

Expanding horizons for growth

Third Quarterly Report
March 31, 2021


POWER CEMENT
مضبوطی۔ چٹانوں جیسی



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Corporate Information

Board of Directors

Mr. Nasim Beg	Chairman
Mr. Muhammad Kashif Habib	Chief Executive
Mr. Samad A. Habib	
Mr. Syed Salman Rashid	
Mr. Anders Paludan-Müller	
Mr. Javed Kureishi	
Ms. Saira Nasir	

Audit Committee

Ms. Saira Nasir	Chairperson
Mr. Nasim Beg	Member
Mr. Syed Salman Rashid	Member

HR & Remuneration Committee

Mr. Javed Kureishi	Chairman
Mr. Muhammad Kashif Habib	Member
Mr. Syed Salman Rashid	Member

Chief Financial Officer & Company Secretary

Mr. Tahir Iqbal

External Auditors

A.F. Ferguson & Co. Chartered Accountants

Legal Advisor

HaiderMota & Co. Advocates
Muhammad Asad Iftikhar

Share Registrar

CDC Share Services Limited
CDC House, 99-B, Block-B, SMCHS, Main
Shahrah-e-Faisal, Karachi – 74400

Bankers / Lenders of the Company

Local Banks / DFIs

Allied Bank Limited
Al Baraka Bank (Pakistan) Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Bankislami Pakistan Limited
Dubai Islamic Bank (Pakistan) Limited
Faysal Bank Limited
First Credit & Investment Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
National Bank of Pakistan
Pak Oman Investment Company Limited
The Bank of Punjab
The Bank of Khyber
Summit Bank Limited
Samba Bank Limited
United Bank Limited

Foreign Banks / DFIs

DEG - Deutsche Investitions-
und Entwicklungsgesellschaft mbH - Germany
The OPEC Fund for International Development
("OFID") - Austria
Islamic Corporation for the Development
of the Private Sector ("ICD") - Saudi Arabia

Registered Office

Arif Habib Centre, 23, M.T. Khan Road, Karachi

Factory

Nooriabad Industrial Area, Deh Kalo, Kohar,
District Jamshoro, Sindh

Website:

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Directors' Review

The Directors of your Company present herewith their review along with the un-audited Condensed Interim Financial Information for the nine months period ended March 31, 2021.

INDUSTRY OVERVIEW

The Cement industry dispatches during the period under review jumped by 17 percent to 43.3 million tons from 37 million tons in the same period last year. Domestic despatches registered a healthy increase of 18.3 percent, increasing from 30.6 million tons to 36.2 million tons. Exports also demonstrated encouraging growth of 10.8 percent growing from 6.4 million tons to 7.1 million tons.

The local market in the South Zone, where your Company is situated, registered an increase of 21% whereas exports increased by 15.5%. Domestic dispatches were 5.6 million tons and exports were 5.2 million tons. As a result, the South Zone closed at total dispatches of 10.8 million tons recording an increase of 18%. In the Northern Zone, local dispatches increased by 17.8%, however export decreased by 0.2%, recording a net growth of 16.5% as compared to the corresponding period.

BUSINESS PERFORMANCE

Production & sales volume performance

The production and sales volume statistics of your Company for the nine months period ended March 31, 2021 together with the corresponding period is as under:

Particulars	Nine Months Period Ended		
	31 March 2021	31 March 2020	Variance %
	In Tons		
Cement production	1,385,514	450,096	208 %
Clinker production	1,825,972	502,541	263 %

Particulars	Nine Months Period Ended		
	31 March 2021	31 March 2020	Variance %
	In Tons		
Cement / clinker dispatches (Local)	1,233,333	418,757	195 %
Cement dispatches (Export)	157,661	4,372	3,506 %
Clinker dispatches (Export)	479,730	111,800	329 %
Total	1,870,724	534,929	250 %

During the period under review, the new state of the art 7700 TPD plant (purchased from the World's renowned supplier, viz., FLSmidth) has started commercial operations making the Company the second largest producer of cement in the South Zone. The Company has also become one of the most cost efficient plants in the industry producing a high quality Grade 53 cement.

