

# QUARTERLY REPORT 30 September, 2014



  
**safe mix**  
Concrete Products Ltd.

**SAFE MIX CONCRETE PRODUCTS LTD.**



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## 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. Kashif A. Habib - Member  
Mr. Nadir Ali - Member

### Company Secretary

Mr. Mohammad Immad Ali

### Chief Financial Officer

Syed Muhammad Talha

### 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](http://www.safemixlimited.com)

### Shares Registrar

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

\*During the quarter, Mr. Zeshan Afzal resigned as director from the company on September 01, 2014.

## Directors' Review Report

The Board of Directors of Safe Mix Concrete Products Limited present herewith condensed interim financial statements for the first quarter ended September 30, 2014.

### Overview

During the quarter under review, the Company successfully increased its revenue by 20.32% to Rs 169.845 million, as compared to revenue of Rs 141.160 million in corresponding period last year. However, the Company continued to remain under pressure due to ever increasing basic raw material prices, reducing margins and liquidity problems in the market, affecting achievement of desired results and thus earning profit after tax (PAT) of Rs 0.631 million as against Rs 0.201 million in corresponding period last year. Growth in ready mix industry resulting from increased construction activity in the country is expected to improve profit margins and yield higher return for the stakeholders. Further, the Company is continuously focusing on its cost saving strategy in order to achieve better results.

### Operating results

	Quarter Ended September 30,	
	2014	2013
	(-----Rupees-----)	
Profit / (Loss) before taxation	323,000	(302,415)
Taxation	308,647	503,538
Profit after taxation	<u>631,647</u>	<u>201,123</u>

### Earnings per share

Earnings per share for the first quarter ended amounted to Rs.0.03 per share as compared to earnings per share for the corresponding period of the last year of Rs.0.01 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 made it mandatory to use ready mix concrete for all Ground plus five buildings. The Company looks forward to avail this opportunity and adopt such strategies that will bring fruitful results to the Company.

### Acknowledgement

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



Kashif Habib  
Chief Executive Officer

Karachi: October 30, 2014

## Safe Mix Concrete Products Limited Condensed Interim Balance Sheet

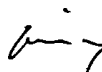
As at 30 September 2014

	<i>Note</i>	Un-audited September 30, 2014 (-----Rupees-----)	Audited June 30, 2014
<b>Non - current assets</b>			
Property, plant and equipment	5	211,453,012	211,919,457
Long term deposits		10,312,660	9,783,300
Deferred tax asset		<u>8,356,819</u>	<u>6,349,716</u>
		230,122,491	228,052,473
<b>Current assets</b>			
Stores, spare parts and loose tools		4,318,795	4,926,416
Stock in trade		13,155,662	18,068,912
Trade debts		110,990,345	110,943,597
Advances, prepayments and other receivables		9,971,099	8,332,767
Taxation - net		38,862,939	40,542,243
Cash and bank balances		<u>502,789</u>	<u>2,633,637</u>
		177,801,629	185,447,572
<b>Current liabilities</b>			
Trade and other payables		90,678,750	89,259,672
Accrued markup		1,804,289	1,778,932
Short term running finance - secured	6	55,720,494	62,531,496
Current portion of liabilities against assets subject to finance lease		<u>3,649,550</u>	<u>3,533,464</u>
Loan from Related party		8,500,000	8,500,000
		<u>160,353,083</u>	<u>165,603,564</u>
<b>Net current assets</b>		17,448,546	19,844,008
<b>Non - current liabilities</b>			
Liabilities against assets subject to finance lease		22,302,694	23,259,785
<b>Net Assets</b>		<u>225,268,343</u>	<u>224,636,696</u>
<b>Financed by:</b>			
<b>Share capital and reserves</b>			
Authorized capital			
35,000,000 ordinary shares of Rs 10 each		<u>350,000,000</u>	<u>350,000,000</u>
Issued, subscribed and paid up capital		200,000,000	200,000,000
Share premium		14,728,576	14,728,576
Accumulated profit		<u>10,539,767</u>	<u>9,908,120</u>
		<u>225,268,343</u>	<u>224,636,696</u>
Contingencies and commitments	7		

