

First Quarterly Report  
September 2019



**THATTA CEMENT**  
COMPANY LIMITED



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# Vision

To transform the Company into a modern and dynamic cement manufacturing unit fully equipped to play a meaningful role on sustainable basis in the economy of Pakistan.

# Mission

To provide quality products to customers at competitive prices; and

To generate sufficient profit to add to the shareholder's value.

# COMPANY INFORMATION

## BOARD OF DIRECTORS

Ms. Naheed Memon  
Mr. Khawaja Muhammad Salman Younis  
Mr. Saleem Zamindar  
Mr. Noor Muhammad  
Mr. Agha Sher Shah  
Mr. Shahid Aziz Siddiqui  
Mr. Muhammad Taha Hamdani

Chairperson  
Director  
Director  
Director  
Director  
Director  
Chief Executive

## AUDIT COMMITTEE

Mr. Saleem Zamindar  
Mr. Khawaja Muhammad Salman Younis  
Mr. Shahid Aziz Siddiqui

Chairman  
Member  
Member

## HR & REMUNERATION COMMITTEE

Mr. Agha Sher Shah  
Ms. Naheed Memon  
Mr. Muhammad Taha Hamdani

Chairman  
Member  
Member

## IT STEERING COMMITTEE

Mr. Khawaja Muhammad Salman Younis  
Mr. Muhammad Taha Hamdani  
Shahid Yaqoob

Chairman  
Member  
Member

## CHIEF FINANCIAL OFFICER

Shahid Yaqoob

## COMPANY SECRETARY

Mr. Muhammad Abid Khan

## STATUTORY AUDITOR

M/s Grant Thornton Anjum Rahman,  
Chartered Accountants

## CORPORATE ADVISOR

M/s Moore Shekha & Mufti, Chartered Accountants

## LEGAL ADVISOR

M/s Usmani & Iqbal

## BANKERS - CONVENTIONAL

National Bank of Pakistan  
Sindh Bank Limited  
Summit Bank Limited  
MCB Bank Limited

## REGISTERED OFFICE

Office No. 606-608A, Continental Trade  
Center, Block 8, Clifton, Karachi.  
UAN: 0092-21-111-842-882  
Fax no.: 0092-21-35303074-75  
Website: [www.thattacement.com](http://www.thattacement.com)  
E-mail: [info@thattacement.com](mailto:info@thattacement.com)

## FACTORY

Ghulamullah Road, Makli,  
District Thatta, Sindh 73160

## SHARE REGISTRAR

THK Associates (Pvt) Limited  
1st Floor, 40-C, Block-6, P.E.C.H.S.,  
Karachi-75400  
UAN: 021-111-000-322  
Fax: 021-34168271  
Website: [www.thk.com.pk](http://www.thk.com.pk)

## DIRECTORS' REVIEW

The Board of Directors present herewith their review together with the un-audited condensed interim financial statements for the quarter ended September 30, 2019.

### OVERVIEW

Production and sales figures for the quarter ended September 30, 2019 are as follows:

Description	September 30, 2019	September 30, 2018	Variance	
	Metric Tons		%	
<b>Production</b>				
Clinker	71,981	47,460	24,521	51.67
Cement	48,339	98,815	(50,476)	(51.08)
GGBFS	-	260	(260)	(100)
<b>Dispatches</b>				
Cement	48,504	99,107	(50,603)	(51.06)
Clinker	12,199	4,498	7,701	171.21
GGBFS	-	260	(260)	(100)

The clinker production of your Company during the period under review was 71,981 tons resulting in capacity utilization of 56.46% in comparison with the clinker production of 47,460 tons implying capacity utilization of 37.22% during the corresponding period of previous year.

### Industry Review

Local cement sales of the South where your Company is situated showed a decline of 32.10% whereas exports showed a growth of 27.03% as compared to the corresponding period. After announcement of Finance Act, 2019-20, certain key steps in tax reforms and documentation of economy were taken by the Government. These has significantly impacted on supply chain management of movement of commodities.

### Sales Review

Cement sales of the Company during the period decreased by 51.06% in terms of volume as a consequence of lower demand of cement in the south region, on account of slow construction related activities which is in turn is due to overall sluggish economic activity since the start for current financial year and unstable political conditions.

### Financial Review

A comparison of the financial results of the Company's performance for the quarter ended September 30, 2019 with the same period last year is as under:

Particulars	September 30, 2019	September 30, 2018
	----- Rupees in thousands -----	
Sales – net	398,455	702,741
Gross profit	36,239	120,773
Selling & Distribution Cost	10,032	16,780
Finance Cost	14,387	16,956
(Loss) / Profit before taxation	(4,053)	59,469
(Loss) / Profit for the quarter	(11,500)	49,775
(Loss) / Earning per share (Rupee)	(0.12)	0.50

Overall sales revenue of the company decreased by 43.30% due to decline in sale of cement on account of lower market demand in south region during the period as compared with the corresponding period last year due to slow down in overall business activities.

Cost of sales ratio to sales has increased to 90.91% during the quarter as compared to 82.82% in the corresponding period last year. Increase is mainly attributable to fixed cost charged as period cost in accordance with International Financial Reporting Standards, due to lower production of clinker in relation to installed capacity during the quarter ended on September 30, 2019. Moreover, there is rising trend in prices of packing material, transportation charges and other input cost.

Distribution cost has declined by 40.53% during the period as compared to the corresponding period of last year mainly due to decline in sales.

## FUTURE OUTLOOK

Local cement sales will continue to remain challenging going forward with already existing excess capacities along with new local capacities coming online in coming months. In the current economic scenario which is witnessing double digit inflation along with devaluation of Pak Rupee coupled with aggressive tax reforms would be a challenge to maintain gross margins in the period ahead. Moreover, there is no promising news on allocation of development funds towards Public Sector Development projects by the Government of Pakistan.

The management is making its utmost efforts to achieve sales either in the form of cement or clinker by exploring all available options. Efforts are being made to curtail cost wherever possible and maintain gross margins.

## PERFORMANCE OF THE GROUP

A brief of the financial position and performance of the Group for the quarter ended September 30, 2019 is provided below:

## Operating Results

### Statement of Financial Position

	September 2019	June 2019
Property, plant and equipment	4,432,515	4,403,521
Stock-in-Trade	491,256	370,977
Trade Debts	788,248	881,813
Total Equity - Holding Company	3,658,099	3,639,915
Trade and Other payables	354,276	428,056

September  
2019

June  
2019

----- Rupees in thousands -----

### Statement of Profit or Loss

	September 2019	September 2018
Sales - net	504,036	971,348
Gross Profit	91,647	235,149
Selling, Distribution cost & Administrative Expense	36,135	45,278
Profit before taxation	44,967	166,228
Profit for the quarter	36,048	155,715
Earnings per share (in Rupees)	0.18	1.16

September  
2019

September  
2018

----- Rupees in thousands -----

## WASTE HEAT RECOVERY [WHR] PROJECT OF THATTA POWER (PRIVATE) LIMITED

The test run of Waste Heat Recovery [WHR] project is in progress. Moreover, commercial operation of the project is expected to commence in the second quarter of the current financial year.

### ACKNOWLEDGEMENT

The Directors are grateful to the Company's shareholders, financial institutions and customers for their continued cooperation, support and patronage. The Directors acknowledge the relentless efforts and dedicated services, team work, loyalty and hard work of all the employees of the Company and hope their continued dedication shall further consolidate the Company and keep it abreast to face future developments and demands.