The production of clinker and cement increased by 1,323,431 metric tons and 935,418 metric tons respectively. The total capacity utilization of the Company stood at 76% as compared to 44% of the corresponding period.

Financial performance

An analysis of the key financial results of your Company for the nine months period ended March 31, 2021 is as under:

Particulars	Nine Months Period Ended	
	31 March 2021	31 March 2020
	Rs. ' 000	
Net sales revenue	10,955,075	2,647,281
Gross profit / (loss)	2,592,073	(143,030)
Profit / (loss) after tax	110,471	(1,750,493)
(Loss) per share (Rupee)	(0.01)	(1.65)

Net Sales Revenue

The net sales revenue surged by an astounding 314% in line with increase in sales volumes – 1,870,724 tons as compared to 534,929 tons during the corresponding period as both local and export markets performed considerably well on the back of enhancement of plant capacity. However, the export selling prices remained under pressure due to increased competition and PKR appreciation.

Gross Profit

The Gross Margin of the Company stood at 24% as compared to a negative 5% during the corresponding period in line with the increase in sales revenue and reduced cost of sales per ton -due to better absorption of fixed costs as a result of 105% capacity utilization of new cost-efficient line of production.

Net Profit

The Company's net profit was mainly attributable to the afore stated good Gross Profit Margin which even absorbed the higher debt burden on account of mark-up expenses accrued on Line III debts.

FUTURE OUTLOOK

The third wave of COVID has forced the Government to enforce smart lockdowns in the country to keep the economy under control. However, on the positive side, the PKR has emerged as the best performing currency in the world as it appreciated the most against the US\$ in the past three months. The overall industry outlook remains positive.

Further, the Company expects the package announced for the construction industry by the Government will continue to have a positive impact on the cement demand of the country.

However, some troubling signs accompany the overall growth as electricity and coal prices are on an upward trajectory. Being energy intensive, the cement industry is struggling to stay afloat because of a persistent rise in major input costs.

ACKNOWLEDGEMENT

The Directors are grateful to the Company's stakeholders for their continuing confidence and patronage. We wish to place on record our appreciation and thanks for the faith and trust reposed by our Shareholders, Business Partners, Bankers and Financial Institutions. We thank the Ministry of Finance, Ministry of Industries & Production, the Securities & Exchange Commission of Pakistan, the State Bank of Pakistan, the Competition Commission of Pakistan, Central Depository Company of Pakistan and the Management of Pakistan Stock Exchange for their continued support and guidance which has gone a long way in giving present shape to the Company.

The results of an organization are greatly reflective of the efforts put in by the people who work for and with the Company. The Directors fully recognize the collective contribution made by the employees of the Company and its contractors towards the successful completion of expansion project. We also appreciate the valuable contribution and active role of the members of the audit and other committees in supporting and guiding the management on matters of great importance.

For and on behalf of the Board



Muhammad Kashif Habib
Chief Executive Officer



Nasim Beg
Chairman

Karachi: April 20, 2021

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION


As at 31 March 2021

	Note	(Un-audited) March 31, 2021	(Audited) June 30, 2020
		------(Rupees in '000)-----	
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	5	36,615,048	37,222,552
Intangible asset		3,592	5,493
Right-of-use assets		40,162	48,194
Long term investments		16,880	15,077
Deferred tax asset		1,213,758	753,425
Long term deposits		29,338	24,159
		37,918,778	38,068,900
CURRENT ASSETS			
Stores, spares and loose tools	6	1,151,553	1,413,852
Stock-in-trade		994,717	737,152
Trade debts		307,758	418,745
Advances and other receivables - unsecured, considered good		1,269,732	2,010,551
Deposits and prepayments		101,394	47,069
Tax refunds due from government		1,600,994	1,500,764
Derivative financial asset		370,876	630,597
Short-term investments		27,899	27,899
Cash and bank balances		316,983	339,436
		6,141,906	7,126,065
TOTAL ASSETS		44,060,684	45,194,965
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital			
Ordinary shares	7	10,634,144	10,634,144
Cumulative preference shares		2,445,853	-
		13,079,997	10,634,144
Advance against right shares		-	523,754
Reserves			
Capital Reserve			
Share premium		739,493	749,063
Revenue Reserves			
Hedging reserve		263,322	447,724
Accumulated loss		(3,015,820)	(3,126,291)
		11,066,992	9,228,394
LIABILITIES			
NON - CURRENT LIABILITIES			
Long-term financing		17,760,189	16,396,249
Lease liabilities		39,266	45,032
Deferred grant income		7,653	7,079
Staff retirement benefits		99,833	94,931
		17,906,941	16,543,291
CURRENT LIABILITIES			
Trade and other payables	8	4,563,512	6,285,380
Unclaimed dividend		126	126
Accrued mark-up		876,983	1,777,146
Short-term financing		8,329,980	9,672,185
Current portion of lease liabilities		8,508	7,772
Current portion of long-term financing		1,307,642	1,680,671
		15,086,751	19,423,280
CONTINGENCIES AND COMMITMENTS			
	9		
TOTAL EQUITY AND LIABILITIES		44,060,684	45,194,965

