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company information

Board of Directors

Mr. Omar Faruque	Chairman
Mr. Azam Faruque	Chief Executive
Mr. Akbarali Pesnani	Director
Mr. Shehryar Faruque	Director
Mr. Arif Faruque	Director
Mr. Saquib H. Shirazi	Director
Mr. Shamshad Nabi (NIT)	Director
Mr. Asif Qadir	Director

Executive Director & Chief Financial Officer

Mr. Yasir Masood

Executive Director & Company Secretary

Mr. Abid Vazir

Audit Committee

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

Human Resource & Remuneration Committee

Mr. Saquib H. Shirazi	Chairman
Mr. Azam Faruque	Member
Mr. Shehryar Faruque	Member

Auditors

EY Ford Rhodes,
Chartered Accountants

Legal Advisor

K.M.S. Law Associates

Bankers

Allied Bank Ltd
Bank Al Habib Ltd
Faysal Bank Ltd
Habib Bank Ltd
MCB Bank Ltd
National Bank of Pakistan
NIB Bank Ltd
Samba Bank Ltd
Soneri Bank Ltd
Standard Chartered Bank (Pakistan) Ltd
The Bank of Punjab
United Bank Ltd

Islamic Bankers

Bank Alfalah Ltd
Dubai Islamic Bank Pakistan Ltd
Meezan Bank Ltd

Registered Office / Factory

Village Lakrai, P.O. Box 28, Nowshera

Head Office

Modern Motors House, Beaumont Road
Karachi-75530

Sales Offices

Peshawar: 1st Floor, Betani Arcade, University Road

Lahore: 3, Sunder Das Road

Islamabad: 1st Floor, Razia Sharif Plaza
Jinnah Avenue, 91 Blue Area

Share Registrar

Central Depository Company
of Pakistan Limited (CDC)
CDC House, 99-B, Block 'B'
S.M.C.H.S., Main Shahrah-e-Faisal
Karachi-74400
Tel: 0800-23275

directors' review

The Board of Directors is pleased to present the un-audited financial results of the Company for the first quarter ended September 30, 2016.

Overview

There has been an impressive growth in the demand for cement following an increase in the construction activities in the country. Rise in construction activities particularly by the private sector has contributed to the increase in domestic consumption of cement. On comparison with the corresponding quarter last year, domestic cement consumption of the industry has risen by 9.5% while export sales grew by 3%. On an aggregate basis, the industry sales have increased by 8.3% from the corresponding period last year.

Dispatches

Comparative dispatch figures for the current period and that of the corresponding period last year are as follow:

	September 2016 (in tons)	September 2015 (in tons)
● Domestic dispatches	210,688	167,960
● Export dispatches	55,456	57,178
	266,144	225,138

After a slow start to the quarter due to monsoon rains and the holy month of Ramadan, cement sales picked up due to rise in construction activities in the country. There was 25% rise in the local cement sales of the Company during the quarter under review from the same period last year. However, there was 3% decline in export of cement to Afghanistan. During the quarter under review, the aggregate dispatches of the Company increased by an impressive 18% from the corresponding period last year.

Operating Performance

During the quarter under review, sales turnover of the Company increased by Rs. 211 million from the corresponding period last year. The increase in turnover was attributable to rise in the dispatches of the Company. The financial results of the Company also improved due to cost efficiency measures taken by the management. During the period under review, there was an increase in other expenses of the Company from the corresponding period last year due to higher Workers' Welfare Fund and Workers' Profit Participation Fund owing to increase in profitability. For the three months period ended September 30, 2016 the Company posted an after tax profit of Rs. 404 million.

Expansion of Cement Plant

Work on the expansion of the production capacity of the cement plant is progressing on full swing. At present, civil work has been completed and mechanical and electrical works are towards finalization including the WHR plant for the second line. The project has greatly benefitted from decline in discount rate and stable foreign currency exchange rates during the period of expansion. The management is confident of commissioning the new plant by 2nd quarter of the year 2016/17.

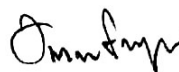
Future Outlook

Visible improvement in the business climate in the country including better law and order situation, stable economic outlook, and low interest rates is benefitting the entire business industry including the cement sector. Investment activities have gathered momentum in the country especially in the construction sector. Several infrastructural projects have been initiated by the government, which is increasing the local demand for cement. Demand for cement is also expected to get a boost from the initiation of the projects under China Pakistan Economic Corridor. In such a scenario, the addition of new cement line at existing location by the Company will not only enhance its domestic market share but will also allow it to achieve greater efficiencies and better allocation of fixed costs. However, there has been a rise in oil price and a significant increase in coal price, which is an area of concern for the Company.