**Muhammad Taha Hamdani**  
Chief Executive Officer



**Naheed Memon**  
Chairperson


Karachi: October 26, 2019

## ویسٹ ہیٹ ریکوری منصوبہ

اس منصوبے کی جانچ پڑتال کا عمل جاری ہے۔ مزید برآں اس منصوبے کا کمرشل آپریشن موجودہ مالی سال کی دوسری سہ ماہی سے شروع ہونے کی توقع ہے۔

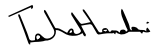
## اعتراف خدمات

ڈائریکٹرز کمپنی کے تمام حصص داران، مالیاتی اداروں اور اپنے صارفین کے بے حد مشکور ہیں کہ ان کا تعاون، حمایت اور رہنمائی ہمارے شامل حال رہی۔ ڈائریکٹرز کمپنی کے ملازمین کی جانب سے انتھک محنت، اجتماعی کاوشوں اور اخلاص نیت کا اعتراف کرتے ہیں اور اس بات کی امید کرتے ہیں کہ مستقبل میں بھی کمپنی کو مزید مستحکم بنانے کیلئے ان کی جانب سے اسی جوش و جذبے کا اظہار کیا جائے گا اور ان کی کوششوں کے نتیجے میں کمپنی مستقبل میں پیش آنے والے چیلنجز سے نبرد آزما ہونے کیلئے تیار رہے گی۔



ناہید میمن

چئیر پرسن



محمد طحہ ہمدانی

چیف ایگزیکٹو آفیسر

کراچی: 26 اکتوبر 2019

سیمنٹ کی پہلے سے موجود اضافی پیداواری صلاحیت اور آنے والے مہینوں میں مقامی سطح پر اس میں مزید اضافے کے پیش نظر سیمنٹ کی فروخت مسائل کا شکار رہے گی۔ زیر نظر معاشی منظر نامے میں افراط زر کے دوہرے عدد، پاکستانی روپے کی قدر میں کمی اور ٹیکس کے قوانین کے سلسلے میں جارحانہ اصلاحات کی وجہ سے آنے والے دنوں میں خام منافع کی شرح کو توازن میں رکھنا ایک بڑا مسئلہ بن سکتا ہے۔ مزید برآں، حکومت پاکستان کی جانب سے پبلک سیکٹر ڈیولپمنٹ فنڈ کے تحت پروجیکٹس کیلئے رقوم مختص کئے جانے سے سیمنٹ کی صنعت میں بہتری کے امکانات ہیں۔ کمپنی کی انتظامیہ کی جانب سے ہر ممکن کوشش کی جا رہی ہے کہ سیمنٹ یا کلنکر کی فروخت میں اضافے کیلئے ہر ممکن اقدامات اٹھائے جائیں۔ جہاں تک ممکن ہو سکے پیداواری لاگت کو کم از کم حد تک رکھنے اور خام منافع کو برقرار رکھنے کیلئے اقدامات کئے جا رہے ہیں۔

## گروپ کی کارکردگی

زیر نظر سہ ماہی اختتامیہ 30 ستمبر 2019 کے دوران گروپ کی مالیاتی پوزیشن اور کارکردگی کا مختصر جائزہ ذیل میں پیش کیا جا رہا ہے:

### Operating Results

#### Statement of Financial Position

Property, plant and equipment  
Stock-in-Trade  
Trade Debts  
Total Equity - Holding Company  
Trade and Other payables

September  
2019

June  
2019

----- Rupees in thousands -----

4,432,515	4,403,521
491,256	370,977
788,248	881,813
3,658,099	3,639,915
354,276	428,056

#### Statement of Profit or Loss

Sales - net  
Gross Profit  
Selling, Distribution cost & Administrative Expense  
Profit before taxation  
Profit for the quarter  
Earnings per share (in Rupees)

September  
2019

September  
2018

----- Rupees in thousands -----

504,036	971,348
91,647	235,149
36,135	45,278
44,967	166,228
36,048	155,715
0.18	1.16

ترسیل میں 27.03 فیصد کا اضافہ درج کیا گیا ہے۔ حکومت کی جانب سے فنانس ایکٹ 2019 کے اجراء کے بعد ٹیکس اور معیشت کو ریکارڈ کا حصہ بنانے کیلئے متعدد اقدامات کئے گئے ہیں جو کہ اشیاء کی ترسیل پر اثر انداز ہوئے ہیں۔

### کمپنی کی فروخت کا جائزہ

زیر نظر سہ ماہی کے دوران کمپنی کی جانب سے سیمنٹ کی فروخت میں بلحاظ حجم 51.06 فیصد کی کمی واقع ہوئی ہے جس کی وجہ جنوبی زون میں سیمنٹ کی طلب میں آنے والی کمی تھی۔ رواں مالی سال کے دوران معاشی سست روی اور سیاسی عدم توازن کے باعث تعمیراتی صنعت میں سست روی پیدا ہونے کی وجہ سے سیمنٹ کی طلب میں کمی واقع ہوئی۔

### مالیاتی کارکردگی

کمپنی کی مالیاتی کارکردگی برائے سہ ماہی 30 ستمبر 2019 بمقابلہ سال گزشتہ سہ ماہی کا تقابلی جائزہ درج ذیل ہے:

Particulars	September 30, 2019	September 30, 2018
----- Rupees in thousands -----		
Sales – net	398,455	702,741
Gross profit	36,239	120,773
Selling & Distribution Cost	10,032	16,780
Finance Cost	14,387	16,956
(Loss) / Profit before taxation	(4,053)	59,469
(Loss) / Profit for the quarter	(11,500)	49,775
(Loss) / Earning per share (Rupee)	(0.12)	0.50

جنوبی زون میں سیمنٹ کی طلب میں آنے والی کمی کے باعث گزشتہ مالی سال کی پہلی سہ ماہی کے مقابلے میں کمپنی کی آمدن از فروخت میں 30.43 فیصد کی کمی واقع ہوئی ہے۔

گزشتہ مالی سال کی پہلی سہ ماہی کے دوران پیداواری لاگت 82.82 فیصد تھی جو کہ زیر نظر سہ ماہی کے دوران 90.91 فیصد رہی۔

انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈ کے مطابق درج مستقل نوعیت کے اخراجات بطور پیریڈ کاسٹ درج کئے جانے کے باعث پیداواری لاگت میں اضافہ ہوا ہے جس کی بنیادی وجہ زیر نظر سہ ماہی کے دوران پیداواری صلاحیت کے مقابلے میں کلنکر کی پیداوار میں کمی تھی۔ مزید برآں، اس اضافے کی وجہ پیکنگ میٹیریل، ٹرانسپورٹ اور دیگر خام مال کی قیمتوں میں اضافہ ہے۔ مال کی ترسیل کی لاگت میں گزشتہ سال کے مقابلے میں زیر نظر عرصے کے دوران 40.53 فیصد کمی ہوئی جس کی وجہ سے سیمنٹ کی فروخت میں کمی آئی

ہے۔

## ڈائریکٹرز جائزہ رپورٹ

بورڈ آف ڈائریکٹرز کی جانب سے 30 ستمبر 2019 کو ختم ہونے والی سہ ماہی کے غیر آڈٹ شدہ عبوری گوشوارے اور ان کا تجزیہ پیش خدمت ہے۔