The annexed notes from 1 to 17 form an integral part of this condensed interim financial statements.



Chief Financial Officer



Chief Executive Officer



Director

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months period and quarter ended 31 March 2021 - Unaudited

	Note	Nine months period ended 31 March		Quarter ended 31 March	
		2021	2020	2021	2020
(Rupees in '000)					
Revenue from contracts with customers	10	10,955,075	2,647,281	4,101,284	1,394,339
Cost of sales		(8,363,002)	(2,790,311)	(3,199,525)	(1,202,210)
Gross profit / (loss)		2,592,073	(143,030)	901,759	192,129
Selling and distribution expenses	11	(950,669)	(136,870)	(310,176)	(68,490)
Administrative expenses		(181,661)	(137,368)	(62,039)	(40,599)
Loss allowance on trade receivables		(8,865)	-	-	-
Other income / (expense)		210,231	(165,707)	134,384	(345,775)
		(930,964)	(439,945)	(237,831)	(454,864)
Operating profit / (loss)		1,661,109	(582,975)	663,928	(262,735)
Finance income		8,227	10,941	2,713	2,329
Finance cost		(1,938,761)	(1,915,244)	(665,572)	(1,708,088)
Finance cost - net		(1,930,534)	(1,904,303)	(662,859)	(1,705,759)
(Loss) / profit before taxation		(269,425)	(2,487,278)	1,069	(1,968,494)
Taxation		379,896	736,785	40,614	583,817
Profit / (loss) after taxation		110,471	(1,750,493)	41,683	(1,384,677)
Other comprehensive income :					
Items that are or may be reclassified subsequently to profit or loss					
Cash flow hedge - effective portion of changes in fair value net of deferred tax		(184,402)	114,031	(279,710)	398,992
Total comprehensive (loss) for the period	12	(73,931)	(1,636,462)	(238,027)	(985,685)
----- (Rupees) -----					
Basic (Loss) per share		(0.01)	(1.65)	(0.01)	(1.30)

The annexed notes from 1 to 17 form an integral part of this condensed interim financial statements.



Chief Financial Officer



Chief Executive Officer



Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS

For the nine months period and quarter ended 31 March 2021 - Unaudited

		Nine months period ended 31 March		
		2021	2020	
Note		----- (Rupees in '000) -----		
CASH FLOWS FROM OPERATING ACTIVITIES				
	Cash generated from operations	13	1,529,872	255,044
	Gratuity paid	(24,832)	(50,473)	
	Income tax paid	(93,263)	73,411	
	Finance cost paid	(2,884,008)	(426,547)	
	Net cash used in operating activities	(1,472,229)	(148,565)	
CASH FLOWS FROM INVESTING ACTIVITIES				
	Capital expenditure - operations	(154,231)	(145,003)	
	Capital expenditure - Line III	-	(5,022,523)	
	Capital expenditure - others	-	(534,175)	
	Proceeds from sale of property, plant and equipment	1,545	76,892	
	Finance income received	7,400	10,208	
	Net cash used in investing activities	(145,286)	(5,614,601)	
CASH FLOWS FROM FINANCING ACTIVITIES				
	Proceeds / (repayments) from long-term financing	500,942	(131,996)	
	Proceeds from additional syndicate loan	1,000,000	-	
	Repayment of syndicate loan	(462,994)	-	
	Expense incurred on issuance of preference shares	(13,479)	-	
	Repayment of short term borrowing	(218,882)	-	
	Lease rentals paid	(9,300)	-	
	(Repayments) / proceeds of loan from related parties	-	2,428,000	
	Net cash generated from financing activities	796,287	2,296,004	
	Net decrease in cash and cash equivalents	(821,228)	(3,467,162)	
	Cash and cash equivalents at beginning of the period	(310,651)	(4,279,803)	
	Cash and cash equivalents at end of the period	14	(1,131,879)	(7,746,965)

