

THATTA  
CEMENT

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# Cost Auditors' Report

For the year ended June 30, 2013

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**SIDDIQI & COMPANY**  
*Cost & Management Accountants*

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## COST AUDITORS' REPORT, 2012-13 THATTA CEMENT COMPANY LIMITED

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# *Section 1*

## 01. CORPORATE INFORMATION

### **Board of Directors**

#### **Chairman**

Muhammad Arif Habib

#### **Chief Executive Officer**

Muhammad Fazlullah Shariff

#### **Directors**

Nasim Beg

Shahid Aziz Siddiqui

Khawaja Mohammad Salman Younis

Wazir Ali Khoja

Naveed Rabbani

#### **Audit Committee**

Shahid Aziz Siddiqui, Chairman

Nasim Beg, Member

Khawaja Mohammad Salman Younis, Member

Naveed Rabbani, Member

#### **Chief Financial Officer & Company Secretary**

Muhammad Taha Hamdani

#### **Statutory Auditors**

KPMG Taseer Hadi & Co.

Chartered Accountants

#### **Cost Auditors**

SIDDIQI & COMPANY

Cost & Management Accountants

#### **Legal Advisor**

Usmani & Iqbal

#### **Bankers**

Sindh Bank Limited

National Bank of Pakistan

Summit Bank Limited

MCB Bank Limited

Bank Al-Falah Limited

Habib Bank Limited

#### **Registered Office**

Office No. 606-608A, Continental Trade Center, Block-8, Clifton, Karachi.

UAN 0092-21-111-842-882 Fax: 0092-21-35303074-75

Website: [www.thattacement.com](http://www.thattacement.com) Email: [info@thattacement.com](mailto:info@thattacement.com)

#### **Factory**

Ghulamullah Road, Makli, District Thatta, Sindh-73160.

## 02. THE COMPANY & MANUFACTURING PROCESS

### 1. THE COMPANY AND ITS OPERATIONS

Thatta Cement Company Limited ("the Company") was incorporated in Pakistan in 1980 as a public limited company. The shares of the Company are quoted at the Karachi Stock Exchange. The Company's main business activity is manufacturing and marketing of cement. The registered office of the Company is situated at Office No. 606, 607, 608 & 608A, Continental Trade Centre, Block 8, Clifton, Karachi – 75600. The production facility of the Company is located at Ghulamullah Road, Makli, District Thatta, Sindh.

### 2. MANUFACTURING PROCESS

The company is using the Dry Process Technology for manufacturing of cement. It has the leased lime stone-quarries. The process consists of the following departments:-

- (i) Quarry / Transportation
- (ii) Crushing
- (iii) Raw Mill (Raw Meal)
- (iv) Kiln
- (v) Grinding (Cement Mill)
- (vi) Packing & Storage

The major raw and packing materials include:

- (i) Lime Stone
- (ii) Clay / Shale
- (iii) Laterite / Iron Ore
- (iv) Gypsum
- (v) Slag

Packing – paper / polypropylene bags.

### 3. FACTORY LOCATION

The company's cement manufacturing plant is located at Ghulamullah Road, Makli, District Thatta, Sindh, Pakistan.

## *Section 2*

# *Cost Auditors' Report - 2013*

# SIDDIQI & COMPANY

*Cost & Management Accountants*

## COST AUDITORS' REPORT

We, **SIDDIQI & COMPANY, Cost & Management Accountants** having been appointed to conduct an audit of cost accounts of **THATTA CEMENT COMPANY LIMITED** have examined the books of account and the statement prescribed under clause (e) of sub-section 230 of the Companies Ordinance, 1984 and the other relevant record for the year ended June 30, 2013, and report that:-

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of this audit.
2. In our opinion:
  - (a) proper cost accounting records as required by clause (e) of sub-section (1) of section 230 of the Companies Ordinance, 1984 (XLVII of 1984), and as required by these rules, have been kept by the Company;
  - (b) proper returns, statements and schedules for the purpose of audit of cost accounts relating to branches were not required as the Company has no branches in or outside Pakistan.
  - (c) the said books and records give the information required by the rules in the manner so required; and
3. In our opinion and, subject to best of our information:-
  - (a) The annexed statement of capacity utilization and stock-in-trade are in agreement with the books of account of the Company and exhibit true and fair view of the Company's affairs; and
  - (b) Cost accounting records have been properly kept so as to give a true and fair view of the cost of production, processing, manufacturing and marketing of the under mentioned products of the Company, namely,
    1. Ordinary Portland Cement
    2. Sulphate Resistance Cement
    3. Portland Blast Furnace Slag Cement
    4. Class G Cement

The matters contained in the ANNEXED Forms are part of this report.



