

NINE MONTHS AND THIRD QUARTERLY REPORT 31 March, 2014




safe mix
Concrete Products Ltd.

SAFE MIX CONCRETE PRODUCTS LTD.

CONTENTS

| | |
|--|----|
| Company Information | 02 |
| Directors' Review | 03 |
| Condensed Interim Balance Sheet | 05 |
| Condensed Interim Profit and Loss Account (Un-audited) | 06 |
| Condensed Interim Statement of Comprehensive Income (Un-audited) | 07 |
| Condensed Interim Cash Flow Statement (Un-audited) | 08 |
| Condensed Interim Statement of Changes in Equity (Un-audited) | 09 |
| Notes to the Condensed Interim Financial Information | 10 |



Company Information

Board of Directors

Mr. Nasim Beg - Chairman
 Mr. Kashif A. Habib - Chief Executive Officer
 Air Chief Marshal Tanvir Ahmed NI (M) SBT (R)
 Mr. Asim Tiwana
 Mr. Nadir Ali
 Mr. Samad A. Habib
 Mr. Zeshan Afzal

Audit Committee

Air Chief Marshal Tanvir Ahmed NI (M) SBT (R) - Chairman
 Mr. Nasim Beg - Member
 Mr. Nadir Ali - Member

Human Resources & Remuneration Committee

Mr. Zeshan Afzal - Chairman
 Mr. Nadir Ali - Member

Company Secretary

Mr. Mohammad Immad Ali

Chief Financial Officer

Syed Muhammad Talha

Auditors

KPMG Taseer Hadi & Co.
 Chartered Accountants

Legal Advisor

Minto & Mirza
 Advocates & Corporate Counsel

Bankers

Bank Islami Pakistan Limited
 Habib Metropolitan Bank Limited
 The Bank of Punjab
 Bank Alfalah Limited

Registered Office

Plot # 1,6 sector # 26, Bilal Chowrangi Korangi Industrial Area, Karachi.
 Tel # +92 21 35074581
 Fax # +92 21 35074603
www.safemixlimited.com

Shares Registrar

THK Associates (Private) Limited
 Ground Floor, State Life Building No. 3,
 Dr. Ziauddin Ahmed Road
 Karachi

Directors' Review

The Board of Directors of Safe Mix Concrete Products Limited present herewith condensed financial statements for the nine months period ended and third quarter ended 31 March 2014.

Over view

The company was able to make profit after tax (PAT) of Rs 3.783 million. However, during the period under review, the revenue of the Company declined by 20.63% to Rs 379.240 million as compared to corresponding period last year. The decline is attributable to the fact that new competitors have entered into the market, thus reducing the market share of the company, and the company was undergoing major structural changes including changes in key management personnel. The company is expected to achieve better results in this regard in the next quarter by directing its available resources towards customer retention and availing new opportunities in the market.

Operating results

| | Nine Months Ended 31 st March | | Third Quarter Ended 31 st March | |
|------------------------|---|------------------|---|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | (-----Rupees-----) | | | |
| Profit before taxation | 1,271,198 | 9,249,059 | 575,090 | 4,595,597 |
| Taxation | 2,512,472 | (3,582,361) | 2,003,434 | (1,374,566) |
| Profit after taxation | <u>3,783,670</u> | <u>5,666,698</u> | <u>2,578,524</u> | <u>3,221,031</u> |

Earnings per share

Earnings per share for the period ended is Rs.0.19 per share as compared to earnings per share for the same period of the last year of Rs.0.28 per share.

Future Outlook

Development work undertaken by the government and enhanced spending by the private sector on construction activities have increased the demand in North and South sectors and therefore, we are hopeful to obtain better return to the shareholders in the near future. The Sindh Government has also supported the organized sector and makes it mandatory to use ready mix concrete for all Ground plus five buildings. To cater the demand, the Company has also purchased transit mixers in Karachi. This will not only increase delivery capacity of the company but also add more value to the company and for the shareholders.

Acknowledgement

The Company appreciates Sindh Government's progressive step to support the organized sector. This will improve the construction quality and efficiency and help to make the environment friendly. The



management of the Company 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. Further, we would also like to thank SECP and the management of KSE for their continued support and guidance.

For and on behalf of the Board

A handwritten signature in black ink, appearing to read 'Kashif', is positioned above the name 'Kashif Habib'.

