



**THIRD QUARTER
REPORT,
MARCH 31,
2021
(UN-AUDITED)**



**D.G. KHAN CEMENT
COMPANY LIMITED**

Financial Statements



Company Information	02
Directors' Report	03
Condensed Interim Unconsolidated	
Statement of Financial Position	12
Statement of Profit or Loss - Unaudited	14
Statement of Comprehensive Income - Unaudited	15
Statement of Changes In Equity - Unaudited	16
Statement of Cash Flows - Unaudited	17
Notes to and Forming Part of the Condensed Interim Unconsolidated Financial Information - Unaudited	18
Condensed Interim Consolidated	
Statement of Financial Position	30
Statement of Profit or Loss - Unaudited	32
Statement of Comprehensive Income - Unaudited	33
Statement of Changes In Equity - Unaudited	34
Statement of Cash Flows - Unaudited	35
Notes to and Forming Part of the Condensed Interim Consolidated Financial Information - Unaudited	36



COMPANY INFORMATION

Board of Directors

Mrs. Naz Mansha	Chairperson / Non-Executive
Mr. Raza Mansha	Chief Executive / Executive
Mr. Khalid Niaz Khawaja	Independent
Mr. Usama Mahmud	Independent
Mr. Mahmood Akhtar	Non-Executive
Mr. Farid Noor Ali Fazal	Executive
Mr. Shahzad Ahmad Malik	Non-Executive

Female Director 01
Male Directors 06

Audit Committee

Mr. Khalid Niaz Khawaja	Member/Chairman
Mr. Mahmood Akhtar	Member
Mr. Usama Mahmud	Member

Human Resource & Remuneration Committee

Mr. Khalid Niaz Khawaja	Member/Chairman
Mr. Raza Mansha	Member
Mr. Shahzad Ahmad Malik	Member

Management

Mr. Raza Mansha	Chief Executive Officer
Dr. Arif Bashir	Director Technical & Operations
Mr. Farid Noor Ali Fazal	Director Marketing
Mr. Inayat Ullah Niazi	Chief Financial Officer

Company Secretary

Mr. Khalid Mahmood Chohan

Bankers

Allied Bank Limited	MCB Islamic Bank Limited
Bank Alfalah Limited	Meezan Bank Limited
Bank Al-Habib Limited	National Bank of Pakistan
Bank Islami Pakistan Limited	Samba Bank Limited
Dubai Islamic Bank	Soneri Bank Limited
Faysal Bank Limited	Standard Chartered Bank Limited
Habib Bank Limited Limited	The Bank of Punjab
Habib Metropolitan Bank	United Bank Limited
MCB Bank Limited	The Bank of Khyber
JS Bank Limited	Silk Bank Limited
Citi Bank N.A.	Industrial and Commercial Bank of China (ICBC)
Askari Bank Limited	

External Auditors

A.F. Ferguson & Co., Chartered Accountants

Legal Advisors

Mr. Shahid Hamid, Bar-at-Law

Important Identification Numbers of Company

CUIN: 0006469 NTN: 1213275-6
STRN: 0402252300164 PSX Symbol: DGKC

Company Products

- I. Clinker
- II. Ordinary Portland Cement (OPC)
- III. Sulphate Resistant Cement (SRC)

HS Code

Clinker: 2523.1000 Cement: 2523.2900

Applicable Laws & Regulations

Many laws and regulations apply to the Company including:

- The Companies Act
- Stock Exchange Regulations
- Code of Corporate Governance
- International Accounting and Financial Reporting Standards
- International Auditing Standards
- Income Tax Law
- Sales Tax Law
- Excise Laws
- Property Laws
- Labour Laws
- Health & Safety Laws
- Environmental Laws
- Banking Regulations, etc.

Company Rating

Long Term: AA -
Outlook: Stable
Rating Date: April 03, 2021

ShortTerm: A1+
Rating Agency: PACRA

Registered Office

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Share Registrar: THK Associates (Pvt) Ltd

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For Investors' Information, Comments, Inquiries, Complaints

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(Marketing related queries)

Mr. Inayat Ullah Niazi (Chief Financial Officer)
E-mail: iniazi@dgcement.com Phone: +92 42 111 11 33 33

Mr. Khalid Mehmood Chohan (Company Secretary)
E-mail: kchohan@dgcement.com Phone: +92 42 111 11 33 33

Directors' Report

The directors of your company are pleased to present you the results of 9MFY21:

	9MFY2021	9MFY2020
	Rupees in '000'	
Sales	32,747,675	30,570,783
Cost of sales	(26,853,527)	(29,492,853)
Gross profit	5,894,148	1,077,930
Administrative expenses	(467,747)	(517,605)
Selling and distribution expenses	(1,398,852)	(1,445,551)
Other expenses	(259,092)	(609,629)
Other income	2,029,483	1,796,503
Finance cost	(2,223,558)	(3,659,200)
Profit/(loss) before taxation	3,574,382	(3,357,552)
Taxation	(726,001)	1,507,395
Profit/(loss) after taxation	2,848,381	(1,850,157)

EPS (Rs/share)	6.50	-4.22
GP%	18.00%	3.53%
PBT%	10.91%	-10.98%
PAT%	8.70%	-6.05%

Production and Sales volumetric data is as under:

	9MFY2021	9MFY2020
	in MT	
Production:		
Clinker	4,713,344	5,086,079
Cement	4,165,763	4,327,042
Sales:		
Total	4,094,961	4,320,692
Local Cement (excluding own consumption)	4,021,192	4,207,393
Export Cement	73,769	113,299
Clinker Sale	1,296,535	1,431,799

This financial year revolves around Covid-19 and uncertainties associated with it. Pandemic that broke out in early months of the Calendar year 2020 led to chaos in businesses all over the world. Industries were forced to shut down. Global Economy crippled. Global debt increased to support relief initiatives. Major economies of the world registered negative figure growth and went into recession. As per IMF, world economy will regain its 2019 level in 2021. However, Pakistan as a nation resolved discipline and resolve. There were initial countrywide lockdowns but through effective 'smart lock-down' strategy and public co-operation, overall infection rate did not rise to alarming level. Government and SBP through various fiscal and monetary measures tried to relieve the industries in tough times. Various incentives for construction and housing sectors were also announced and implemented. Subsequent extension in amnesty also kept the momentum going. Activities in housing and construction sector, that slowed down for last two years picked up speed. As a

result, cement sector showed highest ever dispatches in the first nine month of financial year, resulting in high profitability.

In volume terms, total sales quantity of industry witnessed growth of 6.2 million tons (17%) to 43.3 million tons as compared to 9MFY20. North zone contributed growth of 4.6 million tons (16%) against increase of 1.7 million tons (18%) in South Zone. Further analysis shows that the growth was mainly driven by local cement sales quantity of 5.6 million tons (18%). Exports also witnessed growth of 0.7 million tons (15%) largely related to clinker. However, in value terms, rupee appreciation against dollar during the year affected the exports revenue and net proceeds. Industry witnessed sales utilization of 84% against 78% for same period last year. It was largely contributed by local sales of 70% and exports sales utilization of 14%.

