

3rd Quarterly Report January - March 2011



Fauji Cement
Company Limited





FAUJI CEMENT COMPANY LIMITED

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FAUJI CEMENT COMPANY LIMITED

COMPANY INFORMATION

at a glance

► Board of Directors

Lt Gen Hamid Rab Nawaz, HI (M) (Retired)

Lt Gen Muhammad Sabir HI (M) (Retired)

Mr. Qaiser Javed

Brig Rahat Khan, SI (M) (Retired)

Dr. Nadeem Inayat

Brig Liaqat Ali, TI (M) (Retired)

Brig Agha Ali Hassan, SI (M) (Retired)

Brig Parvez Sarwar Khan, SI (M) (Retired)

Mr. Max Kruse

Chairman

Chief Executive / MD

Director

Director

Director

Director

Director

Director

Director

► Company Secretary:

Brig Sajjad Azam Khan (Retired)

Fauji Tower, Block – III,

68 Tipu Road,

Chaklala, Rawalpindi (Pakistan)

Tel : (051) 9280075

Fax : (051) 9280416

E-mail: sajjad@fccl.com.pk

► Chief Financial Officer

Mr. Omer Ashraf

Tel (051) 5500157

► Registered Office and
Marketing and Sales Department:

Ist Floor, Aslam Plaza,

60 Adam Jee Road, Sadar, Rawalpindi – Pakistan

Tel: (051) 5523836, 5528042, 5528960, 5528963-64

Fax: (051) 5528965-66

► Factory:

Near Village Jhang, Tehsil Fateh Jang District: Attock

Tel: 057-2538047-48, 2538138, 2538148 – 49

Fax: 057-2538025

► Auditors:

M/s KPMG Taseer Hadi & Co,

Chartered Accountants

Fax No: (051) 2822671

► Legal Advisors:

M/s ORR Dignam & Co, Advocates

Fax No: (051)2060653

► Company Website

<http://www.fccl.com.pk>

► Share Registrar

M/s CORPLINK (PVT) LIMITED

Wings Arcade, 1-K, Commercial, Model Town, Lahore

Ph No: 042-35916714 & 042-35916719

Fax No: 042-35869037



FAUJI CEMENT COMPANY LIMITED

DIRECTORS' REVIEW

1. The Board of Directors is pleased to present their review report along with the un-audited accounts of the Company for the 3rd quarter ended 31March 2011.
2. During the period under review, FCCL capacity utilization remained at 92.10% as compared to 94.70% in the corresponding quarter of the last year. FCCL exported 93,247 tons as compared to 86,478 tons in the same quarter last year depicting an increase of 7.83%. Local dispatches stood at 175,122 tons as compared to 189,468 tons during the corresponding quarter of last year depicting a decrease of 7.57%.
3. The cost of sales per ton during the period under review was higher than the corresponding period of last year due to increase in fuel prices, however, some of the increase was passed on with improvement in the average retention price during the period.
4. International and domestic fuel and utility prices continue to rise which will increase costs going forward, but with the onset of summer season the domestic dispatches are expected to improve and correspondingly the cement prices are likely to improve. The Board is confident that the profitability will improve in the last quarter of the year.

A handwritten signature in black ink, appearing to be 'Hamid Rab Nawaz'.