Karachi: 14 OCT 2013

## 1. CAPACITY (Tonne)

(a)	Annual Licensed / Installed Capacity	Annual Utilised Capacity	% of Installed Capacity
	Clinker (300 days x 1,500 T/D)	450,000	357,206

- (b) The clinker production capacity utilization during the year has remained at 79% (2012: 74%). The under capacity utilization is mainly due to hard hitting competition in the industry.
- (c) The company is engaged in the manufacturing and sale of cement.

## 2. COST ACCOUNTING SYSTEM

- Manufacturing of cement is a continuous process, therefore, the company uses process cost accounting system as prescribed by SECP as per Cement Industry (Cost Accounting Records) Order, 1994.
- The company has classified whole manufacturing process into six major stages / departments for the purpose of maintaining cost accounting records shown as under:
  - 1) Quarry / transportation (Lime stone & shale);
  - 2) Crushing;
  - 3) Raw Meal;
  - 4) Kiln;
  - 5) Grinding (Cement Mill);
  - 6) Packing & storage.
- The company is operating EXCEL based inhouse software, which generates cost statements relating to six stages / departments and allocates cost thereon.

## 3. PRODUCTION

(a)

Qty. in Tonne

- **Clinker**
- Ordinary Portland (OPC)
- Sulphate Resistance (SRC)
- Total

Production		Increase/ (Decrease)	
YEARS		Tonne	%
2013	2012		
294,243	277,496	16,747	6
62,963	56,105	6,858	12
357,206	333,601	23,605	7

- **Cement**
- Ordinary Portland (OPC)
- Sulphate Resistance (SRC)
- Class G. Cement
- P.B.F. Slag Cement (PBFSC)
- Ground Slag

200,491	247,045	(46,554)	(19)
72,193	62,310	9,883	16
408	150	258	172
97,227	97,296	(69)	-
370,319	406,801	(36,482)	(9)
19,046	10,545	8,501	81
389,365	417,346	(27,981)	(7)

- The plant design facilitates production of various types of cement as per production requirements within the installed capacity limits.

(b) There was no addition in installed capacity during the year under review.





## 4. RAW MATERIAL

## (a) Major Raw Materials Consumed

	2013			2012			2011		
	Quantity (Tonne)	Value Rs. in '000	Rate per Tonne	Quantity (Tonne)	Value Rs. in '000	Rate per Tonne	Quantity (Tonne)	Value Rs. in '000	Rate per Tonne
Limestone	498,989	94,471	189	483,927	75,553	156	509,471	66,331	130
Clay / Shale	82,249	14,934	182	67,037	15,193	227	80,891	16,558	205
Laterite/Iron Ore	31,430	23,478	747	30,991	22,277	719	14,880	8,759	589
Magnese	1,465	4,982	3,400	-	-	-	-	-	-
Salica Sand	-	-	-	-	-	-	1,503	400	266
Slag	26,192	33,948	1,296	30,681	31,959	1,042	24,897	18,471	742
Gypsum	19,643	35,659	1,815	20,507	47,032	2,293	19,507	30,000	1,538
<b>TOTAL</b>		<b>207,472</b>			<b>192,014</b>			<b>140,519</b>	

## (b) Major Raw Materials consumption per unit of production compared with standard requirements

	Budget Standard Tonne	2013 Tonne	2012 Tonne	2011 Tonne	% Increase / (Decrease) as compared to Budget Standard		
					2013	2012	2011
					Limestone – Clinker	1.33	1.39
Clay / Shale – Clinker	0.20	0.23	0.20	0.23	15.00	-	15.00
Laterite/Iron Ore – Clinker	0.01	0.09	0.09	0.04	800.00	800.00	300.00
Salica Sand – Clinker	0.12	-	-	0.01	-	-	(91.67)
<b>TOTAL – Clinker</b>	<b>1.66</b>	<b>1.71</b>	<b>1.71</b>	<b>1.71</b>	<b>3.01</b>	<b>3.01</b>	<b>3.01</b>
Gypsum – Cement	0.05	0.05	0.05	0.05	-	-	-
Slag – Cement	0.30	0.27	0.31	0.30	(10.00)	3.33	-

## (c) Explanation of Variances

- The variance in consumption of lime stone is due to process loss.
- The other variances from standard are attributed to chemical contents of raw material.