Acknowledgment

The management would like to thank all the financial institutions, customers, individuals and staff members who have been associated with the Company for their support and cooperation.

On behalf of the Board of Directors



Omar Faruque
Chairman

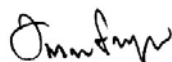
Karachi: October 28, 2016

September 30, 2016 | 03

**condensed interim balance sheet
as at September 30, 2016**

	Note	September 30, 2016 (Unaudited)	June 30, 2016 (Audited)
----- (Rupees `000) -----			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	13,081,429	12,716,955
Intangible assets		10,611	11,287
		13,092,040	12,728,242
Long-term investments	6	844,991	710,133
Long-term loans and advances		620	646
Long-term security deposits		18,329	18,129
		13,955,980	13,457,150
CURRENT ASSETS			
Stores, spare parts and loose tools		932,317	993,623
Stock-in-trade		356,434	304,530
Loans and advances		45,491	13,586
Trade deposits and short-term prepayments		17,949	7,704
Other receivables	7	481,498	662,377
Cash and bank balances		45,583	23,002
		1,879,272	2,004,822
TOTAL ASSETS		15,835,252	15,461,972
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised Capital			
225,000,000 (June 2016: 225,000,000)			
Ordinary shares of Rs.10/- each		2,250,000	2,250,000
Issued, subscribed and paid-up capital		1,766,318	1,766,318
Reserves		7,870,106	7,373,870
		9,636,424	9,140,188
NON-CURRENT LIABILITIES			
Long-term financings		3,982,107	3,982,107
Long-term security deposits		13,996	14,121
Deferred taxation		512,078	514,795
		4,508,181	4,511,023
CURRENT LIABILITIES			
Trade and other payables		1,476,945	1,444,716
Accrued mark-up		42,348	73,170
Short-term borrowings		57,406	207,876
Current maturity of long-term financing		40,770	40,770
Taxation - net		30,620	1,257
Unclaimed dividend		42,558	42,972
		1,690,647	1,810,761
CONTINGENCIES AND COMMITMENTS	8		
TOTAL EQUITY AND LIABILITIES		15,835,252	15,461,972

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

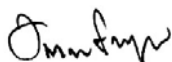

Omar Faruque
Chairman


Azam Faruque
Chief Executive

**condensed interim profit and loss account (unaudited)
for the period ended September 30, 2016**

	Note	September 30, 2016	September 30, 2015
		----- (Rupees `000) -----	
Turnover - net		1,771,482	1,559,863
Cost of sales		(1,074,529)	(1,095,739)
Gross profit		696,953	464,124
Distribution costs		(63,130)	(52,789)
Administrative expenses		(49,994)	(44,877)
Other expenses		(42,752)	(25,816)
		(155,876)	(123,482)
Other income	9	18,554	11,250
Operating profit		559,631	351,892
Finance costs		(6,502)	(7,718)
Profit before taxation		553,129	344,174
Taxation			
Current		(151,518)	(89,332)
Deferred		2,717	13,623
		(148,801)	(75,709)
Profit after taxation		404,328	268,465
Earnings per share - basic		Rs. 2.29	Rs. 1.52

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


Omar Faruque
Chairman


Azam Faruque
Chief Executive

September 30, 2016 | 05

**condensed interim statement of comprehensive income (unaudited)
for the period ended September 30, 2016**

	September 30, 2016	September 30, 2015
	----- (Rupees `000) -----	
Net profit for the period	404,328	268,465
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss account		
Unrealized gain on available-for-sale securities	91,908	46,685
Total comprehensive income for the period	<u>496,236</u>	<u>315,150</u>

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

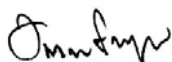

Omar Faruque
Chairman


Azam Faruque
Chief Executive

condensed interim cash flow statement (unaudited)
for the period ended September 30, 2016