Rawalpindi
21 April 2011

Lt Gen Hamid Rab Nawaz, HI (M) (Retd)
Chairman



FAUJI CEMENT COMPANY LIMITED

CONDENSED INTERIM BALANCE SHEET

AS AT 31 MARCH 2011

		31 March 2011	30 June 2010
	Note	Un-audited Rupees'000	Audited Rupees'000
SHARE CAPITAL AND RESERVES			
Share capital	4	7,419,887	7,419,887
Reserves		<u>2,615,255</u>	<u>2,190,798</u>
		10,035,142	9,610,685
Subordinated loan - unsecured	5	2,487,000	400,000
NON - CURRENT LIABILITIES			
Long term financing - secured	6	12,360,020	11,909,030
Fair value of derivative		-	72,026
Deferred liability - compensated absences		19,491	14,707
Deferred tax liability - net		820,447	788,636
CURRENT LIABILITIES			
Trade and other payables		935,852	1,698,674
Markup accrued		246,389	349,130
Short term borrowings - secured		2,429,244	865,727
Current portion of long term financing		1,114,025	1,071,384
		<u>4,725,510</u>	<u>3,984,915</u>
		<u><u>30,447,610</u></u>	<u><u>26,779,999</u></u>
CONTINGENCIES AND COMMITMENTS	7		

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

Chief Executive



FAUJI CEMENT COMPANY LIMITED

		31 March 2011	30 June 2010
	Note	Un-audited Rupees'000	Audited Rupees'000
NON - CURRENT ASSETS			
Property, plant and equipment	8	26,025,497	23,819,040
Long term advance		5,400	5,400
Long term deposits & prepayments		802,974	884,841
CURRENT ASSETS			
Stores, spares and loose tools		2,119,618	1,060,533
Stock in trade		447,226	96,684
Trade debts		55,773	24,514
Advances		44,713	46,981
Trade deposits, short term prepayments and balance with statutory authority		810,251	601,364
Interest accrued		587	567
Other receivables		25,834	47,858
Cash and bank balances		109,737	192,217
		<u>3,613,739</u>	<u>2,070,718</u>
		<u>30,447,610</u>	<u>26,779,999</u>

Director




FAUJI CEMENT COMPANY LIMITED

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN - AUDITED) FOR THE NINE MONTHS ENDED 31 MARCH 2011

Note	Quarter Ended		Nine Months Ended	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
	Rupees'000	Rupees'000	Rupees'000	Rupees'000
SALES	1,448,084	1,151,014	4,162,587	3,688,172
Less: Government levies	(290,229)	(257,723)	(752,438)	(864,800)
NET SALES	1,157,855	893,291	3,410,149	2,823,372
Less: Cost of sales	9 (1,010,696)	(836,490)	(2,842,357)	(2,418,452)
GROSS PROFIT	147,159	56,801	567,792	404,920
Other income	7,655	7,971	17,157	23,600
	154,814	64,772	584,949	428,520
Distribution cost	(15,942)	(13,991)	(54,279)	(36,233)
Administrative expenses	(34,365)	(27,490)	(115,253)	(77,162)
Other operating expenses	(6,303)	(1,855)	(27,349)	(20,935)
Finance cost	(12,504)	(2,624)	(18,774)	(19,154)
NET PROFIT BEFORE TAXATION	85,700	18,812	369,294	275,036
Taxation				
Current	(11,579)	(5,032)	(34,102)	(83,964)
Prior year	-	-	-	10,802
Deferred	(21,872)	(249)	(31,811)	5,286
	(33,451)	(5,281)	(65,913)	(67,876)
NET PROFIT AFTER TAXATION	52,249	13,531	303,381	207,160
Earnings per share - Basic (Rupees)	0.075	0.020	0.438	0.299
Earnings per share - Diluted (Rupees)	0.043	0.018	0.295	0.279

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements


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Chief Executive



Director



FAUJI CEMENT COMPANY LIMITED

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN - AUDITED) FOR THE NINE MONTHS ENDED 31 MARCH 2011

	Quarter ended		Nine months ended	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
	Rupees'000	Rupees'000	Rupees'000	Rupees'000
Net profit after taxation	52,249	13,531	303,381	207,160
Other comprehensive income				
Amortisation of hedging reserve	37,014	34,785	121,076	(230,594)
Total comprehensive income	<u>89,263</u>	<u>48,316</u>	<u>424,457</u>	<u>(23,434)</u>

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements

Chief Executive

Director




FAUJI CEMENT COMPANY LIMITED


CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE NINE MONTHS ENDED 31 MARCH 2011