## (d) Method of Accounting

- Raw material is valued at cost on moving average basis.
- Limestone and shale / clay are extracted from leased mines.
- Laterite, Iron Ore, Silica Sand and Gypsum are purchased from open market. The quantities and values are recorded in the store ledger and general ledger from receiving reports.



## 5. WAGES AND SALARIES

## (a) Total wages and salaries paid for all categories of employees

	2013	2012	2011	% Increase / (Decrease)	
	Rs. in '000	Rs. in '000	Rs. in '000	Base 2012	Base 2011
- Direct labour cost on production	36,768	36,879	30,036	(0)	22
- Indirect labour cost on production	136,046	108,817	87,667	25	55
- Total direct & indirect labour cost	172,814	145,696	117,703	19	47
- Employees' cost on administration	34,333	27,540	21,361	25	61
- Employees' cost on selling & distribution	5,590	5,495	5,563	2	0
Total employees cost	212,737	178,731	144,627	19	47

Bonus to employees: Already included in above wages and salaries.

- Salaries & wages increased mainly due to annual increments.

## (b) Salaries and perquisites of chief executive, directors and executives

Rs. in '000

	Chief Executive		Directors	
	2013	2012	2013	2012
Managerial remuneration	7,390	6,426	-	-
Bonus & LFA	973	926	-	-
Other benefits	1,759	1,805	-	-
Total	10,122	9,157	-	-
Number of person	1	1	-	-

- The chief executive was provided with free use of company maintained car and other benefits in accordance with his entitlements as per rules of the company.

## (c) Total man-days of direct labour

Available: 300 days x 270 workers = 81,000

Worked: 251 days x 270 workers = 67,770

Worked	Available	% Worked
67,770	81,000	84

## (d) Average number of workers employed

2013	2012	Increase / (Decrease)	
		Nos.	%
270	253	17	7

## (e) Direct labour cost per tonne

Direct Labour Cost (Rs. in '000)

Production in Tonne - Cement / GBFS

Cost per Tonne (Rs. / tonne)

	2013	2012	2011	% Increase / (Decrease)	
				Base 2012	Base 2011
Direct Labour Cost (Rs. in '000)	36,768	36,879	30,036	(0)	22
Production in Tonne - Cement / GBFS	389,365	417,346	395,240	(7)	(1)
Cost per Tonne (Rs. / tonne)	94	88	76	7	24

- Per tonne direct labour cost increased due to low volume of production as compared to last two years.

## (f) Explanation of variance

- Reasons have been given in the above mentioned paras wherever necessary.

## (g) Comments on Incentives Scheme

- The company operates an approved funded gratuity scheme for all permanent employees.
- The company also operates an approved contributory Provident Fund for all its permanent employees to which equal monthly contributions are made, both by the Company and the employees.



## 6. STORES AND SPARE PARTS

## (a) Expenditure per unit of output

		2013	2012	2011	% Increase / (Decrease)	
					Base 2012	Base 2011
Stores & Spares	(Rs. in '000)	112,051	89,471	62,746	25	79
Fire Brick	(Rs. in '000)	37,253	40,414	31,136	(8)	20
Grinding Media	(Rs. in '000)	8,886	9,471	5,526	(6)	61
Lining Plates	(Rs. in '000)	3,504	2,001	1,995	75	76
Total	(Rs. in '000)	161,694	141,357	101,403	14	59
Production - Cement / GBFS	(Qty. in tonne)	389,365	417,346	395,240	(7)	(1)
Cost per tonne	(Rs. / tonne)	415	339	257	23	62

- Per tonne cost of stores and spares increased partly due to higher maintenance of plant and machinery and partly due to general inflation in prices.

## (b) System of stores accounting

- These are stated at cost (calculated on moving average basis) less provision for dead and slow moving stores and spares except for the items in transit, which are valued and stated at cost.
- All items of stores are properly coded and entered by designated staff members of the finance department.

## (c) Proportion of closing inventory of stores representing items which have not moved for over twenty four months.

- There is dead stock worth Rs. 5.462 million (1.55%) [2012: Rs. 8.803 million (2.37%)] and slow moving items worth Rs. 34.053 million (9.66%) [2012: Rs. 31.259 million (8.44%)] of the closing inventory.
- The company has made provision of equal amounts for expected loss in the books of account.