Kashif Habib
Chief Executive Officer

Karachi: April 24, 2014

Safe Mix Concrete Products Limited

Condensed Interim Balance Sheet

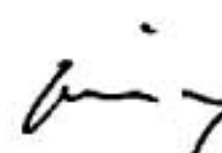
As at 31 March 2014

| | Note | Un-audited March 31, 2014 (-----Rupees-----) | Audited June 30, 2013 |
|---|------|---|-----------------------------|
| Non - current assets | | | |
| Property, plant and equipment | 5 | 210,964,721 | 183,493,759 |
| Long term deposits | | 9,120,980 | 3,411,340 |
| Deferred asset - taxation | | 11,565,425 | 5,260,556 |
| | | <u>231,651,126</u> | <u>192,165,655</u> |
| Current assets | | | |
| Stores and spares | | 3,480,068 | 3,335,631 |
| Stock in trade | | 11,738,444 | 14,652,635 |
| Trade debts | | 96,974,433 | 100,767,583 |
| Advances, prepayments and other receivables | | 6,433,017 | 3,168,653 |
| Tax refund due from Government | | 30,670,046 | 29,528,126 |
| Cash and bank balances | | 8,088,069 | 2,589,897 |
| | | <u>157,384,077</u> | <u>154,042,525</u> |
| Current liabilities | | | |
| Trade and other payables | | 90,003,737 | 93,968,074 |
| Accrued markup | | 1,647,952 | 1,770,864 |
| Short term running finance - secured | 6 | 53,674,299 | 37,814,670 |
| Current portion of liabilities against assets subject to finance lease | | 3,404,810 | 336,527 |
| | | <u>148,730,798</u> | <u>133,890,135</u> |
| Net current assets | | <u>8,653,279</u> | <u>20,152,390</u> |
| Non - current liabilities | | | |
| Liabilities against assets subject to finance lease | | 24,202,690 | - |
| | | <u>24,202,690</u> | <u>-</u> |
| | | <u>216,101,715</u> | <u>212,318,045</u> |
| Financed by: | | | |
| Share capital and reserves | | | |
| Authorized capital | | | |
| 35,000,000 ordinary shares of Rs 10 each | | 350,000,000 | 350,000,000 |
| Issued, subscribed and paid up capital | | 200,000,000 | 200,000,000 |
| Share premium | | 14,728,576 | 14,728,576 |
| Accumulated profit / (loss) | | 1,373,139 | (2,410,531) |
| | | <u>216,101,715</u> | <u>212,318,045</u> |
| Contingencies and commitments | 7 | | |

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



Chief Executive



Director



Safe Mix Concrete Products Limited

Condensed Interim Profit and Loss Account (Un-audited)

For the Nine months and Third quarter ended 31 March 2014

| | | 2014 | | 2013 | |
|-------------------------------------|------|--------------------|------------------|---------------|------------------|
| | Note | July to March | January to March | July to March | January to March |
| | | (-----Rupees-----) | | | |
| Revenue | | 379,239,669 | 125,301,959 | 477,800,826 | 161,369,321 |
| Cost of sales | 8 | (357,158,466) | (117,269,440) | (446,851,863) | (149,185,552) |
| Gross profit | | 22,081,203 | 8,032,519 | 30,948,963 | 12,183,769 |
| Selling and administrative expenses | | (18,574,081) | (6,699,907) | (19,426,466) | (6,381,873) |
| Operating profit | | 3,507,122 | 1,332,612 | 11,522,497 | 5,801,896 |
| Finance cost | | (5,483,606) | (1,814,448) | (7,077,735) | (2,257,216) |
| Other operating income | | 3,247,682 | 1,056,926 | 4,804,297 | 1,050,917 |
| Profit before taxation | | 1,271,198 | 575,090 | 9,249,059 | 4,595,597 |
| Taxation | | 2,512,472 | 2,003,434 | (3,582,361) | (1,374,566) |
| Profit after taxation | | 3,783,670 | 2,578,524 | 5,666,698 | 3,221,031 |
| Earnings per share-basic & diluted | | 0.19 | 0.13 | 0.28 | 0.16 |

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

Chief Executive

Director

Safe Mix Concrete Products Limited

Condensed Interim Statement of Comprehensive Income (Un-audited)

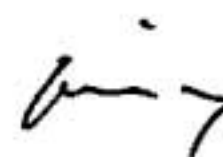
For the Nine months and Third quarter ended 31 March 2014

| | 2014 | | 2013 | |
|----------------------------|--------------------|------------------|------------------|------------------|
| | July to March | January to March | July to March | January to March |
| | (-----Rupees-----) | | | |
| Profit after taxation | 3,783,670 | 2,578,524 | 5,666,698 | 3,221,031 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive profit | <u>3,783,670</u> | <u>2,578,524</u> | <u>5,666,698</u> | <u>3,221,031</u> |