The annexed notes from 1 to 17 form an integral part of this condensed interim financial statements.



Chief Financial Officer



Chief Executive Officer



Director

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the nine months period and quarter ended 31 March 2021 - Unaudited

	Issued, subscribed and paid up capital	Advance against right shares	Capital reserve	Revenue reserves		Total equity
			Share premium	Accumulated (loss) / profit	Hedging reserve	
----- (Rupees in '000) -----						
Balance as at July 1, 2019	10,634,144	-	750,714	485,601	351,081	12,221,540
Total comprehensive loss for the period						
Loss for the period	-	-	-	(1,750,493)	-	(1,750,493)
Other comprehensive income for the period	-	-	-	-	114,031	114,031
Total comprehensive loss for the period	-	-	-	(1,750,493)	114,031	(1,636,462)
Balance as at March 31, 2020	10,634,144	-	750,714	(1,264,892)	465,112	10,585,078
Balance as at 1 July 2020	10,634,144	523,754	749,063	(3,126,291)	447,724	9,228,394
Preference shares issued	2,445,853	(523,754)	-	-	-	1,922,099
Issuance cost of preference shares-net of tax	-	-	(9,570)	-	-	(9,570)
Total comprehensive loss for the period						
Income for the period	-	-	-	110,471	-	110,471
Other comprehensive loss for the period	-	-	-	-	(184,402)	(184,402)
Total comprehensive loss for the period	-	-	-	110,471	(184,402)	(73,931)
Balance as at 31 March 2021	13,079,997	-	739,493	(3,015,820)	263,322	11,066,992

The annexed notes from 1 to 17 form an integral part of this condensed interim financial statements.



Chief Financial Officer



Chief Executive Officer



Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For The Nine Months Ended March 31, 2021 - Unaudited

1. STATUS AND NATURE OF BUSINESS

Power Cement Limited (the Company) was established as a Private Limited Company on December 1, 1981 and was converted into a Public Limited Company on July 9, 1987. The Company is also listed on Pakistan Stock Exchange. The Company's principal activity is manufacturing, selling and marketing of cement. The registered office of the Company is situated at Arif Habib Centre, 23 M.T. Khan Road, Karachi and its undertaking is situated at Deh Kalo Kohar, Nooriabad Industrial Estate, District Jamshoro (Sindh).

The Company began commercial production from its new Clinker Production Plant on July 1, 2020.

2. BASIS OF PREPARATION

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These condensed interim financial statements do not include all the information required for full financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2020.

2.1 Changes in accounting standards, interpretations and pronouncements

a) Standards and amendments to approved accounting and reporting standards that are effective

There are certain amendments and interpretations to the accounting and reporting standards which are mandatory for the Company's annual accounting period which began on July 1, 2020. However, these do not have any significant impact on the Company's financial reporting.

b) Standards and amendments to approved accounting and reporting standards that are not yet effective

There are certain amendments and interpretations to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after January 1, 2021. However, these will not have any impact on the Company's financial reporting and, therefore, have not been disclosed in these condensed interim financial statements.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2020.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For The Nine Months Ended March 31, 2021 - Unaudited

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of these consolidated condensed interim financial statements requires management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgements and estimates made by the management in the preparation of these condensed interim financial statements are the same as those that were applied to financial statements as at and for the year ended June 30, 2020.

The Company's financial risk management objectives and policies are consistent with those disclosed in the audited annual financial statements as at and for the year ended June 30, 2020.