	Note	September 30, 2016	September 30, 2015
----- (Rupees `000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		553,129	344,174
Adjustments for:			
Depreciation	5	67,258	64,660
Amortisation		676	676
Gain on short-term investments		(447)	(193)
Gain on disposal of operating property, plant and equipment		(774)	-
Finance costs		6,502	7,718
Exchange loss		358	-
		73,573	72,861
		626,702	417,035
Decrease / (Increase) in current assets			
Stores, spare parts and loose tools		61,306	(162,132)
Stock-in-trade		(51,904)	207,740
Loans and advances		(31,905)	(17,931)
Trade deposits and short-term prepayments		(10,245)	2,355
Other receivables		180,879	(95,865)
		148,131	(65,833)
		774,833	351,202
Increase in current liabilities			
Trade and other payables		31,871	310,238
Cash generated from operations		806,704	661,440
Income tax paid		(122,155)	(78,542)
Long-term loans, advances and deposits - net		(299)	72
Net cash generated from operating activities		684,250	582,970
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to operating property, plant and equipment	5.1	(18,395)	(39,761)
Capital work-in-progress		(313,631)	(2,093,142)
Proceeds from disposal of property, plant and equipment		1,623	-
Long-term investments made during the period		(42,950)	-
Short-term investments redeemed during the period - net		447	500,118
Net cash used in investing activities		(372,906)	(1,632,785)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financing		-	1,100,000
Short-term borrowings		(150,470)	(42,571)
Dividend paid		(414)	(694)
Finance costs paid		(137,879)	(566)
Net cash (used in) / generated from financing activities		(288,763)	1,056,169
Net increase in cash and cash equivalents		22,581	6,354
Cash and cash equivalents as at the beginning of the period		23,002	18,354
Cash and cash equivalents as at the end of the period		45,583	24,708

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


Omar Faruque
Chairman


Azam Faruque
Chief Executive

September 30, 2016 | 07

**condensed interim statement of changes in equity (unaudited)
for the period ended September 30, 2016**

Issued, subscribed and paid-up capital	Reserves						Sub-total	Total	
	Capital Reserves		Revenue Reserves						
	Share premium	Others	General reserve	Unappro- priated profit	Actuarial gain on gratuity fund	Unrealised gain on available for-sale securities			
(Rupees ` 000)									
Balance as at July 01, 2015	1,766,318	1,047,658	50,900	420,000	4,310,825	130,230	300,110	6,259,723	8,026,041
Net profit for the period	-	-	-	-	268,465	-	-	268,465	268,465
Other comprehensive income	-	-	-	-	-	-	46,685	46,685	46,685
Total comprehensive income for the period	-	-	-	-	268,465	-	46,685	315,150	315,150
Balance as at September 30, 2015	1,766,318	1,047,658	50,900	420,000	4,579,290	130,230	346,795	6,574,873	8,341,191
Balance as at July 01, 2016	1,766,318	1,047,658	50,900	420,000	5,009,489	246,517	599,306	7,373,870	9,140,188
Net profit for the period	-	-	-	-	404,328	-	-	404,328	404,328
Other comprehensive income	-	-	-	-	-	-	91,908	91,908	91,908
Total comprehensive income for the period	-	-	-	-	404,328	-	91,908	496,236	496,236
Balance as at September 30, 2016	1,766,318	1,047,658	50,900	420,000	5,413,817	246,517	691,214	7,870,106	9,636,424

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


Omar Faruque
Chairman


Azam Faruque
Chief Executive

notes to the condensed interim financial statements (unaudited) for the period ended September 30, 2016

1. CORPORATE INFORMATION

Cherat Cement Company Limited (the Company) was incorporated in Pakistan as a public company limited by shares under the Company Act, 1913 (now the Companies Ordinance, 1984) in the year 1981. Its main business activity is manufacturing, marketing and sale of cement. The Company started commercial production in May 1985 and is listed on Pakistan Stock Exchange (formerly on Karachi, Lahore and Islamabad Stock Exchanges). The registered office of the Company is situated at Village Lakrai, District Nowshera, Khyber Pakhtunkhwa province.

2. STATEMENT OF COMPLIANCE

These condensed interim financial statements of the Company for the three months period ended September 30, 2016 have been prepared in accordance with the requirements of the International Accounting Standards 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under Companies Ordinance, 1984 have been followed.

3. BASIS OF PREPARATION

These condensed interim financial statements are unaudited and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984. These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2016.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the preceding annual published financial statements of the Company for the year ended June 30, 2016.