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



Chief Executive



Director



Safe Mix Concrete Products Limited

Condensed Interim Cash Flow Statement (Un-audited)

For the Nine months ended 31 March 2014

| | Note | July to March 2014 | July to March 2013 |
|---|------|--------------------------|--------------------------|
| | | (-----Rupees-----) | |
| Cash flow from operating activities | | | |
| Profit before taxation | | 1,271,198 | 9,249,059 |
| <i>Adjustments for non-cash items:</i> | | | |
| Depreciation | | 9,191,671 | 11,037,114 |
| Interest income | | (358,218) | (455,931) |
| Finance cost | | 5,483,606 | 7,077,735 |
| | | 14,317,059 | 17,658,918 |
| Operating profit before changes in working capital | | 15,588,257 | 26,907,977 |
| Changes in working capital | | | |
| (Increase) / decrease in current assets | | | |
| Trade debts | | 3,793,150 | (22,588,126) |
| Stock in trade | | 3,378,743 | 13,873,499 |
| Stores and spares | | (608,989) | 929,064 |
| Advances, deposits, prepayments and other receivables | | (3,264,364) | (1,378,986) |
| | | 3,298,540 | (9,164,549) |
| Decrease in current liabilities | | | |
| Trade and other payables | | (3,964,337) | (5,603,202) |
| Cash flow from operating activities | | 14,922,460 | 12,140,226 |
| | | | |
| Taxes paid | | (4,934,317) | (6,065,807) |
| Finance cost paid | | (5,606,518) | (7,263,127) |
| | | (10,540,835) | (13,328,934) |
| Net cash used in operating activities | | 4,381,625 | (1,188,708) |
| Cash flow from investing activities | | | |
| Fixed capital expenditure | | (9,055,133) | (9,945,692) |
| Interest income received | | 358,218 | 455,931 |
| Long term deposits | | (5,709,640) | 144,350 |
| Net cash used in investing activities | | (14,406,555) | (9,345,411) |
| Cash flow from financing activities | | | |
| Repayments of liabilities against assets subject to finance lease | | (336,527) | (1,664,662) |
| Net cash used in financing activities | | (336,527) | (1,664,662) |
| Net decrease in cash and cash equivalents | | (10,361,457) | (12,198,781) |
| Cash and cash equivalents at the beginning of the period | | (35,224,773) | (39,908,806) |
| Cash and cash equivalents at the end of the period | 10 | (45,586,230) | (52,107,587) |

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

Chief Executive

Director

Safe Mix Concrete Products Limited

Condensed Interim Statement of Changes in Equity (Un-audited)

For the Nine months ended 31 March 2014

| | Ordinary Share | Share Premium reserve | Accumulated Profit/(loss) | Total |
|---|---------------------------|-----------------------------|------------------------------|---------------------------|
| | (-----Rupees-----) | | | |
| Balance as at 30 June 2012 - Audited | 200,000,000 | 14,728,576 | (17,636,408) | 197,092,168 |
| Total comprehensive profit for the nine month period ended 31 March 2013 | - | - | 5,666,698 | 5,666,698 |
| Balance as at 31 March 2013 - Un-audited | <u>200,000,000</u> | <u>14,728,576</u> | <u>(11,969,710)</u> | <u>202,758,866</u> |
| Balance as at 30 June 2013 - Audited | 200,000,000 | 14,728,576 | (2,410,531) | 212,318,045 |
| Total comprehensive profit for the nine month period ended 31 March 2014 | - | - | 3,783,670 | 3,783,670 |
| Balance as at 31 March 2014 - Un-audited | <u>200,000,000</u> | <u>14,728,576</u> | <u>1,373,139</u> | <u>216,101,715</u> |

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



Chief Executive



Director



Safe Mix Concrete Products Limited

Notes to the Condensed Interim Financial Information (Un-audited)

For the Nine months ended 31 March 2014

1 Status and nature of business

Safe Mix Concrete Products Limited ("the Company") was incorporated on 04 April 2005 as Private Limited Company. Subsequently, it has been converted into Public Limited Company on 21 February 2007, in accordance with provisions of section 45 read with section 41(3) of the Companies Ordinance, 1984. On 16th March, 2010 the Company was listed on Karachi Stock Exchange. The principal activity of the Company is production and supply of ready mix concrete, building blocks and construction of prefabricated buildings, factories and other construction sites. The registered office of the Company is situated at plot No. 1-6, Sector 26, Korangi Industrial Area, Karachi, Pakistan.

