



**Cherat Cement  
Company Limited**  
A Ghulam Faruque Group Company

**ANNUAL  
REPORT  
2023**

# **BUILDING A BETTER FUTURE**

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# ABOUT THE REPORT

We are pleased to present the Annual Report of Cherat Cement Company Limited (the Company) for the year ended June 30, 2023. The Company was incorporated in Pakistan as a public company limited by shares in the year 1981. The Company is listed on Pakistan Stock Exchange Limited. Its main business activity is manufacturing, marketing and sale of cement.



This Report is structured in way that the shareholders of the Company can get an insight of the affairs as well as financial and business information of the Company. We always believe on the transparent disclosure of information and practices of the Company.

The Report covers the substantial aspects of the Company's Business and underlines the risk management framework, governance structure, corporate performance, future strategies, Directors' Report, Chairman's Review and other governance and policies. The Report also covers the Company's aim of aligning its business processes and activities with the United Nations Sustainability Development Goals (SDGs) and highlights its contributions towards each goal. The Company also explains its corporate social responsibility and its efforts towards it.

An integrated report is a concise communication about how an organization's strategy, governance, performance and prospects in context of its external environment lead to creation of value. Since the Company has adopted the International Integrated Reporting Framework therefore, the Report has also been prepared in accordance with the International Integrated (IR) Framework and Global Reporting Initiative (GRI) in order to provide the stakeholders a transparent reflection of value creation ability, contributions and quality information of the Company. We consistently evaluate our processes and approach in order to meet the best practices to create sustainable value. The principal objective of the Report is adherence with the principles of inclusivity, materiality, responsiveness and evaluation against the elements of IR. The material presented in this report is such a way that it enables the stake holders to understand better. The Company also considers the importance and strengthening of this report in terms of information, connectivity and demonstration of results.

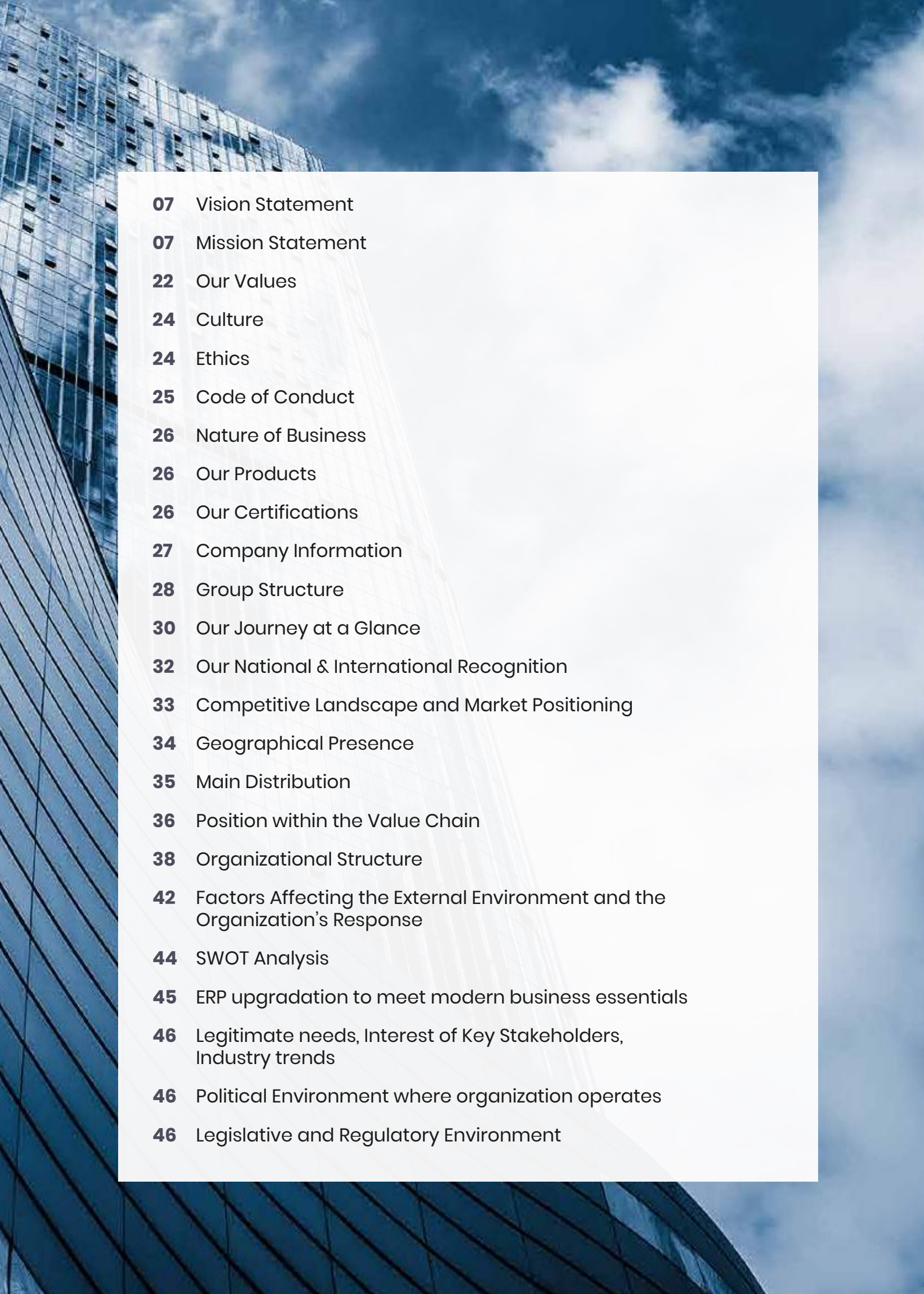
The Report also includes audited financial statements of the Company along with the Auditor's Report thereon. The Report consists the compliances, provisions and directives of the Companies Act, 2017, Code of Corporate Governance Regulations, 2019, Auditor's review report on compliance of such Regulations and International Financial Reporting Standards.

This Annual Report is available in both print and online form at [www.fgf.com.pk/cccl/financial information](http://www.fgf.com.pk/cccl/financial%20information)



# CHAPTER 1

# ORGANIZATIONAL OVERVIEW & EXTERNAL ENVIRONMENT



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**During the year, the Company started implementation of SAP Success Factor in order to streamline HR practices.**

**For implementation of Balance Scorecard, the management reviewed the Vision and Mission statements of the Company and revised them to provide a guiding tool for future endeavors of our employees.**



# VISION STATEMENT

Building a better Future

# MISSION STATEMENT



**BECOME  
THE  
LEADING  
CEMENT  
COMPANY**









**ACHIEVE  
EXCELLENCE  
THROUGH  
INNOVATION**

**UPHOLD  
THE TRUST  
OF OUR  
CUSTOMERS**





CHERAT

CHERAT

EMENT







# HELP BUILD A GREENER FUTURE

# UNLOCK THE POTENTIAL OF OUR PEOPLE





ADMINISTRATION  
BLOCK

CENTRE  
C  
CENTRE

UNIVERSITY OF PESHAWAR



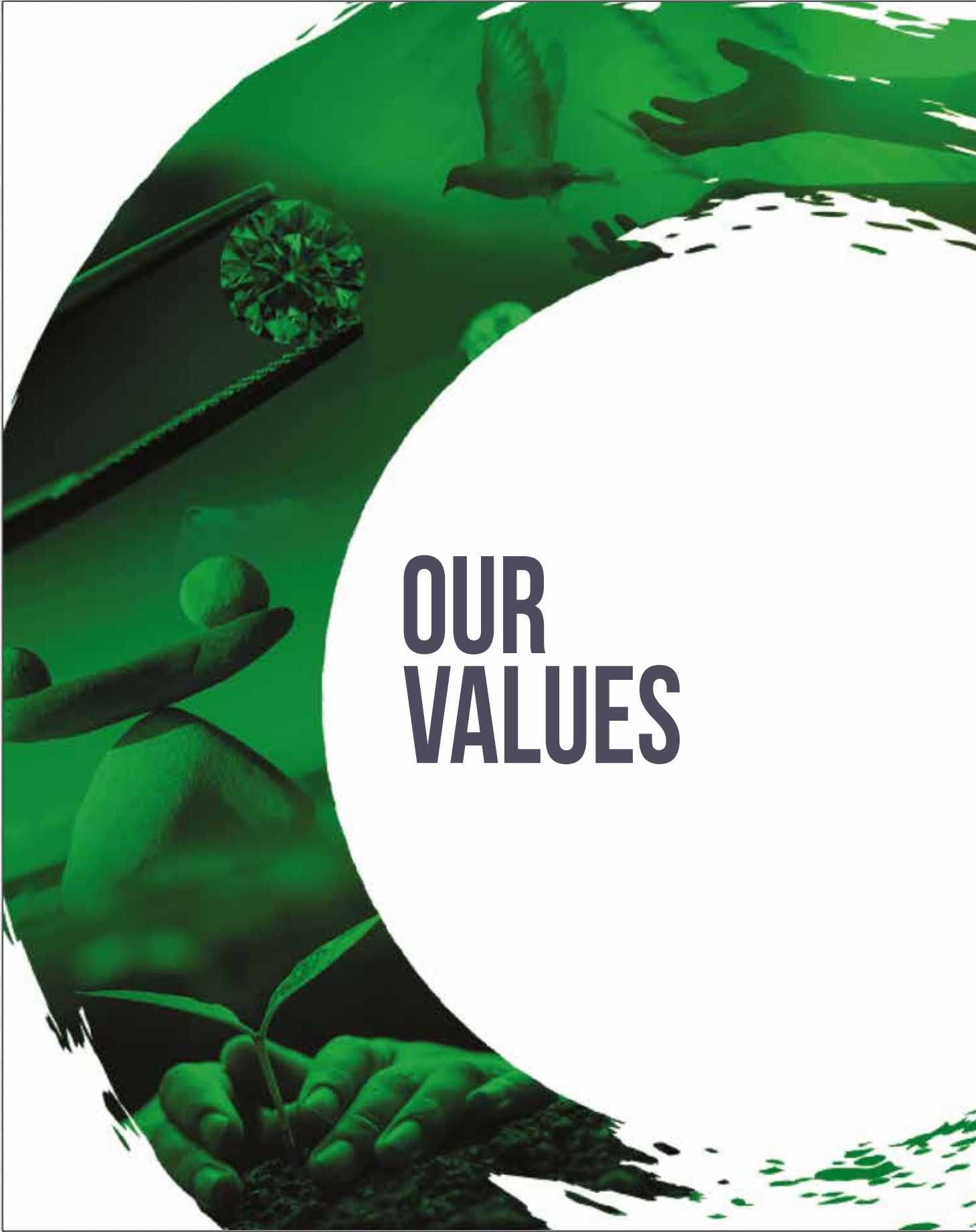


**CONTINUE  
TO CARE  
FOR OUR  
COMMUNITIES**

# OPTIMIZE OUR INVESTMENT PORTFOLIO







# OUR VALUES



# BUILDING A BETTER FUTURE



## **OWNERSHIP**

is our way to success



## **RESPECT**

is our way of life



## **FAIRNESS**

is our way of work



## **QUALITY**

is our legacy



## CULTURE

Organizational culture in the Company is a manifestation of shared values and beliefs, which we practice every day to move towards a better and more successful organization.

These shared values have a strong influence on the respective teams and help them in a win win outcome for both the employees and the organization. Our values provide the foundation of our culture and bind us into a world class team yearning to outperform the competition.

## ETHICS

Our Code of Conduct reflects our commitment to meet the expectations of our stakeholders and contains the fundamental principles and rules concerning ethical business conduct. Cherat Cement Company Limited (CCCL) is committed to conducting its business with honesty and integrity, and we expect all our employees to maintain high standards in accordance with this Code.

The CCCL Code of Conduct forms an integral part of the terms of employment of all employees. The Company insists on full compliance and does not tolerate any misconduct. Unlawful behaviour is not tolerated under any circumstances. A breach of the CCCL's Code of Conduct can lead to disciplinary action upto and including termination of employment.

It is the obligation of every employee to be responsible, honest, trustworthy, conscientious, and dedicated to the highest standards of ethical business practices. The employees have a legal, moral and ethical responsibility to report to their Line Managers or Compliance Committee, any known or suspected violations of law, regulations and / or corporate policies.



## CODE OF CONDUCT

The Code of Conduct of the Company is based on the principles of honesty, integrity and professionalism at every stage.

### Scope

The code of conduct policy is applicable to all regular and direct contract staff in the Company and its locations.

### Compliance with Law and Reporting of Violations

The Company has established a Compliance Committee to provide advice concerning compliance with the code of conduct. All employees are encouraged to report any suspected violation of this Code of Conduct to their Line Managers (Functional Heads) who will report to the chief executive/chief operating officer and/or as provided under the whistle blowing policy of the company.

### Compliance with the Law

The observance of the laws and regulations of the legal systems in which we operate is mandatory for all employees in their dealings with customers, suppliers, competitors, other employees, government bodies and officials.

### Competition and Anti-trust Law

The Company obligates its employees for strict compliance with Competition and Anti-trust Laws wherever it operates.

### Bribery and Corruption

The Company is committed to conducting its business in an open, honest and ethical manner in all the jurisdictions in which it operates and will not engage in any form of bribery or corruption in order to secure any kind of business advantage.

### Money Laundering

It is the Company's policy to refrain from conducting business with persons or entities who are involved in criminal or illegal activities. All employees have to adhere to applicable anti-money laundering laws and regulations.

### Product Quality

We discover, develop and manufacture high-quality products that meet all regulatory requirements, and pursue quality beyond compliance in both our products and processes. We focus on regularly updating ourselves with technological advancements to produce under the highest standards and maintain all relevant technical and professional standards.

### Books, Records and Financial Reporting

The accuracy and completeness of our books, records and financial reporting is of critical importance for the Company. We fulfill all applicable legal obligations with regard to public filings and reporting.

### Confidentiality

It is our policy that no employee entrusted with confidential information about the Company, its suppliers, customers or other business partners may disclose such information to any third party or use such information for his or her personal benefit while employed with the Company or thereafter, unless prior written approval is obtained from a duly authorized person or the disclosure of confidential information is required by law, any governmental agency, court or other quasi-judicial or regulatory body.

### Protection and Information Security

The Company has a policy that sets out rules on data protection and the legal conditions that must be satisfied in relation to the obtaining, handling, processing, storage, transportation and destruction of personal information. We comply with all applicable laws & regulations regarding the collection, processing and use of personal data. Any illegal collection, processing or use of personal data of our employees, suppliers, customers and third parties are strictly prohibited. All personal data must be safeguarded with appropriate care and protected against unauthorized access by third parties at all times.

### Handling and Safeguarding of the Company's Property

Employees must handle the Company's property (including both tangible & intangible) with due care and in a responsible manner. The Company does not tolerate any unauthorized use or misappropriation of its property or services.

### Equal Treatment and Fair Working Conditions

The Company is committed to promoting equality of opportunity for all staff and job applicants. We aim to create a working environment in which all individuals are able to make best use of their skills and abilities, free from discrimination or harassment, and in which all decisions or promotions are objectively based on merit. We do not tolerate any form of discrimination, harassment or bullying in the workplace.

### Health, Safety and Environmental Protection

We focus on all aspects of occupational health, safety and environmental protection. We identify and manage health, safety and environmental risks in our activities and over the entire value chain of our products and services.

We make efficient use of natural resources and minimize the environmental impact of our activities and products over their life cycle.

### Conflict of Interest

Employees may not engage in any activities, on or off the job, that conflict with the Company's business interest, nor they may use their position with the Company for their personal gains, or for the improper benefit to others. As a policy, conflicts of interest or the mere appearance of such a conflict must be avoided.



## NATURE OF BUSINESS

Cherat Cement Company Limited is a Ghulam Faruque Group (GFG) Company, having its principle business activity of manufacturing, marketing, and sale of Cement. The Company is a pioneer in Pakistan's Cement industry and commands a leading market position in its region, placing an unwavering emphasis on quality.

Cherat's main product is ordinary Portland Cement, branded as Cherat, with a recent introduction of composite Cement named Cherat Khyber.

### Local and International Market:

The Company's manufacturing plant is strategically located in Village Lakrai, District Nowshera, Khyber Pakhtunkhwa (KPK) Province, catering primarily to the local market of KPK, FATA, Azad Kashmir and Punjab. Though, the Company actively export its product to the Afghanistan market as well.

## OUR PRODUCTS



## OUR CERTIFICATIONS



## COMPANY INFORMATION

### Board of Directors

Mr. Omar Faruque  
Mr. Azam Faruque  
Mr. Akbarali Pesnani  
Mr. Arif Faruque  
Mr. Asif Qadir  
Mr. Abrar Hasan  
Mrs. Zeeba Ansar  
Mr. Yasir Masood

Chairman  
Chief Executive  
Director  
Director  
Director  
Director  
Director

### Audit Committee

Mr. Asif Qadir  
Mr. Akbarali Pesnani  
Mr. Arif Faruque

Chairman  
Member  
Member

### Human Resource & Remuneration Committee

Mr. Abrar Hasan  
Mr. Azam Faruque  
Mr. Omar Faruque

Chairman  
Member  
Member

### Director & Chief Operating Officer

Mr. Yasir Masood

### Chief Financial Officer

Mr. Ijaz Ahmed

### Company Secretary

Ms. Hina Mir

### Head of Internal Audit

Mr. Aamir Saleem

### External Auditors

EY Ford Rhodes  
Chartered Accountants

### Cost Auditors

UHY Hassan Naeem & Co.  
Chartered Accountants

### Shariah Advisor

Alhamd Shariah Advisory Services (Private) Limited

### Legal Advisor

K.M.S. Law Associates

### Bankers

Allied Bank Limited  
Bank Al Habib Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
Industrial & Commercial Bank of China  
MCB Bank Limited  
National Bank of Pakistan  
Samba Bank Limited  
Soneri Bank Limited  
The Bank of Punjab  
United Bank Limited

### Non-Banking Financial Institution

Pakistan Kuwait Investment Company (Private) Limited

### Islamic Bankers

Bank Alfalah Limited  
Bank-Islami Pakistan Limited  
Dubai Islamic Bank Pakistan Limited  
Faysal Bank Limited  
MCB Islamic Bank Limited  
Meezan Bank Limited  
The Bank of Khyber

### Credit Rating

Long-term rating: A+  
Short-term rating: A1  
Outlook: Stable by The Pakistan Credit Rating Agency Limited (PACRA)

### Share Registrar

CDC Share Registrar Services Limited  
CDC House, 99-B, Block 'B' S.M.C.H.S.,  
Main Shahrah-e-Faisal, Karachi-74400  
Tel: 0800-23275  
UAN: 111-111-500  
Email: info@cdcsrsl.com

### Contact Information

UAN: 111-000-009  
Email: info@gfg.com.pk  
Web: www.gfg.com.pk

### Registered Office / Factory

Village Lakrai, P.O. Box 28, Nowshera  
Tel: +9291 5270531-4  
Fax: +9291 5270536

### Head Office

Modern Motors House, Beaumont Road  
Karachi-75530  
Tel: +9221 35683566-7, 35689538  
Fax: +9221 35683425

### Sales Offices

#### Peshawar:

1st Floor, Betani Arcade, University Road  
Tel: +9291 5842285, 5842272  
Fax: +9291 5840447

#### Lahore:

3, Sunder Das Road  
Tel: +9242 36286249-50, 36308259  
Fax: +9242 36286204

#### Islamabad:

1st Floor, Razia Sharif Plaza Jinnah Avenue, Blue Area  
Tel: +9251 2344531-33  
Fax: +9251 2344534, 2344550



# GROUP STRUCTURE

Since its inception, the Ghulam Faruque Group has continuously strengthened and diversified its lines of operations. Faruque (Private) Ltd is the Parent Company; details and brief profile of other leading group companies / ventures are as follows:

## Faruque (Private) Limited

Parent Company

Established in 1964 as a Parent Company of the Group, it primarily serves as an investment arm of the Group.



**GHULAM FARUQUE  
GROUP**



## UniEnergy Limited

Joint Venture for Renewable Wind Energy.



## Mirpurkhas Sugar Mills Limited

Manufacturer and selling of Sugar and corrugated Paper

### SUGAR DIVISION

Established in 1964, its principal activity is manufacturing and selling of sugar. It is located about 230 km from the port city of Karachi in Mirpurkhas and is listed on the Pakistan Stock Exchange Limited. The Company has a crushing capacity of 12,500 tons per day and is one of the most efficient sugar mills in Pakistan. Moreover, it is involved in development of higher yield sugar cane varieties on its experimental farm.

### PAPER AND BOARD DIVISION

In order to further diversify its operations and enhance its business. The Company has setup a Paper and Board Project with the capacity 250 tons per day (TPD) at its existing location. The plant successfully installed and commissioned commercial production from May 2023. The project will serve to enhance the business prospects of the Company and will allow it to leverage synergies and enhance its revenues from avenues other than sugar.



## Cherat Packaging Limited

Manufacturer of Kraft Paper, Polypropylene Bags and Flexible Packaging Products

“Established in 1991, it is the largest producer and supplier of paper sack and polypropylene (PP) bags to the cement industry in Pakistan. CPL also produces and provides bags to other industries such as sugar, rice and chemical etc. It also produces flexible packing material through its state-of-the-art facilities. CPL is listed on Pakistan Stock Exchange. The Company has a production capacity of 400 million paper bags, 260 million PP bags and 16.2 million kgs flexible packaging products per annum. CPL successfully installed Roto printing line II in June 2023. This will enable CPL to meet the demand of its customers in an effective manner and optimize the utilization of its available resources.

CPL caters to the domestic as well as export markets and is also a recipient of the prestigious Pakistan Stock Exchange “Top Companies” Award and Management Association of Pakistan’s Best Company Award several times.”

## **ZENSOFT** Zensoft (Private) Limited

Information Systems Services Provider Specializing in Business Software Solutions It was established in 1998 and is engaged in development of computer softwares. The Company specializes in providing high quality business solutions.



## **Greaves Pakistan (Private) Limited** Providing Specialized Engineering Sales and Services

### **GREAVES**

It was established in 1859 to provide specialized engineering equipment sales and services. However in 1964, the Group acquired a controlling interest in the shares of the Company and by 1981 Greaves became a wholly owned subsidiary of Faruque (Private) Limited. Greaves has the following divisions namely i) Power Generation, ii) CNG Equipment, iii) Industrial Machinery, iv) Solar Energy, v) LED, vi) Elevator, vii) Earth Moving & Construction Machinery, viii) Air Compressor ix) Fuel Dispenser and x) UPS.

### **Greaves Airconditioning (Private) Limited** Equipment Suppliers and HVAC Solution Provider

Commenced operations in 1975, this is the only HVAC Company in Pakistan which is providing the complete one window HVAC solution to its customer including designing, supply, installation and maintenance of complete HVAC products range. Greaves Airconditioning is the sole distributor of Jhonson Controls International (York) products in Pakistan.

### **Greaves Engineering Services (Private) Limited** HVAC Contractors

Established in 2003, its principal activity is to provide services associated with airconditioning, installation and maintenance of central and packaged units.

### **Greaves CNG (Private) Limited** Retail Sales of CNG to end consumers

Greaves CNG was established in 2001 with a prime motive to install CNG facilities at the retail outlets of Petroleum Companies. It is a preferred third party investor for all major petroleum companies in Pakistan.



## **Unicol Limited** Joint Venture Distillery Producing Ethanol and Liquid Carbon Dioxide (CO<sub>2</sub>)

Unicol was incorporated in 2003 as a public unlisted company having a joint venture with equal shareholding between Faran Sugar Mills Limited, Mehran Sugar Mills Limited, and Mirpurkhas Sugar Mills Limited. All three sponsor companies are listed at the Pakistan Stock Exchange Limited. It is engaged in the production and marketing of the finest quality superfine ethanol being produced from molasses. Unicol produces various grades of ethanol including super fine ENA Anhydrous (99.9%), ENA (>96%), and B Grade (>92%). It is also engaged in the production and marketing of food-grade liquid carbon dioxide (LCO<sub>2</sub>). Unicol has an installed ethanol capacity of 56,000 MT per annum while LCO<sub>2</sub> installed capacity of 18,000 MT per annum. Unicol exports its complete production of ethanol to various regions across the globe. Unicol is the proud recipient of the FPCCI Best Export Performance Award for 2021-22. Unicol has entered into an Asset Sales and Purchase Agreement to acquire the entire assets of Popular Sugar Mills Limited with TCD 8,000 plant capacity. This investment is intended to diversify the revenue stream of Unicol Limited and thus add future towards profitability for its shareholders.

# OUR JOURNEY AT A GLANCE

Work started on Line-II having clinker production capacity of 4,200 t/day

2014

Commercial production of Line-II with the capacity of 4,200 clinker t/day started

L/C opened for Line-III having clinker production capacity of more than 6,700 t/day

L/C opened for 3 Wartsila dual fuel generators having production capacity of 9.7 MW each

2013

Refuse Derived Fuel Processing Plant installed

2012

Tyre Derived Fuel Processing Plant installed

2017

2010

Waste Heat Recovery for Power Generation commissioned

2018

Installed SAP (ERP)

2009

1985

The Company started production with 1,100 t/day capacity

Optimization capacity expansion to 1,400 t/day

1988

1994

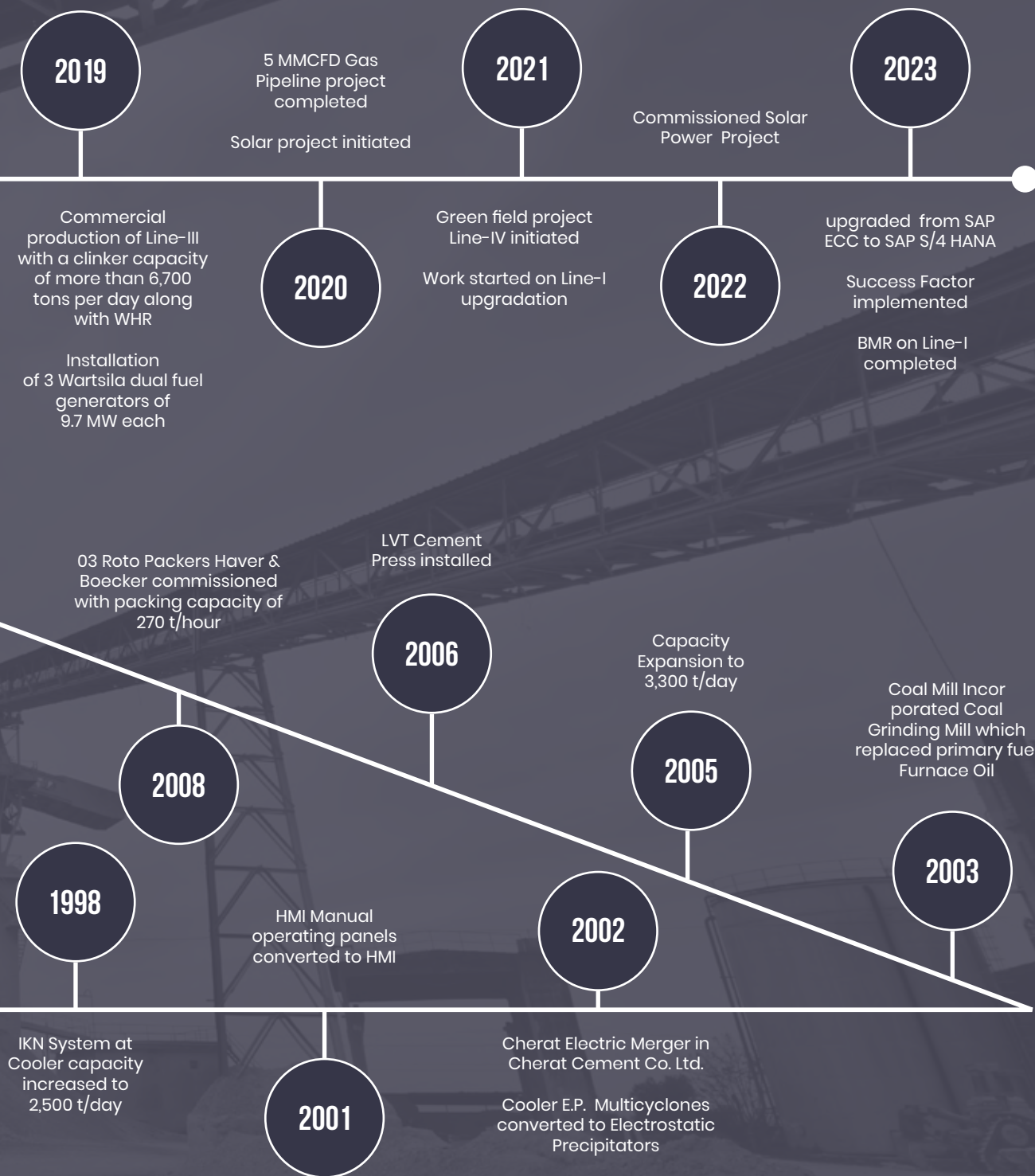
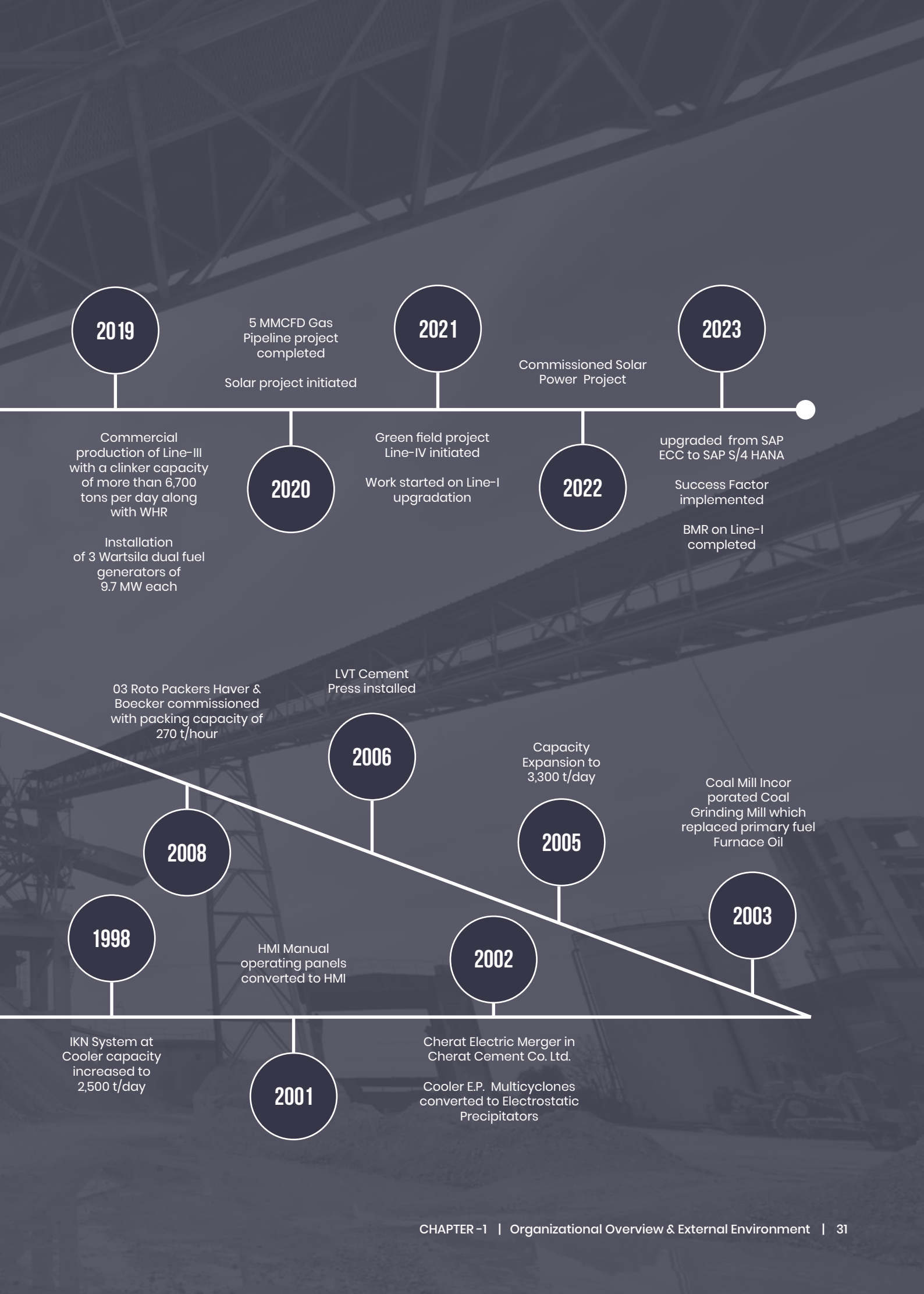
Doubling capacity expansion to 2,300 t/day

Installed Roller Press at Raw Mill & Cement Grinding areas Caterpillar commissioned 04 CAT power generators (6 MW)

Wartsila Diesel commissioned 04 Wartsilla Diesel plants (20 MW)

1996







## OUR NATIONAL & INTERNATIONAL RECOGNITION

These achievements show that the Company is a responsible corporate entity and believes in transparency in the process of data gathering and timely dissemination of factual information to our valuable stakeholders.



### Best Corporate and Sustainability Report Award by ICAP & ICMAP

The Company secured first position in Best Corporate and Sustainability Report Award in the Cement sector for the financial years 2021 and 2020, jointly organized by The Institute of Chartered Accountants of Pakistan and The Institute of Cost and Management Accountants of Pakistan. Previously, the Company also secured first position in two consecutive financial years i.e. 2016 and 2017.

Moreover, the Company consecutive secured 2nd position in Best Corporate and Sustainability Report Award in the Cement sector for the financial years 2014, 2015 and 2019. In addition to it, the Company secured 3rd position in financial year 2018.

### Corporate Excellence Award by MAP

Management Association of Pakistan (MAP) recognizes and honours Companies showing outstanding performance and demonstrating progress and enlightened management practices As Cherat Cement Company Limited believes in transparent reporting, information symmetry and culture of adopting best management practices. As a result, the Company's outstanding performance was also recognized by the Management Association of Pakistan on account of Best Management practices. The Company was awarded Corporate Excellence Certificates in "Cement" category for the years 2021.

### South Asian Federation of Accountants (SAFA) Award

The Company's commitment to transparency in corporate reporting was recognized with a nomination in the SAARC Anniversary Awards for Corporate Governance Disclosures for its 2019 annual report. At the event in Colombo, Sri Lanka, in December 2020, the Company secured Joint Second Runner-up for its improvements in Transparency, Accountability, and Governance in Corporate Governance Disclosures. Previous certificates of merit were also awarded for the fiscal years 2014 and 2017.



### Pakistan Stock Exchange Top Companies Award

The Company's outstanding performance was also recognized by the Pakistan Stock Exchange and the Company was awarded the Top Companies Award for the financial years 2020 and 2014.



### Business Excellence Award

The Company was awarded with Business Excellence Award in Financial year 2022 presented by the resident of Sarhad Chamber of Commerce and Industry for being the winner for its exports to Afghanistan since 2003.



## COMPETITIVE LANDSCAPE AND MARKET POSITIONING

CCCL boasts an expansive distribution network that serves customers through its active market place. This extensive web of cement dealers not only enhances logistical and working capital efficiencies but also ensures prompt delivery of products to end consumers.

The Company's primary focus remains on implementing business strategies tailored for the local market, ensuring sustainability and augmenting market share. By harnessing its resources and efforts, the Company strives to tap into new markets and regions, aiming to enhance its accessibility "through cross borders" construction industry and effectively meet the needs of customers in both local and international arenas.

With a cutting-edge production facility in place, CCCL has consistently advanced its market share within the cement industry it operates in. Despite the historical high coal prices during the year, a critical component of its costs, the company adeptly managed to curtail input cost through a judicious blend of imported and local coal. Additionally, the Company exercised cost control over power expenditures by optimizing a combination of waste heat recovery, self-generation, national grid sourcing, and efficient utilization of energy sources.

The competitive landscape and market positioning is explained below:

### **Power of Suppliers**

Our relationship with suppliers is defined by transparency, unwavering continuity, and the creation of shared value. The trajectory of our persistent growth can be traced back to our strategic partnerships with esteemed and dependable suppliers who stand as our trusted collaborators in the industry. We have diligently established a diverse array of supply sources for pivotal components and materials, safeguarding against any disruptions. Over the course of the year, the Company has been the beneficiary of a seamless inflow of vital input materials crucial to the production process. It is our robust and symbiotic bond with suppliers, coupled with our sterling reputation within the cement sector, that serves as the cornerstone of our effective management of supplier dynamics.

### **Power of Customers**

Guided by a commitment to prioritize our customers, a fundamental core value, we employ forward-thinking strategies to secure the loyalty of both our customers and stakeholders. We adeptly adapt to evolving expectations showcasing our business's nimbleness. Our attentiveness to our customers requisites remains unwavering, as we continually innovate to provide top-notch cement that precisely aligns with their needs. Placing customers at the epicenter of our choices empowers us to effectively cater to their influence.

### **Competition and Rivalry**

The cement sector experiences fierce competition, a factor that has historically proven advantageous for both the industry and its clientele. All participants diligently strive to augment their market presence. The expansion of the industry frequently aligns with economic progress and construction undertakings, giving rise to predictable cycles of demand.

Cherat Cement stands out with its proficient production capabilities, well structured distribution networks, and formidable brand reputation, affording it a competitive edge.

Cement manufacturers located in the northern regions of Pakistan enjoy the added benefit of exporting their products to Afghanistan.

### **Threat of New Entrants**

The likelihood of a new participant entering the market is minimal. The cement sector usually demands substantial financial outlay for constructing manufacturing plants, acquiring necessary permissions, and forming efficient distribution systems. This considerable initial investment functions as a formidable obstacle deterring potential entrants from joining the market.

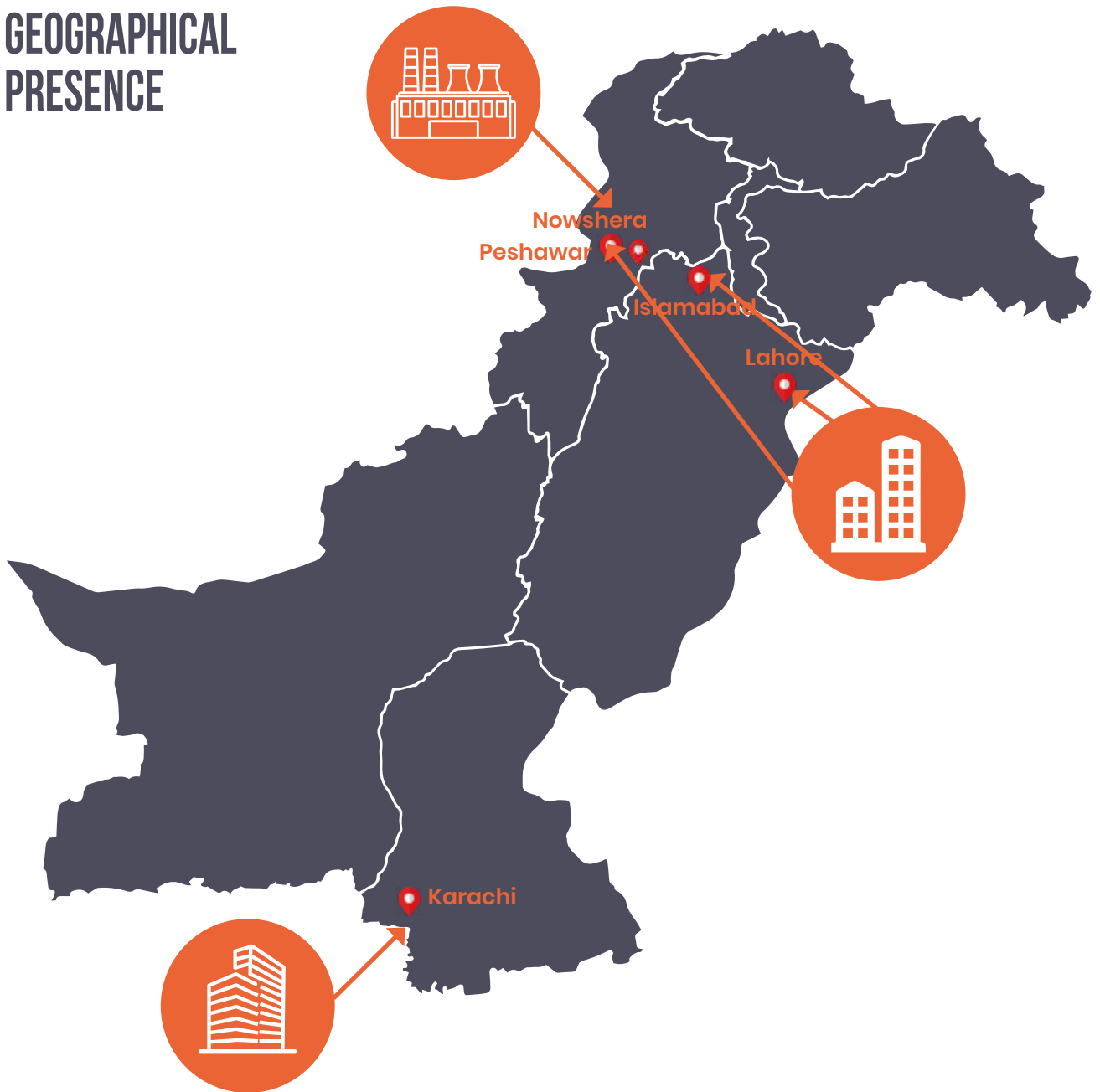
Furthermore, the well-established cement companies frequently enjoy advantages stemming from economies of scale and robust distribution networks. These factors create challenges for new entrants, impeding their ability to match cost competitiveness and infiltrate established distribution avenues. In sum, the potential for new players to enter the cement industry remains relatively limited.

### **Threat of Substitute Products**

Due to the unique nature of the product, the market faces no risk from substitute products.



## GEOGRAPHICAL PRESENCE



### HEAD OFFICE

Modern Motors House,  
Beaumont Road, Karachi



### SALES OFFICES

1st Floor, Betani Arcade,  
University Road, Peshawar

3, Sunder Das Road, Lahore

1st Floor, Razia Sharif  
Plaza Jinnah Avenue,  
Blue Area, Islamabad



### FACTORY

Village Lakrai, P.O. Box 28,  
Nowshera



# BUILDING A BETTER FUTURE



## PAKISTAN

### Main Distributions | Local

- Abbotabad
- Arifwala
- Attock
- Bagh
- Bahawalnagar
- Bahawalpur
- Bajaur
- Bannu
- Bhakkar
- Bhimber
- Bunair
- Chakwal
- Chaman
- Charsadda
- Chilas
- Chitral
- Dera Allah Yaar
- Dera Ghazi Khan
- Dera Ismail Khan
- Dir
- Faisalabad
- Gambat
- Gilgit
- Gujranwala
- Gujrat
- Hafizabad
- Hunza
- Hyderabad
- Islamabad
- Jhang
- Jhelum
- Karachi
- Karak
- Kasur
- Khairpur
- Khyber
- Khuchlak
- Khushab
- Kohat
- Kotli
- Kurram
- Khuzdar
- Lahore
- Larkana
- Layyah
- Lodhran
- Malakand
- Mansehra
- Mardan
- Mianwali
- Mirpur
- Mirpurkhas
- Mohmand
- Multan
- Muzaffarabad
- Muzaffargarh
- Muslim Bagh
- Nankana
- Narowal
- Nawabshah
- Nowshera
- Oghi
- Okara
- Orakzai
- Pabbi
- Parachinar
- Peshawar
- Quetta
- Rahim Yar Khan
- Rajanpur
- Ranipur
- Rawalakot
- Rawalpindi
- Sahiwal
- Sakrand
- Sanghar
- Sargodha
- Shangla
- Sheikhpura
- Shikarpur
- Sialkot
- Sibbi
- Skardu
- Sukkur
- Swabi
- Swat
- Talagang
- Tank
- Topi
- Vehari
- Waziristan



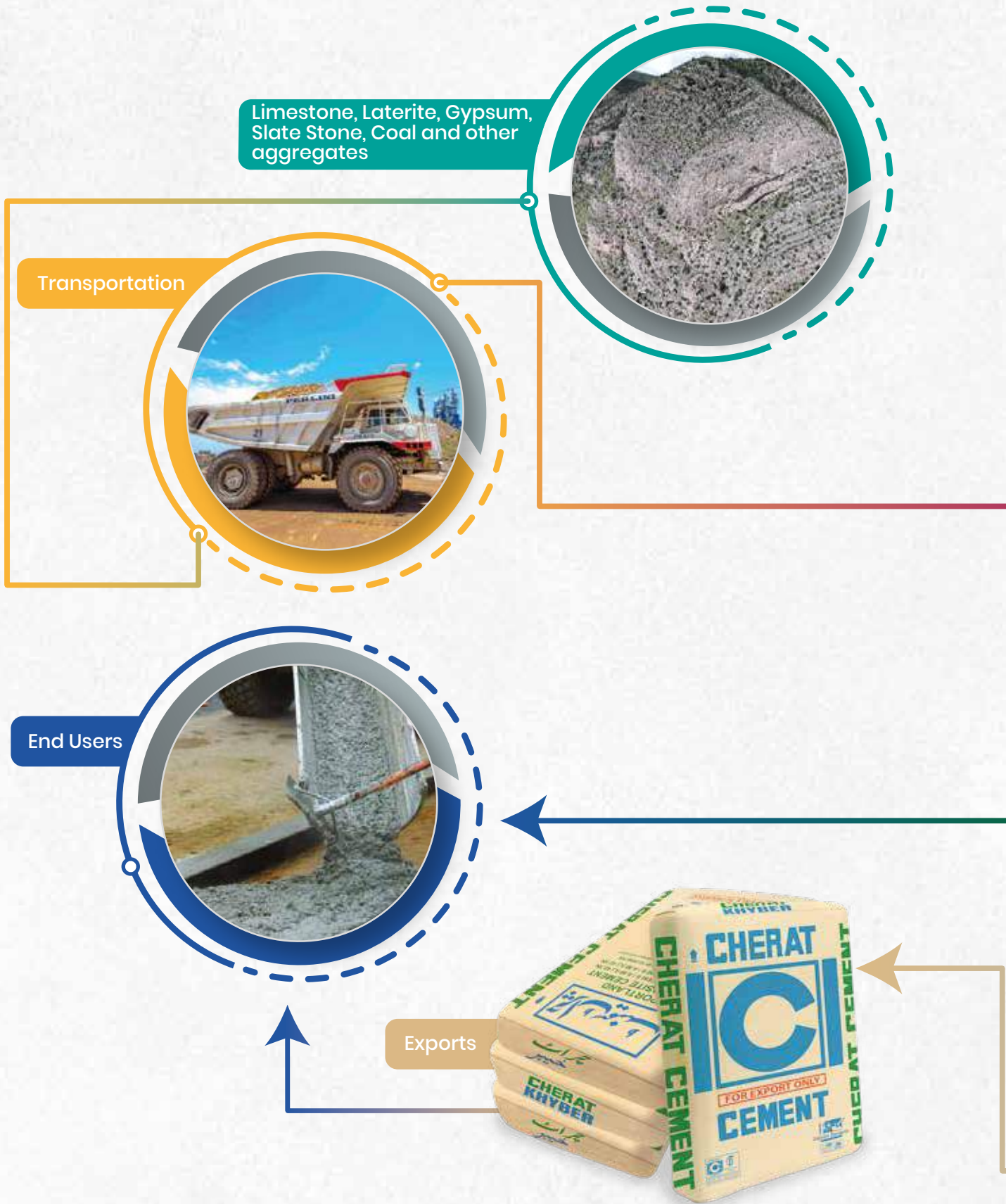
## AFGHANISTAN

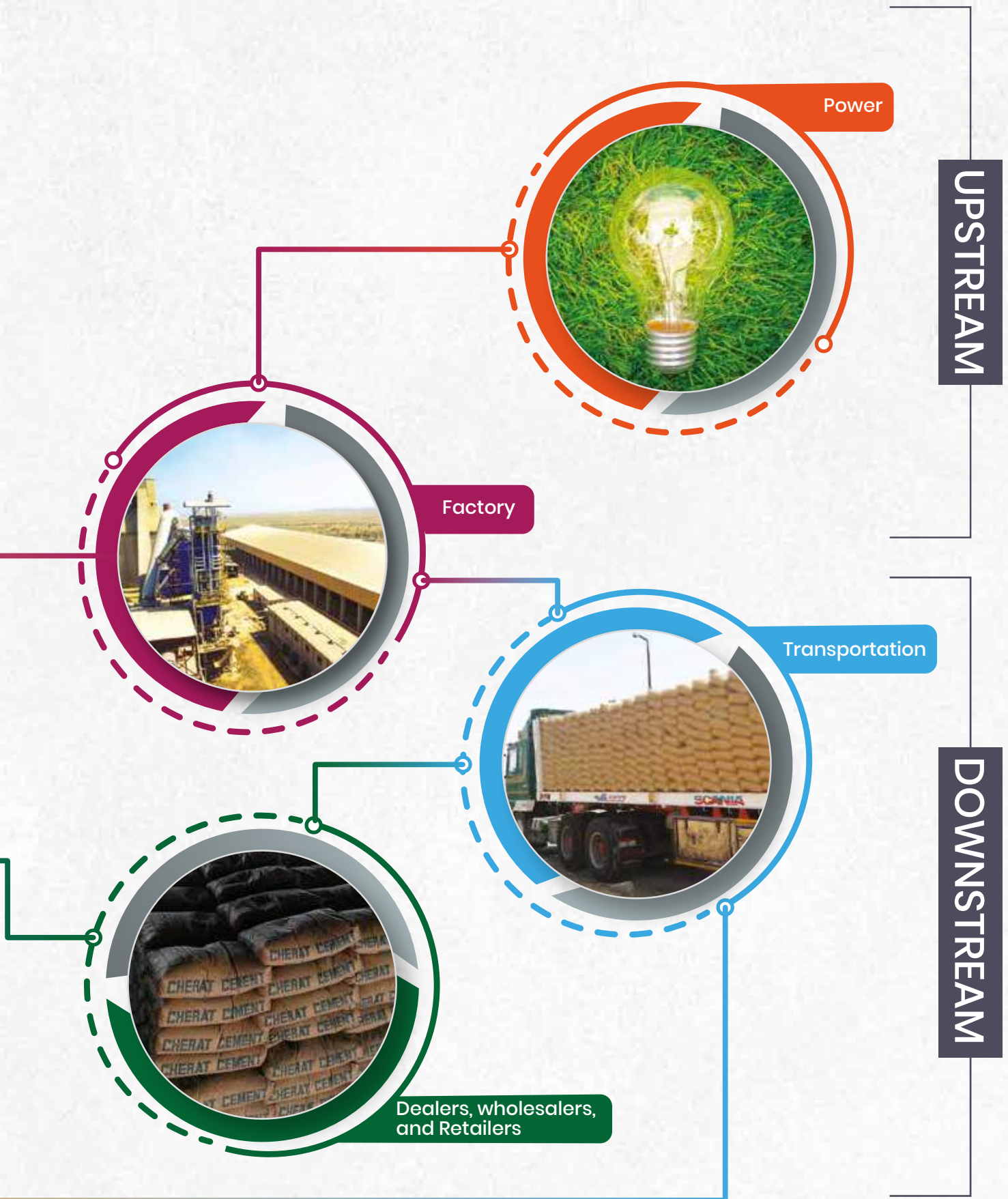
### Main Distributions | Export

- Kabul
- Jalalabad
- Khost



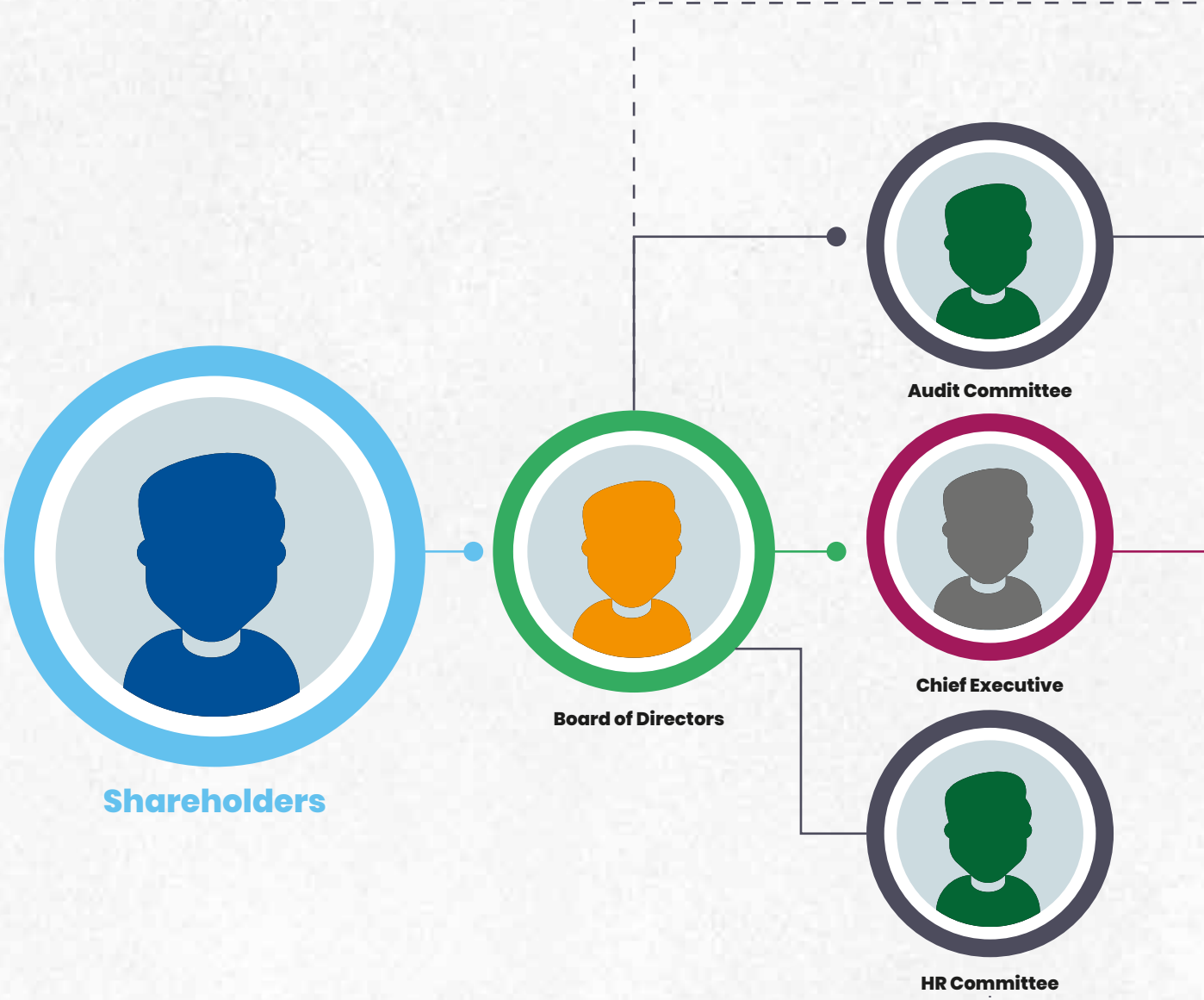
## POSITION WITHIN THE VALUE CHAIN





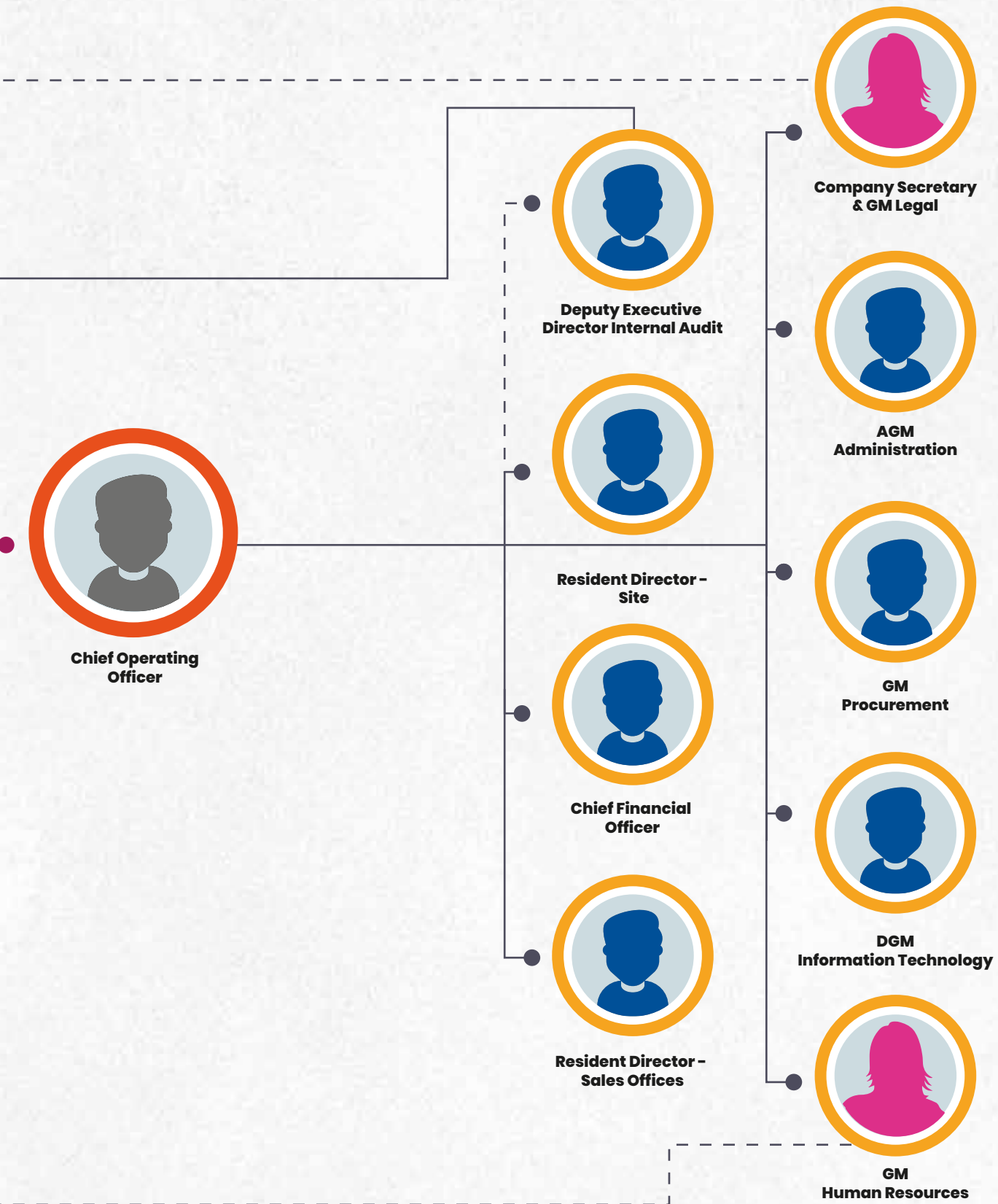


# ORGANIZATIONAL STRUCTURE



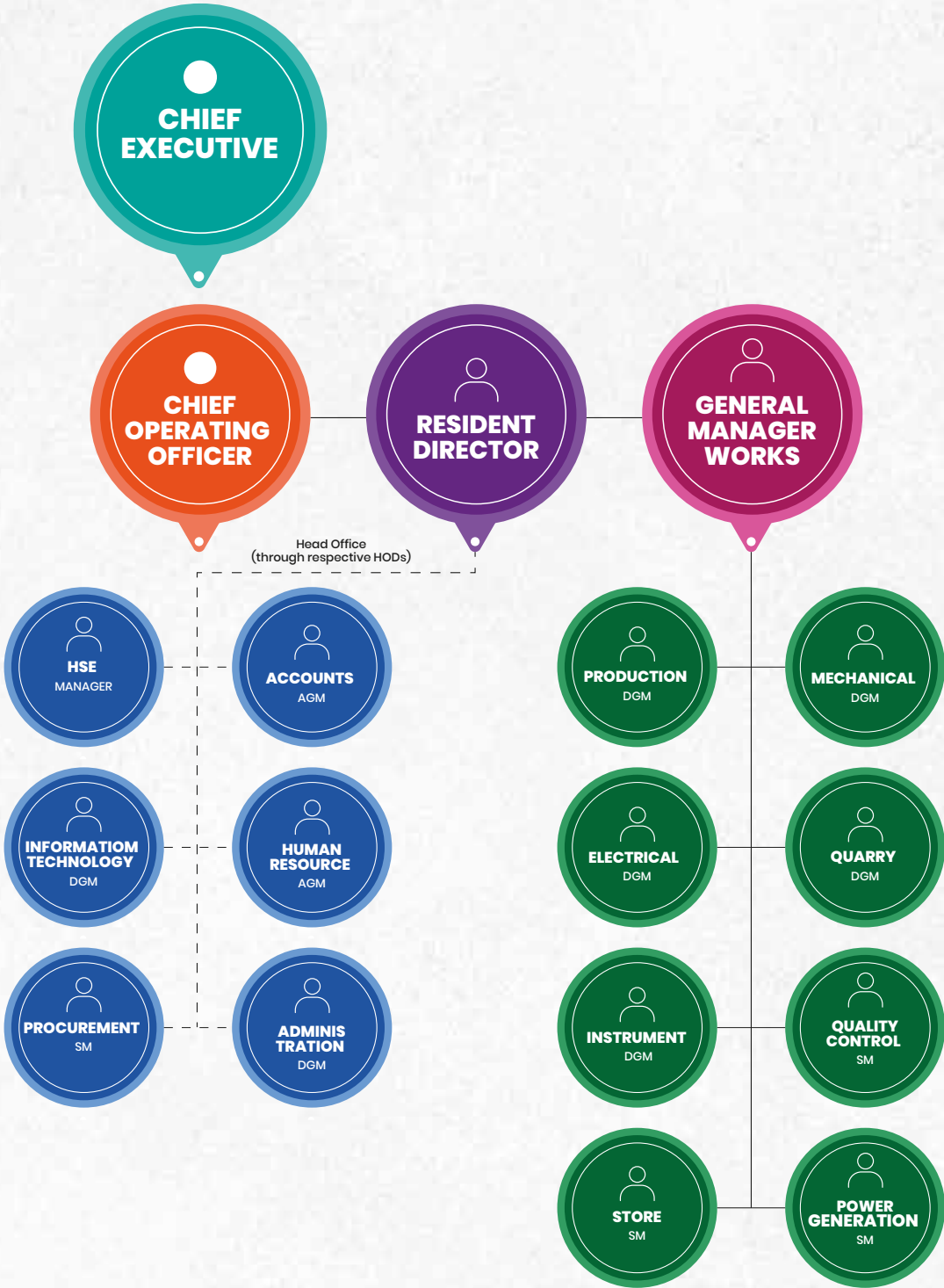
**Administrative Reporting** - - - - -  
**Functional Reporting** \_\_\_\_\_



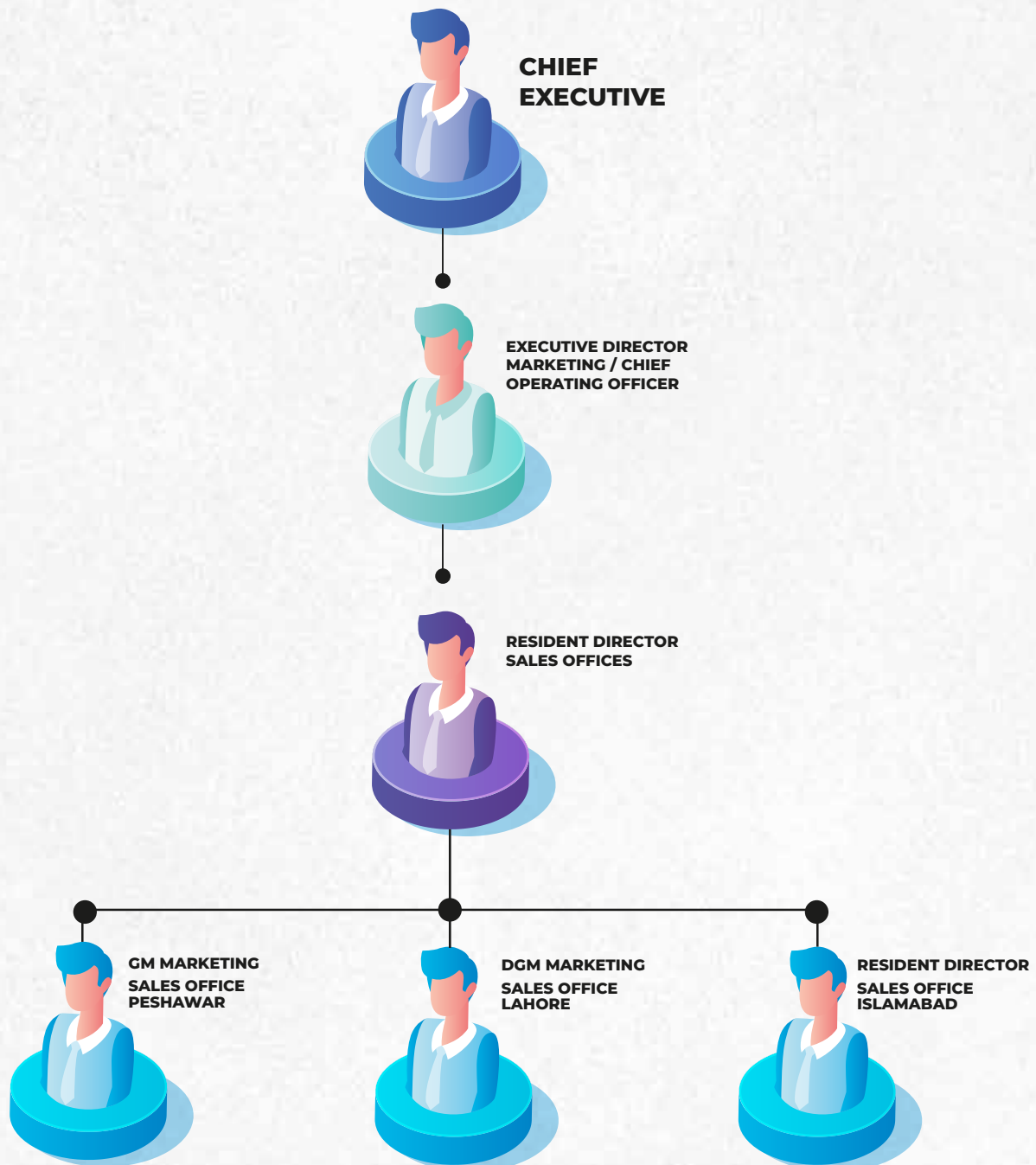




# FACTORY SITE ORGANIZATIONAL STRUCTURE

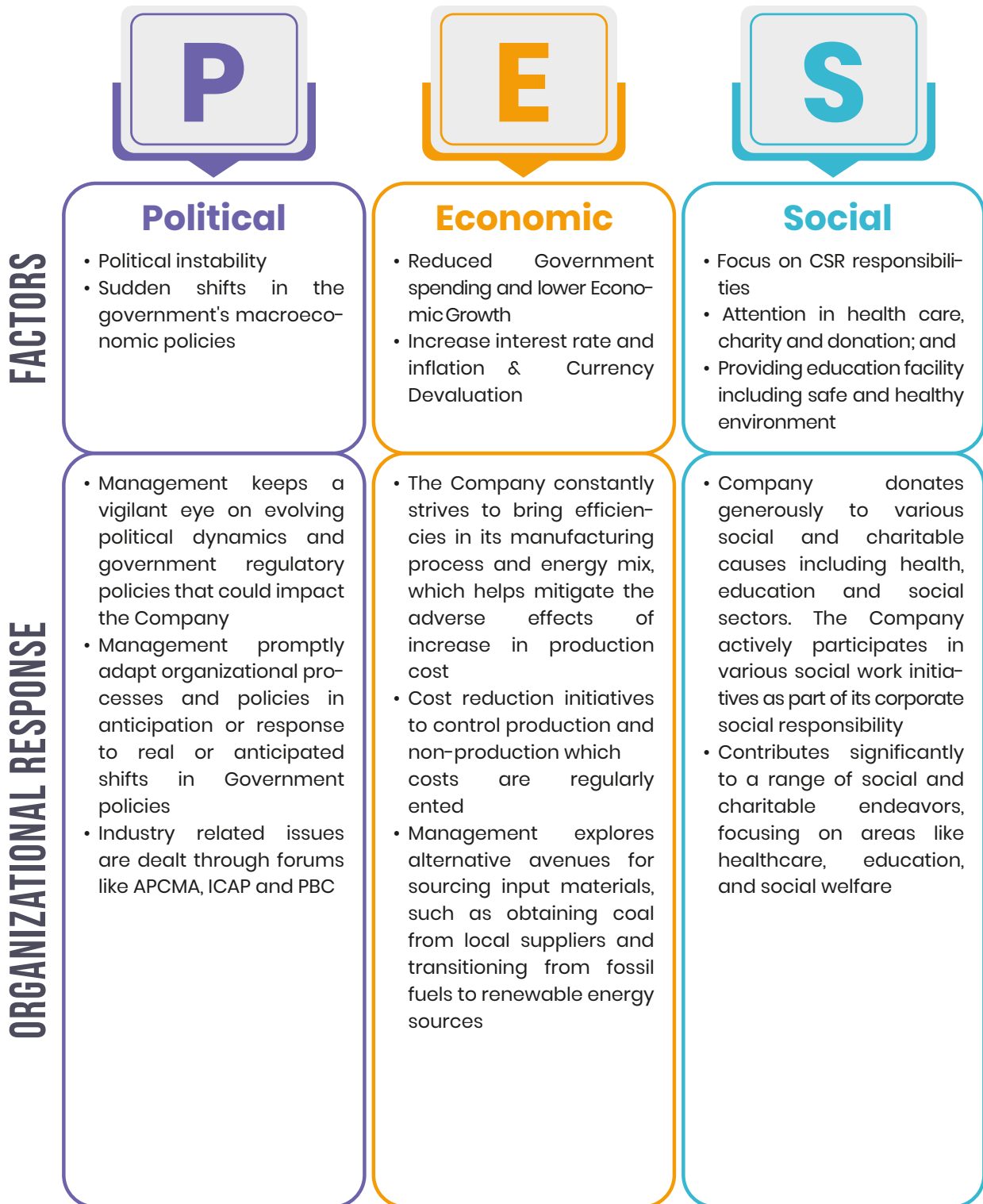


# SALES OFFICES ORGANIZATIONAL STRUCTURE





## FACTORS AFFECTING THE EXTERNAL ENVIRONMENT AND THE ORGANIZATION'S RESPONSE



# BUILDING A BETTER FUTURE



T

## Technological

- Technology incentive and level of innovation
- Continuous development of information technology infrastructure
- Competitors technological advancement

- The company has consistently prioritized adopting cutting-edge technology and, as a result, has continuously led the way in upgrading its manufacturing facilities
- Company continuously invests in the robust software and hardware for upgradation including upgrading into S4/HANA database and also implemented SAP Success Factor
- Company's system is equipped with Sophos Endpoint protection product that combines anti-malware, web and application control, device control, Barracuda Email Security Gateway.
- Management maintains a specialized team of professionals to guarantee compliance with relevant regulatory standards. The company has initiated various steps towards digitalization and process automation



L

## Legal

- Compliance with the applicable legal and regulatory requirements

- The Company is strongly abiding all acts, listing, rules and regulations applicable on it. In this regard, consistent endeavors put by the management to fulfill every legal aspect



E

## Environmental

- Growing attention to environmental protection
- Climatic conditions
- Global warming
- Natural Disasters
- Air pollution and deforestation

- The Company has complied with ISO 14001 and NEQ Standards. The installation of WHR plants has also helped to protect the environment
- The plant is equipped with Electrostatic Precipitators and bag filter which controls dust and gas emissions which is ultimately a shield against Global warming. Further, to improve the environment, natural tree plantation on large scale has been conducted on regular bases



## SWOT ANALYSIS



### STRENGTHS

- The Company utilises modern and efficient state-of-the-art machinery, which includes Cement product line, WHR gensets, and Solar panels.
- Our plant is in an ideal location, close to the Afghanistan border, which makes our exports cheaper in relation to freight costs.
- The Company employs a skilled workforce having very low employee turnover, which makes our production process efficient.
- Cherat Cement along with its group companies is well diversified in various sectors, i.e. packaging, sugar, ethanol, airconditioning and generators, thus making a strong and well established portfolio the group.
- Our well-established relationship and trust levels with customers, vendors and transporters are reflected in the form of enhanced sales and strong operating performance throughout the years.
- The business has successfully updated from SAP ECC 6.0 TO S/4 HANA as well as the Company also implemented SAP Success Factor during the year 2023 in order to maintain effective controls.



