

safe mix

Concrete Limited



Nine Months Report
March 31, 2020



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Directors' Review Report

The Board of Directors of Safe Mix Concrete Limited presents herewith Condensed Interim Financial Information of the Company for the nine months ended 31st March 2020.

Over view

During the period under review the Company recorded a sale of PKR 299.60 million as compared to PKR 743.33 million in the corresponding period. The sale over the corresponding period has decreased significantly as a result of overall slowdown in real estate sector over the past 18 to 24 months mostly due to government stabilization factors and documentation drive of real estate sector. The cost of sale for the period has remained at PKR 335.23 million as compared to PKR 687.71 million. Due to significant decrease in sale for the period the Company has recorded a Gross loss of PKR 35.62 million. Further during the period the Company also recorded an impairment loss of PKR 45.126 million (on one of its batching plant). This together with a gross loss has resulted in a Loss after Tax of PKR 86.83 million for the period as compared to profit after tax of PKR 21.12 million in the corresponding period.

Summary of operating results

	July to March 2020	January to March 2020	July to March 2019	January to March 2019
(Loss) / Profit before taxation	(97,541,138)	(66,158,748)	30,628,064	17,170,045
Taxation	10,657,629	13,578,031	(9,516,063)	(3,965,031)
(Loss) / Profit after taxation	(86,883,509)	(52,580,717)	21,112,001	13,205,014

Future Outlook

Currently the overall Economy is battling with COVID – 19 (Global Pandemic) which has created unprecedented uncertainty. The quantum and duration of disturbance are still to be determined. And it is eminent the economy will slow down significantly.

However, the recently announced construction package by the Federal Government is expected to provide some stimulus for the real estate sector which will have a direct positive effect on our industry/company. Though the next one or two quarter may continue to be severely affected due to lockdown, yet going forward from the commencement of next calendar year we expect considerable activity in real estate and construction sector under the pretext of construction package being announced by the Federal Government which should be followed by necessary changes at provincial level in order to achieve the full intended potential of the construction/real estate sector package.

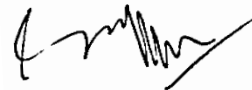
Acknowledgement

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 PSX for their continued support and guidance.

For and on behalf of the Board



Samad Habib
Chief Executive



Syed Najmudduja Jaffri
Chairman

Karachi: April 29, 2020

Safe Mix Concrete Limited
Condensed Interim Balance Sheet (Un-audited)
As at March 31, 2020

	<i>Note</i>	Un-audited 31 March 2020	Audited 30 June 2019
Rupees			
Non - current assets			
Property, plant and equipment	6	197,288,920	249,491,518
Long term deposits		25,817,330	28,722,030
Deferred taxation		82,186,100	67,034,421
		305,292,350	345,247,969
Current assets			
Stores, spare parts and loose tools		6,040,471	5,668,874
Stock in trade		76,920,598	53,118,037
Trade debts		121,175,345	122,915,602
Advances, prepayments and other receivables		37,650,883	44,265,373
Taxation - net of provision		32,617,749	34,523,233
Cash and bank balances		1,476,062	2,735,321
		275,881,108	263,226,440
Total assets		581,173,458	608,474,409
Equity and Liabilities			
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		250,000,000	250,000,000
Share premium		14,728,576	14,728,576
Accumulated loss		(163,463,652)	(76,580,143)
		101,264,924	188,148,433
Liabilities			
Non - current liabilities			
Long term financing - secured	7	9,363,182	21,044,135
Staff retirement benefits		6,758,618	6,937,495
Deferred income		-	1,120,000
		16,121,800	29,101,630
Current liabilities			
Trade and other payables		352,056,821	267,198,223
Current portion of deferred income		1,960,000	3,360,000
Current portion of long term financing	7	20,561,688	29,653,996
Loan from related party		87,000,000	90,000,000
Accrued markup		2,208,225	1,012,127
		463,786,734	391,224,346
Contingencies and commitments	8	581,173,458	608,474,409

The annexed notes form an integral part of these financial statements.