2 Basis of preparation

Statement of compliance

This condensed interim financial information of the Company for the nine months period ended 31 March 2014 has been prepared in accordance with the requirements of the International Accounting Standard 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 the Companies Ordinance, 1984 have been followed.

This condensed interim financial information is being submitted to the shareholders as required by Section 245 of the Companies Ordinance , 1984.

3 Estimates

The preparation of the condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing the condensed interim financial information, the significant judgments made by the management in applying accounting policies, key estimates and uncertainty includes:

- Residual value and useful life estimation of fixed assets
- Taxation
- Provisions and contingencies

4 Significant accounting policies

- 4.1** The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in preparation of the financial statements for the year ended 30 June 2013.

- 4.2** Amendments to certain existing standards and new interpretations on approved accounting standards effective during the period either were not relevant to the Company's operations or did not have any significant impact on the accounting policies of the Company.

| | | Un-audited March 31, 2014 | Audited June 30, 2013 |
|---|---|---------------------------------|-----------------------------|
| | Note | (-----Rupees-----) | |
| 5 | Property, plant and equipment - owned & leased | | |
| Operating fixed assets | 5.1 | 204,708,487 | 183,493,759 |
| Capital work in progress | | 6,256,234 | 639,555 |
| | | <u>210,964,721</u> | <u>184,133,314</u> |
| 5.1 | Operating fixed assets | | |
| Opening book value | | 183,493,759 | 188,070,778 |
| Add: Additions during the period / year | 5.2 | 30,406,399 | 12,597,938 |
| Less: Assets written off - net book value | | - | (2,006,264) |
| Depreciation charged during the period / year | | (9,191,671) | (15,168,693) |
| Closing book value | | <u>204,708,487</u> | <u>183,493,759</u> |
| 5.2 | Break-up of additions | | |
| <i>Owned assets:</i> | | | |
| Plant and machinery | | 1,873,313 | 11,730,804 |
| Buildings | | 39,583 | 160,000 |
| Project temporary civil works | | 9,595 | 489,783 |
| Vehicles | | - | 54,000 |
| Electrical equipment | | 9,500 | - |
| Office Equipment | | - | 11,000 |
| Computers | | 166,908 | 152,351 |
| | | <u>2,098,899</u> | <u>12,597,938</u> |
| <i>Leased assets:</i> | | | |
| Plant and machinery | | 26,700,000 | - |
| Vehicles | | 1,607,500 | - |
| | | <u>28,307,500</u> | <u>12,761,289</u> |



| | Limit in millions of Rupees | Note | Un-audited March 31, 2014 (-----Rupees-----) | Audited June 30, 2013 |
|--|-----------------------------------|------|---|-----------------------------|
| 6 Short term running finance- secured | | | | |
| The Bank of Punjab | 70 | 6.1 | <u>53,674,299</u> | <u>37,814,670</u> |

6.1 This represents utilized portion of short term running finance facility available from the Bank of Punjab under mark up arrangements. This facility is secured by way of first exclusive charge over non current and current assets of the Company for Rs. 93.5 million registered with Securities and Exchange Commission of Pakistan. It carries mark up at the rate of 3 months average Karachi Inter Bank Offer Rate (KIBOR) plus 200 bps.

7 Contingencies and commitments

7.1 Contingencies

7.1.1 Building blocks of cement including ready mix concrete blocks were exempt from levy of sales tax by Federal Board of Revenue (" FBR ") vide an amendment by Finance Act 2008 in Serial No. 35 of Table 1 of the Sixth Schedule read with section 13 (1) of the Sales Tax Act, 1990 (" Act "). However, Sales tax audit of the Company was initiated vide letter No 505-5 on 21 December 2010 for tax period 2007-08. As a consequence audit observations were issued vide letter dated 14 January 2011 involving a sales tax liability amounting to Rs. 105.257 million. Resultantly, the Company applied to the Honorable Lahore High Court (" Court ") against the Sales tax audit on the grounds that it is exempt from levy of sales tax under Serial No. 35 of Table 1 of Sixth Schedule of the Act. A stay order was granted by the Court on 24th January 2011 and since then there has been no development in this case. The Company is confident that it has a strong case and the outcome will be in favor of the Company.