### WEAKNESSES

- The Company has not fully explored the international market yet. However, with the recent announcement of new Greenfield production line (Line IV), the Company plans to target new markets to achieve its optimum level.
- High transportation cost due to remote location as transportation of imported input needs to be transported to factory premises
- Far from largest market of the country, i.e., Punjab hence, unable to attain maximum retention



### OPPORTUNITIES

- The China–Pakistan Economic Corridor initiative remains a great opportunity for the long-term growth of the industry.
- With the increasing production capacity, there is a potential to tap into the international market with neighboring countries as primary target.
- Government's recent initiative of increasing spending on account of PSDP and infrastructure project including highway, dams and affordable Housing scheme is a key potential for the Company's future orders
- The company unveiled Cherat Khyber cement as a new variant of cement particularly for the export market which will be a game changer to gain export market share in Afghanistan.



### THREATS

- Growing pressure on prices due to rising input costs on account of increase in gas, coal and other fuel prices coupled with the devaluation of PKR currency puts pressure on the growth of local sales volumes in the short-term. However, growing export demand on the back of favorable market dynamics and PKR devaluation is expected to substitute such a slow-down in the growth of local sales with growing export volumes, thereby mitigating such risk.
- Recent difficulties for the cement business in Pakistan include a drop in demand due to rise in cement prices, political instability, restriction in import, fluctuation in exchange rate and surge in policy rate in the country may affect the Company.
- Recent announcements of new production lines by competitors, can affect our market share. However, our high quality cement and strong reputation in the north zone can reduce the threat.

## ERP UPGRADATION TO MEET MODERN BUSINESS ESSENTIALS

Cherat Cement always make sure to match the pace of technological advancement. It can be seen in its production facilities and implementation of world renowned ERP, SAP. The SAP was implemented in the year 2009. It was upgraded and reconfigured from time to time as per the changing needs of the Company. The Company had taken this inevitable decision after viewing the promising potential of SAP S/4 HANA, the converted its existing system to SAP S/4 HANA. In this connection, the Company has engaged a renowned SAP consultant for the project. It is the first such upgradation project on cloud in Pakistan. The major benefits of this conversion are detailed below:

- **Simplification:** Simplicity is one of the key features of SAP S/4 HANA application. It brings about great simplification to the management and administration of the IT landscape. It allows the centralizing of hardware and network resources, and serves as the digital core for business processes.
- **Efficient Decision Making:** It brings together all the analytical and transactional capabilities of a variety of systems to one location. This enhances the decision making process immensely. It also enables to provide better service for customer-centric applications.
- **Innovation:** The company wants to stay ahead of the curve and make decisions that are future ready. SAP S/4 HANA sets the stage for innovation as the technology is evolving rapidly, which means merely 'keeping up' doesn't connect it anymore.





## LEGITIMATE NEEDS, INTEREST OF KEY STAKEHOLDERS, INDUSTRY TRENDS

The company take into consideration concerns of all major stakeholders while planning and implementing new policies/procedures, expansions, or significant events keeping in view past trends of major players in cement industry. In addition to it, all the needs / decisions are made within boundaries of applicable rules and regulations of different authorities

## POLITICAL ENVIRONMENT WHERE ORGANIZATION OPERATES

The impact of the political environment on organizational strategy is undeniable. In Pakistan, persistent political instability has led to short-term economic policies and frequent changes, resulting in hampering economic growth. This has resulted in challenges such as high inflation, depleting forex reserves, currency devaluation, energy price hikes and high interest rates. The cement sector, among others, faces demand pressure due to these factors. Prolonged political uncertainty exacerbates these challenges, undermining investor confidence and long-term planning. Achieving a balance between political expediency and economic stability is crucial for sustained growth and prosperity.

On the back of global recession, declining commodity prices could aid Pakistan's current account deficit. To address the fiscal deficit, the government imposed Super Tax and increased tax on already taxed segments. Reconsideration is suggested when fiscal space allows.

While there have been slight indications of recovery in exports to Afghanistan, significant advancements remain improbable given the persisting political and economic circumstances. Any favourable progress in this realm, however, holds the potential to elevate exports, directly benefiting the Company. Our advantageous factory location in Nowshera, proximate to the Afghan border, coupled with Cherat's esteemed brand recognition within Afghanistan, has been instrumental in maintaining our premier position as a leading cement exporter to Afghanistan.

## LEGISLATIVE AND REGULATORY ENVIRONMENT

The Company firmly believes and confirms that its compliance of all the statutory legal requirements is in line with the relevant and applicable provisions of law and regulatory framework.

Applying all relevant and applicable legal and regulatory requirements is constantly improving our strategies, goals and achievements. Furthermore, for the purposes of good corporate governance, the Company is continuously striving to improve its legislative and regulatory environment for its workers, stakeholders, and business operations.





# CHAPTER 2

# STRATEGY AND RESOURCE ALLOCATION



- 
- A close-up photograph of a hand stacking wooden blocks. The hand is positioned at the top left, with fingers carefully placing a block on top of a stack. The stack of blocks is on the left side of the frame, extending from the bottom to the middle. The background is a plain, light-colored surface.
- 50** Strategic Objectives and Strategies in Place
  - 50** Short, Medium & Long-Term Objectives
  - 51** Management Strategies and Resource Allocation Plans
  - 52** Competitive Edge
  - 53** Value Created by the Business using these Resources and Capabilities
  - 54** Key Performance Indicators
  - 55** Methods and Assumptions in Compiling Indicators
  - 55** Effect of Technological Changes, ESG Reporting and challenges
  - 56** Liquidity and Financial Capital Structure
  - 56** Significant Plans and Decision
  - 57** Business Rationale for Major Capital Expenditure



## STRATEGIC OBJECTIVES AND STRATEGIES IN PLACE

Cherat Cement Company Limited has a dynamic business environment and corporate strategic objectives being developed, implemented and executed professionally. There is no significant change in the strategic objectives and strategies of the Company, however, new strategic initiatives related to strategic objectives have been included in strategic Plan. The Company has revalidated its vision and mission statement, tailoring them to meet evolving requirement and ensure the long-term sustainability of the Company.

The Company optimized its management processes, exploring new markets, cheaper alternative energy options, plant modernization, achieve greater customer satisfaction and market penetration. Further, the Company also planned for business expansions through green field project and continuously striving to improve efficiencies and innovations. The Company also endeavors for maximizing its shareholder's wealth through maximizing profits.

The Company also aims to create long-term sustainability through grooming its human capital through a congenial work environment and motivation to result high standards output and being remain complied with national and international standards on quality and integrity.

For value creation for its stakeholders, the Company primarily focuses on its strategic priorities which aims for sustainable development, growth and cost efficiencies. The Company has constantly been striving for improving efficiency through continuous innovations, process modernization, optimizing its capacity utilization and better use of available resources.

## SHORT, MEDIUM & LONG-TERM OBJECTIVES

Following are the main strategic objectives of the Company:

### Short-Term Objectives:

- Optimize the capacity utilization of production facilities
- Explore energy alternatives options and develop cost saving strategies
- Effective and efficient use of available resources to reduce combustion and energy cost

### Medium-Term Objectives:

- Optimize the management processes
- Formulation of market-specific business strategies aimed at preserving and expanding our market share
- Adoption of latest technologies and modernization of production facilities
- Ongoing evaluation of current IT infrastructure for identifying gaps and areas of improvement

### Long-Term Objectives:

- Focus resources and efforts towards expanding into new markets and territories
- Integrates social and environmental considerations into all aspects of strategy, policies, practices, and procedures.
- Organizational development and talent management to enhance effectiveness and evaluate performance



## MANAGEMENT STRATEGIES AND RESOURCE ALLOCATION PLANS

### Business Strategies

We strive to be at the forefront of sustainable performance. Our mission involves a continuous drive to enhance the effectiveness of our operations, with a focus on prioritizing customer-centric decisions through strategic cost and investment management. Additionally, we adeptly handle capital allocation and expenditure. To realize our strategic objectives, the Company strategically deploys its available resources. Our model for value generation is geared towards delivering optimal value to all stakeholders, employing a range of methods and formats.

### Stakeholders' Values

To achieve our long-term sustainable objectives, the management is strategically striving to enhance the stakeholders' value and greater customer satisfaction. The stakeholders' value is maximized through returns on investments, revenue maximization and cost control measures.

### Marketing Targets

Implementing a logistics framework and optimizing supply-chain management is crucial for cement companies. This strategic approach enhances operational efficiency, reduces transportation costs, and minimizes delays, ultimately ensuring a seamless flow of products. By harnessing smart logistics solutions, Company aims to enhance their competitiveness, streamline processes, and meet the ever-evolving demands of the construction industry.

### Manufactured Capital

Throughout the years, the Company has undertaken numerous initiatives to conserve energy. This began with the conversion of all our power generation units from furnace oil to natural gas, a strategic move that not only reduced the Company's carbon footprint but also lowered the cost of energy production. Additionally, we made significant strides in reducing CO2 emissions by implementing Waste Heat Recovery (WHR) systems. These systems capture excess heat, previously released into the atmosphere, from production lines and power generators to generate electricity. The Company has further reduced the dependence from national grid and uses the combination of local and imported coal in order to achieve cost efficiency for combustion cost.

### Financial Capital

The Company maintains cordial relationship with all the reputable banks and financial institutions of the Country. The Company has access to sufficient unused short-term financing facilities. Moreover, the Company has financed Line-III through syndicated Diminishing Musharakah and term finance is obtained for Captive Power Plant at reduce rates. Moreover, the Company obtained the finance for Balancing, Modernization and Replacement (BMR) of Line-I under SBP's Temporary Economic Refinance Facility (TERF) and Solar Power Plant under SBP's Islamic Financing Facility for Renewable Energy (IFRE) at subsidized rates.

### Human Capital

Developing our people is much important to the Company. Human capital is a valuable asset and plays an important role in our success. Our Core Values, Code of Conduct and HR policies provide an outline which serves as a guiding force for our organization. The Company gives key consideration to Human Resource Management. A full fledge HR department is established which is supervised by HR & RC of the Board of Directors.

### HR Excellence

Approved HR policies are in place. All the HR functions are integrated where the employees' performances are evaluated based on SMART goals. Moreover, Training Need Assessment (TNA) is effectively in place where in-house and external trainings are arranged at all management levels. Further, eligible employees receive Service Awards based on their performance and length of service. The Management's objective is to recognize and reward employee's contribution to the business. Moreover, the Company has effective succession planning system in place. These processes help the availability of high quality workforce which plays a vital role in achieving day-to-day, tactical and long-term strategic objectives of the Company.

### Intellectual Capital

We take pride in being pioneers in Pakistan's Cement industry for establishing the world's largest ERP, 'SAP' in place. The use of SAP helps management to implement better internal controls and in best business practices. The Company is keen to update itself by keeping an eye on latest technological advancements. As a result, the Company has successfully upgraded from its existing SAP ECC system to SAP S/4 HANA. The company has established a comprehensive training initiative encompassing all management levels including introduction of SAP Success Factor.

### Effectiveness

Effectiveness of internal controls is ensured through active Internal Audit Department, which independently functions and recommends its suggestions to the Board's Audit Committee. On all the constructive suggestions, the Management takes corrective actions immediately.



### **Natural Capital**

The Company has the benefit of lease of limestone mountain chains near plant location which has enough reserves for an extensive number of years. The Company remains committed to responsible and conscientious utilization of its natural capital, and will persist in its endeavors for sustainable operations.

### **Social and Relationship Capital**

Another prime objective of the Company's management is the greater customer satisfaction for which management takes every step to ensure high quality customer care and standard of product quality. For this purposes the Company has obtained certification of Quality Management System (QMS) systems ISO 9001: 2015 and Management System ISO 14001: 2015. Being a responsible corporate citizen, the Company is committed to continuous improvements in safety, health and environment protection measures. The Company has earned great respect and appreciation through continuous and generous donations to social and charitable causes including health, education and social sectors.

## **COMPETITIVE EDGE**

### **SAP Enterprise System**

Being the pioneer in establishing SAP system in the Cement industry, the Company functions as the foremost in the digital world with efficient process and controls. Business processes are fully integrated in the system throughout the Company at all locations. The Company undertakes various initiatives on a regular basis, including reviews by external consultants to ensure that the SAP functionalities are configured on an optimal basis, to allow its users to derive maximum benefits. The Company regularly generate customised reports as required by departmental personnel from time-to-time, making the best use of technology and modern systems.

In order to keep up with upto date efficient system and controls, the Company has upgraded from ECC 6.0 to S/4 HANA database, as well as implemented HR Success Factor Modules.

### **Ideal Location**

Our Plant is located very close to Afghan border, which makes our exports cheaper in relation to freight costs. Furthermore, raw materials i.e. Limestone are easily accessible at our Site, which minimises our costs, thereby giving us a competitive edge.

### **Energy Efficient**

The Company utilises modern state-of-the-art technology and machineries including WHR on gensets, captive power plant which assists in achieving the Company's objectives to utilise its scarce resources in a cost-efficient manner. Furthermore, the Company have installed Solar panels at its Site to enable further cost savings.

### **Cost Minimisation**

Despite others benefiting from higher installed capacities and thus having better utilization of fixed costs, the Company has managed to achieve progress towards cost leadership in the domestic market by capitalizing on technological advancements that have led to enhanced production efficiencies and reduced costs. This has been facilitated by the implementation of the latest cost-efficient plant.

### **Diversified Business**

Cherat Cement alongwith its group companies is widely diversified in various business sectors, including Packaging, Sugar, Ethanol, Airconditioning and Generators. Thus making a strong diverse business portfolio, thereby enabling the Company to make best use of resources within the group, providing healthy returns to the parent company and being able to face off business risks with diversified group.

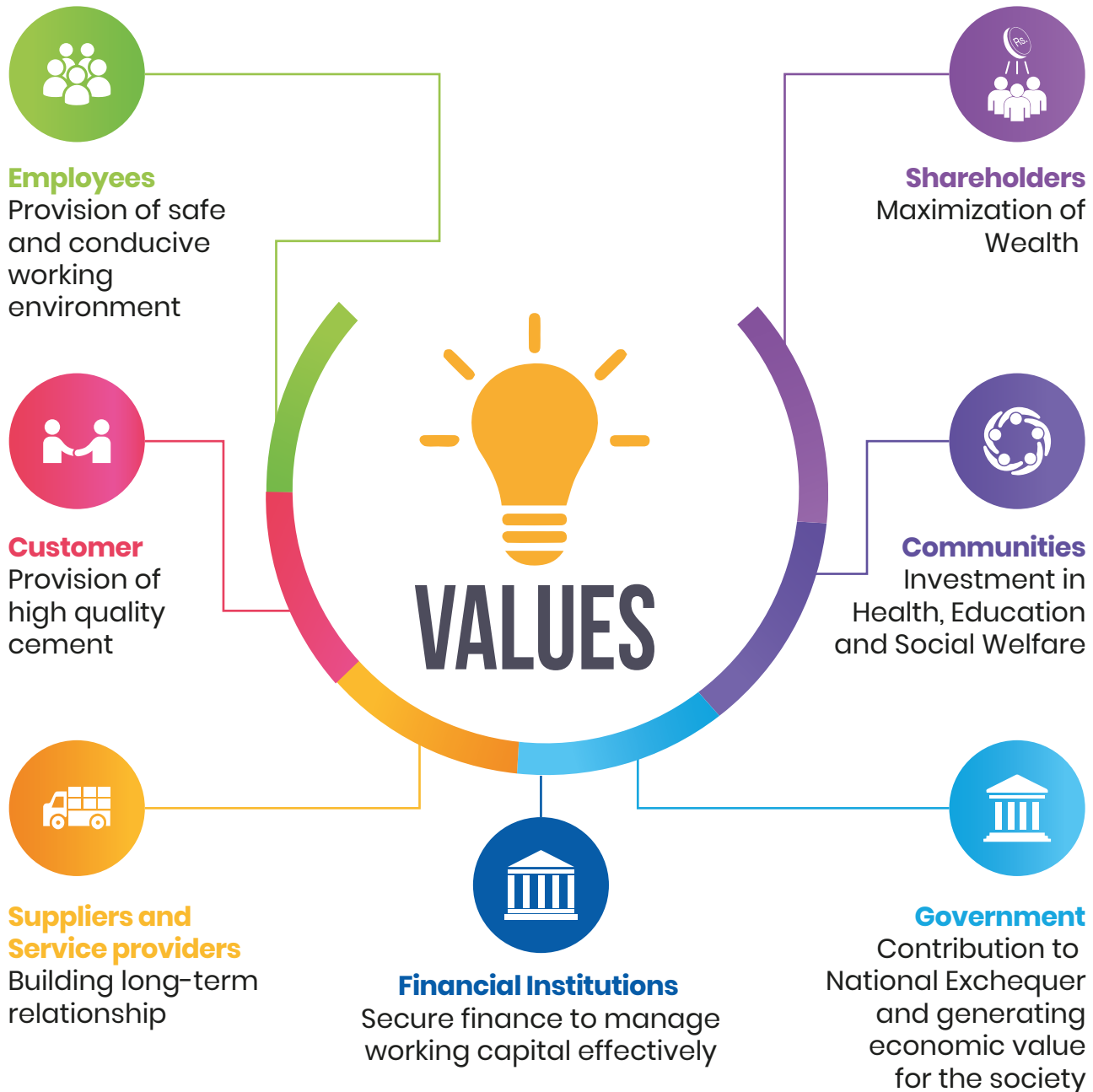
### **Supply Chain Management**

Boasting a remarkable network of business partners across diverse sectors, our seamlessly integrated supply chain stands as a pivotal driver of our competitive edge. Moreover, a tightly coordinated logistics system not only fortifies the Company's overall capabilities but also presents a significant cost advantage in this fiercely competitive industry. Additionally, our integrated sales approach ensures the swift delivery of top-notch cement, further enhancing our market position. Moreover, a collaborative and mutually beneficial relationship between the company and its vendors is key to a resilient and efficient supply chain for the operations.

# BUILDING A BETTER FUTURE

## VALUE CREATED BY THE BUSINESS USING THESE RESOURCES AND CAPABILITIES

By using these resources and capabilities, Cherat Cement creates value for its stakeholders in the following manner:





## KEY PERFORMANCE INDICATORS



Sales

**37,386**  
(Rs. in Million)

Increased by  
**17%**

Gross Profit

**10,137**  
(Rs. in Million)

Increased by  
**13%**



Profit After Tax  
**4,404**  
(Rs. in Million)

Decreased by  
**-1%**

Breakup Value Per Share

**107.46**  
(Rs.)

Increased by  
**21%**



Earnings Per Share  
**22.67**  
(Rs.)

Decreased by  
**-1%**

Dividend Per Share

**4.50**  
(Rs.)

Increased by  
**50%**



Total Assets  
**39,302**  
(Rs. in Million)

Increased by  
**2%**

Fixed Assets Turnover Ratio

**1.29**  
(Times)

Increased by  
**11%**



Wealth Distributed  
**49,628**  
(Rs. in Million)

Increased by  
**12%**

Revenue Per Employee

**36.83**  
(Rs. in Million)

Increased by  
**14%**



Market capitalisation

**23,370**  
(Rs. in Million)

Increased by  
**29%**



## METHODS AND ASSUMPTIONS IN COMPILING INDICATORS

A Key Performance Indicator (KPI) stands as a quantifiable measure that illustrates the effectiveness of a company in accomplishing its fundamental business goals. Organizations utilize KPIs across different tiers to assess their achievements in meeting set objectives. KPIs at a higher echelon could revolve around the overall business performance, whereas those at a lower tier might delve into specific processes within departments like sales, marketing, human resources, support, and others. Cherat Cement Company Limited has recognized and revised KPIs of utmost importance to its operations. During the process of pinpointing these KPIs, the Company scrutinized various indicators, their interpretations, and their ability to accurately and transparently convey the Company's performance.

## EFFECT OF TECHNOLOGICAL CHANGES, ESG REPORTING AND CHALLENGES

### Technological Changes:

One of the rapid areas of change is technology where everything is updating like a change in second hand of clock. Technological changes have made the companies helpless to be static with the strategy and they must have to be update with the technology. Cherat Cement is the first cement company who has implemented SAP in cement industry. During the current year, the Company has stepped up in SAP and has upgraded from ECC to S/4 HANA. Furthermore, the Company has upgraded its all database from premises to cloud.

The Company not only ensures that it has implemented the technological updates but also takes advantages of post implementation project. On the other side, the Company has also evaluated many technological changes at cement manufacturing process in order to develop cost efficient and environment friendly product.

### ESG Reporting and Challenges:

ESG Reporting demonstrates the linkages between an organisation's strategy, governance, financial performance and the social, environmental and economic context within which it operates. By reinforcing these connections, ESG Reporting can help Cherat Cement to take more sustainable decisions and enable investors or other stakeholders to understand how the Company is really performing. ESG reporting impacts the Company strategy and resources allocation while taking decision with additional information which includes assessment of long-term sustainability and risk profile of the Company. Cherat Cement is considering ESG factors when making investment decisions.

Positive ESG performance can attract socially responsible investors and potentially lead to improved financial performance over the long term. Conversely, poor ESG performance can result in increased risks and reduced investment interest.

The Company has been awarded 1st position in 2021 Best Corporate Report award which has enhanced the Company's reputation among consumers, employees, and other stakeholders. This may lead to increased customer loyalty, stronger brand recognition, and improved customer relationships.

ESG reporting can differentiate a Company from its competitors by showcasing its dedication to sustainable practices. This can lead to a competitive advantage, especially as consumers and investors increasingly prioritize companies with strong ESG performance.

Cherat Cement confronts significant challenges in the domains of Environment, Social, and Governance (ESG). Investments in social welfare, tree plantation, and livestock care entail substantial costs, which may have short-term implications for shareholder value and confidence. Furthermore, environmental challenges arise during the manufacturing process, leading to potential litigation related to carbon emissions, dust emissions, operational safety, and health concerns. Therefore, prioritizing safety measures, first aid protocols, energy-efficient machinery, and waste recycling is crucial to mitigate adverse impacts.

Cherat Cement faces challenges in responsibly extracting essential raw materials from quarry for cement manufacturing, as it involves explosives and can impact local communities through air quality and noise pollution. The company is actively implementing remedies to mitigate these risks.

Additionally, governance challenges include integrating ESG considerations into governance structures, decision-making processes, and overall business operations. The company's strategic focus centres on governance, policies, best practices, and structure. Developing consistent and meaningful ESG metrics for measurement and reporting poses a challenge, as defining and quantifying indicators like carbon emissions reduction or diversity metrics can vary across industries and organizations



## LIQUIDITY AND FINANCIAL CAPITAL STRUCTURE

The Company designs its capital structure to take advantage of the opportunities and makes adjustment to it, in light with changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares. Long-term debts are only utilized to finance the capital expenditures. For working capital requirements short-term financings are availed to adequately maintain the debt and equity ratio throughout the year. Enhanced sales have considerably supported the liquidity position of the Company. Healthy cash flows and prudent liquidity management aids the Company to achieve a current ratio 1.21 which reflects its strong liquidity position.

### Liquidity Strategy

The Company has prudent liquidity management policy in place. Under this policy the Company finances all of its capital expenditures through long-term financing facilities. During the year, the Company continued benefiting from the Temporary Economic Refinance Facility (TERF) offered for Balancing, Modernization and Replacement (BMR) for Line-I and Solar Power Project obtained under Islamic Financing Facility for Renewable Energy (IFRE) by State Bank of Pakistan (SBP) at extremely competitive rates and will continue to obtain benefit for future years. The Company monitors its liquidity position vigilantly and optimally utilizes any surplus funds by repaying higher-cost financing arrangements. Management has a practice of continuous monitoring of cash flows on daily basis and ensure optimum utilization of Export Refinance Facility (ERF). In order to meet the working capital requirements, the Company has arrangements with commercial banks in form of short-term financing facilities of amounting to Rs. 10 billion. Out of these facilities, Rs. 4.2 billion are against Islamic mode of financing, which includes Running Musharakah, Murabaha and Istisna.

### Financing Arrangements

Due to strong financing standing and sound financial management, the Company enjoys good business relationship with all reputable banks and financial institutions of the Country. The Company has abundant unutilized short-term financing facilities, under conventional and Islamic modes, to meet its short-term working capital requirements.

## SIGNIFICANT PLANS AND DECISIONS

The Board of Directors in its meetings approved following significant plans and decisions from time to time:

### Implementation of SAP S/4 HANA and Success Factor

- In order to keep up with technological advancement and efficient systems in place, the Company has successfully upgraded from its existing SAP ECC system to S/4 HANA. Additionally, the Company has also implemented the HR Success Factor modules.

### Line-I upgradation

- Company has successfully upgraded Line-I during the year which will entail improved operational efficiency.

### D.I Khan Land

- Line-IV boundary wall work is in the completion phase. Land, mining leases and other assets have already been transferred in our company's name.

## BUSINESS RATIONALE FOR MAJOR CAPITAL EXPENDITURE

The Board of Directors of the Company continuously evaluate and analyze new business opportunities and projects and pursue them aggressively. The Board is authorized to incur capital expenditure in line with the business requirements of the Company.

### Growth

Cherat Cement is always in a continuous phase of growth, and it grew multifold over the years, especially during the last decade when it installed World's largest ERP i.e. SAP. During the years, the Company has also invested in state-of-the-art machinery like Solar Power Project, Waste Heat Recovery plants, Refused Derived fuel, Bio-Mass, and Wartsila Generators. Furthermore, the Company also invested substantially in upgradation of Line-I.

### Current Year Project

In continuation with the past year's growth, the commissioning of the Solar Renewal Energy Project has been completed in line with cost controlling measures. This is not only helping in lowering our power cost but also saving precious foreign exchange by replacing imported fuel.

The commissioning of WHR on WARTSILA dual fuel engines has also been completed after installation of new turbine during the year. Moreover, the Company has also successfully commissioned solar project at full operation in order to achieve cost optimisation.

### Future Project

Keeping in view of macro-economic changes and emerging of ESG concept in upcoming years, the Company aims to invest in different cost-efficient techniques, which will substitute imported coal in line with optimization of shareholder's wealth.



# CHAPTER 3

# RISKS AND OPPORTUNITIES

- 
- 60** Risks and Opportunities
  - 60** Determining Level of Risk Tolerance and Establishing Risk Management Policies
  - 60** Assessment of the Principal Risks
  - 60** Risk Management Framework and Methodology
  - 61** Key Risks and Opportunities of Capitals
  - 61** Risk and Mitigating Strategies of the Company
  - 66** Opportunities
  - 67** Comprehensive Framework Addressing Key Risks, Methodology, Risk Appetite and Reporting
  - 68** Key Risk Mitigation
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  - 69** Risk Of Supply Chain Disruption due to an Environmental, Social or Governance Incident and Company's Strategy for Monitoring and Mitigating these Risks



## RISKS AND OPPORTUNITIES

The board of Cherat Cement Company Limited (CCCL) principally assumes the responsibility to mitigate all possible risks and to identify and utilize potential events that may affect the Company. This principle keeps the Company within its risk appetite and helps to achieve its corporate objectives.

CCCL is susceptible to various risks, however, through comprehensive planning and an acute business understanding of the management, the Company continues to identify and mitigate actual, potential and perceived risks. The Company maintains an established control framework comprising clear structures, authority limits and accountabilities, well implemented policies and procedures and budgeting for review processes.

### **Determining level of risk tolerance and establishing risk management policies**

The Board of Directors of the company is responsible for the risk management and determining the company's level of risk tolerance. In this regard, the Board has established and approved Risk Management Policy. The board regularly undertakes an overall review of business risks to ensure that the management maintains a sound system of risk identification, risk management and related internal controls to safeguard assets, resources, reputation and interest of the Company and shareholders. In addition to this the Board also reviews reports from various third party service providers, auditors and consultants to remain updated on key operational and financial matters of the Company.

### **Assessment of the principal risks**

The Board of Directors of the Company establishes corporate strategy and business objectives. Moreover, the Board's Audit Committee is responsible for Internal Control in the Company. The Internal and External Auditors' reports are submitted to the Audit Committee for its review, which after detailed deliberations and with improvement suggestions are submitted to the Board of Directors.

### **Risk Management Framework and Methodology**

The company's risk management framework is structured to evaluate and alleviate risks, aiming to reduce their potential impact and align with Company's long-term mission and business strategy. We routinely conduct risk assessments to gain a comprehensive understanding of our key risks, assign ownership for targeted actions, and implement necessary steps to address them.

We actively manage uncertainties and risks that could affect the attainment of our corporate goals while also leveraging opportunities. Given their critical significance, our key concerns and primary risks are integrated into our business planning processes and regularly overseen by our Board of Directors. To effectively navigate these risks, the Company has established a comprehensive risk management policy that serves as a blueprint for identifying, evaluating, mitigating, and monitoring risks across all aspects of our operations.

Our risk management framework encompasses a systematic process for identifying and evaluating both internal and external risks that may impact our business. This process involves engaging with management at all levels to gather insights, data, and perspectives that contribute to a well-rounded understanding of potential risks. We rank Strategic, Commercial, Operational, Financial, and Compliance risks based on their impact on the Company and the likelihood of occurrence. Once identified and assessed, we tailor mitigation strategies for each risk category. These strategies range from proactive measures to minimize the likelihood of risks. We also define clear roles and responsibilities for risk management at various levels within the organization, emphasizing accountability for overseeing and responding to risks.

## KEY RISKS AND OPPORTUNITIES OF CAPITALS

Following are the key risks and opportunities effecting the availability, quality and affordability of capitals:

Key Risk	Key Opportunities	Form of Capital	Time Horizon
<ul style="list-style-type: none"> <li>• Rising coal Cost</li> <li>• Currency/ Exchange Rate Fluctuation</li> <li>• Information System and Cyber security Risk</li> <li>• Risk of demand supply gap</li> </ul>	<ul style="list-style-type: none"> <li>• Identification of alternate cheap sources</li> <li>• Future contracts / hedging</li> <li>• Secure connections, firewalls, data back ups</li> <li>• Exploring new Markets</li> </ul>	Financial capital	Short to Medium
Depletion/ Stoppage or interruption	Solar, WHR and captive power arrangements	Natural capital	Long-term
Key employees/ workers leave the company	Rewarding and succession planning	Human Capital	Medium to long term
Technology Obsolescence	continuous improvement in product quality and process efficiency	Manufactured Capital	Medium to long term
Legal charges	Cases are handled through reputable law firms	Social and Relationship Capital	Medium to long term

### Risk and mitigating strategies of the Company

Assessment of Risk	Risk	Area of impact	Source of Risk	Mitigating strategy
Assessment: Likelihood: Medium  Impact: High	<ul style="list-style-type: none"> <li>• Rising Cost of Coal</li> <li>• Rising cost of Energy</li> <li>• Rising cost of commodities</li> </ul>	Financial capital	<b>Source: External</b> Given the substantial use of coal in Cement production, increases in coal and other fuel costs significantly affect the cost of goods sold	The company consistently tracks the trend in coal prices and leverages its capacity to acquire coal in large quantities. Additionally, the company assesses different coal sources to mitigate the effects of elevated landed costs



Assessment of Risk	Risk	Area of impact	Source of Risk	Mitigating strategy
			The availability of energy, whether it's electricity or gas, from Government sources is in a precarious state due to escalating costs, and it cannot be assured. Energy serves as the lifeblood of the plant, and its unavailability could halt plant operations	Availability of Gas supply, captive power plant built on dual fuel basis i.e. gas and furnace oil, WHR, recently commissioned Solar plant to mitigate the risk of availability and rising cost factors
Assessment: Likelihood: High  Impact: Medium	Risk Of Inconsistent /Arbitrary Changes In Government Policies	Financial capital	<b>Source: External</b> Adverse impact on Company's earnings due to changes in Government policies with respect to taxation measures, Power tariff and Regulatory matters	Advocacy through different forums, like APCMA, Pakistan Business Council etc. to timely apprise the relevant Government departments and Regulators of all issues that may have an adverse impact on the Industry or competitive environment. Management regularly monitors the changing regulatory and competitive environment and assesses the impact of any change in Government policy, so as to take timely action
Assessment: Likelihood: Medium Impact: High	Information System and Cyber security Risk	Financial capital	<b>Source: Internal/ External</b> Technology risks having potential impact due to technology disruption, cyber-attack, hacking or failure to disrupt business process posing adverse impact on Confidentiality, Integrity and availability of organization environment	Information is transmitted through secure connections and firewalls such as Sophos Endpoint protection product that combines antimalware, web and application control, device control, Barracuda Email Security Gateway and much more to prevent malicious activities. Appropriate data back-up mechanism is in place. Moreover, alternative data processing sites are also available. Periodic systems audit is performed to identify any weaknesses / non-compliances and any areas for improvements



# BUILDING A BETTER FUTURE

Assessment of Risk	Risk	Area of impact	Source of Risk	Mitigating strategy
Assessment: Likelihood: Medium Impact: Medium	Political Risk	Financial capital	<b>Source: External</b> These include taxes, spending, regulation, currency valuation, trade tariffs, labor laws such as the minimum wage, and environmental regulations	We continue to closely monitor political & macro-economic developments. Accordingly, we maintain a balanced sales profile across key sales regions. Further, In order to avoid the risk of disruption, we operate three production facilities and have a diversified customer base
Assessment: Likelihood: Medium Impact: Medium	Exchange Rate Fluctuation	Financial capital	<b>Source: External</b> It becomes challenging for the Company to compete in the market due to frequent fluctuation of PKR parity against USD	The Company regularly scrutinizes the parity fluctuations and whenever needed, enters into hedging arrangements. Moreover, the Company intends to shift towards local substitute for combustion
Assessment: Likelihood: Medium Impact: Low	Interest Rate Risk	Financial capital	<b>Source: External</b> Risk of Return's rate fluctuation affecting value of interest-bearing assets	The Company closely track economic indicators on a consistent basis and uphold a varied portfolio of short-term investments in Islamic financial products. Moreover, the Company meets the working capital requirement through internal generated cashflows
Assessment: Likelihood: Medium Impact: Low	Risk of demand supply gap	Financial capital	<b>Source: External</b> Any decline in cement's demand may create an over-supply situation in the industry	CCCL matches its capacity expansion plans keeping in view the anticipated supply /demand growth pattern  The Company continues to identify and develop new markets for its Cement sell



Assessment of Risk	Risk	Area of impact	Source of Risk	Mitigating strategy
Assessment: Likelihood: Low Impact: Low	Credit Risk	Financial capital	<b>Source: External</b> The Company extends credit to its customers. There lies a risk factor that the customers may fail to discharge their obligations and cause a financial loss to the Company	The Company regularly analyses the credit position and credit worthiness of its Customers and extends credits based on minimum risk of financial loss
Assessment: Likelihood: Medium Impact: Low	Employee turnover	Human Capital	<b>Source: internal</b> Key employees and workers leave the company causing lack of competent workforce	The Company values its worker and employees and worker as essential capital therefore, it provides congenial environment and growth opportunities. Further Company has robust succession plan in place
Assessment: Likelihood: Medium Impact: Medium	Technology Obsolescence	Manu- factured Capital	<b>Source: External</b> Technological shift rendering the Company's production process inefficient	Major investments are made regularly to continuously improve product quality and process efficiency
Assessment: Likelihood: High Impact: Medium	Risk of Litigation	Social and Relation- ship Capital	<b>Source: External</b> Risk of having major legal cases initiated against the Company	Significant litigation cases are handled through reputable law firms engaged by the Company which specialize in particular areas. Additionally, in house legal affairs team supports operations by effective SOPs and additional review steps for significant contractual and regulatory obligations of the Company.

# BUILDING A BETTER FUTURE

Assessment of Risk	Risk	Area of impact	Source of Risk	Mitigating strategy
Assessment: Likelihood: Low Impact: Medium	Natural Catastrophe	Manu- factured Capital	<b>Source: External</b> Destruction of production facility due to natural disaster	The Company has comprehensive insurance cover in case of any catastrophic event. Further, the Company has taken into every possible aspect of safety measures during construction and erection of building and plant. Further, the Company has well-established disaster recovery plan and data backup to coup-up any unwarranted event.
Assessment: Likelihood: Medium Impact: Medium	Environmental Risks	Natural Capital	<b>Source: Internal</b> Actual or potential threat of adverse effects on environment arising out of the Company's activities	Various environmental friendly projects such as Solar Project, Waste Heat Recovery units, Tyre Derived Fuel and Refuse Derived Fuel units and implemented, thus reducing environmental de-generation. The company focuses on energy conversation, operational efficiencies and carbon footprint reduction.
Assessment: Likelihood: Low Impact: Medium	Health & Safety Risks	Social / Human Capital	<b>Source: External</b> <ul style="list-style-type: none"> <li>Personal health and safety risks at operating sites.</li> <li>Risk of pandemic related issues</li> </ul>	HSE issues are addressed by focusing on safety measures such as conducting appropriate trainings, use of prescribed safety gadgets, equipment and safe practices. There is a dedicated HSE function at plants. Periodic review of safety related incidents and internal audits ensure process effectiveness.  Cherat Cement has invested in providing awareness to its employees for precautionary measures about protecting their families and communities



## OPPORTUNITIES

Opportunity	Impact area	Key source opportunity	Strategy to materialize
Production Capacity	Financial capital	Higher capacity utilization	The Company actively pursues local and international markets to fully utilize its potential capacity and earn higher return for its shareholders
Shariah Compliant Company	Financial Capital	Offering investors an avenue to invest in Shariah Compliant Companies	<p>Being the Shariah Compliant company, CCCL continues to comply with the applicable Shariah Governance Regulations</p> <p>CCCL has also continued to maintain its position on KMI-30 Index of the PSX. Efficient machinery enables the company to operate with the minimum cost of production, thereby offering its customers high quality Portland cement. This in turn results not only in customer retention but also attracts new customers</p>
Efficient and congenial work environment	Human capital	Provide congenial work environment where employee feels motivated for work	Provide effective environment without excessive work pressure. Continuous training and development of employees. Benefit aligned with efficient and effective work and team management
Growth of Cement industry	Relationship capital, Manufactured capital	Expected growth in Cement industry owing to CPEC, PSDP and low housing projects announced by the Government	The Company has regularly invested in its production facilities to furnish the production/supply demand to materialize potential growth.

## COMPREHENSIVE FRAMEWORK: ADDRESSING KEY RISKS, METHODOLOGY, RISK APPETITE AND REPORTING

Risk is an inherent part of business activities of the Company. The Company executes its risk strategy and undertakes controlled risk-taking activities within its risk management framework. The Company actively drives the risk management framework. The Board of Directors of the Company remain watchful in identifying potential risks to which the Company is exposed, the related uncertainties and their impact on the Company, and how such risks and uncertainties can be managed by formulating strategies to mitigate and counter the same. All this is done with the aim of maximizing shareholder's value by achieving an appropriate trade-off between risk and returns.

### Risk Management Framework

Risk Management Framework is a structured approach that organization use to identify, assess, prioritize, and mitigate risks and uncertainties that could impact its objectives, operations or financial performance. Following are the key parts of a comprehensive Risk Management Framework: addressing main company risks, evaluating risks, defining risk tolerance and reporting on risks.

### Identifying and Evaluating Risks

Recognizing the fundamental risks and uncertainties confronting the company. These encompass strategic, operational, financial, regulatory, technological, and pertinent risks. Subsequently, compiling an exhaustive inventory of potential risks the company may confront, organizing them by their characteristics and consequences.

### Risk Methodology

Assess the probability and potential consequences of identified risks. This evaluation aids in ranking risks according to their importance. Assign numerical values to risks whenever feasible, which might entail utilizing tools such as probability distributions and financial models. Examine potential upcoming scenarios that encompass different risk results. This process enhances comprehension of the spectrum of potential effects.

### Risk Appetite and Tolerance

Establish the extent of risk that the company is prepared to

undertake in pursuit of its goals. This is frequently articulated through financial limits, strategic aspirations, or pertinent benchmarks. Clearly outline the permissible deviation from the company's risk tolerance. This aids in steering decision-making when confronted with choices influenced by risk.

### Risk Mitigation and Response

Formulate approaches to handle and alleviate the recognized risks. This might encompass evading, shifting, alleviating, or embracing risks. Execute controls, methods, and protocols to decrease the probability or repercussions of risks. Consistently assess and enhance these measures.

### Monitoring and Reporting:

Establish and track essential risk indicators to offer preliminary alerts for potential risk occurrences. Routinely communicate the state of risks, mitigation endeavors, and shifts in the risk environment to pertinent stakeholders. Create a process to elevate high-impact or unforeseen risks to senior management or the board for prompt intervention.

### Continuous Improvement:

The Company constantly endeavors to improve its risk management framework in light of international best practices and regulatory guidelines. Accordingly, all policies and procedures that form part of the Company's risk management framework is regularly reviewed, followed by undertaking steps for its improvement, in order to keep them aligned with changing market dynamics/practices, regulatory environment and international standards. An effective risk management framework along with a robust risk governance structure, policies and procedures ensures that risks are proactively identified, assessed, and managed in alignment with the company's objectives and risk appetite.

### Specific steps being taken to mitigate or manage key risks

A brief but comprehensive overview of the specific steps a cement manufacturing company could undertake to effectively mitigate key risks and capitalize on key opportunities, while also delving into the associated components:



## KEY RISK MITIGATION:

### (i) Market Demand Volatility

Strategic Objective	Strategies	Plans/ Policies	Targets	KPIs
Diversify product portfolio and markets	Explore new customer segments and expand geographical reach	Develop flexible production schedules, align inventory levels	Increase sales to new markets by a certain percentage	Monitor market share in new segments, track sales growth in new markets

### (ii) Raw Material Availability

Strategic Objective	Strategies	Plans/ Policies	Targets	KPIs
Ensure a stable supply of raw materials.	Forge long-term supplier partnerships and invest in alternative materials.	Maintain buffer stock of critical raw materials.	Reduce dependence on a specific material source by a certain percentage	Inventory turnover rate of raw materials. Metrics gauging the reliability of suppliers

## KEY OPPORTUNITY LEVERAGING:

### (i) Infrastructure Development Boom

Strategic Objective	Strategies	Plans/ Policies	Targets	KPIs
Capitalize on increased construction demand	Ramp up production capacity, optimize supply chain	Fast-track permit processes for expansion projects	Increase annual production output by a specific volume	Production capacity utilization. Project completion timelines

## (ii) Sustainability Emphasis

Strategic Objective	Strategies	Plans/ Policies	Targets	KPIs
Become a sustainable industry leader	Invest in eco-friendly technologies, promote circular economy	Establish carbon reduction targets, adopt waste recycling practices	Decrease carbon emissions per ton of cement produced	Carbon footprint per unit of cement, percentage of recycled materials used

Above steps involve aligning strategic objectives, developing actionable strategies, formulating plans and policies, setting measurable targets, and monitoring progress using Key Performance Indicators (KPIs). By addressing risks and seizing opportunities, the company enhances its ability to manage challenges and create value in the competitive cement manufacturing industry.

## RISK OF SUPPLY CHAIN DISRUPTION DUE TO AN ENVIRONMENTAL, SOCIAL OR GOVERNANCE INCIDENT AND COMPANY'S STRATEGY FOR MONITORING AND MITIGATING THESE RISKS

The company acknowledges the potential risk of supply chain disruption stemming from environmental, social, or governance incidents. We recognize that such incidents can adversely impact our operations and disrupt the flow of goods and services critical to our business. To address these risks, we have adopted a comprehensive strategy for monitoring and mitigating these potential disruptions.

### Environmental Risk:

We closely monitor our suppliers' environmental practices and assess their sustainability initiatives. This includes evaluating their adherence to relevant environmental regulations, assessing their carbon footprint and scrutinizing their waste management practices. By engaging with environmentally responsible suppliers, we aim to minimize the risk of disruptions caused by environmental incidents.

### Social Risk:

We prioritize suppliers who demonstrate fair labour practices and uphold human rights standards. Regular assessments are conducted to ensure compliance with ethical labour practices, health and safety regulations and community engagement. This approach helps us mitigate the risk of supply chain disruptions due to social issues.

### Governance Risk:

We assess suppliers' governance frameworks to ensure transparent and ethical business practices. Suppliers with strong corporate governance structures are preferred to mitigate the risk of disruptions arising from issues related to fraud, corruption and compliance breaches.

### Mitigation Strategy:

Our strategy involves diversifying our supplier base to reduce reliance on a single source. This approach minimizes the impact of disruptions stemming from incidents affecting any one supplier. Additionally, we maintain contingency plans that outline steps to be taken in the event of a supply chain disruption. These plans are periodically reviewed and updated to align with emerging risks.

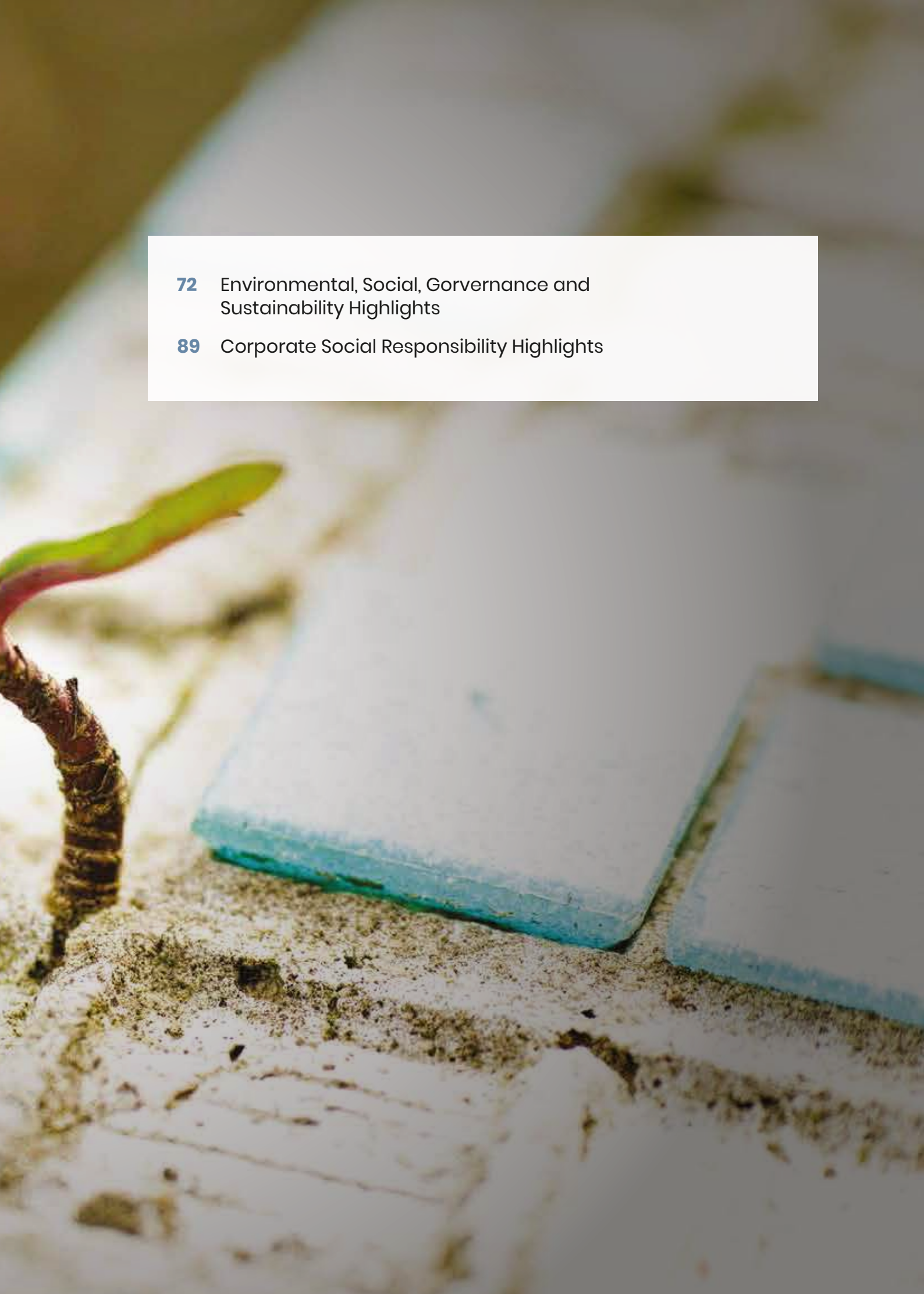
Collaboration is a central tenet of our strategy. We engage with suppliers to enhance their awareness of our sustainability expectations and encourage their alignment with our values. Regular audits and assessments are conducted to ensure ongoing adherence to these standards.

Continuous improvement is integral to our approach. We proactively review and refine our supply chain monitoring and mitigation strategies based on emerging risks, industry best practices, and stakeholder feedback. By addressing environmental, social and governance risks, we are committed to maintaining a resilient supply chain that can withstand potential disruptions and contribute to our long-term success.



**CHAPTER 4** | **SUSTAINABILITY  
& CORPORATE  
SOCIAL  
RESPONSIBILITY**



A close-up photograph of a small, vibrant green plant with a reddish-brown stem growing out of a crack in a light-colored concrete surface. To the right of the plant, a blue sticky note is partially visible, resting on the concrete. The background is softly blurred, showing more of the concrete and the plant's growth.

**72** Environmental, Social, Governance and Sustainability Highlights

**89** Corporate Social Responsibility Highlights



# ENVIRONMENTAL, SOCIAL, GOVERNANCE AND SUSTAINABILITY HIGHLIGHTS

The global environmental, social, and governance (ESG) landscape is rapidly taking shape. ESG refers to a broad set of criteria used to assess a company's or organization's performance in terms of its environmental impact, social responsibility, and corporate governance practices. It encompasses a holistic approach that considers environmental, social, and economic factors to create a balance between the well-being of people, the planet, and economic prosperity.

Sustainable development in ESG is a development that meets the needs of the present without compromising the ability of future generations to meet their own needs." A ESG strategy outlines a company's plan to integrate sustainable practices into its business operations and decision-making processes. This strategy often involves identifying and addressing environmental and social challenges while seeking to create long-term value for the company, its stakeholders, and society at large. It can include initiatives related to resource efficiency, reducing carbon emissions, promoting social responsibility, ethical sourcing, and more. Cherat Cement has developed environment where all are motivated to constant improvement and

always been very aware of its responsibility towards the society, environment, economic and climate of Pakistan and has opened sustainable ways to ensure the healthier and happy conditions for current and future generation.



## Sustainable Goals in ESG

In February 2016, the National Assembly of Pakistan passed a unanimous resolution declaring SDGs as the country's National Development Goals. The SDG Support Units help create an enabling environment for the implementation of the 2030 Agenda.

	<b>1 NO POVERTY</b> 	<b>2 ZERO HUNGER</b> 	<b>3 GOOD HEALTH AND WELL-BEING</b> 	<b>4 QUALITY EDUCATION</b> 	<b>5 GENDER EQUALITY</b> 
<b>6 CLEAN WATER AND SANITATION</b> 	<b>7 AFFORDABLE AND CLEAN ENERGY</b> 	<b>8 DECENT WORK AND ECONOMIC GROWTH</b> 	<b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b> 	<b>10 REDUCED INEQUALITIES</b> 	<b>11 SUSTAINABLE CITIES AND COMMUNITIES</b> 
<b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b> 	<b>13 CLIMATE ACTION</b> 	<b>14 LIFE BELOW WATER</b> 	<b>15 LIFE ON LAND</b> 	<b>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</b> 	<b>17 PARTNERSHIPS FOR THE GOALS</b> 

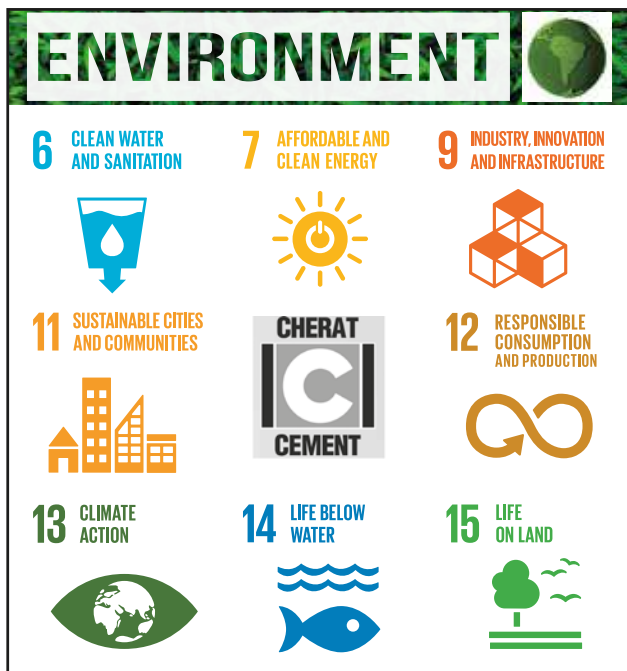
The 17 SD Goals have been bifurcated in three categories of ESG which are as below:

# BUILDING A BETTER FUTURE

## 1. ENVIRONMENT

The "E" in ESG refers to the environmental aspects of a company's operations and practices. It involves evaluating how a company interacts with and impacts the natural world. Sustainability revolves around the environment, which has been integrated into corporate values. Cherat Cement duly complies with the environmental laws and is continuously working to improve the environmental management system and voluntarily comply with new global reporting initiatives (GRI).

The management of the Company encourages and is keen to explore environment-friendly practices against the goal set for which they are responsible.



### Certifications acquired and international standards adopted

Our production facility remained fully compliant with industry standards and safety requirements. For this purpose the Company has fully adopted and has obtained certification of Quality Management System (QMS) ISO 9001:2015 and Environment Management System ISO 14001:2015. Moreover, the Company fully complies with regulatory requirements of National Environmental Quality Standards (NEQS). In addition, to further ensure regulatory compliances, environmental testing is performed regularly from EPA approved laboratory. The Company is regularly participating in KP-Environment Protection Agency meetings to remain updated for their subsequent standards & specification revisions and their compliances.

## 2. SOCIAL

The "S" in ESG pertains to the social dimensions of a company's activities, focusing on how it interacts with its employees, communities, and other stakeholders. The goal of the Company in this respect is to give utmost priority to the health, wellness, and education of the people and encourages the employees to focus on work-life balance initiative. The Company's social responsibility is achieved through compliance with relevant legislation and codes of practice, and effective management of social, economic, and environmental impacts.



## 3. Governance

The "G" in ESG relates to the governance structure, policies, and practices that guide a company's decision-making processes.

In recognition of the Company's endeavor for transparency in corporate reporting, the annual report of the Company for the year 2019 was nominated in the SAARC Anniversary Awards for Corporate Governance Disclosures. The event was held in Colombo, Sri Lanka in December, 2020. The Company secured Joint Second Runner-up position for Improvement in Transparency, Accountability & Governance in Corporate Governance Disclosures. Previously, the Company also secured certificate of merit for the FY 2014 and 2017.



Further highlights of the Company's performance, policies, initiatives and plans towards ESG and relating to various aspects of sustainability are as follows:

## GOVERNANCE

<p><b>5</b> GENDER EQUALITY</p>	<p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p>	<p><b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>
<p><b>11</b> SUSTAINABLE CITIES AND COMMUNITIES</p> 	<p><b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	
<p><b>13</b> CLIMATE ACTION</p>	<p><b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	<p><b>17</b> PARTNERSHIPS FOR THE GOALS</p>

<p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p>	<p><b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>
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### 1. ECONOMIC

The economic circumstances on stakeholders entails the economic implications of sustainability.

#### a. Economic Performance

The economic performance of sustainability refers to the financial impact and outcomes resulting from integrating sustainable practices into business operations, strategies, and decision-making processes. A sustainable approach can lead to both short-term and long-term economic benefits for businesses and society as a whole.

Cherat Cement is implementing sustainable practices often involves resource efficiency measures, such as reducing energy consumption, minimizing waste, and optimizing water usage. These measures can lead to significant cost savings in the form of

reduced power cost, lower waste disposal costs, and increased operational efficiency. Cherat Cement is managing sustainable economic growth of these resources in a manner that they will not be depleted and will remain available for future generations. Cherat Cement has enacted in its practice to enhancing actual value of wealth for stakeholders. This growth and value can be assessed accurately through the performance of the Company which can be evaluated through complete audited financial statements of the Company and the statement of value addition and distribution of wealth, which are part of this report. In addition, economic performance carries implications for all other material topics reported upon.



#### b. Market Presence

Consumers, investors, and other stakeholders are increasingly demanding ethical and sustainable business practices. Cherat Cement's mission has two statements ; "Become the Leading Cement Company" and "Uphold the Trust of our Customers". The Company that embraces sustainability and communicates their efforts transparently hiring of workforce from local community at each area of business operations from entry level to the senior management. The Company also creates a frame of opportunities to the local suppliers, transporter and cement dealers all over Pakistan and Afghanistan. This builds stronger brand value, market presence and reputation, attracting socially conscious consumers and responsible investors.



# BUILDING A BETTER FUTURE

## c. Indirect Economic Impacts

Infrastructure plays a crucial role in sustainability as it forms the foundation for economic development, social well-being, and environmental stewardship. Sustainable infrastructure refers to the design, construction, and the management of physical systems that minimize negative impacts on the environment, promote resilience, and support long-term economic growth and quality of life. This illustrates our Company's economic impacts on a wider socio-economic which is the social standing or class of an individual or group. Our growth and development mean the growth and development of our homeland Pakistan. Additionally, being the corporate citizen, the company is paying fully attention to fulfil his duties by investing his supports in development of country's infrastructure and other facilities in general and for local communities living nearby factory vicinity Nowshera.



7 AFFORDABLE AND CLEAN ENERGY



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



## 2. ENVIRONMENTAL

The Company's objective focuses on minimizing environmental degradation. It considers factors such as energy efficiency, reduced greenhouse gas emissions, use of renewable resources, and efficient waste management. For example, the Company has invested in solar energy with energy-efficient designs and materials help lower energy consumption and carbon footprint.

Regardless of our growth and plant expansion and consequently energy needs and environmental outputs, we ensure that we manage these impacts in line with

regulatory compliance requirements such as National Environmental Quality Standards (NEQS) and international standard of environmental management system ISO 14001:2015. Management is fully aware of its responsibilities in this regards and environment protection policy is already in place. The Company is significantly improving energy efficiency with the increasing use of renewable energy such as WHRS generation helping our organization to achieve climate change goals by going green and driving down CO2 footprints.



## a. Energy

Electricity is used for various purposes throughout the cement production process, including powering crushers, mills, conveyors, and other equipment. Additionally, electrical energy is needed for lighting, heating, and other facility operations. The usage of efficient energy plays important role in saving resources for future generation and giving the Company a competitive edge in terms of cost factors. Today, energy is becoming precious due to increasing in power cost and the energy crisis. On the basis of current circumstances, the Company has invested in many initiatives to manufacture cement product at low power cost and to save energy. In order to develop awareness of efficient energy, the Company has Implemented energy management systems which helps to track energy use, identify areas for improvement, and make informed decisions to minimize energy consumption.





- **Waste Heat Recovery Plant**

One statement in the Company's mission is "Help Build a Greener Future". For attaining this, the Company has installed Waste Heat Recovery (WHR) on Power Generators in addition to Waste Heat Recovery (WHR) systems to all three cement lines. Firstly, The WHR system does not need huge maintenance cost to operate but enables the utilization of heat that would otherwise be lost to the environment. By converting this heat into useful energy, the Company is significantly enhancing their overall energy efficiency, reducing the need for additional fuel consumption and lowering energy costs. Utilizing waste heat reduces the need for primary energy sources and consequently, reduces greenhouse gas emissions and other pollutants associated with energy production. This contributes to environmental sustainability and helps industries meet regulatory requirements and emission reduction targets.



- **Refused Derived Fuel**

The Company has also invested in implementing projects that reduce energy consumption and address issues of environmental degradation like Refused Derived Fuel (RDF). They replace conventional fossil fuels like coal and furnace oil. RDF uses municipal solid waste to generate energy. Investment in these projects emphasizes Cherat Cement's initiative for sustainable operations through transforming from a fossil-fuel based energy to alternative-energy structure.

- **Captive Power Plant**

The Company has also installed three dual-fuel captive power plant of 9.7 MW each can run on gas, furnace oil and diesel. Currently, these captive power plants are running on 5 MMCFD gas from SNGPL. Consequently, this has further reduced the environmental impact on our society by decreasing the emission of Carbon dioxide gas generated from using furnace oil.



- **Variable Frequency Drives**

The Company has also installed Variable Frequency Drives (VFD) at various parts of the plant to reduce energy consumption by controlling the motor speed based on the actual load requirements. Motors running at lower speeds consume less energy than those running at full speed, leading to significant energy savings.

- **Energy Conservation Drive**

The Company has installed Light Emitting Diode (LED) lights. Further, trainings and awareness on energy conservation measures have also been conducted. These measures have resulted in considerable savings in electricity consumption.

- **Solar Panel Installation**

The Company has installed Solar Panel plant of 13.05 MW to avail the cost efficiency and developing the green environment. These solar panels will directly reduce the cost of energy utilization hence efficient use of available resources. It will help to reduce air pollution and greenhouse gases which results in favorable impact on the environment.



## 15 LIFE ON LAND



### b. Emissions and Effluents

The Company's primary objective is to minimize our carbon footprint and any negative impact may have on the environment. Cherat Cement is committed to the following:

- Meet or exceed the requirements of relevant legislative, regulatory and environmental standards.

- To keep emissions of particulate matter, CO<sub>2</sub>, Sulphur dioxides, nitrogen oxides, carbon monoxide etc. at minimum levels below the respective limits specified in the National Environmental Quality Standards (NEQS).

- To identify, reduce and dispose of waste arising from our operations in a manner that minimizes harm to the environment and prevents pollution of land, air and water.

- To reduce the consumption of energy and water and use renewable and/or recyclable resources wherever practicable.

- **Mitigating efforts to control emission and effluents**

The Company's air quality measurement program identifies the limit of pollution parameters in the ambient air in and around our factory. The stack emissions monitoring is done on monthly basis for the priority parameters in compliance with the requirements of NEQS (Self-Monitoring and Reporting) Rules, 2001.

- **Electrostatic Precipitators**

The plant is equipped with Electrostatic Precipitators which controls dust and gas emissions.

- **Bag filters**

A bag filter, also known as a fabric filter or dust collector, is a key component used in cement plants to control and capture particulate matter and dust from various processes. The Company has installed bag houses (bag filters) in maintaining air quality and requirement of Environment Protection Agency compliance by preventing the release of dust particles into the atmosphere. Bag filters are commonly employed in cement production to address the

significant dust generation associated with different stages of the manufacturing process. Here's how bag filters work and their importance in the cement industry:



- **Noise Pollution**

Noise pollution is a significant concern in cement plants and the production of cement often generates loud and continuous noise levels that can impact the surrounding environment, nearby communities, and the well-being of workers. Cherat Cement Plant has been designed in such a way to minimize the noise levels and to comply with acceptable limits of the NEQS. Moreover, noise levels are regularly monitored and HSE has conducted training sessions of using ear muff while visiting high level of noise which can effect loss of human hearing. Furthermore, periodic repair and maintenance of the plants guarantees compliance of noise levels with the NEQS.

## 13 CLIMATE ACTION



## 14 LIFE BELOW WATER



### c. Recycling

Cherat Cement recycles or sells all the available waste and scrap in order to comply its sustainable operations agenda. Most of these items are subsequently recycled and include:

- Solid waste
- Used oil, lubricants and greases
- Furnace oil sludge
- Bursted paper bags
- Brick waste
- Waste from Quality Control i.e. cement cubes,



cement, pieces of cement pellets, analyzed samples of limestone, shale, iron ore, sand, gypsum, raw mix, kiln feed and clinker.

- Empty drums and containers
- Grinding media, and
- Miscellaneous waste

**6 CLEAN WATER AND SANITATION**



**d. Water Resources**

Sustainable water management is a cornerstone of community well-being, environmental preservation, and long-term development. The Company has prioritized responsible water use and conservation so that local communities can secure their water resources for current and future generations. Sustainable step taken by the Company for the refine of water quality is Jabba tube well. Neat and clean drinking water is provided to the employees and the workforce associated with its operations through Jabba tube well. The Company has not only spread its distribution network to its all plant areas and security areas but it has also supplied to the villages nearby with no cost.



The quality parameters of drinking water are well within the limits of National Environmental Quality Standards (NEQS). Water quality parameters are monitored and tested at regular intervals from well-reputed accredited laboratories. Plant water returned from various process stages is not wasted and used to suppress the dust formation by sprinkling at roads. Plant returned water is also used in ornamental gardening & vegetation.

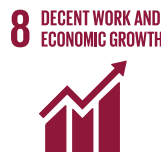
**e. Sanitation & Hygiene**

Sanitation and hygiene are essential components of sustainability that directly impact public health, environmental well-being, and overall quality of life. The Company ensures access to proper sanitation facilities and promoting good hygiene practices contribute to a sustainable future by preventing the spread of diseases, conserving water resources, and creating healthier living environments. The Company also trained workforce to maintain pH and necessary substances level in water as required for human body.



**f. Products**

Our cement does not have any harmful impact on environment. We use two types of packaging material i.e. paper bags and PP bags. Paper bags are reusable and recyclable and they do not have any harmful environmental impact. PP bags also have resale value and can be recycled or reused.



**g. Quality Management**

The Company is committed to the mission “Achieve Excellence Through Innovation” and is achieving high quality cement in manufacturing process. At each stage in the cement production process controlling the chemical composition is a priority. All our manufacturing facilities are accredited to Quality Management System ISO 9001:2015. The consistency of performance of the



# BUILDING A BETTER FUTURE

cement is vital for our customers so the raw materials, intermediate and final products are regularly tested as part of the whole cement production process.

Our Quality Management procedures include:

- Careful and accurate analysis of the chemical composition of the raw materials.
- Fine grinding and mixing to produce a homogenous mixture known as "Raw Meal".
- High temperature (>1450°C) to 'melt' the raw materials and formation of new "Clinker compounds".
- Quality Control testing of the clinker.
- Milling of the clinker with gypsum and grinding aids.
- Continuous sampling and testing at each stage.
- Independent testing of the cement product by Regulatory Authorities.



The key to comprehensive quality control is the use of an in-house laboratory. Having an in-house, state-of-the-art laboratory is absolutely necessary to manufacture best quality cement. Our Quality Control laboratory is a primary component to achieve our mission of maintaining strict control over every aspect of manufacture and quality and is an integral piece of our ISO 9001:2015 certification.

Our in-house laboratory allows for timely, accurate, cost-effective testing that ensures every product, from raw material to finished goods, meets all quality requirements. Cement is tested before being released for

sale. Such stringent attention to quality control is extremely difficult to accomplish without a state-of-the-art, in-house laboratory.

Cherat Cement's State-of-the-Art Quality Control Equipment includes:

- Cross Belt On-line Analyzers, Controlled Neutron Analyzer (CAN) of SODERN, France and Prompt Gamma Neutron Activation Analyzer (PGNAA) of SCANTECH, Australia
- X-Ray Spectrometer, ARL (Switzerland)
- X'Pert Powder XRD PANalytical (Netherland)
- TGA-701, (Thermo Gravimetric Analyzer), Leco (USA) & Carbon Sulphur Analyzer CS-2000 of Eltra GmbH, Germany
- Sulphur Carbon Analyzer 144-DR, Leco (USA)
- Bomb Calorimeter 6200 of Parr Instrument Company USA & AC-600, Leco (USA)
- Heating Furnaces, Carbolite (UK)
- Weighing Balances, Sartorius (Germany)
- Physical Testing Equipment, Controls Italy, ELE (England).

## 17 PARTNERSHIPS FOR THE GOALS



### h. Transport

Cement industry has heavy materials including stores and spares within the plant and for dispatches. The Company has organized transportation facility with safety measures for materials movement. The Company not only monitors own transport facility but also oversees transporters which are engaged to material movement. It is regularly monitored that cement trucks and transport vehicles should not exceed their prescribed weight limits. Weighment process is executed before and after loading in this regard. The Company's workshop department intimates the transport department for oil change, maintenance and overhauling when the truck usage has been reached up to the prescribed limit. The drivers' training is conducted for better



safety and they are encouraged to update their driving licenses for legal compliance. Cement is transported to the dealers and the institutions through heavy trucks. The Company is diligent about safety measures and transporters are trained to avoid driving in adverse weather conditions which can affect road surfaces and visibility. Drivers should be trained to adjust their driving behavior accordingly and avoid unnecessary risks. The Company has invested huge amount of funds on road, infrastructure and drainage development work. Also, we work only with the approved transporters. Truck's capacity is effectively utilized due to which risk of accidents resulting from overloading is avoided. For bulk cement, the Company allows only 'specialized bulk trailers' to dispatch cement. Cement dust can be a byproduct of transportation so the Company has taken proper containment measures that should be in place to prevent dust emissions that could affect air quality and pose health hazards.