	31 March 2011 Rupees'000	31 March 2010 Rupees'000
Cash flows from operating activities		
Net profit before taxation	369,294	275,036
Adjustment for:		
Depreciation	293,987	238,162
Provision for compensated absences	25,579	19,056
Workers' (Profit) Participation Fund including interest and Workers' Welfare Fund	27,264	21,733
Finance cost	18,710	18,232
Reversal of provision for doubtful debts	-	(1,567)
Gain on disposal of property, plant and equipment	(509)	(2,020)
Interest income including interest on long term advance	(7,286)	(10,039)
	<u>357,745</u>	<u>283,557</u>
Operating cash flows before working capital changes	727,039	558,593
(Increase)/decrease in stores and stocks	(1,409,627)	10,283
Decrease in retention money	-	(14,243)
Increase in trade debts	(31,259)	(791)
Decrease/(increase) in advances	2,268	(5,279)
Increase in trade deposits, short term prepayments and balance with statutory authority	(196,862)	(312,969)
Decrease/(increase) in other receivables	22,024	(10,455)
Decrease in trade and other payables	(35,847)	(81,575)
	<u>(1,649,303)</u>	<u>(415,029)</u>
Cash (used in)/generated from operations	(922,264)	143,564
Compensated absences paid	(20,777)	(13,023)
Payment to Workers' (Profit) Participation Fund	(17,534)	(74,951)
Income tax paid	(52,625)	(81,447)
Net cash used in operating activities	<u>(1,013,200)</u>	<u>(25,866)</u>
Cash flows from investing activities		
Additions in property, plant and equipment excluding borrowing cost capitalized	(1,024,033)	(2,380,247)
Proceeds from disposal of property, plant and equipment	4,080	4,324
Interest received on bank deposits	7,266	8,409
Net cash used in investing activities	<u>(1,012,687)</u>	<u>(2,367,514)</u>
Cash flows from financing activities		
Repayment of long term financing	-	(325,000)
Proceeds from long-term financing	2,587,000	3,744,000
Payment of arrangement fee/ guarantee premium	(11,238)	(43,709)
Dividend paid on ordinary shares	(8)	(7)
Dividend paid on preference shares	(33,442)	(16,721)
Export re-finance and import finance (net)	(49,090)	130,000
Finance cost paid	(2,162,422)	(1,252,265)
Net cash generated from financing activities	<u>330,800</u>	<u>2,236,298</u>
Decrease in cash and cash equivalents	(1,695,087)	(157,082)
Cash and cash equivalents at beginning of the period	125,580	(169,831)
Cash and cash equivalents at end of the period	<u>(1,569,507)</u>	<u>(326,913)</u>
Cash and cash equivalents comprise of the following:		
Cash and bank balances	109,737	91,903
Short term running finances	(1,679,244)	(418,816)
	<u>(1,569,507)</u>	<u>(326,913)</u>

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements


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Chief Executive



Director



FAUJI CEMENT COMPANY LIMITED

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE NINE MONTHS ENDED 31 MARCH 2011

	Share capital		Capital reserve		Revenue reserve	Total
	Ordinary	Preference	Share premium	Hedging reserve	Accumulated profit	
	Rupees'000	Rupees'000	Rupees'000	Rupees'000	Rupees'000	Rupees'000
Balance as at 30 June 2009	6,932,895	486,992	1,833,709	(499,830)	936,923	9,690,689
Total comprehensive income						
Profit for the period	-	-	-	-	207,160	207,160
Other comprehensive income	-	-	-	(230,594)	-	(230,594)
Total comprehensive income for the period	-	-	-	(230,594)	207,160	(23,434)
Balance as at 31 March 2010	6,932,895	486,992	1,833,709	(730,424)	1,144,083	9,667,255
Balance as at 30 June 2010	6,932,895	486,992	1,833,709	(796,571)	1,153,660	9,610,685
Total comprehensive income						
Profit for the period	-	-	-	-	303,381	303,381
Other comprehensive income	-	-	-	121,076	-	121,076
Total comprehensive income for the period	-	-	-	121,076	303,381	424,457
Balance as at 31 March 2011	6,932,895	486,992	1,833,709	(675,495)	1,457,041	10,035,142