		(Unaudited) March 31, 2021	(Audited) June 30, 2020
	Note	------(Rupees in '000) -----	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	5.1	36,230,571	13,371,372
Capital work-in-progress	5.2	-	23,413,542
Capitalisable stores and spares		384,477	437,638
		36,615,048	37,222,552
5.1 Operating assets			
Opening written down value		13,371,372	5,145,979
Additions during the period / year - at cost			
Plant and machinery		22,193,655	8,119,398
Land - lease hold		-	109,400
Factory building on leasehold land		5,776	-
Non factory building on leasehold land		1,412,628	105,404
Factory and laboratory equipment		2,436	4,353
Computers and peripherals		3,396	1,929
Office equipment		2,078	3,019
Furniture and fixtures		470	11,281
Vehicles		1,418	202
		23,621,857	8,354,986
Disposals during the period - Net book value		(224)	(3,242)
Depreciation for the period		(762,435)	(126,351)
		(762,658)	(129,593)
Closing written down value		36,230,571	13,371,372

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For The Nine Months Ended March 31, 2021 - Unaudited

(Unaudited) (Audited)
March 31, June 30,
2021 2020
 -----(Rupees in '000) -----

5.2 Capital work-in-progress

Civil Works	-	2,953,427
Plant and Machinery	-	18,699,777
Waste Heat Recovery System (WHRS)	-	1,760,338
	<u>-</u>	<u>23,413,542</u>
	(Unaudited)	(Audited)
	March 31,	June 30,
	2021	2020
	-----	-----
	(Rupees in '000)	(Rupees in '000)

6. STORES, SPARES AND LOOSE TOOLS

Stores	351,589	256,698
Coal	282,650	802,318
Spare parts	527,314	364,367
Loose tools	7,439	3,988
	<u>1,168,992</u>	<u>1,427,371</u>
Provision for slow moving / obsolete stock	(17,439)	(13,519)
	<u>1,151,553</u>	<u>1,413,852</u>

7. SHARE CAPITAL

7.1 Authorised share capital

	(Unaudited)	(Audited)		(Unaudited)	(Audited)
	March 31,	June 30,		March 31,	June 30,
	2021	2020		2021	2020
	----- (Number of Shares) -----			----- (Rupees in '000) -----	
	<u>1,310,000,000</u>	<u>1,310,000,000</u>	Ordinary and Cumulative Preference Shares of Rs. 10 each	<u>13,100,000</u>	<u>13,100,000</u>

7.2 Issued, subscribed and paid-up capital

	(Unaudited)	(Audited)		(Unaudited)	(Audited)
	March 31,	June 30,		March 31,	June 30,
	2021	2020		2021	2020
	----- (Number of Shares) -----			----- (Rupees in '000) -----	
	<u>1,051,234,846</u>	<u>1,051,234,846</u>	Fully paid ordinary shares of Rs. 10 each issued:	<u>10,512,348</u>	<u>10,512,348</u>
	<u>840,000</u>	<u>840,000</u>	For cash	<u>8,400</u>	<u>8,400</u>
	<u>11,339,588</u>	<u>11,339,588</u>	For consideration other than cash	<u>113,396</u>	<u>113,396</u>
	<u>1,063,414,434</u>	<u>1,063,414,434</u>	Bonus shares	<u>10,634,144</u>	<u>10,634,144</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For The Nine Months Ended March 31, 2021 - Unaudited

7.3 Cumulative Preference Shares

(Unaudited) March 31, 2021 ----- (Number of Shares) -----	(Audited) June 30, 2020		(Unaudited) March 31, 2021 ----- (Rupees in '000) -----	(Audited) June 30, 2020
244,585,320	-	Cumulative Preference Shares of	2,445,853	-
		Rs. 10 each		

(Unaudited) March 31, 2021 ----- (Rupees in '000) -----	(Audited) June 30, 2020
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8. TRADE AND OTHER PAYABLES