## 7. DEPRECIATION

## (a) Method of depreciation

- Depreciation is charged to profit and loss account applying the reducing balance method except leasehold structural improvements which is depreciated / amortized on straight line basis. Depreciation on addition is charged from the date in which the asset is available for use and on disposal upto the date the asset is in use. Assets' residual value and useful lives are reviewed, and adjusted, if appropriate at each balance sheet date.

Normal maintenance and repairs are charged to profit and loss account as and when incurred whereas major renewals and improvements are capitalized.

Gain or loss on disposal of assets is included in profit and loss account.

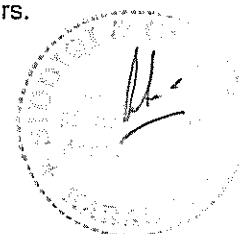
## (b) Basis of allocation of depreciation on common assets to the different departments.

Depreciation on common assets is allocated as under:

	2013 Rs. in '000	2012 Rs. in '000
(i) Cost of Sales	44,303	44,430
(ii) Administrative overheads	5,693	4,924
(iii) Selling / distribution overheads	1,551	1,359
	<u>51,547</u>	<u>50,713</u>

## (c) Basis of charging depreciation to cost of products

- The depreciation is allocated to cost of production on the basis of machine hours.



## 8. OVERHEADS

## (a) Total amounts of the overheads

- (i) Factory  
(ii) Administration  
(iii) Selling & distribution  
(iv) Financial charges

2013	2012	2011
Rs. in '000	Rs. in '000	Rs. in '000
73,434	72,717	69,629
67,949	70,397	52,185
66,091	108,276	224,608
83,067	96,498	78,789
<b>290,541</b>	<b>347,888</b>	<b>425,211</b>

## (i) Factory Overheads

- Repairs & maintenance  
Depreciation  
Insurance  
Other manufacturing expenses

2013	2012	2011	% Increase / (Decrease)	
			Based on 2012	Based on 2011
Rs. in '000	Rs. in '000	Rs. in '000		
8,629	4,436	3,244	95	166
44,303	44,430	46,028	(0)	(4)
3,637	3,412	3,945	7	(8)
16,865	20,439	16,412	(17)	3
<b>73,434</b>	<b>72,717</b>	<b>69,629</b>	<b>1</b>	<b>5</b>

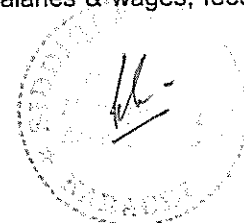
- There is no significant variance in total factory overheads except increase in repair & maintenance as compared to last year.

## (ii) Administration Overheads

- Salaries, wages and other benefits  
Vehicle running expenses  
Travelling and conveyance  
Advertisements  
Communication, postage, telegram  
Printing and stationary  
Rent, rates and taxes  
Entertainment  
Legal and professional charges  
Insurance  
Repair & maintenance  
Utilities  
Fees & subscription  
Corporate expenses  
Charity & donation  
Auditor's remuneration  
Depreciation  
Bad debts & provision for doubtful debt  
Fixed assets written off  
Amortization of intangibles  
Impairment of intangibles  
Miscellaneous

2013	2012	2011	% Increase / (Decrease)	
			Based on 2012	Based on 2011
Rs. in '000	Rs. in '000	Rs. in '000		
34,333	27,540	21,361	25	61
2,284	1,925	1,685	19	36
762	1,399	718	(46)	6
202	166	72	22	181
1,181	1,274	1,417	(7)	(17)
666	1,483	766	(55)	(13)
4,456	11,493	9,573	(61)	(53)
1,181	622	583	90	103
1,386	9,410	1,851	(85)	(25)
239	295	387	(19)	(38)
1,489	3,731	2,729	(60)	(45)
668	7	2	9,443	33,300
3,809	1,363	751	179	407
867	1,464	2,181	(41)	(60)
8	93	1,932	(91)	(100)
1,915	1,212	693	58	176
5,693	4,924	5,091	16	12
3,432	221	179	1,453	1,817
-	1,252	-	(100)	100
9	-	-	100	100
3,216	-	-	100	100
153	523	214	(71)	(29)
<b>67,949</b>	<b>70,397</b>	<b>52,185</b>	<b>(3)</b>	<b>30</b>

- There is no significant variance in admin overheads except increase in salaries & wages, fees & subscription and provision for doubtful debts as compared to last two years.