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



Chief Executive



Director

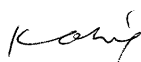
## Safe Mix Concrete Products Limited

### Condensed Interim Profit and Loss Account (Un-audited)

For the quarter ended 30 September 2014

	<i>Note</i>	Quarter ended 30 September 2014	Quarter ended 30 September 2013
-----Rupees-----			
Revenue		169,845,604	141,160,375
Cost of sales	8	(158,752,871)	(135,756,264)
Gross profit		<u>11,092,733</u>	<u>5,404,111</u>
Selling & administrative expenses		<u>(8,685,107)</u>	<u>(5,391,198)</u>
Operating profit		2,407,626	12,913
Finance cost		(2,488,902)	(1,516,866)
Other operating income		<u>404,276</u>	<u>1,201,538</u>
Profit / (Loss) before taxation		323,000	(302,415)
Provision for taxation		308,647	503,538
Profit after taxation		<u><u>631,647</u></u>	<u><u>201,123</u></u>
Earnings per share - basic and diluted		<u>0.03</u>	<u>0.01</u>

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



Chief Executive



Director

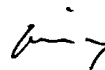
**Safe Mix Concrete Products Limited**  
**Condensed Interim Statement of Comprehensive**  
**Income (Un-audited)**  
 For the quarter ended 30 September 2014

	Quarter ended 30 September 2014	Quarter ended 30 September 2013
	-----Rupees-----	
Profit after taxation	631,647	201,123
Other comprehensive income	-	-
Total comprehensive income for the period	<u>631,647</u>	<u>201,123</u>

The annexed notes 1 to 14 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 quarter ended 30 September 2014

	<i>Note</i>	Quarter ended 30 September 2014	Quarter ended 30 September 2013
-----Rupees-----			
Cash inflow / (outflow) from operating activities	10	11,186,051	(13,613,051)
Taxes paid		(19,152)	(2,646,141)
Finance cost paid		(2,463,545)	(1,777,365)
Net cash inflow / (outflow) from operating activities		<u>8,703,354</u>	<u>(18,036,557)</u>
Cash flow from investing activities			
Fixed capital expenditure		(2,755,801)	(1,621,930)
Long term deposits		(529,360)	298,000
Interest received		102,966	99,255
Net cash outflow from investing activities		<u>(3,182,195)</u>	<u>(1,224,675)</u>
Cash flow from financing activities			
Repayment of liabilities against assets subject to finance lease		(841,005)	(336,527)
Net cash outflow from financing activities		<u>(841,005)</u>	<u>(336,527)</u>
Net increase / (decrease) in cash and cash equivalents		4,680,154	(19,597,759)
Cash and cash equivalents at beginning of the period		(59,897,859)	(35,224,773)
Cash and cash equivalents at the end of the period	11	<u>(55,217,705)</u>	<u>(54,822,532)</u>

The annexed notes 1 to 14 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 quarter ended 30 September 2014

	Issued, subscribed and paid-up capital	Share Premium reserve	Accumulated Profit/(loss)	Total
	(-----Rupees-----)			
Balance as at 30 June 2013	200,000,000	14,728,576	(2,410,531)	212,318,045
Changes in equity for the quarter ended 30 September 2013				
Total comprehensive income for the quarter ended 30 September 2013	-	-	201,123	201,123
Balance as at 30 September 2013	<u>200,000,000</u>	<u>14,728,576</u>	<u>(2,209,408)</u>	<u>212,519,168</u>
Total comprehensive income for the nine months period ended 30 June 2014	-	-	12,117,528	12,117,528
Balance as at 30 June 2014	<u>200,000,000</u>	<u>14,728,576</u>	<u>9,908,120</u>	<u>224,636,696</u>
Changes in equity for the quarter ended 30 September 2014				
Total comprehensive income for the quarter ended 30 September 2014	-	-	631,647	631,647
Balance as at 30 September 2014	<u><u>200,000,000</u></u>	<u><u>14,728,576</u></u>	<u><u>10,539,767</u></u>	<u><u>225,268,343</u></u>



Chief Executive



Director

# Safe Mix Concrete Products Limited

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

For the quarter ended 30 September 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 was 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 16 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

The condensed interim financial information have 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 2014.

### 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

### 4 Significant accounting policies

The accounting policies and methods of computation adopted in the preparation of the condensed interim financial information are the same as those applied in preparation of preceding annual financial statements for the year ended 30 June, 2014 and stated therein.

