

Quarterly Report  
September 30, 2013



  
**safe mix**  
Concrete Products Ltd.

**SAFE MIX CONCRETE PRODUCTS LTD.**

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## Company Information

### Board of Directors

Mr. Nasim Beg  
 Syed Maratib Ali - Chief Executive Officer  
 Mr. Kashif A. Habib  
 Mr. Zeshan Afzal  
 Mr. Asim Tiwana  
 Mr. Nadir Ali  
 Air Chief Marshal Tanvir Ahmed NI (M) SBT (R)

### Audit Committee

Air Chief Marshal Tanvir Ahmed NI (M) SBT (R) - Chairman  
 Mr. Nasim Baig - Member  
 Mr. Nadir Ali - Member

### Human Resources & Remuneration Committee

Mr. Zeshan Afzal - Chairman  
 Syed Maratib Ali - Member  
 Mr. Nadir Ali - Member

### Company Secretary

Mr. Mohammad Immad Ali

### Chief Financial Officer

Syed Muhammad Talha

### Auditors

KPMG Taseer Hadi & Co.  
 Chartered Accountants

### Legal Advisor

Minto & Mirza  
 Advocates & Corporate Counsel

### Bankers

Habib Metropolitan Bank Limited  
 The Bank of Punjab  
 NIB Bank Limited  
 Bank Alfalah Limited  
 Askari Bank Limited

### Registered Office

Plot # 1,6 sector # 26, Bilal Chowranghi Korangi Industrial Area, Karachi.  
 Tel # +92 21 35074581  
 Fax # +92 21 35074603  
[www.safemixlimited.com](http://www.safemixlimited.com)

### Shares Registrar

THK Associates (Private) Limited  
 Ground Floor, State Life Building No. 3,  
 Dr. Ziauddin Ahmed Road  
 Karachi

## Directors' Review

The Board of Directors of Safe Mix Concrete Products Limited is pleased to present herewith condensed interim financial statements of Safe Mix Concrete Products Limited for the quarter ended September 30, 2013.

### Overview

During the quarter under review, the Company managed to secure Profit After Tax (PAT) of Rs. 0.20 million as compared to PAT of Rs. 2.14 million in the corresponding quarter last year. Although, there has been a decrease in revenue by 4.73% as compared to the corresponding quarter last year affecting the desired result, the major reason for decrease in margins has been an increase in equipment hiring cost by Rs. 2.43 million. The increase in equipment hiring cost is mainly due to aging fleet of Transit Mixers. For this purpose the Company is considering various options to control the cost in future and improve profitability.

### Operating Results

	Un-audited Quarter ended September 30	
	2013	2012
	(----- Rupees -----)	
(Loss) / Profit before taxation	(302,415)	3,120,689
Taxation	503,538	(977,516)
<b>Profit after taxation</b>	<b>201,123</b>	<b>2,143,173</b>
<b>Earnings per share - basic and diluted</b>	<b>0.01</b>	<b>0.11</b>

### Earnings per Share

Earnings per share for the quarter ended September 30, 2013 is Rs.0.01 as compared to earnings per share Rs. 0.11 for the same period of the last year.

### Future Outlook

In the context of current political and economic scenario which is slightly showing signs of betterment and stability, the Company is making all efforts to undertake projects which would have a positive impact on the future earnings of the company.

### Acknowledgement

The Board would like to take the opportunity to express its appreciation to its customers, suppliers, employees for their dedication and hard work. The Board also acknowledges support and cooperation received from all other stakeholders.