**(iii) Selling and Distribution Overheads**

	2013 Rs. in '000	2012 Rs. in '000	2011 Rs. in '000	% Increase / (Decrease)	
				Based on 2012	Based on 2011
Salaries, wages and other benefits	5,590	5,495	5,563	2	0
Vehicle running expenses	734	563	434	30	69
Travelling & conveyance	132	158	953	(16)	(86)
Communication	303	524	214	(42)	42
Printing & stationery	38	58	28	(34)	36
Entertainment	76	144	547	(47)	(86)
Repair & maintenance	197	-	-	100	100
Rent, rates and taxes	988	-	-	100	100
Utilities	288	-	-	100	100
Advertisements	238	229	317	4	(25)
Sales promotion expense	367	-	-	100	100
Freight charges - local sales	29,212	14,207	22,812	106	28
Export logistic and related charges	8,765	75,303	174,008	(88)	(95)
Commission	14,257	7,380	15,118	93	(6)
Depreciation	1,551	1,359	1,477	14	5
Miscellaneous	3,355	2,856	3,137	17	7
	66,091	108,276	224,608	(39)	(71)

- Selling and distribution overheads decreased mainly due to decrease in export logistic and related charges as compared to last two years.

**(iv) Financial Charges**

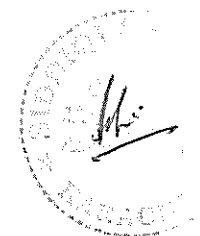
	2013 Rs. in '000	2012 Rs. in '000	2011 Rs. in '000	% Increase / (Decrease)	
				Based on 2012	Based on 2011
– Mark-up on long term financing	19,179	31,603	11,983	(39)	60
– Mark-up on short term borrowing	62,524	63,333	64,995	(1)	(4)
– Interest on WPPF	-	-	16	-	(100)
– Bank charges and commission	1,364	1,562	1,795	(13)	(24)
	83,067	96,498	78,789	(14)	5

**(b) Reasons for any significant variances**

- Reasons have been given in the above mentioned paras wherever necessary.

**(c) Basis of allocation of overheads**

- The allocation was made on the basis of machine hours.



**(d) Cost of Packing**

	Qty in Tonne 2013	Qty in Tonne 2012
- Packed Cement	319,089	352,281
- Bulk Cement	69,388	66,065
<b>Total</b>	<b>388,477</b>	<b>418,346</b>

	2013		2012		Increase / (Decrease)	
	Rs. in '000	Rupees/Ton	Rs. in '000	Rupees/Ton	Rupees/Ton	%
Packing material	120,480	377.57	136,993	388.87	(11.30)	(2.91)
Salaries, wages & benefits	3,754	9.66	3,661	8.75	0.91	10.42
Power	9,194	23.67	8,651	20.68	2.99	14.45
Repairs and maintenance	-	-	24	0.06	(0.06)	(100.00)
Depreciation	8,729	22.47	9,133	21.83	0.64	2.93
Insurance	717	1.85	804	1.92	(0.08)	(3.96)
Utility	99	0.25	97	0.23	0.02	9.91
Other overheads	18	0.05	1,550	3.71	(3.66)	(98.75)
Store and spares	3,008	7.74	2,536	6.06	1.68	27.73
Compressed air	537	1.38	442	1.06	0.33	30.83
Other factory expenses	37,711	97.07	34,927	83.49	13.59	16.27
	<b>184,247</b>	<b>474.28</b>	<b>198,818</b>	<b>475.25</b>	<b>(0.97)</b>	<b>(0.20)</b>

- Per tonne cost of packing material is calculated on the basis of cement packed into bags.
- There is no significant variance in total per tonne cost of packing as compared to last year.

**9. ROYALTY / TECHNICAL AID PAYMENTS**

	2013			2012		
	Consumption in Tonne	Rupees in '000	Rupees / Tonne	Consumption in Tonne	Rupees in '000	Rupees / Tonne
Limestone	496,546	7,448	15	483,927	7,259	15
Clay / Shale	72,292	651	9	67,037	604	9
		<b>8,099</b>			<b>7,863</b>	

- Royalty and excise duty are paid to the provincial government on the quantity of limestone, shale / clay consumed and transported to mill from quarries at statutory rates.