ABDUS SAMAD
Chief Executive Officer



MUNEER GADER
Chief Finance Officer



KASHIF HABIB
Director

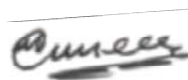
Safe Mix Concrete Limited
Condensed Interim Profit and Loss Account (Un-audited)
For the third quarter ended March 31, 2020

	Note	July to March (Nine Months)		January to March (3 Months)	
		2020	2019	2020	2019
		Rupees		Rupees	
Revenue		299,603,319	743,329,198	75,811,049	227,290,965
Cost of sales	9	(335,227,722)	(687,705,671)	(90,652,916)	(202,416,087)
Gross (loss) / profit		(35,624,403)	55,623,527	(14,841,867)	24,874,878
Selling and administrative expenses		(15,415,503)	(23,298,977)	(3,356,330)	(7,389,902)
Operating (loss) / profit		(51,039,906)	32,324,550	(18,198,197)	17,484,976
Finance cost		(9,138,308)	(8,935,613)	(3,371,569)	(3,050,271)
Loss on Impairment of fixed assets	6.2	(45,126,229)	-	(45,126,229)	-
Other operating income		7,763,305	7,239,127	537,248	2,735,340
(Loss) / Profit before taxation		(97,541,138)	30,628,064	(66,158,747)	17,170,045
Provision for taxation		10,657,629	(9,516,063)	13,578,031	(3,965,031)
(Loss) / Profit after taxation		(86,883,509)	21,112,001	(52,580,716)	13,205,014
(Loss) / Profit per share - basis and diluted		(3.48)	0.84	(2.10)	0.53

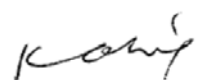
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ABDUS SAMAD
Chief Executive Officer



MUNEER GADER
Chief Finance Officer




KASHIF HABIB
Director

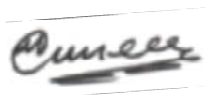
Safe Mix Concrete Limited
 Condensed Interim Statement of Comprehensive Income (un-audited)
 For the third quarter ended March 31, 2020

	July to March (Nine Months)		January to March (3 Months)	
	2020	2019	2020	2019
	-----Rupees-----			
(Loss) / Profit after taxation	(86,883,509)	21,112,001	(52,580,716)	13,205,014
Other comprehensive loss - net of tax	-	-	-	-
Total comprehensive (loss) / income for the period	(86,883,509)	21,112,001	(52,580,716)	13,205,014

The annexed notes form an integral part of these financial statements.



ABDUS SAMAD
 Chief Executive Officer



MUNEER GADER
 Chief Finance Officer

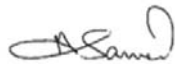


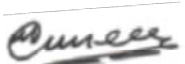
KASHIF HABIB
 Director

Safe Mix Concrete Limited
Condensed Interim Statement of Cash Flows (Un-audited)
For the third quarter ended March 31, 2020