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

Chief Executive

Director



FAUJI CEMENT COMPANY LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 31 MARCH 2011

- Fauji Cement Company Limited ("the Company") is a public limited company incorporated in Pakistan on 23 November 1992 under the Companies Ordinance, 1984 and commenced its business with effect from 22 May 1993. The shares of the Company are quoted on Karachi, Islamabad and Lahore stock exchanges in Pakistan. The principal activity of the Company is manufacturing and sale of ordinary portland cement. The Company's registered office is situated at Aslam Plaza, Adamjee Road, Rawalpindi. Fauji Foundation holds 26.86% ordinary and 100% preference shares in the Company.
- This condensed interim financial information is un-audited and is being submitted to the shareholders' in accordance with the requirements of Section 245 of the Companies Ordinance, 1984. This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements for the year ended 30 June 2010. Comparative balance sheet is extracted from annual audited financial statements for the year ended 30 June 2010 whereas comparative profit and loss account, statement of cash flows, statement of comprehensive income and statement of changes in equity are stated from un-audited condensed interim financial information for nine months period ended 31 March 2010.
- The accounting policies, related judgments, estimates and assumptions adopted for the preparation of this condensed interim financial information are the same as those applied in preparation of the annual financial statements of the Company for the year ended 30 June 2010.
- SHARE CAPITAL**
There is no change in composition of issued, subscribed and paid up share capital of the Company from 30 June 2010.
- SUBORDINATED LOAN - unsecured**
This represents unsecured sub-ordinated loan provided by Fauji Foundation (FF, the major sponsor). This loan is subordinate to all senior lenders. This loan carries mark-up at 6 month's KIBOR plus 2.3% per annum starting to accrue after 2 years grace period from the date of first drawdown. The principal is repayable in four equal half yearly installments and the markup is repayable on half yearly basis after all the dues relating to senior lenders are repaid in full. This loan is unsecured however as per the terms of agreement, FF has an option to convert all or any part of any amounts due and owing to FF under the agreement into ordinary shares of the Company at par value of Rs. 10 per share or at below par value as decided by FF.

The shareholders in their Extra Ordinary General Meeting (EOGM) held on 24 March 2011 have agreed for the issuance of ordinary shares at a discount of Rs 5 per share. On completion of process of issue of shares, this loan will be repaid from the proceeds of the right issue.

6. LONG TERM FINANCING - secured	Note	Un-audited 31 March 2011 Rupees'000	Audited 30 June 2010 Rupees'000
From banking companies			
Term finance facilities including syndicated term finance facilities- secured	6.1	13,474,045	12,980,414
Less: Current portion shown under current liabilities		<u>(1,114,025)</u>	<u>(1,071,384)</u>
		<u>12,360,020</u>	<u>11,909,030</u>
6.1 Movement in this account during the period/year is as follows:			
Opening balance		12,980,414	6,224,227
Long-term finance obtained during the period/year including revaluation and transaction cost adjustment		<u>493,631</u>	<u>6,756,187</u>
Closing balance		<u>13,474,045</u>	<u>12,980,414</u>

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

There is no change in the contingent liabilities as reported in the annual financial statements for the year ended 30 June 2010.

7.2 Commitments

- The Company has opened Letters of Credit for the import of machinery, coal and spare parts valuing Rs. 670 million (30 June 2010: Rs. 137 million).
- The Company has capital commitments of Rs. 347 million (30 June 2010: 202 million) in respect of new cement manufacturing line.