**10. ABNORMAL NON-RECURRING FEATURES****(a) Features affecting production**

= NONE =

**(b) Special expenses**

= NONE =



## 11. COST OF PRODUCTION

(As per Schedule-I attached)

	2 0 1 3			2 0 1 2			Increase / (Decrease) % Rs. P/Ton
	Qty. in Tonne	Rs. in 000	Rs. Per Ton	Qty. in Tonne	Rs. in 000	Rs. Per Ton	
<b>Cement</b>							
OPC	200,491	1,033,612	5,155	247,045	1,281,500	5,187	(1)
SRC	72,193	376,845	5,220	62,310	347,130	5,571	(6)
PBFSC	97,227	407,616	4,192	97,296	407,514	4,188	0
Class G Cement	408	2,189	5,365	150	811	5,407	(1)
Sub-total	370,319	1,820,262	4,915	406,801	2,036,955	5,007	(2)
GGBFS	19,046	57,090	2,997	10,545	28,087	2,664	13
<b>COST OF PRODUCTION</b>		<u>1,877,352</u>			<u>2,065,042</u>		

— Per tonne cost of production decreased mainly due to saving in cost of fuel consumption.

## 12. SALES

(As per Schedule-II attached)

	2 0 1 3			2 0 1 2			Increase / (Decrease) % Rs. P/Ton
	Qty. in Tonne	Rs. in '000	Rs. Per Ton	Qty. in Tonne	Rs. in '000	Rs. Per Ton	
<b>Local Sales (Cement)</b>							
OPC	191,347	1,172,044	6,125	170,338	917,463	5,386	14
SRC	72,136	452,155	6,268	62,421	352,624	5,649	11
PBFSC	96,539	555,787	5,757	97,983	496,694	5,069	14
Class G Cement	408	4,923	12,066	150	1,630	10,867	11
Sub-total	360,430	2,184,909	6,062	330,892	1,768,411	5,344	13
GGBFS	19,046	106,161	5,574	10,545	51,526	4,886	14
<b>Export Sales (Cement)</b>							
OPC	9,001	70,122	7,790	78,196	494,274	6,321	23
<b>TOTAL NET SALES</b>		<u>2,361,192</u>			<u>2,314,211</u>		

— *Export Sales*

Export sales were made to an African country - Sudan during the year under review.



13. PROFITABILITY / (LOSS)  
(As per Schedule-III attached)

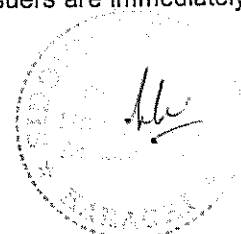
	2 0 1 3			2 0 1 2			Increase / (Decrease) % Rs. P/Ton
	Qty. in Tonne	Rs. in '000	Rs. Per Ton	Qty. in Tonne	Rs. in '000	Rs. Per Ton	
<b>Local (Cement)</b>							
OPC	191,347	75,607	395	170,338	(37,687)	(221)	(279)
SRC	72,136	33,273	461	62,421	(19,156)	(307)	(250)
PBFSC	96,539	96,271	997	97,983	44,465	454	120
Class G Cement	408	2,502	6,132	150	751	5,008	22
Sub-total	360,430	207,653	576	330,892	(11,627)	(35)	(1,740)
GGBFS	19,046	38,233	2,007	10,545	18,670	1,771	13
<b>Export (Cement)</b>							
OPC	9,001	11,158	1,240	78,196	(14,466)	(185)	(770)
<b>Profit / (loss) before taxation</b>		<b>257,044</b>			<b>(7,422)</b>		

## Remarks:

- The company earned profit due to better sales price and controlled cost of production.

#### 14. COST AUDITORS' OBSERVATIONS AND CONCLUSIONS

- (a) *Matters which appear to him to be clearly wrong in principle or apparently unjustifiable.*
- No such matters have so far come to our notice during the year.
- (b) *Cases where the company funds have been used in a negligent or inefficient manner.*
- NONE
- (c) *Factors which could have been controlled but have not been done resulting in increase in the cost of production.*
- Fuel and power consumption per ton of clinker / cement appear to be higher as compared to usual consumption norms.
- (d) (i) *The Adequacy or otherwise of Budgetary Control System, if any, in vogue in the company.*
- The company prepares its budget on annual basis. A quarterly report comparing actual results with budget is generated alongwith the reasons for major variances. On the basis of such variances corrective measures are initiated, implemented and followed up.
- (ii) *The scope and performance of Internal Audit, if any.*
- The internal audit function is looked after by a qualified auditor appointed by the company. The audit findings are reported to the audit committee and top management and corrective measures are immediately adopted wherever necessary.





**(e) Suggestion for improvements in performance.****(i) rectification of general imbalance in production facilities**

- Apparently, there is no general imbalance in production facilities.