### مجموعی جائزہ

رواں مالی سال کے دوران 30 ستمبر 2019 کو ختم ہونے والی سہ ماہی سے متعلق پیداوار اور فروخت کے اعداد و شمار ذیل میں پیش خدمت ہیں:

Description	September 30, 2019	September 30, 2018	Variance	
	Metric Tons		%	
<b>Production</b>				
Clinker	71,981	47,460	24,521	51.67
Cement	48,339	98,815	(50,476)	(51.08)
GGBFS	-	260	(260)	(100)
<b>Dispatches</b>				
Cement	48,504	99,107	(50,603)	(51.06)
Clinker	12,199	4,498	7,701	171.21
GGBFS	-	260	(260)	(100)

زیر نظر عرصے کے دوران آپ کی کمپنی کی جانب سے کلنکر کی پیداوار 71,981 ٹن رہی جو کہ پیداواری صلاحیت کا 56.46 فیصد جبکہ گزشتہ مالی سال کی پہلی سہ ماہی کے دوران کلنکر کی پیداوار 47,460 ٹن رہی اور جو کہ پیداواری صلاحیت کا 37.22 فیصد تھی۔

### صنعتی جائزہ

گزشتہ مالی سال کے مقابلے میں اس سال کی پہلی سہ ماہی کے دوران مقامی سطح پر جنوبی زون میں واقع سیمنٹ کمپنیوں کی جانب سے فروخت میں 32.10 فیصد کی زبردست کمی واقع ہوئی ہے جبکہ شمالی زون میں واقع سیمنٹ کی کمپنیوں کی جانب سے مقامی سطح پر مال کی

CONDENSED INTERIM  
UNCONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED  
SEPTEMBER 30, 2019

# CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION


As at September 30, 2019

As at September 30, 2019		(Un-audited)	(Audited)
		September 30, 2019	June 30, 2019
	Note	----- Rupees in thousands -----	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	2,085,980	2,086,685
Long term investment in the Subsidiary Company		299,158	299,158
Long term deposits		1,096	1,096
<b>Total non-current assets</b>		<b>2,386,234</b>	<b>2,386,939</b>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	6	348,684	314,592
Stock-in-trade	7	523,673	389,192
Trade debts		141,897	197,809
Advances		6,942	5,673
Trade deposits and short term prepayments		4,508	6,478
Other receivables and accrued interest		18,672	18,921
Taxation - net		221,432	217,726
Cash and bank balances		9,656	72,770
<b>Total current assets</b>		<b>1,275,464</b>	<b>1,223,161</b>
<b>Total assets</b>		<b>3,661,698</b>	<b>3,610,100</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		997,181	997,181
Share premium		99,718	99,718
Accumulated profit		1,510,507	1,522,007
<b>Total shareholders' equity</b>		<b>2,607,406</b>	<b>2,618,906</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term deposits		2,897	4,297
Long term employee benefit		17,796	17,744
Deferred taxation		295,366	293,868
<b>Total non-current liabilities</b>		<b>316,059</b>	<b>315,909</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	351,225	292,087
Unclaimed dividend		2,494	2,540
Accrued mark-up		11,151	7,761
Current maturity of long term financing		29,833	87,817
Short term borrowings		343,530	285,080
<b>Total current liabilities</b>		<b>738,233</b>	<b>675,285</b>
<b>Total equity and liabilities</b>		<b>3,661,698</b>	<b>3,610,100</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	9		

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



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

# CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS (UN-AUDITED)


For the quarter ended September 30, 2019

	Note	Quarter ended	
		September 30, 2019	September 30, 2018
		----- Rupees in thousands -----	
Sales - net	10	398,455	702,741
Cost of sales	11	(362,216)	(581,968)
<b>Gross profit</b>		<b>36,239</b>	<b>120,773</b>
Selling and distribution cost		(10,032)	(16,780)
Administrative expenses		(23,911)	(26,852)
		(33,943)	(43,632)
<b>Operating profit</b>		<b>2,296</b>	<b>77,141</b>
Other operating expenses		(487)	(9,194)
Finance cost		(14,387)	(16,956)
		(14,874)	(26,150)
Other income		8,525	8,478
<b>(Loss) / profit before taxation</b>		<b>(4,053)</b>	<b>59,469</b>
Taxation		(7,447)	(9,694)
<b>(Loss) / Profit for the quarter</b>		<b>(11,500)</b>	<b>49,775</b>
<b>(Loss) / Earnings per share - basic and diluted (Rupees)</b>		<b>(0.12)</b>	<b>0.50</b>

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



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

# CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)


For the quarter ended September 30, 2019

	Quarter ended	
	September 30, 2019	September 30, 2018
	----- Rupees in thousands -----	
(Loss) / profit for the quarter	(11,500)	49,775
Other comprehensive income / (loss)	-	-
Total comprehensive (loss) / income for the period	<u>(11,500)</u>	<u>49,775</u>

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



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

# CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CASH FLOWS (UN-AUDITED)

For the quarter ended September 30, 2019

		Quarter ended	
		September 30, 2019	September 30, 2018
Note		----- Rupees in thousands -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
	(Loss) / profit before taxation	(4,053)	59,469
	Adjustment for:		
5.1	Depreciation	23,562	20,378
	Amortization	-	700
	Finance cost	14,387	16,956
	Provision for gratuity	3,983	3,419
	Provision for leave encashment	504	782
	Fixed assets written off	3	-
		42,439	42,235
	Operating cash flows before working capital changes	38,386	101,704
	Working capital changes		
	(Increase) / decrease in current assets		
	Stores, spare parts and loose tools	(34,092)	121,435
	Stock-in-trade	(134,481)	175,756
	Trade debts	55,912	(112,726)
	Advances	(1,269)	838
	Trade deposits and short term prepayments	1,970	(624)
	Other receivables and accrued interest	249	42,047
		(111,711)	226,726
	Increase / (decrease) in current liabilities		
	Trade and other payables excluding gratuity	55,155	(184,781)
	Cash (used in) / generated from operations	(18,170)	143,649
	Finance cost paid	(10,997)	(13,723)
	Gratuity paid	-	(6,500)
	Leave encashment paid	(452)	(153)
	Income tax paid - net	(9,655)	(25,918)
		(21,104)	(46,294)
	Net cash (used in) / generated from operating activities	(39,274)	97,355

# CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CASH FLOWS (UN-AUDITED)

For the quarter ended September 30, 2019

Quarter ended	
September 30, 2019	September 30, 2018
----- Rupees in thousands -----	

## CASH FLOWS FROM INVESTING ACTIVITIES

Fixed capital expenditure	(22,860)	(27,356)
Loan / Advance to Subsidiary	(53,000)	-
Receipt of Loan / Advance to Subsidiary	53,000	-
<b>Net cash used in investing activities</b>	<b>(22,860)</b>	<b>(27,356)</b>

## CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of long term financing	(57,984)	(57,983)
Dividend paid	(46)	(1)
Long term deposits - liabilities	(1,400)	(180)
<b>Net cash used in financing activities</b>	<b>(59,430)</b>	<b>(58,164)</b>
Net (decrease) / increase in cash and cash equivalents	(121,564)	11,835
Cash and cash equivalents at beginning of the quarter	(212,310)	(294,315)
<b>Cash and cash equivalents at end of the quarter</b>	<b>(333,874)</b>	<b>(282,480)</b>