Kiln operational days of your Company decreased by 8% from 883 days to 813 days due to schedule shutdown and repair and maintenance in first quarter. Consequently, clinker production % remained at 94% (9MFY20: 101%). Sales utilization of your Company improved to 107% (9MFY20: 114%) mainly due to export of clinker largely from the piling clinker stock as at June 30. Clinker was exported to contribute towards fixed costs earning valuable foreign exchange of USD 39 million from July-March 2021.

Sales, in value terms, registered growth primarily due to stable local cement prices amid soaring cement demand. GP% improved despite low clinker production, largely attributable to stable input costs. However, there was some pressure on costs relating to rising coal prices in 3rd quarter and general inflation that were curtailed through effective management and operational efficiency. Selling expenses decrease was associated with decrease in clinker export sale resulting in lower freight and handling charges. Other income increase was associated to higher rate of dividend from MCB in the current year as compared to last year. Finance cost registered decline due to lowering of discount rate to 7.0% (9MFY20: 13.20%). On the consolidated side, all the segments showed year to date profitability with consolidated EPS of Rs 7.42/share.

Third wave of Covid-19 surged in 3rd quarter and appeared to be more intense and viral. Positivity rate almost tripled to around 10% and, in some cities, it even increased beyond 20%. Government has already enforced partial lockdowns mainly related to service sector and strict enforcement of SOPs. If the situation persists, Government may have to enforce the closure of main economic activities in major cities. Immunization drive by the Government is also halted by surge in infection in major vaccine developing countries like India who put ban on export of vaccines for their own use. Consequently, Government may have to shift resources from elsewhere to health sector and to relieve the poor segment of society. Prime minister has already hinted about such cash payout. These may hinder Government supported projects and may negatively affect the overall economic environment. IMF program has resumed. There are conditions related to increase in electricity tariff and tax rates and withdrawal of exemptions. This may lead to inflation in the coming months. However, discount rate will likely remain stable in near future as current inflation is largely driven by supply side of commodities. As country has moved towards industrialization, there may be some pressure on current account on account of high imports of plant and machinery. This may push the exchange rate upward in coming months. Coal prices have been trending upward since December 2020. The effect of this cost pressure has not yet passed on to the consumers.

On positive side, construction activities that gained momentum in first half of FY21 will continue to remain in the upward trajectory owing to growth in housing sector, Government Special Karachi Package, speedy work on small and large dams and CPEC related projects. Government has repeatedly shown commitment in this regard. With capacity expansion in recent years, industry is well geared up to meet these developments. WHR at Hub site has become operational in third quarter while CFPP is expected to be operational by the end of the fourth quarter of FY21. This will lead to self-sufficiency at Hub site along with considerable saving in power costs that will be visible in the coming years.

Principal activity of the Company is manufacture and sale of cement and clinker and following are the principal risks the Company face:

- Tight price market and tough competition
- Capacity utilization
- Interest rate
- Foreign currency fluctuations
- Shrinking cement exports market

The Board of Directors has approved Directors' Remuneration Policy. The main features of the policy are as follows:

- The Company shall not pay remuneration of its non-executive directors including independent directors except for meeting fee for attending Board and its Committee meetings.
- The Company will reimburse or incur expenses of travelling and accommodation of Directors in relation to attending of Board and its Committees meetings.
- The Directors' Remuneration Policy will be reviewed and approved by the Board of Directors from time to time.

Following are the directors of the Company:

Mrs. Naz Mansha (Chairperson)	Non- Executive
Mr. Raza Mansha	Executive
Mr. Khalid Niaz Khawaja	Independent
Mr. Usama Mahmud	Independent
Mr. Mahmood Akhtar	Non-Executive
Mr. Farid Noor Ali Fazal	Executive
Mr. Shahzad Ahmad Malik	Non-Executive

Female Directors: 01
Male Directors: 06

Audit Committee

Mr. Khalid Niaz Khawaja	Chairman
Mr. Usama Mahmud	Member
Mr. Mahmood Akhtar	Member

Human Resource & Remuneration Committee

Mr. Khalid Niaz Khawaja	Chairman
Mr. Raza Mansha	Member
Mr. Shahzad Malik	Member

There are no material post balance sheet events affecting the period end position.

Our plants and operations are complying with international and national environmental standards. DGKC is fully cognizant of its responsibility towards society and welfare. The Company is spending on education, health, medical and fire-fighting facilities, water supply to nearby localities, aiding in emergency and disaster situations in nearby areas, awareness campaigns etc.

There are no changes that have occurred during the period under review concerning the nature of the business of the company or of its subsidiaries, or any other company in which the company has interest.

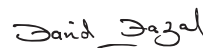
The Directors of your company state that the system of internal control is sound in design and has been effectively implemented and monitored. Significant deviations from last period in operating results of the company are highlighted and reasoned in other parts of Directors report.

We thank all our stakeholders and admire efforts of our employees.

For and on behalf of the Board



Raza Mansha
Chief Executive Officer



Farid Noor Ali Fazal
Director

Lahore
April 24, 2021

ہمارے پلانٹس اور آپریشنز بین الاقوامی اور قومی ماحولیاتی معیارات کی تعمیل کر رہے ہیں۔ DGKC سوسائٹی اور ویلفیئر کی اپنی ذمہ داریوں کو مکمل طور پر پچانتی ہے۔

کمپنی نزدیکی آبادیوں کے لئے تعلیم، صحت، طبی اور آگ بجھانے کی سہولیات، واٹر سپلائی، نزدیکی علاقوں میں ایمر جنسی اور آفاقی حالات میں مدد، آگاہی مہمات وغیرہ پر خرچ کر رہی ہے۔

کمپنی یا اس کی ذیلی کمپنیوں یا کسی دیگر کمپنی جس میں کمپنی دلچسپی رکھتی ہے کے کاروبار کی نوعیت سے متعلقہ کوئی تبدیلیاں نہیں ہیں جو زیر جائزہ مدت کے دوران رونما ہوئی ہوں۔

آپ کی کمپنی کے ڈائریکٹرز بیان کرتے ہیں کہ داخلی کنٹرول کا نظام ڈیزائن میں مستحکم ہے اور اسکی موثر طریقہ سے عملدرآمد اور نگرانی کی جاتی ہے۔ کمپنی کے آپریشننگ نتائج میں گزشتہ مدت سے اہم تغیرات ڈائریکٹرز رپورٹ کے دیگر حصوں میں اجاگر کئے گئے ہیں اور وجوہات بیان کی گئی ہیں۔

ہم اپنے تمام اسٹیک ہولڈرز کا شکریہ ادا کرتے ہیں اور اپنے تمام ملازمین کی ان تھک کوششوں کو سراہتے ہیں۔

منجانب بورڈ

Said Jazal

فرید نور علی فضل

ڈائریکٹر

Rashid

رضان شاہ

چیف ایگزیکٹو آفیسر

لاہور

24 اپریل 2021ء

کمپنی بورڈ اور اس کی کمیٹیوں کے اجلاسوں میں شرکت کے سلسلے میں ڈائریکٹرز کے سفر اور رہائش کے اخراجات ادا کرے گی۔

بورڈ آف ڈائریکٹرز، وقتاً فوقتاً ڈائریکٹرز معاوضہ پالیسی کا جائزہ اور اس کی منظوری دیں گے۔

مندرجہ ذیل کمپنی کے ڈائریکٹرز ہیں:

نان ایگزیکٹو	محترمہ ناز منشا (چیئر پرسن)
ایگزیکٹو	جناب رضامنشا
آزاد	جناب خالد نیاز خواجہ
نان ایگزیکٹو	جناب اُسامہ محمود
نان ایگزیکٹو	جناب محمود اختر
ایگزیکٹو	جناب فرید نور علی فضل
نان ایگزیکٹو	جناب شہزاد احمد ملک

01 خاتون ڈائریکٹرز:

06 مرد ڈائریکٹرز:

آڈٹ کمیٹی

چیئر مین	جناب خالد نیاز خواجہ
رکن	جناب محمد اُسامہ محمود
رکن	جناب محمود اختر

ہیومن ریسورس اینڈ ریمیزیشن کمیٹی

چیئر مین	جناب خالد نیاز خواجہ
رکن	جناب رضامنشا
رکن	جناب شہزاد احمد ملک

اختتام پذیر مدت کی حیثیت کو متاثر کرنے والے کوئی بعد از بیلنس شیٹ نمایاں واقعات رونما نہیں ہوئے ہیں۔

تیسری سہ ماہی میں کوویڈ-19 کی تیسری لہر تیز ہو گئی اور یہ زیادہ شدید اور وائرل دکھائی دیتی ہے۔ مثبت شرح تقریباً تین گنا بڑھ کر 10% تک ہو گئی اور کچھ شہروں میں تو، یہ 20 فیصد سے بھی زیادہ بڑھ گئی۔ حکومت نے پہلے ہی سروس سیکٹر سے متعلق جزوی طور پر لاک ڈاؤن اور ایس او پیز پر سختی سے عمل درآمد نافذ کر دیئے ہیں اگر صورتحال برقرار رہی تو حکومت کو بڑے شہروں میں اہم معاشی سرگرمیوں کی بندش کا نفاذ کرنا پڑ سکتا ہے۔ بھارت جیسے ویکسین تیار کرنے والے بڑے ممالک میں بھی انفیکشن میں اضافے کے باعث حکومت کی جانب سے حفاظتی ٹیکوں کی مہم روک دی گئی ہے اور اپنے استعمال کے لئے ویکسین کی برآمد پر پابندی عائد کر دی ہے۔ اس کے نتیجے میں، حکومت کو وسائل کو دوسری جگہ سے صحت کے شعبے میں منتقل کرنا پڑے گا اور معاشرے کے کمزور طبقے کو سہولت پہنچانا ہوگا۔ وزیر اعظم پہلے ہی اس طرح کی نقد ادائیگی کے اشارے دے چکے ہیں۔ یہ حکومت کے تعاون یافتہ منصوبوں کی راہ میں رکاوٹ اور مجموعی معاشی ماحول کو منفی طور پر متاثر کر سکتے ہیں۔ آئی ایم ایف پروگرام دوبارہ شروع ہو چکا ہے۔ بجلی کے نرخوں اور ٹیکس کی شرح میں اضافے اور چھوٹ واپس لینے سے متعلق شرائط ہیں۔ آئندہ مہینوں میں یہ افراط زر کا باعث بن سکتا ہے۔ تاہم، رعایت کی شرح ممکنہ طور پر مستقبل قریب میں مستحکم رہے گی کیونکہ موجودہ افراط زر بڑی حد تک ایشیا کی سپلائی کے باعث بڑھتا ہے۔ چونکہ ملک صنعت کی طرف بڑھ گیا ہے، پلانٹ اور مشینری کی زیادہ درآمد کے سبب کرنٹ اکاؤنٹ پر کچھ دباؤ پڑ سکتا ہے۔ اس سے آئندہ مہینوں میں زرمبادلہ کی شرح اوپر کی طرف بڑھ سکتی ہے۔ دسمبر 2020 سے کوئلے کی قیمتیں بڑھ رہی ہیں۔ اس لاگت کے دباؤ کا اثر ابھی تک صارفین پر منتقل نہیں ہوا ہے۔

مثبت بات یہ ہے کہ، تعمیراتی سرگرمیاں جو مالی سال 21 کی پہلی ششماہی میں تیز ہو گئیں، ہاؤسنگ سیکٹر میں ترقی، گورنمنٹ کے خصوصی کراچی پیکیج، چھوٹے اور بڑے ڈیموں اور سی پیک سے متعلق منصوبوں پر کام کی تیز رفتاری کی وجہ سے بڑھنے کا رجحان برقرار رہے گا، حکومت نے اس سلسلے میں بار بار عزم ظاہر کیا ہے۔ حالیہ برسوں میں صلاحیت میں توسیع کے ساتھ، صنعت ان ڈیولپمنٹس کو پورا کرنے کے لئے اچھی طرح تیار ہے۔ جب سائٹ پر ڈیولپمنٹ آرٹیسری سہ ماہی میں آپریشنل ہو گیا ہے جبکہ CFPP مالی سال 21 کی چوتھی سہ ماہی کے اختتام تک آپریشنل ہونے کی امید ہے۔ اس سے جب سائٹ پر خود کفالت ہوگی اور بجلی کے اخراجات میں خاطر خواہ بچت ہوگی جو آنے والے برسوں میں نظر آئے گی۔

کمپنی کی بنیادی سرگرمی سینٹ اور کلنر کی تیاری اور فروخت کرنا ہے اور کمپنی کو مندرجہ ذیل اہم خطرات کا سامنا ہے:

- مارکیٹ قیمت اور سخت مقابلہ
- مستعمل پیداواری صلاحیت
- سود کی شرح
- غیر ملکی کرنسی کا اتار چڑھاؤ
- برآمد مارکیٹ کا سیکڑاؤ

بورڈ آف ڈائریکٹرز نے ڈائریکٹرز کے معاوضہ کی پالیسی کی منظوری دی ہے۔ پالیسی کی بنیادی خصوصیات مندرجہ ذیل ہیں:

کمپنی بورڈ اور اس کی کمیٹیوں کے اجلاسوں میں شرکت کی فیس کے سوائے آزاد ڈائریکٹرز سمیت اپنے نان ایگزیکٹو ڈائریکٹرز کو معاوضہ ادا نہیں کرے گی۔