**(ii) fuller utilization of installed capacity**

- The management may consider ways and means to increase production / sale to improve performance.

**(iii) Comments on areas offering scope for****(a) Cost reduction**

- Improvement in yield (output) rests in avoiding wastages in process.
- In order to keep the fuel consumption within normal limits the management may consider rectification in plant design.

**(b) Increased productivity**

- The productivity may be increased to utilize maximum plant capacity.

**(c) Key limiting factors causing production bottle necks**

- Inadequate power supply from WAPDA has been the key limiting factor in the first half of the year.

**(d) Improved inventory policies**

- Present inventory policies are reasonable.

**(e) Energy conservancy**

- Coal being the cheapest energy is used as against gas which is more costlier.

**(iv) State of technology**

- The company uses 'Dry Process' which is the latest technology in cement production.

**(v) Plant**

- The plant was new when installed.

**15. RECONCILIATIONS WITH FINANCIAL STATEMENTS**

- The cost accounts are reconciled with audited financial accounts for the year ended June 30, 2013 as per reconciliation statement annexed herewith.

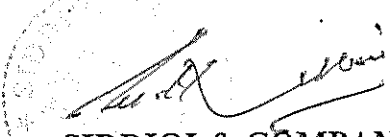
**16. COST STATEMENTS**

- Copies of all cost statements on the formats prescribed by Securities and Exchange Commission of Pakistan under clause (e) of sub-section (1) of section 230 of the Companies Ordinance, 1984, duly authenticated by the Chief Executive and Chief Financial Officer of the company, and verified by us are appended to the report.

**17. MISCELLANEOUS**

- Figures have been rounded off to nearest thousand. Previous year's figures have been re-arranged and regrouped where necessary to facilitate comparison.

Karachi : 14 OCT 2013



**SIDDIQI & COMPANY**  
Cost & Management Accountants

## Schedule-I

## COST OF PRODUCTION

Year : 2013

Quantitative Data	Quantity in Tonne					TOTAL
	CEMENT			Ground Slag	Class G Cement	
	OPC	SRC	PBFSC			
Production (Tonne)	200,491	72,193	97,227	19,046	408	389,365

Cost Elements	CEMENT			Ground Slag	Class G Cement	TOTAL
	OPC	SRC	PBFSC			
	Rs. in '000	Rs. in '000	Rs. in '000	Rs. in '000	Rs. in '000	Rs. in '000
Cost of sales	1,033,987	377,833	404,580	57,090	2,189	1,875,679
Finished goods (Inventory adjustment)	(375)	(988)	3,036	-	-	1,673
Cost of goods manufactured	1,033,612	376,845	407,616	57,090	2,189	1,877,352

Year : 2012

Quantitative Data	Quantity in Tonne					TOTAL
	CEMENT			Ground Slag	Class G Cement	
	OPC	SRC	PBFSC			
Production (Tonne)	247,045	62,310	97,296	10,545	150	417,346

Cost Elements	CEMENT			Ground Slag	Class G Cement	TOTAL
	OPC	SRC	PBFSC			
	Rs. in '000	Rs. in '000	Rs. in '000	Rs. in '000	Rs. in '000	Rs. in '000
Cost of sales	1,283,748	343,553	407,920	28,087	811	2,064,119
Finished goods (Inventory adjustment)	(2,248)	3,577	(406)	-	-	923
Cost of goods manufactured	1,281,500	347,130	407,514	28,087	811	2,065,042



## Schedule-II

## NET SALES REALIZATION

YEAR : 2013

a) Quantitative Data	Quantity in Tonne						
	LOCAL SALES					EXPORT SALES OPC	TOTAL
	CEMENT SALES			Ground Slag	Class G Cement		
OPC	SRC	PBFSC					
Total quantity sold	191,347	72,136	96,539	19,046	408	9,001	388,477

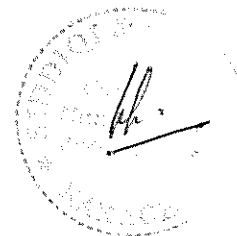
b) Net Sales Value	Rupees in '000						
	LOCAL SALES					EXPORT SALES OPC	TOTAL
	CEMENT SALES			Ground Slag	Class G Cement		
OPC	SRC	PBFSC					
Gross Sales	1,450,432	558,746	690,875	123,246	5,900	70,122	2,899,321
Less:							
Sales tax	201,849	77,748	96,473	17,085	814	-	393,969
Federal excise duty	76,539	28,843	38,615	-	163	-	144,160
	278,388	106,591	135,088	17,085	977	-	538,129
Net sales realization	1,172,044	452,155	555,787	106,161	4,923	70,122	2,361,192