## CASH AND CASH EQUIVALENTS

Cash and bank balances	9,656	68,858
Short term borrowings	(343,530)	(351,338)
	<b>(333,874)</b>	<b>(282,480)</b>

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

  
CHIEF FINANCIAL OFFICER

  
CHIEF EXECUTIVE

  
DIRECTOR

# CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)


For the quarter ended September 30, 2019

	Issued, subscribed and paid-up share capital	Share premium	Accumulated profit	Total
	----- Rupees in thousands -----			
Balance as at July 1, 2018 (audited)	997,181	99,718	1,459,891	2,556,790
<i>Total comprehensive income for the quarter ended September 30, 2018</i>				
Profit for the quarter	-	-	49,775	49,775
Balance as at September 30, 2018 (un-audited)	997,181	99,718	1,509,666	2,606,565
Balance as at July 1, 2019 (audited)	997,181	99,718	1,522,007	2,618,906
<i>Total comprehensive loss for the quarter ended September 30, 2019</i>				
Loss for the quarter	-	-	(11,500)	(11,500)
Balance as at September 30, 2019 (un-audited)	997,181	99,718	1,510,507	2,607,406

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



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

# NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

For the quarter ended September 30, 2019

## 1 STATUS AND NATURE OF BUSINESS

Thatta Cement Company Limited (the Company) was incorporated in Pakistan in 1980 as a public limited Company. The shares of the Company are quoted at the Pakistan Stock Exchange. The Company's main business activity is manufacturing and marketing of cement. The registered office of the Company is situated at Office No. 606, 607, 608 & 608A, Continental Trade Centre, Block 8, Clifton, Karachi. The production facility of the Company comprises of 233 acres and is located at Ghulamullah Road, Makli, District Thatta, Sindh.

The Company owns 62.43% shareholding of Thatta Power (Private) Limited (the Subsidiary Company). The principal business of the subsidiary is generation and sale of electric power.

## 2 BASIS OF PREPARATION

### 2.1 Statement of Compliance

These condensed interim unconsolidated financial statements for the quarter ended September 30, 2019 have 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 Act, 2017. In case the requirements differ, the provisions of and directives issued under the Companies Act, 2017 shall prevail. The disclosures in these condensed interim unconsolidated financial statements do not include all of the information required in the annual audited unconsolidated financial statements and should be read in conjunction with the annual audited unconsolidated financial statements of the Company as at and for the year ended June 30, 2019.

These condensed interim unconsolidated financial statements are unaudited and are being submitted to the shareholders as required under section 237 of the Companies Act, 2017 and the Pakistan Stock Exchange Regulations.

These condensed interim unconsolidated financial statements comprises of the Condensed Interim Unconsolidated Statement of Financial Position as at September 30, 2019 and Condensed Interim Unconsolidated Statement of Profit or Loss , Condensed Interim Unconsolidated Statement of Comprehensive Income, Condensed Interim Unconsolidated Statement of Cash Flows and Condensed Interim Unconsolidated Statement of Changes in Equity for the quarter ended September 30, 2019.

## 2.2 Use of estimates and judgments

The preparation of these condensed interim unconsolidated financial statements in conformity with approved accounting standards require management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision. In preparing these condensed interim unconsolidated financial statements, the significant judgments made by the management in applying the Company's accounting policies and key sources of estimation and uncertainty were the same as those that were applied to the unconsolidated financial statements as at and for the year ended June 30, 2019.

## 2.3 Functional and presentation currency

These condensed interim unconsolidated financial statements have been prepared and presented in Pakistani Rupee which is the Company's functional and presentation currency.

## 2.4 General

The figures have been rounded off to the nearest thousand of Rupees.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these condensed interim unconsolidated financial statements are the same as those applied in preparation of the annual audited unconsolidated financial statements as at and for the year ended June 30, 2019.

## 4 FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual audited unconsolidated financial statements as at and for the year ended June 30, 2019.

## 5 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets  
Major stores and spares

	(Un-audited)	(Audited)
	September 30, 2019	June 30, 2019
Note	----- Rupees in thousands -----	
5.1	2,021,339	2,039,815
	64,641	46,870
	<u>2,085,980</u>	<u>2,086,685</u>

(Un-audited)	(Audited)
September 30, 2019	June 30, 2019
----- Rupees in thousands -----	

## 5.1 Operating fixed assets

Written Down Value (WDV) - opening	2,039,815	1,971,885
<b>Additions during the quarter / year - at cost</b>		
- Plant and machinery	2,646	206,276
- Electrical Installations	-	417
- Quarry Equipment	-	439
- Office & other equipment	-	207
'- Laboratory equipments	1,299	836
- Computer equipments	1,144	-
	5,089	208,175
WDV of disposals during the quarter / year	-	(142)
Fixed assets written off during the quarter / year	(3)	(249)
Depreciation charge for the quarter / year	(23,562)	(139,853)
	(23,565)	(140,244)
WDV - closing	2,021,339	2,039,815

## 6 STORES, SPARE PARTS AND LOOSE TOOLS

Coal and other fuels	149,629	128,020
Stores & spare parts	225,762	213,314
Loose tools	136	101
	375,527	341,435
Provision for obsolete stores	(5,231)	(5,231)
Provision for slow moving stores and spares	(21,612)	(21,612)
	(26,843)	(26,843)
	348,684	314,592

## 7 STOCK-IN-TRADE

Raw material	27,398	20,399
Packing material	49,005	46,208
Work-in-process	404,878	286,583
Finished goods	42,392	36,002
	523,673	389,192

		(Un-audited)	(Audited)
		September 30, 2019	June 30, 2019
		Note	----- Rupees in thousands -----
8	TRADE AND OTHER PAYABLES		
	Trade creditors	21,561	32,944
	Accrued liabilities	8.1 181,703	145,596
	Bills payable	21	6,728
	Advances from customers	37,520	31,724
	Excise duty and sales tax payable	58,567	29,452
	Payable to Gratuity Fund	25,207	21,224
	Workers' Profit Participation Fund (WPPF)	16,518	15,898
	Workers' Welfare Fund (WWF)	7,946	7,946
	Other liabilities	2,182	575
		351,225	292,087

- 8.1 It includes Rs. 120.388 million (June 30, 2019: Rs. 79.431 million) payable to the Subsidiary Company, in respect of purchase of electricity.

## 9 CONTINGENCIES AND COMMITMENTS

### 9.1 Contingencies

The status of contingencies is same as disclosed in the annual audited unconsolidated financial statements for the year ended June 30, 2019 except for the matters disclosed in note 26.1.8, for which the status is mentioned below :

- 9.1.1 During the period, the Company has filed an appeal before Commissioner Inland Revenue –Appeals (CIR-A) against the Order in Original (ONO) issued by Deputy Commissioner Inland Revenue (DCIR) in respect of Sales Tax audit for the tax period from July 2017 to June 2018 raising a demand of Rs. 7.452 million (including default surcharge & penalty ) by disallowing certain input tax claimed by the Company in its sales tax returns for the aforesaid tax period. While deciding the appeal, CIR-A has passed the appellate order in favour of the Company.