اس پورے مالی سال میں کوویڈ-19 اور اس سے وابستہ غیر یقینی صورتحال موجود رہی ہے۔ کیلنڈر سال 2020 کے ابتدائی مہینوں میں وبائی مرض پھیل گئی جس کی وجہ سے پوری دنیا کے کاروباروں میں انتشار پھیل گیا۔ صنعتیں شٹ ڈاؤن کرنے پر مجبور ہو گئیں۔ عالمی معیشت کمزور ہو گئی۔ امدادی اقدامات کی حمایت کے لئے عالمی قرض میں اضافہ ہو گیا۔ دنیا کی بڑی معیشتوں نے منفی ہندسی نموریکارڈ کی اور کساد بازاری میں چلی گئیں۔ آئی ایم ایف کے مطابق، عالمی معیشت 2021 میں دوبارہ اپنی 2019 کی سطح حاصل کرے گی۔ تاہم، بحیثیت پاکستانی قوم نظم و ضبط کا مظاہرہ کیا گیا۔ ابتدائی طور پر ملک بھر میں لاک ڈاؤن کیا گیا لیکن مؤثر سمارٹ لاک ڈاؤن حکمت عملی اور عوامی تعاون کے ذریعے، انفیکشن کی مجموعی شرح خطرناک حد تک نہیں بڑھ سکی۔ حکومت اور اسٹیٹ بینک نے مختلف مالی اور مالیاتی اقدامات کے ذریعے صنعتوں کو مشکل دور میں سکون پہنچانے کی کوشش کی۔ تعمیرات اور رہائش کے شعبوں کے لئے مختلف مراعات کا اعلان اور ان پر عمل درآمد بھی کیا گیا۔ ایمنسٹی میں توسیع نے بھی موجودہ رفتار کو جاری رکھا۔ ہاؤسنگ اور تعمیراتی شعبے میں سرگرمیاں، جو پچھلے دو سالوں سے کم رہیں تیز ہو گئی ہیں۔ اس کے نتیجے میں، مالیاتی سال کے پہلے نو ماہ میں سینٹ کے شعبے میں اب تک کی سب سے زیادہ ترسیل ہوئی، جس کے نتیجے میں منافع زیادہ ہوا۔

حجم کے لحاظ سے، صنعت کی کل فروخت مقدار میں 9MFY20 کے مقابلے 6.2 بلین ٹن (17%) تا 43.3 بلین ٹن کا اضافہ ہوا ہے۔ ساؤتھ زون میں 1.7 بلین ٹن (18%) کے اضافہ کے مقابلے نارتھ زون نے 4.6 بلین ٹن (16 فیصد) نمو کا حصہ شامل کیا۔ مزید تجزیہ ظاہر کرتا ہے کہ نمو بنیادی طور پر 5.6 بلین ٹن (18%) کی مقامی سینٹ فروخت مقدار کے ذریعے حاصل ہوئی ہے۔ برآمدات میں بنیادی طور پر کلنکر سے منسلک 0.7 بلین ٹن (15%) کا اضافہ ہوا ہے۔ تاہم، حجم کے لحاظ سے، سال کے دوران ڈالر کے مقابلے روپے کی قدر میں کمی نے برآمدات محصولات اور خالص آمدنی کو متاثر کیا۔ گذشتہ سال کے اسی عرصے میں صنعت کی مستعمل فروخت 78 فیصد کے مقابلے میں بڑھ کر 84 فیصد ہو گئی۔ اس میں مقامی مستعمل فروخت 70 فیصد اور برآمدات مستعمل فروخت 14 فیصد کا حصہ شامل کیا۔

شیدول شٹ ڈاؤن اور پہلی سہ ماہی میں مرمت اور بحالی کے باعث کمپنی کے کلن آپریشنل دن 883 دنوں سے کم ہو کر 813 دن ہو گئے یعنی 8% کی کمی ہوئی۔ اس کے نتیجے میں کلنکر کی فیصد پیداوار 94% رہی (9MFY20: 101%)۔ کمپنی کی مستعمل فروخت 30 جون کے مطابق پائٹنگ کلنکر اسٹاک سے بڑی مقدار میں کلنکر کی برآمدات کی وجہ سے 107% تک (9MFY20: 114%) بہتر ہوئی۔ مقررہ اخراجات میں حصہ شامل کرنے کے لئے جولائی۔ مارچ 2021 تک کلنکر برآمد کر کے 39 بلین امریکی ڈالر کا غیر ملکی زرمبادلہ کمایا گیا۔

قیمت کے لحاظ سے فروخت نے بنیادی طور پر سینٹ کی بڑھتی ہوئی طلب کی بدولت سینٹ کی مقامی مستحکم قیمتوں کے باعث نمودار کرائی ہے۔ کلنکر کی کم پیداوار کے باوجود بہتر GP%، بنیادی طور پر مستحکم ان پٹ اخراجات سے منسوب ہے۔ تاہم، تیسری سہ ماہی میں کولمہ کی بڑھتی قیمتوں کی بابت اخراجات پر کچھ باؤتھا اور عام افراط زر جو مؤثر انتظامات اور آپریشنل کارکردگی کے ذریعے کم کیا گیا۔ فروخت اخراجات میں کمی کلنکر برآمدات فروخت کے فریٹ اور ہینڈلنگ کے چارجز میں کمی سے وابستہ تھی۔ دیگر آمدنی میں اضافہ گزشتہ سال کے مقابلے رواں سال میں MCB سے منافع منقسمہ کی اعلیٰ شرح سے وابستہ تھا۔ ڈسکاونٹ شرح 7.0% تک (9MFY20: 13.20%) کم ہونے کی وجہ سے مالی لاگت میں کمی درج کی گئی۔

حصص داران کیلئے ڈائریکٹرز کی رپورٹ

آپ کی کمپنی کے ڈائریکٹرز آپ کو مالی سال 21 کی نو ماہی کے نتائج پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

نوامبر مالی سال 2020	نوامبر مالی سال 2021	
پاکستانی روپے ہزاروں میں		
30,570,783	32,747,675	فروخت
(29,492,853)	(26,853,527)	قیمت فروخت
1,077,930	5,894,148	مجموعی منافع
(517,605)	(467,747)	انتظامی اخراجات
(1,445,551)	(1,398,852)	فروخت اور تقسیم کے اخراجات
(609,629)	(259,092)	دیگر معاماتی اخراجات
1,796,503	2,029,483	دیگر آمدنی
(3,659,200)	(2,223,558)	مالی لاگت
(3,357,552)	3,574,382	ٹیکسیشن سے قبل منافع / (نقصان)
1,507,395	(726,001)	ٹیکسیشن
(1,850,157)	2,848,381	ٹیکسیشن کے بعد منافع / (نقصان)
-4.22	6.50	EPS (روپے فی شیئر)
3.53%	18.00%	GP %
-10.98%	10.91%	PBT %
-6.05%	8.70%	PAT %

اس سال کے لئے آپ کی کمپنی کی پیداوار اور فروخت حجم کے اعداد و شمار درج ذیل ہیں:

نوامبر مالی سال 2020	نوامبر مالی سال 2021	
اعداد و شمار میٹرک ٹن میں		پیداوار
5,086,079	4,713,344	کلنکر کی پیداوار
4,327,042	4,165,763	سیمنٹ کی پیداوار
4,320,692	4,094,961	سیمنٹ کی کل فروخت
4,207,393	4,021,192	سیمنٹ کی مقامی فروخت (علاوہ ذاتی استعمال)
113,299	73,769	سیمنٹ کی برآمد فروخت
1,431,799	1,296,535	کلنکر کی فروخت



**INTERIM UNCONSOLIDATED
FINANCIAL
STATEMENTS**

Unconsolidated Condensed Interim Statement of Financial Position

	Note	31 March, 2021 Un-Audited (Rupees in thousand)	30 June, 2020 Audited
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised share capital			
- 950,000,000 (June 30, 2020: 950,000,000) ordinary shares of Rs 10 each		9,500,000	9,500,000
- 50,000,000 (June 30, 2020: 50,000,000) preference shares of Rs 10 each		500,000	500,000
		10,000,000	10,000,000
Issued, subscribed and paid up share capital 438,119,118 (June 30, 2020: 438,119,118) ordinary shares of Rs 10 each		4,381,191	4,381,191
Other reserves		29,062,488	27,226,658
Revenue reserve: Un-appropriated profits		37,884,689	35,036,308
		71,328,368	66,644,157
NON-CURRENT LIABILITIES			
Long term finances - secured	6	21,176,173	21,972,000
Long term liability	7	55,448	-
Deferred grant	8	33,187	-
Long term deposits		239,412	253,937
Deferred liabilities		596,763	521,834
Deferred taxation		2,795,614	2,535,349
		24,896,597	25,283,120
CURRENT LIABILITIES			
Trade and other payables		11,435,140	11,298,187
Accrued markup		633,874	712,275
Short term borrowings - secured		20,051,218	23,495,967
Current portion of non-current liabilities		5,770,550	2,048,901
Unclaimed dividend		33,445	33,837
Provision for taxation		35,090	35,090
		37,959,317	37,624,257
Contingencies and Commitments	9	134,184,282	129,551,534

The annexed notes 1 to 18 form an integral part of these unconsolidated condensed interim financial statements.



