535</u>	<u>11,926,002</u>

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



Babar Bashir Nawaz
Chief Executive



Abdus Sattar
Director

Condensed Interim Profit and Loss Account

For the nine months period ended March 31, 2015 - Unaudited

		Quarter ended		Nine months period ended	
	Note	Mar. 31, 2015	Mar. 31, 2014	Mar. 31, 2015	Mar. 31, 2014
-----Rupees in '000-----					
Net sales	8	3,421,392	3,246,697	9,790,368	9,163,777
Cost of goods sold		(2,240,320)	(2,277,024)	(6,612,283)	(6,553,184)
Gross Profit		1,181,072	969,673	3,178,085	2,610,593
Distribution cost	9	(235,898)	(177,997)	(779,685)	(563,205)
Administrative expenses		(89,457)	(68,221)	(263,907)	(219,570)
Other operating expenses		(67,500)	(54,800)	(169,500)	(137,800)
Other operating income		129,006	61,391	343,381	178,601
Operating profit		917,223	730,046	2,308,374	1,868,619
Finance cost		(6,182)	(5,207)	(21,004)	(16,738)
Profit before taxation		911,041	724,839	2,287,370	1,851,881
Taxation		(292,000)	(188,000)	(643,500)	(444,000)
Profit after taxation		619,041	536,839	1,643,870	1,407,881
Other comprehensive income		-	-	-	-
Total comprehensive income		619,041	536,839	1,643,870	1,407,881
Earnings per share (Rupees)		5.41	4.69	14.35	12.29

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



Babar Bashir Nawaz
Chief Executive



Abdus Sattar
Director

Condensed Interim Statement of Cash Flows

For the nine months period ended March 31, 2015 - Unaudited

	Note	Mar. 31, 2015	Mar. 31, 2014
-----Rupees in '000-----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	10	2,243,587	2,404,731
Finance cost paid		(21,004)	(16,750)
Income tax paid		(472,155)	(349,148)
(Increase)/decrease in long-term loans and advances		(11,140)	3,194
Retirement benefit obligations paid		(29,997)	(40,146)
Net cash from operating activities		1,709,291	2,001,881
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		(239,676)	(205,843)
Proceeds from disposal of fixed assets		2,373	6,816
Purchase of open ended mutual fund units		(4,168,154)	(4,161,988)
Proceeds from sale of open ended mutual fund units		4,344,865	3,586,137
Interest received		17,217	17,558
Net cash used in investing activities		(43,375)	(757,320)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(1,659,099)	(1,337,623)
Payments made under finance lease		(2,479)	(2,595)
Net cash used in financing activities		(1,661,578)	(1,340,218)
Net increase / (decrease) in cash and cash equivalents		4,338	(95,657)
Cash and cash equivalents at the beginning of the period		467,835	389,014
Cash and cash equivalents at the end of the period		472,173	293,357

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



Babar Bashir Nawaz
Chief Executive



Abdus Sattar
Director

Condensed Interim Statement of Changes in Equity

For the nine months period ended March 31, 2015 - Unaudited

	Share capital	Unappropriated profit	Total
	-----Rupees in '000-----		
Balance as at July 01, 2014	1,145,225	7,300,828	8,446,053
Final dividend for the year ended June 30, 2014 @ Rs. 10.00 per share	-	(1,145,225)	(1,145,225)
Interim dividend for the year ending June 30, 2015 @ Rs. 4.50 per share	-	(515,351)	(515,351)
Profit after taxation for the nine months period ended March 31, 2015	-	1,643,870	1,643,870
Balance as at March 31, 2015	<u>1,145,225</u>	<u>7,284,122</u>	<u>8,429,347</u>
Balance as at July 01, 2013	995,848	6,852,908	7,848,756
Issue of bonus shares @15% for the year ended June 30, 2013	149,377	(149,377)	-
Final dividend for the year ended June 30, 2013 @ Rs. 10.00 per share	-	(995,848)	(995,848)
Interim dividend for the year ended June 30, 2014 @ Rs. 3.00 per share	-	(343,568)	(343,568)
Profit after taxation for the nine months period ended March 31, 2014	-	1,407,881	1,407,881
Balance as at March 31, 2014	<u>1,145,225</u>	<u>6,771,996</u>	<u>7,917,221</u>

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



Babar Bashir Nawaz
Chief Executive



Abdus Sattar
Director

Selected Notes to the Condensed Interim Financial Information

For the nine months period ended March 31, 2015 - Unaudited

1 THE COMPANY AND ITS OPERATION

The Company was incorporated in Pakistan on October 14, 1981 as a public limited company and is listed on Karachi Stock Exchange. Its main business activity is manufacturing and sale of cement. The registered office of the Company is at D-70, Block-4, Kehkashan-5, Clifton, Karachi. The Company's cement manufacturing plant is located in Tehsil Hub, District Lasbella, Balochistan. The Company also has a representative / liaison office in Dubai, UAE, to explore business opportunities in the growing markets of Middle East and Africa.

The Company is a subsidiary of Pharaon Investment Group Limited Holding S.A.L., Lebanon.

The Company had entered into a Joint Venture agreement with Al Geetan Commercial Agencies, Iraq to form a limited liability company in Iraq. The principal activity of the company will be to build and operate a cement grinding plant having production capacity of approximately 900,000 metric tons per annum. The new limited liability company has been established and registered under the Iraqi law on November 3, 2014 by the name Saqr Al-Keetan for Cement Production Company Limited having share capital of 30,000,000 Iraqi Dinar. Attock Cement Pakistan Limited will hold 60% share in the company. The expected investment of the Company in foreign subsidiary would be USD 24 million. However, no capital has yet been remitted due to pending regulatory approvals.