	(Un-audited)	(Audited)
	September 30, 2019	June 30, 2019
----- Rupees in thousands -----		
9.2 Commitments		
Commitments in respect of revenue & capital expenditure	274	96,895
Guarantees given by banks on behalf of the Company	48,000	48,000

Quarter ended	
September 30, 2019	September 30, 2018
----- (Un-audited) -----	
----- Rupees in thousands -----	

## 10 SALES - NET

Gross sales	- Local	616,066	1,021,628
Less	- Federal Excise Duty	121,406	155,407
	- Sales tax	96,205	163,480
		217,611	318,887
		398,455	702,741

10.1 The Company's revenue disaggregated by primary geographical markets is as follows:

## Sale of cement and clinker

## Primary geographical markets

Pakistan	398,455	702,741
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10.2 Company's revenue disaggregated by pattern / timing of revenue recognition is as follows:

## Timing of revenue recognition

Goods transferred at a point in time	398,455	702,741
--------------------------------------	---------	---------

## 11 COST OF SALES

Raw material consumed	27,861	33,909
<b>Manufacturing expenses</b>		
Packing material consumed	16,499	35,578
Stores, spare parts and loose tools consumed	11,192	13,510
Fuel and power	325,692	222,455
Salaries, wages and other benefits	75,611	77,364
Insurance	1,293	3,656
Repairs and maintenance	2,025	2,784
Depreciation	22,351	19,234
Vehicle hire, running & maintenance	2,965	2,932
Communication	407	525
Entertainment	179	277
Other production overheads	826	1,374
	459,040	379,689
Cost of production	486,901	413,598

	Quarter ended	
	September 30, 2019	September 30, 2018
	----- (Un-audited) -----	
	----- Rupees in thousands -----	
Work-in-process		
Opening balance	286,583	408,198
Closing balance	(404,878)	(241,777)
	(118,295)	166,421
Cost of goods manufactured	368,606	580,019
Finished goods		
Opening balance	36,002	42,946
Closing balance	(42,392)	(40,997)
	(6,390)	1,949
	362,216	581,968

## 12 RELATED PARTY TRANSACTIONS & BALANCES

Related parties comprise of associated undertakings, directors of the Company, key management personnel and staff retirement funds. The Company continues to have a policy whereby all transactions with related parties are entered into at commercial terms and conditions except for Service Level Agreement for Business Support Services with the Subsidiary Company for which the basis are approved by the Board of Directors. Further, contribution to the defined contribution plan (provident fund) is made as per the terms of employment and trust deed and contribution to the defined benefit plan (gratuity fund) is in accordance with the actuarial advice. Details of transactions during the quarter ended/outstanding balances as at September 30, 2019 with related parties are as follows:

Quarter ended	
September 30, 2019	September 30, 2018
----- (Un-audited) -----	
----- Rupees in thousands -----	

### 12.1 Transactions with related parties

#### 12.1.1 Subsidiary Company

##### Thatta Power (Private) Limited

- Common shared expenses	1,072	966
- Receipts on account of common shared expenses	997	1,009
- (Purchase)/sale of store items (inclusive of GST) - net	(11)	6,367
- (Payment)/receipts on account of purchase/sale of store items - net	(56)	917
- Purchase of electricity (inclusive of GST)	173,388	130,615
- Payment on account of electricity (inclusive of GST)	132,431	172,641
- Management fee claimed (inclusive of SST)	6,006	5,460
- Management fee received (inclusive of SST)	5,824	5,294

Quarter ended	
September 30, 2019	September 30, 2018
----- (Un-audited) -----	
----- Rupees in thousands -----	

- Sale of cement	-	3,342
- Receipt on account of sale of cement	-	7,044
- Loan/advance to the Subsidiary Company	53,000	-
- Receipt on account of loan/advance to the Subsidiary Company	53,000	-
- Interest accrued on loan/advance to the Subsidiary Company	886	-

### 12.1.2 Key management personnel

- Salaries and benefits (2018: restated)	16,522	18,895
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### 12.1.3 Other related parties

- Contribution to employees' Gratuity Fund	-	6,500
- Contribution to employees' Provident Fund	2,549	2,496
- Education expenses - Model Terbiat School	1,123	1,431

(Un-audited)	(Audited)
September 30, 2019	June 30, 2019
----- Rupees in thousands -----	

## 12.2 Balances with related parties

### 12.2.1 Subsidiary Company

#### Thatta Power (Private) Limited

- Payable against purchase of electricity (inclusive of GST)	120,388	79,431
- Receivable against management fee (inclusive of SST)	2,002	1,820
- Receivable against common shared expenses	397	322
- Receivable against sale of store items - net	718	673
- Receivable against sale of cement	380	380
- Accrued mark-up on loan/advance to the Subsidiary Company	886	-

### 12.2.2 Other related party

- Payable to Gratuity Fund	25,207	21,224
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### 12.3 There are no transactions with key management personnel other than under their terms of employment.

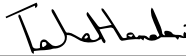
13      DATE OF AUTHORIZATION FOR ISSUE

These condensed interim unconsolidated financial statements have been authorized for issue on October 26, 2019 by the Board of Directors of the Company.



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CHIEF FINANCIAL OFFICER



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CHIEF EXECUTIVE



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DIRECTOR

CONDENSED INTERIM  
CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED  
SEPTEMBER 30, 2019

# CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2019

As at September 30, 2019		(Un-audited)	(Audited)
		September 30, 2019	June 30, 2019
	Note	----- Rupees in thousands -----	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	4,432,515	4,403,521
Long term deposits		1,096	1,096
<b>Total non-current assets</b>		<b>4,433,611</b>	<b>4,404,617</b>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	6	399,240	350,758
Stock-in-trade	7	491,256	370,977
Trade debts		788,248	881,813
Short term investment		306,000	306,000
Advances		41,427	47,465
Trade deposits and short term prepayments		7,533	7,677
Other receivables and accrued interest		25,377	72,246
Taxation - net		272,549	268,595
Cash and bank balances		11,139	119,234
<b>Total current assets</b>		<b>2,342,769</b>	<b>2,424,765</b>
<b>Total assets</b>		<b>6,776,380</b>	<b>6,829,382</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		997,181	997,181
Share premium		99,718	99,718
Accumulated profit		2,561,200	2,543,016
<b>Equity attributable to the owners of the Holding Company</b>		<b>3,658,099</b>	<b>3,639,915</b>
Non-controlling interests		813,647	795,783
<b>Total equity</b>		<b>4,471,746</b>	<b>4,435,698</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term financing		916,236	1,003,022
Long term deposits		2,897	4,297
Long term employee benefit		17,796	17,744
Deferred taxation		295,366	293,868
<b>Total non-current liabilities</b>		<b>1,232,295</b>	<b>1,318,931</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	354,276	428,056
Unclaimed dividend		2,494	2,540
Accrued mark-up		52,848	44,513
Current maturity of long term financing		319,191	314,564
Short term borrowings		343,530	285,080
<b>Total current liabilities</b>		<b>1,072,339</b>	<b>1,074,753</b>
<b>Total equity and liabilities</b>		<b>6,776,380</b>	<b>6,829,382</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	9		