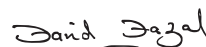
Chief Executive

As At March 31, 2021

	Note	31 March, 2021 Un-Audited (Rupees in thousand)	30 June, 2020 Audited
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	10	84,970,739	83,548,622
Investments	11	13,069,696	11,849,828
Long term loans to employees		76	76
Long term deposits		57,483	57,908
		98,097,994	95,456,434
CURRENT ASSETS			
Stores, spare parts and loose tools		7,689,387	8,237,990
Stock-in-trade		3,399,730	4,352,995
Trade debts		2,247,919	2,286,084
Investments		13,943,937	13,126,388
Loans, advances, deposits, prepayments and other receivables		416,355	613,166
Loan to related party	12	765,000	765,000
Income tax receivable		4,681,076	4,365,643
Cash and bank balances		2,942,884	347,834
		36,086,288	34,095,100
		134,184,282	129,551,534



Chief Financial Officer



Director

Unconsolidated Condensed Interim Statement of Profit or Loss

For the Nine Month Period Ended March 31, 2021 (Un-audited)

	2021		2020	
	July to March (Rupees in thousand)	January to March (Rupees in thousand)	July to March (Rupees in thousand)	January to March (Rupees in thousand)
Sales	32,747,675	10,885,094	30,570,783	9,682,526
Cost of sales	(26,853,527)	(8,404,443)	(29,492,853)	(9,626,082)
Gross profit	5,894,148	2,480,651	1,077,930	56,444
Administrative expenses	(467,747)	(157,725)	(517,605)	(159,776)
Selling and distribution expenses	(1,398,852)	(406,786)	(1,445,551)	(436,056)
Other expenses	(259,092)	(241,808)	(609,629)	(504,551)
Other income	2,029,483	1,675,859	1,796,503	611,557
Finance cost	(2,223,558)	(694,655)	(3,659,200)	(1,203,536)
Profit/(loss) before taxation	3,574,382	2,655,536	(3,357,552)	(1,635,918)
Taxation	(726,001)	(608,021)	1,507,395	632,819
Profit/(loss) for the period	2,848,381	2,047,515	(1,850,157)	(1,003,099)
Earnings/(loss) per share (basic and diluted - in Rupees)	6.50	4.67	(4.22)	(2.29)

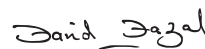
The annexed notes 1 to 18 form an integral part of these unconsolidated condensed interim financial statements.



Chief Executive



Chief Financial Officer



Director

Unconsolidated Condensed Interim Statement of Comprehensive Income

For the Nine Month Period Ended March 31, 2021 (Un-audited)

	2021		2020	
	July to March (Rupees in thousand)	January to March (Rupees in thousand)	July to March (Rupees in thousand)	January to March (Rupees in thousand)
Profit/(loss) for the period	2,848,381	2,047,515	(1,850,157)	(1,003,099)
Other comprehensive income for the period - net of tax				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
<i>Items that will not be subsequently reclassified to profit or loss:</i>				
Change in fair value of investments at fair value through other comprehensive income (FVOCI) - net of tax	1,835,830	(1,600,364)	(3,974,673)	(7,750,034)
	1,835,830	(1,600,364)	(3,974,673)	(7,750,034)
Total comprehensive income for the period	4,684,211	447,151	(5,824,830)	(8,753,133)

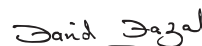
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Chief Executive



Chief Financial Officer



Director

Unconsolidated Condensed Interim Statement of Changes In Equity

For the Nine Month Period Ended March 31, 2021 (Un-audited)

	(Rupees in thousands)						
	Capital reserve			Revenue reserve			
	Share capital	Share premium	FVOCI reserve	Capital redemption reserve fund	General reserve	Un-appropriated profits	Total
Balance as at June 30, 2020 - Audited	4,381,191	4,557,163	18,940,452	353,510	5,071,827	37,624,272	70,928,415
Total comprehensive loss for the period							
- Loss for the period	-	-	-	-	-	(1,850,157)	(1,850,157)
- Other comprehensive loss for the period	-	-	(3,974,673)	-	-	-	(3,974,673)
	-	-	(3,974,673)	-	-	(1,850,157)	(5,824,830)
Transactions with owners in their capacity as owners recognised directly in equity							
- Final dividend for the year ended June 30, 2019 (Rupee 1.00 per share)	-	-	-	-	-	(438,119)	(438,119)
Balance as at March 31, 2020 - Un-audited	4,381,191	4,557,163	14,965,779	353,510	5,071,827	35,335,996	64,665,466
Balance as at July 1, 2020 - Audited	4,381,191	4,557,163	17,244,158	353,510	5,071,827	35,036,308	66,644,157
Total comprehensive income for the period							
- Profit for the period	-	-	-	-	-	2,848,381	2,848,381
- Other comprehensive income for the year	-	-	1,835,830	-	-	-	1,835,830
	-	-	1,835,830	-	-	2,848,381	4,684,211
Balance as at March 31, 2020 - Un-audited	4,381,191	4,557,163	19,079,988	353,510	5,071,827	37,884,689	71,328,368

The annexed notes 1 to 18 form an integral part of these unconsolidated condensed interim financial statements.


Chief Executive


Chief Financial Officer


Director

Unconsolidated Condensed Interim Statement of Cash Flows

For the Nine Month Period Ended March 31, 2021 (Un-audited)

	Note	2021 July to March (Rupees in thousand)	2020 July to March
Cash flows from operating activities			
Cash generated from operations	14	8,817,622	4,775,018
Finance cost paid		(2,301,959)	(3,527,117)
Retirement and other benefits paid		(129,234)	(155,295)
Income tax paid		(806,649)	(1,047,975)
Long term deposits - net		(14,525)	15,038
Net cash inflow from operating activities		5,565,255	59,669
Cash flows from investing activities			
Payments for property, plant and equipment		(4,095,943)	(2,678,848)
Proceeds from disposal of property, plant and equipment		29,985	78,291
Investments in equity instruments		(176,107)	(197,500)
Long term deposits - net		425	2,922
Recovery of loan to related party		-	235,000
Interest received		61,243	82,686
Dividend received		1,698,260	1,499,375
Net cash outflow from investing activities		(2,482,137)	(978,074)
Cash flows from financing activities			
Repayment of long term finances		(367,665)	(2,977,758)
Proceeds from long term finances		3,324,738	2,500,000
Dividend paid		(392)	(437,716)
Net cash inflow/(outflow) from financing activities		2,956,681	(915,474)
Net increase in cash and cash equivalents		6,039,799	(1,833,879)
Cash and cash equivalents at the beginning of the period		(23,148,133)	(19,769,652)
Cash and cash equivalents at the end of the period	15	(17,108,334)	(21,603,531)

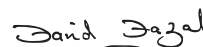
The annexed notes 1 to 18 form an integral part of these unconsolidated condensed interim financial statements.