For and on behalf of the board



Nasim Beg

Karachi: October 31, 2013



## Safe Mix Concrete Products Limited Condensed Interim Balance Sheet

As at 30 September 2013

		Un-audited September 30, 2013 (-----Rupees-----)	Audited June 30, 2013
	Note		
<b>Non - current assets</b>			
Property, plant and equipment	5	182,084,213	183,493,759
Long term deposits		3,113,340	3,411,340
Deferred tax asset		7,175,698	5,260,556
		<u>192,373,251</u>	<u>192,165,655</u>
<b>Current assets</b>			
Stores, spare parts and loose tools		3,143,403	2,871,079
Stock in trade		14,629,474	15,117,187
Trade debts		103,549,417	100,767,583
Advances, prepayments and other receivables		8,920,409	3,168,653
Tax refund due from Government		30,762,663	29,528,126
Cash and bank balances		30,196	2,589,897
		<u>161,035,562</u>	<u>154,042,525</u>
<b>Current liabilities</b>			
Trade and other payables		84,526,552	93,968,074
Accrued markup		1,510,365	1,770,864
Short term running finance - secured	6	54,852,728	37,814,670
Current portion of liabilities against assets subject to finance lease		-	336,527
		<u>140,889,645</u>	<u>133,890,135</u>
<b>Net current assets</b>		<u>20,145,917</u>	<u>20,152,390</u>
<b>Net Assets</b>		<u>212,519,168</u>	<u>212,318,045</u>
<b>Financed by:</b>			
<b>Share capital and reserves</b>			
<b>Authorized capital</b>			
35,000,000 ordinary shares of Rs. 10 each		350,000,000	350,000,000
Issued, subscribed and paid up capital		200,000,000	200,000,000
Share premium		14,728,576	14,728,576
Accumulated loss		(2,209,408)	(2,410,531)
		<u>212,519,168</u>	<u>212,318,045</u>
<b>Contingencies and commitments</b>	7		

The annexed notes 1 to 14 form an integral part of these condensed interim financial information.

Director

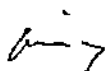
Director

## Safe Mix Concrete Products Limited Condensed Interim Profit and Loss Account (Un-audited)

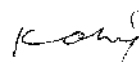
For the quarter ended September 30, 2013

		Quarter ended September 30, 2013	Quarter ended September 30, 2012
		(-----Rupees-----)	
Revenue		141,160,375	148,164,548
Cost of sales	8	(135,756,264)	(138,067,807)
<b>Gross profit</b>		<b>5,404,111</b>	<b>10,096,741</b>
Selling & administrative expenses		(5,391,198)	(6,372,081)
Operating profit		12,913	3,724,660
Finance cost		(1,516,866)	(2,339,633)
Other operating income		1,201,538	1,735,662
<b>(Loss) / Profit before taxation</b>		<b>(302,415)</b>	<b>3,120,689</b>
Provision for taxation		503,538	(977,516)
<b>Profit after taxation</b>		<b>201,123</b>	<b>2,143,173</b>
<b>Earnings per share - basic and diluted</b>		<b>0.01</b>	<b>0.11</b>

The annexed notes 1 to 14 form an integral part of these condensed interim financial information.



Director



Director



## Safe Mix Concrete Products Limited Condensed Interim Statement of Comprehensive Income (Un-audited)

For the quarter ended September 30, 2013

	Quarter ended September 30, 2013	Quarter ended September 30, 2012
	(-----Rupees-----)	
Profit after taxation	201,123	2,143,173
Other comprehensive income	-	-
Total comprehensive income for the period	<u>201,123</u>	<u>2,143,173</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial information.

A handwritten signature in black ink, appearing to be 'Jing', written over a horizontal line.

Director

A handwritten signature in black ink, appearing to be 'Kam', written over a horizontal line.