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

  
 CHIEF FINANCIAL OFFICER

  
 CHIEF EXECUTIVE

  
 DIRECTOR

# CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UN-AUDITED)

For the quarter ended September 30, 2019

		Quarter ended	
		September 30, 2019	September 30, 2018
		----- Rupees in thousands -----	
	Note		
Sales - net	10	504,036	971,348
Cost of sales	11	(412,389)	(736,199)
<b>Gross profit</b>		<b>91,647</b>	<b>235,149</b>
Selling and distribution cost		(10,032)	(16,780)
Administrative expenses		(26,103)	(28,498)
		(36,135)	(45,278)
<b>Operating profit</b>		<b>55,512</b>	<b>189,871</b>
Other operating expenses		(513)	(9,194)
Finance cost		(19,738)	(23,020)
		(20,251)	(32,214)
Other income		9,706	8,571
<b>Profit before taxation</b>		<b>44,967</b>	<b>166,228</b>
Taxation		(8,919)	(10,513)
<b>Profit for the quarter</b>		<b>36,048</b>	<b>155,715</b>
<b>Profit for the quarter attributable to:</b>			
- Equity holders of the Holding Company		18,184	115,913
- Non-controlling interests		17,864	39,802
		<b>36,048</b>	<b>155,715</b>
<b>Earnings per share - basic and diluted (Rupees)</b>		<b>0.18</b>	<b>1.16</b>

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



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

# CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

For the quarter ended September 30, 2019

	Quarter ended	
	September 30, 2019	September 30, 2018
	----- Rupees in thousands -----	
Profit for the quarter	36048	155,715
Other comprehensive income / (loss)	-	-
Total comprehensive income for the period	36,048	155,715
Total comprehensive income for the period attributable to:		
- Equity holders of the Holding Company	18,184	115,913
- Non-controlling interests	17,864	39,802
	36,048	155,715

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



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

# CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UN-AUDITED)

For the quarter ended September 30, 2019

Quarter ended	
September 30, 2019	September 30, 2018
----- Rupees in thousands -----	

## CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation	44,967	166,228
Adjustment for:		
Depreciation	36,954	32,650
Amortization	-	700
Finance cost	19,738	23,020
Provision for gratuity	3,983	3,419
Provision for leave encashment	504	782
Fixed assets written off	3	-
	61,182	60,571
Operating cash flows before working capital changes	106,149	226,799
Working capital changes		
<i>(Increase) / decrease in current assets</i>		
Stores, spare parts and loose tools	(48,482)	115,668
Stock-in-trade	(120,279)	169,458
Trade debts	93,565	(274,145)
Advances	6,038	(6,105)
Trade deposits and short term prepayments	144	1,690
Other receivables and accrued interest	46,869	40,546
	(22,145)	47,112
<i>Decrease in current liabilities</i>		
Trade and other payables excluding gratuity	(77,763)	(179,094)
Cash generated from operations	6,241	94,817
Finance cost paid	(16,565)	(16,720)
Gratuity paid	-	(6,500)
Leave encashment paid	(452)	(153)
Income tax paid - net	(11,375)	(48,890)
	(28,392)	(72,263)
Net cash (used in)/generated from operating activities	(22,151)	22,554

# CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UN-AUDITED)

For the quarter ended September 30, 2019

Quarter ended	
September 30, 2019	September 30, 2018
----- Rupees in thousands -----	

## CASH FLOWS FROM INVESTING ACTIVITIES

Fixed capital expenditure	(59,582)	(436,668)
Net cash used in investing activities	(59,582)	(436,668)

## CASH FLOWS FROM FINANCING ACTIVITIES

Long term financing obtained	-	450,383
Repayment of long term financing	(83,366)	(83,365)
Dividend paid	(46)	(1)
Long term deposits - liabilities	(1,400)	(180)
Net cash used in financing activities	(84,812)	366,837

Net decrease in cash and cash equivalents	(166,545)	(47,277)
Cash and cash equivalents at beginning of the quarter	(165,846)	(216,611)
Cash and cash equivalents at end of the quarter	(332,391)	(263,888)

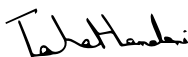
## CASH AND CASH EQUIVALENTS

Cash and bank balances	11,139	87,450
Short term borrowings	(343,530)	(351,338)
	(332,391)	(263,888)

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



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

# CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)


For the quarter ended September 30, 2019

	Equity attributable to owners of the Holding Company				Non-controlling interests	Total equity
	Issued, subscribed and paid-up share capital	Share premium	Accumulated profit	Total		
----- Rupees in thousands -----						
Balance as at July 1, 2018 (audited)	997,181	99,718	2,264,837	3,361,736	665,758	4,027,494
<i>Total comprehensive income for the quarter ended September 30, 2018</i>						
Profit for the quarter	-	-	115,913	115,913	39,802	155,715
Balance as at September 30, 2018 (un-audited)	997,181	99,718	2,380,750	3,477,649	705,560	4,183,209
Balance as at July 1, 2019 (audited)	997,181	99,718	2,543,016	3,639,915	795,783	4,435,698
<i>Total comprehensive income for the quarter ended September 30, 2019</i>						
Profit for the quarter	-	-	18,184	18,184	17,864	36,048
Balance as at September 30, 2019 (un-audited)	997,181	99,718	2,561,200	3,658,099	813,647	4,471,746

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



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

For the quarter ended September 30, 2019

## 1 THE GROUP AND ITS OPERATIONS

- 1.1** The Group consists of Thatta Cement Company Limited (TCCL) and Thatta Power (Private) Limited (TPPL) (together referred as "the Group").
- 1.2** Thatta Cement Company Limited (the Holding Company) was incorporated in Pakistan in 1980 as a public limited company. The shares of the Holding Company are quoted at the Pakistan Stock Exchange. The Holding Company's main business activity is manufacturing and marketing of cement. The registered office of the Holding Company is situated at Office No. 606, 607, 608 & 608A, Continental Trade Centre, Block 8, Clifton, Karachi. The production facility of the Holding Company is located at Ghulamullah Road, Makli, District Thatta, Sindh.
- 1.3** Thatta Power (Private) Limited (the Subsidiary Company) is a 62.43% owned subsidiary of the Holding Company as at September 30, 2019 (June 30, 2019: 62.43%). The principal business activity of the Subsidiary Company is generation and sale of electric power. As at September 30, 2019 TPPL has authorized and issued capital of Rs. 500 million and Rs. 479.16 million divided into 50,000,000 (June 30, 2019: 50,000,000) ordinary shares and 47,915,830 (June 30, 2019: 47,915,830) ordinary shares respectively. The registered office and generation facility of the Subsidiary Company is situated at Ghulamullah Road, Makli, District Thatta, Sindh.

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

These condensed interim consolidated financial statements for the quarter ended September 30, 2019 have 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 Act, 2017. In case the requirements differ, the provisions of and directives issued under the Companies Act, 2017 shall prevail. The disclosures in these condensed interim consolidated financial statements do not include all of the information required in the annual audited consolidated financial statements and should be read in conjunction with the annual audited consolidated financial statements of the Group as at and for the year ended June 30, 2019.

These condensed interim consolidated financial statements are unaudited and are being submitted to the shareholders as required under section 228 and 237 of the Companies Act, 2017 and the Pakistan Stock Exchange Regulations.

These condensed interim consolidated financial statements comprises of the Condensed Interim Consolidated Statement of Financial Position as at September 30, 2019 and Condensed Interim Consolidated Statement of Profit or Loss, Condensed Interim Consolidated Statement of Comprehensive Income, Condensed Interim Consolidated Statement of Cash Flows and Condensed Interim Consolidated Statement of Changes in Equity for the quarter ended September 30, 2019.