2 BASIS OF PRESENTATION

This condensed interim financial information of the Company has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim financial information should be read in conjunction with the annual financial statements for the year ended June 30, 2014.

3 ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the preceding annual financial statements of the Company for the year ended June 30, 2014.

4 FIXED ASSETS

	Mar. 31, 2015	(Audited) June 30, 2014
	-----Rs. in '000-----	
Operating assets	5,584,967	5,452,929
Capital work-in-progress	100,025	311,106
Stores held for capital expenditure	368,383	361,761
	<u>6,053,375</u>	<u>6,125,796</u>

Selected Notes to the Condensed Interim Financial Information

For the nine months period ended March 31, 2015 - Unaudited

	Mar. 31, 2015	Mar. 31, 2014
	-----Rs. in '000-----	
4.1 Additions to operating assets during the period were as follows:		
Buildings and roads on freehold land	19,916	15,881
Plant and Machinery	434,191	137,166
Furniture and fittings	48	137
Office equipments	5,251	7,043
Vehicles	6,943	19,601
	<u>466,349</u>	<u>179,828</u>
Disposals during the period - Net book value	<u>1,347</u>	<u>3,773</u>
Transfers to stores during the period - Net book value	<u>22,216</u>	<u>24,432</u>

	Mar. 31, 2015	(Audited) June 30, 2014
	-----Rs. in '000-----	
5 STORES, SPARES AND LOOSE TOOLS		
Bricks	91,665	66,127
Coal	243,116	567,083
Stores & spares	510,456	524,655
Loose tools	2,624	2,209
	<u>847,861</u>	<u>1,160,074</u>

6 TRADE AND OTHER PAYABLES		
Creditors	141,445	210,867
Accrued Liabilities	995,107	1,220,890
Advances from customers	132,809	183,665
Excise duty payable	81,454	38,960
Others	361,999	368,408
	<u>1,712,814</u>	<u>2,022,790</u>

7 CONTINGENCIES AND COMMITMENTS

- 7.1** The status of contingency as reported in financial statements for the year ended June 30, 2014 as regards the Competition Commission of Pakistan is the same.
- 7.2** Commitments in respect of capital expenditure outstanding as at March 31, 2015 amounted to Rs. 108.59 million (June 30, 2014: Rs. 151.58 million).

Selected Notes to the Condensed Interim Financial Information

For the nine months period ended March 31, 2015 - Unaudited

	Mar. 31, 2015	Mar. 31, 2014
	-----Rs. in '000-----	
8 NET SALES		
Local sales	8,176,442	8,339,090
Less: Commission	(192,786)	(175,796)
Net sales	<u>7,983,656</u>	<u>8,163,294</u>
Exports sales	3,476,049	2,727,817
	<u>11,459,705</u>	<u>10,891,111</u>
Less: Excise duty and sales tax	(1,669,337)	(1,727,334)
	<u><u>9,790,368</u></u>	<u><u>9,163,777</u></u>

9 DISTRIBUTION COST

Distribution cost includes Rs. 678.5 million (March 31, 2014: Rs. 487.7 million) in respect of export sales.

	Mar. 31, 2015	Mar. 31, 2014
	-----Rs. in '000-----	
10 CASH GENERATED FROM OPERATIONS		
Profit before taxation	2,287,370	1,851,881
Adjustment for non cash charges and other items:		
Depreciation	310,749	286,494
Gain on disposal of operating assets	(1,027)	(3,044)
Gain on sale of open ended mutual fund units	(79,679)	(47,887)
Gain on re-measurement of fair value of investment in mutual fund units	(190,086)	(83,528)
Interest income	(17,217)	(17,558)
Retirement benefits obligations	28,000	36,606
Finance cost	21,004	16,738
	<u>71,744</u>	<u>187,821</u>
	<u><u>2,359,114</u></u>	<u><u>2,039,702</u></u>

10.1 EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES

Decrease / (Increase) in current assets :

Stores, spares and loose tools	312,213	(418,531)
Stock-in-trade	(220,815)	(76,572)
Trade debts - considered good	133,020	80,921
Loans and advances	(35,273)	(16,790)
Short - term deposits and prepayments	(5,092)	(17,984)
Other receivables	(33,141)	9,614
Sales tax refundable	45,014	-
	<u>195,926</u>	<u>(439,342)</u>

(Decrease) / Increase in current liabilities:

Trade and other payables	(311,453)	804,373
	<u>(115,527)</u>	<u>365,031</u>
Cash generated from operations	<u><u>2,243,587</u></u>	<u><u>2,404,731</u></u>

Selected Notes to the Condensed Interim Financial Information

For the nine months period ended March 31, 2015 - Unaudited

	Mar. 31, 2015	Mar. 31, 2014
	-----Rs. in '000-----	
11 SUMMARY OF TRANSACTIONS WITH RELATED PARTIES		
Holding Company		
Dividend paid	1,395,943	1,125,963
Recovery of expenses	1,000	1,110
Bonus shares issued at par value	-	125,572
Associated Companies		
Purchase of goods	187,765	216,567
Reimbursement of expenses	3,241	3,666
Recovery of expenses	8,103	3,279
Other related parties		
Payments made to retirement benefit funds	66,435	81,610
Key management compensation		
salaries and other short-term benefits	73,883	64,047
post employment benefits	7,334	3,916
	81,217	67,963

12 CORRESPONDING FIGURES

Prior period figures have been reclassified wherever necessary for the purpose of appropriate presentation.

13 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on April 13, 2015 by the Board of Directors of the Company.



Babar Bashir Nawaz
Chief Executive



Abdus Sattar
Director

Attock Cement Pakistan Limited

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