Trade creditors	580,121	964,946
Line III creditors	950,590	950,590
Payable against Waste Heat Recovery System	435,672	1,709,016
Bills payable	320,134	563,905
Payable to FLSmidth	932,482	973,704
Accrued liabilities	690,518	437,590
Royalty payable on raw material	7,309	15,475
Excise duty payable on raw material	5,569	8,953
Advances from customers	89,260	274,131
Retention money payable	1,130	1,130
Federal excise duty payable (Current)	452,152	259,342
Workers' welfare Fund	5,012	5,012
Withholding tax payable	23,944	76,734
Leaves encashment payable	31,914	34,392
Current portion of deferred Income	16,813	9,725
Loan from previous sponsors	735	735
Others	20,157	-
	4,563,512	6,285,380

9. CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

There is no change in the status of the contingencies as disclosed in note 27.1 to the annual financial statements for the year ended June 30, 2020, except as mentioned below.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For The Nine Months Ended March 31, 2021 - Unaudited

9.1.1 The Competition Commission of Pakistan (the CCP) took Suo Moto action under Competition Commission Ordinance, 2007 and issued a Show Cause Notice on October 28, 2008 for increase in prices of cement across the country. Similar notices were also issued to All Pakistan Cement Manufacturers Association (APCMA) and its member cement manufacturers. The Company filed a writ petition before the Honorable Lahore High Court (LHC) and the LHC vide its order dated August 24, 2009 allowed the CCP to issue its final order. The CCP accordingly passed an order on August 27, 2009 and imposed a penalty of Rs. 87 million on the Company. The LHC vide its order dated August 31, 2009 restrained the CCP from enforcing its order against the Company for the time being. The High Court of Lahore has heard the arguments of all the parties and has reserved its judgement on the matter on July 17, 2020.

During the financial year ended June 30, 2009, the Company has filed an appeal before the Honorable Supreme Court of Pakistan (SCP) and LHC against the Order of the CCP dated August 27, 2009. The petition filed by the Company and other cement manufacturers before the LHC are pending for adjudication meanwhile order passed by the LHC on August 31, 2009 is still operative. Management, based on the legal advice, believes that there are good legal grounds and is hopeful that there will be no adverse outcome for the Company, accordingly no provision has been made in these financial statements.

Consequent to changes in the legislation, the SCP has remanded the matter to the CCP Tribunal. The Company via Constitutional Petition (CP) No. 'D-8444' has challenged the formation of the Competition Commission of Pakistan (CCP) Tribunal on certain grounds. The CP has been filed before the SHC which through its order dated December 12, 2017 has restrained the CCP Tribunal from issuance of a final order, however, the proceedings on the matter may be continued by the CCP Tribunal as per its discretion.

During the period, LHC decided the case against the Company and other cement manufacturers for which the Company has decided to prefer an appeal before the Supreme Court of Pakistan.

Based on the opinion of the Company's legal advisors, the management is hopeful that the ultimate outcome of the appeal will be in favor of the Company and hence no provision has been recognised in these financial statements for the aforementioned amount of penalty.

9.1.2 During the financial year 2019, the Company received show-cause notice u/s 11(2) of the Act dated September 05, 2019 covering transactions of input tax claimed during tax periods from July 2018 to June 2019 alleging an amount of Rs. 946 million as inadmissible under the Act, the DCIR passed order vide no. 01/06/2020 dated August 06, 2020. The Company has filed an appeal u/s 45B of the Act. On September 29, 2020, CIR (Appeals-I) has granted a stay, through order No. 2020/211, against the mentioned DCIR's order.

Subsequent to the period end, CIR (Appeals-I) decided the case via order number STA/161/LTU/ 2021/08 dated February 11, 2021 partly in favor of the Company by vacating Rs. 461.91 million and remanding back Rs. 484.53 million to decide the matter afresh.

9.1.3 The Income Tax assessment order under section 120 of the Ordinance for tax year 2014 was selected for Audit under section 214 C of the Ordinance. The Deputy Commissioner Inland Revenue (DCIR) passed an amended assessment order under section 122 of the Ordinance while making additions of Rs. 19.3 million to the declared loss for the year.

The Company preferred appeal before CIR (appeals) under section 127 of the Ordinance on May 26, 2016. Hearing in this regard was held on June 6, 2016 and CIR (Appeals) issued order on February 4, 2020 confirming disallowance of Rs. 3.66 million.

The management intends to prefer an appeal against the same before the Income Tax Appellate Tribunal.