### 2.2 Basis of consolidation

These condensed interim consolidated financial statements include the condensed interim financial statements of the Holding Company and the Subsidiary Company.

The condensed interim financial statements of the Subsidiary Company are included in the condensed interim consolidated financial statements from the date on which more than 50% voting rights are transferred to the Holding Company or power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Upon loss of control, the Holding Company derecognises the assets and liabilities of the Subsidiary Company, any non-controlling interests and other components of equity related to the Subsidiary Company. Any surplus or deficit arising on the loss of control is recognised in profit and loss account.

The financial statements of the Subsidiary Company are prepared for the same reporting period as of the Holding Company, using accounting policies that are generally consistent with those of the Holding Company.

The assets and liabilities of the Subsidiary Company have been consolidated on a line-by-line basis. The carrying value of investment held by the Holding Company is eliminated against the Subsidiary Company's shareholders' equity in the condensed interim consolidated financial statements. Intra-group balances and transactions are eliminated.

### 2.3 Use of estimates and judgments

The preparation of these condensed interim consolidated financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision. In preparing these condensed interim consolidated financial statements, the significant judgments made by the management in applying the Group's accounting policies and key sources of estimation and uncertainty were the same as those that were applied to the annual audited consolidated financial statements as at and for the year ended June 30, 2019.

## 2.4 Functional and presentation currency

These condensed interim consolidated financial statements have been prepared and presented in Pakistani Rupee which is the Group's functional and presentation currency.

## 2.5 General

The figures have been rounded off to the nearest thousand of Rupees.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these condensed interim consolidated financial statements are the same as those applied in preparation of the annual audited consolidated financial statements as at and for the year ended June 30, 2019.

## 4 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the annual audited consolidated financial statements as at and for the year ended June 30, 2019.

## 5 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets  
Capital work-in-progress  
Major stores and spares

	(Un-audited)	(Audited)
	September 30, 2019	June 30, 2019
Note	----- Rupees in thousands -----	
5.1	3,233,470	3,265,338
5.2	1,131,460	1,088,369
	67,585	49,814
	<u>4,432,515</u>	<u>4,403,521</u>

(Un-audited)	(Audited)
September 30, 2019	June 30, 2019
----- Rupees in thousands -----	

## 5.1 Operating fixed assets

Written Down Value (WDV) - opening	3,265,338	3,123,053
<b>Additions during the period / year - at cost</b>		
- Plant and machinery	2,646	347,184
- Electrical Installations	-	417
- Quarry Equipment	-	439
- Office and other equipments	-	207
- Computer equipments	1,144	-
- Laboratory equipments	1,299	836
	5,089	349,083
WDV of disposals during the quarter / year	-	(142)
Fixed assets written off during the quarter / year	(3)	(11,519)
Depreciation charge for the quarter / year	(36,954)	(195,136)
	(36,957)	(206,797)
WDV - closing	3,233,470	3,265,338

## 5.2 Capital work-in-progress

Opening balance	1,088,369	214,212
Additions	41,885	1,064,710
Amortization of transaction cost	1,206	-
Transferred to operating fixed assets	-	(190,553)
	1,131,460	1,088,369

## 6 STORES, SPARE PARTS AND LOOSE TOOLS

Coal and other fuels	149,629	128,020
Stores & spare parts	276,311	249,471
Loose tools	143	110
	426,083	377,601
Provision for obsolete stores	(5,231)	(5,231)
Provision for slow moving stores and spares	(21,612)	(21,612)
	(26,843)	(26,843)
	399,240	350,758

		(Un-audited)	(Audited)
		September 30, 2019	June 30, 2019
		----- Rupees in thousands -----	
7	STOCK-IN-TRADE		
	Raw material	27,398	20,399
	Packing material	49,005	46,208
	Work-in-process	374,085	269,597
	Finished goods	40,768	34,773
		<u>491,256</u>	<u>370,977</u>
8	TRADE AND OTHER PAYABLES		
	Trade creditors	35,996	87,811
	Accrued liabilities	154,152	165,516
	Bills payable	21	6,728
	Advances from customers	37,520	31,724
	Contractors retention money	-	6,068
	Excise duty and sales tax payable	19,977	29,452
	Payable to Gratuity Fund	25,207	21,224
	Workers' Profit Participation Fund (WPPF)	56,174	55,554
	Workers' Welfare Fund (WWF)	23,015	23,015
	Other liabilities	2,214	964
		<u>354,276</u>	<u>428,056</u>
9	CONTINGENCIES AND COMMITMENTS		
9.1	Contingencies		
	<p>The status of contingencies is same as disclosed in the annual audited unconsolidated financial statements for the year ended June 30, 2019 except for the matters disclosed in note 25.1.8 whose status is mentioned below along with new matter mentioned in note:</p>		
9.1.1	<p>During the period, the Holding Company has filed an appeal before Commissioner Inland Revenue –Appeals (CIR-A) against the Order in Original (ONO) issued by Deputy Commissioner Inland Revenue (DCIR) in respect of Sales Tax audit for the tax period from July 2017 to June 2018 raising a demand of Rs. 7.452 million (including default surcharge &amp; penalty ) by disallowing certain input tax claimed by the Holding Company in its sales tax returns for the aforesaid tax period. While deciding the appeal, CIR-A has passed the appellate order in favour of the Company.</p>		
9.1.2	<p>During the period the Deputy Commissioner Inland Revenue(DCIR) has disallowed the input sales tax claimed by the Subsidiary Company during the period from July 2018 to February 2019 and raised a demand of Rs. 23.6 million. The Subsidiary Company has filed an appeal against the order passed by DCIR before CIR-Appeals.</p>		

(Un-audited)	(Audited)
September 30, 2019	June 30, 2019
----- Rupees in thousands -----	

## 9.2 Commitments

Commitments in respect of capital & revenue expenditure  
 Guarantees given by banks on behalf of the Group  
 Commitment under deferred payment letter of credit

274	111,204
354,000	354,000
3,893	50,466

Quarter ended	
(Un-audited)	
September 30, 2019	September 30, 2018
----- Rupees in thousands -----	

## 10 SALES - NET

Gross Sales - Local

739,596	1,335,899
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Less: - Federal Excise Duty  
 - Sales tax

121,406	155,407
114,154	209,144
235,560	364,551

504,036	971,348
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## 10.1 The Group's revenue disaggregated by primary geographical markets is as follows:

### Sale of cement, clinker and electric power

#### Primary geographical markets

#### Sale of cement and clinker

Pakistan

398,455	702,741
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#### Sale of electric power

Pakistan

105,581	268,607
504,036	971,348

## 10.2 The Group's revenue disaggregated by pattern/timing of revenue recognition is as follows:

### Timing of revenue recognition

Goods / electric power transferred at a point in time

504,036	971,348
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## 11 COST OF SALES

		Quarter ended	
		(Un-audited)	
		September 30, 2019	September 30, 2018
		----- Rupees in thousands -----	
Raw material consumed		27,861	33,909
<b>Manufacturing expenses</b>			
Packing material consumed		16,499	35,578
Stores, spare parts and loose tools consumed		17,427	30,473
Fuel and power		334,396	345,689
Salaries, wages and other benefits		75,611	77,364
Insurance		2,735	5,199
Repairs, operations and maintenance		7,941	9,223
Depreciation		35,743	31,506
Vehicle hire, running & maintenance		2,965	2,932
Communication		407	525
Entertainment		179	277
Other production overheads		1,108	1,452
		495,011	540,218
<b>Cost of production</b>		522,872	574,127
<b>Work-in-process</b>			
Opening balance		269,597	384,911
Closing balance		(374,085)	(224,752)
		(104,488)	160,159
<b>Cost of goods manufactured</b>		418,384	734,286
<b>Finished goods</b>			
Opening balance		34,773	41,545
Closing balance		(40,768)	(39,632)
		(5,995)	1,913
		412,389	736,199