Director

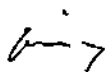
## Safe Mix Concrete Products Limited

### Condensed Interim Cash Flow Statement (Un-audited)

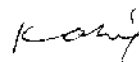
For the quarter ended September 30, 2013

		Quarter ended September 30, 2013	Quarter ended September 30, 2012
	Note	(-----Rupees-----)	
<b>Cash outflow from operating activities</b>	10	<b>(13,613,051)</b>	<b>(4,808,822)</b>
Taxes paid		<b>(2,646,141)</b>	<b>(2,752,925)</b>
Finance cost paid		<b>(1,777,365)</b>	<b>(2,500,845)</b>
		<b>(4,423,506)</b>	<b>(5,253,770)</b>
<b>Net cash outflow from operating activities</b>		<b>(18,036,557)</b>	<b>(10,062,592)</b>
<b>Cash flow from investing activities</b>			
Fixed capital expenditure		<b>(1,621,930)</b>	<b>(1,881,462)</b>
Long term deposits		<b>298,000</b>	<b>-</b>
Interest received		<b>99,255</b>	<b>155,424</b>
<b>Net cash outflow from investing activities</b>		<b>(1,224,675)</b>	<b>(1,726,038)</b>
<b>Cash flow from financing activities</b>			
Repayment of liabilities against assets subject to finance lease		<b>(336,527)</b>	<b>(508,629)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(19,597,759)</b>	<b>(12,297,259)</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>(35,224,773)</b>	<b>(39,908,806)</b>
<b>Cash and cash equivalents at the end of the period</b>	11	<b>(54,822,532)</b>	<b>(52,206,065)</b>

The annexed notes 1 to 14 form an integral part of these condensed interim financial information.



Director



Director





## Safe Mix Concrete Products Limited

### Condensed Interim Statement of Changes in Equity (Un-audited)

For the quarter ended September 30, 2013

	Issued, subscribed and paid-up capital	Share Premium reserve	Accumulated Loss	Total
	(-----Rupees-----)			
<b>Balance as at June 30, 2012</b>	200,000,000	14,728,576	(17,636,406)	197,092,170
<b>Changes in equity for the quarter ended September 30, 2012</b>				
Total comprehensive income for the quarter ended September 30, 2012	-	-	2,143,173	2,143,173
<b>Balance as at September 30, 2012</b>	200,000,000	14,728,576	(15,493,233)	199,235,343
Total comprehensive income for the nine months period ended June 30, 2013	-	-	13,082,702	13,082,702
<b>Balance as at June 30, 2013</b>	200,000,000	14,728,576	(2,410,531)	212,318,045
<b>Changes in equity for the quarter ended September 30, 2013</b>				
Total comprehensive income for the quarter ended September 30, 2013	-	-	201,123	201,123
<b>Balance as at September 30, 2013</b>	<u>200,000,000</u>	<u>14,728,576</u>	<u>(2,209,408)</u>	<u>212,519,168</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial information.

Director

Director

## **Safe Mix Concrete Products Limited**

### **Notes to the Condensed Interim Financial Information (Un-audited)**

For the quarter ended September 30, 2013

#### **1 Status and nature of business**

Safe Mix Concrete Products Limited ("the Company") was incorporated on April 04, 2005 as Private Limited Company. Subsequently, it has been converted into Public Limited Company on February 21, 2007, in accordance with provisions of section 45 read with section 41(3) of the Companies Ordinance, 1984. On March 16, 2010 the Company was listed on Karachi Stock Exchange. The principal activity of the Company is production and supply of ready mix concrete, building blocks and construction of prefabricated buildings, factories and other construction sites. The registered office of the Company is situated at plot No. 1-6, Sector 26, Korangi Industrial Area, Karachi, Pakistan.

#### **2 Basis of preparation**

The condensed interim financial information have been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements for the year ended June 30, 2013.

#### **3 Estimates**

The preparation of the condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing the condensed interim financial information, the significant judgments made by the management in applying accounting policies, key estimates and uncertainty includes:

- Residual value and useful life estimation of fixed assets
- Taxation

#### **4 Significant accounting policies**

The accounting policies and methods of computation adopted in the preparation of the condensed interim financial information are the same as those applied in preparation of preceding annual financial statements for the year ended June 30, 2013 and stated therein.