Chief Executive



Chief Financial Officer



Director

Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Information - Unaudited

For the Nine Month Period Ended March 31, 2021 (Un-audited)

1. Status and nature of business

D.G. Khan Cement Company Limited (the 'Company') is a public company limited by shares incorporated in Pakistan in 1978 under the repealed Companies Act, 1913 (now the Companies Act, 2017). The Company's ordinary shares are listed on the Pakistan Stock Exchange Limited. The registered office of the Company is situated at 53-A, Lawrence Road, Lahore.

The Company is principally engaged in the production and sale of Clinker, Ordinary Portland and Sulphate Resistant Cement. It has four cement plants, two plants located at Dera Ghazi Khan ('D.G. Khan'), one at Khairpur District, Chakwal ('Khairpur') and one at Hub District, Lasbela ('Hub').

2. Basis of preparation

2.1 Statement of compliance

These unconsolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard ('IAS') 34, Interim Financial Reporting, issued by the International Accounting Standards Board ('IASB') as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2

These unconsolidated condensed interim financial statements are un-audited and are being submitted to the members as required by section 237 of the Companies Act, 2017 (the 'Act').

These unconsolidated condensed interim financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended June 30, 2020. Selected explanatory notes are included to explain events and transactions that are significant to and understanding of the changes in the Company's financial position and performance since the last annual financial statements.

The Company is required to issue condensed interim consolidated financial statements along with its condensed interim separate financial statements in accordance with the requirements of accounting and reporting standards as applicable in Pakistan. Condensed interim consolidated financial statements are prepared separately.

3. Significant accounting policies

3.1

The accounting policies and the methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the

preparation of preceding annual published financial statements of the Company for the year ended June 30, 2020 except for the accounting policy adopted as set out in note 3.1.1 and the adoption of new and amended standards as set out in note 3.2:

3.1.1 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

3.2 Standards, amendments to published standards and interpretations that are effective in the current period

Certain standards, amendments and interpretations to International Financial Reporting Standards (IFRS) are effective for accounting period beginning on July 1, 2020, 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 unconsolidated condensed interim financial statements.

3.3 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 01, 2021 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.

4. Accounting estimates

The preparation of these unconsolidated condensed interim financial statements 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 these unconsolidated condensed interim financial statements, the significant judgments made by management in applying accounting policies and key sources of estimation were the same as those that were applied to the annual financial statements of the Company for the year ended June 30, 2020, with the exception of change in estimate that is required in determining the provision for income taxes as referred to in note 5.

5. Taxation

Income tax expense is recognized in each interim period based on best estimate of the weighted average annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual income tax rate changes.

March 31, 2021	June 30, 2020
Un-audited	audited
(Rupees in thousand)	

6. Long term finances - secured

Long term loans	- note 6.1	26,858,600	23,982,621
Current portion shown under current liabilities		(5,682,427)	(2,010,621)
		21,176,173	21,972,000

6.1 The reconciliation of the carrying amount is as follows:

Opening balance		23,982,621	21,025,324
Disbursements during the period/year		3,324,738	5,935,055
Repayments during the period/year		(367,665)	(2,977,758)
		26,939,694	23,982,621
Net Discounting adjustment - deferred grant	- note 8	(81,094)	-
Closing balance		26,858,600	23,982,621

7. Long term liability

During the period, the Supreme Court of Pakistan has upheld the Gas Infrastructure Development Cess Act, 2015 to be constitutional and intravires and has allowed the settlement of Gas Infrastructure Development Cess ('GIDC') over a period of time and this amount represents its long term portion. The Company has followed the relevant accounting standards and guidelines issued by the Institute of Chartered Accountants of Pakistan ('ICAP') in this regard.

8. Deferred grant

The Company received long term loans at concessional market interest rate under IH & SMEFD Circular No. 01, 06 and 07 of 2020 issued by State Bank Of Pakistan. The Company has deferred income associated with the Government grant to amortize over the period of loans 'The benefit has been measured as the difference between the fair value of the loan and the proceeds received. The Company has used the prevailing market rate of mark-up for similar instruments to calculate fair values of respective loans. The discount rates used range from 7.47% to 7.76% per annum.

March 31, 2021	June 30, 2020
Un-audited	audited
(Rupees in thousand)	

Government grant as at March 31, 2021	81,094	-
Current portion shown under current liabilities	(47,907)	-
Closing balance	33,187	-

There are no unfulfilled conditions or other contingencies attached to these grants.

9. Contingencies and commitments

9.1 Contingencies

There is no significant change in contingencies from the preceding annual unconsolidated financial statements of the Company for the year ended June 30, 2020 except for the following:

9.1.1 The Additional Commissioner Inland Revenue through his order dated September 02, 2020 has curtailed tax credit availed by the Company under section 65B of the Income Tax Ordinance, 2001 pertaining to Tax Year 2018 having an impact of Rs 238.278 million. The Company has filed an appeal against this disallowance before the Commissioner Inland Revenue (Appeals) on the grounds that such tax credit is in respect of a settled position and the same was duly admissible to it as has been settled by appellate authorities. Management of the Company feels that there are meritorious grounds that the ultimate decision would be in its favour, therefore, the said tax credit has not been curtailed in the Company's books.

9.1.2 On January 18, 2021, the Commissioner Inland Revenue (Appeals) ('CIR(A)') has passed orders ratifying the earlier demand of Deputy Commissioner Inland Revenue ('DCIR') through which input sales tax, mainly on construction material and vehicles, for the tax periods from June 2016 to July 2017 aggregating Rs 332.817 million was disallowed to the Company. Further, the default surcharge thereon, levied by the DCIR, has also been upheld by CIR(A), that shall be calculated at the time of recovery. The Company has an appeal before the Appellate Tribunal Inland Revenue against the decision of the Commissioner Inland Revenue (Appeals). As per Company's management, there are meritorious grounds that the ultimate decision would be in its favour wherein such claim of input tax would be allowed to the Company. Therefore, such credit of input sales tax has not been reversed in these interim financial statements. However, in case of an adverse decision, such input sales tax shall be reversed and will become part of the cost of the related fixed assets that would result in increase in depreciation charge of such fixed assets over their remaining useful lives.