## 12 RELATED PARTY TRANSACTIONS &amp; BALANCES

Related parties comprise of associated undertakings, directors of the Group, key management personnel and staff retirement funds. The Group continues to have a policy whereby all transactions with related parties are entered into at commercial terms and conditions. Further, contribution to the defined contribution plan (provident fund) is made as per the terms of employment and trust deed and contribution to the defined benefit plan (gratuity fund) is in accordance with the actuarial advice. Details of transactions during the quarter ended / outstanding balances as at September 30, 2019 with related parties are as follows:

		Quarter ended	
		(Un-audited)	
		September 30, 2019	September 30, 2018
		----- Rupees in thousands -----	
12.1	Transactions with related parties		
12.1.1	Key management personnel		
	- Salaries and benefits (2018: Restated)	16,522	18,895
12.1.2	Other related parties		
	- Contribution to employees' Gratuity Fund	-	6,500
	- Contribution to employees' Provident Fund	2,549	2,496
	- Education expenses - Model Terbiat School	1,123	1,431
		(Un-audited)	(Audited)
12.2	Balances with related parties	September 30, 2019	June 30, 2019
		----- Rupees in thousands -----	
12.2.1	Other related parties		
	Payable to Gratuity Fund	25,207	21,224
12.3	There are no transactions with key management personnel other than under their terms of employment.		
13	OPERATING SEGMENTS		
	For management purposes the Group is organized into following major business segments.		
	Cement	Engaged in manufacturing and marketing of cement.	
	Power	Engaged in generation and sale of electric power.	

## 13.1 Revenues

	Cement		Power		Intra group adjustment		Consolidated	
	September 2019	September 2018	September 2019	September 2018	September 2019	September 2018	September 2019	September 2018
	Un-audited		Un-audited		Un-audited		Un-audited	
Rupees in thousands								
Sales - net	398,455	702,741	253,776	380,244	(148,195)	(111,637)	504,036	971,348
Cost of sales	(362,216)	(581,968)	(184,437)	(272,412)	134,264	118,181	(412,389)	(736,199)
Gross profit	36,239	120,773	69,339	107,832	(13,931)	6,544	91,647	235,149
Selling and distribution cost	(10,032)	(16,780)	-	-	-	-	(10,032)	(16,780)
Administrative expenses	(23,911)	(26,852)	(7,507)	(6,478)	5,315	4,832	(26,103)	(28,498)
	(33,943)	(43,632)	(7,507)	(6,478)	5,315	4,832	(36,135)	(45,278)
Operating profit	2,296	77,141	61,832	101,354	(8,616)	11,376	55,512	189,871
Other operating expenses	(487)	(9,194)	(26)	-	-	-	(513)	(9,194)
Finance cost	(14,387)	(16,956)	(6,237)	(6,064)	886	-	(19,738)	(23,020)
	(14,874)	(26,150)	(6,263)	(6,064)	886	-	(20,251)	(32,214)
Other income	8,525	8,478	7,653	5,171	(6,472)	(5,078)	9,706	8,571
Segment results	(4,053)	59,469	63,222	100,461	(14,202)	6,298	44,967	166,228
Unallocated expenditures	-	-	-	-	-	-	-	-
(Loss)/Profit before tax	(4,053)	59,469	63,222	100,461	(14,202)	6,298	44,967	166,228
Taxation	(7,447)	(9,694)	(1,472)	(819)	-	-	(8,919)	(10,513)
(Loss)/Profit for the quarter	(11,500)	49,775	61,750	99,642	(14,202)	6,298	36,048	155,715

## 13.2 Other information

	Cement		Power		Intra group adjustment		Consolidated	
	September 2019	June 2019	September 2019	June 2019	September 2019	June 2019	September 2019	June 2019
	Un-audited	Audited	Un-audited	Audited	Un-audited	Audited	Un-audited	Audited
Rupees in thousands								
Segment assets	3,661,698	3,610,100	3,608,104	3,618,069	(493,422)	(398,787)	6,776,380	6,829,382
Unallocated corporate assets	-	-	-	-	-	-	-	-
Total assets	3,661,698	3,610,100	3,608,104	3,618,069	(493,422)	(398,787)	6,776,380	6,829,382
Segment liabilities	1,054,292	991,194	1,410,586	1,482,301	(160,244)	(79,811)	2,304,634	2,393,684
Unallocated corporate liabilities	-	-	-	-	-	-	-	-
Total liabilities	1,054,292	991,194	1,410,586	1,482,301	(160,244)	(79,811)	2,304,634	2,393,684
Capital expenditure	22,860	33,154	36,722	1,153,108	-	-	59,582	1,186,262
Depreciation	23,562	139,853	13,392	55,283	-	-	36,954	195,136
Non-cash expenses other than depreciation	-	7,782	-	-	-	-	-	7,782

## 13.3 Reconciliation of reportable segment revenues, profit and loss, assets and liabilities:

### 13.3.1 Operating revenues

	Consolidated (Un-audited)	
	September 30, 2019	September 30, 2018
	----- Rupees in thousands -----	
Total revenue of reportable segments	652,231	1,082,985
Elimination of intra group revenue	(148,195)	(111,637)
Consolidated revenue	504,036	971,348

### 13.3.2 Profit or loss

Total profit before tax of reportable segments	59,169	159,930
Adjustment of unrealized profit and intra group transactions	(14,202)	6,298
Consolidated profit before taxation	44,967	166,228

### 13.3.3 Assets

	Consolidated (Un-audited) (Audited)	
	September 30, 2019	June 30, 2019
	----- Rupees in thousands -----	
Total assets of reportable segments	7,269,802	7,228,170
Elimination of intra group balances and unrealised profit	(491,819)	(397,184)
Reclassification for consolidation purposes	(1,603)	(1,603)
Consolidated assets	6,776,380	6,829,382

### 13.3.4 Liabilities

Total liabilities of reportable segments	2,464,878	2,473,495
Elimination of intra group balances	(160,244)	(79,811)
Consolidated liabilities	2,304,634	2,393,684

## 13.4 Geographical segment analysis

	Revenue (Un-audited) (Un-audited)		Total Assets (Un-audited) (Audited)		Net Assets (Un-audited) (Audited)	
	September 2019	September 2018	September 2019	June 30, 2019	September 2019	June 30, 2019
	----- Rupees in thousands -----					
Pakistan	504,036	971,348	6,776,380	6,829,382	4,471,746	4,435,698
	504,036	971,348	6,776,380	6,829,382	4,471,746	4,435,698

### 13.5 Information about major customers


Major customers for cement segment are various individual dealers, builders & developers whereas major customer for power segment is Hyderabad Electric Supply Company Limited (HESCO).

### 14 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim consolidated financial statements have been authorized for issue on October 26, 2019 by the Board of Directors of the Holding Company.



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR





# THATTA CEMENT

COMPANY LIMITED

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