Note	September 30, 2016 (Unaudited)	June 30, 2016 (Audited)
----- (Rupees `000) -----		
5. PROPERTY, PLANT AND EQUIPMENT		
Existing Line		
Opening Net Book Value (NBV)	3,144,601	3,244,178
Additions to operating property, plant and equipment	18,395	182,512
	3,162,996	3,426,690
Disposals during the period / year (NBV)	(849)	(4,887)
Depreciation charged during the period / year	(67,258)	(277,202)
	3,094,889	3,144,601
Capital work-in-progress	89,427	73,723
	3,184,316	3,218,324
New Line		
Capital work-in-progress	9,897,113	9,498,631
	13,081,429	12,716,955
5.1 Additions to operating property, plant and equipment - Existing Line		
Building on leasehold land	-	928
Plant and machinery	-	94,041
Power and other installations	3,996	2,783
Furniture and fittings	-	2,654
Quarry, factory and laboratory equipment	-	30,488
Motor vehicles	12,051	44,311
Office equipment	515	1,793
Computers	1,833	5,514
	18,395	182,512

	Note	September 30, 2016 (Unaudited)	June 30, 2016 (Audited)
----- (Rupees `000) -----			
5.2 Capital work-in-progress - Existing Line			
Building on leasehold land		16,826	16,212
Plant and machinery		31,047	24,699
Power and other installations		2,035	600
Furniture and fittings		3,054	2,121
Quarry, factory and laboratory equipment		30,956	30,091
Motor Vehicles		5,509	-
		89,427	73,723
5.3 Capital work-in-progress - New Line			
Building on leasehold land	5.3.1	1,977,629	1,938,939
Plant and machinery	5.3.1	7,818,528	7,486,291
Power and other installations		95,171	68,843
Furniture and fittings		2,683	2,683
Quarry, factory and laboratory equipment		1,227	-
Motor Vehicles		874	874
Computers		1,001	1,001
		9,897,113	9,498,631

5.3.1 This includes plant and machinery and building on leasehold land related to Waste Heat Recovery (WHR) Plant (Line II) amounting to Rs. 677.230 million (June 30, 2016: Rs. 653.668 million) and Rs. 81.292 million (June 30, 2016: Rs. 74.625 million) respectively.

	Note	September 30, 2016 (Unaudited)	June 30, 2016 (Audited)
----- (Rupees `000) -----			
6. LONG-TERM INVESTMENTS			
Investment in related parties			
Available-for-sale securities	6.1	837,301	702,443
Interest in a Joint Venture	6.2	-	-
Interest in a Joint Venture	6.3	7,690	7,690
		844,991	710,133
6.1 Available-for-sale securities			
Cherat Packaging Limited			
2,174,808 (June 30, 2016: 2,055,308) fully paid ordinary shares of Rs. 10/- each.			
		837,301	702,443
6.2 Interest in a Joint Venture			
Madian Hydro Power Limited			
Company's share in net assets			
		106,705	106,705
Less: Provision for impairment loss			
		(106,705)	(106,705)
		-	-
6.3 Interest in a Joint Venture			
UniEnergy Limited			

Represents 768,999 shares representing 7.69% interest in UniEnergy Limited (UEL), a public unlisted company. UEL is formed for the generation and transmission of wind power, however, it has not yet started commercial operations.

June 30, 2016

(Audited)

	Level 1	Level 2	Level 3	Total
	(Rupees '000)			
Listed shares	702,443	-	-	702,443
	702,443	-	-	702,443

11. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of group companies, directors, executives and retirement funds. Transactions with related parties other than those disclosed elsewhere in the financial statements are as follows:

Relationship	Nature of transactions	Period ended	
		September 30, 2016 (Unaudited)	September 30, 2015 (Unaudited)
		(Rupees `000)	
Group Companies	Purchase of packing material	142,762	102,221
	Purchase of raw material	38,179	27,289
	Sale of goods	4,609	-
	I.T support charges	3,380	2,954
Chief Executive	Remuneration	8,971	8,137
Executives	Remuneration	125,545	109,618
Other related parties	Contribution to staff provident and gratuity funds	6,759	16,095
	Insurance premium	8,916	9,596

In addition, certain actual administrative expenses are being shared amongst the group companies.

12. DIVIDEND AND APPROPRIATIONS

Subsequent to the year ended June 30, 2016, the Board of Directors has proposed the following in its meeting held on August 24, 2016 for approval of the members at the Annual General Meeting:

	June 30, 2016	June 30, 2015
	(Rupees `000)	
Final cash dividend @ Rs. 2.25/- per share (2015: Rs. 3.00 per share)	397,422	529,896

13. DATE OF AUTHORISATION


These condensed interim financial statements were authorised for issue on October 28, 2016 by the Board of Directors of the Company.

14. GENERAL

14.1 Corresponding figures have been reclassified for the purpose of better presentation and comparison, wherever necessary.

14.2 Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.


Omar Faruque
Chairman


Azam Faruque
Chief Executive