YEAR : 2012

a) Quantitative Data	Quantity in Tonne						
	LOCAL SALES					EXPORT SALES OPC	TOTAL
	CEMENT SALES			Ground Slag	Class G Cement		
OPC	SRC	PBFSC					
Total quantity sold	170,338	62,421	97,983	10,545	150	78,196	419,633

b) Net Sales Value	Rupees in '000						
	LOCAL SALES					EXPORT SALES OPC	TOTAL
	CEMENT SALES			Ground Slag	Class G Cement		
OPC	SRC	PBFSC					
Gross Sales	1,163,460	445,783	632,997	59,597	1,630	494,274	2,797,741
Less:							
Sales tax	160,828	61,874	87,310	8,071	-	-	318,083
Federal excise duty	85,169	31,285	48,993	-	-	-	165,447
	245,997	93,159	136,303	8,071	-	-	483,530
Net sales realization	917,463	352,624	496,694	51,526	1,630	494,274	2,314,211



## Schedule-III

## PROFITABILITY

Year : 2013

Product wise Qty.	Qty. in Tonne						EXPORT OPC	TOTAL
	LOCAL							
	OPC	SRC	PBFSC	Ground Slag	Class G			
Quantity Sold (Tonne)	191,347	72,136	96,539	19,046	408	9,001	388,477	
Product wise profitability	Rs. in '000						EXPORT OPC	TOTAL
	LOCAL							
	OPC	SRC	PBFSC	Ground Slag	Class G			
Net Sales	1,172,044	452,155	555,787	106,161	4,923	70,122	2,361,192	
Less:								
Cost of goods manufactured	987,175	376,845	407,616	57,090	2,189	46,437	1,877,352	
Inventory adjustment (finished)	375	988	(3,036)	-	-	-	(1,673)	
Cost of goods sold	987,550	377,833	404,580	57,090	2,189	46,437	1,875,679	
Gross Profit	184,494	74,322	151,207	49,071	2,734	23,685	485,513	
Less:								
Selling & distribution	28,906	10,897	14,584	2,877	62	-	57,326	
Export expenses	-	-	-	-	-	8,765	8,765	
Admin. expenses	33,469	12,617	16,886	3,331	71	1,574	67,949	
Financial charges	40,915	15,425	20,643	4,073	87	1,925	83,067	
Other (income)	(11,974)	(4,514)	(6,041)	(1,192)	(26)	(563)	(24,310)	
Other charges	17,570	6,624	8,865	1,749	37	827	35,672	
	108,886	41,049	54,936	10,838	232	12,527	228,469	
Net profit before tax	75,607	33,273	96,271	38,233	2,502	11,158	257,044	

Year : 2012

Product wise Qty.	Qty. in Tonne						EXPORT OPC	TOTAL
	LOCAL							
	OPC	SRC	PBFSC	Ground Slag	Class G			
Quantity Sold (Tonne)	170,338	62,421	97,983	10,545	150	78,196	419,633	
Product wise profitability	Rs. in '000						EXPORT OPC	TOTAL
	LOCAL							
	OPC	SRC	PBFSC	Ground Slag	Class G			
Net Sales	917,463	352,624	496,694	51,526	1,630	494,274	2,314,211	
Less:								
Cost of goods manufactured	875,873	347,130	407,514	28,087	811	405,627	2,065,042	
Inventory adjustment (finished)	2,248	(3,577)	406	-	-	-	(923)	
Cost of goods sold	878,121	343,553	407,920	28,087	811	405,627	2,064,119	
Gross Profit	39,342	9,071	88,774	23,439	819	88,647	250,092	
Less:								
Selling & distribution	16,450	6,028	9,462	1,018	14	-	32,973	
Export expenses	-	-	-	-	-	75,303	75,303	
Admin. expenses	28,576	10,472	16,437	1,769	25	13,118	70,397	
Financial charges	39,171	14,354	22,532	2,425	34	17,982	96,498	
Other (income)	(8,233)	(3,017)	(4,736)	(510)	(7)	(3,780)	(20,283)	
Other charges	1,066	391	613	66	1	489	2,626	
	77,029	28,227	44,309	4,769	68	103,113	257,514	
Net profit before tax	(37,687)	(19,156)	44,465	18,670	751	(14,466)	(7,422)	