	2020	2019
Cash flow from operating activities	(Rupees)	
Profit / (Loss) before taxation	(97,541,138)	30,628,064
Adjustments for:		
Depreciation	11,625,180	13,537,928
Loss on Impairment of fixed assets	45,126,229	-
Markup income	(174,042)	(719,211)
Gain on sale of fixed assets	-	(218,223)
Provision for staff benefits	2,049,834	1,304,154
Amortization of deferred income	(2,520,000)	(2,520,000)
Finance cost	9,138,308	8,935,613
	65,245,509	20,320,261
	(32,295,629)	50,948,325
Changes in working capital		
<i>(Increase) / decrease in current assets:</i>		
Stores and spares	(371,597)	(9,698)
Stock in trade	(23,802,561)	11,268,202
Trade debts	1,740,257	(190,137,987)
Advances, prepayments and other receivables	6,614,490	42,637,189
	(15,819,411)	(136,242,294)
<i>Increase / (decrease) in current liabilities:</i>		
Trade and other payables	84,858,598	94,900,840
Cash flow from operating activities	36,743,558	9,606,871
Taxes paid	(2,588,565)	(3,743,156)
Finance cost paid	(7,942,210)	(8,765,498)
Gratuity paid	(2,228,711)	(2,070,847)
	(12,759,487)	(14,579,501)
Net cash generated / (used) in operating activities	23,984,071	(4,972,630)
Cash flow from investing activities		
Capital expenditure incurred	(4,548,811)	(3,179,411)
Proceeds from sale of fixed assets	-	715,000
Long term deposits paid	2,904,700	719,211
Markup received	174,042	(143,600)
Net cash used in investing activities	(1,470,069)	(1,888,800)
Cash flow from financing activities		
Net Proceeds from long term financing	(20,773,261)	(10,908,900)
Net Proceeds from Loan from related party	(3,000,000)	15,000,000
Net cash generated from financing activities	(23,773,261)	4,091,100
Net (decrease) / increase in cash and cash equivalents	(1,259,258)	(2,770,330)
Cash and cash equivalents at beginning of the year	2,735,321	4,371,758
Cash and cash equivalents at end of the period	1,476,063	1,601,428

The annexed notes form an integral part of these financial statements.


ABDUS SAMAD
Chief Executive Officer


MUNEER GADER
Chief Finance Officer


KASHIF HABIB
Director

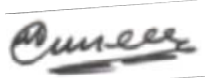
Safe Mix Concrete Limited
Condensed Interim Statement of Changes in Equity (Un-audited)
For the third quarter ended March 31, 2020

	Issued, subscribed and paid up capital	Share premium reserve	Accumulated (loss) / profit	Total
	-----Rupees-----			
Balance as at July 01, 2018	250,000,000	14,728,576	(26,034,366)	238,694,210
Total comprehensive income for the nine months ended March 31, 2019	-	-	12,879,435	12,879,435
Balance as at 31 March 31, 2019	250,000,000	14,728,576	(13,154,931)	251,573,645
Balance as at July 01, 2019	250,000,000	14,728,576	(76,580,143)	188,148,433
Total comprehensive income for the nine months ended March 31, 2020	-	-	(86,883,509)	(86,883,509)
Balance as at March 31, 2020	250,000,000	14,728,576	(163,463,652)	101,264,924

The annexed notes form an integral part of these financial statements.



ABDUS SAMAD
Chief Executive Officer



MUNEER GADER
Chief Finance Officer



KASHIF HABIB
Director

Safe Mix Concrete Limited
Notes to the Financial Statements
For the period ended 31 March 2020

1 STATUS AND NATURE OF BUSINESS

Safe Mix Concrete 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 the 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.

The manufacturing facilities of the company are situated at the following addresses:

- Plot no. 1 - 6, Sector 26, Korangi Industrial Area, Karachi, Pakistan.
- Naya Nazimabad, Karachi.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017. Where the provisions of and directives issued under the Companies Act 2017 differ from IFRS Standards, the provisions of and directives issued under the Companies Act 2018 have been followed.

2.2 These condensed financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the audited annual financial statements of the Company for the year ended 30 June 2019.

2.3 The comparative condensed statement of financial position presented in these condensed interim financial statements have been extracted from the audited annual financial statements of the Company for the year ended 30 June 2019, whereas the cash flows and condensed statement changes in equity are extracted from the unaudited condensed interim financial statements for the period ended 31 March 2019.

These condensed interim financial statements are un-audited and are submitted to the shareholders as required by listing regulations of Pakistan Stock Exchange vide section 237 of the Companies Act, 2017.

3 Basis of measurement

These financial statements have been prepared under the historical cost convention, except otherwise disclosed.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the financial statements for the year ended June 30, 2019.

4.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

Certain standards, amendments and interpretations to accounting standards are effective for accounting periods beginning on July 1, 2019 but are considered not to be relevant or to have any significant effect on the company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements.