Coal is the major component in cement manufacturing process and it is transported from Karachi port or Afghanistan port so evaporation of coal dust is not useful for environment or for drivers' health. In order to mitigate emission or avoid inhaling fugitive coal dust in drivers, these trucks are covered with special roof and this measures, at first, saves material waste and also secure environment and human body from hazardous waste during coal movement.



13 CLIMATE ACTION



15 LIFE ON LAND



**i. Tree Plantation Drive and Zoo**

Cherat Cement mission is "Help Build a Greener Future" and the Company is striving to achieve its mission with financial and strategic efforts. Huge amount of budget is allocated for the tree plantation and Zoo every year. The Company invest their funds for rapid proliferation of wide tree plantation and Zoo. This not only supports the natural habitats and ecosystems, potentially providing refuge for native species but also enhances the local environment and promotes wildlife habitats within the factory's surroundings. The Company is managing a nursery to grow different species of seasonal flowers, every year to collect seeds for the next year and by using these seeds plant numerous in quantity. Moreover, the Company has maintained a large Zoo for wild life protection at factory location where different kinds of birds and animals redecorate the environment.



**16** PEACE, JUSTICE AND STRONG INSTITUTIONS



**3. SOCIAL**

**a. Employment**

Cherat Cement has given tremendous employment opportunities through expansion of business and production lines. During the year, the Company has conducted many job fairs in order to explore intelligent and intellectual candidates for giving shining in their bright future. At year-end total number of employees were 1,022 including 867 factory employees.



Cherat Cement is one of the employee oriented company which is enlisted among employers which provides marvelous perks and benefits to the employees for their encouragement and motivation. Following benefits are provided to full-time employees.

- Health care
- Life insurance
- Education assistance
- Furniture facility
- Leave fare assistance
- Provident fund
- Gratuity
- Bonus
- Earned leaves
- Company maintained vehicle, and
- Others

**b. Employee Engagement Activities**

Employee recreational activities play a significant role in promoting a positive work environment, enhancing employee morale,

fostering team collaboration, and reducing stress. The Company has conducted many engagement activities and ensure that all employees have been participated to enhancing their morale. In these activities, the Company has arranged competition between teams and has awarded to build up their employee confidence and development. Recreational activities include:

- Independence Day Celebration
- International Women Day Celebration
- Mango Festival
- Employee Loyalty Awards Distribution Ceremony – Wrist Watches & Gold medals for completion of 10 years & 20 years of service with the Company
- Annual Dinner at Factory.
- Annual Picnic at Head Office.



**c. Labour/Management Relations**

The Company supports right to exercise freedom of association and collective bargaining. For this purpose, two unions are registered from which one is elected as CBA which represents all classes of workers. Provision for consultation and negotiation with collective bargaining agent (CBA) are specified in collective agreements. Sufficient time is given by the Company to employees and their elected representatives for any significant operational changes which affect them. Furthermore, CBA tables 'charter of demand' every second year which is amicably negotiated.

**3** GOOD HEALTH AND WELL-BEING



**d. Occupational Health and Safety**

Occupational health and safety (OHS) is a critical component of sustainability within a



company. The Company has prioritized its attention towards people health and safety while engaging in operational and physical activities. It is firm believe that the Company's safety and health responsibilities extend beyond protection and enhancement of our own facilities. The Company's health and safety department has a highly trained safety team, emergency response team, a qualified doctor and paramedical staff at plant. In addition, the Company has established comprehensive trainings to the employees time to time in order to remember the importance of health and safety. The factory has provided availability of first aid treatment, safety van, fully equipped ambulance and an in-house dispensary. Moreover, safety sign boards are in place at all important visible places.

Workers are sufficiently trained through fire & safety trainings and are also adequately equipped with Personal Protection Equipment which is monitored at regular intervals. Workers are also trained by theoretical explanations and practical drills to handle unforeseen emergencies. Regular mock drills are also carried out to familiarize everyone with the steps and procedure to follow in emergency situations. Mock drills of chemical spillage, firefighting, evacuation, casualty handling and security are also conducted. Moreover, safety audits are also conducted on regular basis.

The Company now has Heavy Duty Fire Tender fully equipped with all the necessary and advanced gadgets to encounter all types of fire emergencies at site as well as in local communities for CSR.

At Cherat Cement, Health and Safety is the first and foremost agenda topic for each

in-house and higher management meeting. Workers are provided relevant safety equipment e.g., safety helmet, jacket, shoes, ear muff and gloves. Even no visitor can visit the plant without keeping safety measures.

The Company has developed policies and procedures of safety manual. In these policies, roles and responsibilities of key personnel in occupational health and safety have been identified. Moreover, contractors' safety measures and mechanism are also in place, which are in full compliance. Furthermore, the Company has certified for all construction related equipment like cranes etc. In addition, the Company has made Health and safety as a integral part in SMART goals of head of departments and senior management of plant.

The Company has developed different HSE programs. These programs include the regular testing of plant equipment and sites from a health perspective, as well as monitoring of employee health. Additionally, health awareness sessions on basic lifesaving techniques, medical emergency handling and first aid were conducted at our factory, sales offices and head office. Basic Life Support is a first-aid resuscitation that educates and equips individuals to recognize various life-threatening emergencies. In addition, we have Cardiopulmonary Resuscitation (CPR) equipment. CPR is an emergency procedure that combines chest compressions often with artificial ventilation in an effort to manually preserve intact brain function until further measures are taken to restore spontaneous blood circulation and breathing in a person who is in cardiac arrest. By educating our employees basic life support and medical practices we are



maintaining a safe and healthy workplace.

The Company has attained milestones of productions and dispatches with maximum safety measures during the production process and material movement. In case of any injury reported, the case is investigated thoroughly by trained personnels and duly reported to the higher management. Once investigations are completed, actions and recommendations are assigned to the individuals with a strict follow-up system put in place to avoid any recurrence.

## 4 QUALITY EDUCATION



### e. Training and Education

Training and education in a company are essential components for employee development, skill enhancement, and overall organizational growth. It is a true reflection from our mission statement 'Unlock the potential of our People'. The Company has observed that no proper and efficient growth can be achieved without proper training and education. For this purpose, The Company has arranged many trainings of improving performance, keeping safety measures,

Leaderships and IT development. During the year, the Company has upgraded from ECC to S/4 HANA and the trainings have been conducted through online or physical meetings to update employees IT skills in line with the current IT development. Cherat Cement has the long-standing ambition to be an employer of choice and to be known as a "Talent factory", recruiting and retaining the best and the brightest. Cherat Cement has implemented Success Factor software for timely and fair performance appraisal with feedback system. All the management staff appraisals have been conducted on Success Factors. In this software, goals have been set, all management staff appraisals have been executed perfectly and trainings suggestions have been given for concerned personnels for their development and education. Following training programs executed at required levels:

- Program On Advanced Corporate Finance
- Training on High Performance team building
- Vision, Mission and Core Value Sessions
- Leadership Voyage Training Programs
- Advance Ms Excel Trainings
- Power BI
- S/4 HANA
- SAP Success Factors





The Company has always worked in the best interest of its employee and for that, the Company has provided the facility of education funding to employees who desire to excel their talent by acquiring additional qualification. Moreover, Apprenticeship and Management Trainee Programs are also in place.

A comprehensive Future Leadership Program (FLP) is in plan where fresh engineering graduates are selected through a rigorous selection process and are given one year training to polish their skills.

**10** REDUCED INEQUALITIES



**f. Diversity and Equal Opportunity**

Diversity and equal opportunity are vital concepts within organizations that promote inclusivity, fairness, and a positive work environment. Cherat Cement is committed to encourage Inclusive policies, diversity recruitment, transparent accountability and ensuring equal opportunities for individuals based on merit. Policies, objectives and progress in this regard is elaborated in detail under the governance policies section presented earlier in this report.

**10** REDUCED INEQUALITIES



**g. Female Employee**

Promoting gender diversity and inclusivity is essential for creating a more balanced and effective workforce. The Company

encourages equal hiring practice in the work force and ensure more women-friendly congenial environment. The Company has promoted women to leadership positions and made Visible female role models which can inspire others and show that advancement is possible. Policies against harassment happenings and has made environment where no one can manifest in multiple forms such as remarks about a person's body, appearance or clothing, to unwelcome physical advancements and any other nonverbal actions that can create a hostile, offensive or intimidating environment. The Company has embodied culture of open voice specially for the female staff so that they could express their concerns with no fear.

**5** GENDER EQUALITY



**h. Non-discrimination**

Cherat Cement seeks to promote the core value of the non-discriminatory and equal opportunities environment where people work in fair working condition with equal treatment. Cherat Cement is committed to ensure that all employees must not be treated differently on the basis of a personal characteristic that is unrelated to their ability to do the job. The company encourages not to use prohibited grounds includes gender, race nationality, ethnic origin, religion or belief, disability, age or sexual orientation. Non-discrimination measures should apply to all workers



# BUILDING A BETTER FUTURE



## 16 PEACE, JUSTICE AND STRONG INSTITUTIONS



### i. Child Labour

Cherat Cement has manufacturing factory in KPK, three Sales offices in Lahore, Islamabad and Peshawar and Karachi Head office. The Company has established zero tolerance policy against child labor in all offices. The Company monitors as maximum as possible before building strategic relationship with the suppliers, contractors and customers that no one has engaged child labour in their any process. The same policy will be the future. Although, the Company promotes child education, enhancement of mental and physical growth and provision of facilities for children.



### j. Forced or Compulsory Labour

Forced or compulsory labour is a violation of human rights and a serious ethical concern. The Company believes in free working environment; and allowed every worker to leave with no compulsion.

### k. Consumer Protection Measures

The Company ensures that the cement is packed and dispatched to its consumers in a safe manner. It also complies with all safety standards and industrial requirements. The Company ensures that the customers get best value for money.

### l. Business Ethics and Anti-Corruption Measures

The Company is fully committed to promoting the highest standards of ethical behavior throughout its business. The management condemns corrupt and fraudulent practices and ensures transparency, integrity and honesty in all aspects of work. The Company expects all its employees to perform services with integrity and professionalism. Fundamental to this is the adoption of a 'zero tolerance' approach to all forms of corruption and misrepresentation.

1 NO POVERTY



2 ZERO HUNGER



11 SUSTAINABLE CITIES AND COMMUNITIES



### m. Local Communities

The Company mission is "Continue to Care for Our Communities" We strive for the development of communities surrounding us. During the year, our country faced huge amount of loss due to flood and many people were displaced due to natural disaster. Cherat Cement has taken first initiative to supply food and shelter to the victims and affected people. The Company has continuously opened its helping hand for the welfare of local communities and the people living nearby Nowshera. Further details on this topic are presented under the next section of Corporate Social Responsibility.



## 8 DECENT WORK AND ECONOMIC GROWTH



### n. Health, Safety and Environment (HSE):

Health, Safety, and Environment (HSE) is a critical framework that Cherat has implemented to ensure the well-being of

their employees, protect the environment, and uphold ethical standards. It encompasses policies, practices, and procedures designed to create a safe, healthy, and sustainable workplace. To cater this needs, the Company has a dedicated HSE department ensure that workplaces are safe, hygienic, and conducive to employee well-being. This includes providing ergonomic workspaces, access to medical facilities, wellness programs, and education on maintaining a healthy lifestyle. It is adequately staffed and Head of HSE directly reports to the Chief Executive. The safety of employees is paramount of HSE. HSE department focuses on identifying and mitigating risks that can lead to accidents or injuries. Comprehensive safety protocols and trainings have been conducted to the use of appropriate safety equipment which helps prevent incidents and creates a culture of vigilance and responsibility. HSE aims to prevent and reduce accidents, overcome emergencies and health issues at work and to protect the environment. The HSE key performance indicators are as follows:



#### • HSE Environment:

Health, Safety, and Environment is a multifaceted approach that creates a harmonious balance between employee welfare, environmental protection, and ethical conduct. At Cherat Cement, we have developed safe, high quality, and environmentally friendly processes, working practices and systemic activities that prevent or reduce the risk of harm to people in general, operators, or patients. HSE department has identified potential hazards, assessed their risks and develop training to

minimize, control, or eliminate these risks to ensure the safety of employees and the environment. Sign boards have been pasted on everywhere so as to be cautious before using hazardous materials or visiting any high-risk place. Work areas are kept neat and orderly, maintaining work areas and substations free of slip and trip hazards, and removing of waste materials (e.g., paper, cardboard) and other potential hazards from work areas.



# BUILDING A BETTER FUTURE



- **HSE Management Systems:**

Health, Safety, and Environment (HSE) Management System is a structured framework that organizations implement to effectively manage and integrate health, safety, and environmental considerations into their operations, processes, and culture. The Company top management has committed to make the most safest manufacturing factory. In this regard, the Company has developed a comprehensive HSE policy that outlines the organization's commitment to health, safety, and environmental excellence. The Company's workforce is routinely updated about occupational health, safety and environment concerns through a continuous process of training and coaching at different levels. To foster safety awareness and to build a culture of continuous improvement in personal and process safety, a comprehensive communication structure has been established such as daily, weekly and monthly safety reviews.

After implementation of policies and procedures along with trainings, the Company has implemented metrics and indicators to monitor HSE performance. Regularly measure and progress are assessed toward achieving HSE objectives. Internal audit department conducts at each interval to assess the effectiveness of the HSE management system, to monitor safety and healthy environment and to identify areas for improvements.

At all offices of Cherat Cement, safety is everybody's responsibility therefore every area/ functional head is the owner of safety practices under the umbrella of HSE principles. The operation teams at all locations collaborate in implementation of HSE policies and procedures. To sustain HSE awareness and to build a culture of continuous improvement in personal and process safety, different committees at appropriate levels are formed and periodic reviews are regularly carried out.



## CHAIRMAN'S OVERVIEW: EXERTING SUSTAINABLE PRACTICES FOR ENHANCED FINANCIAL PERFORMANCE

### Dear Shareholders and Stakeholders,

I am pleased to provide you with an overview of company's commitment to sustainable practices which can profoundly affect our financial performance. In today's rapidly changing business landscape, Sustainable practices is not just a social and moral responsibility but it is necessary for attaining strategic objectives. By aligning our operations with sustainable principles, we are not only contributing to a better world but also enhancing our long-term strategic partnership with all stakeholders, financial viability and competitiveness.

- **Saving and Cost Efficiency:**

Our Company's Sustainable practices often lead to cost savings and operational efficiencies. By reporting on sustainability initiatives such as WHRs and Solar panels, the Company has showcased their efforts to reduce waste, energy consumption, and carbon emissions, which can result in cost reductions. These savings are positively impact financial performance and profitability, as well as enhance the Company's reputation.

- **Stakeholder Engagement:**

Sustainability reporting fosters dialogue and engagement with stakeholders such as customers, employees, communities, and regulators. This reporting removes the communication gap between our Company and the other stakeholders. It gives stakeholders a deeper comprehension of the company's non-financial performance, including its governance practices, social activities, and environmental implications. By providing more information, Our Company is increasing transparency and giving stakeholders the capacity to gauge its long-term viability. This engagement helps our Company understand stakeholder expectations, build trust, and maintain their social license to operate. Positive stakeholder relationships can contribute to long-term financial stability and support the Company's overall objectives.

- **Risk Management:**

Adopting of Sustainability reporting helps our Company to identify and manage various ESG risks that can impact financial performance. By integrating sustainability considerations into reporting, our Company assesses risks related to climate change, resource scarcity, reputation, regulatory compliance, and supply chain management. Addressing these risks can enhance financial resilience and long-term value creation.

- **Employee Engagement:**

Our Company has invested in health, safety and environment approach that creates a harmonious balance between employee welfare, environmental protection, and ethical conduct. This approach stimulates the employees' engagement, loyalty and productivity by observing dedications and commitments of the Company towards their employees safety, their health and the environment where they lives.

- **Regulatory Compliance:**

Our Company has obtained ISO certificates of quality and environment to minimize penalty cost. Sustainable practices encourage the Company to maintain carbon emission footprint, nitrogen oxide and reduce environment from pollution. Aligning with these reporting requirements, ensures compliance and reduces the risk of legal or regulatory penalties.

- **Market and Brand Reputation:**

Consumers and investors increasingly favor companies that demonstrate a commitment to sustainability. In local market, our Company has strong brand reputation for its corporate welfare activities to its local communities. Our Company has not limited to its education but also extended its cooperation to the inauguration of hospitals. Positive public perception has translated into increased market brand and premium pricing for our products and services. Furthermore, responsible corporate behavior enhances brand loyalty and trust, strengthening our competitive advantage and bottom line.

## CORPORATE SOCIAL RESPONSIBILITY HIGHLIGHTS

Corporate social Responsibility (CSR) is an integral part of the company's ethics and policy and it has been pursuing this on a sustained basis. The Company has always been at the forefront for voluntary CSR activities. The company's CSR policy made it imperative to institutionalise the CSR activities.

The company has formulated an efficient policy for sustainability and corporate social responsibilities in accordance with the SECP's CSR guidelines 2013 and the Companies' Act 2017. The Board approves the CSR activities with respect to monetary and avenue terms.

The management has designated specific employees to conduct CSR activities for better monitoring and execution of all CSR related tasks. These employees supervise all CSR activities and ensures the progress of all CSR related goals, objectives and targets. They plan and determine the priority areas wherein the CSR projects which are currently being managed (ongoing projects) and are planned to be initiated in the future.

Organizations that embody creating shared value exemplify the idea that businesses should serve as positive forces. Demonstrating a sincere dedication to society and actively contributing to the resolution of global challenges is integral to our business approach. In order to concentrate our endeavors, we have established objectives that encompass optimal environmental, social, and governance practices throughout our operations.

CCCL's social responsibility policy focuses on using the capabilities to improve the quality of neighbouring communities by improving the quality and standard of living and promote sustainable living through contributions to local communities and society at large. With a focus on creating thriving conditions for the marginalised and underprivileged sections, the company's CSR activities have transformed the standard of living, and quality of life of the communities residing in the plant's functional and nearby areas. These goals have become achievable under the aegis of our Company and its affiliates.

CCCL undertook various activities during the year 2022-23 in line with its CSR policy which are reflected below in detail:





## 1. EDUCATION

Due to the significant influence education holds in driving socio-economic progress and the development of human potential, the company has placed considerable importance on promoting educational empowerment as a central focus of its corporate social responsibility and social investment endeavors. The company has extended its support through donations to numerous educational institutions, which includes:

### a) The Citizens Foundation

The company has contributed to TCF Ghulam with the aim of delivering quality education that facilitates moral, spiritual, and intellectual enlightenment for under privileged communities



### b. IBP School of Special Education

In the domain of special education, the company has provided funding to the IBP School in Karachi. This institution addresses the educational, psychological, vocational, and therapeutic requirements of children and adolescents who experience delays and disabilities in their education and development.

### c) CALPAK Education Services

The company has significantly donated, to support girl's rights, and women's empowerment through education and advocacy, to CALPAK Education Services to stimulate economic growth in these underserved communities and empowers the entire community and the generations to come.

### d) Ghulam Ishaq Khan Institute of Engineering Sciences and Technology

The Company has sponsored deserving students on request of Ghulam Ishaq Khan

Institute of Engineering Sciences and Technology for achieving life goals.



### e) Agha Khan Medical College

The company's history of donates Agha Khan Medical College to support quality education is viewed as consistent practice.

### f) Ghulam Faruque Welfare Trust

The company always assists educational needs, and vocational training within or outside Pakistan by donating to the Ghulam Faruque Welfare Trust to support the needy, irrespective of any province religion, caste or creed.

### g) Approved Religious Institutions

The company takes pride in recurrently supporting religious education, and knowledge by supporting local Madarsas & Masjids

## 2. HEALTH

The company seeks to support key initiatives that bolster the healthcare sector of Pakistan. Support extended to health related initiatives includes funding for hospitals and different medical centres which mainly includes

### a) The Kidney Centre

The company observes more specific challenges related to kidney disease, therefore it has donated to The Kidney Centre and its postgraduate training institute for well-being of society in this respect.

### b) Agha Khan Hospital

AKU is always immensely grateful to Cherat Cement Company its provide Limited for the support to deliver high-quality care, this is depicted through our donations made to The Agha Khan Hospital.

### c) SHINE Humanity

The company believes in support healthcare needs and providing compassionate, sustainable preventive and primary healthcare to the underserved by donating

to SHINE Humanity to strengthen the primary healthcare system.

**d) Patients' Aid Foundation**

The Company has generously donated to Patients' Aid Foundation in order to facilitate and cater to the needs of cardio vascular and paediatric patients and grant them access to quality healthcare.

**e) Nowshera Dialysis Centre**

Nowshera Dialysis Centre is providing free dialysis to needy people. The company became a part of this good cause in the form of donations to the centre.

**f) Shaukat Khanum Memorial Trust**

Shaukat Khanum Memorial Trust believes that healthcare is a fundamental human right and gives new hope for cancer patient to save their lives the Company appreciate the efforts of Shaukat Khanum, and contribute to their cause by handsome donations.

**g) Welfare Health Centre in Lakrai, Nowshera**

**The Purpose**

As company focuses on the well-being of society and its people, in this regard a welfare hospital is established in the vicinity of Nowshera in order to provide medical facilities free of cost to the people living nearby. Under- privileged patients were provided with quality healthcare facilities to improve their living standard. A Record number of patients visit has demonstrated its true value to the community.

**Facilities Available**

All basic medical facilities are available at the hospital including:

- Separate male/female consultation
- Maternity facility
- Dispensary with almost all types of medicines
- All emergency equipment
- Basic lab tests



**Areas Covered**

Four villages in the vicinity of Nowshera are being facilitated through this hospital including:

- Lakrai
- Shaikhai
- Khattak
- Lokhar



**3. SPECIAL PERSON EDUCATION AND EMPLOYMENT**

Special and disabled people are given less privileged in our society but the company always care and considers them as integral part of our society. In this regard the company has made various donations to special trusts and schools for their education and vocational training including:

- IBP School of Special Education
- The Society of Rehabilitation of Special Children
- Karwan-e-Hayat for mental health

**4. DEVELOPMENT AND COMMUNITY SUPPORT**

Our operations are supported by our communities, both directly and indirectly. It is the fact that bolstering them to develop simply makes good sense in the long run for both of us. In this regard, the company has made donations to:

**a) D.C Nowshera**

The company supported through donations to DC Nowshera on Independence day ceremony

**b) Anjuman Kashana-e-Atfal-o-Naunihal**

Donation for development of children means donation for development of future of the country. Upholding this faith, the Company has donated to Anjuman Kashana e Atfal-o-Naunihal for the development of orphan children.



### c) Ummah Welfare Trust

The Company has supported through donations to Ummah Welfare, a trust established to support impoverished and neglected people all across Pakistan and Afghanistan.

### d) Other Social Services

- Installation of tubewells in near by villages
- Installation of water tanks near by villages
- Free transport for local students
- Womens vocational centre by joining hands with an NGO
- Ration distribution during Ramadan
- Construct a boundary wall for a graveyard in a nearby village



## 5. ENERGY

The company has taken many initiatives including the replacement of conventional lights with LEDs, the installation of solar energy generation, and building infrastructure that enable us to enhance natural light utilization. The Company has installed state-of-the-art technology such as WHR in order to increase efficiency and reduce carbon emissions.



## 6. FLOOD RELIEF

The company generously supported communities that were victims of heavy rains resulting in flood situations in Pakistan. Support was provided in the form of distributing relief goods, including cooked, staple food and medicine, amongst affected people in Nowshera and D.I. Khan.

Furthermore, the company's employees and contractor vehicles were used to evacuate

families during the flood in Nowshera and they were transferred to safe places as per the instructions of relevant authorities.

## 7. TREE PLANTATION ACTIVITY

We are proactive in promoting activities that deal with environmental preservation. Tree plantation drives are at the forefront of our sustainable eco-friendly practices. Plantation is also regularly carried out at our production sites. The aim is to promote afforestation, reforestation, and trigger the carbon sequestration role that trees plays in our ecosystem.

## 8. HEALTH

- The Kidney Center
- Personal Treatments
- Welfare hospital in village Lakrai

## EDUCATION

- The Citizens Foundation - School in Shaidu Village
- Anjuman Kashana-E-Atfal-o-Naunihal
- Approved Religious Institutions

## CHARITY ACCOUNT

During the year the Company made a donation of Rs. 44.9 Million to the following:

- Ghulam Faruque Welfare Trust,
- Noor Foundation
- CALPAK Education Services,
- Shine Humanity,
- Kidney Centre,
- Nowshera Lions Club,
- Ummah Welfare Trust,
- D.C Nowshera,
- IBP School of Special Education, and
- Others.

## NATIONAL CAUSE DONATIONS

The Company has always stood by the people of Pakistan in their hour of need and shall always.

## DEVELOPMENT & COMMUNITY SUPPORT

- D.C Nowshera
- Ummah Welfare Trust
- Anjuman Kashan e Atfal o Naunihal
- SOS Childrens Villages Park
- Tree Plantation Activity

## SPECIAL PERSONS EDUCATION & EMPLOYMENT

- IBP school of special education





# CHAPTER 5

# GOVERNANCE



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<b>115</b>	Related Parties	<b>130</b>	Chairman and Chief Executive Offices of the Chairman and Chief Executive
<b>115</b>	Statement of Management's Responsibility towards Preparation & Presentation of Financial Statements and Directors' Compliance Statements	<b>132</b>	Salient Features of Terms of Reference of the Audit Committee and the Human Resource & Remuneration Committee
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## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 42nd Annual General Meeting of Cherat Cement Company Limited will be held on Wednesday, October 25, 2023 at 11:00 a.m. at the Registered Office of the Company at Factory premises, Village Lakrai, Nowshera, Khyber Pakhtunkhwa, to transact the following businesses:

### ORDINARY BUSINESS

1. To confirm the minutes of the Annual General Meeting held on October 12, 2022.
2. To receive and consider the Audited Accounts of the Company for the year ended June 30, 2023 with the Directors' and the Auditors' Reports thereon.
3. To consider and approve the payment of final cash dividend @30% (Rs. 3.00/- per share). This is in addition to an interim cash dividend @ 15% (Rs. 1.50 per share) already paid to the shareholders for the financial year ended June 30, 2023 as recommended by the Board of Directors.
4. To appoint Auditors for the year 2023/24 and to fix their remuneration.
5. To transact any other business with the permission of the chair.

### SPECIAL BUSINESS

6. To consider and approve the following resolution as Special Resolution:
  - a) "RESOLVED that the transactions carried out in the normal course of business with related parties and associated companies as disclosed in Note 28 & 40 of the Financial Statements during the year ended June 30, 2023, be and are hereby ratified and approved."
  - b) "FURTHER RESOLVED that the Board of Directors of the Company be and is hereby authorized to approve all transactions to be carried out in the normal course of business with related parties and associated companies during the ensuing year ending June 30, 2024."
7. To consider dissemination of annual audited financial statements to the shareholders through QR enabled code and Weblink instead of transmitting the same in the form of CD/DVD/USB and approve the following resolution.
  - a) "RESOLVED that circulation / dissemination of annual audited financial statements together with the reports and documents required to be annexed thereto under the Companies Act, 2017, to the shareholders through QR enabled code and Weblink as notified by the Securities & Exchange Commission of Pakistan vide its S.R.O.389(I)/2023 dated March 21, 2023 be and is hereby approved while considering technological advancements and old technology becoming obsolete, the circulation of annual financial statements through CD/DVD/USB be discontinued."

The statements under section 134 of the Companies Act, 2017, pertaining to the above-mentioned Special Business, are attached with the notice.

By Order of the Board of Directors

Hina Mir  
Company Secretary

Karachi: September 5, 2023

## NOTES:

1. The register of members of the Company will be closed from Wednesday, October 18, 2023 to Wednesday, October 25, 2023 (both days inclusive) and no transfers will be registered during that time. Shares received in order at the Office of the Share Registrar of the Company, M/s. CDC Share Registrar Services Limited (CDCSRSL), CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400 at the close of business on Tuesday, October 17, 2023 will be treated in time for the above entitlement.
2. A member of the Company eligible to attend, speak and vote at the Annual General Meeting may appoint another member as his/her proxy to attend, speak and vote in his/her stead. Proxies to be effective must be in writing and must be received by at the Company's Head Office 48 hours before the meeting.
3. The AGM proceedings will also be held via video through ZOOM application (a video link conferencing facility). Shareholders interested to participate in the meeting are requested to email required information with subject "Registration for Cherat Cement Company Limited AGM" along with a valid copy of both sides of Computerized National Identity Card (CNIC) at [cdcsr@cdcsrsl.com](mailto:cdcsr@cdcsrsl.com). Shareholders are advised to mention their full details in the following manner:

Full Name of Shareholder / Proxy Holder	Company	CNIC Number	Folio / CDC A/c No.	Email ID	Mobile Phone No.
	Cherat Cement Co. Ltd.				

4. Video link details and login credentials will be sent to members at their provided email addresses enabling them to attend the meeting on the given date and time.
5. Members will be able to login and participate in the AGM proceedings through their devices after completing all the formalities required for the identification and verification of the shareholders. Video link and login credentials will be shared with only those members whose emails, containing all the required particulars, are received at least 48 hours before the time of AGM.
6. Members of the Company whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to bring original Computerized National Identity Card along with their account number in CDS and participant's ID number for verification.
7. Members of physical shares are requested to notify any change in their addresses to the Company's Share Registrar. Whereas, shareholders of CDC Accounts are requested to immediately notify any change in their addresses to their respective CDC Participant / Broker / CDC Investor Account Services.
8. According to Section 119 of the Companies Act, 2017, and Regulation 19 of the Companies (General Provisions and Forms) Regulations, 2018, all physical shareholders are advised to provide their mandatory information such as CNIC number, address, email address, contact mobile / telephone numbers, occupation, etc. to CDC Share Registrar Services Limited immediately to avoid any non-compliance of law or any inconvenience in future.
9. Shareholders who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) are requested to send the same to the Share Registrar of the Company.
10. As per Section 72 of the Companies Act, 2017 every existing listed company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the SECP. Shareholders having physical shareholding are accordingly required to open their account with investors account services of CDC or sub account with any of the brokers and convert their physical shares in book entry form. This will facilitate the shareholder in many ways, including safe custody and sale of shares, any time they want, as the trading of physical shares is not permitted as per existing regulations of the Pakistan Stock Exchange Limited.
11. Shareholders are hereby reminded that Section 242 of the Companies Act, 2017 provides that in case of a listed company, any cash dividend declared by the company must be paid electronically directly into



the bank accounts of the shareholders. In order to receive dividends directly into their bank account, shareholders are requested to fill in E-Dividend Mandate Form available on the Company's website i.e. [www.gfg.com.pk](http://www.gfg.com.pk) and send it duly signed along with a copy of CNIC to the Registrar of the Company M/s. CDC Share Registrar Services Limited in case of physical shares. In case shares are held in CDC, then E-Dividend Mandate Form must be submitted directly to shareholder's broker/participant/CDC investor account services. In case of non-submission of IBAN, the Company will withhold the payment of dividends under the Companies (Distribution of Dividends) Regulations, 2017. Further, the information regarding gross dividend, tax/zakat deduction and net amount of dividend will be provided through the Centralized Cash Dividend Register (CCDR), therefore, shareholders should register themselves to CDC's eServices Portal at <https://eservices.cdcaccess.com.pk>.

12. In compliance of Section 244 of the Companies Act 2017, once the Company has completed stipulated formalities, any unclaimed dividend and/or shares that have remained outstanding for a period of three years from the date of becoming due and payable or more shall be credited to the Federal Government (in case of dividend) or delivered to the SECP (in case of physical shares). Shareholders who by any reason could not collect their remaining unclaimed dividend/shares are advised to contact the Share Registrar of the Company to collect/inquire about their unclaimed dividend or shares, if any.
13. Shareholders have the option to receive Annual Audited Financial Statements and Notice of General Meeting through email. Shareholders of the Company are requested to give their consent to the Company's Share Registrar to update its record if they wish to receive Annual Audited Financial Statements and Notice of General Meeting through email. However, if shareholders, in addition, request for hard copy of Audited Financial Statements, the same shall be provided free of cost within seven (7) days of receipt of such written request.
14. Members can also avail video conference facility. In this regard, please fill the following and submit to the Head Office of the Company seven (7) days before the Annual General Meeting. If the Company receives consent from members, holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least seven (7) days prior to the date of the meeting, the Company will arrange video conference facility in the city subject to availability of such facility in that city.

"I/We, \_\_\_\_\_ of \_\_\_\_\_, being a member of **Cherat Cement Company Limited**, holder of \_\_\_ ordinary shares(s) as per Registered Folio No. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_".

15. Members may exercise their right to vote by means of postal ballot i.e. by post or through electronic mode subject to the requirements of section 143 and 144 of the Companies Act, 2017. Pursuant to Companies (Postal Ballot) Regulations, 2018, for the purposes of Special Business members will be allowed to exercise their right to vote through postal ballot/electronic mode in accordance with the requirement and procedures contained in the aforesaid Regulations. The schedule and procedure of postal ballot/electronic voting shall be placed on the Company's website i.e. [www.gfg.com.pk](http://www.gfg.com.pk) seven (7) days before the meeting.
16. All shareholders are advised to check their status on Active Taxpayers List (ATL) available on FBR website and, if required, take necessary actions for inclusion of their name in the ATL. In case a person's name does not appear in the ATL the applicable tax rate will be increased by hundred percent.
17. In case of joint account, please intimate proportion of shareholding of each account holder along with their individual status on the ATL.
18. Withholding tax exemption from the dividend income shall only be allowed if copy of valid tax exemption certificate is made available to CDC Share Registrar Services Limited by the first day of Book Closure.
19. To claim exemption from compulsory deduction of Zakat, shareholders are requested to submit Zakat Declaration (Form CZ-50) or its attested photocopy to CDC Share Registrar Services Limited, in order to avoid deduction of Zakat on all future dividends, at the earliest.

## Statement Under Section 134 of the Companies Act, 2017

### 6. Related Party Transaction

The statement sets out material facts concerning "Special Business" to be transacted at the Annual General Meeting of the Company to be held on October 25, 2023. The approval of the members of the Company will be sought for:

During the financial year ended June 30, 2023, the Company carried out transactions with its associated companies and related parties in accordance with its policies and applicable laws and regulations. Related party transactions require shareholders' approval under sections 207 and 208 of the Companies Act, 2017. Such transactions are being placed before the shareholders for their approval through special resolution proposed to be passed in the Annual General Meeting.

The shareholders are requested to ratify the transactions which have been disclosed in Note no. 40 of the Financial Statements for the year ended June 30, 2023 and further to authorize the Board of Directors to conduct transactions with related parties or associated companies for the year ending June 30, 2024.

Party wise breakup of transactions as disclosed in Note no. 28 & 40 of the Financial Statements for the year ended June 30, 2023 is given below:

Name of Related Party	Nature of Transaction	(Rs. In '000')
Cherat Packaging Limited	Purchase of Packing Material	3,237,318
	Dividend Received	8,119
	Dividend Paid	23,975
Mirpurkhas Sugar Mills Limited	Dividend Paid	12,363
Faruque (Private) Limited	Purchase of Raw Material	258,328
	Payment of Royalty	425,695
	Payment of Excise Duty	10,566
	Dividend Paid	189,434
Greaves Airconditioning (Private) Limited	Purchase of Fixed Assets	4,607
	Services Received	417
	Purchase of Goods	166
Greaves Pakistan (Private) Limited	Purchase of Fixes Assets	18,657
	Services Received	250
	Purchase of Goods	5,910
	Dividend Paid	10,886
Jubilee General Insurance Company Limited	Insurance Premium	88,848
Zensoft (Private) Limited	Services Received	24,311
	Dividend Paid	111
CCCL - Employees' Provident & Gratuity Fund	Contribution to Fund	161,315



The Directors are interested only to the extent of their shareholding and/or common directorship in such related parties. The name of the common Directors are mentioned in the aforesaid Note no. 40 of the Financial Statements.

**7. Dissemination of information regarding Annual Audited Financial Statements to the shareholders through QR enabled code and Weblink**

In order to implement the SECP notification with respect to transmission / circulation of information such as Annual Audited Financial Statements through QR enabled code and weblink instead of CD/DVD/USB. The facility will be provided through e-mail if they desire to receive the same at their e-mail addresses. However, if the shareholder, in additions, request for hard copy of Audited Financial Statements, the same shall be provided free of cost within seven (7) days of receipt of such written request. For convenience of shareholders, Standard Request Form is available on the Company's website.

The Directors are not interested, directly or indirectly, in the above business except to the extent of shares that are held by them in the Company.





## DIRECTORS' PROFILES

### MR. OMAR FARUQUE - CHAIRMAN

Non Executive Director

Mr. Omar Faruque studied from the City of London, Polytechnic London, and got a Honours degree in B.A. Finance. Currently, he is the Chief Executive of Zensoft (Pvt.) Limited and a Director of Greaves CNG (Pvt.) Limited. He is a 'Certified Director' from the Pakistan Institute of Corporate Governance.

### MR. AZAM FARUQUE - CHIEF EXECUTIVE

Executive Director

Mr. Azam Faruque is the Chief Executive of Cherat Cement Co. Ltd. He is an Electrical Engineering and Computer Science graduate from Princeton University, USA. He completed his MBA with high honors from the University of Chicago, Booth School of Business. Apart from the time he has spent in the cement industry, he has also served as a member on the Boards of State Bank of Pakistan, National Bank of Pakistan, and Oil and Gas Development Corporation Ltd. He was a Member of the Board of Governors of GIK Institute, Member of the National Commission of Science & Technology and also a Member of the National Committee of the Aga Khan Foundation. Mr. Azam Faruque has served on the Board of the Privatization Commission of the Government of Pakistan, Madian Hydro Power Ltd., Atlas Asset Management Ltd., International Industries Ltd., Atlas Battery Ltd. and was the Chairman KPK Oil & Gas Development Company Ltd.

At present, he is a member of the Board of Directors of Faruque (Pvt.) Ltd., Greaves Pakistan (Pvt.) Ltd., Unicol Ltd., Indus Motor Company Ltd., and Habib University Foundation. He is a 'Certified Director' from the Pakistan Institute of Corporate Governance.

### MR. AKBARALI PESNANI - DIRECTOR

Non Executive Director

Mr. Akbarali Pesnani is an MBA and fellow member of both the Institute of Chartered Accountants and Institute of Cost and Management Accountants of Pakistan. He has served as Chairman Gwadar Port and Gwadar Port Implementation Authority from 2004 to 2006. Mr. Pesnani has been associated with the Aga Khan Development Network at senior levels for over 48 years. Presently he is the Chairman of Cherat Packaging Ltd., Aga Khan Cultural Service Pakistan, Jubilee General Insurance Co. Ltd. and a Director on the Board of Agha Steel Ltd. and Pakistan Cables Ltd. His association with the Ghulam Faruque Group dates back almost 42 years.



## MR. ARIF FARUQUE - DIRECTOR

### Non Executive Director

Mr. Arif Faruque is a Swiss - qualified Attorney-at-Law and also holds Masters degrees in both Law and Business Administration from the USA and is currently enrolled in the OPM Program at Harvard Business School. He is the Chief Executive of Faruque (Pvt.) Ltd. He is on the Board of Directors of Mirpurkhas Sugar Mills Ltd., Cherat Packaging Ltd. and UniEnergy Ltd. Besides the above, he is also a member of the Board of Governors of Lahore University of Management Sciences (LUMS).

## MR. ASIF QADIR - DIRECTOR

### Independent Director

Mr. Asif Qadir holds a degree in Chemical Engineering from Columbia University, New York. He joined Exxon Chemical Pakistan Limited in 1978 as a Process Engineer and held various assignments in manufacturing and marketing of fertilizers.

Mr. Qadir has served as President and Chief Executive Officer of Engro Polymer & Chemicals Ltd. He has also served on the Board of Engro Corporation Ltd., Engro Fertilizer Ltd., Engro Polymer & Chemical Ltd., Engro Powergen Ltd., Sindh Engro Coal Mining Company Ltd., Karachi Stock Exchange, Pakistan Poverty Alleviation Fund and Inbox Business Technologies (Pvt.) Ltd.

He is currently serving as Director in Unicol Ltd. and is also on the Boards of Tripack Films Ltd., Descon Oxychem Ltd., Liaquat National Hospital and Medical College and Century Paper & Board Mills Limited.

## MR. ABRAR HASAN - DIRECTOR

### Independent Director

Mr. Abrar Hasan serves as the Chief Executive Officer and as a Director on Board of National Foods since 2000. National Foods is the leading multi-category food company in Pakistan producing over 250 different products, marketed both in Pakistan and exported to 40 countries worldwide. Under his leadership, the company has delivered steady sales growth year on year and tremendous success. Mr. Hasan is providing direction and leadership to the company by setting a clear vision for future growth and has actively pursued new market opportunities and delivered successful strategies to drive the company's vision, focusing on continuous innovation, highest standards of quality and superior consumer value.

He graduated with a BS in Industrial Management and a minor in Industrial Engineering from Purdue University, Indiana, USA. He was elected on the Board of Cherat Cement Company Ltd. as an independent director on October 16, 2018. Mr. Abrar Hasan is also the Chairman of Board for Naymat Collateral Management Company, which is Pakistan's first Collateral Management company, that facilitates and empowers farmers by making formal credit accessible to them through financial institutions. Besides this, he is also a Director of Associated Textile Consultants (Pvt.) Ltd., Pakistan Business Council, The Health Foundation and Engro Foods Friesland Compina. He is a Certified Director from the Pakistan Institute of Corporate Governance.



## **MRS. ZEEBA ANSAR - FEMALE DIRECTOR**

### Independent Director

Mrs. Zeeba Ansar has over 27 years of private and corporate banking experience. She did her Bachelors in Economics and Statistics from the University of Punjab and then completed her MBA in Marketing and Finance from the Institute of Business Administration. In her career as a banker she has worked with Deutsche Bank AG as Manager Corporate Banking Department and Faysal Bank as Senior Vice President and Corporate Head-South. She then joined UBL as Executive Vice President and Regional Corporate Head-South and retained the position for 10 years. Her most recent professional engagement was with NIB Bank as Group Head-Corporate and Investment Banking where she worked till 2017.

She is currently serving as Director in Gul Ahmed Textile Mills Ltd. and Samba Bank Ltd. She is also a 'Certified Director' from the Pakistan Institute of Corporate Governance.

## **MR. YASIR MASOOD - DIRECTOR**

### Executive Director

Mr. Yasir Masood is a fellow member of the Institute of Chartered Accountants of Pakistan. He is a Certified Internal Auditor (CIA) and qualified Certified Information Systems Auditor (CISA). He is also a certified Director from Pakistan Institute of Corporate Governance. He is serving as the Director and Chief Operating Officer of Cherat Cement Company Ltd., and also serving on the Boards of Greaves Airconditioning (Pvt.) Ltd., Greaves CNG (Pvt.) Ltd., and Greaves Engineering Services (Pvt.) Ltd.

Mr. Yasir is also serving as Chief Financial Officer of Faruque (Pvt.) Ltd. He has been working and contributing in various committees of different Business forums. He is currently serving as Industry Expert and member of Arbitration panel of Pakistan Stock Exchange Limited (PSX).



## CHAIRMAN'S REVIEW

The country has emerged from a global pandemic, characterised by constant change and uncertainty. Global commodity prices particularly energy and fuel, witnessed significant fluctuations due to changes in demand and supply. As a result, the world economy is possibly facing a recession. Apart from these challenges, Pakistan is also affected high inflation, depleting foreign exchange reserves, and political instability. The Government has had to implement harsh fiscal and monetary measures in an effort to resume the IMF program. These circumstances have adversely affected the demand for cement in the country. On aggregate, cement sales declined by 16% during the year. Local and export sales went down by 16% and 13%, respectively. However, there is some improvement in exports to Afghanistan which increased by 17% during the year. Despite all these challenges, your Company managed to record an after-tax profit of Rs.4,403 million through operational efficiencies. The coming year appears to be challenging but the business community is hopeful of some economic recovery on the back of the IMF programme.

BMR work on cement Line 1 has been completed successfully. The commissioning of WHR on Wartsila Dual Fuel (WDF) engines has also been completed after installation of a new turbine during the year. These projects will help in bringing about further efficiency in our processes.

The Company remains committed to best sustainability practices. We are taking all the measures to protect the environment and serve the community we belong to. Over the years, we are investing heavily in renewable energy projects like Waste Heat recovery (WHR), Solar panels installation, LED lights and WHR on WDF engines etc. These projects have not only helped us in reducing the carbon footprint but have also resulted in reduction in cost of production. We have significantly increased plantation at our manufacturing facility. We are also working for protection of wildlife. We have taken many measures to improve the health and safety practices in our organization. As a responsible corporate, we are continuously contributing towards the social uplift of our nearby areas. Our priority is education, health, drinking water and women empowerment and different projects are in place to achieve these goals. We have also helped the flood affected during the year and supported their rehabilitation process. We believe that all these efforts will bring a positive change in the society which eventually is beneficial for the Company and the country.

I am pleased to report that the Board of Directors has performed its duties and responsibilities meticulously and has contributed towards guiding the Company in its strategic affairs. It focused on major risk areas and remained actively involved in the strategic planning process of the Company. The Board recognises that well defined corporate governance processes are important to preserve and enhance stakeholders' value. All Directors including Independent Directors, fully participated and contributed to the decision-making process of the Board. The Board carried out its annual self-evaluation in line with the requirements of Code of Corporate Governance.

I would like to take this opportunity to extend my appreciation to the staff, customers, suppliers, bankers, Board of Directors, and shareholders for their continued support, commitment and hard work.

**Omar Faruque**  
Chairman

September 5, 2023

## DIRECTORS' REPORT TO THE MEMBERS

For the year ended June 30, 2023

The Board of Directors is pleased to present the annual report of the Company along with the audited financial statements for the year ended June 30, 2023.

### Overview:

During the year International commodity prices, energy, agricultural products and metals witnessed significant fluctuations. This had a widespread effect on various industries, causing inflationary pressures and a slowdown in global economic growth. Our country is also affected by these unprecedented global economic challenges. For Pakistan, political instability, depleting foreign exchange reserves, all-time high interest rates and rising inflation made an already precarious situation worse. Last year's floods, rupee devaluation, and energy price hikes resulted in an all-time high inflation. The government had to implement contractual fiscal and monetary measures in an effort to restore the IMF program. The cut in PSDP, import restrictions, high borrowing costs and increase in sales tax and FED on cement, adversely affected the cement demand. Although the government has been able to reach a 9-month Staff Level Agreement with IMF, it must undertake structural reforms to stabilise the economy and to come out of the economic crisis.

Cement demand in quantitative terms declined by 16% during the year under review. Local and export dispatches went down by 16% and 13% respectively. However, there was some improvement in exports to Afghanistan which increased by 17% during the year.

### Production and Sales Review:

Comparative production and sales figures are provided under:

	2023 (in Tons)	2022 (in Tons)
• Clinker production	2,643,785	3,109,280
• Cement production	2,882,790	3,525,199
• Domestic sales	2,539,391	3,259,763
• Export sales	331,347	292,710
<b>Total sales</b>	<b>2,870,738</b>	<b>3,552,473</b>

The overall sales quantity decreased by 19% with local sales declining by 22% while exports increased by 13% compared to last year.

### Financial Performance:

There has been a 17% increase in sales revenue over the preceding year. This increase was mainly due to adjustment in cement prices to counter higher input costs. During the year under review, cost of sales increased by 18% due to increase in coal, electricity and imported consumables prices on the back of significant rise in international commodity prices and Pak rupee devaluation. Despite all these challenges, the Company managed the situation through operational efficiencies. There was a 41% rise in finance cost mainly due to significant increase in discount rate. Our taxation provision also increased substantially due to an increase in super tax levy from 4% to 10% for current and future years. As a result, the Company posted an after-tax profit of Rs. 4,404 million for the year ended June 30, 2023.



Summarized performance of the Company for the current year as compared to last year is as follows:

	2023	2022
	<b>(Rs. in million)</b>	
<b>Net sales</b>	37,386.19	32,085.36
<b>Cost of sales</b>	27,249.38	23,134.58
<b>Gross Profit</b>	10,136.81	8,950.78
<b>Expenses &amp; taxes</b>	5,732.88	4,494.81
<b>Net Profit</b>	4,403.93	4,455.97

#### **Dividend Payout:**

The Company has always strived to be consistent towards distribution of profits. The decision on dividend payout is made after taking into consideration various parameters like Company's financial performance, its business needs, growth prospects and expansion plans. For the year under review, the Board of Directors is pleased to recommend a final cash dividend of Rs. 3 per share i.e. 30% . This is in addition to an interim cash dividend of Rs. 1.5 per share i.e. 15% during the year ended June 30, 2023.

#### **Ongoing Projects:**

The cement Line I upgradation project has been completed successfully. The commissioning of WHR on WART-SILA dual fuel engines has also been completed after installation of new turbine during the year. These projects will positively contribute towards the achievement of the company's long-term vision.

Line IV boundary wall work is in the completion phase. Land, mining leases and other assets have already been transferred in our name. We will move ahead on this project when depending on improvements in economic conditions of the country.

#### **Corporate Social Responsibility:**

The Company is committed to play its due role in society in the interest of all stakeholders particularly towards its people and environment. In line with its corporate social responsibility policies and best practices, the Company has always endeavoured to improve the overall conditions of the people living around the manufacturing plant and the surrounding areas. The Company is contributing towards education, health, water, and women empowerment. The Company has always tried to help people effected by natural disasters like floods. Apart from the ongoing activities, the Company has started providing free transportation for students of nearby villages to promote education. We have installed tube wells in nearby villages to provide drinking water. We have also established a gynaecology facility and a women empowerment centre for the nearby villages. We believe that all these measures will go a long way in the economic and social development of the areas we are engaged.

#### **Strategic objectives on ESG**

The Board is dedicated to fostering a sustainable and ethical business. Our strategic objectives encompass environmental stewardship, social responsibility, and effective governance. We are committed to reducing our carbon footprints, conserving resources, and preserving biodiversity. We prioritize diversity, employee well-being, and community engagement. Ethical conduct, transparency, and prudent risk management guide our decision-making. In CSR, our strategic focus is on education, health, drinking water and women empowerment. Our board stands behind these objectives, aligning with our commitment to create enduring value for all stakeholders.

#### **Health, Safety and Environment:**

The Company strongly believes in maintaining high standards of health and safety for its staff and, in this regard, has put in place several measures. This includes implementation of protocols on health and employee safety to respond to the changing business requirements. The production facility of the Company is fully compliant with the applicable standards for the environment and safety in the country. The company has a dedicated HSE department to oversee the implementation of HSE objectives. The department not only ensures compliance with the best HSE practices but also carries out regular fire and safety training for the staff. The Company has increased tree plantation at its site. We have also increased the portion of renewable power

generation over the years through various measures like WHR and solar plant etc.

### Contribution to National Exchequer:

The Company contributed more than Rs. 15 billion to the government treasury in the form of royalty, duties and taxes during the year.

### Statement on Corporate and Financial Reporting Framework:

- The financial statements prepared by the management of the Company present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed and explained.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no non-compliance from the best practices of Corporate Governance.
- Key operating and financial data for the last six (6) years in summarized form is annexed.
- There is nothing outstanding against your Company on account of taxes, duties, levies and charges except for those which occur in normal course of business.
- The Company maintains Provident and Gratuity Fund accounts for its employees. Stated below are the values of the investments of the funds as on June 30, 2023.
  - Provident Fund Rs. 1,543 million
  - Gratuity Fund Rs. 866 million

### Board of Directors:

Total number of Directors on the board is 8 and its composition is as follows:

- |                                   |          |
|-----------------------------------|----------|
| • Male Directors                  | 7        |
| • Female Director                 | 1        |
| <b>a. Independent Directors</b>   | <b>3</b> |
| i. Mr. Asif Qadir                 |          |
| ii. Mr. Abrar Hasan               |          |
| iii. Mrs. Zeeba Ansar             |          |
| <b>b. Non-Executive Directors</b> | <b>3</b> |
| i. Mr. Omar Faruque               |          |
| ii. Mr. Akbarali Pesnani          |          |
| iii. Mr. Arif Faruque             |          |
| <b>c. Executive Directors</b>     | <b>2</b> |
| i. Mr. Azam Faruque               |          |
| ii. Mr. Yasir Masood              |          |
| <b>d. Female Director</b>         | <b>1</b> |
| i. Mrs. Zeeba Ansar               |          |
- During the year, six meetings of the Board of Directors were held. The attendance record of each director is as follows:

Name of Director	Meetings Attended
• Mr. Omar Faruque	6
• Mr. Azam Faruque	6
• Mr. Akbarali Pesnani	6



• Mr. Arif Faruque	4
• Mr. Asif Qadir	5
• Mr. Abrar Hasan	6
• Mrs. Zeeba Ansar	6
• Mr. Yasir Masood	6

- During the year, four meetings of the Audit Committee were held. The attendance record of each director is as follows:

<b>Name of Director</b>	<b>Meetings Attended</b>
-------------------------	--------------------------

• Mr. Asif Qadir	4
• Mr. Akbarali Peshani	4
• Mr. Arif Faruque	4

- During the year, two meetings of the Human Resource and Remuneration Committee were held. The attendance record of each director is as follows:

<b>Name of Director</b>	<b>Meetings Attended</b>
-------------------------	--------------------------

• Mr. Abrar Hasan	2
• Mr. Azam Faruque	2
• Mr. Omar Faruque	2

- Pattern of shareholding is annexed with the report.
- Earnings per share during the year was Rs. 22.67 compared to earnings per share of Rs. 22.93 last year.

#### **Directors' Remuneration:**

Through the Articles of the Company, the Board of Directors is authorized to fix remuneration of Non-Executive and Independent Directors from time to time. In this regard, the Board of Directors has developed a Remuneration policy for Non-executive and Independent Directors of the company. The detail of Directors' remuneration is disclosed in Note 39 of the Financial Statements for the year ended June 30, 2023.

#### **Performance Evaluation of Board of Directors and Board Committees:**

The Company carries out annual evaluation of the Board of Directors, its Committees and Individual Directors as part of Code of Corporate Governance. Strict level of confidentiality is exercised by the Company Secretary upon receipt of completed questionnaires. In order to ensure transparency of the process, the Company has engaged M/s. Grant Thornton Anjum Rahman, Chartered Accountants to compile results and prepare a report for the Board of Directors. The contents of the report are evaluated and areas that require improvement are identified.

#### **Related Parties Transactions:**

All transactions with related parties have been executed at arm's length and have been properly disclosed in the financial statements of the Company.

#### **Statement of Compliance with Code of Corporate Governance:**

The Company has fully complied with requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019. Statement of Compliance is provided under the relevant section of the report.

#### **UniEnergy Limited:**

UniEnergy – a joint venture wind power project, has been granted Letter of Intent and formally allotted land for setting up the project at Jhampir, district Thatta. The JV partners have made an initial equity investment in the Company to meet the ongoing financial requirements for the project. In this regard, Cherat Cement has made an equity investment of Rs. 7.69 million following the approval of the shareholders. The government is yet to notify the tariff for the project.

#### **Madian Hydro Power Limited:**

Madian Hydro Power Limited (MHPL) was formed with the intention to build, operate and maintain hydro power generation plant at Madian over River Swat. However, due to the law-and-order situation in Swat and adjoining areas the project was not undertaken. During the last financial year, the Company entered into an agreement with Pakhtunkhwa Energy Development Organization (PEDO) for sale of feasibility study for total consideration of Rs. 160 million which was distributed to both the shareholders equally. Subsequently, the

members of MHPL decided to voluntary wind-up on March 31, 2023. All legal compliances have been completed and the Company shall deem to have been dissolved.

## Risk and Opportunities:

### • Risk Management

The Board of Directors kept a close watch on the socio-economic environment and consequential internal and external risks that might impact the safe and smooth operations and performance of the Company. As caretakers of the interest of all the stakeholders, the Directors remained vigilant in identifying and mitigating risks throughout the year. The Board of Directors identified potential risks, assessed their impact on the Company and formulated strategies to mitigate foreseeable risks to the business. These strategies were enforced throughout the hierarchy of the Company under the supervision of the Audit Committee to ensure that all possible steps are taken for risk mitigation. The Board has also approved a business continuity plan including disaster recovery plan which is properly in place.

### • Risk Assessment

The Board of Directors has carried out thorough assessments of both internal and external risks that the Company might face. Businesses face numerous uncertainties that might pose threats to its objectives if not addressed in a timely manner. Energy costs makes up a major portion of the overall cost of production. Any variation in prices of coal and/or electricity tariffs poses a constant risk to the company. The Company has installed Waste Heat Recovery plant to reduce its cost of power and has obtained a gas connection for the plant. Furthermore, commissioning of solar panels has also been completed. The strategic placement of our factory in Nowshera, which is close to the Afghan border and the brand value of Cherat within Afghanistan has helped us retain our position as top exporter of cement to Afghanistan.

Cherat Cement is the first company in the cement sector which implemented complete SAP solution in 2009. Through this, all business activities including finance, supply chain and inventory management are properly integrated. Users are properly trained on this system. During the year, the Company has successfully upgraded from SAP ECC 6.0 to S4/HANA cloud and is also in the process of implementing SAP Success Factor for certain modules of HR. Proper access and other controls are in place to ensure security of the system.

The board recognizes the importance of cybersecurity, keeping in view the evolving information security threats, which can directly affect our business operations. The Company has an in-house IT department, which has dedicated resource for IT related security. During last year, on the advice of the Board, cybersecurity audit was conducted by an external consultant and their recommendations were properly implemented. There was no such breach during the year.

### • Debt Repayment

The Company has consistently met all its outstanding debt obligations on time. During the year, the Company has made principal repayments of Rs. 840 million for Waste Heat Recovery (WHR) term loan including early repayment of Rs. 600 million. Further Rs. 2,500 million principal installments have been paid relating to Cement Line III loan. Moreover, the Company has paid off salaries and wage refinancing scheme, Captive Power and Solar loans amounting to Rs. 159 million, Rs. 220 million and Rs. 66 million respectively, during the year.

### • Capital Structure

The Company's current debt to equity percentage is about 33:67. The gearing ratio is improving as the Company is making regular profits.

## Appointment of Auditors:

The present auditors' M/s. EY Ford Rhodes, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

## Subsequent events

No material changes or events affecting the financial position of the Company have occurred between the end of the financial year of the Company and the date of this report.



#### **Future Prospects:**

Persistently high inflation, depleting forex reserves, devaluation of PKR, and high interest rates along with lack of development spending and overall slowdown of economy are expected to keep cement demand under pressure in short run. These challenges have been further aggravated due to prolonged political uncertainty in the country.

The revival of the IMF program is expected to help reduce uncertainty in the financial landscape, bringing some stability and predictability for businesses and investors. Additionally, it would give confidence to other bilateral and multilateral lenders to follow suit, thereby supporting economic recovery. However, for sustainable growth, we need political stability and structural economic reforms.

On the back of global recession, declining commodity prices could aid Pakistan's current account deficit management efforts. To address the fiscal deficit, the government imposed Super Tax and increased tax on already taxed segments. Reconsideration is suggested when fiscal space allows. Although exports to Afghanistan have shown some signs of recovery but major improvements are unlikely amidst ongoing political and economic conditions. Any positive development on this front may lead to an increase in exports and the Company will be the direct beneficiary. Management diligently navigates these challenges while bringing efficiencies in the process by optimizing utilization of resources and cost saving measures. The Company is well positioned to benefit from increase in cement demand both in Pakistan and Afghanistan due to its ideal location and availability of higher production capacity.

#### **Acknowledgment:**

We would like to thank all the financial institutions having a business relationship with us, our dealers and customers for their continued support, cooperation and trust they have reposed in us. We would also like to share our deepest appreciation for all our staff for their dedication, loyalty and hard work.

**On behalf of the Board of Directors**

**Omar Faruque**  
Chairman

**Azam Faruque**  
Chief Executive

Karachi: September 05, 2023



## ANNUAL EVALUATION OF BOARD, CHIEF EXECUTIVE OFFICER (CEO), COMMITTEES AND INDIVIDUAL MEMBERS

Board evaluation mechanisms facilitate the Board of Directors in evaluating and assessing its performance and ability to provide strategic leadership and oversight to the senior management of the Company. Accordingly appropriate procedures have been developed based on emerging and leading practices to assist in the assessment of the Board, its committees and the individual directors themselves.

Questionnaires have been developed based on relevant criteria such as effectiveness, accountability, planning, leadership and strategy formulation by the Board and also its committees. Directors are also asked to fill out a self-evaluation questionnaire that focuses on their participation and satisfaction with the different proceedings of the Board and their individual role as a member.

In addition, a separate evaluation questionnaire for Chief Executive has also been developed for his performance. The performance evaluation of the CEO is carried out by all the Directors.

These questionnaires are circulated annually and are filled out by the Directors anonymously. The collected answers are then compiled by an independent chartered accountant firm.

The Company has engaged M/s. Grant Thornton Anjum Rahman, Chartered Accountants must ensure transparency in the process.

## DIRECTORS' ORIENTATION AND TRAINING

All the Directors of the Company are well experienced and have diverse backgrounds. At the time of the induction of any new director, he or she is given proper orientation about the operations of the Company and his or her fiduciary responsibilities. The Company had also arranged an in-house Directors' training programme to apprise the directors of their authorities and responsibilities. Six Directors of the Company namely Mr. Azam Faruque, Mr. Omar Faruque, Mr. Abrar Hasan, Mr. Akbarali Pesnani, Mrs. Zeeba Ansar and Mr. Yasir Masood are also certified under the Board Development Series Programme offered by the Pakistan Institute of Corporate Governance (PICG).

Our all directors and executives are either exempt or have attended/completed Certified Directors Training Program from the reputable recognized local and international institutions.

## EXTERNAL OVERSIGHT OF FUNCTIONS AND MEASURES TAKEN TO ENHANCE THE CREDIBILITY OF INTERNAL CONTROLS AND SYSTEMS

Cherat Cement ensures efficiency, effectiveness, accuracy and the credibility of all its functions through regular monitoring, making benchmarks and assessing the targets and goals of their respective functions. Following are the summary of the measures taken to attain the benchmarks through oversight:

- All processes and functions of the Company are subject to review by the Internal Audit function;
- The Manufacturing processes are reviewed on the basis and guidelines of International industry best practices, industry norms, and standards setting authorities;
- The Information Systems and network security are periodically reviewed by Information Systems auditors. An IT audit was conducted last year by external consultant. During the year, a cybersecurity audit was conducted by an external consultant.
- Surveys conducted by third parties or otherwise to ensure the credibility and control hallmarks.



## DECISIONS AND MATTERS TAKEN BY THE BOARD AND DELEGATED TO MANAGEMENT FOR EXECUTION

The Board of Directors exercise all powers on behalf of the Company and fulfill their duties and responsibilities in accordance with the applicable laws. The primary responsibility of the Directors is to ensure that the key management is achieving the objects of the Company as delegated to them in such manner as to benefit the Company and its shareholders.

Management is primarily responsible for implementing the strategies as approved by the Board of Directors. It is the responsibility of management to conduct the routine business operations of the Company, including but not limited to short term investments, sale/purchase contracts, implementation of policies, treasury, taxation, litigations, and stock management etc., in an effective and ethical manner in accordance with the strategies and goals as approved by the Board and to identify and administer the key risks and opportunities that could impact the Company in the ordinary course of execution of its business.

Management is also concerned in keeping the Board members updated regarding any changes in the operating environment. It is also the responsibility of management, with the oversight of the Board and its Audit Committee, to prepare financial statements that fairly present the financial position of the Company in accordance with applicable accounting standards and legal requirements.

## UNDERSTANDING SHAREHOLDERS VIEW

The Company's shareholders comprise of investors including, mutual funds, investment companies, brokerage houses, insurance companies, foreign shareholders, pension funds, individuals, professionals, high profile individuals to housewives. The Company regularly interacts with all categories of shareholders, through Annual General Meeting, Extraordinary General Meeting, regular corporate / investor briefings etc. The Company has also been arranging annual corporate briefing sessions from the last few years. The Chief Financial Officer and the Company Secretary remain available to respond to any shareholder / investor's query. The non-executive Members of the Board are also kept informed about the views of the major shareholders about the Company.

## GOVERNANCE OF RISK AND INTERNAL CONTROL

The Company has various policies in connection with Governance of Risk and Internal Control that have been approved by the Board of Directors and covered in Director's Report and other different policies and disclosures. These include but are not limited to Health Safety Environment (HSE) policy, Information Technology (IT) Governance policy, Information System Security policy, Disaster Recovery policy etc. The implementation of such policies is in accordance with law to assure smooth operations of the business at all levels



# BUILDING A BETTER FUTURE





## GOVERNANCE PRACTICES EXCEEDING LEGAL REQUIREMENTS

The Company has always believed in going the extra mile and staying ahead of the curve. In line with this strategy, not only have we complied with all mandatory legal compliances under the Code of Corporate Governance, the Companies Act 2017 and other applicable rules, regulations and standards, we have also carried out the following activities in addition to the legal requirements;

- a. **Implementations of HSE:** The Company has developed and implemented aggressive HSE strategies at its Plants to ensure the proper safety of its people and equipment.
- b. **Dissemination of the information:** The Company has always ensured that all material information is communicated to the PSX, the SECP and the Company's shareholders as soon as it becomes available. At all times we have ensured that such information is sent out much before the deadlines are set out in the laws.
- c. **Integrated Reporting Framework:** The management reports various other essential information in this annual report, which is not required by law. We are trying to adopt a Integrated Reporting framework.

## EXECUTIVE DIRECTOR(S) SERVING AS NON-EXECUTIVE AND INDEPENDENT DIRECTOR IN OTHER COMPANIES / BODY CORPORATE

Our Chief Executive Mr. Azam Faruque, and Director and Chief Operating Officer Mr. Yasir Masood are also serving as a Non-Executive and Independent Directors in other companies / body corporate, details of which are available in the Directors' Profiles section.

There is no restriction/bar in the law to earn the remuneration as non-executive directors in other companies.

## INDEPENDENT DIRECTORS

The Company has ensured that the composition of its Board of Directors is compliant with all prevailing legal and governance requirements with respect to independent directors. All independent Directors have submitted along with their consent to act as Director, the declaration as required under the Code and Companies Act, 2017, to the Company that they meet the criteria of independent director.

## FEMALE DIRECTOR

Mrs. Zeeba Ansar was elected as an Independent female Director on the Board and the requirement for a female director on the board of a listed company has been complied.

## BOARD MEETINGS HELD OUTSIDE PAKISTAN

During the year, 6 meetings of the Board of Directors were held. As recommended by SECP Guidelines and to keep the costs in control, the management has conducted all meetings in Pakistan.

## EXTERNAL SEARCH CONSULTANCY

Being a good corporate governance the Company believes and undertakes a formal process of external consultancy for the performance of the Board.

## RELATED PARTIES

As required under the fourth schedule of the Companies Act, 2017, detailed disclosures regarding related party transactions they have been presented in note 40 to the financial statements presented afterwards in this annual report. Such disclosure is in line with the requirements of the 4th Schedule to the Companies Act, 2017 and applicable International Financial Reporting Standards.

Approval of the transactions from the shareholders is obtained at the Annual General Meeting.

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY TOWARDS PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS AND DIRECTORS' COMPLIANCE STATEMENTS

The Company, its Board of Directors and the management have always been keen to follow the standards set down by governing institutions. In light of the same strict compliance with all standards set out by ICAP, the Companies Act, and the International Accounting Reporting Standards have been adhered to, and otherwise good and responsible reporting has been our general practice. In order to keep the Directors updated with major amendments and changes in applicable relevant laws.

## DISCLOSURE OF DIRECTORS' INTEREST

Details of all related party transition based on common directorship is placed before the Board and subsequently placed before the shareholders in the Annual General meeting for their approval. The said disclosure mentioned in the notice of AGM as well as in the relevant note of the financial statements. The percentage of shareholding is also mentioned in the pastern of shareholding. All directors disclose all disclosed their inters in all contract or arrangements with other companies like Other Directorship

## IT GOVERNANCE POLICY

The Company has a well-conceived and implemented IT Governance Policy which seeks to ensure that IT is aligned with Cherat's organizational goals and strategies and delivers value to the organization. The policy is designed to promote effective, efficient, timely, and informed decision-making concerning Cherat's IT investments and operations. Specifically the policy aims to establish the IT governance structure and its associated procedures, roles, and responsibilities, as a critical component of the overall IT Management (ITM) Framework, which guides the management, implementation, and monitoring of IT investments for Cherat.

The Company's IT Governance Policy is mainly charged with:

- Establishing a shared vision of how information technology can add value to the organization;
- Establishing information technology goals, and the strategies for achieving those goals;
- Establishing principles and guidelines for making information technology decisions and managing initiatives;
- Overseeing the management of institutional information technology initiatives;
- Establishing and communicating organizational information technology priorities;
- Determining information technology priorities in resource allocation;
- Establishing, amending and retiring, as necessary, organizational information technology and other technology related policies, and
- Determining the distribution of responsibility between the IT Department and end users.



## INFORMATION SYSTEM SECURITY POLICY

### Objective

The objective of Information Security is to ensure continuity of business of the company and to minimize business damage by preventing and limiting the impact of security incidents.

### Policy

1. The purpose of the Policy is to protect Company information assets from all threats, whether internal or external, deliberate or accidental. These assets relate to information stored and processed electronically.
2. It is the Policy of the Company to ensure that:
  - a. Information will be protected against unauthorized access.
  - b. Confidentiality of information will be assured by protection from unauthorized disclosure or intelligible interruption.
  - c. Integrity of information (its accuracy and completeness) will be maintained by protecting against unauthorized modification.
  - d. Regulatory and legislative requirements will be met, including record keeping, according to Information Security Management System standard.
  - e. Disaster Recovery Plans will be produced, maintained and tested, to ensure that information and vital services are available to Company when needed.
  - f. Information on security matters will be made available to all staff.
  - g. All breaches of information security, actual or suspected, will be reported to and investigated by the Information Security Officer / Internal Audit.
3. Standards will be produced to support the policy. These standards will include regulations, guidelines and procedures covering matters such as (not limited to) data security, backup, virus control and passwords.
4. Business requirements for the available of information and information system will be met.
5. The role and responsibility for managing information security will be assigned to a designated Information Security Officer/Internal Audit.
6. The information Security Officer/Internal Audit will be responsible for maintaining the Policy and providing advice and guidance on its implementation.
7. All managers are responsible for implementing the Policy within their business areas, and for adherence by their staff.
8. It is responsibility of each employee to adhere to the Policy.