9.1.4 During the period, certain cases in relation to workers as presented in the financial statements for the year ended June 30, 2020 have been settled out of court.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For The Nine Months Ended March 31, 2021 - Unaudited

(Unaudited) (Audited)
March 31, June 30,
2021 2020
 -----(Rupees in '000) -----

9.2 Commitments

Commitments against open letter of credit for:

Coal	862,611	144,393
Stores and spares	176,265	117,028
	1,038,876	261,421

Commitments against letter of guarantees
 Ijarah rentals

	6,489,000	5,392,000
	64,815	65,419
	7,592,691	5,718,840

(Un-audited)
 Nine months period ended
 31 March

2021 2020

----- (Rupees in '000) -----

10. REVENUE FROM CONTRACTS WITH CUSTOMERS

Local Sales	11,653,801	4,201,140
Sales tax	(2,054,618)	-
Federal excise duty	(1,845,680)	48,121
	7,753,502	4,249,261

Export Sales	3,355,803	(764,467)
Freight on export	(154,230)	(837,513)
	3,201,573	(1,601,980)

10,955,075 **2,647,281**

11. SELLING AND DISTRIBUTION EXPENSES

Salaries, wages and other benefits including retirement benefits	61,837	51,145
Export expenses	667,792	17,781
Advertisement	31,977	13,364
Depreciation	4,454	2,623
Marking fee	6,495	2,452
Incentives and commission on local sales	172,617	40,697
Others	5,498	8,808
	950,669	136,870

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For The Nine Months Ended March 31, 2021 - Unaudited

(Un-audited)
 Nine months period ended
 31 March

2021 2020

------(Rupees in '000) -----

12. EARNINGS / (LOSS) PER SHARE
12.1 BASIC

Profit / (loss) after taxation attributable to ordinary shareholder	110,471	(1,750,493)
Adjustment for cumulative preference share dividend	(116,625)	-
(loss) after taxation for calculation of basic earnings / (loss) per share	(6,154)	(1,750,493)
Weighted average number of ordinary shares outstanding at the end of period (in thousands)	1,063,414	1,063,414
Basic (loss) per share (Rupee)	(0.01)	(1.65)

13. CASH (USED IN) OPERATIONS

Loss before taxation **(269,425)** (2,487,278)

Adjustment for:

Depreciation and amortisation	770,467	91,453
Finance cost on short-term financing	589,885	479,451
Finance cost on long-term financing - operations	1,348,876	1,435,793
Exchange gain - net	201,010	242,753
Gain on disposal of fixed assets	(1,321)	(76,892)
Grant Income	(7,750)	-
Loss allowance on trade receivables	8,865	-
Loss on derivative financial asset	259,721	-
Finance income	(8,227)	(10,941)
Provision for gratuity	29,734	29,297
	3,191,259	2,190,914

Operating profit / (loss) before working capital changes **2,921,834** (296,364)

Decrease / (increase) in current assets

Stores, spares and loose tools	262,299	(379,181)
Inventories	(257,565)	(165,243)
Trade receivables	119,851	(28,147)
Advances and other receivables	472,921	809,559
Deposits and prepayments	(59,504)	(65,400)
	538,002	171,588

(Decrease) / increase in current liabilities **(1,929,965)** 379,820

Net cash generated from operations **1,529,872** 255,044

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For The Nine Months Ended March 31, 2021 - Unaudited

		(Un-audited)	
		Nine months period ended	
		31 March	
		2021	2020
		------(Rupees in '000) -----	
14.	CASH AND CASH EQUIVALENTS		
	Cash and bank balances	316,983	115,917
	Short term borrowings	(1,448,862)	(7,862,882)
		(1,131,879)	(7,746,965)

15. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Transactions with related parties during the period as follows:

			(Un-audited)	
			Nine months period ended	
			31 March	
			2021	2020
			------(Rupees in '000) -----	
Name of the related party	Relationship	Transactions during the period		
Aisha Steel Mills Limited	Associated company by virtue of common directorship	- Sale of goods	1,122	619
		- Payment received	1,310	571
Safe Mix Concrete Limited	Associated company by virtue of common directorship	- Sale of goods	69,107	23,379
		- Payment received	67,246	67,772
Javedan Corporation Limited	Associated company by virtue of common directorship	- Sale of goods	8,591	46,036
		- Payment received	26,341	29,752
Rotocast Engineering Company (Private) Limited	Associated company by virtue of common directorship	- Services received	8,327	9,723
		- Rent accrued	10,289	10,289
		- Payments made	15,924	20,130
		- Loan received	780,000	-
		- Loan paid	780,000	-
Arif Habib Corporation Limited	Associated company by virtue of common directorship	- Loan received	462,000	416,000
		- Loan paid	462,000	416,000
		- Mark-up accrued	921	19,399
		- Mark-up paid	206	14,862
		- Guarantee commission accrued	1,591	1,212
		- Guarantee commission paid	1,656	1,212
Arif Habib Equity (Private) Limited	Associated company by virtue of common directorship	- Funds received against shares	730,000	-
		- Loan paid	154,445	-
		- Mark-up accrued	172,838	-
		- Mark-up paid	296,719	260,888
		- Shares subscribed	730,000	262,580
Mr. Arif Habib	Sponsor	- Loan received	300,000	2,428,000
		- Loan paid	1,948,895	-
		- Mark-up accrued	18,877	231,051
		- Shares subscribed	796,959	-

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For The Nine Months Ended March 31, 2021 - Unaudited

Name of the related party	Relationship	Transactions during the period	(Un-audited)	
			Nine months period ended	
			31 March	
			2021	2020
			----- (Rupees in '000) -----	
EFU Life Assurance Limited	Associated company by virtue of common directorship	-Services received	3,001	4,141
		-Payments made	3,001	4,141
FLSmith A/S	Related party by virtue of nominee director	-Services received	-	689,000
Allied Rental Modaraba	Related party by virtue of nominee director	-Services received	2,164	-
		- Payment made	1,814	-
Fatima Packaging Limited	Associated company by virtue of common directorship	-Purchase of goods	385,899	108,111
		-Payments made	353,806	76,427
Key management personnel	Key management	-Remuneration and other benefits	117,125	111,548
		-Advances disbursed to employees	11,769	7,614
		-Advances repaid by employees	6,099	9,710
Staff retirement benefit fund	Staff benefit plan	-Charge during the period	29,734	29,297
		-Contribution during the period	24,832	50,473
			(Unaudited)	(Audited)
			March 31,	June 30,
			2021	2020
			----- (Rupees in '000) -----	

Balances with related parties

Aisha Steel Mills Limited

- Advance received	(77)	(265)
--------------------	------	-------

Safe Mix Concrete Limited

- Trade receivable	42,423	40,561
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Javedan Corporation Limited

- Trade receivable	8,377	26,128
- Other receivable	39	39

Rotocast Engineering Company (Private) Limited

- Amount payable against services received	670	(2,022)
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Arif Habib Corporation Limited

- Mark-up payable	715	-
- Guarantee commission payable	381	446

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For The Nine Months Ended March 31, 2021 - Unaudited

	(Unaudited) March 31, 2021 ------(Rupees in '000)-----	(Audited) June 30, 2020
Arif Habib Equity (Private) Limited		
- Loan payable (including mark-up)	1,742,071	2,020,397
Sponsor - Mr. Arif Habib		
- Loan payable	-	1,922,099
- Mark-up payable	293,438	274,561
- Advance against preference rights issue	-	523,754
FLSmith A/S		
- Amount payable against services received	932,482	973,704
Allied Rental Modaraba		
- Amount payable against services received	350	-
Fatima Packaging Limited		
- Amount payable against goods purchased	99,234	67,141
Key management personnel		
- Advances to employees	43,242	37,573
Staff retirement benefit fund		
- Payable to gratuity fund	99,833	94,931

16. OPERATING SEGMENTS

17.1 This condensed interim financial statements have been prepared on the basis of single reporting segment.

17.2 All non-current assets of the Company as at March 31, 2021 are located in Pakistan.

17. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial statements has been authorized for issue on April 20, 2021 by the Board of Directors.



Chief Financial Officer



Chief Executive Officer



Director

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






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