4.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company

There are certain standards, amendments to the accounting standards and interpretations that are mandatory for the company's accounting periods beginning on or after July 1, 2020 but are considered not to be relevant or to have any significant effect on the company's operations and are, therefore, not detailed in these unconsolidated condensed interim financial statements.

5 ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

- 5.1 The preparation of these condensed interim financial statements in conformity with approved accounting standards require management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumption and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision. In preparing these condensed interim financial statements, the significant judgments made by the management in applying the Company's accounting policies and key sources of estimations and uncertainty were the same as those that were applied to the annual audited financial statements for the year ended June 30, 2019.
- 5.2 The Company's financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements for the year ended June 30, 2019.

6	PROPERTY, PLANT AND EQUIPMENT	Note	Un-audited	Audited
			March 2020	June 2019
			(Rupees)	
	Operating fixed assets	6.1	189,186,986	241,578,880
	Capital work in progress - at cost		8,101,934	7,912,638
			<u>197,288,920</u>	<u>249,491,518</u>

6.1 Operating assets - at net book value

Opening book value		241,578,880	241,654,158
Additions during the period		4,359,515	17,984,728
Disposals during the period - net book value		-	(2,131,760)
Impairment loss	6.2	(45,126,229)	-
Depreciation charged during the period		(11,625,180)	(15,928,246)
		<u>189,186,986</u>	<u>241,578,880</u>

Break-up of additions - at cost

Building	904,572	898,267
Plant and machinery	3,381,943	14,199,515
Vehicles	-	1,885,218
Furniture and Fixtures	-	50,800
Office equipments	73,000	950,928
	<u>4,359,515</u>	<u>17,984,728</u>

6.2 Impairment loss

During the quarter, the company shifted one of its batching plant and in the process the management estimated that there has been greater than anticipated wear and tear and may result in impairment of class of assets.

The management has determined the recoverable amount of the the batching plants by assessing the fair value less cost of disposal (FVL COD) of the underlying assets. The management estimated FVL COD of the batching plants, which is based on the recent market prices of assets with similar age and obsolescence.

The total FVL COD of the batching plants is estimated at Rs. 6,999,780/- whereas the carrying amount of batching plants is Rs. 52,126,009/- . The review led to the recognition of an impairment loss of Rs. 45,126,299, which has been recognised in profit or loss.

7 LONG TERM FINANCING - SECURED

Details of long term financing are as follows:

Islamic

Diminishing musharka - Bank of Punjab	7.1	14,698,983	23,518,374
Diminishing musharka - Summit Bank	7.2	14,670,838	26,407,502
Diminishing musharka - Bank Islami	7.3	555,049	772,255
Less: Current portion of long term finance shown under current liabilities		(20,561,688)	(29,653,996)
		<u>9,363,182</u>	<u>21,044,135</u>

- 7.1 During the financial year 2016, the Company converted its short term running finance facility from Bank of Punjab to Islamic mode of financing and entered into a diminishing musharka of Rs. 47.037 million for plant and machinery with the Bank of Punjab Taqwa Islamic Banking. The arrangement carry profit at the rate of 1 year KIBOR + 2.5% and with quarterly rental repayments. The arrangement is for a tenure of five years from the date of disbursement and are structured in such a way first principal repayment installment will commence from the fifth installment. Arrangement is secured against 1st charge of PKR 160 million over all present and future fixed assets (plant and machinery) and current assets (including stock) of the Company registered with SECP.
- 7.2 During the year 2018, the Company entered into a diminishing musharka of Rs.35.2 million for plant and machinery with the Summit Bank Limited- Islamic Banking. The arrangement carry profit at the rate of 1 year KIBOR + 3.75% and with monthly rental repayments. The arrangement is for a tenure of three years from the date of disbursement and are structured in such a way first principal repayment installment will commence from the thirteenth installment. Arrangement is secured against exclusive charge of PKR 50.75 million over plant and machinery of the Company located at Nooriabad, registered with SECP.
- 7.3 During the year 2018, the company entered into a diminishing musharka of Rs.1.4 million for motor vehicles with the Bank Islami Limited. The arrangement carry profit at the rate of KIBOR + 2.5% and with monthly rental repayments. The arrangement is for a tenure of four years from the date of disbursement. Arrangement is secured against the subject motor vehicles.