## SOCIAL AND ENVIRONMENTAL RESPONSIBILITY POLICY

The Company's Social and Environmental Responsibility Policy envisages an active commitment and participation on the part of the Company in various social work initiatives as part of its corporate social responsibility. Being a conscientious member of the corporate community, the Company contributes generously to various social and charitable causes including towards health and education sectors. In this regard, it has worked with many reputable organizations and NGOs in Pakistan.

The Company also participated in flood relief activities and helped IDP's (Internally Displaced Persons). The Company has always stood by the people of Pakistan in their hour of need and shall always continue to do so.

The Company is fully committed to acting in an environmentally responsible manner. To achieve this result, we:

1. Ensure our product and operations comply with relevant environmental legislation and regulations.
2. Maintain and continually improve our environmental management systems to conform to the ISO-14001 Standard or more stringent requirements as dictated by specific markets or local regulations.
3. Operate in a manner that is committed to continuous improvement in environmental sustainability through recycling, conservation of resources, prevention of pollution, product development, and promotion of environmental responsibility amongst our employees.
4. Ensure that no emission of hazardous materials emits from the Company factory.
5. Inform suppliers, including contractors, of our environmental expectations and require them to adopt environmental management practices aligned with these expectations.





## HUMAN RESOURCE POLICY

At Cherat Cement Company Limited we attribute our continued success to our people. Our employees are our enduring advantage and it is our ability to create high performance teams in a culture of inclusiveness, professionalism and excellence that drives our growth. To maintain our HR competitiveness, we remain focused on areas of talent management, learning & development; succession planning, and the development of a robust Management Trainee Program.

### Attracting the Best Talent

To support the Company's objective of acquiring the best talent, we have recalibrated our Trainee Engineer Program as "Future Leaders Program" to make it dynamic in its offerings to students allowing them to challenge their potential. By providing graduating students with an exhilarating route to enter our Graduate Trainee Engineering programs, we undertook several campus recruitment drives at leading Engineering educational institutions with an aim to find the best talent that would build the Company-wide pipeline of emerging leaders and also to be part of our enterprising organizational culture.

### Industrial Relations

We maintain excellent relations with our employees and labour. There is a formal labour union in place which represents all classes of workers and independently takes care of all labour related issues. The Company takes every reasonable step for swift and amicable resolution of all their issues.

### Succession Planning

Our Succession Planning policy is aimed at building a pipeline for future leadership and creating backups for critical roles. The salient features of this policy are detailed as under:

- Talent Assessment is conducted based on achievements, Competencies and Group Values.
- Gap Analysis is done to determine time period and tools needed to groom / develop them as possible successors.
- Put through an outbound Leadership Course to determine areas of development vis-a-vis leadership.
- On-going coaching / rotation / training and developmental plans are in place to bring out best in class talent for succession.
- To deep reach successors at all levels, upward mobility is a pre-requisite in the hiring programme.

### Core Values

Values are what support the vision, shape the culture and reflect what an organization values. They are the essence of the organization's identity the principles, beliefs or philosophy of values. Our Core Values (Respect, Fairness, Quality, Ownership) are embedded in our recruitment process, performance appraisals and recognition initiatives.

## SAFETY OF RECORDS POLICY

The Company is effectively implementing the policy to ensure the safety of records. All records must be retained for as long as they are required to meet legal, administrative, operational, and other requirements of the Company. The main purposes of the Company policy are:

- To ensure that the Company's records are created, managed, retained, and disposed off in an effective and efficient manner;
- To facilitate the efficient management of the Company's records through the development of a coordinated Records Management Program;
- To ensure preservation of the Company's records of permanent value to support both protection of privacy and freedom of information services throughout the Company to promote collegiality and knowledge sharing;
- Information will be held only as long as required and disposed off in accordance with the record retention policy and retention schedules; and
- Records and information are owned by the Company, not by the individual or team



## CONFLICT OF INTEREST POLICY

A Conflicts of Interest Policy has been developed by the Company to provide a framework for all directors of the Company (“Directors”) to disclose actual, potential or perceived conflicts of interest.

The policy provides guidance on what constitutes a conflict of interest and how it will be managed and monitored by the Company.

The policy is applicable to Directors as the Company strongly believes that a Director owes certain fiduciary duties, including the duties of loyalty, diligence and confidentiality to the Company which requires that the Directors act in good faith on behalf of the Company and to exercise his or her powers for stakeholders’ interests and not for their own or others interest.

### Management of Conflict of Interest

The Company stands fully committed to the transparent disclosures, management and monitoring of actual potential or perceived conflicts of interest. All Directors under the policy are obligated and have a duty to avoid actual, potential or perceived conflicts of interest.

Any Director with personal interest, relationship or responsibility which conflicts with the interest of the Company or its shareholders shall excuse himself or herself from any discussions on the matter that would give rise to the conflict of interest and, if necessary, from the Board meeting, or applicable part thereof.

## WHISTLE BLOWER POLICY

### OBJECTIVE

The objective of this policy is to provide a platform and mechanism for directors, employees and suppliers to properly address bonafide concerns within the organization without fear of reprisal.

It encourages directors, employees and suppliers about their duty to report any suspected activity that violates any law applicable to the Company, its Core Values or Code of Conduct.

This policy is intended to assist only those individuals who believe they have discovered malpractice or impropriety. It is not designed to question financial or business decisions taken by the organization nor should it be used to reconsider any matters which have been investigated under the harassment, grievance or disciplinary policies and procedures.

### POLICY STATEMENT

**Cherat Cement Company Limited** is committed to adhere to the highest standards of ethical, moral and legal conduct of business operations. To maintain these standards, **Cherat Cement Company Limited** has developed a Whistle Blowing Policy to lodge complaint or to bring in the knowledge of the competent authority any unfair treatment, fraudulent, immoral, unethical or malicious activities or discrimination or some other type of adverse occurrence that violates a law, regulation, policy, morals and/or ethics and especially those matters that jeopardize the credibility and reputation of the company. The whistle can be blown by any director, employee or supplier without fear of punishment/unfair treatment.

### SCOPE/APPLICABILITY

This policy is applicable to directors, all permanent and third party employees and suppliers of Cherat Cement Company Limited.

The whistleblower may report or raise any concern which he/ she believes is unethical or contradictory to the code of conduct of the organization, which may include the following acts.

- Fraud
- Financial malpractice



- Failure to comply with applicable legal requirements or company policy;
- Improper conduct or unethical behavior, including breach of the company's code of conduct, business integrity or ethics;
- Attempts to conceal any material facts or misrepresentation;
- Negligence causing substantial and specific danger to employees' health, safety or environment;
- Any unlawful act whether criminal/civil;
- Colluding with third parties/associates to exploit or cause harm to the company;
- Manipulation of company data/ records;
- Unauthorized use, employees' system password acquisition, access or disclosure of confidential/proprietary information;
- Abuse of authority; and
- Misappropriation or unauthorized use of company funds/assets

All complainants are protected from victimization, harassment or disciplinary action as a result of any disclosure, where the disclosure is made in good faith and not maliciously or for personal gain. All disclosures are required to be made in writing. Disclosures made anonymously will not be entertained.

Disclosures made will be investigated fully including interviews with all the witnesses and other parties involved. All whistle blowing disclosures made are treated as confidential and the identity of the whistleblower is protected at all stages in any internal matter or investigation.

Disciplinary action (up to and including dismissal) may be taken against the wrongdoer depending on the results of the investigation.

## INSIDER TRADING POLICY

The Company has taken definitive steps in ensuring that all employees, officers, members of the Board and all such relevant persons follow strict guidelines while trading in the shares of the Company. The Insider Trading Policy codifies the Company's standards on trading and enables the trading of securities of the Company or other publicly-traded companies while in possession of material non-public information.

**The general guidelines within the policy state that:**

1. No trading in the securities of the Company is permitted for directors and all employees who are "Executives" as defined in the relevant laws within the Closed Periods announced by the Company.
2. No insider may purchase or sell any Company's security while in possession of material nonpublic information about the Company, its customers, suppliers, consultants or other companies with which the Company has contractual relationships or may be negotiating transactions.

3. No insider who knows of any material non-public information about the Company may communicate that information to any other person, including family and friends.
4. In addition, no insider may purchase or sell any security of any other involvement with the Company in the way of conducting official business. No insider who knows of any such material non-public information may communicate that information to any other person, including family and friends.

### **The Company's Responsibility to Disclose Inside Information**

company, whether or not issued by the Company, while in possession of material non-public information about that company that was obtained in the course of his or her The Company's responsibility, in the case of inside information made known to a third party, shall be to ensure that on in such cases the knowledge is given full public disclosure or if such information still needs to be kept non-public then the Company must ensure that the third party, is placed under legal obligation to maintain confidentiality.

## RELATED PARTY TRANSACTIONS POLICY

### Preamble

The Board of Directors (the "Board") of Cherat Cement Company Limited (the "Company") has adopted this policy pursuant to the provisions of Section 208 of the Companies Act 2017 read with Regulation No. 15 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 and the Companies (Related Party Transactions and Maintenance of Related Records) Regulations, 2018 issued by the Securities & Exchange Commission of Pakistan.

### Scope of the Policy

This Policy applies to transactions between the Company and one or more of its related parties. It provides a framework for governance and reporting of related party transactions. It is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its related parties. Amendments, from time to time, to the Policy, if any, shall be considered and approved by the Board. The policy covers all related party transactions of Cherat Cement Company Limited as defined under Section 208 of the Companies Act 2017. The policy is applicable on all individuals responsible to initiating, authorize, record and report related party transactions.

The Policy is applicable to all related party transactions irrespective of their value and size. This Policy is intended to work in conjunction with regulatory provisions and other Company policies.

### Definitions

#### (i) Arm's length transaction

means a transaction which is subject to such terms and conditions and is carried out in a way, as if:

- a) the parties to the transaction were unrelated in any way;
- b) the parties were free from any undue influence, control or pressure;
- c) through its relevant decision-makers, each party was sufficiently knowledgeable about the circumstances of the transaction, sufficiently experienced in business and sufficiently well advised to be able to form a sound business judgment as to what was in its interests; and
- d) each party was concerned only to achieve the best available commercial result for itself in all the circumstances.

#### (ii) Office of profit

means any office:

- a) where such office is held by a director, if the director holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.
- b) where such office is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the Company any thing by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation or otherwise.

#### (iii) Related party includes:

- a) a director or his relative;
- b) a key managerial personnel or his relative; a key managerial person shall mean the following:
  - the Chief Executive Officer of the Company;
  - the Company Secretary of the Company;
  - the whole time Directors on the Board of the Company; and
  - the Chief Financial Officer of the Company.
- c) a firm, in which a director, manager or his relative is a partner;
- d) a private company in which a director or manager is a member or director;
- e) a public company in which a director or manager is a director or holds along with his relatives, any shares of its paid up share capital;
- f) any body corporate whose chief executive or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- g) any person on whose advice, directions or instructions a director or manager is accustomed to act;



- h) any company which is:
  - a holding, subsidiary or an associated company of such company; or
  - a subsidiary of a holding company to which it is also a subsidiary
- i) such other person as may be specified;
- j) Relative means spouse, siblings and lineal ascendants and descendants of a person.

Provided that nothing in sub-clauses (f) and (g) shall apply to the advice, directions or instructions given in a professional capacity.

\*All other terms will be construed as per the Companies Act 2017 and all other relevant laws.

#### **Types of related party transactions**

Any contract or arrangement with respect to the following, but not limited to:

- (i) sale, purchase or supply of any goods or materials;
- (ii) selling or otherwise disposing of, or buying, property of any kind;
- (iii) leasing of property of any kind;
- (iv) availing or rendering of any services;
- (v) appointment of any agent for purchase or sale of goods, materials, services or property; and
- (vi) such related party's appointment to any office or place associated company, provided:
  - a) where majority of the directors are interested in any of the above transactions, the matter shall be placed before the general meeting for approval as special resolution;
  - b) also that nothing in this sub-section shall apply to any transactions entered into by the company in its ordinary course of business on an arm's length basis.

#### **Disclosure and Approval of Related Party Transactions**

The board shall approve related party transactions that require its approval and the following minimum information shall be circulated and disclosed to the directors along with agenda for board's meeting called for approval of related party transactions:

- i. name of related party;
- ii. names of the interested or concerned persons or directors;
- iii. nature of relationship, interest or concern along with complete information of financial or other interest or concern of directors, managers or key managerial personnel in the related party;
- iv. detail, description, terms and conditions of transactions;
- v. amount of transactions;
- vi. timeframe or duration of the transactions or contracts or arrangements;
- vii. pricing policy;
- viii. recommendations of the Audit Committee, where applicable; and
- ix. any other relevant and material information that is necessary for the board to make a well informed decision regarding the approval of related party transactions.

#### **Identification of Related Party Transaction**

Every Director will be responsible for providing a notice containing the following information to the Board of Directors on an annual basis:

- i. a firm, in which the director, manager or his relative is a partner;
- ii. a private company in which the director or manager is a member or director;
- iii. a public company in which the director or manager is a director or holds along with his relatives, any shares of its paid up share capital;
- iv. any body corporate whose chief executive or manager is accustomed to act in accordance with the advice, directions or instructions of the director or manager;
- v. any person on whose advice, directions or instructions the director or manager is accustomed to act.

#### **Terms of the policy**

The terms of reference for the Policy are as follows:

- i. The management shall obtain approval of the policy by the Board of Directors ("Board");
- ii. The management may enter into any contract or arrangement with a related party only in accordance with the policy approved by the Board, subject to such conditions as may be specified;
- iii. The management shall obtain approval of the Board for contracts that are not on arm's length basis or not in the ordinary course of business;

- iv. The management shall present all related party transactions to the Audit Committee for their recommendation to the Board for approval;
- v. Every contract or arrangement entered into with a related party shall be referred to in the Board's report to the shareholders along with justifications;
- vi. Management shall maintain records of the transactions undertaken with related parties;
- vii. If a director or any other employee enters into any contract or arrangement with a related party without obtaining the consent of the Board or approval by a special resolution in the general meeting, and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within 90 days from the date of the contract, such contract or arrangement shall be voidable at the discretion of the Board;

### **Maintenance of Record**

The Company shall maintain one or more registers with regards to transactions undertaken with related parties and contracts or arrangements in which directors are interested, in the manner prescribed, and shall enter therein the particulars of:

- i. contracts or arrangements, in which any director is, directly or indirectly, concerned or interested; and
- ii. contracts or arrangements with a related party with respect to transactions to which section 208 of the Companies Act, applies.

### **Pricing Methodology**

Any related party transactions carried out on arm's length basis shall use one of the following pricing methodologies:

- i. Comparable Uncontrolled Price method;
- ii. Resale Price method;
- iii. Cost Plus method; and
- iv. Profit Split method

### **Scope of Limitation**

In the event of any conflict between the provisions of this Policy and the Companies Act, 2017 or any other statutory enactments, rules, the provisions of the Companies Act, 2017 or statutory enactments, rules shall prevail over this policy.

## **BUSINESS CONTINUITY AND DISASTER RECOVERY POLICY**

The Board of Directors has approved and continuously reviews the IT Policy and Business Continuity Plan of the Company. The management has arranged offsite data storage facilities. All the key records are being maintained at different locations. Employees are aware of the steps required to be taken in case of any emergency.

## **BUSINESS CONTINUITY AND DISASTER RECOVERY PLAN**

### **Introduction**

The concept of Business Continuity Planning has become a major business management requirement over the past few years.

Business Continuity Planning is a process used to develop a practical plan for how a business can recover or partially restore critical business activities within a predetermined timeframe after a crisis or disaster. The resulting plan is called a Business Continuity Plan.

### **Business Continuity Plan**

#### **Manufacturing Facilities**

The Company's manufacturing facility is in Nowshera, Khyber Pakhtunkhwa and is a state of the art construction with its structure being earthquake proof. The building is fire resilient and fully equipped with



modern firefighting equipment. It also meets HSE requirements at all levels. Despite all these arrangements, insurance coverage is made at the maximum level. Therefore, in case of any natural disaster, the Company would be able to recover its financial loss through insurance coverage. Hence, partial loss would not affect the Company's operations. Moreover, other locations of the Ghulam Faruque Group are available as alternate locations therefore; interruptions, if any, can be managed.

#### **Identification of Potential Issues and the Plan Update**

Potential issues are identified and updated from time to time to have an up to the mark solution for the anticipated problems. For the purposes of such identification, independent studies are conducted and drills are carried out. Based on the results obtained from these studies and drills, plans are updated.

#### **Disaster Recovery Plan and IT Infrastructure**

The Company's production server facility is at PTCL Karachi, with a backup server facility in Lahore. In case of any disaster, the Company would be able to continue its operations smoothly.

The availability of servers at such distant locations enables the Company to perform its IT functions without glitches in the event of infrastructural damage at any particular location. Moreover, the Company is situated at various locations across Pakistan and operations may be carried out through all such locations. Also, at the time of the imposition of lockdowns by the government due to the COVID-19 pandemic, the employees of the Company were able to work from home smoothly via VPN clients.

#### **Marketing and Other Staff**

The Company's senior management, as a part of the Ghulam Faruque Group, is present across Pakistan and not restricted to one location. In case of any mishap, operations can be taken over and continued from any other location.

## **POLICY ON NON-EXECUTIVE AND INDEPENDENT DIRECTORS' REMUNERATION**

#### **Preamble**

The Board of Directors (the "Board") of Cherat Cement Company Limited (the "Company") has adopted this Policy upon the implementation of Section 170 of the Companies Act, 2017 read with Regulation No. 17 of the Code of Corporate Governance.

Amendments, from time to time, to the policy, if any, shall be considered by the Board in light of changes in applicable laws and/or such external circumstances that directly apply to the scope of this policy.

#### **Scope and Applicability**

The policy shall apply to all Non-Executive and Independent Directors who attend Board meetings, Audit Committee meetings, Human Resources and Remuneration Committee meetings and any other meetings called by the Board.

#### **Terms of the Policy**

Through the Articles of the Company, the Board is authorized to fix remuneration of Non-Executive and Independent Directors from time to time. The fee for the Non-Executive and Independent Directors for attending the Board and Committee meetings of the Company shall be as determined by the Board of Directors from time to time.

## **INVESTOR'S GRIEVANCE POLICY**

The Company has an Investors' Grievance Policy in place. Any complaint or observation received either directly by the Corporate Department or during General Meetings are addressed by the Company Secretary. The Shareholders are given the information as desired by them as per the law well in time. All the written complaints are replied to in writing. Our share registrar is CDC Share Registrar Services Limited (CDCSRSL) which is leading name in the field. The Company has many old and loyal shareholders, which shows the trust of the shareholders in the management of the Company.

## DIVERSITY POLICY

The Company is committed to fostering, cultivating and preserving a culture of diversity and inclusion. Our human capital is the most valuable asset we have. The collective sum of the individual differences, life experiences, knowledge, inventiveness, innovation, self-expression, unique capabilities and talent that our employees invest in their work represents a significant part of not only our culture, but also our reputation and the Company's achievements as well.

We embrace and encourage our employees' differences in age, color, disability, ethnicity, family or marital status, gender identity or expression, language, national origin, physical and mental ability, political affiliation, race, religion, socio-economic status, veteran status, and other characteristics that make our employees unique. Cherat Cement Company Limited's 'diversity initiatives are applicable but not limited to our practices and policies on recruitment and selection; compensation and benefits; professional development and training; promotions; transfers; social and recreational programmes; layoffs; terminations; and the ongoing development of a work environment built on the premise of gender and diversity equity that encourages and enforces:

- Respectful communication and cooperation between all employees.
- Teamwork and employee participation, permitting the representation of all groups and employee perspectives.
- Employer and employee contributions to the communities we serve to a greater understanding and respect for diversity.

All employees of Cherat Cement Company Limited have a responsibility to treat others with dignity and respect at all times. All employees are expected to exhibit conduct that reflects inclusion during work, at work functions on or off the work site, and at all other company-sponsored and participative events. Any employee found to have exhibited any inappropriate conduct or behavior against others may be subject to disciplinary action.





## REPORT OF THE AUDIT COMMITTEE

### Audit Committee

<b>Mr. Asif Qadir</b>	Chairman
<b>Mr. Arif Faruque</b>	Member
<b>Mr. Akbarali Pesnani</b>	Member

The Audit Committee of the Company comprises of two Non-Executive Directors and one Independent Non-Executive Director who is the Chairman of the Committee. The Head of Internal Audit attends Audit Committee meetings. The Chief Executive Officer and Chief Financial Officer attend Audit Committee meetings by invitation. The Audit Committee also separately meets the external auditors at least once in a year without the presence of the Management.

Meetings of the Audit Committee are held at least once every quarter. Four meetings of the Audit Committee were held during the year 2022-2023. Based on reviews and discussions in these meetings, the Audit Committee reports that:

1. The Company has issued a Statement of Compliance with the Code of Corporate Governance which has also been reviewed and certified by the auditors of the Company.
2. The Audit Committee reviewed and approved the quarterly, half yearly and annual financial statements of the Company and recommended them for approval of the Board of Directors. Further, the financial statements comply with the requirements of the Fourth Schedule to the Companies Act, 2017, and applicable International Accounting Standards and International Financial Reporting Standards notified by SECP.
3. The Audit Committee has reviewed and approved all related party transactions.
4. The Audit Committee takes into account any feedback from the Board of Directors and incorporates for improvement.

### Internal Audit And Risk Management

1. For appraisal of internal controls and monitoring compliance, the Company has in place an appropriately staffed, Internal Audit department. The Audit Committee reviewed the resources and performance of the Internal Audit department to ensure that they were adequate for the planned scope of the Internal Audit function. Head of Internal Audit Department has direct access to the Audit Committee.
2. An Internal Audit Risk Assessment document is submitted to the Audit Committee and based on that an Audit Plan is prepared to mitigate the risks involved in the Company's operations.

Further, on the basis of this plan, audits are conducted and reports are submitted. The Committee on the basis of the said reports reviews the adequacy of controls and compliance shortcomings in areas audited and discuss corrective actions in the light of management responses. Regular follow ups of these reports are also taken. This ensures the continual evaluation of controls and improved compliance. Minutes of Audit Committee meetings are timely circulated to the Board of Directors.

3. For continuous improvement of internal controls, the Committee also discussed the internal controls and the management letter with the external auditors.

### EXTERNAL AUDIT

1. The external auditors M/s. EY Ford Rhodes, Chartered Accountants were allowed direct access to the Audit Committee and necessary coordination with internal auditors was ensured. Major findings arising from audits and any matters that the external auditors wished to highlight were freely discussed with them.
2. The Audit Committee has reviewed and discussed with the external auditors and management, all the Key Audit Matters and other issues identified during the external audit along with the methods used to address the same.
3. Being eligible for reappointment as Auditors of the Company, the Audit Committee has recommended the appointment of M/s EY Ford Rhodes, Chartered Accountants as External Auditors of the Company for the year ending June 30, 2024 as it is one of the Big Four audit firm and has thorough knowledge of the Company's business and industry due to long association with the Company.
4. The Company also obtains taxation related services from M/s. EY Ford Rhodes, Chartered Accountants as it is one of the reputed firm in provision of said services and has sound professional policies and procedure to ensure compliance of independence.

By Order of the  
Audit Committee

**Asif Qadir**  
Chairman

September 04, 2023





EY Ford Rhodes  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

UAN: +9221 111 113937 (EYFR)  
Tel: +9221 3565 0007-11  
Fax: +9221 3568 1965  
ey.khi@pk.ey.com  
ey.com/pk

## INDEPENDENT AUDITOR'S REVIEW REPORT

### To the members of Cherat Cement Company Limited (the Company) Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Cherat Cement Company Limited (the Company) for the year ended 30 June 2023 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2023.

Chartered Accountants  
Place: Karachi  
Date: 08 September 2023  
UDIN: CR202310120jvyp09QFU

# STATEMENT OF COMPLIANCE

## with Listed Companies (Code of Corporate Governance) Regulations, 2019 for the year 2023

The company has complied with the requirements of the Regulations in the following manner:

- The total number of Directors are 8 (eight) as per the following; -
  - Male: 7
  - Female: 1
- The composition of Board is as follows:

Category	Names
<b>Independent Directors</b>	<b>Mr. Asif Qadir</b> <b>Mr. Abrar Hasan</b> <b>Mrs. Zeeba Ansar</b>
<b>Non - Executive Directors</b>	<b>Mr. Omar Faruque</b> <b>Mr. Arif Faruque</b> <b>Mr. Akbarali Pesnani</b>
<b>Executive Directors</b>	<b>Mr. Azam Faruque</b> <b>Mr. Yasir Masood</b>
<b>Female Director</b>	<b>Mrs. Zeeba Ansar</b>

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
- The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
- The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
- All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/shareholders as empowered by the relevant provisions of the Act and these Regulations;
- The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
- The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
- Following Directors and Executives are either exempt or have attended Directors' Training program till June 30, 2023:

### Name of Directors & Executives :

**Mr. Omar Faruque**  
**Mr. Azam Faruque**  
**Mr. Akbar Ali Pesnani**  
**Mr. Arif Faruque**  
**Mr. Asif Qadir**  
**Mr. Abrar Hasan**  
**Mrs. Zeeba Ansar**  
**Mr. Yasir Masood**

**Chairman**  
**Chief Executive**  
**Director**  
**Director**  
**Director**  
**Director**  
**Director**  
**Director & Chief Operating Officer**

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed committees comprising of members given below:
  - a) **Audit Committee**

<p><b>Mr. Asif Qadir</b>  <b>Mr. Akbarali Pesnani</b>  <b>Mr. Arif Faruque</b></p>	<p><b>Chairman</b>  <b>Member</b>  <b>Member</b></p>
--	--
  - b) **HR and Remuneration Committee**

<p><b>Mr. Abrar Hasan</b>  <b>Mr. Azam Faruque</b>  <b>Mr. Omar Faruque</b></p>	<p><b>Chairman</b>  <b>Member</b>  <b>Member</b></p>
---	--
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:
  - a) Audit Committee. - Quarterly
  - b) HR and Remuneration Committee. - Half Yearly
15. The Board has set up an effective internal audit function supervised by a Head of Internal Audit who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company;
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard; and
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 have been complied with.

**On behalf of the Board of Directors**

  
**Omar Faruque**  
 Chairman

  
**Azam Faruque**  
 Chief Executive

Karachi: September 5, 2023

# CHAIRMAN AND CHIEF EXECUTIVE

## Offices of the Chairman and Chief Executive

Being a corporate governance compliant company, Cherat Cement Company Limited designates separate persons for the position of the Chairman of the Board of Directors and the office of the Chief Executive with clear division of roles and responsibility.

Pursuant to the provisions of Section 192(2) of the Companies Act 2017, the Board of Directors of Cherat Cement Company Limited has outlined the roles and responsibilities of the Chairman as well as the Chief Executive Officer (CEO) of the Company, which are detailed here in below;

### Role of Chairman

The principal role of the Chairman of the Board is to manage and to provide leadership to the Board of Directors of the Company. The Chairman is accountable to the Board. The Chairman acts as the communicator for Board decisions where appropriate.

More specifically, the duties and responsibilities of the Chairman are as follows:

- acting as a liaison between management and the Board, through the CEO;
- keeping abreast generally of the activities of the Company and its management;
- ensuring that the Directors are properly informed and that sufficient information is provided to enable the Directors to form appropriate judgements and make informed decisions;
- preparing the review report (to be included with the annual financial statements) on the overall performance of the Board of Directors and effectiveness of the role played by the Board of Directors in achieving the Company's objectives;
- developing and setting the agendas for meetings of the Board;
- acting as Chair at meetings of the Board;
- ensuring that the minutes of Board meetings are appropriately recorded and reviewing and signing minutes of Board meetings;
- presiding over the Board meetings and ensuring that all relevant information has been made available to the Board;
- confirming the quorum of the meeting;

- ensuring that the agenda, notice of meeting alongwith all relevant material were circulated within stipulated time;
- ensuring that the minutes of the Board meetings are kept in accordance with applicable laws;
- ensuring that the appropriate recording and circulation of the minutes of the Board meeting to the Directors and officers entitled to attend the Board meetings;
- safeguarding shareholders' interest in the Company;
- issuing the letter to the directors at the commencement of each three year term of the Directors setting out their role, obligations, powers and responsibilities;
- ensuring that the Board is playing an effective role in fulfilling its responsibilities;
- determining the date, time and location of the annual or extraordinary general meetings of share holders and to develop the agenda for the meeting;
- presiding as chairman at every General Meeting of the Company;
- recommending to the Board, after consultation with the Directors and management, the appointment of members of the Committees of the Board;
- assessing and making recommendations to the Board annually regarding the effectiveness of the Board.

### Role of Chief Executive

The CEO is, subject to control and directions of the Board, entrusted with the powers of management of affairs of the Company. In such capacity the CEO's role and responsibilities include:

- planning, formulating and implementing strategic policies;
- ensuring the achievement of productivity and profitability targets and efficient Company operations;
- ensuring that necessary coordination exists

- between various departments of the Company to achieve smooth and effective operations;
- maintaining an ongoing dialogue with the Directors in regard to changes in and implementation of Company's policies and the performance and development of the Company's business;
  - ensuring that the Company's interests and assets are properly protected and maintained and all the required Government obligations are complied with in a timely manner;
  - maintaining a close liaison with the Government, customers, suppliers and sales offices;
  - chalking out human resource policies for achieving high professional standards, overall progress betterment of the Company as a whole;
  - ensuring that proper succession planning for all levels of hierarchy exists in the Company and the same is constantly updated;
  - ensuring proper functioning of the Management Committees of the Company of which he is the chairman;
  - preparing and presenting personally to the Board of Directors following reports/details:
    - annual business plan, cash flow projections and long-term plans.
    - budgets including capital, manpower and overhead budgets along with variance analysis.
    - quarterly operating results of the Company in terms of its operating divisions and segments.
  - promulgation or amendment of the law, rules or regulations, accounting standards and such other matters as may affect the Company.
  - reviewing performance against budgets / targets, revenue and capital expenditure, profits, other administration, commercial, personal and other matters of importance to the Company.
  - ensuring that open and progressive atmosphere is created among employees giving them a sense of participation and providing them with an opportunity to give their best.



## SALIENT FEATURES OF TERMS OF REFERENCE OF THE AUDIT COMMITTEE AND THE HUMAN RESOURCE & REMUNERATION COMMITTEE

The Board is assisted by two Committees, namely the Audit Committee and the Human Resource & Remuneration Committee, to support its decision making in their respective domains:

### Audit Committee

**Mr. Asif Qadir**  
**Mr. Akbarali Pesnani**  
**Mr. Arif Faruque**

**Chairman**  
**Member**  
**Member**

The Audit Committee comprises of three Non-Executive Directors one of whom is Independent. The Chairman of the Committee is an Independent Director.

Meetings of the Audit Committee are held at least once every quarter. The Committee reviews the annual financial statements in the presence of external auditors. The recommendations of the Audit Committee are then submitted for approval of financial results of the Company by the Board. During the year 2022-23, the Audit Committee held Four [4] meetings. The minutes of the meetings of the Audit Committee are provided to all the members, Directors and the Chief Financial Officer. The Head of Internal Auditor attends the Audit Committee meetings regularly and meets the Audit Committee without the presence of the Management, at least once a year, to point out various risks, their intensity and suggestions for mitigating risks and improvement areas. The business risks identified are then referred to the respective departments and mitigating actions are then implemented.

### Terms of Reference of Audit Committee

The Code of Corporate Governance mandates that the Board of Directors of the Company shall determine the Terms of Reference of the Audit Committee.

In light of the mandate the Board of Directors of Cherat Cement Company Limited has drafted and approved the following terms of Reference for its Audit Committee. This is a non-exhaustive list and only outlines the most important guidelines for the Committee. Amendments to these shall be made from time to time in line with change in laws, and internal and external relevant factors.

The Committee shall;

- a) determine appropriate measures to safeguard the company's assets;
- b) review annual and interim financial statements of the company, prior to their approval by the Board of Directors, focusing on:
  - (i) major judgmental areas;
  - (ii) significant adjustments resulting from the audit;
  - (iii) going concern assumption;
  - (iv) any changes in accounting policies and practices;
  - (v) compliance with applicable accounting standards;
  - (vi) compliance with these regulations and other statutory and regulatory requirements; and
  - (vii) all related party transactions.

- c) review preliminary announcements of results prior to external communication and publication;
- d) facilitate the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- e) review management letter issued by external auditors and management's response thereto;
- f) ensure coordination between the internal and external auditors of the company;
- g) review the scope and extent of internal audit, audit plan, reporting framework and procedures and ensure that the internal audit function has adequate resources and is appropriately placed within the company;
- h) consider major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
- i) ascertain that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
- j) review the company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;
- k) institute special projects, value for money studies or other investigations on any matter specified by the board of directors, in consultation with the Chief Executive Officer and consider remittance of any matter to the external auditors or to any other external body;
- l) determine compliance with relevant statutory requirements;
- m) monitor compliance with these regulations and identify significant violations thereof;
- n) review arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
- o) recommend to the board of directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements. The board of directors shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof.
- p) consider any other issue or matter as may be assigned by the Board of Directors.

## **Human Resource & Remuneration Committee**

The Code of Corporate Governance mandates that the Board of Directors of the Company shall determine the Terms of Reference of the Human Resource and Remuneration Committee.

## **Human Resource & Remuneration Committee**

**Mr. Abrar Hasan**  
**Mr. Azam Faruque**  
**Mr. Omar Faruque**

**Chairman**  
**Member**  
**Member**

In light of the mandate the Board of Directors of Cherat Cement Company Limited has drafted and approved the following terms of Reference for its HR&R Committee. This is a non-exhaustive list and only outlines the most important guidelines for the Committee. Amendments to these shall be made from time to time in line with change in laws, and internal and external relevant factors.



#### **The Committee shall;**

- i) recommend to the Board for consideration and approval a policy framework for determining remuneration of directors (both executive and non-executive directors and members of senior management). The definition of senior management will be determined by the Board which shall normally include the first layer of management below the Chief Executive Officer level;
- ii) undertake annually a formal process of evaluation of performance of the Board as a whole and its committees either directly or by engaging external independent consultants and if so appointed, a statement to that effect shall be made in the directors' report disclosing name, qualifications and major terms of appointment;
- iii) recommend human resource management policies to the Board;
- iv) recommend to the Board the selection, evaluation, development, compensation (including retirement benefits) of Chief Operating Officer, Chief Financial Officer, Company Secretary and Head of Internal Audit;
- v) carry out consideration and approval on recommendations of Chief Executive Officer on such matters for key management positions who report directly to Chief Executive Officer or Chief Operating Officer;
- vi) where human resource and remuneration consultants are appointed, their credentials shall be known by the committee and a statement shall be made by them as to whether they have any other connection with the company; and
- vii) carry out all actions in addition to those stated above, in order to ensure that the Company's risks are mitigated and growth in the right direction is taking place.

Records: All documentation related to the holding, proceedings and recommendations of the HR & R Committee shall be ensured by and stored with the Secretary (HR & RC).

#### **Strategy and Performance**

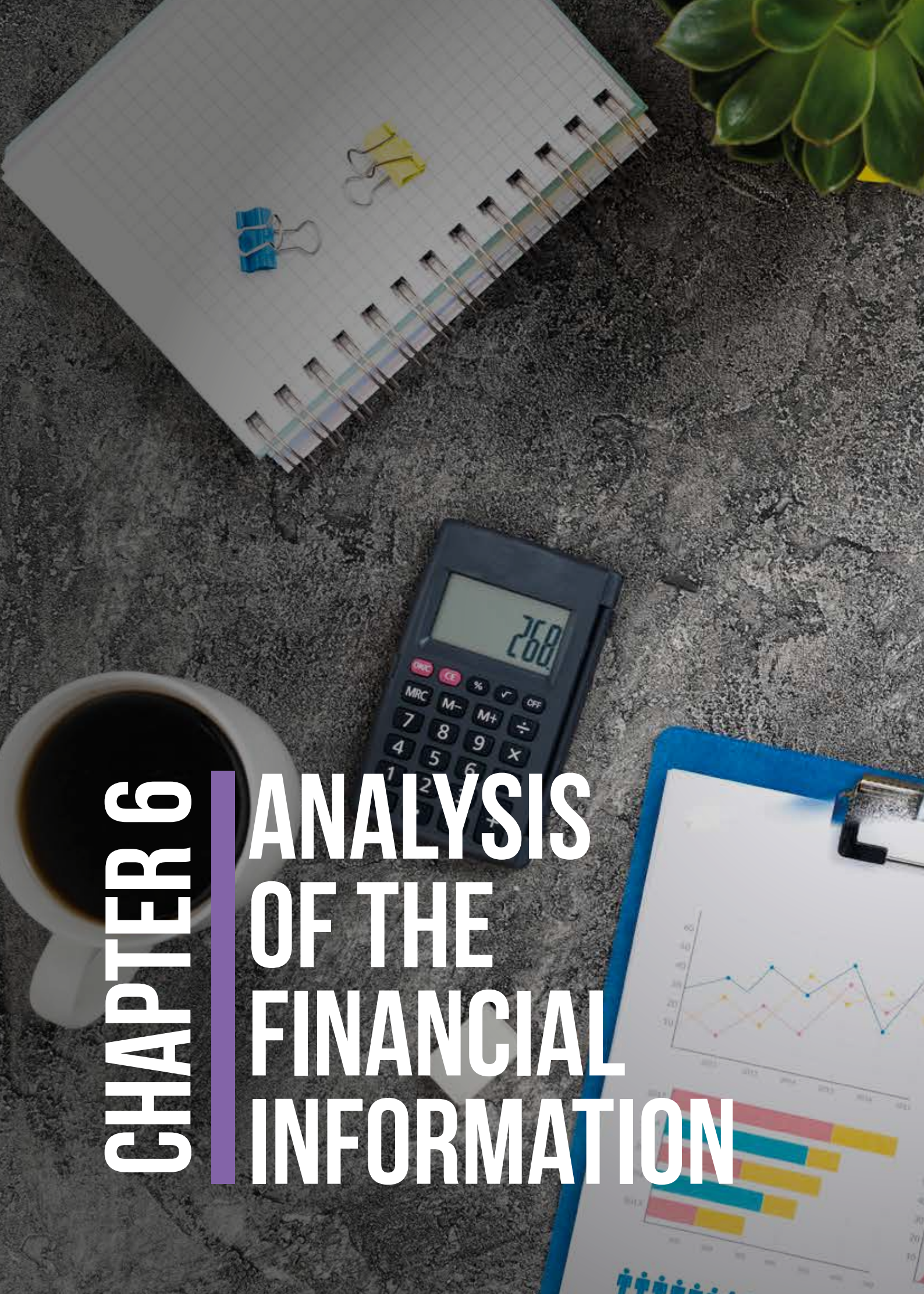
The Board reviews the implementation of organization's strategic & financial plans, Board meeting agendas and supporting documents provide sufficient information and time to explore & resolve key issues. Board members demonstrate preparation for meetings through active participation in decision making.





# CHAPTER 6

# ANALYSIS OF THE FINANCIAL INFORMATION



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- 139** Non Financial Indicators
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- 159** Statement of Cash Flows - Direct Method
- 160** Quarterly Performance Analysis
- 161** Share Price Sensitivity Analysis
- 163** Composition of local and imported material and sensitivity analysis due to foreign currency fluctuations
- 164** Calendar of Notable Events



# ANALYSIS OF THE FINANCIAL AND NON-FINANCIAL PERFORMANCE

## FINANCIAL INDICATORS:

### Actual Results:

Pakistan has achieved GDP growth at 0.29 % in the fiscal year 2022-2023. However, this growth in the economy is not translated into cement demand and the cement industry witnessed a negative growth of 16% during the year. While, the local cement industry declined by 16%, whereas export cement declined by 13% during the financial year 2022-2023. In line with this, Cement dispatches of the Company decreased by 19% whereas sales revenue increased by 17% due to favorable sales price variance as an adjustment to increase in input cost. Our local cement price increased significantly by Rs. 3,940 per ton whereas the export price increased by Rs. 5,018 per ton. Hence, our average sales price increased by Rs. 3,991 per ton. Additionally, the Cost of sales increased by Rs. 2,980 per ton due to increase in fuel and power cost. In line with this, our Gross profit increased from Rs. 2,520 per ton to Rs. 3,531 per ton (increased by Rs. 1,011 per ton). Finance costs increased from Rs. 1,359 million to Rs. 1,914 million as compared to the corresponding year. During the year, the Company posted an after-tax profit of Rs. 4,404 million as compared to after tax profit of Rs. 4,456 million in the corresponding year.

Summarized operating performance of the Company for the current year as compared to last year is as follows:

	2023	2022
	(Rupees in million)	
Net sales	37,386	32,085
Cost of sales	27,249	23,135
Gross profit	10,137	8,951
Expenses and taxes	5,733	4,495
Net profit	4,404	4,456

In quantitative terms, total dispatches showed decline from 3,552,473 to tons 2,870,738 (i.e. by 681,736 tons) which is 19%. Further, cement export increased by 13%.

	2023	2022
	(in tons)	
Domestic sales	2,539,391	3,259,763
Export sales	331,347	292,710
Total sales	2,870,738	3,552,473

### Budgeted Results:

After incorporating all factors i.e. updating budget assumptions, reviewing bottlenecks, available funding, obtaining department budgets, obtaining capital budget requests, manufacturing capacities etc. the budget for 2022-2023 has been made. This year, the Company has set sales volume, which was challenging considering the slowdown in the economy due to inflation and lower allocation of PSDP and flood. The company met all its targets except for a few.

	2023	2023
	Actual	Budget
	(in tons)	
Total sales volume	2,870,738	3,700,000

Actual vs budget figures under respective heads are as follows:

	2023	2023
	Actual	Budget
	(Rupees in million)	
Net sales	37,386	43,650
Cost of sales	27,249	35,622
Gross profit	10,137	8,028
Expenses and taxes	5,733	4,413
Net profit	4,404	3,615

The Company has maintained a healthy dividend payout history. Subsequent to year ended June 30, 2023, the Board of Directors in its meeting held on September 05, 2023 has recommended a final cash dividend @ 3.00 per share, which will be approved by shareholders in the AGM. This is in addition to the interim cash dividend @ Rs. 1.50/- per share for the year ended June 30, 2023.

The Company has duly paid taxes, duties and other levies on a timely basis without any overdue or outstanding of such payments and complied with applicable laws and regulations.

# BUILDING A BETTER FUTURE

## NON-FINANCIAL INDICATORS

 <b>Capital forms</b>	 <b>Objective</b>	 <b>KPIs Monitored</b>	 <b>Future relevance</b>
<b>Manufactured Capital</b>	<ul style="list-style-type: none"> <li>Product development</li> <li>Business optimization</li> <li>Maintain leadership position in Industry and expand sales</li> <li>Enhance operational efficiency and efficient inventory management</li> <li>Economize on costs – eliminating redundancies Sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Produce high quality and low cost Ordinary Portland Cement (OPC).</li> <li>Analyse various prospects of investments in cement industry and invest in the most promising venture.</li> <li>Market share, sale price management and identification of new markets.</li> <li>Production efficiency ratios and Activity ratios.</li> <li>Optimization of available resources and better allocation of fixed costs.</li> <li>Current Ratio, Gearing and Interest Cover.</li> </ul>	<p>The KPIs shall remain relevant in the future.</p>
<b>Human Capital</b>	<ul style="list-style-type: none"> <li>Health &amp; safety of workers</li> <li>Training and education</li> </ul>	<ul style="list-style-type: none"> <li>Provision congenial and clean environment along with safety supplies for smooth work.</li> <li>Continuous training of employees and workers. Monitor training need analysis with special focus on health and safety at work.</li> </ul>	
<b>Relationship Capital</b>	<ul style="list-style-type: none"> <li>Shareholder value</li> <li>Stock value</li> <li>Suppliers and Customer relationships</li> </ul>	<ul style="list-style-type: none"> <li>EPS, ROE, Asset Turnover and DPS</li> <li>Analyse market price as a measure of relationship capital</li> <li>Assess the payment stream and ensure timely payment.</li> <li>Provide customer with maximum support beyond customer-supplier relationship</li> </ul>	



## CHANGE IN INDICATORS AND PERFORMANCE MEASURES

Cherat Cement Company Limited has established key indicators, which pertain to its key performing areas. Such indicators are subject to change with the Internal and external environment associated with the organization. The Company has identified KPI's that are critical to its business. While identifying KPI's, the Company analysed various indicators, their interpretations and accordingly their extent to which they may correctly and clearly communicate the Company's performance. Some important indicators are as under:

### **Market Share:**

Market share is a critical key indicator for scaling market competitiveness with respect to size and capacity of the Company. Cherat is a premium brand of Ordinary Portland Cement in Pakistan and Afghanistan. Our main markets in Pakistan are KPK, FATA, Azad Kashmir and Punjab and small market in Sindh. As per the basic data available on the website of All Pakistan Cement Manufacturers Association our market share is around 7% because of our superior quality and commissioning of line-III. Cherat is the first choice of customers in most of the markets.

### **Financial Leverage:**

The company maintains a dynamic process for assessing its financial leverage, ensuring alignment with its capital structure policies. It actively seeks to capitalize on cost-effective opportunities through negotiations with financial institutions. After the recent expansion projects and the installation of solar panels and Wartsila gensets, the company's financial leverage increased significantly last year. However, in the current year, the long-term debt-to-equity ratio improved to 33%, marking a 26.67% decrease compared to the previous year. This improvement was primarily due to the timely repayment of long-term loans, both according to the schedule and ahead of schedule. Leverage is neither inherently good nor bad. Its resultant effect is based on the investment options selected by the company to amplify its shareholders' return on investment by investing in projects whose returns exceed the cost of debts uses it. Nonetheless, uncontrolled debt levels can lead to credit downgrades or worse. On the other hand, too few debts can also raise questions on the Company's ability to capitalize the opportunities. However, it is linked to the capital structure policy of a company.

### **Variable Cost per unit:**

The company has launched green energy projects, such as solar and WHRS. Through these initiatives, the company has successfully lowered its controllable variable costs.

### **Fixed Cost per unit:**

Higher production capacities of an entity help in bringing down the cost per unit of the item manufactured. In our Company, Post production of Line-III fixed cost per unit reduce. Company is keen to bring its fixed cost per unit down in order to enhance its profitability.

## EXPLANATION OF NEGATIVE CHANGES IN PERFORMANCE OVER THE PERIOD

The country is facing an unprecedented economic challenge due to political uncertainty, unstable position of foreign reserves, all time high interest rate and rising inflation. Last year's floods, rupee devaluation, and energy price hikes worsened inflation. To counter this, the government implemented monetary tightening and import restrictions. While a 9-month Staff Level Agreement to be supported by stand by arrangements with the IMF was achieved. During the year, local dispatches of the Company decreased by 22% and export sales to Afghanistan increased by 13%. On aggregate basis, the cement dispatches of the Company reduced by 16% from last year.

# BUILDING A BETTER FUTURE

There has been a 17% increase in the sales revenue over the preceding year. This was mainly due to upward adjustment in cement prices due to cost inflation in inputs. During the year, cost of sale increased by 18% due to higher fuel and power costs. There was significant increase in coal and electricity prices due to persistent higher prices of international coal and oil. However, the Company mitigated the total impact of these cost through operational efficiencies. There was increased in finance cost as compared to last year mainly due to surged of KIBOR. Moreover, a substantial tax provision has been recorded due to increase in rate of super tax from 4% to 10%. Despite these challenges, the company posted the after-tax profit of Rs. 4,404 million for the year ended June 30, 2023.

The detailed explanation pertaining to the negative changes in performance against prior year is provided in the relevant sections of the analysis of financial statements and the vertical and horizontal analysis of Statement of Financial Position, Statement of Profit or Loss, Quarterly performance and Statement of Cash Flows.

## Debt Repayment

The Company has history of prompt debt repayment obligations. Instead, the Company has the practice of early settlement of its debts to improve its capital structure and to reduce costs. During the period, the Company has made early full repayment of Waste Heat Recovery (WHR) loan amounting to Rs.600 million along with regular principal repayments amounting to Rs 3,185 million relating to other loans. Given the present economic situation, the company has successfully produced healthy cash flows, demonstrating a solid financial standing and dedication.

## Segment Results

The activities of the Company are organized into one operating segment based on its manufacturing, marketing and sale of cement. However, the Company has been maintaining its books of accounts line wise. Analysis of local and export sales is given in the Director's Report.

## Market Share

"Cherat" brand is widely acknowledged as the best quality cement brand of Pakistan. The Company is a leading brand having vast customer base with the presence in almost all over in Pakistan and Afghanistan, where it exported. Presently, due to the effective marketing efforts and superior quality of our brand, we have around 7% market share of cement sales in Pakistan, as evident from the basic data of All Pakistan Cement Manufacturing Association website.





# ANALYSIS OF FINANCIAL RATIOS

FOR THE YEAR ENDED JUNE 30, 2023

<b>Profitability Ratios:</b>	<b>2023</b>	2022	2021	2020	2019	2018
Gross Profit Ratio (percentage)	<b>27.11</b>	27.90	26.69	2.26	18.18	21.82
Net Profit Before Tax to Sales (percentage)	<b>19.45</b>	21.28	17.21	(15.93)	6.61	14.92
Net Profit to sales (percentage)	<b>11.78</b>	13.89	12.72	(11.08)	11.11	14.82
EBITDA Margin to Sales (percentage)	<b>28.86</b>	30.57	29.88	9.14	22.59	24.98
Operating Leverage Ratio	<b>0.74</b>	1.45	(65.16)	(14.08)	(1.22)	(0.15)
Return on Equity (average in percentage)	<b>23.06</b>	28.84	27.11	(17.36)	15.38	19.71
Return on Capital Employed (percentage)	<b>14.58</b>	14.72	11.11	(6.91)	5.98	8.12
Shareholders' Funds (percentage)	<b>53.12</b>	44.86	39.74	30.54	33.32	36.61
Return on Shareholders' Funds (percentage)	<b>21.09</b>	25.71	23.62	(18.86)	15.00	19.0
Total Shareholder Return	<b>34</b>	(46)	106	182	(57)	(43)
<b>Liquidity Ratios:</b>						
Current Ratio	<b>1.21</b>	1.06	1.08	1.14	1.31	1.72
Quick / Acid Test Ratio	<b>0.93</b>	0.97	0.88	0.92	1.05	1.46
Cash to Current Liabilities	<b>0.02</b>	0.11	0.02	0.01	0.00	0.01
Cash flow to from operations to sales	<b>0.26</b>	0.19	0.27	0.21	0.09	0.18
Cash flow to capital expenditures	<b>3.51</b>	1.72	3.58	11.23	0.36	0.24
Cash flow coverage Ratio	<b>0.91</b>	0.36	0.40	0.18	0.07	0.17
<b>Investment / Market Ratios:</b>						
Earnings per Share (Before Tax) - Basic & Diluted	<b>37.43</b>	35.15	22.32	(14.01)	5.39	11.05
Earnings per Share (After Tax) - Basic & Diluted	<b>22.67</b>	22.93	16.50	(9.74)	9.07	10.97
Price Earnings Ratio	<b>5.31</b>	4.06	10.75	(8.95)	3.41	8.86
Price to Book Ratio	<b>1.12</b>	1.04	2.54	1.68	0.47	1.54
Dividend Yield Ratio	<b>0.04</b>	0.03	0.01	-	0.03	0.05
Dividend Payout Ratio	<b>0.20</b>	0.13	0.14	-	0.11	0.46
Dividend Cover Ratio	<b>5.04</b>	7.64	7.33	-	9.07	2.19
Cash Dividend per Share	<b>4.50</b>	3.00	2.25	-	1.00	5.00
Stock Dividend per Share (percentage)	-	-	-	-	10.00	-
Market Value per Share						
- Closing	<b>120.28</b>	93.04	177.38	87.17	30.96	97.23
- High	<b>130.51</b>	181.06	192.32	95.91	97.64	174.53
- Low	<b>76.32</b>	89.96	91.88	24.63	29.70	88.50
Break-up Value per Share	<b>107.46</b>	89.12	69.94	51.74	66.56	63.26
Break-up Value per Share including the effect of all Investment	<b>109.56</b>	91.60	73.34	53.76	68.00	65.51
Break-up Value per Share including Investment in Related Party at Market Value	<b>109.56</b>	91.60	73.34	53.76	68.00	65.51
<b>Capital Structure Ratios:</b>						
Financial Leverage Ratio	<b>0.52</b>	0.99	1.26	1.99	1.75	1.44
Weighted Average Cost of Debt	<b>0.13</b>	0.09	0.08	0.13	0.09	0.06
Debts to Equity Ratio (percentage)	<b>23.39</b>	36.42	48.16	62.74	58.98	56.81
Interest Cover Ratio (Times)	<b>4.80</b>	6.03	3.85	(0.08)	1.92	7.02
Net Assets per Share	<b>107.46</b>	89.12	69.94	51.74	66.56	63.26
<b>Activity / Turnover Ratios:</b>						
Total Assets Turnover Ratio	<b>0.95</b>	0.83	0.74	0.52	0.45	0.47
Fixed Asset Turnover Ratio	<b>1.29</b>	1.16	0.98	0.67	0.59	0.60
Inventory Turnover (Days)	<b>21</b>	15	19	24	28	26
Inventory Turnover (Times)	<b>17</b>	24	19	15	13	14
Debtor Turnover (Days)	<b>13</b>	11	12	10	11	12
Debtor Turnover (Times)	<b>28</b>	34	31	38	34	31
Creditor Turnover (Days)	<b>9</b>	11	13	16	25	21
Creditor Turnover (Times)	<b>43</b>	15	18	22	33	29
Operating Cycle (Days)	<b>25</b>	15	20	17	11	12
<b>Employee Productivity ratios</b>						
Production per Employee	<b>2,821</b>	3,501	4,105	3,480	2,479	2,760
Revenue per Employee (Rs. In thousand)	<b>36,833</b>	32,250	26,203	17,655	15,780	16,350
Staff turnover ratio (Percentage)	<b>4.44</b>	2.64	3.10	4.94	4.64	4.77
<b>Non-Financial Ratios</b>						
% of Plant Availability (percentage)	<b>71</b>	97.40	98.25	95.65	84.17	100.70
Customer Satisfaction Index (percentage)	<b>99.6</b>	98.78	99.50	99.20	98.10	98.00
<b>Others</b>						
Spares Inventory as % of Assets Cost	<b>6.71</b>	5.80	5.89	5.70	3.60	3.08
Maintenance Cost as % of Operating Expenses	<b>3.47</b>	4.73	4.33	3.13	5.11	5.01



## COMMENTS ON RATIOS

### Profitability Ratios:



The company experienced a positive growth in profit before tax but on the contrary a slight decline in profit after tax due to increase in rate of super tax from 4% to 10% with retrospective effect vide Finance Act 2023. However, the company managed to maintain these ratios through a strategic approach of increasing retention prices and implementing effective cost controls, achieved by creating efficiencies in its processes and supply chain. This strategy was further enhanced by an ongoing initiative to transition from reliance on the national power grid to self-generation of energy. This transition was successfully executed by installing a solar power plant, leading to increased cost efficiency. As a result of these factors, the return on equity has declined due to consistent profitability and higher denominator impact i.e., equity.

### Liquidity Ratios:



The Company is showing positive indications of effective liquidity management ratios, highlighting its robust financial position. The Company is in well positioned to manage its immediate financial obligations and implement sustainable strategies for maintaining liquidity levels over time, along with enhanced working capital management. The company's liquidity position in the current year is displaying a trend towards improvement. Furthermore, the company adopts a prudent approach by directing its cash towards high-yielding assets or the repayment of high-cost liabilities.

### Investment / Market Ratios:



The company is dedicated to generating value for its shareholders and has successfully enhanced its investment/market ratios even in the face of challenging market conditions. Through the implementation of effective resource allocation strategies, the Company has achieved nearly the same earnings per share (EPS) compared to the preceding year. Furthermore, the company's steadfast commitment to distributing dividends to its shareholders has contributed to bolstering their confidence. The company demonstrates its capability to optimally allocate its resources, including capital, assets, and human resources, towards projects or investments with the potential for the highest returns. Such proficient resource allocation can wield a substantial influence on a company's overall financial performance.

### Capital Structure Ratios:



Through the utilization of subsidized financing options, the company has effectively reduced its financing costs, achieving a lower weighted average cost of capital in comparison to prevailing market finance alternatives. This development underscores the company's commendable financial efficiency, as decreased financing costs can directly enhance both profitability and overall financial stability. The company has diligently sustained its capital structure through optimal utilization of subsidized long-term and short-term debts provided by the State Bank of Pakistan (SBP). As a consequence, financing expenses have been minimized to the fullest extent, resulting in an improved debt-to-equity ratio and interest coverage ratio for the company. These favorable outcomes can be attributed to increased earnings and the management of loan debt balances.

### Activity / Turnover Ratios:



These ratios encompass the entire timeline from inventory procurement to final receipts, serving as a testament to our steadfast dedication to efficient capital management. A genuine reflection of this commitment is evident in our activity ratios. Notably, the Company showcased its proficiency by successfully selling a significant portion of its cement inventory, resulting in a deliberate extension of inventory turnover days—markedly contrasting with the previous year's limitation of 15 days. In the year 2023, robust sales driven by credit payments led to a noticeable enhancement in our debtor turnover compared to the preceding year. Concurrently, our creditor turnover days experienced a reduction to a mere 9 days. Similarly, the Company's operating cycle extended to 25 days, deviating from the year's average of 15 days. This elongation is the result of purposeful measures undertaken to refine various stages of the operational cycle.

### Employee Productivity Ratios:



The company consistently puts forth significant effort to improve the working environment for its employees. This dedication is evident through the steady employee turnover rate of 4.44% maintained throughout the entirety of 2023, aligning with the average rate for the year. Our employees operate with heightened motivation, which directly translates to enhanced productivity and the overall performance of the company. This is clearly demonstrated by our impressive revenue per employee, reaching Rs. 37.02 million during the fiscal year 2023.

### Non-Financial Ratios:



The non-financial ratios of the company highlight the adept and efficient management of its plant operations. These ratios also signify the company's accomplishment in meeting market demands. Particularly noteworthy is the strong reception of our new brand "KHYBER" in the market, which has experienced remarkable demand, serving as a definitive measure of customer satisfaction. This achievement is a clear testament to our dedication to customer retention through the consistent delivery of high-quality products within an environmentally sustainable framework.

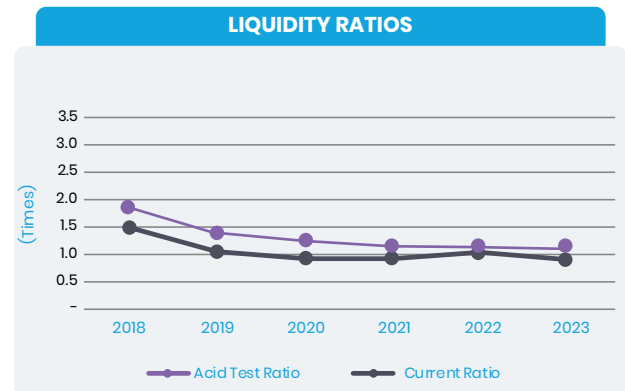
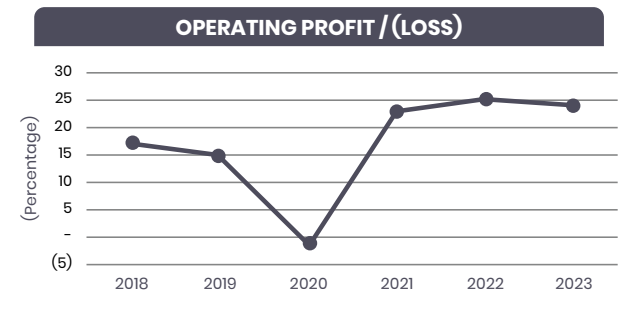
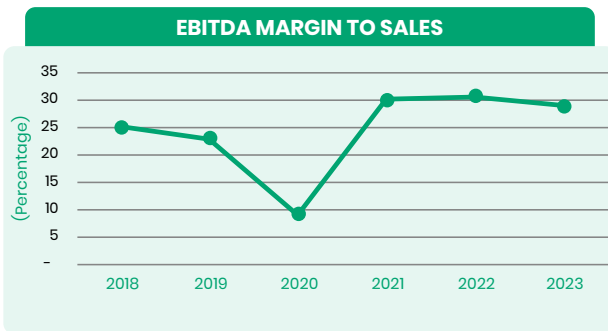
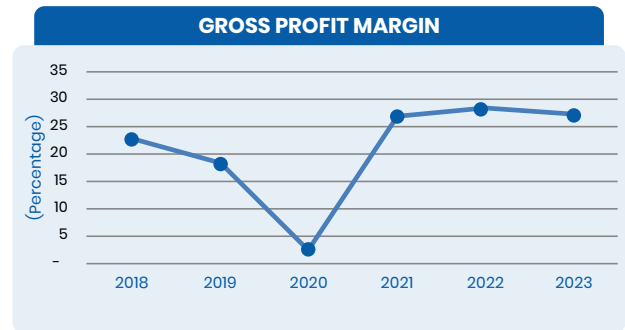
### Others:



The company has progressively undertaken upgrades (BMR) on the existing ones to modernize existing plant with state of the art technology. As a result, there has been a notable increase in the company's spare as well as CAPEX requirements. Through timely BMR and efficient maintenance practices applied to its cement plants, the company has experienced a reduction in its maintenance expenses.

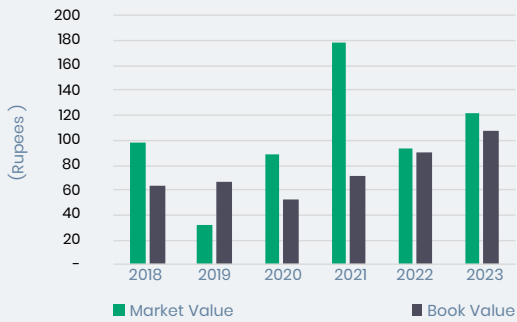


# GRAPHICAL PRESENTATION OF ANALYSIS OF FINANCIAL STATEMENTS

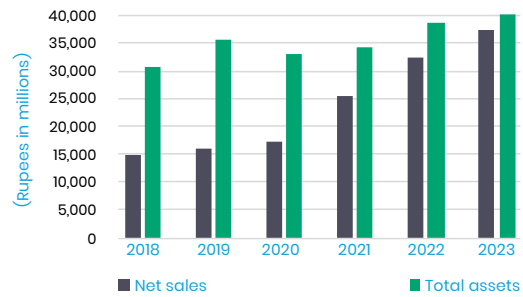


# BUILDING A BETTER FUTURE

## VALUE PER SHARE



## SALES TO TOTAL ASSETS



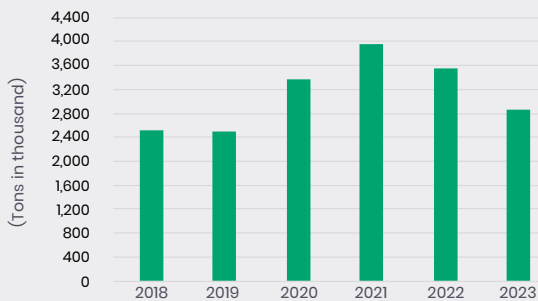
## ASSETS AND LIABILITIES



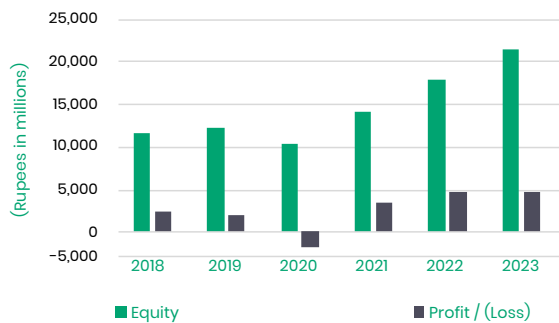
## EQUITY AND LIABILITIES



## CEMENT SALES

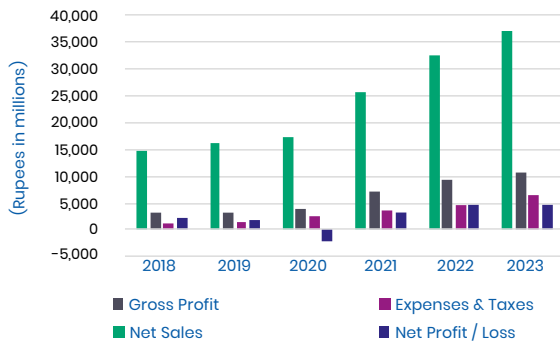


## RETURN ON EQUITY

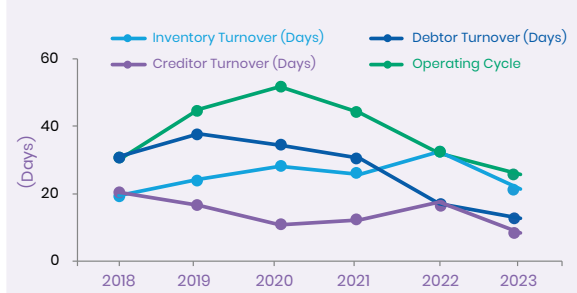




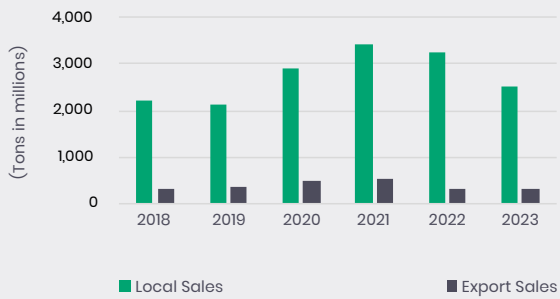
### PROFITABILITY TRENDS



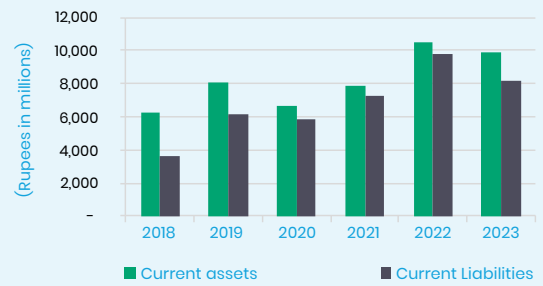
### OPERATING CYCLE



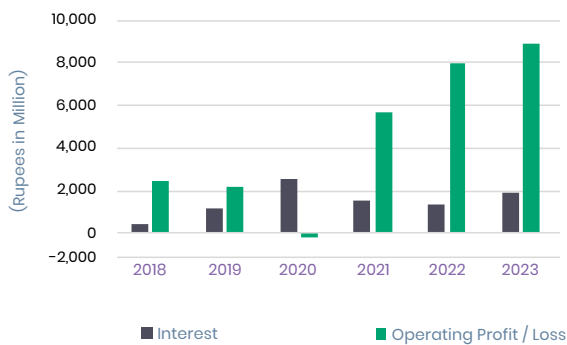
### COMPANY SALES SECTOR WISE



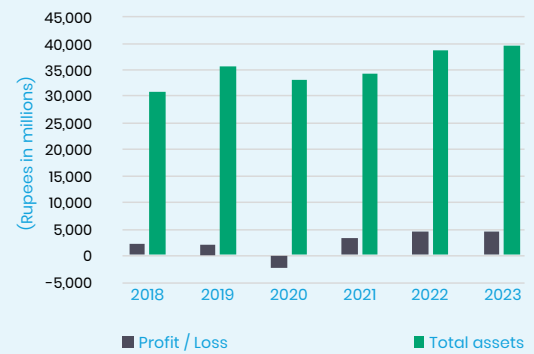
### CURRENT ASSETS AND CURRENT LIABILITIES



### INTEREST COVER



### NET PROFIT / (LOSS) TO TOTAL ASSETS



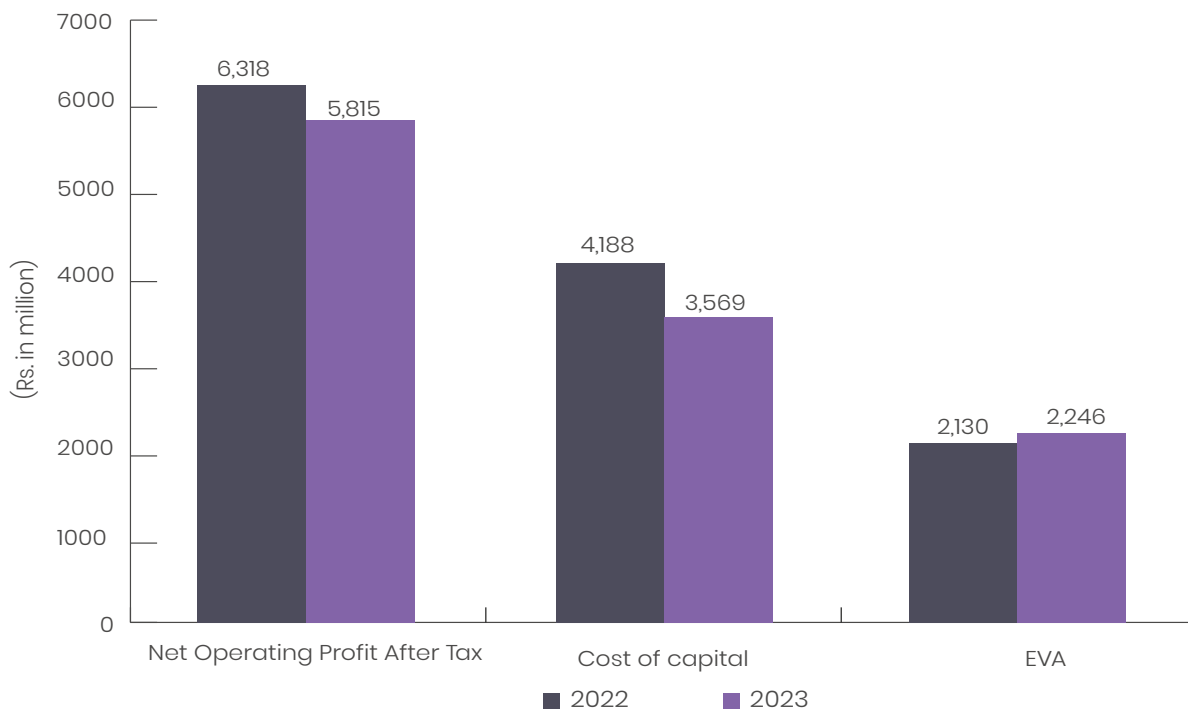
## ECONOMIC VALUE ADDED

	2023	2022
	-----Rupees in 000-----	
Net Operating Profit After Tax	<b>6,318,102</b>	5,814,839
Cost of capital	<b>(4,187,606)</b>	(3,568,823)
Economic Value Added	<b>2,130,496</b>	2,246,016
Cost of Capital		
Total Assets	<b>39,302,286</b>	38,604,886
Current Liabilities	<b>(8,169,362)</b>	(9,847,247)
Invested Capital	<b>31,132,924</b>	28,757,639
Weighted Average Cost of Capital (%)	<b>13.45%</b>	12.41%
Cost of capital	<b>4,187,606</b>	3,568,823

## COMMENTS ON ECONOMIC VALUE ADDED

Economic Value Added (EVA) assesses the performance of the Company and its management. The Company has managed to increase its NOPAT. However, the cost of capital also increased in line with the rise in policy rates, which affected the value of EVA slightly due to the Company's subsidized financing. The Company has been able to maintain its performance by expanding its business, resulting in the creation of wealth and returns for its shareholders.