FAUJI CEMENT COMPANY LIMITED

8. PROPERTY, PLANT AND EQUIPMENT

	Un-audited		Audited	
	31 March 2011	30 June 2010	31 March 2011	30 June 2010
	Rupees'000		Rupees'000	
Opening carrying value	23,819,040	18,777,204	23,819,040	18,777,204
Additions during the period/year	2,520,324	5,372,308	2,520,324	5,372,308
Written down value of disposals	(19,880)	(3,342)	(19,880)	(3,342)
Depreciation for the period/year	(293,987)	(327,130)	(293,987)	(327,130)
Closing carrying value	26,025,497	23,819,040	26,025,497	23,819,040

Quarter Ended		Nine Months Ended	
31 March 2011	31 March 2010	31 March 2011	31 March 2010
Rupees'000		Rupees'000	

9. COST OF SALES

	31 March 2011	31 March 2010	31 March 2011	31 March 2010
	Rupees'000		Rupees'000	
Raw material consumed	64,197	55,836	196,614	172,387
Packing material consumed	89,432	79,728	257,272	236,790
Stores and spares consumed	5,599	5,686	18,376	15,253
Salaries, wages and benefits	81,639	61,054	226,234	171,259
Rent, rates and taxes	1,435	979	4,073	3,273
Insurance	6,213	3,546	18,595	10,638
Fuel consumed	470,029	336,194	1,361,201	979,778
Power consumed	156,556	209,512	500,325	526,860
Depreciation	93,909	68,618	284,258	225,354
Repairs and maintenance	39,698	28,874	115,395	62,547
Technical assistance	756	-	756	-
Printing and stationery	471	295	1,238	781
Traveling and conveyance	2,580	1,842	5,405	5,268
Vehicle running and maintenance expenses	3,732	3,846	11,224	9,139
Communication, establishment and other expenses	2,406	1,517	5,500	4,596
	1,018,652	857,527	3,006,466	2,423,923
Add: Opening work-in-process	132,278	20,193	11,195	41,405
Less: Closing work-in-process	(135,733)	(13,115)	(135,733)	(13,115)
Cost of goods manufactured	1,015,197	864,605	2,881,928	2,452,213
Add: Opening finished goods	60,342	32,699	33,411	50,332
Less: Closing finished goods	(61,181)	(53,581)	(61,181)	(53,581)
	1,014,358	843,723	2,854,158	2,448,964
Less: Own consumption capitalized	(3,662)	(7,233)	(11,801)	(30,512)
	1,010,696	836,490	2,842,357	2,418,452



FAUJI CEMENT COMPANY LIMITED

10. RELATED PARTY TRANSACTIONS AND BALANCES

Fauji Foundation holds 26.86% ordinary shares and 100% preference shares of the Company, therefore all subsidiaries and associated undertakings of Fauji Foundation are related parties of the Company. Other related parties comprise of directors, key management personnel, entities over which the directors are able to exercise significant influence and employees' funds. Transaction and balances with related parties are as follows:

	Nine Months Ended	
	31 March 2011	31 March 2010
	Rupees'000	Rupees'000
Fauji Foundation		
- Sale of cement	8,616	5,324
- Preference dividend paid	33,442	16,721
- Payment for use of medical facilities	121	28
- Advance paid on account of clearance of shipments	25,000	16,000
- Balance receivable on account of clearance of shipments	3,296	1,964 *
- Balance of subordinated loan obtained - unsecured	2,487,000	400,000 *
- Preference dividend payable	-	33,442 *
- Rent paid	1,479	-
Payments made into Employees' Provident Fund	22,577	8,775
Payments made to Workers' (Profit) Participation Fund	17,534	74,951
Remuneration including benefits and perquisites to Chief Executive	19,423	4,901
Remuneration including benefits and perquisites to key management personnel	19,662	17,028

* Comparative figures relate to 30 June 2010 balances

11. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 21 April 2011.

12. GENERAL

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


Chief Executive


Director

Book Post

Under Postal Certificate

If undelivered please return to:



Company Secretary

Fauji Cement Company Limited

1st Floor, Aslam Plaza, 60 Adam Jee Road,
Saddar, Rawalpindi — Pakistan