7.1.2 During the last year FBR vide Finance Act 2011 withdrew amendment of Serial No.35 of Table 1 of the Sixth Schedule of the Act with effect from 04 June 2011. However, the Management is of the view that ready mix concrete is still exempt from levy of sales tax based on the fact that the said tax is levied on construction services and supply of goods whereas sale of concrete is neither a construction service nor supply of goods under section 2 (39) of the Act and hence not taxable. The Company has taken up the matter with FBR and has made comprehensive representations in this regard. However, in case of adverse decision of the case, an estimated sale tax liability amounting to Rs. 145.648 million may arise up to the date of Condensed interim Balance Sheet . Based on the negotiations with FBR and the legal opinion, the management is expecting a favorable outcome and accordingly no provision in this respect has been made in these financial statements.

7.1.3 The Sindh High Court ("the Court") in the case of 'Kasim textile' in its order of 09 May 2013 has held that benefit of carry forward of minimum tax under section 113 of the Income Tax Ordinance, 2001 is only available if tax payable in a tax year is less than minimum tax paid. If in a tax year, a

company has assessed losses on which no tax is payable, the company forgoes the right to carry forward minimum tax paid in that year. In the light of this order, the company is not entitled to carry forward minimum tax paid in the current period and prior tax years of Rs. 15.846 million as a result of assessed tax losses in these years and adjust it against normal tax liability. Also in the case of refunds claimed in any year, those would also be adjusted accordingly. However, the management is of the view that the verdict has been challenged in the Supreme Court and that they are waiting for the final outcome and accordingly no adjustment has been made in the financial statements in this respect.

7.2 Commitments

There were no significant commitments at the balance sheet date (30 June 2013: Nil).

| | 2014 | | 2013 | |
|------------------------------------|--------------------------------|-----------------------------------|--------------------------------|-----------------------------------|
| | Un-audited July to March | Un-audited January to March | Un-audited July to March | Un-audited January to March |
| | (-----Rupees-----) | | | |
| 8 Cost of sales | | | | |
| Raw material and stores consumed | 254,959,297 | 83,833,312 | 328,533,755 | 107,109,745 |
| Salaries, wages and other benefits | 26,935,187 | 8,504,111 | 28,101,034 | 10,326,858 |
| Depreciation | 8,655,958 | 3,003,879 | 10,362,622 | 3,757,289 |
| Fuel and power | 42,849,290 | 14,863,958 | 56,560,316 | 18,901,796 |
| Repair and maintenance | 5,943,931 | 2,330,242 | 6,841,524 | 2,292,585 |
| Sample testing | 61,809 | 47,500 | 225,241 | 39,105 |
| Equipment hiring charges | 8,962,040 | 2,629,905 | 9,962,524 | 4,355,664 |
| Carriage and freight | 3,525,700 | - | 452,586 | 53,100 |
| Land rent and commission | 4,138,826 | 1,599,326 | 3,615,000 | 1,620,000 |
| Security expenses | 176,280 | - | 318,191 | 105,291 |
| Insurance expenses | 950,148 | 457,207 | 1,879,071 | 624,119 |
| | <u>357,158,466</u> | <u>117,269,440</u> | <u>446,851,863</u> | <u>149,185,552</u> |

9 Transactions with related parties

Related parties comprise associated undertakings and key management personnel. The Company in the normal course of business carries out transactions with various related parties.



Detail of transactions with related parties are as follows:

| | Un-audited July to March 31, 2014 (-----Rupees-----) | Un-audited July to March 2013 |
|--|--|--|
| 9.1 Transactions with related parties | | |
| Associated Companies: | | |
| <i>ABE Pak (Private) Limited</i> | | |
| Purchase of goods | - | 1,722,300 |
| Sale of goods | - | 88,000 |
| <i>Power Cement Limited</i> | | |
| Purchase of cement | 30,869,417 | - |
| <i>Kaizen Construction (Pvt.) Ltd.</i> | | |
| Sale of goods | 5,557,208 | 459,953 |
| Purchase of goods | 776,976 | - |
| Key management personnel | | |
| Remuneration of Key management Personnel | 13,750,788 | 9,224,648 |
| 10 Cash and cash equivalent | | |
| Cash and bank balances | 8,088,069 | 10,700,469 |
| Short term borrowings | (53,674,299) | (62,808,056) |
| | <u>(45,586,230)</u> | <u>(52,107,587)</u> |
| 11 Operating segments | | |

The financial information has been prepared on the basis of a single reportable segment.

11.1 100% (2013: 100%) of the gross sales of the Company are made to customers located in Pakistan.

11.2 All non-current assets of the Company as at 31 March 2014 are located in Pakistan.

12 Date of authorization for issue

The Condensed Interim financial statements (un-audited) were authorized for issue on April 24, 2014 by the board of directors of the Company.

13 General

13.1 The figures have been rounded off to nearest rupee.



Chief Executive



Director



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