## GRAPHICAL PRESENTATION OF ECONOMIC VALUE ADDED





## DUPONT ANALYSIS

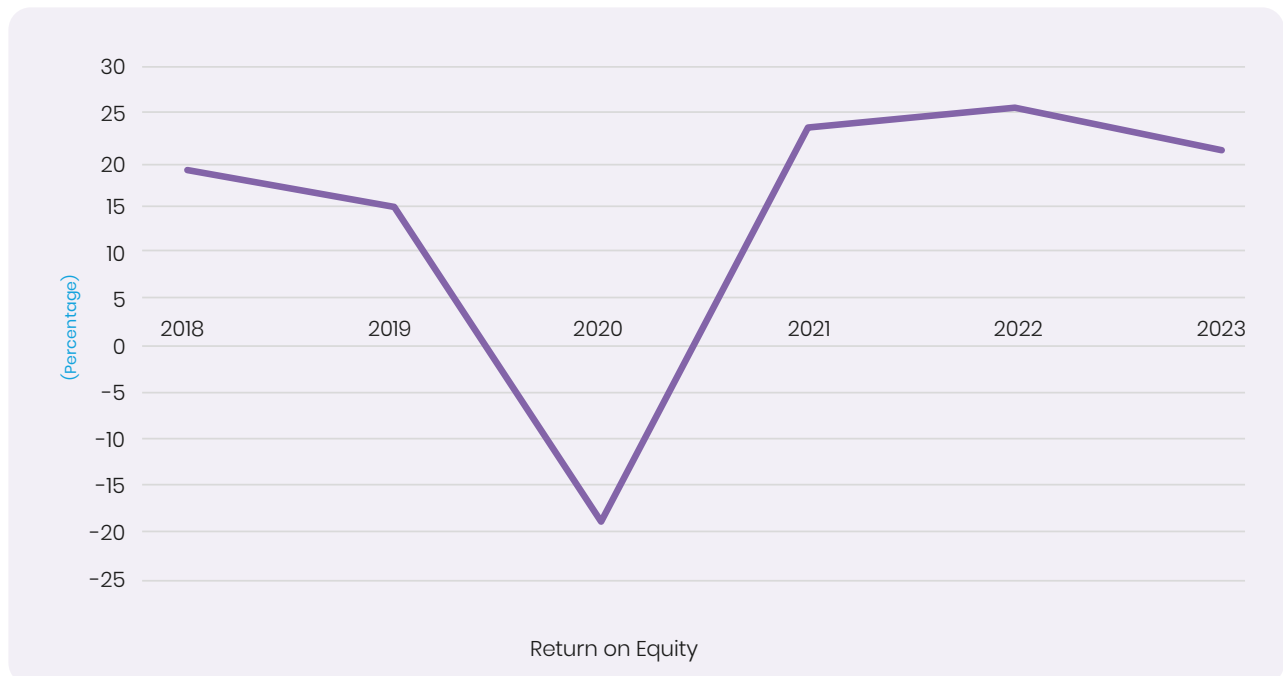
Profitability Ratios:	2023	2022	2021	2020	2019	2018
Operating margin (%)	<b>24.57</b>	25.52	23.25	(1.15)	13.81	17.40
Asset turnover (times)	<b>0.95</b>	0.83	0.74	0.52	0.45	0.47
Interest burden / efficiency (%)	<b>79.16</b>	83.40	74.00	1,391.06	47.84	85.76
Tax burden / efficiency (%)	<b>60.56</b>	65.25	73.90	69.53	168.24	99.29
Leverage (times)	<b>1.88</b>	2.23	2.51	3.26	3.00	2.73
Return on Equity (%)	<b>21.09</b>	25.71	23.62	(18.86)	15.00	19.01

## COMMENTS ON DUPONT ANALYSIS

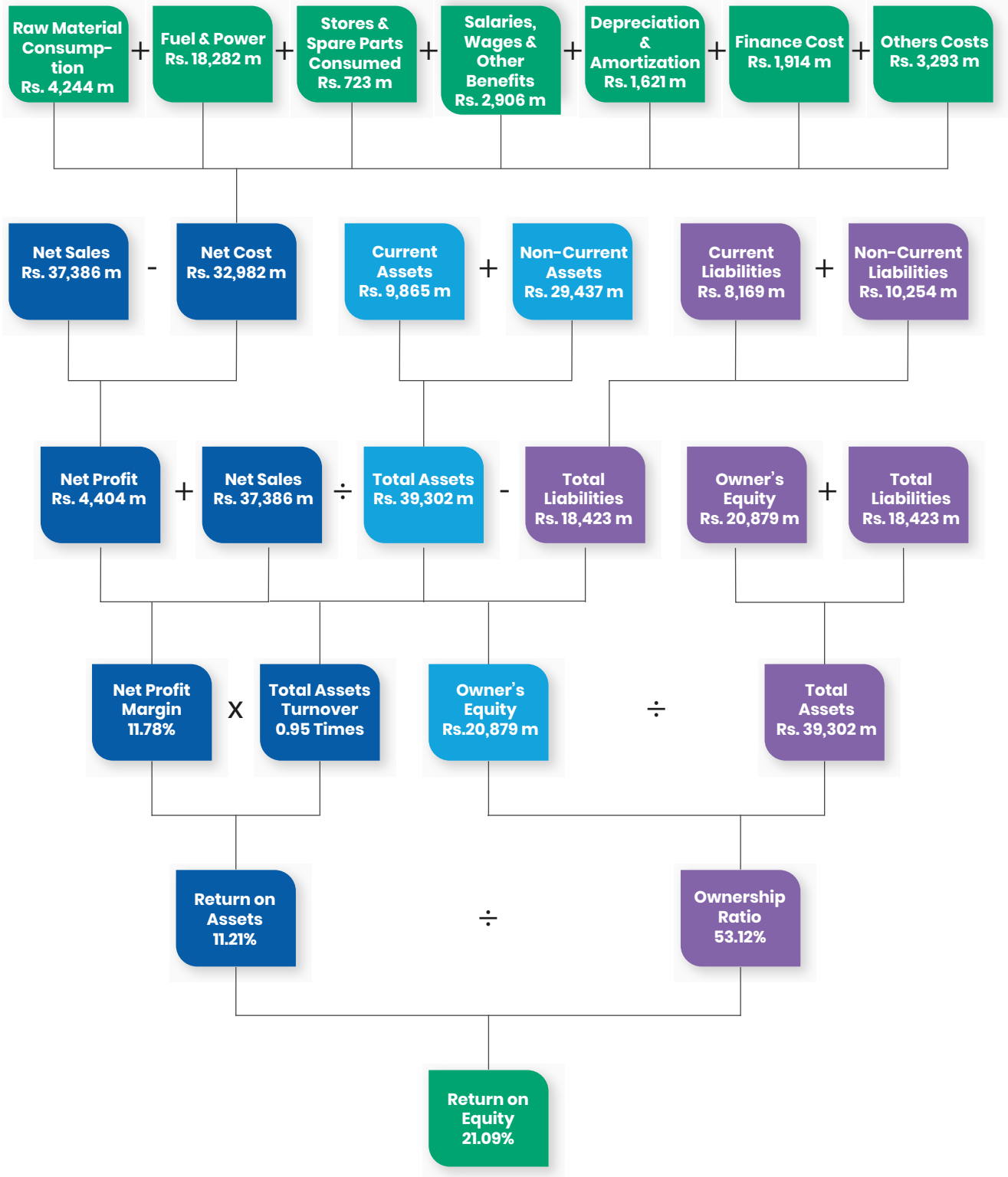
DuPont analysis is comprehensive evaluation of Return on Equity (ROE), which comprehend the individual performance indicators that drive a company's ROE.

The company's profitability has been slightly impacted due to the recent increase in the super tax rate from 4% to 10%. However, the company has been able to manage the impact of high coal, energy prices and tax burden by way of effectively managing input costs through process efficiencies and adjustment off sales prices. In addition to these factors, the company's enhanced financial management and strong cashflows have enabled it to proactively repay its debts, thus reducing the burden of interest expenses.

## GRAPHICAL PRESENTATION OF DUPONT ANALYSIS



## DUPONT CHART





# FREE CASH FLOWS

	2023	2022	2021	2020	2019	2018
Profit / (loss) before taxation	7,272,029	6,828,725	4,337,218	(2,722,727)	1,047,768	2,147,367
<b>Adjustment for non-cash items</b>						
Depreciation	1,618,654	1,630,968	1,680,349	1,765,687	1,389,264	1,086,046
Amortisation	2,739	2,509	2,594	3,756	4,278	3,804
Gain on disposal of operating property, plant and equipment	(5,452)	(7,646)	(5,065)	(2,719)	(7,335)	(4,977)
Gain on redemption of short-term investments	(22,045)	(10,739)	(27,963)	-	-	-
Finance costs	1,914,170	1,358,874	1,524,177	2,526,997	1,142,559	356,585
Interest income on financial asset	(8,716)	(9,629)	(9,280)	(11,184)	-	-
Reversal of Impairment loss	-	(76,000)	-	-	-	-
Exchange (gain) / loss	(112)	(27)	5,925	(2,296)	35,635	9,890
Share of (profit) / loss from joint venture	(7,060)	(26)	(31)	(80)	(32)	37
Dividend income	(8,119)	(15,613)	(6,870)	(7,097)	(19,832)	(20,160)
	<b>3,484,059</b>	2,872,671	3,163,836	4,273,064	2,544,537	1,431,225
Working capital changes	(877,265)	(3,595,161)	(614,924)	1,971,479	(2,176,806)	(918,379)
<b>Net cash generated from operating activities</b>	<b>9,878,823</b>	6,106,235	6,886,130	3,521,816	1,415,499	2,660,213
Capital expenditure	(2,813,956)	(3,551,131)	(1,924,518)	(313,679)	(3,931,779)	(11,171,332)
<b>Free cash flows to the firm</b>	<b>7,064,867</b>	2,555,104	4,961,612	3,208,137	(2,516,280)	(8,511,119)
Net borrowing (repaid) / raised	(3,679,899)	(73,369)	(2,944,396)	(570,049)	4,538,580	9,662,971
Interest payment & adjustments	(2,759,840)	(1,110,407)	(1,682,871)	(2,426,811)	(1,304,215)	(326,348)
<b>Free Cash Flows to Equity holders</b>	<b>625,128</b>	1,371,328	334,345	211,277	718,085	825,504

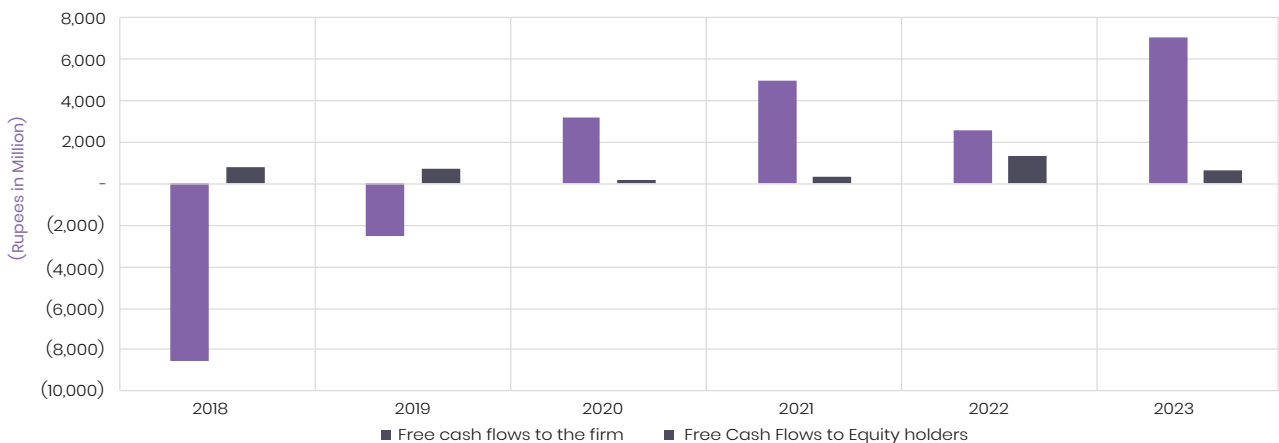
### Comments on Free Cash Flow to the Firm

Free cash flow to the firm (FCFF) is an indicator of a Company's operational performance, it represents the Company's available cashflows from operations for distribution. Positive FCFF shows that the Company is generating enough revenue to cover its costs and investment activities. During the year, the FCFF of the Company has been increased due to healthy cashflow and lower working capital requirements.

### Comments on Free Cash Flow to the Equity Holders

Free Cash Flow to Equity holders (FCFE) represents the amount of cash available to the company's equity investors. With the company's growth, FCFE has deteriorated significantly due to the capital expenditure incurred on line 1 and the early repayment of a long-term loan, in view of the rise in the KIBOR rate.

### Graphical Presentation of Free Cash Flow to the Firm and Equity Holder





## KEY FINANCIAL INFORMATION - SIX YEARS

	2023	2022	2021	2020	2019	2018
			(Tons in '000')			
Clinker Production	2,644	3,109	3,573	2,988	2,338	2,234
Cement Production	2,883	3,525	3,965	3,382	2,509	2,443
Cement Dispatches	2,871	3,552	3,950	3,377	2,493	2,519

### Summary of Statement of Financial Position

(Rupees in Million)

#### Assets

Non-Current Assets	29,437	28,140	26,348	26,237	27,187	24,238
Current Assets	9,865	10,465	7,846	6,685	8,093	6,282
<b>Total Assets</b>	<b>39,302</b>	<b>38,605</b>	<b>34,194</b>	<b>32,922</b>	<b>35,280</b>	<b>30,520</b>

#### Equity & Liabilities

Shareholders' Equity	20,879	17,316	13,590	10,054	11,756	11,174
Non-Current Liabilities	10,254	11,442	13,331	16,980	17,328	15,693
Current Liabilities	8,169	9,847	7,273	5,888	6,196	3,653

#### Equity & Liabilities

<b>39,302</b>	<b>38,605</b>	<b>34,194</b>	<b>32,922</b>	<b>35,280</b>	<b>30,520</b>
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### Summary of Statement of profit or loss

#### Turnover & Profit / (Loss)

Turnover - net	37,386	32,085	25,207	17,090	15,863	14,388
Gross Profit	10,137	8,951	6,728	386	2,883	3,139
Operating Profit / (Loss)	9,186	8,188	5,861	(196)	2,190	2,504
Profit / (Loss) Before Taxation	7,272	6,829	4,337	(2,723)	1,048	2,147
Profit / (Loss) After Taxation	4,404	4,456	3,205	(1,893)	1,763	2,132
Earnings / (Loss) Per Share (Rs.)	22.67	22.93	16.50	(9.74)	9.07	10.97



## HORIZONTAL ANALYSIS - SIX YEARS

	2023		2022	
	(Rupees in Million)	%	(Rupees in Million)	%
<b>Statement of Financial Position</b>				
<b>Assets</b>				
Non Current Assets	29,437	5	28,140	7
Current Assets	9,865	(6)	10,465	33
<b>Total Assets</b>	<b>39,302</b>	<b>2</b>	<b>38,605</b>	<b>13</b>
<b>Equity &amp; Liabilities</b>				
Shareholders' equity	20,879	21	17,317	27
Non current Liabilities	10,254	(10)	11,441	(14)
Current Liabilities	8,169	(17)	9,847	35
<b>Equity &amp; Liabilities</b>	<b>39,302</b>	<b>2</b>	<b>38,605</b>	<b>13</b>
<b>Statement of Profit or Loss</b>				
Turnover - net	37,386	17	32,085	27
Gross Profit	10,137	13	8,951	33
Operating Profit / (loss)	9,186	12	8,188	40
Profit / (Loss) Before Taxation	7,272	6	6,829	57
<b>Profit / (Loss) After Taxation</b>	<b>4,404</b>	<b>(1)</b>	<b>4,456</b>	<b>39</b>

## COMMENTS ON HORIZONTAL ANALYSIS

### Statement of Financial Position

The Company has witnessed substantial growth in its non-current assets, reflecting its ambition to establish itself as a prominent cement manufacturer by augmenting its production capacity and investment in upgradation work of Line-I, Captive power plant and Solar project.

The levels of current assets and current liabilities have been managed to align with the Company's operational capacity, ensuring the sufficiency of working capital to meet its operational requirements.

Over the past five years, the Company's equity has experienced a significant surge, primarily attributable to increased post-tax profits. This surge stems from an augmented market share and heightened local cement demand. However, an exception occurred in FY 2020, when the Company faced losses due to the adverse economic conditions induced by the pandemic.

Until 2019, the Company witnessed a rise in its non-current liabilities, primarily due to securing long-term financing for the initiation of new Cement Lines, Waste Heat Recovery projects, and the Captive Power Plant at subsidized rates. However, from FY 2020 onward, these liabilities began to decrease owing to principal repayments.

# BUILDING A BETTER FUTURE

2021		2020		2019		2018	
(Rupees in Million)	%	(Rupees in Million)	%	(Rupees in Million)	%	(Rupees in Million)	%
26,348	1	26,237	(3)	27,187	12	24,238	70
7,846	17	6,685	(17)	8,093	29	6,282	37
34,194	4	32,922	(7)	35,280	16	30,520	62
13,590	35	10,054	(14)	11,756	5	11,174	7
13,331	(21)	16,980	(2)	17,328	10	15,693	172
7,273	24	5,888	(5)	6,196	70	3,653	42
34,194	4	32,922	(7)	35,280	16	30,520	62
25,207	47	17,090	8	15,863	10	14,388	49
6,728	1,643	386	(87)	2,883	(8)	3,139	(2)
5,861	n/m	(196)	(109)	2,190	(13)	2,504	(7)
4,337	n/m	(2,723)	(360)	1,048	(51)	2,147	(14)
3,205	n/m	(1,893)	(207)	1,763	(17)	2,132	9

## Statement of Profit or Loss

The Company's turnover has exhibited noteworthy expansion, primarily driven by the augmentation of production capacities aimed at meeting robust demand both in the local and export markets. The increase in revenue was mainly due to higher cement prices owing to increased cost of inputs. Also, the export revenue showed an increase due to depreciation of PKR against the USD

From FY 2018 to 2023, the Company achieved remarkable growth in gross profits in the past few years. This accomplishment can be attributed to increased sale price and effective cost-saving initiatives. However, both gross and operating profits contracted during FY 2019 and 2020, owing to vulnerable cement retention prices, elevated production costs, the COVID-19 pandemic, and the devaluation of the Pakistani Rupee.

Significant growth in net profits was recorded in FY 2022 and 2021, primarily due to successful attainment of economies of scale and robust cost-control measures. However, in FY 2023, despite posting another record breaking profit before tax, there was a slight decline in net profits due to increased rate of super tax imposed vide Finance Act 2023.



## VERTICAL ANALYSIS - SIX YEARS

	2023		2022	
	(Rupees in Million)	%	(Rupees in Million)	%
<b>Statement of Financial Position</b>				
<b>Assets</b>				
Non Current Assets	29,437	75	28,140	73
Current Assets	9,865	25	10,465	27
<b>Total Assets</b>	<b>39,302</b>	<b>100</b>	<b>38,605</b>	<b>100</b>
<b>Equity &amp; Liability</b>				
Shareholders equity	20,879	53	17,316	45
Non current Liabilities	10,254	26	11,441	30
Current Liabilities	8,169	21	9,847	26
<b>Equity &amp; Liability</b>	<b>39,302</b>	<b>100</b>	<b>38,605</b>	<b>100</b>
<b>Statement of Profit or Loss</b>				
Turnover - net	37,386	100	32,085	100
Gross Profit	10,137	27	8,951	28
Operating Profit / (Loss)	9,186	25	8,188	26
Profit / (Loss) Before Taxation	7,272	19	6,829	21
<b>Profit / (Loss) After Taxation</b>	<b>4,404</b>	<b>12</b>	<b>4,456</b>	<b>14</b>

## COMMENTS ON VERTICAL ANALYSIS

### Statement of Financial Position

As a capital-intensive industry, the company holds a significant proportion of non-current assets, primarily due to continues expansion and upgradation of cement lines including Line- III, WHR, Captive power & Solar power plants. The ratio of current assets to current liabilities demonstrates a consistent and favorable outlook, reflecting the company's commitment towards expansion and development.

The company's shareholders' equity has consistently strengthened in significance, attributed to improved profitability aligned with the company's market share, except for FY 2020. Concurrently, the portion of non-current liabilities has decreased due to the principal repayments of syndicated long-term financing, including early repayments.

# BUILDING A BETTER FUTURE

2021		2020		2019		2018	
(Rupees in Million)	%	(Rupees in Million)	%	(Rupees in Million)	%	(Rupees in Million)	%
26,348	77	26,237	80	27,187	77	24,238	79
7,846	23	6,685	20	8,093	23	6,282	21
34,194	100	32,922	100	35,280	100	30,520	100
13,590	40	10,054	30	11,756	33	11,174	37
13,331	39	16,980	52	17,328	49	15,693	51
7,273	21	5,888	18	6,196	18	3,653	12
34,194	100	32,922	100	35,280	100	30,520	100
25,207	100	17,090	100	15,863	100	14,388	100
6,728	27	386	2	2,883	18	3,139	22
5,861	23	(196)	(1)	2,190	14	2,504	17
4,337	17	(2,723)	(16)	1,048	7	2,147	15
3,205	13	(1,893)	(11)	1,763	11	2,132	15

## Statement of Profit or Loss

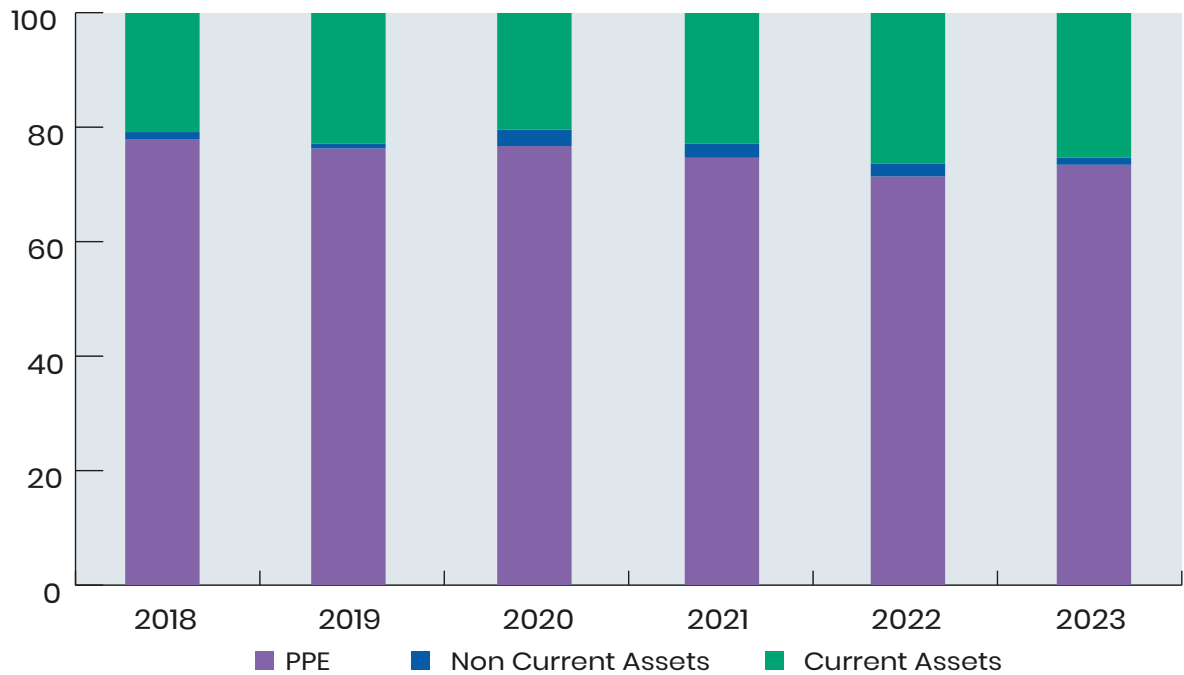
The Company's revenue exhibited consistent growth driven by capacity expansion and improved retentions, with the exception of FY 2020 when retentions failed to cover costs adequately. The rise in revenue primarily stemmed from elevated cement prices driven by higher input costs. Additionally, there was an uptick in export revenue attributed to the depreciation of the PKR against the USD.

From 2018 to 2020, the Company experienced lower gross and operating profits mainly due to rising production costs not fully offset by sales prices. However, profits notably rebounded from 2021 to 2023. This resurgence can be attributed to higher local cement sale prices driven by strong market demand and cost reduction through operational efficiencies.

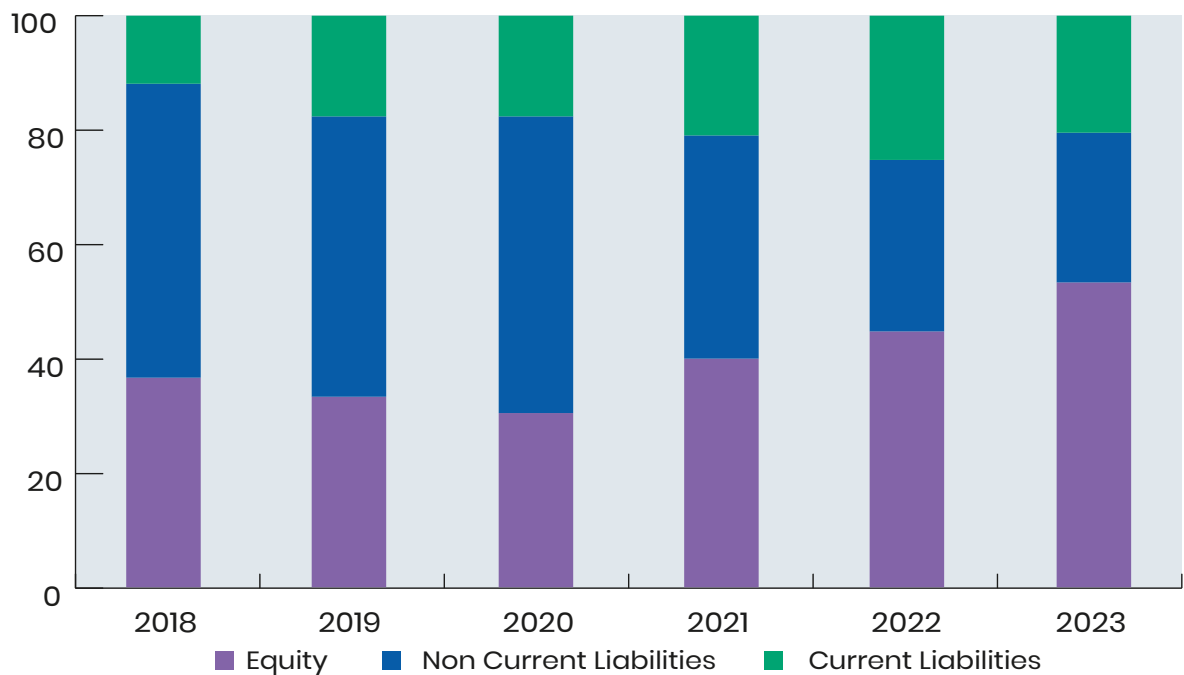


# GRAPHICAL PRESENTATION OF STATEMENT OF FINANCIAL POSITION & STATEMENT OF PROFIT OR LOSS

## STATEMENT OF FINANCIAL POSITION ANALYSIS - ASSETS

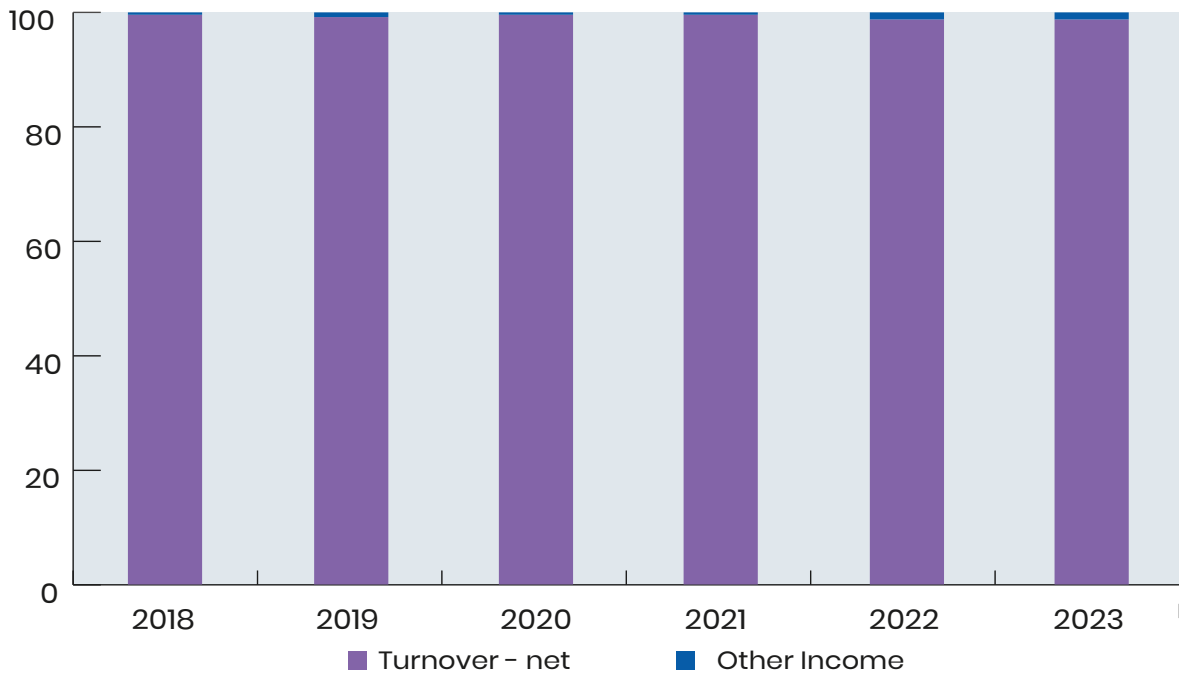


## STATEMENT OF FINANCIAL POSITION ANALYSIS - EQUITY & LIABILITY

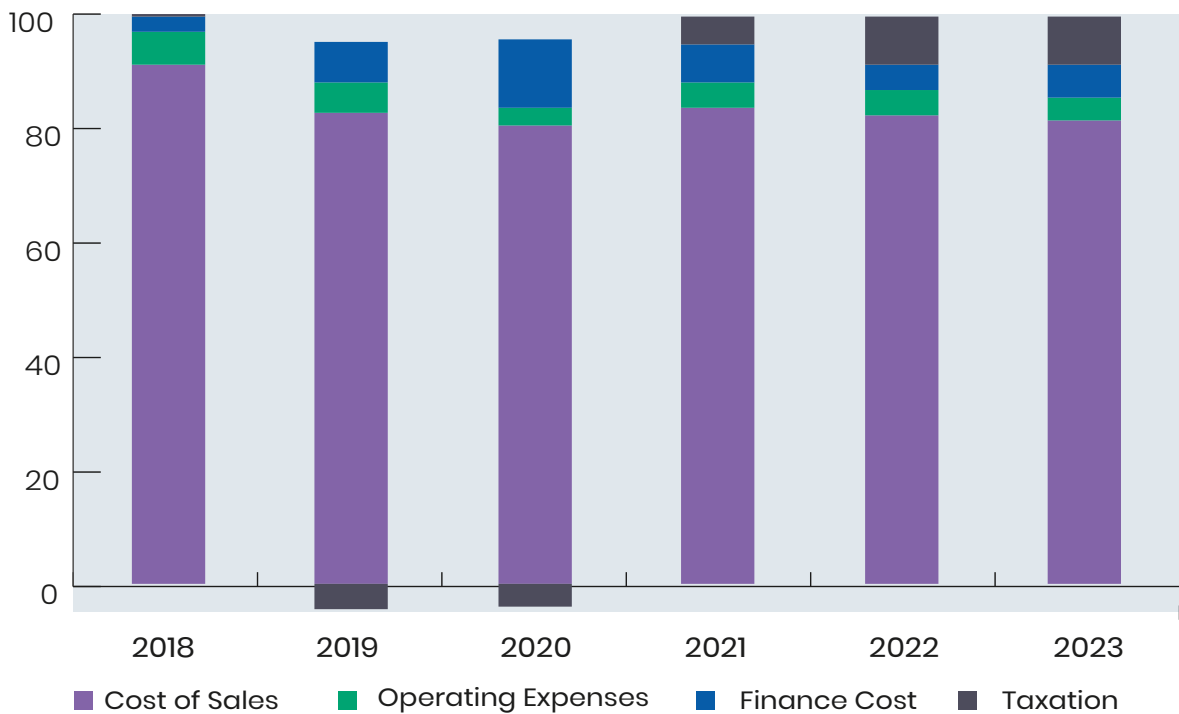


# BUILDING A BETTER FUTURE

## STATEMENT OF PROFIT OR LOSS ANALYSIS - INCOME



## STATEMENT OF PROFIT OR LOSS ANALYSIS - EXPENSES





## STATEMENT OF SUMMARY OF CASH FLOWS - SIX YEARS

	2023	2022	2021	2020	2019	2018
	----- (Rupees in million) -----					
<b>Summary of Cash Flows</b>						
Net cash generated from operating activities	<b>9,879</b>	6,106	6,886	3,522	1,416	2,660
Net cash used in investing activities	<b>(2,684)</b>	(3,506)	(1,872)	(294)	(3,891)	(11,170)
Net cash (used in) / generated from financing activities	<b>(6,598)</b>	(3,008)	(3,989)	(2,981)	519	9,047
Change in cash and cash equivalents	<b>596</b>	(408)	1,025	247	(1,956)	537
Cash & cash equivalents - year end	<b>(1,413)</b>	(2,009)	(1,604)	(2,629)	(2,876)	(920)

## COMMENTS ON STATEMENT OF CASH FLOWS

The Company has consistently demonstrated strong cash generation from its operational activities over the past six years. This robust performance is attributed to remarkable growth in cash generation from operations, primarily due to increased turnover, coupled with effective management of working capital.

With a strategic objective of attaining a prominent position within the industry, the Company is committed to ongoing expansion initiatives. This includes the expansion of production lines and substantial capital investments in Plant and Machinery, all aimed at ensuring optimal operational efficiency. The cash outflows observed in FY 2018 were directed towards the installation of Production Line-III, alongwith the implementation of WHR plant and a Captive Power Plant. Similarly, the Company's investments have been channeled towards the BMR of Line-I, Solar Power Project and the acquisition of land and mining leases at D.I. Khan.

The Company's financing activities have yielded positive cash flows from FY 2019. The Company secured long-term financing facilities to fund the development of Production Line-III, WHR-III, and the Captive Power Plant. Subsequently, from FY 2020 to 2023, the Company obtained additional facilities to finance the BMR of Line-I, installation of Solar panels. However, the Company is diligently addressing the repayment of loan installments and coping with substantial finance costs associated with these facilities. These factors collectively contribute to a significant outflow of cash in the financing activities segment.



## STATEMENT OF CASH FLOWS - DIRECT METHOD

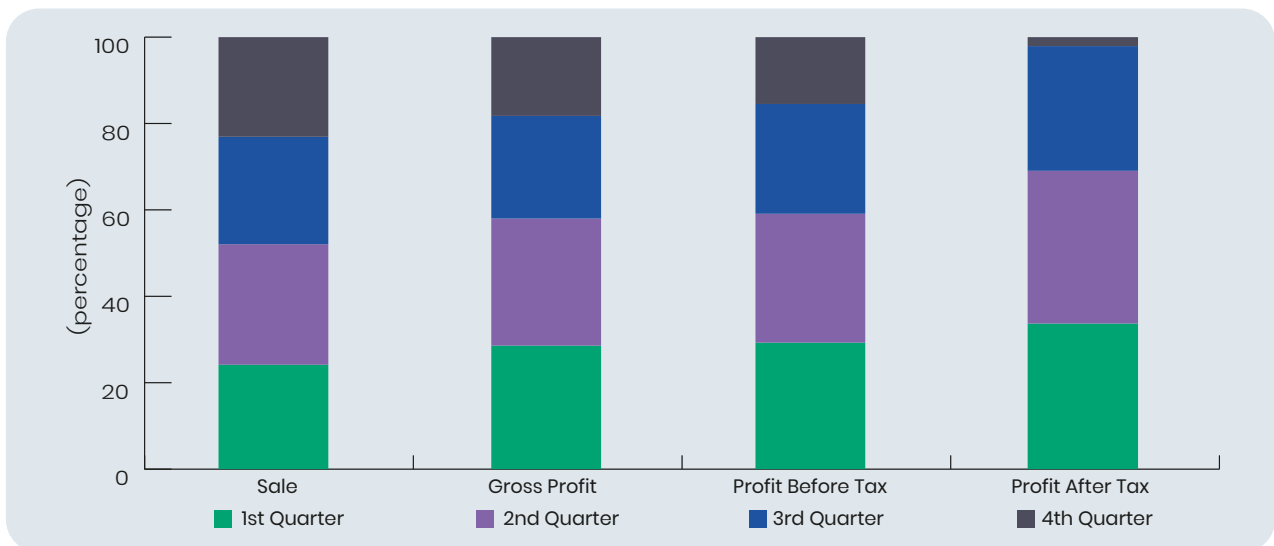
	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers - net	37,284,662	31,999,832
Cash paid to suppliers and employees	(26,686,469)	(25,171,889)
<b>Cash generated from operations</b>	<b>10,598,193</b>	<b>6,827,943</b>
Income tax paid	(655,153)	(696,017)
Long-term loans and deposits - net	20,203	14,309
Gratuity paid	(84,420)	(40,000)
<b>Net cash generated from operating activities</b>	<b>9,878,823</b>	<b>6,106,235</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(2,795,819)	(3,550,080)
Additions to intangible assets	(18,137)	(1,051)
Disposal of investment in joint venture - MHPL	82,800	-
Proceed from disposals of operating property, plant and equipment	16,740	18,345
Dividend received	8,119	15,613
Short-term investments - net	22,045	10,739
<b>Net cash used in investing activities</b>	<b>(2,684,252)</b>	<b>(3,506,434)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long-term financings - net	(3,659,394)	(1,450,393)
Lease rentals paid	(20,505)	(17,514)
Dividend paid	(858,178)	(244,854)
Finance costs paid - net	(2,060,275)	(1,295,126)
<b>Net cash used in financing activities</b>	<b>(6,598,352)</b>	<b>(3,007,887)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>596,219</b>	<b>(408,086)</b>
<b>Cash and cash equivalents as at the beginning of the year</b>	<b>(2,009,451)</b>	<b>(1,601,365)</b>
<b>Cash and cash equivalents as at the end of the year</b>	<b>(1,413,232)</b>	<b>(2,009,451)</b>



## QUARTERLY PERFORMANCE ANALYSIS

Particulars	1st Qtr	2nd Qtr	3rd Qtr (Rupees in '000)	4th Qtr	Total
Turnover - net	9,049,716	10,407,696	9,299,028	8,629,746	37,386,186
Cost of sales	(6,154,608)	(7,416,353)	(6,892,023)	(6,786,389)	(27,249,373)
<b>Gross profit</b>	<b>2,895,108</b>	<b>2,991,343</b>	<b>2,407,005</b>	<b>1,843,357</b>	<b>10,136,813</b>
Distribution cost	(130,675)	(143,915)	(162,102)	(169,744)	(606,436)
Administrative expenses	(105,642)	(103,195)	(114,777)	(112,502)	(436,116)
Other expenses	(102,597)	(127,808)	(105,373)	(26,249)	(362,027)
	<b>(338,914)</b>	<b>(374,918)</b>	<b>(382,252)</b>	<b>(308,495)</b>	<b>(1,404,579)</b>
Other income	55,072	69,148	235,712	94,033	453,965
<b>Operating profit</b>	<b>2,611,266</b>	<b>2,685,573</b>	<b>2,260,465</b>	<b>1,628,895</b>	<b>9,186,199</b>
Finance cost	(480,166)	(520,587)	(414,837)	(498,580)	(1,914,170)
<b>Profit before taxation</b>	<b>2,131,100</b>	<b>2,164,986</b>	<b>1,845,628</b>	<b>1,130,315</b>	<b>7,272,029</b>
Taxation	(648,342)	(609,397)	(573,494)	(1,036,864)	(2,868,097)
<b>Net profit for the year</b>	<b>1,482,758</b>	<b>1,555,589</b>	<b>1,272,134</b>	<b>93,451</b>	<b>4,403,932</b>

## GRAPHICAL PRESENTATION OF QUARTERLY PERFORMANCE ANALYSIS & COMMENTS



The Company's operational performance demonstrated consistency and stability in the 1st and 2nd quarters, with a minor dip in the 3rd quarter. This impressive performance owes to effective cost management strategies, bolstered by improved retention prices. Nonetheless, the final quarter faced significant challenges due to a seasonal slowdown in demand coupled with heavy imposition of tax expense in line with recent changes in Finance Act 2023.

## SHARE PRICE SENSITIVITY ANALYSIS

### Share Price Sensitivity Analysis

Share price in the Pakistan stock market moves due to various internal and external factors such as the company's performance, general market sentiments, economic events, interest rates, etc. Being a responsible and law-compliant Company, Cherat Cement circulates price-sensitive information to the Pakistan Stock Exchange (PSX) in accordance with the requirements of the PSX Rulebook in a timely manner. During the year, Cherat's share price touched the peak of Rs 130.51 while the lowest recorded price was Rs 76.32 with a closing price of Rs. 120.28 at the end of the year.

### Selling Price:

The profitability in the cement industry is highly sensitive to the selling prices of cement bag which eventually has a strong effect on the share price of the company.

### Company's performance:

The company reported an operating profit for the year of PKR 9,186 million that 12.20% profit increase from last year with declined growth in the cement industry due to instability in the political environment, high exchange rate, high energy cost and lower PSDP. The financial performance improved massively due to improved EX-factory price and cost efficiencies, which improved the operating results of the company to an unsurpassed level despite constant cost pressures and an uncertain economic environment.

### Energy Costs:

The Company's operations are energy sensitive and the energy cost constitutes a sizable proportion of the overall manufacturing costs, therefore any increase in coal and power prices impacts product pricing directly. During the year, the Company commissioned a Solar Plant of 1.7 MW in 1st quarter and a change in the coal and power mix, while a significant change in cost efficiency was observed.

### Interest Rate Risk:

The interest rate risk pertains to the potential decrease in the value of a financial instrument brought about by fluctuations in market interest rates. The predominant proportion of this interest rate exposure stems from both short and long-term borrowings, as well as short-term deposits maintained with banks.

### Devaluation of Currency:

Fluctuations in currency exchange rate can affect the profitability of the company either ups and downs. This is particularly pertinent for the Company, given its engagement in both exporting (cement) and importing (coal for fuel).

### Government Policies and Regulations:

The policies adopted and regulations promulgated by the Government have a direct association with share prices. Any policy that will result in increased demand, improved tax rates, reduced production costs, and a better economic environment may positively influence the share price. Whereas the policies that create hindrances for the cement industry and for the overall business environment will adversely impact the share price.

### Law and Order:

An unpredictable state of law and order frequently leads to the disturbance of business operations and acts as a barrier to the smooth functioning of the supply chain. This, in turn, has an adverse effect on the overall performance of the Company, while also undermining the trust of stock market investors. As a consequence, this volatility influences the Company's share price in a detrimental manner.



**Economic Conditions:**

The Company's performance has a direct relationship with economic conditions so as the share price. The factors that contribute to economic conditions include the discount rate, currency devaluation, and inflation. Based on different assessment parameters, the State Bank of Pakistan can change the monetary policy rate. Any volatility in the interest rates might impact the revenue and profitability of the Company. During the year 2023, the interest rates increased as SBP adopted various measures to support the economy affecting Company's profitability and eventually affecting the share price. CHCC revenues, imports, and export are subject to foreign exchange volatility. Higher inflation has an impact on the demand for the commodities and resultantly adverse impact on the performance of the Company. However, all these factors will improve the performance of the company if contributes positively to the economic conditions.

**Investor Sentiments:**

The share price of the Company is also open to the volatility of investor sentiments or confidence in the stock market and macroeconomic conditions. In a strong stock market, the investors' confidence is growing and so as the share prices. Whereas in a weak stock market investors' sentiments are negative so do the share prices. The stock market's strength is closely associated with economic conditions.

**Sensitivity Analysis of Change in Market Capitalization**

Share Price as of 30.06.2023	Rs. 120.28
Market Capitalization as of 30.06.2023	Rs. 23,369,802,600

**Change in Share Price by**

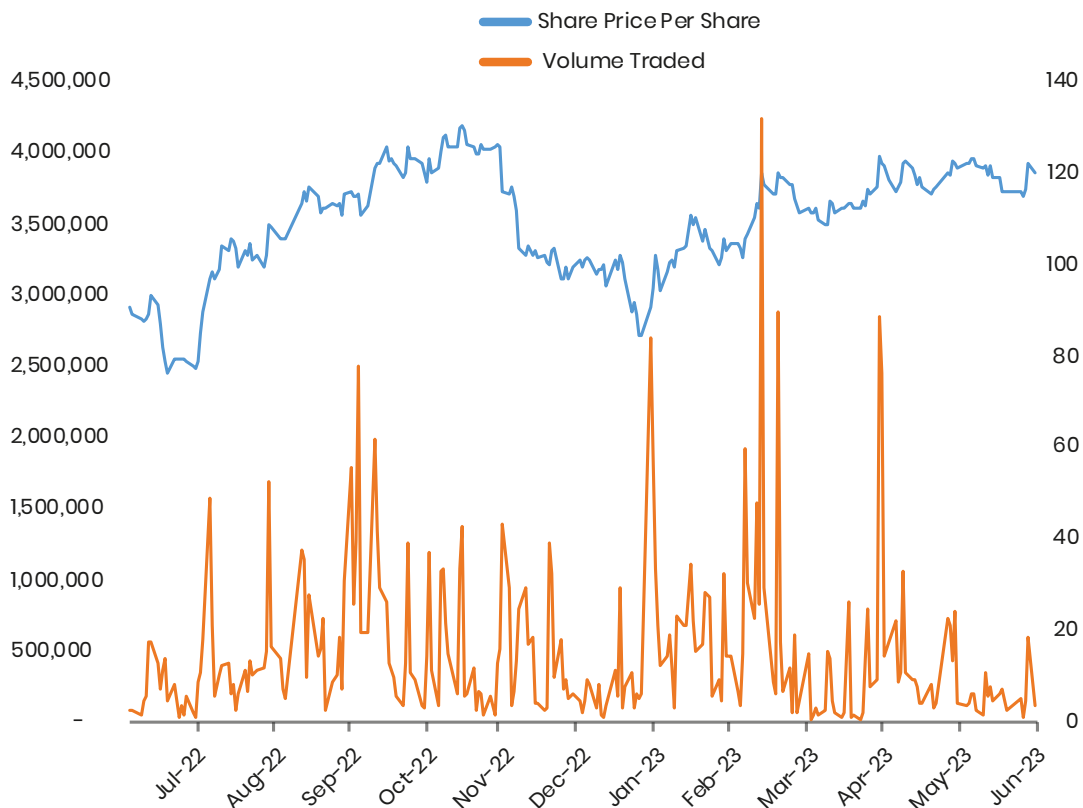
- +10%
- 10%

Share Prices - Trend v /s Volume Traded

Source: Pakistan

**Change in Market Capitalization**

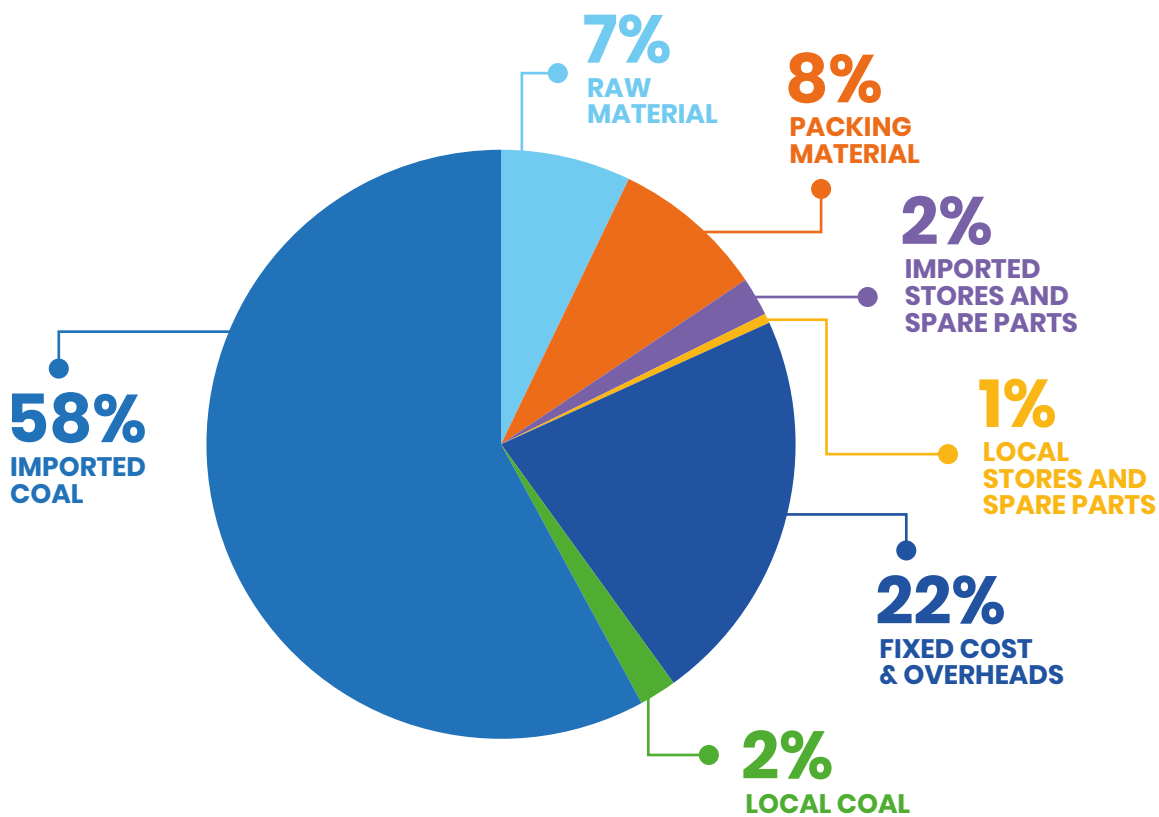
- Rs. 2,336,980,260
- Rs. (2,336,980,260)



## COMPOSITION OF LOCAL AND IMPORTED MATERIAL AND SENSITIVITY ANALYSIS DUE TO FOREIGN CURRENCY FLUCTUATIONS

FOR THE YEAR ENDED JUNE 30, 2023

The Company produces Cement and Clinker using mix of local and imported inputs. Imported Fuel (coal) represents significant part of Cost of Sales i.e. 58%.



### Sensitivity Analysis:

Management of the Company closely monitors international coal prices and exchange rate fluctuations and takes necessary action to mitigate the risks associated with such fluctuations.

	Fluctuation in Exchange rate by 10%	Fluctuation in Exchange rate by 20%
Increase in Cost of Sales (%)	6.00	12.01
Decrease in Cost of Sales (%)	(6.00)	(12.01)



# CALENDAR OF NOTABLE EVENTS

JULY 2022 - JUNE 2023

**14th:**  
Independence Day Celebration

**8th:**  
Tree Plantation Day

**25th:**  
Board of Directors Meeting - Annual Financial Statement 2022

**AUGUST 2022**

**8th:**  
Corporate Briefing Session to discuss the Financial Performance & Future Outlook

**SEPTEMBER 2022**

**12th:**  
41st Annual General Meeting at Registered Office

**16th:**  
Honored with 1st Position in the Best Corporate and Sustainability Report Award 2021 Organized by ICAP & ICMAP

**26th:**  
Board of Directors Meeting - 1st Quarter FY 2023

**OCTOBER 2022**

**25th:**  
Dinner with Dealers - Sale Office Lahore

**27th:**  
Annual Picnic with Employees

**NOVEMBER 2022**

**1st:**  
Upgradation of SAP ECC System to S/4 HANA

**18th:**  
Dinner with Dealers - Islamabad

**30th:**  
Most Dispatches by the Company in a Single Day

**JANUARY 2023**

**15th:**  
Board of Directors Meeting - 2nd Quarter FY 2023

**22nd:**  
Dinner with Dealers - Peshawar

**FEBRUARY 2023**

**8th:**  
International Women's Day 2023

**MARCH 2023**

**7th:**  
World Health Day

**27th:**  
Board of Directors Meeting - 3rd Quarter FY 2023

**APRIL 2023**

**5th:**  
World Environment Day

**7th:**  
World Food Safety Day

**30th:**  
Year End Closing

**JUNE 2023**

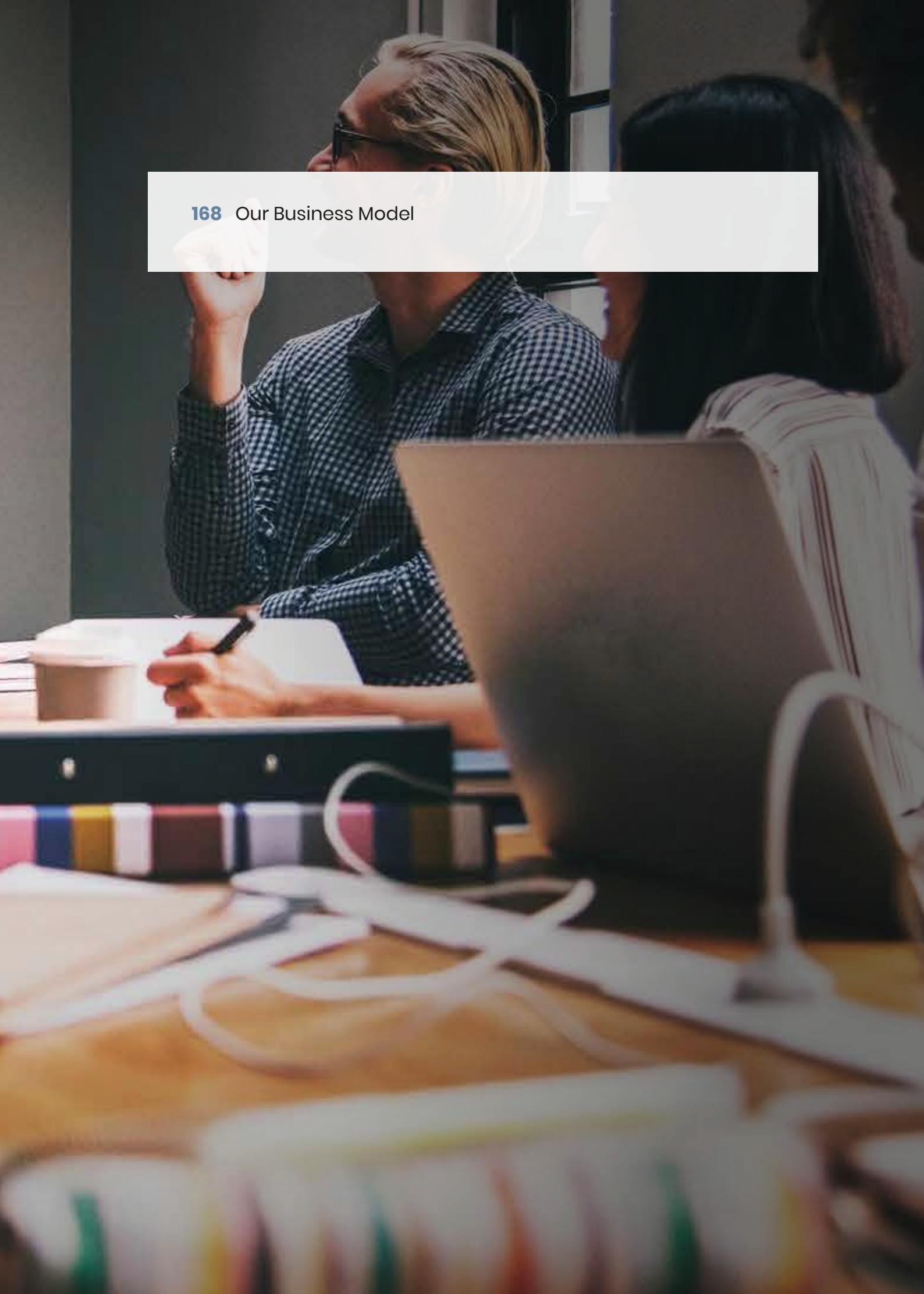




# CHAPTER 7

# BUSINESS MODEL



A man with blonde hair and glasses, wearing a blue and white checkered shirt, is sitting at a desk. He is looking upwards and to the right, with his right hand raised as if gesturing during a discussion. In front of him is a laptop. To his left, there is a white container and a black folder. The desk is cluttered with papers and cables. In the foreground, there are several colorful folders or papers. The background is slightly blurred, showing another person with dark hair.

**168** Our Business Model



# OUR BUSINESS MODEL

## An integrated approach to value-creation

Anchored to our core values and aligned with our vision, our business model is designed to reflect our integrated approach to creating value for all stakeholders and ensures our continued progress towards co-creating a sustainable future.

### KEY INPUTS



#### Our People:

Strong commitment to staff development through extensive training programme on timely basis, to create a pool of highly skilled and experienced professionals we need to sustain our business.



#### Our Investors:

Around 194 million issued shares outstanding with a diverse mix of institutional and retail investors.



#### Our Communities:

With operations in Pakistan and Afghanistan, we have a commitment to working with local communities to create jobs, procure local products and services while providing other essential benefits such as roads, water and healthcare.



#### Our Assets:

We have modern, efficient and low-cost production plants with proximity to key natural resources.



#### Our Suppliers:

Long-term and constructive partnerships with key suppliers in each market.



#### Our Customers:

We focus on quality and superior products for all our customers.

### OUR VALUE CHAIN

#### Our Values



Integrity



Trust



Care



People



Quality

#### Strategic objectives

Strategic objectives	Widen visibility
Capacity expansion	Launch of value added products
Optimise operational efficiency	Customer centricity
Consolidate market position	Sustainable operations

#### UPSTREAM

Quarrying raw materials  
Preparation of raw mix



#### MIDSTREAM

Drying and grinding of raw meal  
Clinkerisation  
Blending, grinding and storage



#### DOWNSTREAM

Packing and dispatch  
After sales



# BUILDING A BETTER FUTURE

## KEY OUTPUTS

- Increasing shareholder return by 10.808 billion EBITDA for the year ended 2023 and Rs.0.87 billion paid to shareholders in the form of dividends during the current year
- PAT: Rs. 4.4 billion, Market capitalization: Rs. 23.37 billion
- Rs. 45 million spend on social investment for the year ended 2023
- Acquisition of Land and mining lease for Line-IV
- Capacity Utilization of installed capacity: 64%

## OUTCOMES

- **OPC Cement**  
High-quality premium “Cherat” brand.
- **Composite Cement**  
Launch of new Composite cement under brand name “Cherat Khyber”.
- **Trusted Brand**  
Our brand enables us to sustain relationships, secure business and attract talent.
- **4.5 MT per annum capacity across Pakistan**  
Leading cement producer in diverse regional markets with excellent growth prospects.
- **Modernization of Plant**  
Revamp of cement production Line-I with state-of-the-art modern technology plant, which shows our commitment towards transition to modern and environment friendly technology.
- **Solar Power Plant**  
Commissioning of remaining Solar Power Plant to increase the captive power generation capacity of the Company to achieve cost optimisation.
- **Robust governance**  
38% independent Board members; 14% female Board member; and 38% Non-executive Board members, 10% Executive Directors
- **Sustainable value for shareholders**  
Adoption of best Environmental, Social and Governance (ESG) practices in our organization to create sustainable value for the benefits of all stakeholders.
- **Upgradation of ERP System**  
Upgraded to latest SAP ERP S/4 HANA and implementation of HR Success Factor module for better reporting and integration of systems.



# CHAPTER 8

# IT GOVERNANCE AND CYBERSECURITY

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## IT GOVERNANCE & CYBERSECURITY

IT governance refers to the framework of policies, processes, and controls that organizations establish to ensure effective and responsible management of their information technology (IT) resources. It encompasses the strategies and practices that help align IT activities with an organization's business goals and objectives. IT governance involves decision-making structures, risk management, compliance, and accountability to ensure that IT investments deliver value, mitigate risks, and support the organization's overall success.

Cybersecurity is the practice of protecting computer systems, networks, and digital data from unauthorized access, attacks, theft, damage, or disruption. It involves a wide range of technologies, processes, and practices aimed at safeguarding information and preventing cyber threats. Cybersecurity measures include the use of firewalls, encryption, access controls, antivirus software, intrusion detection systems, and employee training. The goal of cybersecurity is to ensure the confidentiality, integrity, and availability of digital assets while managing the evolving landscape of cyber threats and vulnerabilities.

## THE BOARD RESPONSIBILITY STATEMENT ON CYBER RISK AND BREACH MANAGEMENT

The Board of Directors of the Company acknowledges the growing significance of cyber risks in the contemporary business landscape. As custodians of the company's long-term success and stakeholder trust, the Board recognizes its paramount responsibility to effectively evaluate, manage, and enforce legal and regulatory implications related to cyber risks. This statement outlines the Board's commitment and framework for addressing cyber risks and responding to breaches in accordance with best practices and applicable laws.

### **Cyber Risk Evaluation and Management**

The Board is dedicated to understanding the organization's cyber risk landscape. This involves ongoing assessments of potential threats, vulnerabilities, and their potential impact on the company's operations, assets, reputation, and stakeholders. The Board will oversee the implementation of a robust cyber risk management framework, which includes identifying key assets, assessing potential threats, implementing safeguards, and regularly reviewing and updating the risk management strategy.

### **Legal and Regulatory Compliance**

The Board recognizes that cyber risks are subject to various laws, regulations, and industry standards. It is committed to ensuring the company's compliance with all applicable legal and regulatory requirements related to data protection, privacy, information security, and cybersecurity. The Board will work closely with management to ensure that the company's practices align with the evolving legal and regulatory landscape.

### **Oversight of Cybersecurity Policies and Procedures**

The Board will oversee the development, implementation, and monitoring of robust cybersecurity policies and procedures that address the organization's specific risk profile. These policies will encompass areas such as data protection, access controls, incident response, employee training, third-party vendor management, and ongoing risk assessments.

# BUILDING A BETTER FUTURE

## **Breach Response and Communication**

In the unfortunate event of a cyber-breach, the Board will play an active role in overseeing the company's response strategy. This includes collaborating with management to ensure a swift and effective response, containment of the breach, identification of affected parties, and communication with relevant stakeholders, including customers, shareholders, regulatory authorities, and law enforcement agencies, as necessary.

## **Continual Improvement and Reporting**

The Board is committed to continuous improvement in cybersecurity practices. It will regularly review the effectiveness of the company's cyber risk management efforts, incident response plans, and breach communication protocols. The Board will also provide regular updates to shareholders and stakeholders regarding the company's cyber risk posture and its actions to address emerging threats.

## **IT GOVERNANCE POLICY**

The Company has a well-conceived and implemented IT Governance Policy which seeks to ensure that it is aligned with organizational goals and strategies and delivers value to the organization. The policy is designed to promote effective, efficient, timely, and informed decision-making concerning Company's IT investments and operations. Specifically, the policy aims to establish the IT governance structure and its associated procedures, roles, and responsibilities, as a critical component of the overall IT Management framework, which guides the management in respect of implementation and monitoring of IT investments for the company.

The Company's IT Governance Policy is mainly charged with:

- Establishing a shared vision of how information technology can add value to the organization
- Establishing information technology goals, and the strategies for achieving those goals
- Establishing principles and guidelines for making information technology decisions and managing initiatives
- Overseeing the management of institutional information technology initiatives
- Establishing and communicating organizational information technology priorities
- Determining information technology priorities in resource allocation
- Establishing, amending and retiring, as necessary, organizational information technology and other technology related policies, and determining the distribution of responsibility between the IT department and end users.

## **IT SECURITY POLICY**

The objective of Information Security is to ensure continuity of business of the Company and to minimize business damage by preventing and limiting the impact of security incidents.

### **Policy**

The purpose of the Policy is to protect Company information assets from all types of threats including cybersecurity threats, whether internal or external, deliberate or accidental. These assets relate to information stored and processed electronically.

It is the Policy of the Company to ensure that:

- Information will be protected against unauthorized access.



- Confidentiality of information will be assured by protection from unauthorized disclosure or intelligible interruption.
- Integrity of information (its accuracy and completeness) will be maintained by protecting against unauthorized modification.
- Regulatory and legislative requirements will be met, including record keeping, according to Information Security Management System standard.
- Disaster Recovery Plans will be produced, maintained and tested, to ensure that information and vital services are available to Company when needed.
- Information on security matters will be made available to all staff.
- All breaches of information security, actual or suspected, will be reported to and investigated by the Cybersecurity Security Officer / Internal Audit.
- The controls, rules and procedures for all individuals accessing and using an organization's IT assets and resources.

### **Standards**

Standards have been produced to support the policy. These standards include regulations, guidelines and procedures covering matters such as (not limited to) cybersecurity threats, data security, backup, endpoints users control and password:

- Business requirements for the available of information and information system will be met.
- The role and responsibility for managing information security will be assigned to a designated Cybersecurity Officer / Internal Audit.
- The information Security Officer / Internal Audit will be responsible for maintaining the policy and providing advice and guidance on its implementation.
- All managers are responsible for implementing the Policy within their business areas and for adherence by their staff.
- It is responsibility of each employee to adhere to the Policy.

### **Industry specific requirements for cybersecurity and strategy**

The IT steering committee has approved and mandated IT teams to implement multiple cybersecurity controls to mitigate the risks of cyberattacks.

The IT team has successfully implemented several controls, including next generation edge network firewalls, a cloud-based web application firewall, a cloud-based endpoint extended detection and response (XDR) solution, an email security gateway, and user access policies and procedures following industry best practices. These measures are in place to ensure a secure environment and protect against various types of cybersecurity threats.

The existing solutions have been implemented to provide automated threat detection and response through enhanced data visibility, threat intelligence utilization, and data analytics.



## BOARD'S RISK OVERSIGHT FUNCTION FOR CYBERSECURITY

When it comes to cybersecurity governance, company board of directors has specifically assigned agenda to IT steering committee to align with management on the appropriate risk appetite related to cybersecurity.

### Management engagement with the board

Emphasizing that cybersecurity risk is not just an IT concern, but is an enterprise wide business issue that cuts across all divisions and functions. Accordingly, management beyond the security function needs to be fluent on what controls and processes are protecting its operations, how employees are trained and tested from management down to the front line and what protocols to follow in the event of a cybersecurity incident or breach.

### Formation of IT Steering Committee

Through its oversight function the IT steering committee plays an important role in encouraging management to take broader ownership of cybersecurity risk and it is incumbent on them to understand if and how the responsibility for cybersecurity is shared across the Company.

Cybersecurity risks and mitigation factors are included in agenda of IT steering committee meeting with respect to discussions about strategy and risk, prioritizing self-education and external advice to improve cybersecurity risk controls.

IT security policy, controls, procedures & third party audit are reviewed in IT steering committee meeting and ensure that all the recommendations identified in third party security audit report should be implemented.

## CONTROL AND PROCEDURES FOR CYBERSECURITY EARLY WARNING SYSTEM AND ASSOCIATED RISKS

Networks and systems are constantly evolving due to threats, organizational growth or new regulatory & business requirements. Traditional analysis products focus on recording and identifying company wide threats through logging, analysis and reporting over time.

At present, we do not have a centralized mechanism for early threat detection. Nevertheless, in our IT steering committee meetings, we thoroughly examine IT security policies, controls, procedures, and the results of third-party audits to verify the adoption of suggested measures. Guided by their recommendations, the IT team has implemented a range of security systems, such as network monitoring, next generation firewalls, web application firewalls, email security gateways, and endpoint extended detection and response (XDR) solutions, among others. These systems undergo continuous monitoring and analysis with dedicated log storage and analyzers in place.

Firewall log Analyzer has also been deployed is powerful log management, analytics, and reporting platform that provides organizations with a single console to manage, automate, orchestrate, and respond, enabling simplified security operations, proactive identification and remediation of risks, and complete visibility of the entire attack landscape. Integrated with the Firewall Security Fabric, advanced threat detection capabilities,



centralized security analytics, end-to-end security posture awareness and control, helps security teams identify and mitigate threats before a breach can occur.

If any type of threat is identified or third-party audit findings are reviewed during IT steering committee meetings, we ensure that all recommendations from the third-party security audit report are implemented.

## COMPREHENSIVE SECURITY ASSESSMENT OF TECHNOLOGY ENVIRONMENT

Information Security Policies and assessment of IT objects serve as the backbone of any mature information security program. IT steering committee has implemented information security policies that support its organizations' business objectives while also adhering to industry standards and regulations. Board of directors always fully support and participate in the development, enforcement of information security policies and independent third party security assessment of IT environment to ascertain the security level of the Company and communicate the findings thereon.

In fiscal 2021-22 IT steering committee has approved and executed Vulnerability Assessment and Penetration Testing (VAPT) of IT assets from third party Company which provides enterprises with a more comprehensive application evaluation than any single test alone. Using the Vulnerability Assessment and Penetration Testing (VAPT) approach gives an organization a more detailed view of the threats facing its applications, enabling the business to better protect its systems and data from malicious attacks. Vulnerabilities can be found in applications from third-party vendors and internally made software, but most of these flaws are easily fixed once found. Using a VAPT provider enables IT security teams to focus on mitigating critical vulnerabilities while the VAPT provider continues to discover and classify vulnerabilities.