			Un-audited September 30, 2013	Audited June 30, 2013
			(-----Rupees-----)	
<b>5</b>	<b>Property, plant and equipment - owned</b>	<i>Note</i>		
	Opening book value		<b>183,493,759</b>	188,070,778
	Add: Additions during the period / year	<i>5.1</i>	<b>1,621,930</b>	12,597,938
	Less: Depreciation charged during the period / year		<b>(3,031,476)</b>	(15,168,693)
	Book value of assets written-off		-	(2,006,264)
			<b><u>182,084,213</u></b>	<u>183,493,759</u>

**5.1 Break-up of additions - at cost**

Building	-	160,000
Project temporary civil works	-	489,783
Plant and machinery	<b>1,621,930</b>	11,730,804
Vehicles	-	54,000
Computers	-	52,351
Office equipment	-	11,000
	<b><u>1,621,930</u></b>	<u>12,597,938</u>

*Limit in  
millions of  
Rupees*

**6 Short term running  
finance - secured**

The Bank of Punjab	<i>70</i>	<i>6.1</i>	<b><u>54,852,728</u></b>	<u>37,814,670</u>
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**6.1** This represents utilized portion of short term running finance facility available from the Bank of Punjab under mark-up arrangement. This facility is secured by way of first exclusive charge on all present and future non-current and current assets of the Company for Rs. 93.5 million registered with Securities and Exchange Commission of Pakistan and personal guarantee of Syed Maratib Ali. It carries mark-up at the rate of 3 months average KIBOR plus 200 bps (2013: 3 months average KIBOR plus 200 bps) with a floor of 13.00% (2013: 13.00%) per annum payable on quarterly basis.

## 7 Contingencies and commitments

### 7.1 Contingencies

**7.1.1** Building blocks of cement including ready mix concrete blocks were exempt from levy of sales tax by Federal Board of Revenue ("FBR") vide an amendment by Finance Act 2008 in Serial No. 35 of Table 1 of the Sixth Schedule read with section 13(1) of the Sales Tax Act, 1990 ("the Act"). However, Sales tax audit of the Company was initiated vide letter No 505-5 on 21 December 2010 for tax period 2007-08. As a consequence, audit observations were issued vide letter dated 14 January 2011 involving a sales tax liability amounting to Rs. 105.257 million. Resultantly, the Company applied to the Honorable Lahore High Court ("the Court") against the Sales tax audit on the grounds that it is exempt from levy of sales tax under Serial No. 35 of Table 1 of Sixth Schedule of the Act. A stay order was granted by the Court on 24 January 2011 and since then there has been no development in this case. The Company is confident that it has a strong case and the outcome will be in favor of the Company.

**7.1.2** FBR vide Finance Act 2011 withdrew amendment of Serial No. 35 of Table 1 of the Sixth Schedule of the Act with effect from 04 June 2011. However, the management is of the view that ready mix concrete is still exempt from levy of sales tax based on the fact that the said tax is levied on construction services and supply of goods whereas sale of concrete is neither a construction service nor supply of goods under section 2(39) of the Act and hence not taxable. The Company has taken up the matter with FBR and has made comprehensive representations in this regard. However, in case of adverse decision of the case, an estimated sale tax liability amounting to Rs. 117.354 million may arise. Based on the negotiations with FBR and the legal opinion, the management is expecting a favorable outcome and accordingly no provision in this respect has been made in these financial information.

**7.1.3** The Sindh High Court ("the Court") in the case of 'Kasim textile' in its order of 09 May 2013 has held that benefit of carry forward of minimum tax under section 113 of the Income Tax Ordinance, 2001 is only available if tax payable in a tax year is less than minimum tax paid. If in a tax year, a company has assessed losses on which no tax is payable, the company forgoes the right to carry forward minimum tax paid in that year. In the light of this order, the Company is not entitled to carry forward minimum tax paid in the current and prior tax years of Rs. 17.73 million as a result of assessed tax losses in these years and adjust it against normal tax liability. Also in the case of refunds claimed in any year, those would also be adjusted accordingly. However, the management is of the view that the verdict has been challenged in the Supreme Court and that they are waiting for the final outcome and accordingly no adjustment has been made in the financial information in this respect.