8 CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

- 8.1.1 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 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 around Rs. 24 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.
- 8.1.2 Tax Authorities have conducted proceedings of withholding tax under section 161 of Income Tax Ordinance, 2001 for tax year 2012 and created an arbitrary demand of Rs. 11.252 million. The Company's appeal before CIR (A) / Appellate Tribunal Inland Revenue (ATIR) is pending for adjudication. The management is confident that the appeal will be decided in favor of the company; therefore, no provision has been made against the said demand of Rs. 11.252 million.
- 8.1.3 Federal Board of Revenue (FBR) issued a notice to the company for payment of Sales Tax under Sales Tax Act, 1990. The Company filed a petition in Sindh High Court challenging the lawful authority and jurisdiction of FBR on the ground that the Company is engaged in providing service in respect of Ready Mix Concrete and is accordingly registered with Sindh Revenue Board (SRB) and is paying Sales Tax under HS Code No. 9837.0000 to the Second Schedule of 2011 Act. The Sindh High Court granted stay order against the notice issued by FBR.

9	COST OF SALES	Nine Month Ended		Quarter Ended	
		Un-audited	Un-audited	Un-audited	Un-audited
		2020	2019	2020	2019
		(Rupees)		(Rupees)	
	Raw material and stores consumed	207,763,835	530,822,206	54,084,697	150,953,900
	Salaries, wages and other benefits	50,014,272	62,213,261	15,004,215	20,479,677
	Depreciation	11,359,266	12,702,981	2,754,942	4,240,283
	Fuel and power	37,533,271	39,873,681	10,642,427	14,811,250
	Equipment hiring charges	2,982,133	3,301,103	969,510	963,514
	Ijarah Rentals	16,226,376	20,705,064	4,900,920	6,901,688
	Repair and maintenance	4,463,160	11,781,283	1,112,397	2,301,686
	Site preparation and sample testing	426,530	859,595	88,970	169,830
	Land rent	2,557,503	2,557,503	852,501	852,501
	Insurance expenses	1,901,376	2,888,994	242,337	741,758
		335,227,722	687,705,671	90,652,916	202,416,087

10 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties comprise associated undertakings, directors of the Company and key management personnel. The Company in the normal course of business carries out transactions with various related parties at arm's length basis, unless otherwise disclosed. Amounts due from and due to related parties are shown under respective notes to the accounts. Other significant transactions and balances with related parties are as follows:

Note	Un-audited	Un-audited
	March 2020	March 2019
(Rupees)		
10.1 Transactions with related parties		
Associated companies:		
Power Cement Limited		
Purchase of cement	23,378,532	254,265,866
Javedan Corporation Limited		
Sales of goods	27,817,888	48,005,990
Associated Person:		
Loan received during the year from Mr. Samad Habib	75,000,000	15,000,000
Loan paid during the year to Mr. Arif Habib	75,000,000	-
	Un-audited	Audited
	March 2020	March 2019
	(Rupees)	
10.2 Balances with related parties		
Associated companies :		
Payable to Power Cement Limited	42,394,053	260,829,372
Receivable from Javedan Corporation Limited	8,683,825	5,091,963
Payable to Arif Habib	-	75,000,000
Payable to Samad Habib	87,000,000	-

11 OPERATING SEGMENTS

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

11.1 100 % (2019:100%) of the gross sales of the Company were made on customers located in Pakistan.

11.2 All non-current assets of the Company as at March 31, 2020 are located in Pakistan.

12 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on 29 April 2020 by the Board of Directors of the Company.

13 CORRESPONDING FIGURES

Corresponding figures have been re-arranged, where necessary, for the purpose of comparison.



ABDUS SAMAD
Chief Executive Officer



MUNEER GADER
Chief Finance Officer



KASHIF HABIB
Director