A Vulnerability Assessment and Penetration Testing (VAPT) report was submitted by a third-party company. This report was reviewed by members of the IT steering committee, who then directed the IT security teams to take measures to address the identified gaps. The IT team implemented the recommended patches and subsequently submitted the system for revalidation. In fiscal year 2022-23, the third-party company conducted the revalidation process, ultimately submitting the final revalidation VAPT report in January 2023.

## CONTINGENCY AND DISASTER RECOVERY PLAN

The Board of Directors has approved and continuously reviews the IT Policy and Business Continuity Plan of the Company. The management has arranged offsite data storage facilities. All the key records are being maintained at different locations. Employees are aware of the steps required to be taken in case of any emergency. The concept of Business Continuity Planning has become a major business management requirement over the past few years.

### **Business Continuity Plan**

Business Continuity Planning is a process used to develop a practical plan for how a business can recover or partially restore critical business activities within a predetermined timeframe after a crisis or disaster.

## **Manufacturing Facilities**

The Company's manufacturing facility is in Nowshera, Khyber Pakhtunkhwa and is a state-of-the-art construction with its structure being earthquake proof. The building is fire resilient and fully equipped with modern firefighting equipment. It also meets HSE requirements at all levels. Hence, partial loss would not affect the Company's operations. Moreover, other locations of the Ghulam Faruque Group are available as alternate locations therefore; interruptions, if any, can be managed.

## **Identification of Potential Issues and the Plan Update**

Potential issues are identified and updated from time to time to have an up to the mark solution for the anticipated problems. For the purposes of such identification, independent studies are conducted and drills are carried out. Based on the results obtained from these studies and drills, plans are updated.

## **Disaster Recovery Plan and IT Infrastructure**

In respect of SAP, the Company has both the production and the Disaster recovery sites on cloud solutions provided by SAP. In respect of data other than SAP, the Company has its production site at PTCL Karachi with DR site at PTCL Lahore. In case of any disaster, the Company would be able to continue its operations smoothly. Availability of SAP sites at separate locations enables the Company to perform its IT functions without any glitches in case of any infrastructural damage at any one location. Moreover, the company has multiple locations within Pakistan. Operations can be carried through all of the locations situated in Pakistan.

## **Cyber Insurance**

Cybersecurity insurance is a contract that an entity can purchase to help reduce the financial risks associated with doing business online. In exchange for a monthly or quarterly fee, the insurance policy transfers some of the risk to the insurer.

Cybersecurity insurance is a new and emerging industry. Companies that purchase cybersecurity insurance today are considered early adopters. Cybersecurity policies can change from one month to the next, given the dynamic and fluctuating nature of the associated cyber-risks. Unlike well-established insurance plans, underwriters of cybersecurity insurance policies have limited data to formulate risk models to determine insurance policy coverages, rates and premiums.

We currently do not have specific cyber insurance in place. However, we have established a Disaster Recovery (DR) plan as a contingency for potential events such as theft, disasters, and cyberattacks. This DR plan ensures that resources are readily available to restore both data and hardware at any level, maintaining harmony between Disaster Recovery (DR) and Business Continuity (BC) efforts.

While we do not have dedicated cyber insurance, we have taken proactive measures to enhance our cybersecurity. As a result, in the event of theft, a disaster, or a cyberattack, we can restore our data and hardware in accordance with our DR policy.

## **ADVANCEMENT IN DIGITAL TRANSFORMATION**

In the past few decades, a fourth industrial revolution has emerged, known as Industry 4.0. Industry 4.0 takes the emphasis on digital technology from recent decades to a whole new level with the help of interconnectivity through the Internet of Things (IoT), access to real-time data, and the introduction of cyber-physical systems. Industry 4.0 offers a more comprehensive, interlinked, and holistic approach to manufacturing. It connects



physical with digital, and allows for better collaboration and access across departments, partners, vendors, product, and people. Industry 4.0 empowers business owners to better control and understands every aspect of their operation, and allows them to leverage instant data to boost productivity, improve processes, and drive growth.

There are hundreds of concepts and terms (ERP, IoT, RPA, Block chain, AI, Big data, Cloud Computing etc.) that relate to Industry 4.0, but we have to decide in which domain we want to invest in Industry 4.0 solutions as per our business requirement.

In our case, board of directors in IT steering committee decided to invest in ERP and Cloud computing to improve business process management tools and reporting that can be used to manage information across an organization.

Cloud computing is the delivery of computing services including servers, storage, databases, networking, software, analytics, and intelligence over the Internet (“the cloud”) to offer faster innovation, flexible resources, and economies of scale. The cloud services use, helping lower operating costs, run infrastructure more efficiently, and scale as business needs change.

The Board of Directors has decided to migrate company’s on premises SAP ERP solution to S/4 HANA on cloud in IT steering committee. Multiple cloud service provider solutions have been reviewed and evaluated in IT steering committee and finalized one cloud service provider. The upgradation has successfully done from on Prem SAP ERP S/4 HANA and Success Factors also on cloud in fiscal year 2022-23.

Other than that, we have also implemented Cloud based end point extended detection and response (XDR) solution and Cloud based Web application firewall in fiscal year 2022-23 designed to provide automated threat detection and response through data visibility and the use of threat intelligence and data analytics.

## **DISCLOSURE ABOUT EDUCATION AND TRAINING EFFORTS TO MITIGATE CYBERSECURITY RISKS**

We prioritize education and training to mitigate cybersecurity risks within our company. Our approach includes:

### **Employee Training**

Regular cybersecurity training sessions are provided to all employees. These sessions cover best practices, threat awareness, and safe online behaviour to empower our workforce to identify and respond to potential risks.

### **Specialized Workshops**

We conduct specialized workshops for IT personnel and other relevant teams. These workshops delve into more advanced topics such as network security, data encryption, and incident response.

### **Security Policies Communication**

We ensure that all employees are well-informed about our cybersecurity policies and procedures. This communication helps create a shared understanding of security measures across the organization.

# BUILDING A BETTER FUTURE

## **Simulated Phishing Exercises**

To enhance vigilance, we conduct simulated phishing exercises. These exercises test employees' ability to recognize phishing attempts and reinforce the importance of cautious email interactions.

## **Regular Updates**

Our team continually provides updates on emerging threats and evolving best practices. This keeps employees informed about the ever-changing cybersecurity landscape.

## **Collaboration with Experts**

We collaborate with external experts and consultants to provide specialized insights. This external perspective enriches our training efforts and helps us stay ahead of emerging threats.

## **Reporting Channels**

We emphasize the importance of reporting any security concerns promptly. Our transparent reporting channels ensure that potential threats are addressed swiftly.

## **Continuous Improvement**

Our education and training efforts are regularly evaluated and refined to align with new threats and technologies. This ensures that our workforce is well-equipped to mitigate evolving cybersecurity risks.

Through these education and training initiatives, we foster a culture of cybersecurity awareness and responsibility across our organization, reducing vulnerabilities and enhancing our overall cybersecurity posture.



A person wearing a white long-sleeved shirt is shown from the chest down, looking out over a city at night. The city is illuminated with various lights, and a prominent, glowing orange and yellow light trail streaks across the sky. The overall scene is futuristic and dynamic.

# CHAPTER 9

# FUTURE OUTLOOK

An aerial night view of a city skyline, likely Singapore, with numerous illuminated skyscrapers. In the foreground, a person's hand is visible typing on a laptop keyboard. The image is semi-transparent, allowing the city lights to be seen through the text area.

**182** Forward Looking Statement



## FORWARD LOOKING STATEMENT

As we step into the fiscal year 2024, Pakistan is still grappling with significant political and economic challenges, painting a rather dim picture. The country is dealing with the aftermath of a global economic downturn, substantial inflation pressures, monetary constraints, and environmental calamities, all of which have contributed to a complex economic situation.

The global economy experienced a commodity super cycle impact, leading to exceptionally high coal prices, worsened by the Russia-Ukraine war. This altered the company's cost structure, causing selling prices to rise. Though, the commodity super cycle saw a decline in the latter half of FY23, primarily influenced by the ongoing global economic deceleration and the consequent reduction in demand.

Moreover, the federal government, in an effort to curb imports, implemented various measures, which has resulted in augmenting overall construction cost. The State Bank of Pakistan gradually raised interest rates, culminating in a historic peak of 22%.

Amid these difficulties, there has been a recent positive development on the economic front that offers a glimmer of hope. The Federal Government has successfully restarted the long-pending IMF program, adopting the form of a "Stand-by Agreement." This agreement entails the expected disbursement of \$3 billion over nine months, providing much-needed relief to the economy and assisting in meeting short to medium term financing requirements.

The revival of the IMF program carries several encouraging implications. First and foremost, it helps reduce uncertainty in the financial landscape, bringing some stability and predictability for businesses and investors. Additionally, it creates fresh avenues for the country to secure additional borrowing from other international lenders and friendly nations, thereby enhancing financial flexibility.

Since the Government shifted its focus away from PSDP and infrastructure development to tackling rising input costs, the cement industry's local sales volume for the year ending June 30, 2023, dropped by 16% compared to the previous year. The increase in input costs, higher interest rates, and a growing current account deficit prompted the government to divert attention from construction, resulting in reduced demand for related projects. It is anticipated that cement demand will remain under pressure in short term due to inflationary environment and political uncertainty.

International coal prices dropped significantly due to plunging European gas contract, European nations shifted back to gas, causing coal contract prices to collapse. Hence, companies in the north switched to imported coal over Afghan coal to capitalize the situation.

### **Company Performance Against Last Year Projections**

The Company's sales revenue experienced a remarkable surge of 17%. The Company has been actively working to reduce costs by employing an efficient blend of alternative fuels, a mix of local and imported coal, optimal utilization of waste heat recovery, the national grid, and self-power generation including solar. Almost all of the financial and non-financial goals set during the previous year were achieved to a larger extent, unless specified otherwise.

### **Growth and Expansion:**

Following the completion Line-I BMR (Balancing, Modernization, and Replacement), trial run and guarantee tests have been performed successfully. Though, upgrading Line-I expected to bring several advantages for improved efficiency and overall operations. This upgrade could involve incorporating advanced technologies to boost energy efficiency, such as adopting more energy-efficient equipment, utilizing waste heat recovery systems, and optimizing combustion processes. By reducing energy consumption, the company can cut operational costs and lessen its environmental footprint, which is vital in the resource-intensive cement sector.

In view of the object to expand operations, the Company has purchased factory land, mining leases, technical feasibilities and certain NOCs from M/s Saif Cement Limited. Though, the project is now put on hold till improvement in economic indicators.



# BUILDING A BETTER FUTURE

The Company has made upgradation from the legacy ECC System to SAP S/4 HANA. Notably, this marks Pakistan's inaugural migration project of this kind onto the cloud.

Regarding human resources, referring to the Training Need Analysis (TNA) from the previous year and evaluating the performance of the Company staff, appropriate technical training sessions were organized for the identified employees. This is a recurring process done annually. The company has established a comprehensive training initiative encompassing all management levels including introduction of SAP Success Factor modules. This practice of providing training will continue in the future as well, ensuring that employees acquire the necessary technical and management skills for the upcoming years.

The company's robust financial standing and its capacity to generate substantial free cash flow position it advantageously to effectively address significant challenges. This positions it well to uphold its Vision of enhancing operational efficiencies, initiating new investments, and augmenting shareholder value.

## UPDATE ON LAST YEAR'S TARGETS

Annually, the Company has established marketing, production, and various targets through a budgetary process which is duly approved by the Board of Directors. Throughout the year, the project team effectively achieved all set objectives. The profitability aims for the year were not only met but significantly exceeded in actual performance. Likewise, production and dispatch objectives were surpassed. To manage liquidity and gearing, the Company closely monitor daily cash flows to ensure the attainment of our goals.

### Financial Projections

Future revenue projections based on management's best judgment and estimates are as follows:

Year	2024	2025	2026
Revenue – net (Rs. in million)	39,620	42,496	45,758

### Sources of Information used for Projections of Future Revenue:

To create future revenue projections and budgets, internal meetings were conducted between the Head Office, Site, and Sales offices to exchange and gather information and assumptions. The management used this information and assumptions to perform a detailed budgeting and forecasting exercise, which was subsequently endorsed by the Board of Directors.

### Outlook:

Peering into the future, the outlook for Pakistan's cement industry holds great promise. The government's emphasis on advancing infrastructure, encompassing initiatives like dam construction, highways, and housing projects, is anticipated to propel cement demand in the forthcoming years. Moreover, the upcoming phase of the China-Pakistan Economic Corridor endeavor is poised to usher in fresh prospects for the cement sector, given its involvement in constructing ports, railways, and highways.

Furthermore, the cement industry in Pakistan is projected to experience steady growth. This growth can be attributed to certain factors on enhancing infrastructure, especially through CPEC project. These efforts are expected to result in an increased demand within the country.

Moreover, the international coal prices are foreseen to maintain a downward trend in the short run owing to persistent demand obstacles and insufficient supply reductions necessary for market equilibrium. Yet, should production cutbacks escalate, the prices could potentially stabilize at their current levels. Furthermore, with an increasing number of nations shifting towards renewable energy alternatives, the call for coal is poised to decrease, exerting additional pressure on coal prices.

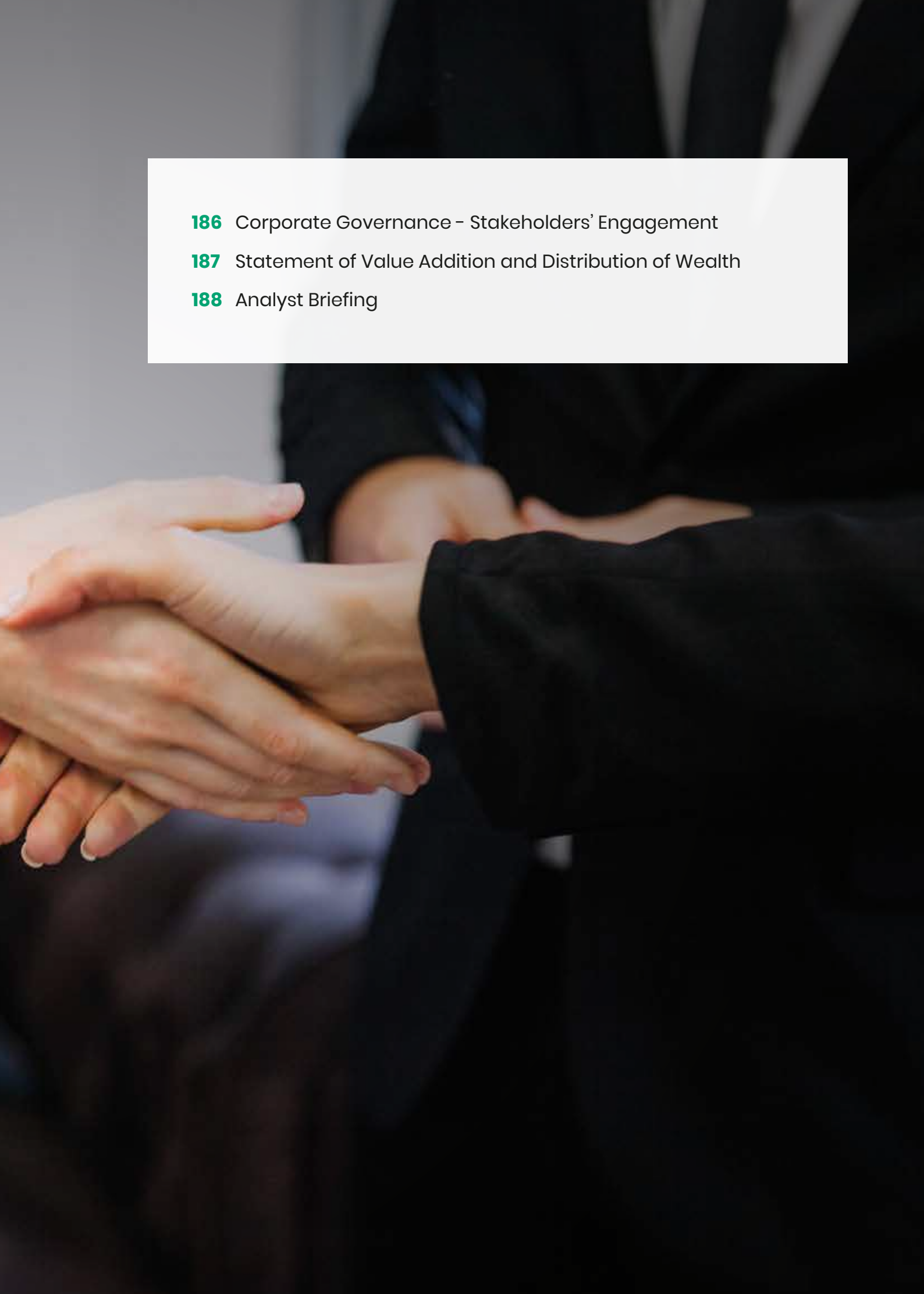
Keeping into consideration of coal prices variation, the Company intends to shift from imported to local coal and alternate fuel so as to mitigate price variation and exchange rate risk. Moreover, the Company aims to utilize funds in cost-efficient production techniques to improve shareholder wealth and optimizing working capital.

While the future of Pakistan's cement industry appears auspicious, it's vital for the sector to tackle its challenges and persist in innovating to uphold its competitive edge and sustainability, both in the domestic and international markets.

A blurred background image showing a person in a light-colored suit jacket and dark tie, holding a green folder. Another person's hand is visible on the right side, suggesting a handshake or a meeting. The overall scene is professional and business-oriented.

# CHAPTER 10

# STAKEHOLDERS' RELATIONSHIP AND ENGAGEMENT

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- 186** Corporate Governance - Stakeholders' Engagement
  - 187** Statement of Value Addition and Distribution of Wealth
  - 188** Analyst Briefing



## CORPORATE GOVERNANCE -STAKEHOLDERS' ENGAGEMENT

Our stakeholders extend valuable contribution towards our growth and existence. Procedure for stakeholders' engagement includes effective communication, good harmony and compliance with laws & regulations. We cannot truly execute our purpose without input from our stakeholders.



### Shareholders

Safeguarding our shareholders' interest is our prime responsibility. Our shareholders' interest revolves around good returns, profitability, growth and regulatory compliances. We respond to our shareholders' expectations through improvement in business mechanics, effective governance and corporate reporting framework. Annual General Meetings and statutory reporting are the most effective means of our engagement with our shareholders. Support of shareholders is critical in achieving the Company objectives. All grievance of the shareholders may be addressed in smooth manner and resolve the issue at the time of General Meetings or wherever received in other mode.



### Minority Shareholders

The management of the Company firmly believes in encouraging and ensuring the equitable treatment of all shareholders including minority shareholders to attend, speak and vote at the Annual General Meeting and appoint another member as his / her proxy instead. The Notice of the AGM is published in Urdu and English language in one issue of a daily newspaper of respective language having a nationwide circulation. Such notice is also placed on the Company's website.



### Dealers, Customers and Transporters

Sustaining and developing long-term relationships with our dealers, customers and transporters forms the key of our business' success. Their expectations are focused on product quality, pricing and service delivery. Our sales and marketing teams remain in close contact to this segment of our stakeholders to resolve issues on a priority basis. We continue to engage with our dealers, customers and transporters through meetings and market visits and communications. We derive success from the brand loyalty of Cherat and the cooperation from our transporters.



### Suppliers and Vendors

Efficient supplier network is a key for effective working capital management. To achieve this objective, we conduct market surveys to strengthen our bond with our suppliers and vendors. Our supply chain management team is in continuous contact with suppliers and vendors through meetings and correspondence to resolve all queries for on time deliveries. Cooperation of our suppliers gives us an extra edge over our competitors.



### Banks and Other Lenders

We value our relationship with our financial partners and lenders. Financial risk management and business sustainability are few of the interests of this segment of stakeholders. Periodic briefings, Quarterly financial reporting, Head Office and Site visits are the main means for our engagement with this category of stakeholders. Bank and other institutes help us in obtaining loans at attractive rates and advise on strategic issues whenever needed.



### Government and Regulatory Bodies

Our commitment to compliance with laws and regulations is evident from our Corporate and Legal team's continued efforts for efficient and effective legal and regulatory obedience. The engagement includes submission of periodic reports, responding to enquiries and meetings as and when required. Active engagement with regulators improves level of compliance.



### Employees

Our company has extensive employee engagement schemes in place. The employees' issues revolve around work life balance, training and development and rewards. We have educational loan schemes, in-house and outside training programs and long-term employment reward schemes in place to value our employees as Human Capital. Employee meetings are on regular intervals in form of Annual get-togethers, celebrating sports day and team building activities. Employees engagement improves the level of dedication and hard work.



### Media

Ads and campaigns are launched in media based on marketing requirements. Interaction with media improves the Company's brand image.



### Investors Section

To keep transparency in the relationship between the Company and its shareholders, the website of Cherat Cement (<https://gfg.com.pk/cccl/>) contains all the major financial information needed for investors' decision making in a separate tab of "Investor Relations".



### AGM Proceedings

The last AGM was conducted at registered office of the Company on wednesday, October 12, 2022 at 12:30 p.m. The meeting was properly organized and attended by the Shareholders.

The management explained and updated the business of the company, that following the recovery from the COVID-19 Pandemic, the world economy faced challenges of international commodity prices, especially oil, coal and ongoing political instability and delay in resumption of IMF program along with increase in discount rate by the State Bank of Pakistan, all of which adversely affected the Company. Despite of all these factors, the management is trying to resolve these challenges in the best possible manner.

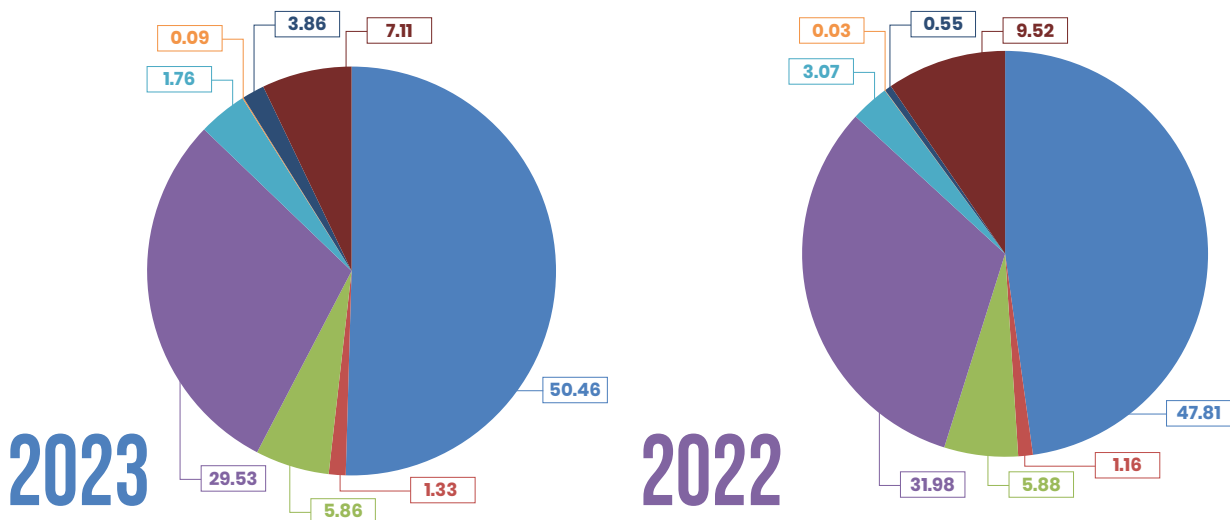
Shareholders approved the Financial Statements and also gave approval for appointment of M/s. EY Ford Rhodes. Chartered Accountants as external auditors and distribution of cash dividend.

# BUILDING A BETTER FUTURE

## STATEMENT OF VALUE ADDITION AND DISTRIBUTION OF WEALTH

	2023		2022	
	(Rs. in '000)	%	(Rs. in '000)	%
<b>Wealth Generated</b>				
Turnover (including taxes)	49,173,585	99.09	43,863,262	99.12
Other operating income	453,965	0.91	390,495	0.88
	<b>49,627,550</b>	<b>100.00</b>	<b>44,253,757</b>	<b>100.00</b>
<b>Distribution of Wealth</b>				
Cost of sales (excluding employees' remuneration)	25,040,647	50.46	21,155,990	47.81
Marketing, selling and administrative expenses	661,922	1.33	515,390	1.16
To employees as remuneration	2,906,445	5.86	2,601,674	5.88
To government as taxes	14,655,495	29.53	14,150,661	31.98
To providers of finance as financial charges	1,914,170	3.86	1,358,874	3.07
To society as donations	44,938	0.09	15,203	0.03
To shareholders as dividend*	874,328	1.76	242,869	0.55
Retained within the business	3,529,605	7.11	4,213,096	9.52
	<b>49,627,550</b>	<b>100.00</b>	<b>44,253,757</b>	<b>100.00</b>

	2023	2022
Cost of sales (excluding employees' remuneration)	50.46	47.81
Marketing, selling and administrative expenses	1.33	1.16
To employees as remuneration	5.86	5.88
To government as taxes	29.53	31.98
To providers of finance as financial charges	3.86	3.07
To society as donations	0.09	0.03
To shareholders as dividend*	1.76	0.55
Retained absorbed within the business	7.11	9.52





## ANALYST BRIEFING

In compliance of listing regulations of PSX, Cherat Cement Company Limited is continuously conducting a corporate / analyst briefing on annual basis for its valued stakeholders, investors where the Company takes the opportunity to apprise investors about the Company in explaining its financial performance, business outlook, competitive environment and correct perspective of affairs of the Company in which it operates and invests.

The Company has strong connections with the institutional investors and analysts. Institutional investors regularly obtain Company's business briefings and industry insight.



# BUILDING A BETTER FUTURE

The Company has conducted a corporate briefing session at its Head Office on September 08, 2022 to apprise the stakeholders about the Company's operational and financial performance during the year 2022. The management of the Company summarized the Company's performance and progress highlighting the growth, expansions, opportunities and challenges regarding the cement sector.

A separate Question & Answer session was also smoothly held in order to provide further explanation, justification and showing the sincere commitment of the Company towards continuous achievements and targets.




A close-up photograph of a laptop with a document of charts and graphs on top of it. A hand is visible on the right side, pointing towards the screen. The background is slightly blurred, focusing on the laptop and the document.

# CHAPTER 11

# STRIVING FOR EXCELLENCE IN CORPORATE REPORTING



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- 192** Statement of Unreserved Compliance of International Financial Reporting Standards (IFRSs) Issued by International Accounting Standards Board (IASB)
  - 193** Statement and Adoption of Adherence with the International Integrated Reporting Framework (IR)
  - 195** Glossary of Terms and Definitions
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# STATEMENT OF UNRESERVED COMPLIANCE OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) ISSUED BY INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB)

Cherat Cement Company Limited preparing statutory financial statements in accordance with the IFRS issued by IASB as notified under the Companies Act 2017 including the disclosure requirements of fourth schedule.

However, SECP has not notified adoption of following IFRS:

<b>Standards</b>	<b>IASB effective date (annual periods beginning on or after)</b>
IFRS 1 – First time adoption of IFRSs	01 January 2004
IFRS 17 – Insurance Contracts	01 January 2023

In addition to this, note 2.4 to the financial statement specify few standards and interpretations, which are yet to be effective in Pakistan. The Company believes that the impact of the above standards and those referred in note 2.4 does not have any material impact on the financial statements.

Karachi: September 05, 2023

**Omar Faruque**  
Chairman

## STATEMENT AND ADOPTION OF ADHERENCE WITH THE INTERNATIONAL INTEGRATED REPORTING FRAMEWORK (IR)

### Overview:

This annual report (report) of the Cherat Cement Company Limited (Company) has been prepared as per the guidelines of the International Integrated Reporting (IR) framework and the Global Reporting Initiative (GRI) Standards. The report's aim is to provide its stakeholders a quality, concise and transparent briefing of the Company's ability, position and expertise to create sustainable value, which is vital for its position, performance and reporting capabilities. Management of the Company is following the spirit of adhering to the best corporate and governance practices. The management is also committed to achieve excellence in all aspects of transparent reporting. The Company also achieved good stage of compliance. The Company also considers the importance and strengthening of this report in terms of information connectivity and demonstration of results impact regarding various capital employed.

### Business operations:

The Company is engaged in manufacturing, marketing and sale of cement. The data and information presented in this report pertains to its plants, marketing offices and head office.

### Objectives and Contents:

The contents of this report are based on Company's engagement with its stakeholders, IR framework and GRI Standards sustainability and to provide quality information of interest of various group of stakeholders of impacts of activities on economy, market, environment and society as well as long-term sustainability of the Company's business.

It is imperative to ensure that the material is being presented in such a way that it enables the stakeholders to better understand these activities. The business strategy information has been linked directly to business activities and non-financial information.

### Methodologies:

In compilation of data basic scientific measurements, mathematical calculation methods, accounting principles, actual basis and other different logical methodologies are used. The Company strives to ensure the accuracy of the sustainability as well as the information being provided.

### Role of the Board:

The Board of Directors (the Board) has crucial role, since directors are elected by shareholders and IR framework is a mechanism of ensuring long-term value creation and increasing transparency. The IR framework requires involvement and support of the Board and Chief Executive.

Hence forth, the Management of the Company is guided to achieve Company objectives by advising, assessing, and monitoring the business strategies and ensuring the execution and modification of these activities.

### Role of Management:

The Management has laid the business foundation built on the principles of ethics and corporate professionalism. The same is being developed by devising and disseminating procedural steps and policies thereby highlighting need of good governance and resource allocation in achieving the desired objectives.

### Financial and Non-Financial Information:

The report also includes both financial and nonfinancial information about the Company's brand, financial structure, operations, performance, insight, risks & opportunities and outcome attributable to the value creation ability.

The Company has adopted the IR framework to give an overview of the Company's business affairs and philosophy by connecting and presenting the financial and non-financial information considering the varied interests of stakeholders.

The forward-looking statement explains the future challenges and how the Company plans to address these.



### **Connectivity, Monitoring and Control:**

The Company's reporting is monitored and it is ensure that the relevant information is shared in the most suited way for the stakeholders. Connectivity of the information is another aspect which needs to be addressed properly.

Thus, the stakeholders are made aware of the Company's philosophy and attitude towards achieving the enhanced stakeholders' value and customer satisfaction. The stakeholders' value is maximized through returns on investment, which management believes can be achieved through revenue maximization and cost control measures.

### **Other factors:**

This report also includes other factors which impacted the economic performance of the Company.

The Company also provides an overview of Health, Safety and Environment (HSE) to its stakeholders and addresses complaints and grievances. Achieving sustainable corporate value by focusing economic, societal, technological and environmental factors and their impacts is the Company's core strength.

The analysis and conclusions presented in this report demonstrates various factors that have been taken into account and the management is taking measures to increase the resilience of the business and its operations.

### **Users:**

This report intended to address the needs of users, investors, stakeholders, suppliers, employee, regulators and society to provide view of value creation potential taking into account risks and opportunities. The Company believes that this report provides better understanding of its business strategies, opportunities & risks, business model, governance, performance which creates value to the Company and its shareholders. The Company shall continue to improve the information produced to make it even easier to understand.

### **Materiality:**

The report includes the information relevant for its stakeholders to make decisions on the organization's economic, social and environmental performance.

### **Reporting period:**

This report of the Company is published annually and covers period beginning from July 01, 2022 till June 30, 2023.

### **Our Report:**

This report of the Company has included following content elements for the users of this report:

- Organizational overview and external environment
- Strategy and resource allocation
- Risks and opportunities
- Governance
- Performance and position
- Stakeholders' relationship and engagement
- Sustainability and corporate social responsibility
- Striving for Excellence in corporate reporting

Karachi: September 05, 2023

  
Omar Faruque  
Chairman

## GLOSSARY OF TERMS AND DEFINITIONS

**Activity / Turnover Ratios:** Activity ratios measure the efficiency of the company in using its resources / assets. These ratios indicate the efficiency with which the assets of the company are managed/utilized.

**Borrowing Cost:** Finance costs that are directly attributable to the construction/acquisition of a qualifying asset and included in the cost of such asset.

**BCRA:** Best Corporate Report Awards

**CCG:** Code of Corporate Governance

**Capital Structure Ratios:** The capital structure ratios measure how a company finances its overall operations and growth by using different sources of funds.

**Captive Power Plant:** An electricity generation facility used and managed by an industrial or commercial energy user for their own energy consumption.

**Consortium Financing:** Is a solution usually entails several banks or financial institutions joining hands to finance large projects through a common appraisal, common documentation and joint supervision.

**Corporate Social Responsibility (CSR):** A self-regulating business model that helps a company be socially accountable - to itself, its stakeholders, and the public.

**Diminishing Musharakah:** Refers to joint ownership of asset by financier and borrower. The share of financier in the asset is divided into number of units and borrower will purchase those units periodically, thus increasing his own share till complete ownership.

**Dividend Cover Ratio:** It measures the number of times that a company could pay dividends to its shareholders.

**Dividend Mandate:** An authorization by a shareholder to the company, to pay his or her dividends directly into a bank account.

**EBITDA:** Earnings Before Interest, Taxes, Depreciation and Amortization.

**HR & RC:** Human Resource and Remuneration Committee.

**HSE:** Health, Safety and Environment

**Government Grants:** are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity.

**Human Capital:** Intangible collective resources, like knowledge, talents, skills, abilities, experience, intelligence, training, judgment, and wisdom possessed by individuals and groups within an organization. It is a form of wealth available to organizations to accomplish its goals.

**IAS:** International Accounting Standards.

**IASB:** International Accounting Standards Board.

**IFRIC:** International Financial Reporting Issues Committee.

**IFRS:** International Financial Reporting Standard.

**Interest Cover Ratio:** It measures how many times a company can cover its current interest payment with

its available earnings.

**Investment / Market Ratios:** Investor ratios are used to measure the ability of a business to earn an adequate return for the owners of the business.

**ISO 9001:2015:** A standard that specifies requirements for a quality management system (QMS). Organizations use the standard to demonstrate the ability to consistently provide products and services that meet customer and regulatory requirements.

**ISO 14001:2015:** A standard for the management of environmental matters that is widely used in various parts of the world.

**Joint Venture (JV):** A business arrangement in which two or more parties agree to pool their resources for the purpose of accomplishing a specific task.

**KIBOR:** Karachi Inter Bank Offer Rate.

**Liquidity Ratios:** A liquidity ratio is a financial ratio that indicates whether a company's current assets will be sufficient to meet the company's obligations when they become due.

**Long-Term Debt-to-Equity Ratio:** The ratio found by dividing long-term debt by the equity (all assets minus debts) held in stock (This is a measure of financial risk).

**Manufactured Capital:** It is the collection of physical, material and technological objects that are available to a company for use in the production process.

**Market Ratio:** It helps to determine the market value of a company relative to its actual worth.

**Operating Cycle:** The average time between purchasing or acquiring inventory and receiving cash proceeds from its sale.

**Price-Earnings Ratio (P/E):** The ratio found by dividing market price per share by earnings per share (This ratio indicates what investors think of the firm's earnings' growth and risk prospects).

**Profitability Ratios:** The Profitability Ratios measure the overall performance of the company in terms of the total revenue generated from its operations.

**Relationship Capital:** It is the company's relationships with customers, partners, suppliers, shareholders. It is an important business asset.

**ROUA:** Right-of-use-asset

**Running Musharakah:** is Shariah compliant alternative of Running Finance Facility available in conventional banking system.

**Security:** A pledge made to secure the performance of a contract or the fulfillment of an obligation.

**Shariah-Compliant Finance / Banking:** Facility which meets all of the requirements of Shariah law and the principles articulated for "Islamic Finance".

**Solar Power:** is the conversion of energy from sunlight into electricity, either directly using photovoltaics, indirectly using concentrated solar power, or a combination.

**Spread:** Rate charged by the bank over KIBOR.



## BCRA CHECKLIST 2023

1 Organizational Overview and External Environment		Page No.
1.01	Mission, vision, code of conduct, ethics and values.	7,22-25
1.02	Principal business activities and markets (local and international) including key brands, products and services.	26,219
1.03	Geographical location and address of all business units including sales units and plants.	27,34,219
1.04	"Ownership, operating structure and relationship with group companies (i.e. subsidiary, associated undertaking etc.) and number of countries in which the organization operates. Name and country of origin of the holding company/subsidiary company, if such companies are a foreign company."	28-29, 34-35
1.05	Disclosure of beneficial (including indirect) ownership and flow chart of group shareholding and relationship as holding company, subsidiary company or associated undertaking.	277
1.06	Organization chart indicating functional and administrative reporting, presented with legends.	38-41
1.07	Position of the reporting organization within the value chain showing connection with other businesses in the upstream and downstream value chain.	36-37
1.08	a) Explanation of significant factors effecting the external environment including political, economic, social, technological, environmental and legal environment that is likely to be faced in the short, medium and long term and the organization's response. b) The effect of seasonality on business in terms of production and sales.	42-43
1.09	The legislative and regulatory environment in which the organization operates.	46
1.10	The legitimate needs, interests of key stakeholders and industry trends.	46
1.11	SWOT Analysis of the company.	44
1.12	Competitive landscape and market positioning (considering factors such as the threat of new competition and substitute products or services, the bargaining power of customers and suppliers, relativestrengths and weaknesses of competitors and customer demand and ttheintensity of competitive rivalry).	33
1.13	The political environment where the organization operates and other countries that may affect the ability of the organization to implement its strategy.	46
1.14	History of major events.	30-31
1.15	Details of significant events occurred during the year and after the reporting period.	30,56, 219
2 Strategy and Resource Allocation		
2.01	Short, medium and long-term strategic objectives and strategies in place to achieve these objectives.	50

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2.02	Resource allocation plans to implement the strategy. Resource mean 'Capitals' including: a) Financial Capital; b) Human Capital; c) Manufactured Capital; d) Intellectual Capital; e) Social and Relationship Capital; and f) Natural Capital.	51-52
2.03	The capabilities and resources of the company to provide sustainable competitive advantage and as result value created by the business.	52-53
2.04	The effects of the given factors on company strategy and resource allocation: technological changes, ESG reporting and challenges, initiatives taken by the company in promoting and enabling innovation and resource shortages (if any).	55
2.05	Key performance indicators (KPIs) to measure the achievement against strategic objectives including statement as to whether the indicators used will continue to be relevant in the future.	54
2.06	The company's sustainability strategy with measurable objectives/ targets.	72-87
2.07	Board's statement on the significant plans and decisions such as corporate restructuring, business expansion, major capital expenditure or discontinuance of operations.	56-57
2.08	a) Information about defaults in payment of any debts with reasons and b) Board strategy to overcome liquidity problem and its plan to managerepayment of debts and meet operational losses.	56,109,141
<b>3 Risks and Opportunities</b>		
3.01	Key risks and opportunities (internal and external) effecting availability, quality and affordability of Capitals.	61-66
3.02	A Statement from Board for determining the following: a) company's level of risk tolerance by establishing risk management policies. b) the company has carried out a robust assessment of the principal risks facing the company, including those that would threaten the business model, future performance and solvency or liquidity.	60-68, 109
3.03	Risk Management Framework covering principal risk and uncertainties facing the company, risk methodology, risk appetite and risk reporting.	60,67
3.04	Specific steps being taken to mitigate or manage key risks or to create value from key opportunities by identifying the associated strategic objectives, strategies, plans, policies, targets and KPIs.	67-69
3.05	Disclosure of a risk of supply chain disruption due to an environmental, social or governance incident and company's strategy for monitoring and mitigating these risks (is any).	69



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<b>4 Sustainability and Corporate Social Responsibility (CSR)</b>		
4.01	Board's statement for adoption of best practices for CSR.	89-92,106
4.02	Board's statement about the company's strategic objectives on ESG (environmental, social and governance)/ sustainability reporting.	72-87,106
4.03	A chairman's overview on how the company's sustainable practices can affect their financial performance.	88
4.04	Highlights of the company's performance, policies, initiatives and plans in place relating to the various aspects of sustainability and CSR as per best business practices including: a) environment related obligations applicable on the company; b) company progress towards ESG initiatives during the year; and c) company's responsibility towards the staff, health & safety.	72-87
4.05	Status of adoption/compliance of the Corporate Social Responsibility (Voluntary) Guidelines, 2013 issued by the SECP or any other regulatory framework as applicable.	89
4.06	Certifications acquired for best sustainability and CSR practices or have a membership of any environmental or social groups.	26,73
<b>5 Governance</b>		
5.01	Board composition: a) Leadership structure of those charged with governance. b) Name of independent directors indicating justification for their independence. c) Diversity in the board i.e. competencies, requisite knowledge & skills, and experience. d) Profile of each director including education, experience and involvement /engagement of in other entities as CEO, Director, CFO or Trustee etc. e) No. of companies in which the executive director of the reporting organization is serving as non-executive director.	107-108,128-129 102-103,114 101-103 101-103,114
5.02	A brief description about role of the Chairman and the CEO.	130-131
5.03	A statement of how the board operates, including a high-level statement of which types of decisions are to be taken by the board and which are to be delegated to management.	112
5.04	Chairman's Review Report on the overall performance of the board and effectiveness of the role played by the board in achieving the company's objectives.	104
5.05	Annual evaluation of performance, along with description of criteria used for the members of the board including CEO, Chairman and board's committees.	111
5.06	Disclosure if the board's performance evaluation is carried out by an external consultant once in three years.	111,114
5.07	Details of formal orientation courses for directors.	111



# BUILDING A BETTER FUTURE

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5.08	Directors' Training Program (DTP) attended by directors, female executive and head of department from the institutes approved by the SECP and names of those who availed exemptions during the year.	111,128
5.09	Description of external oversight of various functions like systems audit or internal audit by an external specialist and other measures taken to enhance credibility of internal controls and systems.	111
5.10	Disclosure about related party transactions:	
	a) Approved policy for related party transactions.	121-123
	b) Details of all related parties transactions, along with the basis of relationship describing common directorship and percentage of shareholding.	99,271-272,115
	c) Contract or arrangement with the related party other than in the ordinary course of business on an arm's length basis, if any along with the justification for entering into such contract or arrangement.	121-123
	d) Disclosure of director's interest in related party transactions.	115,271-272
	e) In case of conflict, disclosure that how such a conflict is managed and monitored by the board.	119
5.11	Disclosure of Board's Policy on the following significant matters:	
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	b) Diversity (including gender), any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives.	125
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	d) Remuneration of non-executive directors including independent directors for attending board meetings and general meetings.	124
	e) Retention of board fee by the executive director earned by him against his services as non-executive director in other companies.	124
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	g) Board meetings held outside Pakistan.	114
	h) Human resource management including preparation of succession plan.	118
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	l) Employee health, safety and protection.	81-87
	m) Whistle blowing policy including mechanism to receive and handle complains in a fair and transparent manner and providing protection to the complainant against victimization and reporting in Audit Committee's report.	119-120
	n) Safety of records of the company.	118
	o) Company's approach to managing and reporting policies like procurement, waste and emissions.	69,117
5.12	Board review statement of the organization's business continuity plan or disaster recovery plan.	123-124
5.13	Compliance with the Best Practices of Code of Corporate Governance (No marks in case of any non-compliance).	128-129
5.14	a) Shares held by Sponsors / Directors / Executives; b) Distribution of shareholders (Number of shares as well as category, e.g. Promoter, Directors/Executives or close family member of Directors/Executives etc.) or foreign shareholding (if any).	277



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	<ul style="list-style-type: none"> <li>a) how it is designed to manage and integrate the functions of core business processes/ modules like finance, HR, supply chain and inventory management in a single system;</li> <li>b) management support in the effective implementation and continuous updation;</li> <li>c) details about user training of ERP software;</li> <li>d) how the company manages risks or control risk factors on ERP projects;</li> <li>e) how the company assesses system security, access to sensitive data and segregation of duties.</li> </ul>	45,83,119
5.20	Where an external search consultancy has been used in the appointment of the Chairman or a non-executive director, a disclosure if it has any other connection with the company.	114
5.21	Chairman's significant commitments and any changes thereto.	104
5.22	Disclosure about the Government of Pakistan policies related to company's business/sector in Directors' Report and their impact on the company business and performance.	105-110
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6.01	Analysis of the financial and non-financial performance using both qualitative and quantitative indicators showing linkage between: <ul style="list-style-type: none"> <li>a) Past and current performance;</li> <li>b) Performance against targets /budget; and The analysis should cover significant deviations from previous year in operating results and the reasons for loss, if incurred and future prospects of profits</li> </ul>	138-139
6.02	<ul style="list-style-type: none"> <li>a) Analysis of financial ratios (Annexure I).</li> <li>b) Explanation of negative change in the performance against prior year.</li> </ul>	142-143, 147-150 140-141
6.03	Vertical and horizontal analysis of Balance Sheet, Profit and Loss Account and summary of Cash Flow Statement for last 6 years.	152-155, 158
6.04	Graphical presentation of 6.02 and 6.03 above.	144-146, 156-157
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6.08	<ul style="list-style-type: none"> <li>a) Share price sensitivity analysis using key variables (i.e. selling price, raw material cost, interest rate and currency) with the consequent impact on the company's earning.</li> <li>b) Composition of local versus imported material and sensitivity analysis in narrative form due to foreign currency fluctuations.</li> </ul>	161-162 163
6.09	Brief description and reasons for not declaring dividend despite earning profits and future prospects of dividend.	106,138



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6.10	presentation video on the company's business performance of the year covering the company business strategy to improve and future outlook. (Please provide relevant webpage link of the video in the company's annual report).	Refer Website: <a href="https://gfg.com.pk/cccl/">https://gfg.com.pk/cccl/</a>
<b>7 Business Model</b>		
7.01	Describe the business model including inputs, business activities, outputs and outcomes in accordance with the guidance as set out under section 4C of the International Integrated Reporting Framework.	168-169
7.02	Explanation of any material changes in the entity's business model during the year.	168-169
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8.02	Disclosure related to IT governance and cybersecurity programs, policies and procedures and industry specific requirements for cybersecurity and strategy in place.	172-179
8.03	Disclosures about how cybersecurity fits into the board's risk oversight function and how the board is engaging with management on this issue.	172-179
8.04	Disclosure that at least one board-level committee is charged with oversight of IT governance and cybersecurity matters and how the board administers its IT risk oversight function related to these risks.	172-179
8.05	Disclosure about Company's controls and procedures about an "early warning system" that enables the company to identify, assess, address, make timely disclosures and timely communications to the board about cybersecurity risks and incidents.	172-179
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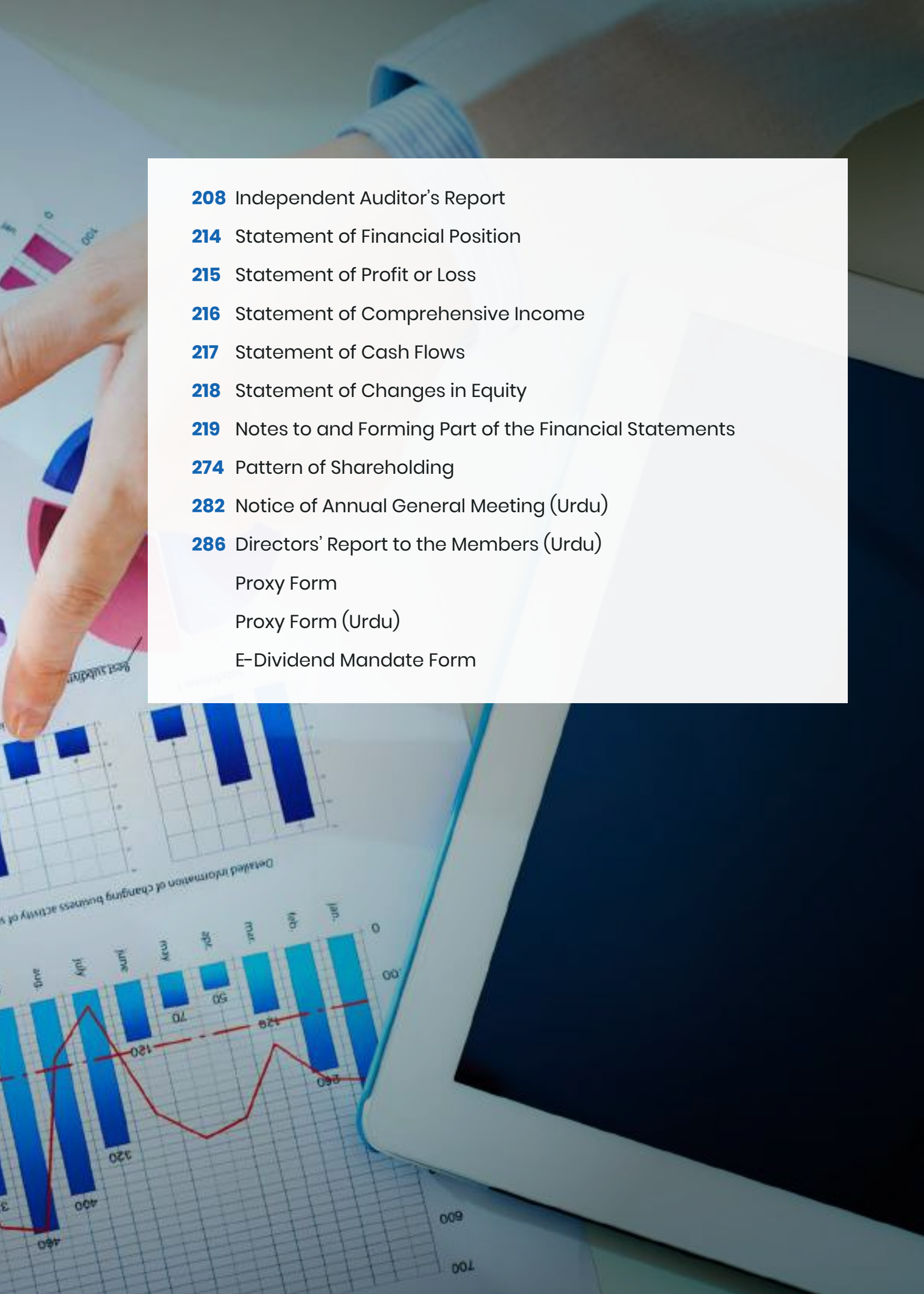


# CHAPTER 12

# FINANCIAL STATEMENTS





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EY Ford Rhodes  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

UAN: +9221 111 113937 (EYFR)  
Tel: +9221 3565 0007-11  
Fax: +9221 3568 1965  
ey.khi@pk.ey.com  
ey.com/pk

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF CHERAT CEMENT COMPANY LIMITED REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the annexed financial statements of Cherat Cement Company Limited (the Company), which comprise the statement of financial position as at 30 June 2023, and the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2023 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

Key audit matters	How the matter was addressed in our audit
<b>1. Capital expenditure and related transfers</b>	
<p>As disclosed in note 4 to the accompanying financial statements, the Company has incurred a significant amount of capital expenditure including capitalisation on account of Cement line I, development of land for line - A and other projects which amounted to Rs. 4,016 million.</p> <p>Capital expenditures incurred during the year constitute a substantial transaction and require significant judgment regarding the capitalisation of eligible cost components, including borrowing costs, in accordance with the relevant reporting standards. Determining the timing of when the assets are available for use and estimating their useful lives and residual value involves critical assessments.</p> <p>Accordingly, we have identified capital expenditure and related transfers as key audit matter.</p>	<p>Our Procedures, among others, included the following:</p> <p>Obtained an understanding of the Company's process with respect to capital expenditure including determination of useful lives and testing the Company's controls in this area relevant to our audit.</p> <p>Considered whether the items of cost capitalised, including borrowing cost, meet the recognition criteria of an assets in accordance with the applicable financial reporting standards.</p> <p>Checked the timing of capitalisation by examining on a sample basis, the asset completion certificates from the Company's technical departments.</p> <p>Evaluated the basis used by the management for determining the useful lives of the new assets and the depreciation charged in relation thereto, by considering factors such as the current depreciation, estimates for similar or comparable assets, expected utilisation of the assets and the estimated residual value at the end of the useful lives.</p> <p>Checked the relevant contracts and documents, including but not limited to, suppliers' invoices, delivery notes, international LCs and shipping documentation supporting various components of the capitalised cost.</p> <p>Obtained and checked the financing agreements and circularized confirmations to the financing banks to confirm outstanding loan balances and other relate terms at year end. We checked compliance of the covenants and their</p>

	<p>implications. We also checked the maturity analysis of the financing to ascertain the classification of loans as per their remaining maturities.</p> <p>Assessed the adequacy of the Company's disclosures in accordance with the applicable financial reporting standards.</p>
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## 2. Existence and valuation of stock in trade, stores and spare parts

<p>(Refer note 8 and 9 to the accompanying financial statements)</p> <p>The balance of stock in trade, stores and spare parts as at 30 June 2023 is Rs. 2,280 million and Rs. 6,220 million respectively.</p> <p>The above items are stored in purpose-built sheds, stockpiles and silos. As the weighing of these items is not practicable, the management assesses the quantities on hand through a complex process involving various estimates.</p> <p>Further, these are valued at lower of cost and net realisable value. The assessment of net realisable value requires management's judgement of the appropriate level of provisioning including assessment of available facts and circumstances, it's physical conditions, the market selling prices and estimated selling costs of the stock in trade.</p> <p>Due to the significance of stock in trade, stores and spare parts balance and related estimations involved, this is considered as a key audit matter.</p>	<p>Our procedures, among others, included the following:</p> <p>Obtained an understanding of the Company's processes in place for stock in trade, stores and spare parts.</p> <p>Attended physical count of stock in trade, stores and spare parts to observe the management's process of measurement of stockpiles and silos and the determination of quantities using conversion of volumes and density to total weight, and performed recalculations.</p> <p>Performed tests over the prices of raw materials and verified items in the product costing of work in progress.</p> <p>Performed tests over the NRV calculations and the assumptions used.</p> <p>Assessed the adequacy of the obsolescence provision and the management judgement used.</p> <p>Assessed the adequacy of the Company's disclosures in accordance with the applicable financial reporting standards.</p>
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### 3. Revenue Recognition

(Refer note 27 to the accompanying financial statements)

The Company generates revenue from local and export sale of cement.

We identified revenue recognition and its reporting in the financial statements as a key audit matter primarily due it being a key performance indicator, inherent risk of material misstatement and the amount of audit efforts in relation to this area.

Our Procedures, among others, included the following:

Obtained an understanding of the Company's processes in place for revenue recognition and tested key controls.

Performed analytical review procedures and other test of details over revenue including cut-off procedures to check that revenue has been recognised in the appropriate accounting period.

Assessed the adequacy of the Company's disclosures in accordance with the applicable financial reporting standards.

#### Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned

scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

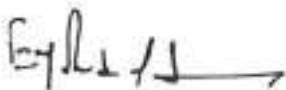
From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Omer Chughtai.



**Chartered Accountants**

Place: **Karachi**

Date: **08 September 2023**

UDIN Number: AR202310120k9mIJgcO3

# STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2023

	Note	2023 ----- (Rupees in '000) -----	2022 -----
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets			
Property, plant & equipment	4	28,934,966	27,568,302
Intangible assets	5	30,153	14,755
		<b>28,965,119</b>	<b>27,583,057</b>
Long-term investments	6	408,134	481,559
Long-term loans	7	59,364	67,811
Long-term deposits		4,676	7,141
		<b>472,174</b>	<b>556,511</b>
		<b>29,437,293</b>	<b>28,139,568</b>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	8	6,219,768	7,472,016
Stock-in-trade	9	2,279,774	926,075
Trade debts	10	903,240	533,973
Loans and advances	11	72,695	292,691
Trade deposits and short-term prepayments	12	5,267	15,469
Other receivables	13	6,196	4,487
Taxation-net		217,940	94,133
Cash and bank balances	14	160,113	1,126,474
		<b>9,864,993</b>	<b>10,465,318</b>
<b>TOTAL ASSETS</b>		<b>39,302,286</b>	<b>38,604,886</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	15	1,942,950	1,942,950
Reserves	16	18,936,068	15,373,372
		<b>20,879,018</b>	<b>17,316,322</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term financings	17	6,374,690	9,918,167
Lease liabilities	18	39,214	10,971
Long-term security deposits	19	29,025	28,450
Government grant	20	935,890	948,684
Deferred taxation	21	2,875,087	535,045
		<b>10,253,906</b>	<b>11,441,317</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	22	2,879,035	2,877,773
Contract liabilities		208,393	243,921
Accrued mark-up	23	438,173	435,350
Short-term borrowings	24	1,573,345	3,135,925
Current maturity of long-term financings	17	2,943,476	3,037,906
Current portion of lease liabilities	18	13,549	10,438
Current portion of Government grant	20	11,260	19,953
Unclaimed dividend	25	74,984	74,441
Unpaid dividend		27,147	11,540
		<b>8,169,362</b>	<b>9,847,247</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	26		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>39,302,286</b>	<b>38,604,886</b>

The annexed notes from 1 to 47 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER



# STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 ----- (Rupees in '000) -----	2022 -----
<b>Turnover - net</b>	27	<b>37,386,186</b>	32,085,361
Cost of sales	28	<b>(27,249,373)</b>	(23,134,576)
<b>Gross profit</b>		<b>10,136,813</b>	8,950,785
Distribution costs	29	<b>(606,436)</b>	(529,254)
Administrative expenses	30	<b>(436,116)</b>	(349,141)
Other expenses	31	<b>(362,027)</b>	(275,286)
		<b>(1,404,579)</b>	(1,153,681)
Other income	32	<b>453,965</b>	390,495
<b>Operating profit</b>		<b>9,186,199</b>	8,187,599
Finance costs	33	<b>(1,914,170)</b>	(1,358,874)
<b>Profit before taxation</b>		<b>7,272,029</b>	6,828,725
<b>Taxation</b>			
Current		<b>(522,365)</b>	(1,523,528)
Prior		<b>(8,981)</b>	(774,049)
Deferred		<b>(2,336,751)</b>	(75,183)
	34	<b>(2,868,097)</b>	(2,372,760)
<b>Net profit</b>		<b>4,403,932</b>	4,455,965
<b>Earnings per share - basic and diluted</b>	35	<b>Rs. 22.67</b>	Rs. 22.93

The annexed notes from 1 to 47 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2023

	2023 ----- (Rupees in '000) -----	2022 -----
<b>Net profit</b>	<b>4,403,932</b>	4,455,965
<b>Other comprehensive income / (loss)</b>		
<b>Items that will not be reclassified subsequently to statement of profit or loss</b>		
Unrealized gain / (loss) on remeasurement of equity investments at fair value through other comprehensive income	<b>2,315</b>	(255,417)
Actuarial gain / (loss) on defined benefit plan - net of deferred tax	<b>30,777</b>	(230,909)
	<b>33,092</b>	(486,326)
<b>Total comprehensive income</b>	<b>4,437,024</b>	3,969,639

The annexed notes from 1 to 47 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 ----- (Rupees in '000) -----	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before taxation</b>		<b>7,272,029</b>	6,828,725
<b>Adjustments for:</b>			
Depreciation on operating property, plant and equipment	4.1.4	1,601,838	1,616,884
Depreciation - right-of-use assets	4.3	16,816	14,084
Amortisation	5.1	2,739	2,509
Gain on disposals of operating property, plant and equipment	4.1.5	(5,452)	(7,646)
Gain on short-term investments at fair value through profit or loss	32	(22,045)	(10,739)
Interest income on financial asset at amortised cost	32	(8,716)	(9,629)
Gratuity expense		86,492	42,630
Finance costs	33	1,914,170	1,358,874
Exchange gain		(112)	(27)
Share of profit from joint ventures	32	(7,060)	(76,026)
Dividend income	32	(8,119)	(15,613)
		<b>3,570,551</b>	2,915,301
		<b>10,842,580</b>	9,744,026
<b>(Increase) / decrease in current assets</b>			
Stores, spare parts and loose tools		1,252,248	(3,287,769)
Stock-in-trade		(1,353,699)	79,515
Trade debts		(369,267)	(126,425)
Loans and advances		219,996	(102,792)
Trade deposits and short-term prepayments		10,202	9,705
Other receivables		(1,709)	37,624
		<b>(242,229)</b>	(3,390,142)
		<b>10,600,351</b>	6,353,884
<b>Increase / (decrease) in current liabilities</b>			
Trade and other payables		33,370	421,541
Contract liabilities		(35,528)	52,518
		<b>10,598,193</b>	6,827,943
<b>Cash generated from operations</b>		<b>10,598,193</b>	6,827,943
Income tax paid		(655,153)	(696,017)
Long-term loans and deposits - net		20,203	14,309
Gratuity paid		(84,420)	(40,000)
<b>Net cash generated from operating activities</b>		<b>9,878,823</b>	6,106,235
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment		(2,795,819)	(3,550,080)
Additions to intangible assets	5	(18,137)	(1,051)
Disposal of investment in joint venture - MHPL		82,800	-
Proceed from disposals of operating property, plant and equipment	4.1.5	16,740	18,345
Dividend received		8,119	15,613
Short-term investments - net		22,045	10,739
<b>Net cash used in investing activities</b>		<b>(2,684,252)</b>	(3,506,434)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long-term financings - net		(3,659,394)	(1,450,393)
Lease rentals paid	18	(20,505)	(17,514)
Dividend paid		(858,178)	(244,854)
Finance costs paid - net		(2,060,275)	(1,295,126)
<b>Net cash used in financing activities</b>		<b>(6,598,352)</b>	(3,007,887)
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>596,219</b>	(408,086)
<b>Cash and cash equivalents as at the beginning of the year</b>		<b>(2,009,451)</b>	(1,601,365)
<b>Cash and cash equivalents as at the end of the year</b>	38	<b>(1,413,232)</b>	(2,009,451)

The annexed notes from 1 to 47 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2023

Issued, subscribed and paid-up capital	Reserves						Total Reserves	Total
	Capital Reserves		Revenue Reserves		Other Components of Equity			
	Share premium	Other	General reserves	Unappropriated profit	Actuarial gain / (loss) on defined benefit plan - net of deferred tax	Unrealised gain / (loss) on equity investments		

(Rupees in '000)

<b>Balance as at July 01, 2021</b>	<b>1,942,950</b>	<b>1,047,658</b>	<b>50,900</b>	<b>420,000</b>	<b>9,549,898</b>	<b>162,905</b>	<b>415,241</b>	<b>11,646,602</b>	<b>13,589,552</b>
Final cash dividend for the year ended June 30, 2021 @ Rs. 1.25/- per share	-	-	-	-	(242,869)	-	-	(242,869)	(242,869)
Net profit	-	-	-	-	4,455,965	-	-	4,455,965	4,455,965
Other comprehensive loss	-	-	-	-	-	(230,909)	(255,417)	(486,326)	(486,326)
Total comprehensive income / (loss)	-	-	-	-	4,455,965	(230,909)	(255,417)	3,969,639	3,969,639
<b>Balance as at June 30, 2022</b>	<b>1,942,950</b>	<b>1,047,658</b>	<b>50,900</b>	<b>420,000</b>	<b>13,762,994</b>	<b>(68,004)</b>	<b>159,824</b>	<b>15,373,372</b>	<b>17,316,322</b>
<b>Balance as at July 1, 2022</b>	<b>1,942,950</b>	<b>1,047,658</b>	<b>50,900</b>	<b>420,000</b>	<b>13,762,994</b>	<b>(68,004)</b>	<b>159,824</b>	<b>15,373,372</b>	<b>17,316,322</b>
Final cash dividend for the year ended June 30, 2022 @ Rs. 3.00/- per share	-	-	-	-	(582,885)	-	-	(582,885)	(582,885)
Interim cash dividend for the year ended June 30, 2023 @ Rs. 1.50/- per share	-	-	-	-	(291,443)	-	-	(291,443)	(291,443)
Net profit	-	-	-	-	4,403,932	-	-	4,403,932	4,403,932
Other comprehensive income	-	-	-	-	-	30,777	2,315	33,092	33,092
Total comprehensive income	-	-	-	-	4,403,932	30,777	2,315	4,437,024	4,437,024
<b>Balance as at June 30, 2023</b>	<b>1,942,950</b>	<b>1,047,658</b>	<b>50,900</b>	<b>420,000</b>	<b>17,292,598</b>	<b>(37,227)</b>	<b>162,139</b>	<b>18,936,068</b>	<b>20,879,018</b>

The annexed notes from 1 to 47 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

## 1. THE COMPANY AND ITS OPERATIONS

**1.1** Cherat Cement Company Limited (the Company) was incorporated in Pakistan as a public company limited by shares in the year 1981. The Company is listed on Pakistan Stock Exchange Limited. Its main business activity is manufacturing, marketing and sale of cement. The geographical location and addresses of the Company's business units / immovable assets are as under:

<b>Business Unit</b>	<b>Address</b>
Head Office	Modern Motors House, Beaumont Road, Karachi
Registered Office / Factory (immovable assets)	Village Lakrai, P.O Box 28, District Nowshera (Land measuring area - 360 acres)
Sales Office Peshawar	First Floor, Betani Arcade, University Road, Peshawar
Sales Office Lahore	3, Sunder Das Road, Lahore
Sales Office Islamabad	First Floor, Razia Sharif Plaza, Jinnah Avenue, Blue Area, Islamabad
Land (immovable asset)	Mouza Saiduwali, Tehsil Paharpur, District, D.I. Khan (Land measuring area - 586 acres)

**1.2** Summary of significant transactions and events that have affected Company's financial position and performance during the year are as follows:

**1.2.1** During the year, upgradation of Cement Line-I BMR project has been successfully commissioned and its trial run with guarantee tests has been performed.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act); and

- Provisions of and directives issued under the Act.

Where the provisions of and directives issued under the Act differ from the Accounting standards, the provisions of and directives issued under the Act have been followed.

## 2.2 Accounting Convention

These financial statements have been prepared on the basis of historical cost convention except for certain items as disclosed in the relevant accounting policies below.

## 2.3 Standards, interpretations and amendments applicable to financial statements

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after July 1, 2022 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore not detailed in these financial statements.

### Amendments to approved accounting standards

IFRS 3	Reference to the Conceptual Framework (Amendments)
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use (Amendments)
IAS 37	Onerous Contracts – Costs of Fulfilling a Contract (Amendments)

The adoption of the above amendments to the accounting standards did not have any material effect on the Company's financial statements.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after January 01, 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

### Improvements to Accounting Standards Issued by the IASB (2018-2020 cycle)

IFRS 9	Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities
IAS 41	Agriculture – Taxation in fair value measurements
IFRS 16	Leases: Lease incentives

The adoption of the above amendments to the approved accounting standards did not have any material effect on the Company's financial statements.

## 2.4 Standards, amendments and improvements to IFRSs that are not yet effective

The following amendments and improvements to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective amendment or improvements:

<b>Amendments or Improvements</b>		<b>Effective dates (annual periods beginning on or after)</b>
IFRS 17	Insurance Contracts (Amendments)	1-Jan-2023
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies (Amendments)	1-Jan-2023
IAS 8	Definition of Accounting Estimates (Amendments)	1-Jan-2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)	1-Jan-2023
IAS 12	International Tax Reform – Pillar Two Model Rules (Amendments)	1-Jan-2023
IAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (Amendments)	1-Jan-2024
IFRS 16	Lease Liability in a Sale and Leaseback (Amendments)	1-Jan-2024
IAS 7 / IFRS 7	Disclosures: Supplier Finance Arrangements (Amendments)	1-Jan-2024
IFRS 10 / IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)	Not yet finalised

The above standards, amendments and improvements are not expected to have any material impact on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan and are not expected to have any material impact on the Company's financial statements in the period of initial application

<b>Standard or interpretation</b>		<b>IASB Effective dates(annual periods beginning on or after)</b>
IFRS 1	First-time Adoption of International Financial Reporting Standards	1-Jan-2004
IFRS 17	Insurance Contracts	1-Jan-2023

## **2.5 Significant accounting judgments, estimates and assumptions**

The preparation of these financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities and assets, at the end of the reporting period. However, uncertainty about these estimates and judgments could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The management continually evaluates judgments, estimates and assumptions which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Revisions to accounting estimates are recognised prospectively.

In the process of applying the accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

### **2.5.1 Property, plant and equipment**

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. Any change in the estimates in future might affect the carrying amount of respective item of operating property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

### **2.5.2 Taxation**

#### **Current**

In applying the estimate for income tax payable, the Company takes into account the applicable tax laws and the decision by appellate authorities on



certain issues in the past. Instances where the Company's view differ from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingency.

### **Deferred**

Deferred tax is provided in full using the balance sheet liability method on all temporary differences arising at the statement of financial position between the tax bases of the assets, the liabilities and their carrying amounts.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences including unused tax losses and unused tax credits to the extent that it is probable that sufficient future taxable profits will be available against which these can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the statement of financial position date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted. Deferred tax is charged or credited to statement of profit or loss.

### **2.5.3 Stock-in-trade, stores, spare parts and loose tools**

The Company reviews the Net Realizable Value (NRV) of stock-in-trade and stores, spare parts and loose tools to assess any diminution in the respective carrying values. NRV is estimated with reference to the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

### **2.5.4 Staff retirement benefits**

Certain actuarial assumptions have been adopted for valuation of present value of defined benefit obligations and fair value of plan assets. Any change in these assumptions in future years might affect gains and losses in those years. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates.

### **2.5.5 Contingencies**

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non-occurrence of the uncertain future events.

### **2.5.6 Leases**

Where the Company cannot readily determine the interest rate implicit in the lease, it uses its Incremental Borrowing Rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Company estimates the IBR using observable inputs (such as market interest rates) and incorporate applicable spread.

### **2.5.7 Allowance for Expected Credit Losses (ECL) on financial assets**

The Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **3.1 Property, plant and equipment**

Property, plant and equipment except for land and capital work-in-progress are stated at cost less accumulated depreciation and impairment loss, if any. Land and capital work-in-progress are stated at cost less impairment, if any. Capital work-in progress consists of expenditure incurred and advances. Depreciation is charged to statement of profit or loss applying the reducing balance method except for computers, which are depreciated using the straight-line method at the rates mentioned in the note 4.1.1 to the financial statements. Depreciation is charged from the month in which an asset is available for use, while no depreciation is charged in the month in which an asset is disposed off.

Maintenance and repairs are charged to statement of profit or loss as and when incurred. Major renewals and improvements which increase the asset's remaining useful economic life or the performance beyond the current estimated levels are capitalized and the assets so replaced, if any, are retired.

Gains or losses on disposal of operating property, plant and equipment, if any, are recognised in the statement of profit or loss.

### **3.1.1 Right-of-use assets**

The Company recognises right-of-use assets at the commencement date of the lease i.e., the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the lower of the lease term and the useful life of the assets, as follows:

Sales offices - 1 to 3 years  
Head office - 5 to 8 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of an asset.