9.2 Commitments in respect of:

- (i) Contracts for capital expenditure Rs 964.687 million (June 30, 2020: Rs 2,614.855 million).
- (ii) Letters of credit for capital expenditure Rs 105.851 million (June 30, 2020: Rs 2,237.133 million)
- (iii) Letters of credit other than capital expenditure Rs 2,707.692 million (June 30, 2020: Rs 1,373.152 million)

March 31, 2021	June 30, 2020
Un-audited	audited
(Rupees in thousand)	

10. Property, plant and equipment

Operating fixed assets	- note 10.1	75,274,440	76,986,536
Capital work-in-progress	- note 10.2	9,543,883	6,369,586
Major spare parts and stand-by equipment		152,416	192,500
		84,970,739	83,548,622

10.1 Operating fixed assets

Opening book value		76,986,536	76,928,989
Additions during the period/year	- note 10.1.1	961,730	3,863,587
		77,948,266	80,792,576
Disposals during the period/year - at book value		(10,535)	(136,232)
Depreciation charged for the period/year		(2,663,291)	(3,669,808)
		(2,673,826)	(3,806,040)
Closing book value		75,274,440	76,986,536

10.1.1 Additions during the period/year

Freehold land	-	15,570
Buildings on freehold land:		
- Factory buildings	130,693	259,593
- Office building and housing colony	338,324	2,531
Roads	14,221	15,454
Plant and machinery	401,037	2,825,699
Quarry equipment	31,308	166,964
Furniture and fittings	18,707	40,407
Office equipment	16,241	82,708
Vehicles	4,256	52,414
Power and water supply lines	6,943	402,247
	961,730	3,863,587

10.2 Capital work-in-progress

Civil works	1,620,474	1,608,930
Plant and machinery	7,476,036	4,403,532
Advances to suppliers and contractors	155,701	202,614
Others	291,672	154,510
	9,543,883	6,369,586

11. Investments

This includes Level 3 investments in Nishat Hotels and Properties Limited and Hyundai Nishat Motor (Private) Limited that are related parties on the basis of common directorship. The reconciliation of carrying amount of these investments is as follows:

	March 31, 2021	June 30, 2020
	Un-audited	audited
	(Rupees in thousand)	
Carrying value of investments at the beginning of the period/year	2,364,787	1,983,213
Investments made during the period/year	176,107	197,500
Fair value gain recognized in other comprehensive income	117,157	184,074
Carrying value at the end of the period/year	<u>2,658,051</u>	<u>2,364,787</u>

12. Loan to related party - considered good

This represents loan to Nishat Hotels and Properties Limited ('NHPL'), a related party, for meeting its working capital requirements. The outstanding amount is due for repayment by October 27, 2021 in accordance with the extension granted in Annual General Meeting of the Company held on October 28, 2020. It carries mark-up at the rate of 1 month KIBOR + 1% per annum. Reconciliation of the carrying amount is as follows:

	March 31, 2021	June 30, 2020
	Un-audited	audited
	(Rupees in thousand)	
Opening balance	765,000	1,000,000
Less: Receipts during the period/year	-	(235,000)
Closing balance	<u>765,000</u>	<u>765,000</u>

13. Transactions with related parties

The related parties include the subsidiaries, the Investor (Nishat Mills Limited), related parties on the basis of common directorship, group companies, key management personnel including directors and post employment benefit plans. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director (whether executive or otherwise) of that company. The Company in the normal course of business carries out transactions with various related parties. Significant transactions with related parties are as follows:

Relationship with the Company	Nature of transaction	July to March 2021	July to March 2020
		Un-audited	Un-audited
(Rupees in thousand)			
i. Subsidiary entities	Purchase of goods	1,478,145	1,994,021
	Rental income	697	697
	Sale of goods and services	26,815	21,442
ii. Investor	Purchase of goods and services	117	-
	Sale of goods	71,996	38,582
	Dividend income	121,158	121,158
	Dividends paid	-	137,574
iii. Other related entities	Insurance premium	142,425	136,191
	Sale of goods	5,061	45,720
	Dividend income	1,569,006	1,375,668
	Dividends paid	-	3,587
	Purchase of goods and services	9,620	74,527
	Mark-up income on balances with related parties	48,300	92,159
	Insurance claims received	12,210	35
	Purchase of shares	176,107	197,500
iv. Key management	Salaries and other employment benefits	168,850	178,783
	Dividend paid	-	23,951
v. Post employment	Expense charged in respect of defined benefit plan	130,952	145,396
	Expense charged in respect of defined contribution plan	75,147	71,674
		March 31, 2021	June 30, 2020
		Un-audited	audited
(Rupees in thousand)			
Period/year end balances			
Payable to related parties			
	Trade and other payables	765,496	647,802
Receivable from related parties			
	Trade debts	99,272	20,271
	Loan to related party	765,000	765,000
	Mark-up receivable from related party	5,497	5,850
		869,769	791,121

July to March

2021

2020

Un-audited

Un-audited

(Rupees in thousand)

14. Cash generated from operations

Profit/(loss) before tax	3,574,382	(3,357,552)
Adjustments for non-cash charges and other items:		
- Depreciation on operating fixed assets	2,663,291	2,765,559
- (Gain)/loss on disposal of operating fixed assets	(19,450)	31,810
- Net impairment losses/(reversal) on financial assets	(30,888)	50,200
- Dividend income	(1,700,296)	(1,500,232)
- Provision for retirement benefits	206,099	217,070
- Mark-up income	(48,300)	(92,159)
- Profit on bank deposits	(12,590)	(2,757)
- Exchange (gain)/loss	(64,618)	525,208
- Finance cost	2,223,558	3,659,200
Profit before working capital changes	6,791,188	2,296,347

Effect on cash flow due to working capital changes:

- (Increase)/decrease in stores, spare parts and loose tools	548,603	(61,656)
- Decrease in stock-in-trade	953,266	1,062,074
- Decrease/(increase) in trade debts	60,515	(929,266)
- Decrease in loans, advances, deposits, prepayments and other receivables	198,494	689,479
- (Decrease)/increase in trade and other payables	265,556	1,718,040
	<u>2,026,434</u>	<u>2,478,671</u>
	<u>8,817,622</u>	<u>4,775,018</u>

**March 31,
2021**

**March 31,
2020**

Un-audited

Un-audited

(Rupees in thousand)

15. Cash and cash equivalents

Short term borrowings - secured	(20,051,218)	(21,994,964)
Cash and bank balances	2,942,884	391,433
	<u>(17,108,334)</u>	<u>(21,603,531)</u>

16. Financial risk management

16.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, and other price risk), credit risk and liquidity risk.

These unconsolidated condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at June 30, 2020.

There have been no changes in the risk management department or in any risk management policies since the year ended June 30, 2020.

16.2 Fair value estimation

a) Fair value hierarchy

The different levels for fair value estimation used by the Company have been defined as follows:

- The fair value of financial instruments traded in active markets (such as publicly traded equity securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

- The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to determine fair value of an instrument are observable, the instrument is included in Level 2.

- If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity instruments.

To provide an indication about the reliability of the inputs used in determining fair value, the Company classifies its financial instruments into the three levels prescribed above. The following table presents the Company's financial assets measured and recognised at fair value at March 31, 2021 and June 30, 2020 on a recurring basis:

	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
As at December 31, 2021				
Recurring fair value measurements				
Assets				
Investments - FVOCI	21,935,661	-	2,658,051	24,593,712
As at June 30, 2020				
Assets				
Investments - FVOCI	20,191,507	-	2,364,787	22,556,294

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between Level 1, 2 and 3 during the period. There were no changes in valuation techniques during the period.