### 7.2 Commitments

There are no commitments at the balance sheet date (2013: nil).



	Un-audited September 30, 2013	Un-audited September 30, 2012
	(------Rupees-----)	
<b>8 Cost of sales</b>		
Raw material and stores consumed	101,058,942	103,414,413
Salaries, wages and other benefits	9,397,175	8,767,352
Depreciation	2,837,956	2,985,278
Fuel and power	15,680,029	17,642,574
Repair and maintenance	1,884,713	2,140,893
Sample testing	6,334	86,276
Equipment hiring charges	3,646,115	1,220,817
Land rent and commission	1,245,000	750,000
Carriage and freight	-	399,486
Insurance expenses	-	660,718
	<u>135,756,264</u>	<u>138,067,807</u>

## 9 Transactions with related parties

### Associated Companies:

#### ABE Pak (Private) Limited:

Purchase of goods	-	1,506,500
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#### IGI Insurance:

Insurance premium	-	2,444,613
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#### Kaizen Construction (Pvt) Limited:

Sale of goods	1,136,647	-
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#### Power Cement Limited:

Purchase of goods	15,633,937	-
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Un-audited September 30, 2013  
Un-audited September 30, 2012  
(-----Rupees-----)

**10 Cash outflow from operating activities**

(Loss) / Profit before taxation	(302,415)	3,120,689
Adjustments of items not involving movement of cash:		
Depreciation	3,031,476	3,208,564
Interest income	(99,255)	(155,424)
Finance cost	1,516,866	2,339,633
	4,449,087	5,392,773
<b>Operating profit before working capital changes</b>	<b>4,146,672</b>	<b>8,513,462</b>
<b>Adjustments for working capital items:</b>		
<b>(Increase) / decrease in current assets</b>		
Trade debts	(2,781,834)	10,204,714
Stock in trade	487,713	2,532,597
Stores, spare parts and loose tools	(272,324)	(848,745)
Advances, prepayments and other receivables	(5,751,756)	(524,635)
<b>Decrease in current liabilities</b>		
Trade and other payables	(9,441,522)	(24,686,215)
	(17,759,723)	(13,322,284)
<b>Cash outflow from operating activities</b>	<b>(13,613,051)</b>	<b>(4,808,822)</b>

Un-audited September 30, 2013  
Audited June 30, 2013  
(-----Rupees-----)

**11 Cash and cash equivalents**

Cash and bank balances	30,196	2,589,897
Short term borrowings	(54,852,728)	(37,814,670)
	(54,822,532)	(35,224,773)

**12 Date of authorization for issue**

The financial information were authorized for issue on October 31, 2013 by the board of directors of the Company.

**13 Corresponding figures**

Corresponding figures have been re-arranged, where necessary, for the purpose of comparison. Significant reclassification for better presentation includes toll manufacturing income amounting to Rs. 3.377 million previously included in other operating income now presented under revenue.

**14 General**

The figures have been rounded off to nearest rupee.

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Director

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Director

# **BOOK POST**

## **PRINTED MATTER**

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**Lahore 25-B, FCC, Syed Maratib Ali Road, Gulberg IV, Lahore.**

**Phone +92 42 3577 7909 Fax +92 42 3577 7910 Help Line 0300 4456 666 0321 4844 037**

**Email [marketing@safemixlimited.com](mailto:marketing@safemixlimited.com)**

**Karachi Plot # 1,6 Sector No. 26, Bilal Chorangi Korangi Industrial Area (Near Fire Brigade) Karachi.**

**Phone +92 21 3507 4581 & 84 Fax +92 21 3507 4603 Help Line 0345 2022 473**