### **3.1.2 Intangible assets**

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of such assets can also be measured reliably.

Computer software and implementation costs that are directly associated with the computer and computer controlled machines which cannot operate without the related specific software, are included in the cost of respective assets. Software which is not an integral part of the related hardware is classified as intangible assets.

Intangible assets are stated at cost less accumulated amortisation and impairment loss, if any. Intangible assets are amortised on a straight-line method when assets are available for use. Amortisation is charged from the month of the year in which addition /capitalization occurs while no amortisation is charged in the month in which an asset is disposed off.

## **3.2 Investments**

### **3.2.1 Joint ventures**

The Company has interest in joint ventures which are jointly controlled entities. The Company combines its share and recognises its interest in the joint ventures using the equity method. Under equity method, the investment in joint ventures is carried in the statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the

joint ventures. Statement of profit or loss reflects the share of the results of operations of joint ventures.

After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss on the Company's investment in joint ventures. The Company determines at each reporting date whether there is any objective evidence that the investment in joint ventures is impaired. If this is the case, the Company calculates the amount of impairment loss as the difference between the recoverable amount of joint ventures and their carrying value and recognises the amount in the statement of profit or loss.

Financial statements of joint ventures are prepared for same reporting period as that of the Company, using consistent accounting policies in line with that of the Company.

### **3.2.2 At fair value through other comprehensive income**

Equity investments are initially recognised at cost, being the fair value of the consideration paid including transaction cost. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price).

All gains or losses from change in the fair value of equity investments are recognised directly in other comprehensive income.

### **3.2.3 At fair value through profit or loss**

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuation in prices are classified as financial assets at fair value through profit or loss category.

These investments are initially recognized at fair value, relevant transaction costs are taken directly to statement of profit or loss account and subsequently measured at fair value. Net gains and losses arising on changes in fair value of these financial assets are taken to the statement of profit or loss in the period in which they arise.

## **3.3 Stores, spare parts and loose tools**

These are valued at lower of weighted average cost and NRV except items-in-transit which are stated at invoice value plus other charges incurred thereon upto the date of statement of financial position.

Provision / write-off, if required, is made in the financial statements for slow moving, obsolete and unusable items to bring their carrying value down to NRV.

### 3.4 Stock-in-trade

Raw materials and finished goods are valued at lower of average cost and NRV, except items in-transit, if any, are valued at cost comprising invoice values plus other charges incurred thereon up to the statement of financial position date.

Cost signifies in relation to:

Raw and packing material	- Purchase cost on average basis
Finished goods and work-in-process	- Cost of direct material, labour and proportion of manufacturing overheads

Work-in-process is valued at average cost of raw-materials including a proportion of manufacturing overheads.

Provision, if required is made in the financial statements for slow moving, obsolete and unusable items to bring their carrying value down to Net Realisable Value (NRV).

### 3.5 Trade debts, loans, deposits and other receivables

Trade debts, loans, deposits and other receivables are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Provision is made on the basis of lifetime ECLs that result from all possible default events over the expected life of the trade debts, loans, deposits and other receivables. Bad debts are written off when considered irrecoverable.

### 3.6 Cash and cash equivalents

Cash and cash equivalents are stated at cost. For the purpose of statement of cash flows, cash and cash equivalents comprise cash and cheques in hand, current and saving accounts with banks and short term borrowings.

### 3.7 Share Capital and reserves

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Reserves comprise of capital and revenue reserves. Capital reserves represent share premium while revenue reserves comprise of general reserves and unappropriated profit. The purpose of general reserves includes, but not limited to, fulfilling various business needs like meeting contingencies, offsetting future losses, enhancing the working capital, etc.

### 3.8 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for other entity.

### **3.8.1 Financial asset**

#### **a) Initial recognition and measurement**

Financial assets are classified at initial recognition and subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

#### **b) Subsequent measurement**

For purposes of subsequent measurement, the Company classifies its financial assets into following categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) (FVOCI); and
- Financial assets at fair value through profit or loss (FVPL)

#### **Financial assets at amortized cost (debt instruments)**

The Company measures financial assets at amortized cost if both of the following conditions are met:

The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and  
The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

### **Financial assets designated at FVOCI (equity instruments)**

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under IAS-32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

### **Financial assets at FVPL**

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value recognised in statement of profit or loss.

This category also includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at FVOCI. Dividends from listed equity investments are also recognised as other income in profit or loss when the right of payment has been established.

The Company has not designated any financial asset at FVPL.

### **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's statement of financial position) when;

- The rights to receive cash flows from the asset have expired, or
  - The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
- (a) the Company has transferred substantially all the risks and rewards of the asset, or
  - (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

### **Impairment of financial assets**

The Company recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.



ECL is recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For financial assets other than trade debts, the Company applies general approach in calculating ECL. It is based on difference between the contractual cashflows due in accordance with the contract and all the cashflows that the Company expects to receive discounted at the approximation of the original effective interest rate. The expected cashflows will include cash flows from sale of collateral held or other credit enhancements that are integral to the contractual terms

For trade debts, the Company applies a simplified approach where applicable in calculating ECL. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Company has established a provision matrix for large portfolio of customer having similar characteristics and default rates based on the credit rating of customers from which receivables are due that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset to be at a risk of default when contractual payments are 180 days past due, unless there are factors that might indicate otherwise. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### **3.8.2 Financial liabilities**

#### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

#### **Financial liabilities at amortised cost**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

The Company has not designated any financial liability as at fair value through profit or loss.

#### **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

### **3.9 Offsetting of financial assets and liabilities**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realize the assets and settle liabilities simultaneously. Incomes and expenses arising from such assets and liabilities are also offset accordingly.

### **3.10 Government grant**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to expense, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed out. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

### **3.11 Leases**

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments at the lease commencement date, the Company uses the interest rate implicit in the lease. In case where the interest rate implicit in the lease is not readily determinable, the Company uses its incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

The Company applies the short-term lease recognition exemption towards short-term leases (i.e. those lease that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on such leases are recognised as expense on straight line basis over the lease term.

### **3.12 Trade and other payables**

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

### **3.13 Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

### **3.14 Contingent liabilities**

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of obligation cannot be measured with sufficient reliability.

### **3.15 Foreign currency transactions and translations**

Transactions in foreign currencies are translated into Pak Rupees at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the date of statement of financial position are translated into Pak Rupees at the foreign exchange rate prevailing at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss. Derivative financial instruments are translated at the fair market rates as at the reporting date.

### **3.16 Revenue from contract with customers**

#### **3.16.1 Sale of goods**

Revenue from sale of goods is recognised when or as control of goods have been transferred to a customer either over time or at a point in time, when the performance obligations are met. It is recorded at net of trade discounts, commission and rebates. Revenue is measured at fair value of the consideration received or to be received.

#### **3.16.2 Other income**

- (a) Profit on bank accounts is recognised on accrual basis using an effective interest rate method.
- (b) Dividend income is recognised when the right to receive such payment is established.
- (c) Scrap sales and miscellaneous income are recognised on receipt basis.
- (d) Other revenues are accounted when performance obligations are met.

### **3.17 Staff Retirement Benefits**

#### **3.17.1 Gratuity Fund**

The Company operates an approved defined benefit gratuity fund scheme for all eligible employees who have completed the minimum qualifying period of service. The scheme is administered by the trustees nominated

under the trust deed. The contributions to the scheme are made in accordance with actuarial valuation using Projected Unit Credit method. Actuarial gains and losses are recognized in full in the period in which they occur in the other comprehensive income. All the past service costs are recognised at the earlier of when the amendments or curtailment occurs and when the Company has recognised related restructuring or terminations benefits.

### **3.17.2 Provident Fund**

The Company operates an approved defined contributory provident fund scheme for all permanent employees who have completed the minimum qualifying period of service. Equal monthly contributions are made by the Company and the employees to the Fund at the rate of 8.33 percent of basic salary.

## **3.18 Provisions**

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

## **3.19 Taxation**

### **3.19.1 Current**

The charge for current taxation is based on taxable income at the current rates in accordance with Income Tax Ordinance, 2001.

### **3.19.2 Deferred**

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

As the provision for taxation has been made partially under the normal basis and partially under the final tax regime, therefore, the deferred tax liability has been recognised on a proportionate basis in accordance with TR 27 issued by the Institute of Chartered Accountants of Pakistan.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantially enacted by the statement of financial position date.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset current tax assets and liabilities and they relate to the income tax levied by the same tax authority.

### **3.20 Sales Tax**

Revenues, expenses and assets are recognized, net off amount of sales tax except:

- Where sales tax incurred on a purchase of asset or service is not recoverable from the taxation authorities, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- Receivables or payables that are stated with the amount of sales tax; and
- The net amount of sales tax recoverable from, or payable to, the taxation authorities is included as part of Receivables or payables in the statement of financial position.

### **3.21 Earnings per share**

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the net profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### **3.22 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### **3.23 Impairment of non-financial assets**

The carrying amount of non-financial assets other than inventories are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised, as an expense in the statement of profit or loss, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell or value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects the current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

### **3.24 Dividend and appropriation to reserves**

Dividend and appropriation to reserves are recognized in the financial statements in which these are approved. Transfer between reserves made subsequent to the statement of financial position date is considered as a non-adjusting event and is recognized in the financial statements in the period in which such transfers are made.

### **3.25 Functional and presentation currency**

These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

### **3.26 Operating segments**

For management purposes, the activities of the Company are organized into one operating segment i.e., manufacturing, marketing and sale of cement. The Company operates in the said reportable operating segment based on the nature of the products, risks and returns, organizational and management structure, and internal financial reporting systems. Accordingly, the figures reported in the financial statements are related to the Company's only reportable segment.

### **3.27 Derivative financial instruments**

The Company uses derivative financial instruments to hedge its exposure to foreign exchange arising from operational activities. Any gain or loss from re-measuring the hedging instruments at fair value is recognised in the statement of profit or loss.

## 4. PROPERTY, PLANT AND EQUIPMENT

	Note	2023 ----- (Rupees in '000)	2022 -----
Operating property, plant and equipment	4.1	<b>26,566,937</b>	24,164,146
Capital Work in Progress	4.2	<b>2,320,362</b>	3,385,370
Right-of-use asset	4.3	<b>47,667</b>	18,786
		<b>28,934,966</b>	27,568,302

### 4.1 Operating property, plant and equipment

#### 4.1.1 Following is a statement of operating property, plant and equipment:

2023 Description	COST			ACCUMULATED DEPRECIATION				Net book value as at June 30, 2023	Depre- ciation rate % per annum
	As at July 01, 2022	Additions* / (disposals)	As at June 30, 2023	As at July 01, 2022	Disposals	Charge for the year	As at June 30, 2023		
----- (Rupees in '000) -----									
Freehold land	172,039	774,045	946,084	-	-	-	-	946,084	-
Leasehold land	7,065	-	7,065	-	-	-	-	7,065	-
Building on leasehold land	5,745,867	239,565	5,985,432	1,877,488	-	292,113	2,169,601	3,815,831	7.5
Plant and machinery	25,756,120	2,631,813	28,387,933	8,138,157	-	985,437	9,123,594	19,264,339	5-7.5
Power and other installations	3,150,806	78,652 (271)	3,229,187	1,317,573		184,204 (174)	1,501,603	1,727,584	10-20
Furniture and fittings	85,766	15,415	101,181	38,975	-	5,143	44,118	57,063	10-20
Quarry, factory and laboratory equipment	912,256	61,295	973,551	635,708	-	43,918	679,626	293,925	10-20
Motor vehicles	497,992	176,310 (39,007)	635,295	221,562		72,782 (28,248)	266,096	369,199	20
Office equipment	87,032	9,516 (777)	95,771	37,370		5,743 (604)	42,509	53,262	10-20
Computers	158,816	29,306 (3,499)	184,623	142,780		12,498 (3,240)	152,038	32,585	33.33
	<b>36,573,759</b>	<b>4,015,917 (43,554)</b>	<b>40,546,122</b>	<b>12,409,613</b>		<b>1,601,838 (32,266)</b>	<b>13,979,185</b>	<b>26,566,937</b>	



2022 Description	COST			ACCUMULATED DEPRECIATION				Net book value as at June 30, 2022	Depre- ciation rate % per annum
	As at July 01, 2021	Additions* / (disposals)	As at June 30, 2022	As at July 01, 2021	Disposals	Charge for the year	As at June 30, 2022		
----- (Rupees in '000) -----									
Freehold land	1,605	170,434	172,039	-	-	-	-	172,039	-
Leasehold land	7,065	-	7,065	-	-	-	-	7,065	-
Building on leasehold land	5,643,769	102,098	5,745,867	1,569,527	-	307,961	1,877,488	3,868,379	7.5
Plant and machinery	24,154,698	1,601,422	25,756,120	7,158,788	-	979,369	8,138,157	17,617,963	5-7.5
Power and other installations	3,138,059	13,138 (391)	3,150,806	1,114,803	(194)	202,964	1,317,573	1,833,233	10-20
Furniture and fittings	77,503	8,263	85,766	34,397	-	4,578	38,975	46,791	10-20
Quarry, factory and laboratory equipment	915,030	10,471 (13,245)	912,256	601,057	(12,665)	47,316	635,708	276,548	10-20
Motor vehicles	423,494	110,373 (35,875)	497,992	192,404	(25,977)	55,135	221,562	276,430	20
Office equipment	79,864	7,168	87,032	32,047	-	5,323	37,370	49,662	10-20
Computers	146,941	12,499 (624)	158,816	129,142	(600)	14,238	142,780	16,036	33.33
	<b>34,588,028</b>	<b>2,035,866</b> <b>(50,135)</b>	<b>36,573,759</b>	<b>10,832,165</b>	<b>(39,436)</b>	<b>1,616,884</b>	<b>12,409,613</b>	<b>24,164,146</b>	

\*Additions to Property, Plant and Equipment includes transfers from Capital work-in-progress (Refer note 4.2)

#### 4.1.2 Significant operating fixed assets of Cement production lines and power generation units, other than disclosed in note 1.1 inter alia include the following:

Crusher	Raw mill / press
Coal mill	Cooler
Preheater	Kiln
Cement mill / press	Packing machine
Boilers	Waste heat recovery plant
Generators (Wartsila and Caterpillar)	Solar panels
Turbine	

	Note	2023 ----- (Rupees in `000) -----	2022
<b>4.1.3 Reconciliation of net book value:</b>			
Net book value at the beginning of the year		<b>24,164,146</b>	23,755,863
Additions during the year - at cost		<b>4,015,917</b>	2,035,866
Depreciation for the year		<b>(1,601,838)</b>	(1,616,884)
Disposals during the year at net book value		<b>(11,288)</b>	(10,699)
Net book value as at the end of the year		<b>26,566,937</b>	24,164,146

#### 4.1.4 The depreciation for the year has been allocated as follows:

Cost of sales	28	<b>1,554,101</b>	1,584,087
Distribution costs	29	<b>23,812</b>	15,385
Administrative expenses	30	<b>23,925</b>	17,412
		<b>1,601,838</b>	1,616,884

#### 4.1.5 Disposal of operating property, plant and equipment:

Description	Cost	Net Book Value	Sale Proceeds	Gain / (loss)	Mode of disposal	Particulars of buyers and relationship
----- (Rupees in `000) -----						
<b>Motors Vehicles</b>						
Honda City MT, Reg. No. BD-7979	1,577	317	394	77	Employee car scheme	Mr. Ayaz M. Khan - Employee
Suzuki Wagon -R VX, Reg. No. BEK-845	879	197	220	23	Employee car scheme	Mr. Shakir Ali - Employee
Toyota Corolla GLI, Reg. No. BD-5159	1,808	458	458	-	Employee car scheme	Mr. Fazal Din - Employee
AUDI A6 1.8 TFSI, Reg No. BGS-075	6,000	1,584	1,584	-	Employee car scheme	Mr. Yasir Masood - Director / Employee
Toyota Land Cruiser Prado, Reg. No ABF-754	6,000	1,525	1,525	-	Employee car scheme	Mr. Ahmed Shoaib Khan - Employee
Honda City MT, Reg. No. B-3097	1,535	407	407	-	Employee car scheme	Mr. Muhammad Farhan - Employee
Honda Pridor 100 cc Bike, Reg. No ATL-871	87	30	75	45	Tender	Mr. Usman Ather - Islamabad
Honda City MT, Reg. No. BQT-670	2,327	1,158	2,950	1,792	Insurance claim	EFU General Insurance Limited
Suzuki Wagon- R VXR, Reg. No. B-3081	1,014	264	264	-	Employee car scheme	Mr. Jaseem Khan - Employee

<b>Description</b>	<b>Cost</b>	<b>Net Book Value</b>	<b>Sale Proceeds</b>	<b>Gain / (loss)</b>	<b>Mode of disposal</b>	<b>Particulars of buyers and relationship</b>
	----- (Rupees in `000) -----					
Suzuki Wagon-R VXR, Reg. No. B-3082	1,014	264	264	-	Employee car scheme	Mr. Gulrez Khan - Employee
Toyota Corolla Altis 1.6, Reg. No. ACE-919	2,017	535	535	-	Employee car scheme	Mr. Ikram Qamar Kayani - Employee
Suzuki Wagon-R VXR, Reg. No. LEA-16A-1209	1,009	263	263	-	Employee car scheme	Mr. Awais Nasir - Employee
Honda Pridor 100 cc Bike, Reg. ANN-546	87	22	50	28	Tender	Mr. Wajahat - Islamabad
Honda Civic VTI Oriol Reg. No. BLN-075	2,279	742	3,414	2,672	Tender	Mr. Zahid Qadri - Islamabad
Honda City I-Vtec Reg. No. B-3105	1,530	406	406	-	Employee car scheme	Mr. Jawad Shabir - Employee
Honda City I-Vtec Reg. No. LEA-16A-7504	1,523	389	389	-	Employee car scheme	Mr. Ilyas - Employee
Suzuki Wagon-R VXR, Reg. No. B-3083	1,014	254	254	-	Employee car scheme	Mr. Irfan Saeedullah - Employee
Suzuki Wagon-R VXR, Reg. No. BD-6051	1,009	253	253	-	Employee car scheme	Mr. Saeedullah - Employee
Suzuki Wagon-R VXR, Reg. No. LEA-16A-1097	1,014	250	254	4	Employee car scheme	Mr. Abbas Ahmed - Employee
Suzuki Wagon-R VXR, Reg. No. LEA-16A-1056	1,009	248	252	4	Employee car scheme	Mr. Ahsan Haider - Employee
Honda Pridor 100 cc Bike, Reg No. ATQ-670	87	28	65	37	Tender	M/s Faisal Motors - Islamabad
Suzuki Wagon R VXR, Reg. No. BD-6048	1,014	235	247	12	Employee car scheme	Mr. Ihtesham Afghani - Employee
Honda Pridor 100 . Cc Bike, Reg. No. Lem-18-1121	90	31	82	51	Tender	Mr. Attique - Lahore
Honda Motorcycle CD-70, Reg No. Lem-17-8112	63	15	72	57	Tender	Mr. Attique - Lahore
Suzuki Mehran VXR, Reg No. AKC-196	762	298	1,000	702	Tender	M/s Siraj Motors - Islamabad

Description	Cost	Net Book Value	Sale Proceeds	Gain / (loss)	Mode of disposal	Particulars of buyers and relationship
	----- (Rupees in `000) -----					
Suzuki Wagon-R VXR Reg. No. B-3096	1,009	263	263	-	Employee car scheme	Mr. Rafiullah - Employee
Suzuki Cultus VXR, Reg. No. B-3117	1,250	323	323	-	Employee car scheme	Mr. Tahir Majeed - Employee
	<b>39,007</b>	<b>10,759</b>	<b>16,263</b>	<b>5,504</b>		
Power & Other Installations	271	97	-	(97)	Write-off	
Office Equipment	777	173	37	(136)	Tender / write-off	
Computers	3,499	259	440	181	Insurance claim	
<b>2023</b>	<b>43,554</b>	<b>11,288</b>	<b>16,740</b>	<b>5,452</b>		
2022	50,135	10,699	18,345	7,646		

**4.1.6** The market value of property, plant and equipment based on an independent valuer's report as of December 2021 updated by adding subsequent additions at cost amounts to Rs. 53,644 million (2022: Rs. 49,672 million). However, the same has not been incorporated in these financial statements.

## 4.2 Capital work-in-progress

Description	Freehold land	Building on leasehold land	Plant and machinery	Power and other installations	Furniture and fittings	Quarry, factory and lab equipment	Motor vehicles	Office equipment	Computers	Intangible assets	Total
	----- (Rupees in `000) -----										
<b>Balance as at June 30, 2021</b>	<b>75,225</b>	<b>6,325</b>	<b>1,648,826</b>	<b>-</b>	<b>2,593</b>	<b>64,101</b>	<b>5,036</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,802,106</b>
Capital expenditure incurred / advances made during the year	95,209	195,581	3,130,742	19,420	11,142	29,796	109,145	12,443	16,703	-	3,620,181
Transferred to operating property, plant and equipment	(170,434)	(102,098)	(1,601,422)	(13,138)	(8,263)	(10,471)	(110,373)	(7,168)	(13,550)	-	(2,036,917)
<b>Balance as at June 30, 2022</b>	<b>-</b>	<b>99,808</b>	<b>3,178,146</b>	<b>6,282</b>	<b>5,472</b>	<b>83,426</b>	<b>3,808</b>	<b>5,275</b>	<b>3,153</b>	<b>-</b>	<b>3,385,370</b>
Capital expenditure incurred / advances made during the year	830,501	287,195	845,548	84,457	16,547	46,720	173,352	10,223	26,366	630,000	2,950,909
Transferred to operating property, plant and equipment	(774,045)	(239,565)	(2,631,813)	(78,652)	(15,415)	(61,295)	(176,310)	(9,516)	(29,306)	-	(4,015,917)
<b>Balance as at June 30, 2023</b>	<b>56,456</b>	<b>147,438</b>	<b>1,391,881</b>	<b>12,087</b>	<b>6,604</b>	<b>68,851</b>	<b>850</b>	<b>5,982</b>	<b>213</b>	<b>630,000</b>	<b>2,320,362</b>

**4.2.1** During the year, borrowing costs have been capitalised amounting to Rs. 155.09 million (2022: Rs. 69.05 million) using capitalization rate of 7.55% (2022: 7.05%) on account of long-term financing obtained specifically for this purpose as fully mentioned in note 17.2 and 17.6.

	Note	2023 ----- (Rupees in '000)	2022 -----
<b>4.3 Right-of-use assets</b>			
As at July 01		<b>18,786</b>	32,870
Additions		<b>45,697</b>	-
Depreciation for the year	4.3.1	<b>(16,816)</b>	(14,084)
As at June 30		<b>47,667</b>	18,786
<b>4.3.1 The depreciation for the year has been allocated as follows:</b>			
Distribution costs	29	<b>13,848</b>	12,336
Administrative expenses	30	<b>2,968</b>	1,748
		<b>16,816</b>	14,084

**4.3.2** The depreciation charge for the year on right-of-use assets pertains to rental payments of head office and sales offices.

## 5. INTANGIBLE ASSETS

Description	COST			ACCUMULATED AMORTISATION			Net book value as at June 30	Amortisation rate % per annum
	As at July 01	Additions during the year	As at June 30	As at July 01	Charge for the year	As at June 30		
----- (Rupees in '000) -----								
<b>Computer software</b>								
<b>2023</b>	<b>50,528</b>	<b>18,137</b>	<b>68,665</b>	<b>35,773</b>	<b>2,739</b>	<b>38,512</b>	<b>30,153</b>	<b>10</b>
2022	49,477	1,051	50,528	33,264	2,509	35,773	14,755	10

	Note	2023 ----- (Rupees in '000)	2022 -----
<b>5.1 The amortisation for the year has been allocated as follows:</b>			
Cost of sales	28	<b>1,293</b>	1,178
Distribution costs	29	<b>111</b>	42
Administrative expenses	30	<b>1,335</b>	1,289
		<b>2,739</b>	2,509

## 6. LONG-TERM INVESTMENTS

### Investment in related parties

	Note	2023 ----- (Rupees in '000)	2022 -----
At fair value through other comprehensive income	6.1	<b>400,052</b>	397,737
Joint Ventures:			
- Madian Hydro Power Limited	6.2	-	76,000
- UniEnergy Limited	6.3	<b>8,082</b>	7,822
		<b>408,134</b>	481,559

### 6.1 At fair value through other comprehensive income

Cherat Packaging Limited	6.1.1	<b>351,239</b>	352,597
Mirpurkhas Sugar Mills Limited	6.1.2	<b>48,813</b>	45,140
		<b>400,052</b>	397,737

**6.1.1** Represents 3,606,524 (2022: 3,122,532) shares of Rs. 10 each representing 7.35% interest in Cherat Packaging Limited.

**6.1.2** Represents 996,186 (2022: 288,750) shares of Rs. 10 each representing 2.14% interest in Mirpurkhas Sugar Mills Limited.

**6.1.3** During the year, Cherat Packaging Limited and Mirpurkhas Sugar Mills Limited have declared bonus shares.

### 6.2 Interest in a joint venture – Madian Hydro Power Limited

	Note	2023 ----- (Rupees in '000)	2022 -----
As at July 01		<b>76,000</b>	-
Reversal of impairment loss	32	-	76,000
Share of profits	32	<b>6,800</b>	-
Disposal of investment - voluntary winding up		<b>(82,800)</b>	-
As at June 30		<b>-</b>	76,000

**6.2.1** Madian Hydro Power Limited (MHPL) was formed with the intention to build, operate and maintain hydro power generation plant at Madian over River Swat for the generation and supply of electric power. However, due to the law and order situation in Swat and adjoining areas the project was not undertaken. During the last financial year, the Company entered into an agreement with Pakhtunkhwa Energy Development Organisation (PEDO) for sale of feasibility study for total consideration of Rs. 160 million. Subsequently, the members of MHPL decided to voluntary wind-up on March 31, 2023. All legal compliances have been completed and the company shall deem to be dissolved.

	Note	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
<b>6.3 Interest in a joint venture – UniEnergy Limited</b>			
As at July 01	6.3.1	<b>7,822</b>	7,796
Share of profits	32	<b>260</b>	26
As at June 30		<b>8,082</b>	7,822

**6.3.1** Represents 768,999 (2022: 768,999) shares of Rs. 10 each representing 7.69% interest in UniEnergy Limited (UEL), a public unlisted company. UEL is formed for the generation and transmission of wind power, however, the company has not yet commenced its commercial operations.

**6.4** Investments in associated companies have been made in accordance with the requirements of the Act.

	Note	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
<b>7. LONG-TERM LOANS – secured, considered good</b>			
Employees	7.1	<b>1,483</b>	1,215
Current maturity	11	<b>(484)</b>	(304)
		<b>999</b>	911
Loan to SNGPL	7.2	<b>66,900</b>	74,658
Current maturity	11	<b>(8,535)</b>	(7,758)
		<b>58,365</b>	66,900
		<b>59,364</b>	67,811

**7.1** Represent loans given to employees as per the Company's policy. These loans carry mark-up at 22% per annum (2022: 15% per annum) and are repayable within 4 to 5 years. These loans are secured against the provident fund balances of the respective employees. These loans do not exceed Rs. 1 million to any employee.

**7.2** The Company has an outstanding long-term loan amounting to Rs. 90.06 million (2022: Rs. 105.07 million) to Sui Northern Gas Pipelines Limited (SNGPL) against allocation of gas for cement plant. It carries mark-up at the rate of 1.5% and is repayable in 10 equal annual installments. During the year, Rs. 15.01 million has been received. The Company recognised the long-term loan as a financial asset at amortized cost. The effective interest rate was calculated at 13%.

	Note	2023 ----- (Rupees in '000)	2022 -----
<b>8. STORES, SPARE PARTS AND LOOSE TOOLS</b>			
Stores		<b>3,389,102</b>	5,151,801
Spare parts		<b>2,636,422</b>	2,237,916
Loose tools		<b>11,164</b>	4,639
		<b>6,036,688</b>	7,394,356
In transit		<b>183,080</b>	77,660
		<b>6,219,768</b>	7,472,016

## 9. STOCK-IN-TRADE

Raw and Packing material	28	<b>779,965</b>	257,300
Work-in-process	28	<b>929,815</b>	331,337
Finished goods	28	<b>569,994</b>	337,438
		<b>2,279,774</b>	926,075

## 10. TRADE DEBTS – secured, considered good

Neither past due nor impaired	10.1	<b>903,240</b>	533,973
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**10.1** These are secured by way of post-dated cheques and promissory notes and do not include any receivables in respect of export sales.

	Note	2023 ----- (Rupees in '000)	2022 -----
<b>11. LOANS AND ADVANCES – considered good</b>			
Advances to suppliers	11.1 & 11.2	<b>59,299</b>	281,106
Advances to employees		<b>4,377</b>	3,523
Current portion of long-term loans to employees	7	<b>484</b>	304
Current portion of loan to SNGPL	7	<b>8,535</b>	7,758
		<b>72,695</b>	292,691
<b>11.1 Sector wise analysis is as follows:</b>			
Government sector – secured		<b>424</b>	424
Other sectors – unsecured		<b>58,875</b>	280,682
		<b>59,299</b>	281,106

**11.2** These advances do not carry any interest.



	Note	2023 ----- (Rupees in '000) -----	2022 -----
<b>12. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>			
Trade deposits	12.1	300	2,686
Short-term prepayments		4,967	12,783
		<u>5,267</u>	<u>15,469</u>

**12.1** These deposits do not carry any interest.

### 13. OTHER RECEIVABLES

Insurance claims receivable		2,706	1,824
Duty drawback receivable		2,010	1,844
Others		1,480	819
		<u>6,196</u>	<u>4,487</u>

### 14. CASH AND BANK BALANCES

<b>Cash in hand</b>		4,736	3,705
<b>Bank balances</b>			
<b>Islamic banks</b>			
Current accounts		4,164	95
Saving accounts	14.1 & 14.2	105,188	995,270
		109,352	995,365
<b>Conventional banks</b>			
Current accounts		19,152	21,602
Saving accounts	14.2	26,873	105,802
		46,025	127,404
		<u>160,113</u>	<u>1,126,474</u>

**14.1** The Company has purchased factory land, mining leases, technical feasibilities and certain NOCs from M/s. Saif Cement Limited in order to install a new cement line in D.I. Khan at a total cost of Rs. 1,300 million which was kept in an Escrow Account. During the year, all the precedent conditions of the agreement have been fulfilled. Therefore, in line with the agreement the amount (net of tax) in Escrow account has been transferred to M/s. Saif Cement Ltd, assets have been recorded accordingly and the Company has received all accrued profits upon fulfillment of the conditions.

**14.2** These carry profit rates ranging from 12.25% to 19.50% (2022: 11.75% to 12.25%) per annum.

## 15. SHARE CAPITAL

### 15.1 Authorised Capital

2023	2022		2023	2022
Number of shares			----- (Rupees in '000) -----	
<b>225,000,000</b>	225,000,000	Ordinary shares of Rs. 10/- each	<b>2,250,000</b>	2,250,000

### 15.2 Issued, Subscribed and Paid-Up Capital

		Fully paid ordinary shares of Rs. 10/- each		
<b>91,335,845</b>	91,335,845	- Issued for cash	<b>913,358</b>	913,358
<b>97,899,193</b>	97,899,193	- Issued as bonus shares	<b>978,992</b>	978,992
		- Issued for consideration than other cash on amalgamation	<b>50,600</b>	50,600
<b>5,060,000</b>	5,060,000		<b>50,600</b>	50,600
<b>194,295,038</b>	194,295,038		<b>1,942,950</b>	1,942,950
			<b>2023</b>	2022
			---- (Number of shares) ----	

### 15.3 Following is the detail of shares held by the associated companies:

Faruque (Private) Limited	<b>42,096,353</b>	42,096,353
Cherat Packaging Limited	<b>5,327,698</b>	5,327,698
Mirpurkhas Sugar Mills Limited	<b>2,747,277</b>	2,747,277
Greaves Pakistan (Private) Limited	<b>2,419,002</b>	2,419,002
Zensoft (Private) Limited	<b>24,750</b>	24,750
	<b>52,615,080</b>	52,615,080

15.4 Voting rights, board selection, right of first refusal and block voting are in proportion to the shareholding.

## 16. RESERVES

### Capital reserves

	Note	2023 ----- (Rupees in '000) -----	2022 -----
Share premium		<b>1,047,658</b>	1,047,658
Others	16.1	<b>50,900</b>	50,900
		<b>1,098,558</b>	1,098,558

### Revenue reserves

General reserves		<b>420,000</b>	420,000
Unappropriated profit		<b>17,292,598</b>	13,762,994
		<b>17,712,598</b>	14,182,994

### Other components of equity

Actuarial (loss) / gain on gratuity fund		<b>(37,227)</b>	(68,004)
Unrealized gain on equity investments		<b>162,139</b>	159,824
		<b>124,912</b>	91,820
		<b>18,936,068</b>	15,373,372

**16.1** This reserve was created due to amalgamation of Cherat Electric Limited with the Company.

## 17. LONG-TERM FINANCING – secured

### Islamic banks

	Note	2023 ----- (Rupees in '000) -----	2022 -----
Syndicated Long-Term Finance Loan – Line – III	17.1	<b>6,250,000</b>	8,750,000
Islamic Finance Facility for Renewable Energy	17.2	<b>1,108,614</b>	1,147,365
		<b>7,358,614</b>	9,897,365

### Conventional banks

Captive Power Plant Loan	17.3	<b>440,000</b>	660,000
Waste Heat Recovery Loan – Line III	17.4	-	840,000
Refinance Scheme for Payment of Wages and Salaries	17.5	-	154,911
Temporary Economic Refinance Facility	17.6	<b>1,519,552</b>	1,403,797
		<b>9,318,166</b>	12,956,073
Current maturities		<b>(2,943,476)</b>	(3,037,906)
		<b>6,374,690</b>	9,918,167

- 17.1** Represents a syndicated long-term financing obtained from Islamic banks under Diminishing Musharaka. It carries a profit at the rate of 6 month's KIBOR or 20% (whichever is less) + 0.45% per annum. The financing is repayable in 10 equal semi-annual installments commencing after 42 months from the date of first drawdown i.e. April 2021. It is secured against first pari-passu hypothecation charge of Rs. 17,334 million on all present and future plant and machinery and immovable fixed assets of the Company.
- 17.2** Represents a long-term financing obtained from an Islamic bank under State Bank of Pakistan's Islamic Financing Facility for Renewable Energy (IFRE) to setup a 13.05 MW Solar Power Project. It carries a flat SBP's profit rate of 3% + 1.75% per annum. The financings are recognized at the present value using the effective interest rates applicable at the dates of the drawdown. The differential of present value and the drawn amounts has been recognized as government grant (as mentioned in note 20) and is being amortized. The financing is repayable in 20 equal semi-annual installments commencing after 30 months from the date of first drawdown i.e. March 2023. It is secured against first pari-passu hypothecation charge of Rs. 1,867 million on all present and future plant and machinery of the Company.
- 17.3** Represents a long-term financing obtained from a conventional bank. It carries mark-up at the rate of 6 months KIBOR + 0.15% per annum. The financing is repayable in 10 equal semi-annual installments commencing after 30 months from the date of first drawdown i.e. September, 2020. The financing is secured against first pari-passu hypothecation charge of Rs. 1,467 million on all present and future plant and machinery of the Company.
- 17.4** Represents a long-term financing obtained from a conventional bank. It carries mark-up at the rate of 6 month's KIBOR + 0.2% per annum. The financing is repayable in 10 equal semi-annual installments commencing after 30 months from first drawdown i.e. February 2021. The financing is secured against first pari-passu hypothecation charge of Rs. 1,600 million on all present and future fixed assets (excluding land and buildings). In view of healthy cashflows, during the year, the Company has made an early full repayment of this loan.
- 17.5** It represents a long-term financing obtained from a conventional bank under the Refinance Scheme for Payment of Wages and Salaries by State Bank of Pakistan (SBP). It carries flat mark-up at the rate of 0.5% to 1% per annum. The SBP allowed spread under this scheme is up to 3% per annum. The financings are recognized at the present value using the effective interest rates applicable at the date of the drawdowns. The differential of present value and the drawn amounts has been recognized as government grant (as mentioned in note 20). The loan is repayable in 8 equal quarterly installments commencing from April 2021 discounted at the effective rate of interest. The differential markup has been recognised as government grant (as mentioned in note 20). The financing is secured against first pari-passu hypothecation charge of Rs. 561.33 million on all present and future current assets of the Company. The loan has been fully repaid during the year.
- 17.6** It represents long-term financings obtained from three conventional banks under SBP's Temporary Economic Refinance Facility (TERF) for Balancing, Modernization, and Replacement (BMR). The financings carry flat markup rates of SBP's 1% plus banks' spreads of 0.7% to 1.50%. The financings are recognized at the present value using the effective interest rates applicable at the dates of the drawdown. The differential of present value and the drawn amounts has been recognized as government grant (as mentioned in note 20) and will be amortized. The first financing is repayable in 16 equal semi-annual installments commencing after 30 months from the date of the first drawdown i.e. November 2023 and is secured against hypothecation charge of Rs. 1,334 million over fixed assets (excluding land and buildings). The second financing is repayable in 32 equal quarterly installments commencing after 27 months from the date of first drawdown i.e. September 2023 and is secured against hypothecation charge of Rs. 1,334 million on plant and machinery of the Company. The third financing is repayable in 16 equal semi-annual installments commencing after

30 months from the date of 1st drawdown i.e. May 2024 and is secured against hypothecation charge of 733 million on plant and machinery of the Company.

## 18. LEASE LIABILITIES

The Company has lease contracts for rental of head office and sales offices used in its operations. These leases generally have lease terms between 1 to 8 years. In general, the Company is restricted from assigning and subleasing the leased assets. These lease contracts include extension and termination options subject to the mutual consent of the Company and the Lessors. The Company is bound by certain covenants, which includes but are not limited to payment of certain taxes and to exercise reasonable care.

	Note	2023 ----- (Rupees in '000)	2022 -----
As at July 01		21,409	36,063
Additions		45,697	-
Accretions of interest	33	6,162	2,860
Payments		(20,505)	(17,514)
As at June 30		<u>52,763</u>	<u>21,409</u>
Current portion of lease liabilities		<u>(13,549)</u>	<u>(10,438)</u>
Long-term portion of lease liabilities		<u>39,214</u>	<u>10,971</u>

## 19. LONG-TERM SECURITY DEPOSITS

Represent amount received from the dealers and contractors of the Company, which is utilised for the purpose of the business in accordance with the related agreements.

	2023 ----- (Rupees in '000)	2022 -----
As at July 01	968,637	103,833
Recognised during the year	-	887,286
Released to the statement of profit or loss	(21,487)	(22,482)
As at June 30	<u>947,150</u>	<u>968,637</u>
Current portion of government grant	<u>(11,260)</u>	<u>(19,953)</u>
Long-term portion of government grant	<u>935,890</u>	<u>948,684</u>

As aforementioned in note 17.2, 17.5 and 17.6, the Government grant has been recorded as per the provisions of IAS-20 due to the difference between coupon and effective interest rates of the aforementioned financial liabilities.

	Note	2023 ----- (Rupees in '000) -----	2022
<b>21. DEFERRED TAXATION</b>			
<b>Temporary taxable differences</b>			
Accelerated tax depreciation		<b>3,321,574</b>	2,294,643
<b>Temporary deductible differences</b>			
Defined benefit plan		<b>(43,901)</b>	(47,192)
Unused tax losses		-	(275,428)
Minimum tax		-	(215,472)
Alternate corporate tax		<b>(402,586)</b>	(1,224,390)
Others		-	2,884
		<b><u>2,875,087</u></b>	<u>535,045</u>

## 22. TRADE AND OTHER PAYABLES

Creditors	22.1	<b>613,956</b>	538,154
Bills payable		<b>3,184</b>	119,162
Accrued liabilities	22.2	<b>680,844</b>	628,110
Provident fund	22.3	-	-
Gratuity fund	22.4	<b>130,892</b>	162,888
Retention money		<b>251,440</b>	333,599
Workers' Profits Participation Fund	22.5	<b>226,741</b>	218,500
Workers' Welfare Fund		<b>76,460</b>	37,497
Excise duty, sales tax and royalty payable		<b>642,280</b>	657,324
Others		<b>253,238</b>	182,539
		<b><u>2,879,035</u></b>	<u>2,877,773</u>

**22.1** Includes liability pertaining to Greaves Pakistan (Private) Limited, an associate amounting to Nil (2022: Rs. 89.89 million)

**22.2** Includes Gas Infrastructure Development Cess (GIDC) levied under GIDC Act 2015, and Infrastructure Development Cess amounting to Rs. 140.07 million and Rs. 269.95 million respectively (2022: Rs. 113.76 million and Rs. 244.95 million respectively).

The Honorable Supreme Court, in its judgment dated November 03, 2020, upheld the validity of the GIDC Act, 2015, and dismissed all review petitions filed against its earlier judgment dated August 13, 2020. The Apex Court ruled that all sections of the Act should be applied accordingly. Subsequently, the Company filed a writ petition before the Peshawar High Court, challenging Section 8(2) of the GIDC Act, 2015. The plea was based on the argument that the Company had not transferred the burden to its end consumer. However, the Peshawar High Court deemed the petition non-maintainable and directed the Company to approach the appropriate forum. Accordingly, the Company filed a writ petition at Civil Court Peshawar which allowed a stay order restraining SNGPL from collection of GIDC and any adverse action against the Company. Though, the Company has duly provided the the liability as a matter of prudence in these financial statements.

"Companies have challenged the levy known as infrastructure fee/cess imposed by the province through Sindh Development and Maintenance of Infrastructure Cess Act, 2017 at the rate of 1.25% of the import value on the ground that it is ultra vires to the constitution and beyond the competence of the provincial legislature.

Though, the Honorable Sindh High Court (SHC) has granted an interim relief in May 2011, whereby the goods will be cleared by the Excise and Taxation Department subject to the payment of 50% of the disputed amount and on furnishing of bank guarantee for the remaining balance of 50% amount. The Company became a party to the arrangement and issued bank guarantees in favor of the Department.

Afterwards, the SHC has upheld the infrastructure levy under Sindh Finance Act, 2017 on import of goods valid by declaring it within competence of provincial legislature vide order dated June 4, 2021. Against the decision of SHC, Company has filed Civil Petition for Leave to Appeal (CPLA) before the Honorable Supreme Court of Pakistan (the SC) to challenge the said order by SHC. The Supreme Court vide order dated September 01, 2021 has suspended the order of SHC till further order and asked the petitioners to furnish the 100% bank guarantee in respect of all future consignments. The amount of guarantee issued up to June 30, 2023 for infrastructure cess is Rs. 235 million. The management has made full provision of this amount in these financial statements."

	<b>2023</b> (Unaudited)	2022 (Audited)
	----- (Rupees in '000) -----	
<b>22.3 Provident fund</b>		
Size of the trust	<b>1,543,007</b>	1,316,337
Cost of investments	<b>1,271,623</b>	1,166,293
Fair value of investments	<b>1,543,007</b>	1,316,337
	----- (Percentage) -----	
Percentage of investments made	<b>82.41</b>	88.60

**Major categories of investment of provident fund are as follows:**

	<b>2023</b>		<b>2022</b>	
	<b>Investment</b>	<b>Investment as</b>	<b>Investment</b>	<b>Investment as</b>
	<b>(Rupees in '000)</b>	<b>size of the fund</b>	<b>(Rupees in '000)</b>	<b>size of the fund</b>
		<b>%</b>		<b>%</b>
Government securities	<b>207,835</b>	<b>16</b>	232,460	20
Mutual Funds	<b>953,016</b>	<b>75</b>	810,656	70
Listed shares	<b>66,197</b>	<b>5</b>	66,197	6
TFC & others	<b>37,041</b>	<b>3</b>	38,932	3
Bank balances	<b>7,534</b>	<b>1</b>	18,048	1
	<b>1,271,623</b>	<b>100</b>	1,166,293	100

**22.3.1** Investments out of provident fund have been made in accordance with the provisions of section 218 of the Act and the regulations formulated for this purpose.





**22.4.1** The discount rate of 16.25% is representative of yields on long-term Government Bonds.

**22.4.2** Expected gratuity expense to the plan for the year ending June 30, 2024 is Rs. 92.31 million.

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
----- (Rupees in `000) -----					
<b>Comparisons for past years:</b>					
<b>As at June 30</b>					
Present value of defined benefit obligations	<b>(996,840)</b>	(863,067)	(751,115)	(685,070)	(626,343)
Payables	-	(2,669)	(3,744)	(14,597)	(8,185)
Fair value of plan assets	<b>865,948</b>	702,848	939,244	561,708	305,301
Surplus / (deficit)	<b>(130,892)</b>	(162,888)	184,385	(137,959)	(329,227)
Experience adjustment on plan liabilities	<b>(34,382)</b>	(2,198)	17,235	29,928	(18,351)
Experience adjustment on plan assets	<b>68,450</b>	(342,442)	304,481	201,388	(313,608)
	<b>34,068</b>	(344,640)	321,716	231,316	(331,959)

#### Sensitivity Analysis

	<b>2023</b>			
	Discount Rate		Salary Increase	
	<b>+100 bps</b>	<b>-100 bps</b>	<b>+100 bps</b>	<b>-100 bps</b>
	----- (Rupees in `000) -----			
Present value of obligations	<b>958,692</b>	<b>1,039,622</b>	<b>1,044,557</b>	<b>953,538</b>

	<b>2023</b>	2022
	----- (Rupees in `000) -----	
<b>Composition of plan assets is as follows:</b>		

Defence Savings Certificates/ PIBs / T-bills	<b>176,581</b>	83,540
Special Savings Certificates	-	16,492
Mutual funds / Shares / TFC	<b>688,327</b>	602,074
Bank balances	<b>1,040</b>	742
	<b>865,948</b>	702,848

The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the Company, at the beginning of the year, for returns over the entire life of related obligation. The return on plan assets was assumed to be equal to the discount rate. Actual return on plan assets during the year amounts to Rs. 161.67 million (2022: Actual return Rs. 230.05 million)

	Note	2023 ----- (Rupees in '000) -----	2022 -----
<b>22.5 Workers' Profit Participation Fund</b>			
Opening balance		<b>218,500</b>	228,274
Interest thereon	33	<b>-</b>	1,733
		<b>218,500</b>	230,007
Payment made during the year		<b>(218,500)</b>	(230,007)
		<b>-</b>	-
Charge for the year	31	<b>226,741</b>	218,500
Closing balance		<b>226,741</b>	218,500

## 23. ACCRUED MARK-UP

### Islamic banks

Long-term financing	<b>292,090</b>	276,410
Short-term borrowings	<b>50,797</b>	29,015
	<b>342,887</b>	305,425

### Conventional banks

Long-term financing	<b>36,332</b>	66,604
Short-term borrowings	<b>58,954</b>	63,321
	<b>95,286</b>	129,925
	<b>438,173</b>	435,350

## 24. SHORT-TERM BORROWINGS – secured

### Islamic banks

Short-term running finance	24.1	<b>21,995</b>	838,945
Export refinance facility	24.1.1	<b>600,550</b>	-
		<b>622,545</b>	838,945

### Conventional banks

Short-term running finance	24.1	<b>572,850</b>	2,296,980
Export refinance facility	24.1.1	<b>377,950</b>	-
		<b>950,800</b>	2,296,980
		<b>1,573,345</b>	3,135,925

**24.1** Represents facilities obtained from various conventional banks amounting to Rs. 5,950 million (2022: Rs. 4,300 million) out of which Rs. 4,999.20 million (2022: Rs. 2,003.02 million) remains unutilized at the year end. These facilities carry mark-up ranging from 3 months KIBOR + 0.40% per annum to 3 months KIBOR + 0.65% per annum and 1 month KIBOR + 0.50% per annum to 1 month KIBOR + 0.75% per annum. These facilities are secured against joint pari-passu hypothecation charge over stocks and book debts for Rs. 7,938 million (2022: Rs. 5,067 million). Further, the Company has obtained credit facilities from various Islamic banks amounting to Rs. 4,200 million (2022: Rs. 1,400 million) out of which Rs. 3,577.45 million (2022: Rs. 561.05 million) remain unutilized at the year end. These facilities carry profit ranging 3 month KIBOR + 0.25% per annum to 3 month KIBOR + 0.75% per annum and 1 month KIBOR + 0.40% per annum to 1 month KIBOR + 0.60% per annum. These facilities are secured against joint pari-passu hypothecation charge over stocks and book debts for Rs. 5,602 million (2022: Rs. 1,867 million).

**24.1.1** Represents Export Refinance Facility (ERF) amounting to Rs. 978.5 million (2022: Nil) from three different Islamic and Conventional banks. It carries mark-up at the range 11% to 18% per annum.

## 25. UNCLAIMED DIVIDEND

In accordance with section 244 of the Act, a separate bank account has been opened and the amount has been transferred accordingly.

## 26. CONTINGENCIES AND COMMITMENTS

### 26.1 Contingencies

During the period from 1994 to 1999, excise duty was wrongly collected from the Company by the Federal Board of Revenue (FBR) based on retail price inclusive of excise duty which has resulted in a refund claim of Rs. 882 million. The Company challenged this matter in the Peshawar High Court (PHC). The PHC and subsequently the Honorable Supreme Court of Pakistan (SCP) have agreed with the Company's point of view that excise duty shall not be included as component for determining the value i.e. retail price for levying excise duty. While verifying the refund claim, the Collector of Excise and Sales Tax - Peshawar issued a show cause notice to the Company raising certain objections against the release of said refund including an objection that the burden of this levy has been passed on to the end customers. The Company challenged this objection in the PHC which directed to appoint an independent firm of Chartered Accountants for verification of this refund claim. However, based on an out of court settlement, the Regional Tax Office (RTO) Peshawar carried out the verification of this refund claim based on the terms of reference advised by the Federal Tax Ombudsman (FTO). RTO Peshawar finalized the report which was not in line with the parameters given by the FTO, therefore, the FTO made a ruling for verification of the adverse observations of the RTO Peshawar through an independent firm of Chartered Accountants. This ruling of FTO was challenged by the FBR to the President of Pakistan who rejected representation of the FBR and approved the recommendations of FTO with modification that the verification be carried out by two reputed audit firms. The FBR filed writ petition in the PHC against the authority of FTO to pass such an order. PHC has dismissed the above petition and directed FBR to appoint two independent firms of Chartered Accountants to get the single point audit for verification of the refund claim. The FBR filed review petition before the PHC and has also filed appeal before SCP. PHC has dismissed the review petition of FBR. Last year, the SCP dismissed the petition filled by the FBR and decided the case in favor of the Company. The SCP in line with the President's order directed to appoint two independent chartered accountant firms for verification of refund claim, the Company is in process for the appointment of audit firm in consultation with FBR. Keeping in view the inherent uncertainties involved in such matters, the management as a matter of prudence, has not recognised this amount as refund in these annual financial statements.

During the year ended June 30, 2013, the High Court of Sindh (HCS) has decided the case in favor of the Company against special excise duty levied by the FBR for the period from July 2007 to June 2011 which resulted in a refund claim of Rs. 100.08 million. However, the FBR has challenged this decision in the SCP where it is pending for adjudication.

The Company has also filed various refund cases in the preceding year June 30, 2022 amounting to Rs. 56 million at different appellate forums which are pending adjudication.

Keeping in view the inherent uncertainties involved in the above matters, the management as a matter of prudence, has not recognized the above listed refunds in the financial statements.

The Competition Commission of Pakistan (CCP) passed an order in 2009 imposing a penalty of Rs. 6,312 million on the cement industry including a penalty of Rs. 226 million on the Company on the alleged grounds of increase in prices of cement across the country. This was challenged in the Honorable Lahore High Court where the judgement was made against the Company on October 26, 2022. Subsequently, the Company filed the Civil Petition in the Honorable Supreme Court of Pakistan (SCP) on the basis of several strong grounds against the aforesaid impugned Judgement. In the above judgement, few points were decided in favour of the Company against which the CCP has also filed an appeal in the SCP. Additionally, the Company has challenged the constitution of the Tribunal before the Sindh High Court. A stay has been granted in favor of the company. Based on the advice of legal counsel, the management of the Company believes that the Company has sound grounds for favorable decision and no provision for the above matters have been made in these financial statements.

	<b>2023</b>	<b>2022</b>
	----- (Rupees in '000) -----	-----
<b>26.2 Commitments</b>		
- Letters of credit – Conventional and Islamic bank	<b>644,540</b>	682,972
- Letters of guarantee – Conventional and Islamic bank	<b>1,147,601</b>	1,137,601
<b>27. TURNOVER – net</b>		
Local sales – gross	<b>46,409,091</b>	43,150,754
Rebates and discount	<b>(1,214,628)</b>	(1,333,644)
	<b>45,194,463</b>	41,817,110
Sales tax	<b>(7,580,713)</b>	(6,888,256)
Federal excise duty	<b>(4,206,685)</b>	(4,889,645)
	<b>(11,787,398)</b>	(11,777,901)
Local sales – net	<b>33,407,065</b>	30,039,209
Export sales – gross	<b>4,136,899</b>	2,180,193
Rebates, discount and commission	<b>(157,778)</b>	(134,041)
Export sales – net	<b>3,979,121</b>	2,046,152
	<b>37,386,186</b>	32,085,361

**27.1** Revenue recognised during the year from contract liabilities at the beginning of the year amounted to Rs. 243.92 million (2022: Rs. 191.40 million).

**27.2** All revenue earned by the Company is Shariah Compliant

Note **2023** 2022  
 ----- (Rupees in '000) -----

## 28. COST OF SALES

### Raw and packing material consumed

Opening stock		<b>257,300</b>	183,685
Purchases		<b>4,766,436</b>	3,922,572
		<b>5,023,736</b>	4,106,257
Closing stock	9	<b>(779,965)</b>	(257,300)
		<b>4,243,771</b>	3,848,957
Duty drawback on exports		<b>(7,679)</b>	(13,250)
		<b>4,236,092</b>	3,835,707

### Manufacturing overheads

Salaries, wages and benefits	28.1	<b>2,208,726</b>	1,978,586
Stores and spare parts consumed		<b>723,208</b>	924,922
Fuel and power		<b>18,281,744</b>	13,530,921
Rent, rates and taxes	28.2	<b>490,598</b>	678,885
Insurance		<b>102,443</b>	78,377
Vehicle running expenses		<b>262,509</b>	202,971
Travelling and conveyance		<b>35,747</b>	21,218
Printing and stationery		<b>9,100</b>	4,172
Legal and professional charges		<b>12,297</b>	7,775
Repairs and maintenance		<b>117,492</b>	99,602
Depreciation	4.1.4	<b>1,554,101</b>	1,584,087
Amortisation	5.1	<b>1,293</b>	1,178
Communication		<b>4,172</b>	3,464
Stores written-off		-	114
Others	28.3	<b>40,885</b>	29,467
		<b>28,080,407</b>	22,981,446

### Work-in-process

Opening		<b>331,337</b>	474,649
Closing	9	<b>(929,815)</b>	(331,337)

### Cost of goods manufactured

**27,481,929** 23,124,758

### Finished goods

Opening		<b>337,438</b>	347,256
Closing	9	<b>(569,994)</b>	(337,438)
		<b>27,249,373</b>	23,134,576

**28.1** Includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 55.57 million and Rs. 60.03 million, respectively (2022: Rs. 48.48 million and Rs. 32.40 million, respectively).

**28.2** Includes royalty and excise duty paid to Government of Khyber Pakhtunkhwa amounting to Rs. 425.70 million and Rs 10.57 million (2022: Rs. 542.34 million and 13.56 million) respectively on behalf of an associated company (Faruque Private Limited) on account of extraction of raw materials, directly consumed by the Company. The mining leases for raw materials are owned by Faruque (Private) Limited.

**28.3** Includes an amount of Rs. 13.11 million (2022: Rs. 11.71 million) in respect of staff recruitment, selection, hiring, rewarding, utilising, human safety, training and development of the human assets by the Human Resources department of the Company.

Note **2023** 2022  
----- (Rupees in '000) -----

## 29. DISTRIBUTION COSTS

Salaries, wages and benefit	29.1	<b>422,977</b>	398,807
Export expenses		<b>1,550</b>	1,777
Travelling and conveyance		<b>14,705</b>	8,748
Staff training expenses		<b>2,298</b>	170
Vehicle running expenses		<b>37,915</b>	23,705
Communication		<b>9,782</b>	6,588
Printing and stationery		<b>2,543</b>	2,208
Rent, rates and taxes		<b>7,083</b>	5,461
Utilities		<b>13,916</b>	8,824
Repairs and maintenance		<b>14,400</b>	11,201
Insurance		<b>4,696</b>	3,885
Advertisement		<b>26,518</b>	19,800
Entertainment		<b>5,207</b>	3,822
Depreciation	4.1.4	<b>23,812</b>	15,385
Depreciation - right-of-use asset	4.3.1	<b>13,848</b>	12,336
Amortisation	5.1	<b>111</b>	42
License and subscription		<b>1,682</b>	3,075
Others		<b>3,393</b>	3,420
		<b>606,436</b>	529,254

**29.1** Includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 10.88 million and Rs. 14.11 million, respectively (2022: Rs. 11.05 million and Rs. 6.32 million, respectively).

Note                      **2023**                      2022  
----- (Rupees in '000) -----

### 30. ADMINISTRATIVE EXPENSES

Salaries, wages and benefits	30.1	<b>274,742</b>	224,281
Travelling and conveyance		<b>7,214</b>	5,515
Staff training expenses		<b>1,907</b>	809
Vehicle running expenses		<b>27,908</b>	14,772
Communication		<b>7,465</b>	6,120
Printing and stationery		<b>7,371</b>	5,371
Rent, rates and taxes		<b>8,304</b>	5,431
Utilities		<b>4,337</b>	2,468
Repairs and maintenance		<b>11,844</b>	9,544
Legal and professional charges		<b>30,893</b>	30,684
Insurance		<b>7,739</b>	7,284
License and subscription		<b>6,974</b>	7,049
Advertisement		<b>2,955</b>	1,972
Depreciation	4.1.4	<b>23,925</b>	17,412
Depreciation - right-of-use asset	4.3.1	<b>2,968</b>	1,748
Amortisation	5.1	<b>1,335</b>	1,289
Entertainment		<b>3,816</b>	3,535
Others		<b>4,419</b>	3,857
		<b>436,116</b>	349,141

**30.1** Include expenditure in respect of provident fund and gratuity fund amounting to Rs. 10.45 million and Rs. 12.36 million respectively (2022: Rs. 8.68 million and Rs. 3.91 million respectively).

Note                      **2023**                      2022  
----- (Rupees in '000) -----

### 31. OTHER EXPENSES

Workers' Profits Participation Fund	22.5	<b>226,741</b>	218,500
Workers' Welfare Fund		<b>84,921</b>	37,497
Auditors' remuneration	31.1	<b>5,427</b>	4,086
Donations	31.2	<b>44,938</b>	15,203
		<b>362,027</b>	275,286

#### 31.1 Auditors' remuneration

Audit fee		<b>2,010</b>	1,680
Half-yearly review and CCG certification		<b>850</b>	710
Tax and other corporate services		<b>2,220</b>	1,386
Out of pocket expenses		<b>347</b>	310
		<b>5,427</b>	4,086

**31.2** Recipients of donations do not include any donee in which any director or his spouse had any interest except for donation paid to Ghulam Faruque Trust amounting to Rs. 1 million. Following directors of the Company are also trustees of the said trust:

- Mr. Omar Faruque
- Mr. Azam Faruque

Note **2023** 2022  
----- (Rupees in '000) -----

## 32. OTHER INCOME

### Income from financial assets

Profit on bank accounts		<b>132,930</b>	28,548
Gain on short-term investments at fair value through profit or loss		<b>22,045</b>	10,739
Interest income on financial asset at amortised cost		<b>8,716</b>	9,629
Dividend income	32.1	<b>8,119</b>	15,613
		<b>171,810</b>	64,529

### Income from non-financial assets

Gain on disposal of property, plant and equipment	4.15	<b>5,452</b>	7,646
Reversal of impairment loss - MHPL	6.2	-	76,000
Scrap sales		<b>267,743</b>	40,896
Exchange gain		<b>112</b>	199,829
Share of profit from joint venture	6.2 & 6.3	<b>7,060</b>	26
Others		<b>1,788</b>	1,569
		<b>282,155</b>	325,966
		<b>453,965</b>	390,495

**32.1** Represents dividend income from Cherat Packaging Limited, a related party, listed as Shariah compliant company at Pakistan Stock Exchange under KMIALLSHR and KMI-30 index.

Note **2023** 2022  
----- (Rupees in '000) -----

## 33. FINANCE COSTS

### Islamic banks

Mark-up on long-term financings		<b>1,302,816</b>	981,773
Mark-up on short-term borrowings		<b>132,090</b>	45,796
Bank charges and commission		<b>483</b>	16,932
		<b>1,435,389</b>	1,044,501

### Conventional banks

Mark-up on long-term financings	33.1	<b>162,250</b>	157,939
Mark-up on short-term borrowings		<b>278,538</b>	125,543
Bank charges and commission		<b>31,831</b>	26,298
		<b>472,619</b>	309,780
Mark-up on lease liabilities	18	<b>6,162</b>	2,860
Interest on workers' profits participation fund	22.5	-	1,733
		<b>1,914,170</b>	1,358,874



**33.1** Includes the effect of amortization of government grant amounting to Rs. 21.49 million (2022: Rs. 22.48 million)

## 34. TAXATION

**34.1** Provision for current tax during the year is based on Normal Tax Regime at the current rates of taxation after taking into account unabsorbed business losses, minimum tax and alternate corporate tax. Whereas, the provision for the prior year ended June 30, 2022 was based on Alternate Corporate Taxation regime. Income subject to final tax has been taxed accordingly.

	<b>2023</b>
	(Rupees in `000)
<b>Reconciliation between tax expense and accounting profit</b>	
Accounting profit for the year before taxation	<u>7,272,029</u>
Tax at applicable rates	<u>2,108,888</u>
<b>Tax effects of:</b>	
Tax effect of income taxable at lower rates	<b>(211,398)</b>
Super tax	<b>478,049</b>
Impact of rate change in deferred tax	<b>511,011</b>
Tax effect of change in ratio	<b>(32,987)</b>
Tax effects at lower rate of income	<b>44,316</b>
Change in prior years' tax	<b>8,981</b>
Others	<b>(38,763)</b>
	<u><u>2,868,097</u></u>
Effective %	<b>39%</b>

**34.2** The return of income for the Tax year 2022 has been filed by the Company which is deemed to be an assessment under the provisions of Section 120 of the Income Tax Ordinance, 2001.

During the year ended June 30, 2017, the Company made investment in plant and machinery of Line - II which was eligible for a tax credit under section 65B of the Income Tax Ordinance, 2001 (the tax credit). The tax credit is in addition to tax exemption on profit and gains derived from Line - II under clause 126L of Part I of the Second Schedule of the Income Tax Ordinance, 2001. The management believes that the Company is eligible for both the above benefits for Line-II, and therefore, has taken both the benefits in the income tax returns filed for the tax years 2017 and 2018. However, in view of anticipated challenge by the tax department of claiming both the benefits simultaneously, the management as a matter of prudence had earlier recognized the benefit under clause 126L only but had not recognized the tax credit u/s 65B of the Income Tax Ordinance 2001.

During the year ended June 30, 2019, the Deputy Commissioner Inland Revenue has finalized the assessment for the Tax Year 2017 and rejected the Company's claim under clause 126L of the Second Schedule to the ITO 2001 but allowed claim u/s 65B of the ITO 2001. The management filed first Appeal before the Commissioner (Appeals) to claim both the above benefits simultaneously. The Commissioner (Appeals), while disposing off the appeal also rejected claim under clause 126L and allowed claim under section 65B of the ITO 2001. The management filed a second appeal before Appellate Tribunal Inland Revenue to contest for simultaneous acceptance of claim under clause 126L which is pending for adjudication. However, as a matter of prudence and other inherent uncertainties and delays involved, the management has revised the current and deferred tax provisions based on the allowance of claim u/s 65B of the ITO 2001.

**34.3** During the year ended June 30, 2019, the Company has recorded tax credit under section 65B of ITO, 2001 @ 10% on commissioning and installation of Line-III as per law. Through Finance Act, 2019, the government has reduced tax credit under section 65B of ITO, 2001 from 10% to 5% retrospectively for the tax year 2019 and abolished the same for subsequent years. However, the management is hopeful that retrospective change may not be maintainable in the eyes of law and has challenged this amendment and got stay from the PHC. However, as a matter of prudence, the Company has reduced tax credit from 10% to 5% in prior year financial statements. In order to file petition in the PHC, the Company however, claimed full tax credit in income tax return. Last year, the case has been decided against the Company by PHC in respect of reduced tax credit under section 65B of ITO, 2001 from 10% to 5% retrospectively. However, review petition has been filed against the judgement of PHC where the Court has set aside the earlier judgement dated March 8, 2022 and accepted the writ petition for hearing on merit. Therefore, the same accounting treatment has been maintained in these annual financial statements.

**34.4** "The Finance Act, 2022 had introduced super tax on high earning persons for the tax year 2022 and onwards. The Company has challenged the applicability of the super tax imposed under section 4C of the Income Tax Ordinance (ITO) and an interim stay has been granted by the Honorable Peshawar High Court (PHC) to file income tax return for the tax year 2022 by excluding the amount of the super tax of Rs. 373.81 million (being 10% of taxable income). The PHC later on issued an order in direction with SCP to deposit tax at the rate of 4%. The Company has duly deposited the same with the government treasury.

Keeping in view the inherent uncertainties involved in such matters, the management, as a matter of prudence, has recognized the amount as a tax expense in the financial statements for the year ended June 30, 2022."

**34.5** Prior year tax represents adjustments made for prior years which are duly assessed by the tax authorities during the year.

**34.6** In accordance with the Finance Act, 2023, the rate of super tax increased from 4% to 10% for tax year 2023 and onwards to all sectors having income in excess of Rs. 500 million in addition to the corporate tax of 29% which has been duly recorded in these financial statements. Moreover, the company has recorded the deferred tax at 39% (2022: 33%) in accordance with the applicable accounting and reporting standards.

### 35. EARNINGS PER SHARE

	<b>2023</b>	<b>2022</b>
Net profit for the year (Rupees in '000)	<u><b>4,403,932</b></u>	<u>4,455,965</u>
Weighted average number of ordinary shares in issue	<u><b>194,295,038</b></u>	<u>194,295,038</u>
Earnings per share - basic and diluted	<u><b>Rs. 22.67</b></u>	<u>Rs. 22.93</u>

**35.1** No shares were issued during the year, therefore, calculation of weighted average number of ordinary shares has not been presented.

**35.2** There is no dilutive effect on basic earnings per share of the Company.

## 36. LINE – WISE RESULTS

As fully explained in note 34.2 to the financial statements, in view of the tax exemption on investment in Khyber Pakhtunkhwa and Baluchistan provinces under clause 126L of Part I of the Second Schedule to the Income Tax Ordinance, 2001, profits and gains are exempted on Line – II till tax year 2022. For this purpose, separate books of accounts have been maintained for Line – II.

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks i.e. market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Company's senior management oversees the management of these risks and provides policies for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk and credit risk, use of financial derivatives, financial instruments and investment of excess liquidity. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors review and agree policies for managing each of these risks which are summarized below:

### 37.1 Market risk

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and equity price risk, such as equity risk.

#### 37.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in the market interest rates. The Company's interest rate risk arises from long-term and short-term borrowings obtained with floating rates. All the borrowings of the Company are obtained in the functional currency. The following figures demonstrate the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Company's profit before tax:

	<b>Increase / decrease in basis points</b>	<b>Effect on profit before tax (Rupees in `000)</b>
<b>2023</b>		
KIBOR	<b>+100</b>	<b>(108,915)</b>
KIBOR	<b>-100</b>	<b>108,915</b>
<b>2022</b>		
KIBOR	+100	(160,920)
KIBOR	-100	160,920

### 37.1.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expenses are denominated in a different currency from the Company's functional currency).

	<b>2023</b>	2022
	----- (‘000) -----	
Trade & other payables - US Dollars	<u><b>11</b></u>	<u>6</u>

The following exchange rate have been applied at reporting dates:

	----- (Rupees) -----	
Exchange Rate - US Dollars	<u><b>287.10</b></u>	<u>206.00</u>

The management keeps on evaluating different options available for hedging purposes. The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's equity.

	Change in rate (%)	(Rupees in `000)
<b>30 June 2023 - US Dollars</b>	<b>+10</b>	<u><b>(318)</b></u>
	<b>-10</b>	<u><b>318</b></u>
 30 June 2022 - US Dollars	 +10	 <u>(124)</u>
	-10	<u>124</u>

### 37.1.3 Equity price risk

The Company's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities.

At the date of statement of financial position, the exposure to listed equity securities was Rs. 400.05 million. A decrease of 10% in the share price of these securities would have an impact of approximately Rs. 40 million on the statement of other comprehensive income. An increase of 10% in the share price of the listed security would impact statement of other comprehensive income with the similar amount.

		<b>2023</b>	2022
	Credit rating	----- (Rupees in `000) -----	
Long-term investments			
Cherat Packaging Limited	A	<b>351,239</b>	352,597
Mirpurkhas Sugar Mills Limited	A-	<b>48,813</b>	45,140
		<u><b>400,052</b></u>	<u>397,737</u>

### 37.2 Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date with no defaults in the past year is:

	Note	2023 ----- (Rupees in '000)-----	2022 -----
Long-term investments	6	400,052	397,737
Long-term loans (including current portion)	7	68,383	75,873
Long-term deposits		4,676	7,141
Trade debts	10	903,240	533,973
Trade deposits	12	300	2,686
Other receivables	13	6,196	4,487
Bank balances	14	155,377	1,122,769
		<u>1,538,224</u>	<u>2,144,666</u>

#### 37.2.1 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

	2023 ----- (Rupees in '000)-----	2022 -----
<b>Bank balances</b>		
<b>Credit rating</b>		
AI+	155,045	1,122,765
AI	332	4

All other financial assets are not exposed to any material credit risk

### 37.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company applies prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual payments:

	2023					2022				
	INTEREST / MARKUP / PROFIT BEARING			NON-INTEREST BEARING	Total	INTEREST / MARKUP / PROFIT BEARING			NON-INTEREST BEARING	Total
	Less than one year	One to ten years	Total			Less than one year	One to ten years	Total		
Long-term financings	2,954,736	7,310,580	10,265,316	-	10,265,316	3,057,859	10,866,851	13,924,710	-	13,924,710
Lease liabilities	13,549	39,214	52,763	-	52,763	10,438	10,971	21,409	-	21,409
Long-term security deposits	-	-	-	29,025	29,025	-	-	-	28,450	28,450
Trade and other payables	-	-	-	1,523,534	1,523,534	-	-	-	1,605,742	1,605,742
Accrued mark-up	-	-	-	438,173	438,173	-	-	-	435,350	435,350
Short-term borrowings	1,573,345	-	1,573,345	-	1,573,345	3,135,925	-	3,135,925	-	3,135,925
Unclaimed dividend	-	-	-	74,984	74,984	-	-	-	74,441	74,441
Unpaid dividend	-	-	-	27,147	27,147	-	-	-	11,540	11,540
	<b>4,541,630</b>	<b>7,349,794</b>	<b>11,891,424</b>	<b>2,092,863</b>	<b>13,984,287</b>	6,204,222	10,877,822	17,082,044	2,155,523	19,237,567

Effective interest / yield rates for the financial liabilities are mentioned in the respective notes to the financial statements.