	<i>Note</i>	Un-audited September 30, 2014	Audited June 30, 2014
		(-----Rupees-----)	
5	Property, plant and equipment		
	Opening book value	211,919,457	183,493,759
	Add: Additions during the period	5.1 2,755,801	42,613,289
	Less: Depreciation charged during the period	(3,222,246)	(12,942,374)
	Disposals during the period - net book value	-	(1,245,217)
		<u>211,453,012</u>	<u>211,919,457</u>

## 5.1 Break-up of additions - at cost

*Owned*

Building	-	84,583
Project temporary civil works	-	9,595
Plant and machinery	2,717,601	2,001,703
Furniture and fixtures	36,550	-
Computers	-	407,157
Electrical equipment	-	61,105
Office equipment	1,650	23,958
	<u>2,755,801</u>	<u>2,588,101</u>

*Leased*

Plant and machinery	-	27,984,000
Vehicles	-	1,661,325
	-	29,645,325
	<u>2,755,801</u>	<u>32,233,426</u>

*Limit in  
millions of  
Rupees*

## 6 Short term running finance - secured

The Bank of Punjab	70	6.1	<u>55,720,494</u>	<u>62,531,496</u>
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6.1 This represents utilized portion of short term running finance facility available from the Bank of Punjab under mark-up arrangement. This facility is secured by way of first exclusive charge on all present and future 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 KIBOR plus 200 bps (2014: 3 months average KIBOR plus 200 bps) per annum payable on quarterly basis.

## 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 ("the 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 certain 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 ("the 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 24 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 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. The companies exposure in this respect amounts to Rs. 170.965 million for tax years 2012-2014. Based on the legal opinion, the management is expecting a favourable outcome and accordingly no provision in this respect has been made in these financial statements.
- 7.1.3 Section 113(2)(c) of the Income Tax Ordinance, 2001 was interpreted by a Divisional Bench of the Sindh High Court (SHC) in the Income Tax Reference Application (ITRA) No. 132 of 2011 dated 7 May 2013, whereby it was held that the benefit of carry forward of minimum tax is only available in the situation where the actual tax payable (on the basis of net income) in a tax year is less than minimum tax. Therefore, where there is no tax payable, interalia, due to brought forward tax losses, minimum tax could not be carried forward for adjustment with future tax liability. The Company has carried forward minimum tax of current and previous years amounting to Rs. 23.300 million and the Company expects to adjust the amount against the future taxable profits. The management is of the view that the interpretation of SHC has been challenged in the Supreme Court of Pakistan and they are waiting for its final outcome.

	Un-audited September 30 2014	Un-audited September 30 2013
	(-----Rupees-----)	
<b>8 Cost of sales</b>		
Raw material and stores consumed	121,864,723	101,058,942
Salaries, wages and other benefits	10,836,474	9,397,175
Depreciation	2,994,267	2,837,956
Fuel and power	16,564,861	15,680,029
Repair and maintenance	2,962,900	1,884,713
Sample testing	179,430	6,334
Equipment hiring charges	1,545,913	3,646,115
Land rent and commission	1,319,499	1,245,000
Carriage and freight	77,816	-
Insurance expenses	406,988	-
	<u>158,752,871</u>	<u>135,756,264</u>
<b>9 Transactions with related parties</b>		
Associated Companies:		
Kaizen Construction (Pvt) Limited:		
Sale of goods	-	1,136,647
Javedan Corporation Limited:		
Sale of goods	149,411	-
Power Cement Limited:		
Purchase of goods	605,846	15,633,937

	Un-audited September 30 2014	Un-audited September 30 2013
	(-----Rupees-----)	
<b>10 Cash inflow / (outflow) from operating activities</b>		
Profit / (Loss) before taxation	323,000	(302,415)
Adjustments of items not involving movement of cash:		
Depreciation	3,222,246	3,031,476
Interest income	(102,966)	(99,255)
Finance cost	2,488,902	1,516,866
	<u>5,608,182</u>	<u>4,449,087</u>
Operating profit before working capital changes	5,931,182	4,146,672
Adjustments for working capital items:		
(Increase) / decrease in current assets		
Trade debts	(46,748)	(2,781,834)
Stock in trade	4,913,250	487,713
Stores, spare parts and loose tools	607,621	(272,324)
Advances, prepayments and other receivables	(1,638,332)	(5,751,756)
Increase / (decrease) in current liabilities		
Trade and other payables	1,419,078	(9,441,522)
	<u>5,254,869</u>	<u>(17,759,723)</u>
Cash inflow / (outflow) from operating activities	<u><u>11,186,051</u></u>	<u><u>(13,613,051)</u></u>
<b>11 Cash and cash equivalents</b>		
Cash and bank balances	502,789	30,196
Short term borrowings	(55,720,494)	(54,852,728)
	<u><u>(55,217,705)</u></u>	<u><u>(54,822,532)</u></u>
<b>12 Date of authorization for issue</b>		
The condensed interim financial information were authorized for issue on October 30, 2014 by the board of directors of the Company.		
<b>13 Corresponding figures</b>		
Corresponding figures have been re-arranged, where necessary, for the purpose of comparison.		
<b>14 General</b>		
The figures have been rounded off to nearest rupee.		



Chief Executive



Director

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# BOOK POST

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