### 37.4 Capital risk management

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximize shareholders value and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, less cash and cash equivalents.

**The gearing ratios as at June 30, 2023 and 2022 are as follows:**

	2023 ----- (Rupees in '000)	2022 -----
Long-term financings	<b>10,265,316</b>	13,924,710
Accrued mark-up	<b>438,173</b>	435,350
Short-term borrowings	<b>1,573,345</b>	3,135,925
Total debt	<b>12,276,834</b>	17,495,985
Cash and cash equivalents	<b>(160,113)</b>	(1,126,474)
<b>Net debt</b>	<b>12,116,721</b>	16,369,511
Share capital	<b>1,942,950</b>	1,942,950
Reserves	<b>18,936,068</b>	15,373,372
<b>Total capital</b>	<b>20,879,018</b>	17,316,322
<b>Capital and net debt</b>	<b>32,995,739</b>	33,685,833
<b>Gearing ratio</b>	<b>36.72%</b>	48.59%

The Company finances its expansion projects through equity, borrowings and management of its working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk.

### 37.5 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate fair values.

The following table shows assets recognised at fair value, analysed between those whose fair value is based on:

Level 1: Quoted prices in active markets for identical assets or liabilities,

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those whose inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below categorised fair value measurement of financial instruments by the level in the fair value hierarchy into which the fair value measurement is categorized:

	Note	2023		2023			
		Carrying amount		Fair value			
		Fair value through statement of profit or loss	Fair value through OCI	Total	Level 1	Level 2	Level 3
		(Rupees in '000)					
Long-term investments	37.5.1	-	400,052	400,052	400,052	-	-
		-	400,052	400,052	400,052	-	-
		2022		2022			
		Carrying amount		Fair value			
		Fair value through statement of profit or loss	Fair value through OCI	Total	Level 1	Level 2	Level 3
		(Rupees in '000)					
Long-term investments	37.5.1	-	397,737	397,737	397,737	-	-
		-	397,737	397,737	397,737	-	-

During the year, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurement.

**37.5.1** Financial instruments which are tradable in an open market are revalued at the market prices prevailing on the statement of financial position date.

### 38. CASH AND CASH EQUIVALENTS

	Note	2023 ----- (Rupees in `000) -----	2022 -----
Cash and bank balances	14	<b>160,113</b>	131,204
Restricted bank balance	14.1	-	995,270
Short-term borrowings	24	<b>(1,573,345)</b>	(3,135,925)
		<b><u>(1,413,232)</u></b>	<u>(2,009,451)</u>

### 39. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2023			2022		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	----- (Rupees in `000) -----					
Managerial remuneration	<b>41,984</b>	<b>17,805</b>	<b>461,707</b>	37,349	15,768	387,102
Bonus	<b>20,742</b>	<b>8,272</b>	<b>207,295</b>	18,425	7,320	175,292
Housing allowance	<b>1,452</b>	<b>7,445</b>	<b>152,166</b>	1,452	6,588	126,016
Retirement benefits	<b>6,914</b>	<b>2,757</b>	<b>68,232</b>	6,142	2,440	60,891
Utilities	<b>1,955</b>	<b>1,653</b>	<b>32,372</b>	1,898	1,463	26,618
Leave fare assistance	<b>3,457</b>	<b>1,220</b>	<b>28,705</b>	3,071	1,220	22,964
	<b><u>76,504</u></b>	<b><u>39,152</u></b>	<b><u>950,477</u></b>	<u>68,337</u>	<u>34,799</u>	<u>798,883</u>
Number	<b>1</b>	<b>1</b>	<b>108</b>	1	1	93

**39.1** The Chief Executive and an executive have been provided with furnished accommodation. Further, the Chief Executive, Director and certain executives are provided with the use of company maintained cars, telephone facility, utilities and some other facilities, which are reimbursed at actual to the extent of their entitlements.

**39.2** The aggregate amount charged in the financial statements for meeting fee to 6 non-executive directors amounting to Rs. 2.94 million (2022: Rs. 3.00 million).



## 40. TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company comprises of associated companies, directors, retirement funds, companies with common directorship and key management personnel of the Company. Amounts due from / to related parties are disclosed in respective notes to these financial statements. The Company enters into transactions with related parties on agreed terms as approved by the Board of Directors. Transactions with related parties other than those disclosed elsewhere in the financial statements, are as follows:

Relationship	Nature of transactions	2023	2022
		----- (Rupees in '000) -----	----- (Rupees in '000) -----
Associated companies	Purchases	3,501,722	2,989,590
	Sale of goods	-	6,247
	Services received	667	126
	Royalty and excise duty	436,261	555,900
	Purchase of fixed assets	23,264	201,153
	IT support charges	24,311	24,311
	Dividend received	8,119	15,613
	Dividend paid	272,004	77,105
	Insurance premium paid	88,848	75,000

In addition, certain actual administrative expenses are being shared amongst the group companies.

**40.1** Following are the related parties with whom the Company had entered into transactions or have arrangement / agreement in place.

Name	Basis of association	Aggregate % of Shareholding	Name of Interested Directors
Cherat Packaging Limited	Common directorship	2.74	Mr. Akbar Ali Pesnani Mr. Arif Faruque
Faruque (Private) Limited	Common directorship	21.67	Mr. Azam Faruque Mr. Arif Faruque
Greaves Pakistan (Private) Limited	Common directorship	1.25	Mr. Azam Faruque
Mirpurkhas Sugar Mills Limited	Common directorship	1.41	Mr. Arif Faruque
Zensoft (Private) Limited	Common directorship	0.01	Mr. Omar Faruque
Madian Hydro Power Limited	Common directorship	Nil	Mr. Arif Faruque Mr. Omar Faruque Mr. Yasir Masood
UniEnergy Limited	Common directorship	Nil	Mr. Arif Faruque
Greaves Airconditioning (Private) Limited	Common directorship	Nil	Mr. Yasir Masood
Jubilee General Insurance Company Limited	Common directorship	Nil	Mr. Akbar Ali Pesnani
Cherat Cement Company Limited – Employees' Provident Fund	Retirement benefit fund	0.27	Mr. Azam Faruque Mr. Omar Faruque Mr. Yasir Masood
Cherat Cement Company Limited – Employees' Gratuity Fund	Retirement benefit fund	1.66	Mr. Azam Faruque Mr. Omar Faruque Mr. Yasir Masood

**40.1.1** None of the key management personnel had any arrangements with the Company other than the employment contract.

## 41. NUMBER OF EMPLOYEES

The total number of employees and average number of employees at year end and during the year respectively are as follows:

	2023		2022	
	Total	Factory	Total	Factory
Total number of employees	1022	867	1007	851
Average number of employees during the year	1015	859	987	833

## 42. PRODUCTION CAPACITY

	2023	2022
	----- (Tons) -----	
Annual installed capacity – Clinker	4,320,000	4,320,000
Annual installed capacity – Cement	4,536,000	4,536,000
Actual production – Clinker	2,643,785	3,109,280
Actual production – Cement	2,882,790	3,525,199

Plant operational capacity utilisation is in line with industry demand.

## 43. OPERATING SEGMENTS

"These financial statements have been prepared on the basis of a single reportable segment.

All sales of the Company comprise of cement.

Total sales of the Company relating to customers in Pakistan were 89% during the year ended June 30, 2023 (2022: 94%). All non-current assets of the Company at the end of the current and preceding year were located in Pakistan.

Sales to twenty major customers of the Company are around 48% of the Company's total sales during the year (2022: 39%)."

#### 44. DISCLOSURE REQUIREMENT FOR SHARIAH COMPLIANT COMPANIES

As per the requirements of the fourth schedule to the Companies Act, 2017, Shariah compliant companies and companies listed on the Islamic Index shall disclose the following:

	Note	2023 ----- (Rupees in '000) -----	2022 -----
Long-term financings as per Islamic mode	17	<b>7,358,614</b>	9,897,365
Short-term borrowings as per Islamic mode	24	<b>622,545</b>	838,945
Shariah compliant bank balances	14	<b>109,352</b>	995,365
Profit earned from shariah compliant bank deposits	32	<b>108,472</b>	20,278
Revenue earned from shariah compliant business	27	<b>37,386,186</b>	32,085,361
Dividend earned from shariah compliant investment	32	<b>8,119</b>	15,613
Finance costs on Islamic mode of financings	33	<b>1,435,389</b>	1,044,501
Profit earned from any conventional loan or advances	32	<b>24,458</b>	8,270
Finance costs on conventional mode of financing	33	<b>472,619</b>	309,780

The Company has relationship with Meezan Bank Limited, Bank Alfalah Limited, Faysal Bank Limited, MCB Islamic Bank Limited Dubai Islamic Bank Pakistan Limited and Bank of Khyber Limited being our Islamic banks which are fully disclosed in note 17 and note 24 to these financial statements.

#### 45. DATE OF AUTHORISATION

These financial statements were authorised for issue on September 05, 2023 by the Board of Directors of the Company.

#### 46. DIVIDEND AND APPROPRIATIONS

Subsequent to year ended June 30, 2023, the Board of Directors in its meeting held on September 05, 2023 has proposed final cash dividend @ 3.00 per share amounting to Rs.582.88 million (2022: Rs. 3.00 per share amounting to Rs. 582.88 million) for approval of the members at the Annual General Meeting. This is in addition to the interim cash dividend @ Rs. 1.50/- per share amounting to Rs. 291.44 million (2022: Nil per share) approved by the Board of Directors for the year ended June 30, 2023.

#### 47. GENERAL

**47.1** Certain corresponding figures have been rearranged and reclassified, wherever considered necessary. However, there are no material reclassifications to report in these financial statements.

**47.2** Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

# PATTERN OF SHAREHOLDING

AS OF JUNE 30, 2023

# Of Shareholders	Shareholdings' Slab		Total Shares Held
	From	To	
1045	1	to 100	40,598
972	101	to 500	271,402
871	501	to 1000	601,286
1196	1001	to 5000	2,747,919
427	5001	to 10000	2,964,872
193	10001	to 15000	2,279,843
94	15001	to 20000	1,627,328
68	20001	to 25000	1,523,435
66	25001	to 30000	1,782,990
20	30001	to 35000	659,733
28	35001	to 40000	1,055,991
27	40001	to 45000	1,165,838
12	45001	to 50000	576,955
21	50001	to 55000	1,114,402
6	55001	to 60000	347,143
9	60001	to 65000	567,008
11	65001	to 70000	743,827
6	70001	to 75000	431,575
5	75001	to 80000	388,829
1	80001	to 85000	83,747
5	85001	to 90000	440,679
5	90001	to 95000	461,783
2	95001	to 100000	197,412
6	100001	to 105000	620,544
5	105001	to 110000	539,185
3	110001	to 115000	336,973
3	115001	to 120000	350,886
3	120001	to 125000	369,368
4	125001	to 130000	514,811
2	130001	to 135000	264,916
3	135001	to 140000	413,194
3	140001	to 145000	425,433
3	145001	to 150000	441,689
1	155001	to 160000	158,023
1	160001	to 165000	160,649
1	165001	to 170000	169,601
4	175001	to 180000	715,044
1	180001	to 185000	182,651
2	195001	to 200000	397,504

# Of Shareholders	Shareholdings'Slab			Total Shares Held
	From		To	
3	200001	to	205000	611,397
1	205001	to	210000	207,500
2	210001	to	215000	427,248
1	225001	to	230000	228,451
1	235001	to	240000	237,100
1	240001	to	245000	240,794
1	245001	to	250000	245,670
1	260001	to	265000	263,699
2	265001	to	270000	533,724
2	270001	to	275000	544,190
1	295001	to	300000	296,750
1	325001	to	330000	330,000
1	330001	to	335000	334,970
1	335001	to	340000	335,400
1	345001	to	350000	346,228
1	385001	to	390000	389,728
1	390001	to	395000	392,534
1	395001	to	400000	396,000
1	425001	to	430000	426,000
1	430001	to	435000	431,066
2	440001	to	445000	885,633
1	460001	to	465000	462,264
1	490001	to	495000	494,110
1	495001	to	500000	496,530
1	520001	to	525000	524,619
1	575001	to	580000	579,900
1	590001	to	595000	594,583
1	600001	to	605000	600,840
1	605001	to	610000	607,176
1	655001	to	660000	660,000
1	675001	to	680000	678,957
1	695001	to	700000	699,820
2	745001	to	750000	1,496,285
1	790001	to	795000	791,111
2	795001	to	800000	1,598,362
1	885001	to	890000	885,877
1	950001	to	955000	951,937
1	1030001	to	1035000	1,031,757
2	1070001	to	1075000	2,146,179
1	1180001	to	1185000	1,183,257

# Of Shareholders	Shareholdings' Slab			Total Shares Held
	From		To	
1	1275001	to	1280000	1,279,575
1	1295001	to	1300000	1,295,200
1	1325001	to	1330000	1,329,079
1	1365001	to	1370000	1,365,710
1	1410001	to	1415000	1,411,082
1	1580001	to	1585000	1,584,796
1	1590001	to	1595000	1,591,524
1	1650001	to	1655000	1,651,172
1	1705001	to	1710000	1,708,907
1	1725001	to	1730000	1,727,950
1	1770001	to	1775000	1,770,788
1	1885001	to	1890000	1,888,256
1	2035001	to	2040000	2,037,703
1	2130001	to	2135000	2,131,835
1	2185001	to	2190000	2,189,500
1	2415001	to	2420000	2,419,002
1	2715001	to	2720000	2,719,953
1	2745001	to	2750000	2,747,277
1	3145001	to	3150000	3,147,497
1	3220001	to	3225000	3,220,783
1	3535001	to	3540000	3,535,580
1	3770001	to	3775000	3,770,129
1	4495001	to	4500000	4,497,789
1	4605001	to	4610000	4,605,923
1	4665001	to	4670000	4,667,698
1	4800001	to	4805000	4,803,092
1	5450001	to	5455000	5,453,631
1	5740001	to	5745000	5,742,595
1	8545001	to	8550000	8,545,011
1	14635001	to	14640000	14,636,936
1	42095001	to	42100000	42,096,353
<b>5215</b>				<b>194,295,038</b>

# PATTERN OF SHAREHOLDING

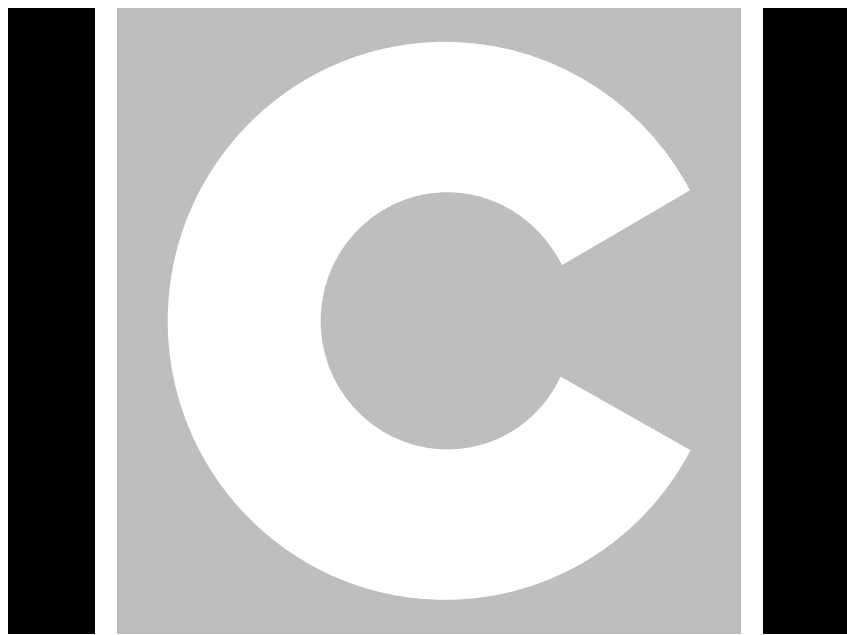
As of June 30, 2023

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
<b>Directors, Chief Executive Officer and their spouse(s) and minor children</b>			
MR. OMAR FARUQUE	1	2,118,632	1.09
MRS. SHAMAIN AKBAR FARUQUE W/O MR. OMAR FARUQUE	1	396,000	0.20
MR. AZAM FARUQUE	1	2,755,940	1.42
MRS. SAMIA FARUQUE W/O MR. AZAM FARUQUE	1	57,981	0.03
MR. AKBARALI PESNANI	1	91,300	0.05
MRS. SAKINA PESNANI W/O MR. AKBARALI PESNANI	1	72,600	0.04
MR. ARIF FARUQUE	1	2,135,194	1.10
MR. ABRAR HASAN	1	550	0.00
MR. ASIF QADIR	1	550	0.00
MRS. ZEEBA ANSAR	1	110	0.00
MR. YASIR MASOOD	1	1,100	0.00
<b>Associated Companies, undertakings and related parties</b>			
Faruque (Pvt.) Limited	1	42,096,353	21.67
Cherat Packaging Limited	1	5,327,698	2.74
Mirpurkhas Sugar Mills Limited	1	2,747,277	1.41
Greaves Pakistan (Pvt.) Limited	1	2,419,002	1.25
Zensoft (Pvt.) Limited	1	24,750	0.01
<b>NIT &amp; ICP</b>	3	5,506,779	2.83
<b>Banks, Development Financial Institutions, Non Banking Financial Institutions.</b>	11	12,346,598	6.35
<b>Insurance Companies</b>	10	7,262,273	3.74
<b>Modarabas and Mutual Funds</b>	68	14,890,523	7.66
<b>General Public</b>			
a. Local	4,809	53,963,157	27.77
b. Foreign	127	2,343,896	1.21
<b>Foreign Companies</b>	6	6,516,461	3.35
<b>Others</b>	165	31,220,314	16.07
<b>Total</b>	5,215	194,295,038	100.00

Shareholders holding 10% or more	Shares Held	Percentage
<b>FARUQUE (PRIVATE) LIMITED</b>	42,096,353	21.67



**CHERAT**



**CEMENT**



# BUILDING A BETTER FUTURE

ماحققہ فریق کا نام	لین دین کی نوعیت	(روپے '000 میں)
چیراٹ پیکیجنگ لمیٹڈ	پیکنگ کے سامان کی خریداری	3,237,318
	منافع منقسمہ کی ادائیگی	8,119
	منافع منقسمہ کی ادائیگی	23,975
میر پور خاص شوگر ملز لمیٹڈ	منافع منقسمہ کی ادائیگی	12,363
فاروق (پرائیویٹ) لمیٹڈ	خام مال کی خریداری	258,328
	رانٹ کی ادائیگی	425,695
	ایکسائز ڈیوٹی کی ادائیگی	10,566
	منافع منقسمہ کی ادائیگی	189,434
گریوز ایگزیکٹو ڈیولپمنٹ (پرائیویٹ) لمیٹڈ	جامد اثاثوں کی خرید	4,607
	موصولہ سروسز	417
	سامان کی خریداری	166
گریوز پاکستان (پرائیویٹ) لمیٹڈ	جامد اثاثوں کی خریداری	18,657
	موصولہ سروسز	250
	سامان کی خریداری	5,910
	منافع منقسمہ کی ادائیگی	10,886
جوبلی جزل انشورنس کمپنی لمیٹڈ	انشورنس پریمیم	88,848
زین سوفٹ (پرائیویٹ) لمیٹڈ	موصولہ سروسز	24,311
	منافع منقسمہ کی ادائیگی	111
CCL ایمپلائز پروویڈنٹ اور گریجویٹ فنڈ	فنڈ میں معاونت	161,315

7- سالانہ آڈٹ شدہ مالیاتی گوشواروں سے متعلق معلومات حصص یافتگان کو بذریعہ QR سے چلنے والے کوڈ اور ویب لنک کے ذریعے ارسال کرنا SECPC کے نوٹیفیکیشن کے تحت CD/DVD/USB کے بجائے معلومات جیسے کہ سالانہ آڈٹ شدہ مالیاتی گوشواروں کی QR سے چلنے والے کوڈ اور ویب لنک کے ذریعے فراہم کی جائے۔ آپ انہیں اپنے ای میل ایڈریس پر وصول کر سکتے ہیں۔ اگر حصص یافتگان کاغذی نقل کی درخواست کرتا ہے تو اسے کسی لاگت کے بغیر تحریری درخواست موصول ہونے کے سات (7) دن کے دن فراہم کر دی جائے گی۔ حصص یافتگان کی آسانی کے لئے کمپنی کی ویب سائٹ پر معیاری درخواست فارم دستیاب ہے۔

ڈائریکٹران کا مندرجہ بالا امور سے کوئی مفاد وابستہ نہیں ہے سوائے کمپنی کے ان کے حصص کی حد تک جو ان کی ملکیت میں ہیں۔



کمپنیز ایکٹ 2017 کی دفعہ 134 کے تحت بیان  
-6 اس بیان میں 25 اکتوبر 2023 کو منعقد ہونے والے سالانہ اجلاس عام منعقدہ  
کے ”خصوصی امور“ سے متعلق اہم حقائق بیان کئے گئے ہیں۔ کمپنی کے ممبران سے  
اس بارے میں  
منظوری لی جائے گی:

مالیاتی سال مختتمہ 30 جون 2023 کے دوران کمپنی نے ملحقہ کمپنیوں اور ملحقہ فریقین کے ساتھ  
سودے اپنی پالیسیوں لاگو قوانین و ضوابط کے تحت کئے۔ متعلقہ فریقین کے ساتھ لین دین کے  
لئے کمپنیز ایکٹ 2017 کی دفعہ 207 اور 208 کے تحت حصص یافتگان کی منظوری لینا ضروری  
ہوتی ہے۔ ان لین دین کو حصص یافتگان کے روبرو خصوصی قرارداد کے ذریعے پیش کرنا ہے  
جسے سالانہ اجلاس عام میں منظور کیا جائے گا۔

حصص یافتگان سے درخواست ہے کہ سال مختتمہ 30 جون 2023 کے مالیاتی گوشواروں کے  
نوٹ نمبر 40 میں منکشف کئے گئے لین دین کی توثیق کریں اور مزید یہ کہ آنے والے سال  
30 جون 2024 کے لئے بورڈ آف ڈائریکٹرز کو مجاز بنائیں کہ وہ متعلقہ فریقین یا ملحقہ کمپنیز  
کے ساتھ لین دین کریں۔

ہر فریق کے ساتھ کئے گئے لین دین کی علیحدہ علیحدہ تفصیل جو کہ مالیاتی گوشواروں برائے مختتمہ  
سال 30 جون 2023 کے نوٹ نمبر 28 اور 40 میں منکشف کی گئی ہے، درج ذیل ہے:

-16 تمام حصص یافتگان کو مشورہ دیا جاتا ہے کہ FBR کی ویب سائٹ پر فعال ٹیکس  
دہندہ کی فہرست (ATL) میں اپنی نوعیت چیک کر لیں اور اگر ضروری ہو تو ATL  
میں نام شامل کرنے کے

لئے ضروری اقدامات کریں۔ اگر کسی فرد کا نام ATL میں موجود نہ ہو تو عائد ٹیکس  
کے نرخ میں 100 فیصد اضافہ ہو جائے گا۔

-17 مشترکہ اکاؤنٹ کی صورت میں برائے مہربانی ہر کھاتے دار کی حصص داری کے  
حصہ کے ساتھ ATL میں انفرادی حیثیت سے مطلع کریں۔

-18 منافع منقسمہ کی آمدنی سے وٹھ ہولڈنگ ٹیکس استثناء کی اجازت صرف اس  
صورت میں ہوگی جب درست استثنائی سرٹیفکیٹ کی کاپی CDC شیئر رجسٹرار  
سرور لمیٹڈ کو کتاب بند ہونے کے پہلے دن فراہم کر دی جائے۔

-19 زکوٰۃ کی لازمی کٹوتی سے استثناء کے لئے حصص یافتگان سے درخواست ہے کہ  
زکوٰۃ ڈیکلریشن (فارم CZ-50) یا اس کی مصدقہ نقل CDC شیئر رجسٹرار سرور  
لمیٹڈ کو فوری طور پر فراہم کر دیں تاکہ تمام مستقبل کے منافع منقسمہ سے زکوٰۃ کی  
کٹوتی سے بچا جاسکے۔



کمپنیز ایکٹ 2017 کی دفعہ 244 عمل کرتے ہوئے کمپنی جیسے ہی مشروط ضابطے مکمل کر لے گی تو کوئی غیر دعویٰ شدہ اور/یا حصص جو کہ اپنے واجب الادا ہونے کی تاریخ سے تین سال یا زیادہ عرصے تک واجب الادا رہا ہوا سے وفاقی حکومت (منافع منقسمہ کی صورت میں) SECPI (فزیکل حصص کی صورت میں) کو منتقل کر دیا جائے گا۔ حصص یافتگان جو کہ کسی بھی وجہ سے اپنا بقایا غیر دعویٰ شدہ منافع منقسمہ/حصص موصول نہ کر سکے ہوں ان کو مشورہ دیا جاتا ہے کہ وہ اپنے غیر دعویٰ شدہ منافع یا حصص کی وصولی/استفسار کے لئے کمپنی کے شیئر رجسٹرار سے رابطہ کریں۔

حصص یافتگان کے پاس اختیار ہے کہ وہ سالانہ آڈٹ شدہ مالیاتی گوشوارے اور سالانہ اجلاس عام کا نوٹس بذریعہ ای میل وصول کریں۔ کمپنی کے حصص یافتگان سے درخواست ہے کہ وہ اس بارے میں اپنی منظوری کو کمپنی کے شیئر رجسٹرار کے پاس ریکارڈ کو اپ ڈیٹ کرنے کے لئے بھیج دیں کہ وہ سالانہ آڈٹ شدہ گوشوارے اور اجلاس عام کے نوٹس بذریعہ ای میل وصول کرنا چاہتے ہیں۔ تاہم اگر حصص یافتگان اس کے علاوہ آڈٹ شدہ مالیاتی گوشواروں کی کاغذی کاپی حاصل کرنا چاہیں تو ان کی تحریری درخواست کی وصولی پر انہیں (7) دن کے اندر فراہم کر دی جائے گی۔

ممبران و ڈیوبو کا نفرنس کی سہولت سے بھی استفادہ کر سکتے ہیں۔ اس سلسلے میں برائے مہربانی مندرجہ ذیل کو پھریں اور کمپنی کے ہیڈ آفس کو سات (7) دن کے اندر سالانہ اجلاس عام سے پہلے بھیج دیں۔ اگر کمپنی کو ایسے ممبران سے رضامندی حاصل ہو جن کی حصص داری 10 فیصد یا زیادہ ہو اور وہ بعد محل وقوع پر ہائش پذیر ہوں، وہ اجلاس میں بذریعہ وڈیو کانفرنس شرکت کرنا چاہتے ہوں تو اجلاس سے کم از کم سات (7) دن قبل مطلع کر دیں، کمپنی ان کے لئے وڈیو کانفرنس کا اہتمام کرے گی بشرطیکہ یہ یہ سہولت ان کے شہر میں دستیاب ہو۔

”میں/ہم.....ساکن، چیرات سیمنٹ کمپنی لمیٹڈ کے ممبر ہونے کے ناطے فوئیو نمبر.....کے تحت.....عمومی حصص رکھتے ہیں، وڈیو کانفرنس کی سہولت سے.....استفادہ کرنا چاہتا/چاہتے ہیں۔“

ممبران بذریعہ پوسٹل بیلٹ یا بذریعہ ڈاک یا بذریعہ برقی طریقے سے اپنا حق رائے دہی استعمال کر سکتے ہیں بشرطیکہ کمپنیز ایکٹ 2017 کی دفعات 143 اور 144 کے تقاضے پورے

ہوں کمپنیز (پوسٹل بیلٹ) ریگولیشنز 2018 کے تحت خصوصی امور کے مقاصد کے لئے ممبران کو اپنا حق رائے دہی بذریعہ پوسٹل بیلٹ/برقی طریقے کار کے مطابق مذکورہ بالا ریگولیشنز میں درج تقاضوں اور ضروریات کے مطابق استعمال کر سکتے ہیں۔ پوسٹل بیلٹ/برقی ووٹ دینے کا شیڈول اور طریقہ کار کمپنی کی ویب سائٹ [www.gfg.com.pk](http://www.gfg.com.pk) پر اجلاس سے سات (7) دن پہلے ڈال دیا جائے گا۔

7- وہ ممبران جن کے فزیکل حصص ہیں ان سے درخواست ہے کہ کمپنی کے شیئر رجسٹرار کو اپنے پتوں میں تبدیلی سے مطلع کر دیں۔ جبکہ جن حصص یافتگان کے CDC کا کاؤنٹس ہیں، ان سے درخواست ہے کہ فوری طور پر اپنے پتے میں تبدیلی سے اپنے CDC شرکا/بروکر/ CDC انویسٹرا کاؤنٹس سروسز کو فراہم کر دیں۔

8- کمپنیز ایکٹ 2017 اور کمپنیز (جزل پروویڈنڈ اینڈ فارمز) ریگولیشنز 2018 کے ریگولیشن 19 کے تحت تمام فزیکل حصص یافتگان کو مشورہ دیا جاتا ہے کہ وہ لازمی طور پر اپنا CNIC

نمبر، پتہ، ای میل ایڈریس، رابطہ موبائل/ٹیلیفون نمبر، پیشہ وغیرہ CDC شیئر رجسٹرار سروسز لمیٹڈ کو فوری فراہم کر دیں تاکہ مستقبل میں کسی قانونی خلاف ورزی سے بچا جاسکے نہ ہی کوئی تکلیف اٹھانی پڑے۔

9- وہ حصص یافتگان جنہوں نے اپنے درست کمپیوٹرائزڈ قومی شناختی کارڈ کی کاپی ابھی تک فراہم نہیں کی ان سے درخواست ہے کہ کمپنی کے شیئر رجسٹرار کو فراہم کر دیں۔

10- کمپنیز ایکٹ 2017 کی دفعہ 72 کے تحت ہر لٹھ کمپنی کو اپنے فزیکل حصص کو بک انٹری کی شکل میں تبدیل کرنا ضروری ہے جس کا طریقہ کار اور وضاحت SEC P نے اپنے نوٹیفیکیشن میں کی ہے۔ حصص یافتگان جو کہ فزیکل حصص رکھتے ہیں ان کے لئے ضروری ہے کہ CDC سروسز کے سر مایہ کار کا کاؤنٹ یا کسی بروکر کے ساتھ ذیلی اکاؤنٹ کھولیں اور اپنے فزیکل حصص کو بک انٹری کی شکل میں تبدیل کر والیں۔ اس سے حصص یافتہ کو کوئی انداز سے سہولت ملے گی بشمول شیئر محفوظ تویل میں رہیں گے اور شیئر زکوٰۃ کی بھی وقت فروخت کیا جاسکتا ہے کیونکہ پاکستان اسٹاک ایکسچینج کے موجودہ ریگولیشنز کے تحت فزیکل حصص کی خرید و فروخت کی اجازت نہیں ہے۔

11- حصص یافتگان کو یاد دہانی کرائی جاتی ہے کہ کمپنیز ایکٹ 2017 کی دفعہ 242 کے تحت لٹھ کمپنی کی صورت میں کوئی بھی نقد منافع منقسمہ جس کو ادا کرنے کا اعلان کمپنی نے کیا ہو، اسے لازمی طور پر براہ راست برقی طریقے سے حصص یافتگان کے بینک اکاؤنٹس میں منتقل کیا جائے گا، لہذا جن حصص یافتگان کے پاس فزیکل حصص ہیں ان سے درخواست ہے کہ اپنا ای ڈیوڈنڈ مینڈیٹ فارم جو کہ کمپنی کی ویب سائٹ [www.gfg.com.pk](http://www.gfg.com.pk) پر دستیاب ہے، اسے پھریں اور اس پر دستخط کر کے اپنی CNIC کی نقل کے ساتھ کمپنی کے رجسٹرار CDC شیئر رجسٹرار سروسز لمیٹڈ کو بھیج دیں۔ IBAN فراہم نہ کرنے کی صورت میں کمپنیز (ڈسٹری بیوشن آف ڈیوڈنڈز) ریگولیشنز 2017 کے تحت کمپنی منافع منقسمہ کی ادائیگی روک دے گی۔ مزید برآں منافع منقسمہ کی خام رقم، ٹیکس/زکوٰۃ کٹوتی اور منافع منقسمہ کی خالص رقم سے متعلق معلومات سینٹرلائزڈ کیش ڈیوڈنڈ رجسٹرار (CCDR) کے ذریعہ فراہم کی جائیں گی، لہذا حصص یافتگان کو چاہئے کہ اپنے آپ کو CDC کے پورٹل <https://eservices.cdcaccess.com.pk> پر رجسٹر کروالیں۔



بنیاد  
Huma

حنا میر  
کمپنی سیکریٹری

حکام بورڈ آف ڈائریکٹرز

کراچی: 05 ستمبر 2023

نوٹس:

1- کمپنی کے ممبران کا رجسٹر بدھ 18 اکتوبر 2023 تا بدھ 25 اکتوبر 2023 (بشمول دونوں دن) بند رہے گا اور اس دوران کوئی منتقلی نہیں ہوگی۔ کمپنی کے شیئر رجسٹرار میسرز CDC شیئر رجسٹرار سرورسز لمیٹڈ (CDCSRSL)، ہاؤس B-99، بلاک 'B'، ایس ایم سی ایچ ایس، مین شاہراہ فیصل کراچی۔ 74400 کو منگل 17 اکتوبر 2023 تک دفتری اوقات ختم ہونے سے پہلے موصول ہونے والے حصص کو مندرجہ بالا استحقاق کے لئے بروقت تصور کیا جائے گا۔

2- کمپنی کا ایک ممبر جو سالانہ اجلاس عام میں حاضر ہونے، بولنے اور ووٹ دینے کا اہل ہو وہ اپنی طرف سے کسی دیگر ممبر کو بطور رپرسی مقرر کر سکتا ہے جسے اس کی جانب سے حاضر ہونے، بولنے اور ووٹ دینے کے حق حاصل ہو سکتے۔ رپرسی کی تقرری لازمی طور پر تحریری ہونی چاہئے اور لازمی طور پر اجلاس سے کم از کم 48 گھنٹے قبل موصول ہونی چاہئے۔

3- AGM کی کارروائی بذریعہ ZOOM اپیلی کیشن (وڈیو کانفرنس کرنے کی ایک سہولت) کے ذریعے انجام دی جائے گی۔ جو حصص یافتگان اجلاس میں شرکت کرنے کے خواہشمند ہوں ان سے درخواست ہے کہ وہ ”چیراٹ سینٹ کمپنی لمیٹڈ AGM کے لئے رجسٹریشن“ کے عنوان کے تحت درکار معلومات جمع درست کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) کی دونوں طرف کی نقل cdcslr@cdcslr.com پر ای میل کر دیں۔ حصص یافتگان کو مشورہ دیا جاتا ہے کہ وہ درج ذیل انداز میں اپنی مکمل تفصیلات فراہم کر دیں:

حصص یافتہ/رپرسی کا پورا نام	کمپنی	CNIC نمبر
	چیراٹ سینٹ کمپنی لمیٹڈ	
فونو/ CDC نمبر	ای میل آئی ڈی	موبائل فون نمبر

4- وڈیولنک کی تفصیلات اور لاگ-ان کے کوائف ممبران کو ان کے فراہم کردہ ای میل ایڈریس پر بھیج دیئے جائیں گے تاکہ وہ اجلاس میں مقررہ تاریخ اور وقت پر شرکت کر سکیں۔

5- حصص یافتگان کی شناخت اور تصدیق کے لئے درکار مضابطوں کی تکمیل کے بعد ممبران اپنے آلات کے ذریعے AGM کی کارروائی میں شرکت کر سکیں گے۔ وڈیولنک اور لاگ-ان کی تفصیلات صرف ان ممبران کو فراہم کی جائیں گی جن کے ضروری کوائف بذریعہ ای میل AGM سے کم از کم 48 گھنٹے قبل موصول ہو جائیں۔

6- ممبران جن کے حصص سینٹرل ڈپازٹری سسٹم (CDS) میں رجسٹر ہیں ان سے درخواست ہے کہ اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ بمع CDS میں اپنا اکاؤنٹ نمبر اور شرکاء ID کا نمبر برائے شناخت ساتھ لائیں۔

چیراٹ سینٹ کمپنی لمیٹڈ

اطلاع برائے سالانہ اجلاس عام

مطلع کیا جاتا ہے کہ چیراٹ سینٹ کمپنی لمیٹڈ کا سالانہ اجلاس عام بدھ 25 اکتوبر 2023 کو صبح 11:00 بجے کمپنی کے رجسٹرڈ آفس واقع احاطہ فیکٹری، وینچ لکڑائی، نوشہرہ، خیبر پختونخواہ مندرجہ ذیل امور کی انجام دہی کے لئے منعقد ہوگا۔

عمومی امور

- 1- سالانہ اجلاس عام مورخہ 12 اکتوبر 2022 کی روئیداد کی توثیق۔
- 2- کمپنی کے مالیاتی گوشوارے برائے ختمہ سال 30 جون 2023 کے ساتھ ان پر ڈائریکٹرز اور آڈیٹرز رپورٹ کی وصولی اور غور و خوض۔
- 3- حتمی نقد منافع منقسمہ بحساب 30 فیصد (3.00 روپے فی حصص) برغور اور ادائیگی کی منظوری۔ یہ عبوری نقد منافع منقسمہ 15 فیصد (1.50 روپے فی حصص) کے علاوہ ہے جو کہ بورڈ آف ڈائریکٹرز کی سفارش پر مالیاتی سال ختمہ 30 جون 2023 کے دوران ادا کیا گیا تھا۔
- 4- سال 2023/24 کے لئے آڈیٹرز کی تقرری اور ان کے معاوضہ کا تعین۔
- 5- صدر مجلس کی اجازت سے دیگر کسی امور کی انجام دہی۔

خصوصی امور

- 6- مندرجہ ذیل خصوصی قرارداد پر غور اور منظوری
  - (a) ”ختم شدہ سال 30 جون 2023 کے دوران متعلقہ فریقین اور کمپنیوں کے ساتھ لین دین عمومی طریقہ کار کے مطابق انجام پائے جنہیں مالیاتی گوشواروں کے نوٹ نمبر 28 اور 40 میں منکشف کیا گیا ہے، متفقہ طور پر ان کی توثیق اور منظوری دی جاتی ہے۔“
  - (b) ”مزید برآں کمپنی کے بورڈ آف ڈائریکٹرز کو سال 30 جون 2024 کے دوران متعلقہ فریقین اور کمپنیوں کے ساتھ عمومی طریقہ کار کے مطابق انجام پائے جانے والے تمام لین دین کی منظوری کے لئے متفقہ طور پر مجاز بنایا جاتا ہے۔“

- 7- والے کوڈ اور ویب لنک کے ذریعے آر ڈٹ شدہ مالیاتی گوشوارے تقسیم کرنے پر غور اور منظوری کے لئے درج ذیل قرارداد:
  - (a) ”سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے S.R.O.389(I)/2023 مورخہ 21 مارچ 2023 کے مطابق پمپنیز ایکٹ 2017 کے تحت

- حصص یافتگان کو سالانہ آر ڈٹ شدہ مالیاتی گوشواروں کے ساتھ منسلک رپورٹوں اور دستاویزات کی ترسیل کی متفقہ طور پر منظوری دی جاتی ہے جبکہ ٹیکنالوجی میں ترقی اور پرانی ٹیکنالوجی کے متروک ہونے سے سالانہ گوشواروں کی بذریعہ CD/DVD/USB ترسیل کو منقطع کیا جاتا ہے“
- کمپنیز ایکٹ 2017 کی دفعہ 134 کے تحت مذکورہ بالا خصوصی امور سے متعلق بیانات نوٹس کے ساتھ منسلک ہیں۔

سیمنٹ کی طلب مستقبل قریب میں دباؤ کا شکار رہے گی۔ ملک میں طویل سیاسی غیر یقینی صورتحال سے ان دشواریوں میں مزید اضافہ کر دیا ہے۔

IMF پروگرام کے احیاء سے توقع ہے کہ مالیاتی منظر نامے پر غیر یقینی صورتحال میں کمی آئے گی، کچھ استحکام آئے اور کاروباری اداروں اور سرمایہ کاروں کے لئے پیشین گوئی کی صلاحیت پیدا ہوگی۔ اس کے علاوہ دو طرفہ اور کثیر طرفہ قرض دہندگان کو آگے بڑھنے میں اعتماد فراہم گا جس سے معاشی بحالی کو سہارا ملے گا۔ تاہم پائیدار نمو کے لئے ہمیں سیاسی استحکام اور معیشت کے ڈھانچے میں اصلاحات کی ضرورت ہوگی۔

عالمی سست روی کے ساتھ ساتھ اشلئے صرف کی گرتی ہوئی قیمتوں سے پاکستان کے رواں کھاتے کے خسارے کے انتظام کی کوششوں میں مدد ملے گی۔ مالیاتی خسارے کے لئے حکومت سپرنٹنڈنٹ عائد کیا اور پہلے سے ٹیکس کے بوجھ تلے دے شعبوں پر مزید ٹیکس لگایا۔ ازسرنو غور کی تجویز جب دی جاتی ہے کہ مالیاتی خلا اجازت دے۔ اگرچہ کہ افغانستان کو برآمدات میں بحالی کی کچھ علامات نظر آتی ہیں لیکن جاری سیاسی اور معاشی صورتحال کے درمیان بڑی پیمانے پر بہتریوں کا امکان نہیں ہے۔ اس لحاظ پر کسی بھی مثبت پیش قدمی سے برآمدات میں اضافہ ہوگا اور کمپنی کو اس کی براہ راست فائدہ ہوگا۔ انتظامیہ نے شائستگی کے ساتھ ان تمام چیلنجوں کی نگرانی کرتے ہوئے وسائل کے استعمال میں بہتری اور لاگت میں چھت کے اقدامات کئے ہیں۔ پرکشش محل وقوع اور بلند پیداواری صلاحیت کی وجہ سے کمپنی اس پوزیشن میں ہے وہ پاکستان اور افغانستان دونوں جگہوں پر سیمنٹ کی طلب میں اضافہ سے فائدہ اٹھا سکتی۔

کی گئی ہے۔ سال کے دوران کمپنی نے کامیابی کے ساتھ SAP ECC 6.0 کو SAP HANA/Cloud میں اپ گریڈ کر لیا ہے اور SAP کے نفاذ کا عمل بھی جاری ہے۔ اس نظام کے تحفظ کے لئے HR کے مخصوص ماڈیول کی کامیابی کا عنصر، درست رسائی اور دیگر کنٹرولز موجود ہیں۔

بورڈ انفارمیشن کے تحفظ کے لئے ابھرتے ہوئے خطرات کے پیش نظر سائبر سیکیورٹی کی اہمیت کو تسلیم کرتا ہے جو کہ براہ راست آپ کے کاروباری آپریشنز کو متاثر کر سکتے ہوں۔ کمپنی نے ایک اندرونی IT پارٹنرمنٹ قائم کیا ہے جو کہ IT سے متعلق وسائل کو تحفظ فراہم کرتا ہے۔ گزشتہ سال کے دوران بورڈ کے مشورے پر بیرونی مشاورت کارنے سائبر سیکیورٹی کا آڈٹ انجام دیا اور ان کی سفارشات کو مناسب انداز سے نافذ کیا گیا ہے۔ سال کے دوران ان کی کوئی خلاف ورزی نہیں ہوئی۔

## ☆ قرضوں کی واپس ادائیگی

کمپنی تسلسل کے ساتھ تمام قرضہ جاتی واجبات کو بروقت ادا کرتی ہے۔ سال کے دوران کمپنی نے اصل رقم کی ادائیگیوں میں 840 ملین روپے فاضل توانائی کی بازیابی (WHR) کے قرضے بشمول قبل از وقت۔ 600/ ملین روپے کی ادائیگی کی۔ مزید برآں 2,500 ملین روپے سیمنٹ لائن III کے قرضے کی اصل قسطوں کی صورت میں ادا کئے۔ مزید برآں سال کے دوران کمپنی نے نئے قرضوں کی سرمایہ کاری اسکیم، محصور توانائی اور شمسی توانی کے قرضوں میں بالترتیب 159 ملین، 220 ملین اور 66 ملین روپے کی ادائیگیاں کیں۔

## ☆ سرمائے کی ساخت

کمپنی کی موجودہ قرضہ بمقابلہ حصص داری کی شرح فیصد تقریباً 33:67 ہے۔ کمپنی کے باقاعدگی سے منافع کمانے سے کیرنگ ریٹینو بہتر ہو رہا ہے۔

## آڈیٹرز کی تقرری

موجودہ آڈیٹرز میسرز EY فورڈر ہوڈز، چارٹرڈ اکاؤنٹنٹس سبکدوش ہو چکے ہیں اور اہلیت کے باعث انہوں نے دوبارہ تقرری کی پیشکش کی ہے۔

## بعد ازاں واقعات

مالیاتی سال کے اختتام اور اس رپورٹ کی تاریخ تک ایسی کوئی تبدیلیاں یا واقعات رونما نہیں ہوئے جن سے کمپنی کی مالیاتی پوزیشن متاثر ہوتی ہو۔

## مستقبل کے امکانات

مستقبل بلند افراط زر، گرتے ہوئے زرمبادلہ کے ذخائر، روپے کی قدر میں کمی اور بلند شرح سود کے ساتھ ترقیاتی اخراجات کا فقدان اور مجموعی طور پر معیشت میں سست روی سے توقع ہے کہ

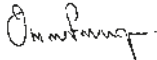
## اعتراف

ہم ان مالیاتی اداروں جس کے کے ساتھ کاروباری تعلقات ہیں، اپنے ڈیلروں اور گاہکوں کی مدد، تعاون اور اعتماد پر ان کے مشکور ہیں۔ ہم اپنے ملازمین کی انتھک محنت، کاوشوں اور وفاداری پر ان کے لئے گہری ستائش کا اظہار کرنا چاہتے ہیں۔

منجانب بورڈ آف ڈائریکٹرز



اعظم فاروق  
چیف ایگزیکٹو



عمر فاروق  
چیئر مین

کراچی: 05 ستمبر 2023



یونی انرجی ایک مشترکہ ونڈ تو انائی کا کاروباری منصوبہ ہے جس کے لئے لیٹر آف انٹ منظوری ہو گیا ہے اور باضابطہ طور پر اس کے قیام کے لئے زمین چھمپر ضلع ٹھٹھہ میں زمین الاٹ کر دی گئی ہے۔ JV کے شراکت داروں نے کمپنی میں ایک ابتدائی سرمایہ کاری کی ہے تاکہ منصوبہ کی ضروریات کو پورا کیا جاسکے۔ اس سلسلے میں چیراٹ سیمنٹ نے تخصص یافتگان کی منظوری سے 7.69 ملین روپے کی سرمایہ کاری کی ہے۔ حکومت کو ابھی منصوبہ کے لئے نرخ کی منظوری دینی ہے۔

#### مدائن ہائیڈرو پاور لمیٹڈ

مدائن ہائیڈرو پاور لمیٹڈ (MHPL) کا مقصد دریائے سوات پر مدائن میں ہائیڈرو پاور کی پیداوار کا پلانٹ تعمیر کرنا، چلانا اور برقرار رکھنا ہے۔ تاہم سوات اور ماحقہ علاقوں میں امن وامان کی خراب صورتحال کی وجہ سے منصوبہ کی تکمیل نہیں ہوئی۔ گزشتہ مالیاتی سال کے دوران کمپنی نے ایک معاہدہ پختون خواہ انرجی ڈولپمنٹ آرگنائزیشن (PEDO) کے ساتھ کل قیمت فروخت 160 ملین روپے کے عوض فروخت کرنے کی قابل عمل تحقیق کی گئی جس کو دونوں حصص یافتگان کو برابر برابر تقسیم کر دی گئی۔ بعد ازاں MHPL کے ممبران نے رضا کارانہ طور پر 31 مارچ 2023 کو بند کرنے کا فیصلہ کیا۔ تمام قانونی ضروریات مکمل ہو گئی ہیں اور کمپنی کو تحلیل تصور کیا جائے گا۔

#### خطرات اور مواقع

##### ☆ خطرات کا انتظام

بورڈ آف ڈائریکٹرز نے سماجی معاشی ماحول اور ضمنی اندرونی اور بیرونی خطرات پر باریک بینی سے نظر رکھی ہوئی ہے جو کہ کمپنی کے محفوظ اور ہموار انداز میں کاموں پر اثرات ڈال سکتے ہوں۔ تمام متعلقین کے مفادات کے نگہبان کی حیثیت سے ڈائریکٹران سال بھر خطرات سے باخبر رہنے اور ان کو کم کرنے کی کوشش کرتے رہے۔ بورڈ آف ڈائریکٹرز نے امکانی خطرات اور ان کے کمپنی پر اثرات کی تشخیص کی ہے اور کاروبار کے لئے قابل پیشینگی خطرات کو کم کرنے کے لئے حکمت عملیاں مرتب کی ہیں۔ ان حکمت عملیوں کو آڈٹ کمیٹی نے اوپر سے نیچے تک کمپنی میں نافذ کرنے کے لئے تمام ممکنہ اقدامات کئے ہیں تاکہ خطرات کو کم کیا جاسکے۔ بورڈ نے کاروبار تسلسل کے منصوبے بشمول آفات سے بحالی کا منصوبہ منظور کیا ہے جو کہ درست انداز میں موجود ہے۔

##### ☆ خطرات کی تشخیص

بورڈ آف ڈائریکٹرز نے کمپنی کو لاحق ممکنہ اندرونی اور بیرونی خطرات کی مکمل تشخیص کی ہے۔ کاروبار وی اداروں کو لاحق غیر یقینی صورتحال کا سامنا رہتا ہے، اگر ان مسائل کو بروقت حل نہ کیا جائے تو وہ مقاصد کے لئے خطرہ بن سکتے ہیں۔ توانائی کی لاگت مجموعی پیداواری لاگت کا ایک بڑا حصہ ہوتی ہے۔ کونسلے اور/یا بجلی کے نرخوں میں کسی بھی قسم کی تبدیلی کمپنی کے لئے مسلسل خطرہ ہے۔ کمپنی نے فاضل توانائی کی بازیابی کا پلانٹ نصب کیا ہے تاکہ توانائی کی لاگت میں کمی آئے اور پلانٹ کے لئے گیس کا کنکشن بھی لیا ہے۔ مزید برآں سولر پنلے کی تنصیب بھی کی مکمل ہو گئی ہے۔ نوشہرہ میں ہماری کلیدی جگہ پر واقع فیکٹری افغان سرحد سے قریب ہے اور افغانستان کے اندر چیراٹ کے برانڈ ویلیو کی پذیرائی کی وجہ سے ہم افغانستان کو برآمدات میں صف اول کے برآمد کنندہ ہیں۔

سیمنٹ کے شعبے میں چیراٹ سیمنٹ پہلی کمپنی ہے جس نے 2009 میں SAP سولیشن مکمل طور پر نافذ کیا۔ اس کے ذریعے تمام کاروباری سرگرمیوں بشمول مالیات، رسید کی زنجیر اور ذخیرہ کے انتظام کو درست انداز میں مربوط کیا گیا ہے۔ استعمال کنندگان کو اس سسٹم کی مکمل تربیت فراہم

#### حاضر اجلاس کی تعداد

4  
4  
4

ڈائریکٹر کا نام  
\* مسٹر آصف قادر  
\* مسٹر اکبر علی پستانا  
\* مسٹر عارف فاروق

سال کے دوران انسانی وسائل و معاوضہ کمیٹی کے دو اجلاس ہوئے۔ ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے:

#### حاضر اجلاس کی تعداد

2  
2  
2

ڈائریکٹر کا نام  
\* مسٹر ابرار حسن  
\* مسٹر اعظم فاروق  
\* مسٹر عمر فاروق

☆ حصص داری کی ساخت اس رپورٹ کے ساتھ منسلک کی گئی ہے۔  
☆ سال کے دوران فی حصص آمدنی 22.67 روپے رہی جبکہ گزشتہ سال فی حصص آمدنی 22.93 روپے تھی۔

#### ڈائریکٹران کا معاوضہ

کمپنی کے آرٹیکلز کے تحت بورڈ آف ڈائریکٹرز نان ایگزیکٹو اور آزاد ڈائریکٹران کے معاوضہ کو وقتاً فوقتاً طے کرنے کا مجاز ہے۔ اس سلسلے میں کمپنی کے بورڈ آف ڈائریکٹرز نے معاوضہ کی ایک پالیسی کمپنی کے نان ایگزیکٹو ڈائریکٹران اور آزاد ڈائریکٹران کے لئے ترویج کی ہے۔ ڈائریکٹران کے معاوضہ کی تفصیل مختتمہ سال 30 جون 2023 کے مالیاتی گوشواروں کے نوٹ 39 میں منکشف کی گئی ہے۔

#### بورڈ آف ڈائریکٹرز اور بورڈ کی کمیٹیوں کی کارکردگی کی تشخیص

ادارتی نظم و نسق کے ضابطے کے تحت کمپنی بورڈ آف ڈائریکٹرز، اس کی کمیٹیوں اور انفرادی ڈائریکٹران کی کارکردگی کی سالانہ تشخیص کرتی ہے۔ پرشدہ سوالناموں کی کمپنی سیکریٹری کی وصولی پر انتہائی درجہ کی رازداری برقرار رکھی جاتی ہے۔ اس عمل میں شفافیت کو یقینی بنانے کے لئے کمپنی نے میسرز گرانٹ تھورنٹن انجمن رجمن، چارٹرڈ اکاؤنٹنٹس کونٹریکٹ کو مرتب کرنے اور بورڈ آف ڈائریکٹرز کے لئے رپورٹ کو تیار کرنے کے لئے ان کی خدمات حاصل کی ہیں۔ اس رپورٹ کے مندرجات کا تجزیہ کیا گیا ہے اور جن شعبوں میں بہتری کی ضرورت ہے انہیں شناخت کیا گیا ہے۔

#### متعلقہ فریقین کے ساتھ لین دین

متعلقہ فریقین کے ساتھ لین دین عمومی طریقہ کار کے مطابق انجام پائے اور انہیں مالیاتی گوشواروں میں درست انداز میں منکشف کیا گیا ہے۔

#### ادارتی نظم و نسق کے ضابطے کی پاسداری

کمپنی مکمل طور پر سٹاک ایکسچینج (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کی پاسداری کرتی ہے۔ پاسداری کا بیان رپورٹ کے متعلقہ حصہ میں بیان کیا گیا ہے۔

#### یونی انرجی لمیٹڈ

☆ ٹیکسوں، ڈیوٹیوں، لگان اور چارجز کی مدد کو رقم واجب الادا نہیں ہے سوائے ان کے جو کہ عمومی کاروباری عمل کے دوران رونما ہوں۔

☆ کمپنی نے پروڈیٹ اور گریجویٹ فنڈ اکاؤنٹس کو اپنے ملازمین کے لئے برقرار رکھا ہے۔ تخمینہ سال 30 جون 2023 میں فنڈ سے کی گئی سرمایہ کاری کی مالیت بیان درج ذیل میں بیان کی گئی ہے:

1,543 ملین	پروڈیٹ فنڈ
866 ملین	گریجویٹ فنڈ
	بورڈ آف ڈائریکٹرز
	ڈائریکٹران کی کل تعداد 8 ہے اور اس کی تشکیل بندی درج ذیل ہے:

7	مرد ڈائریکٹران
1	خاتون ڈائریکٹر
3	a- آزاد ڈائریکٹران
	i مشر آصف قادر
	ii مشر ابرار حسن
	iii مسز بیبا انصار
3	b- نان ایگزیکٹو ڈائریکٹران
	i مشر عمر فاروق
	ii مشر اکبر علی پستانا
	iii مشر عارف فاروق
2	c- ایگزیکٹو ڈائریکٹران
	i مشر اعظم فاروق
	ii مشر یاسر مسعود

1	d- خاتون ڈائریکٹر
	i مسز بیبا انصار

☆ سال کے دوران بورڈ آف ڈائریکٹرز کے چھ اجلاس ہوئے۔ ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے:

ڈائریکٹر کا نام حاضر اجلاس کی تعداد	
* مشر عمر فاروق	6
* مشر اعظم فاروق	6
* مشر اکبر علی پستانا	6
* مشر عارف فاروق	4
* مشر آصف قادر	5
* مشر ابرار حسن	6
* مسز بیبا انصار	6
* مشر یاسر مسعود	6

☆ سال کے دوران آڈٹ کمیٹی کے چار اجلاس ہوئے۔ ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے:

ESG کے کلیدی مقاصد  
بورڈ ایک پائیدار اور اخلاقی بنیاد پر کاروبار کو پروان چڑھانے کے لئے کوشاں ہے۔ ہمارے کلیدی مقاصد میں ماحولیاتی آگاہی، سماجی ذمہ داری اور موثر نظم

ونسق شامل ہیں۔ ہم کاربن کے اثرات کو کم کرنا، وسائل کی بچت اور حیوانی نباتی ماحول محفوظ رکھنے کے لئے کوشاں ہیں۔ ہم تنوع، ملازم کی بہبود اور معاشرے کی فلاح و بہبود کو ترجیح دیتے ہیں۔ اخلاقی طرز عمل، شفافیت اور خطرات کا محتاط انتظام ہماری فیصلہ سازی میں رہنمائی کرتے ہیں۔ CSR میں ہماری کلیدی توجہ تعلیم، صحت، پینے کے پانی اور خواتین کے اختیارات پر مرکوز ہے۔ ہمارا بورڈ ان مقاصد کے پیچھے کھڑا ہے، جس سے ہمارے تمام متعلقین کے لئے قدر پیدا کرنے کی کوشش کے مطابق ہے۔

## صحت، تحفظ اور ماحولیات

کمپنی اپنے عمل کے لئے صحت اور تحفظ کے اعلیٰ معیارات قائم رکھنے پر کامل یقین رکھتی ہے، اس سلسلے میں اس نے چند اقدامات کئے ہیں۔ ان میں بدلتے ہوئے کاروباری ضروریات کے تحت صحت اور ملازمین کے تحفظ کے ضابطوں پر عمل درآمد شامل ہے۔ کمپنی اپنی پیداواری ماحولیات میں ملک میں نافذ العمل ماحولیات اور تحفظ کے لاگو معیارات کی مکمل طور پر پاسداری کرتی ہے۔ کمپنی نے ایک HSE ڈپارٹمنٹ قائم کیا ہے جو کہ HSE مقاصد کی نگرانی کرتا ہے۔ ڈپارٹمنٹ نہ صرف بہترین HSE طور طریقوں کی پاسداری کو یقینی بناتا ہے بلکہ عمل کو باقاعدگی کے ساتھ آگ اور تحفظ کی تربیت فراہم کرتا ہے۔ کمپنی نے اپنی جگہ پر شجر کاری میں اضافہ کیا ہے۔ کمپنی نے WHR اور سولر پلانٹ وغیرہ کے ذریعے قابل تجدید بجلی کی پیداوار کے حصے میں اضافہ کیا ہے۔

## قومی خزانے میں معاونت

کمپنی نے رائٹس، ڈیوٹیوں اور ٹیکسوں کی مدد میں سال کے دوران 15 ملین روپے سے زیادہ کی سرکاری خزانے میں معاونت کی ہے۔

## ادارتی اور مالیاتی رپورٹنگ کے نظام پر بیان

☆ کمپنی کی انتظامیہ کے تیار کردہ مالیاتی گوشوارے کمپنی کے معاملات، اس کے کاروباری نتائج، نقدی کے بہاؤ اور ایکویٹی میں تبدیلیوں کو شفافیت کے ساتھ پیش کرتے ہیں۔

☆ کمپنی میں حسابات کی کتابیں مناسب انداز میں مرتب کی گئی ہیں۔

☆ درست حساباتی پالیسیوں کو تسلسل کے ساتھ مالیاتی گوشواروں کی تیاری کے دوران ملحوظ خاطر رکھا گیا ہے اور کسی بھی انحراف کو مناسب انداز میں منکشف اور وضاحت کی گئی ہے۔

☆ مالیاتی گوشواروں کی تیاری میں پاکستان میں لاگو ہونے والے بین الاقوامی مالیاتی رپورٹنگ کے معیار پر عمل کیا گیا ہے اور اس سے کسی بھی قسم کے انحراف کی موضوع نشاندہی اور وضاحت کر دی گئی ہے۔

☆ اندرونی گرفت کے نظام کی شکل مضبوط ہے اور موثر انداز میں نافذ العمل ہے اور اس کی نگرانی کی جاتی ہے۔

☆ کمپنی کی جلتے ہوئے ادارے کی صلاحیت میں کوئی قابل ذکر شک و شبہ نہیں ہے۔

☆ سسٹمک ریکولیشنز میں دیئے گئے ادارتی نظم و ضبط کے بہترین طور طریقوں سے کوئی انحراف نہیں کیا گیا ہے۔

☆ گزشتہ 6 سالوں کے کاروباری اور مالیاتی اعداد و شمار رپورٹ کے ساتھ منسلک ہیں۔



مالیاتی لاگت میں 41 فیصد اضافہ ہوا جس کی بنیادی وجہ رعایتی نرخ میں قابل ذکر اضافہ تھا۔ موجودہ اور آئندہ سالوں میں 4% سے 10% سپرنکس لگانے سے ہمارے ٹیکس کے اختیصاص میں بھی قابل ذکر اضافہ ہوا۔ جس کے نتیجے میں ختم شدہ سال 30 جون 2023 میں کمپنی کا بعد از ٹیکس منافع 4,404 ملین روپے رہا۔

گزشتہ سال کے مقابلے میں کمپنی کی مختصر کارکردگی درج ذیل ہے:

2022	2023	
(روپے ملین میں)	(روپے ملین میں)	
32,085.36	37,386.19	خالص فروخت
23,134.58	27,249.38	لاگت فروخت
8,950.78	10,136.81	خام منافع
4,494.81	5,732.88	اخراجات اور ٹیکس
4,455.97	4,403.93	خالص منافع

منافع منقسمہ کی ادائیگی:

کمپنی تسلسل کے ساتھ ہمیشہ منافع جات کی تقسیم کے لئے کوشاں ہے۔ منافع منقسمہ کی ادائیگی کا فیصلہ مختلف پہلوؤں جیسے کمپنی کی مالیاتی کارکردگی، اس کی کاروباری ضروریات، نمو کے امکانات اور توسیعی منصوبوں کو مد نظر رکھتے ہوئے کیا جاتا ہے۔ زیر جائزہ سال کے لئے بورڈ آف ڈائریکٹرز نے بخوشی حتمی نقد منافع منقسمہ 3 روپے فی حصص یعنی 30 فیصد کی سفارش کی ہے۔ یہ عبوری نقد منافع منقسمہ کے علاوہ ہے جو کہ 1.5 روپے فی حصص یعنی 15 فیصد کے حساب سے ختم شدہ سال 30 جون 2023 کے دوران ادا کیا گیا۔

جاری پروجیکٹس

سینٹ لائن I اپ گریڈ پروجیکٹ کامیابی سے مکمل ہو گیا ہے۔ سال کے دوران ٹرانزیشن تنصیب کے بعد WARSILAWHR ڈبل فیول انجنوں کی تنصیب بھی مکمل ہو گئی ہے۔ ان پروجیکٹس نے کمپنی کے طویل مدتی نصب العین کے حصول میں مثبت معاونت کی ہے۔ لائن IV چار دیواری کا کام تکمیل کے مراحل میں ہے۔ زمین، کان کنی کی لیزیں اور دیگر اثاثے پہلے ہی ہمارے نام پر منتقل ہو گئے ہیں۔ ہم اس پروجیکٹ کو ملک کے معاشی حالات میں بہتری کو مد نظر رکھتے ہوئے آگے بڑھائیں گے۔

ادارتی سماجی ذمہ داری

کمپنی معاشرے میں اپنا کردار ادا کرنے کے کوشاں ہیں جو کہ تمام متعلقین خاص طور پر اپنے لوگوں اور ماحولیات کے مفاد میں ہے۔ ادارتی سماجی ذمہ داری کی پالیسیوں اور طور طریقوں کے مطابق کمپنی نے ہمیشہ پیداواری پلاٹ اور قرب وجوار کے علاقوں میں بسنے والے لوگوں کی مجموعی حالت میں بہتری کے لئے کوششیں کی ہیں۔ کمپنی تعلیم، صحت، پانی اور خواتین کو بااختیار بنانے میں معاونت کر رہی ہے۔ کمپنی نے قدرتی آفات جیسے سیلاب میں ہمیشہ لوگوں کی مدد کرنے کی کوشش کی ہے۔ جاری سرگرمیوں کے علاوہ کمپنی نے تعلیم کو پروان چڑھانے کے لئے قریبی گاؤں کے طلباء کے لئے مفت ٹرانسپورٹ فراہم کرنے کا آغاز کیا ہے۔ ہم نے قریبی گاؤں میں پینے کا پانی فراہم کرنے کے لئے ٹیوب ویل نصب کئے ہیں۔ ہم نے قرب وجوار کے گاؤں میں ایک گائنا لوجی سہولت قائم کی ہے اور خواتین کو بااختیار بنانے کے سینٹر قائم کیا ہے۔ ہمیں یقین ہے کہ مصروف عمل ان تمام اقدامات سے علاقے میں طویل مدتی معاشی اور سماجی ترقی ہوگی۔

## چراٹ سیمنٹ کمپنی لمیٹڈ ڈائریکٹرز رپورٹ برائے ممبران سال ختمہ 30 جون 2023

کمپنی کا بورڈ آف ڈائریکٹرز سالانہ رپورٹ کے ساتھ ختمہ سال 30 جون 2023 کے آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے اظہار مسرت کرتا ہے۔

جائزہ

سال کے دوران ایشیائے صرف جیسے توانائی، زرعی مصنوعات اور دھاتوں کی عالمی قیمتوں میں قابل ذکر اتار چڑھاؤ رہا۔ جس سے مختلف صنعتوں پر وسیع پیمانے پر اثرات مرتب ہوئے جس کے نتیجے میں افراط زر پر دباؤ بڑھا اور عالمی معاشی نمو میں سست روی آئی۔ ہمارا ملک بھی ان غیر معمولی عالمی معاشی دشواریوں کی وجہ سے متاثر ہوا۔ پاکستان میں سیاسی عدم استحکام، گرتے ہوئے زرمبادلہ کے ذخائر، ہمیشہ سے بلند بڑھتی ہوئی شرح سود اور بڑھتے ہوئے افراط زر نے پہلے سے خراب صورتحال کو مزید بدتر کر دیا۔ IMF کے پروگرام کو بحال کرنے کی کوشش میں حکومت نے معاہدہ جاتی مالی اور زرعی اقدامات کئے۔ PSDP میں کٹوتی، درآمدات پر پابندیوں، قرضہ جاتی لاگتوں میں اضافے اور سینٹ پر سیلز ٹیکس اور FED میں اضافہ نے سینٹ کی طلب پر ناموافق اثرات مرتب کئے۔ اگرچہ کہ حکومت IMF کے ساتھ 9 ماہی اسٹاف لیول معاہدہ کرنے میں کامیاب رہی، لیکن معیشت کو مستحکم کرنے اور معاشی بحران سے نکلنے کے لئے اسے ڈھانچہ میں اصلاحات کرنی چاہئیں۔

زیر جائزہ سال کے دوران مقدراری لحاظ سے سینٹ کی طلب میں 16 فیصد کمی ہوئی۔ مقامی اور برآمدی فروخت میں بالترتیب 16 فیصد اور 13 فیصد کمی ہوئی۔ تاہم افغانستان کو برآمدات میں بہتری ہوئی جس میں سال کے دوران 17 فیصد اضافہ ہوا۔

پیداوار اور فروخت کا جائزہ

پیداوار اور فروخت کے تناسب اعداد درج ذیل ہیں:

	2022 (ٹن میں)	2023 (ٹن میں)
کلنکر کی پیداوار	3,109,280	2,643,785
سینٹ کی پیداوار	3,525,199	2,882,790
مقامی فروخت	3,259,763	2,539,391
برآمدی فروخت	292,710	331,347
کل فروخت	3,552,473	2,870,738

فروخت کی مجموعی مقدار میں 19 فیصد اضافہ ہوا جس میں گزشتہ سال کے مقابلے میں مقامی فروخت میں 22 فیصد کمی ہوئی جبکہ برآمدات میں 13 فیصد اضافہ ہوا۔

مالیاتی کارکردگی:

فروخت کے حجم میں گزشتہ سال کی نسبت 17 فیصد اضافہ ہوا۔ اضافہ کی بنیادی وجہ خام مال کی بلند لاگتوں میں اضافہ کی وجہ سے سینٹ کی قیمتوں میں ایڈجسٹمنٹ تھی۔ سال کے دوران کوئلہ، بجلی اور درآمدی ایشیائے صرف میں 18 فیصد اضافہ کے ساتھ ساتھ عالمی ایشیائے صرف کی قیمتوں میں اضافہ اور پاکستان روپے کی قدر میں کمی سے فروخت کی لاگت میں اضافہ ہوا۔ ان تمام دشواریوں کے باوجود کمپنی نے کاروباری استعداد کے ذریعے اس صورتحال کا مقابلہ کیا۔











**GHULAM FARUQUE  
GROUP**

**Cherat Cement  
Company Limited**

**Head Office:**

Modern Motors House, Beaumont Road,  
Karachi 75530, Pakistan.

UAN: (9221) 111-000-009 Fax: (9221) 35683425

Email: [info@gfg.com.pk](mailto:info@gfg.com.pk) Web: [www.gfg.com.pk](http://www.gfg.com.pk)



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