The Company did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at March 31, 2021.

b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments; and
- for other financial instruments - discounted cash flow analysis.

c) Fair value measurements using significant unobservable inputs

Investment in Nishat Hotels and Properties Limited

The main level 3 inputs used by the Company to determine fair value of investment in Nishat Hotels and Properties Limited ('NHPL') are derived and evaluated as follows.

- Discount rate is determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to NHPL.
- Long term growth rate is estimated based on historical performance of NHPL and current market information for similar type of entities.

The significant assumptions used in this valuation technique are as follows:

- Discount rate of 9.01%.
- Long term growth rate of 2% for computation of terminal value.
- Annual growth in costs is linked to inflation at 5.99% per annum.
- NHPL has multiple sources of revenue. Annual growth in revenue ranges from 6.57% to 9.98% per annum depending upon inflation and other factors.

Sensitivity analysis

Sensitivity analysis of the significant assumptions used in the valuation technique are as follows:

If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at March 31, 2021 would be Rs 333.333 million lower.

If the long term growth rate decreases by 1% with all other variables held constant, the impact on fair value as at March 31, 2020 would be Rs 194.792 million lower.

If inflation decreases by 1% with all other variables held constant, the impact on fair value as at March 31, 2021 would be Rs 100.00 million lower.

If interest rate increases by 1% with all other variables held constant, the impact on fair value as at March 31, 2021 would be Rs 66.667 million lower.

Investment in Hyundai Nishat Motor (Private) Limited

The main level 3 inputs used by the Company to determine fair value of investment in Hyundai Nishat Motor (Private) Limited ('HNMPL') are derived and evaluated as follows.

- Discount rate is determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to HNMPL.
- Long term growth rate is estimated based on historical performance of HNMPL and current market information for similar type of entities.

The significant assumptions used in this valuation technique are as follows:

- Discount rate of 14.87%.
- Long term growth rate of 2% for computation of terminal value.
- Annual growth in costs are linked to inflation and currency devaluation at 7% per annum and revenues are linked to currency devaluation at 7% per annum.

Sensitivity analysis

Sensitivity analysis of the significant assumptions used in the valuation technique are as follows:

If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at March 31, 2021 would be Rs 138.288 million lower.

If the long term growth rate decreases by 1% with all other variables held constant, the impact on fair value as at March 31, 2021 would be Rs 84.468 million lower.

If inflation decreases by 1% with all other variables held constant, the impact on fair value as at March 31, 2021 would be Rs 36.628 million higher.

If interest rate increases by 1% with all other variables held constant, the impact on fair value as at March 31, 2021 would be Rs 17.94 million higher.

17. Date of authorization for issue

These unconsolidated condensed interim financial statements were authorized for issue on April 24, 2021 by the Board of Directors of the Company.

18. Corresponding figures

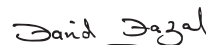
In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the unconsolidated condensed interim financial position has been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.



Chief Executive



Chief Financial Officer



Director

INTERIM CONSOLIDATED FINANCIAL STATEMENTS



Consolidated Condensed Interim Statement of Financial Position

		31 March, 2021	30 June, 2020
	Note	Un-Audited	Audited
(Rupees in thousand)			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
- 950,000,000 (June 30, 2020: 950,000,000) ordinary shares of Rs 10 each		9,500,000	9,500,000
- 50,000,000 (June 30, 2020: 50,000,000) preference shares of Rs 10 each		500,000	500,000
		10,000,000	10,000,000
Issued, subscribed and paid up capital 438,119,118 (June 30, 2020: 438,119,118) ordinary shares of Rs 10 each		4,381,191	4,381,191
Reserves		29,012,389	27,171,663
Un-appropriated profit		38,164,592	35,104,580
Attributable to owners of the parent company		71,558,172	66,657,434
Non-controlling interest		2,212,879	2,016,356
		73,771,051	68,673,790
NON-CURRENT LIABILITIES			
Long term finances - secured	5	21,743,766	22,679,206
Long term liability	6	55,448	-
Long term deposits		239,412	253,937
Deferred grant	7	33,187	-
Deferred liabilities		596,763	521,834
Deferred taxation		2,989,903	2,723,382
		25,658,479	26,178,359
CURRENT LIABILITIES			
Trade and other payables		11,146,865	11,434,927
Accrued finance cost		675,350	803,423
Short term borrowing-secured		21,672,397	25,849,525
Loan from related party - unsecured		214,000	214,000
Current portion of non-current liabilities		5,976,203	2,087,764
Unclaimed dividend		33,445	33,837
Provision for taxation		35,090	35,090
		39,753,350	40,458,566
CONTINGENCIES AND COMMITMENTS			
	8	139,182,880	135,310,715

The annexed notes 1 to 18 form an integral part of these consolidated condensed interim financial information.



Chief Executive

As At March 31, 2021

	Note	31 March, 2021 Un-Audited (Rupees in thousand)	30 June, 2020 Audited
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	88,509,114	87,174,260
Biological assets		909,152	881,340
Investments	10	10,812,210	9,573,740
Long term loans to employees		5,096	5,096
Long term loans, advances and deposits		57,483	57,908
		100,293,055	97,692,344
CURRENT ASSETS			
Stores, spares and loose tools		7,928,737	8,461,802
Stock-in-trade		4,246,276	5,495,625
Trade debts		3,150,128	3,042,990
Investments		14,024,310	13,126,408
Advances, deposits, prepayments and other receivables		455,323	893,574
Loan to related party	11	765,000	765,000
Contract assets		64,678	120,019
Income tax recoverable		5,269,947	5,024,962
Cash and bank balances		2,985,426	687,991
		38,889,825	37,618,371
		139,182,880	135,310,715



Chief Financial Officer



Director

Consolidated Condensed Interim Statement of Profit or Loss

For the Quarter and Nine Month Period Ended March 31, 2021 (Un-audited)

	2021		2020	
	July to March	January to March	July to March	January to March
	(Rupees in thousand)		(Rupees in thousand)	
Sales	35,371,860	11,706,925	33,217,862	10,594,579
Cost of sales	(28,835,729)	(8,947,875)	(31,874,544)	(10,379,197)
Gross profit	6,536,131	2,759,050	1,343,319	215,382
Administrative expenses	(535,038)	(183,332)	(576,431)	(179,765)
Selling and distribution expenses	(1,401,461)	(407,774)	(1,448,078)	(436,881)
Other expenses	(376,888)	(239,255)	(794,774)	(619,630)
Changes in fair value of biological assets	238,368	58,984	195,988	42,621
Other income	2,058,960	1,664,181	1,820,667	597,490
Finance cost	(2,379,284)	(742,819)	(4,031,353)	(1,320,060)
Profit/(loss) before taxation	4,140,788	2,909,035	(3,490,662)	(1,700,843)
Taxation	(888,258)	(668,613)	1,471,932	628,151
Profit/(loss) for the period	3,252,530	2,240,422	(2,018,730)	(1,072,692)
Attributable to :				
Equity holders of the parent	3,060,012	2,148,695	(1,954,397)	(1,048,871)
Non-controlling interest	192,518	91,727	(64,333)	(23,821)
	3,252,530	2,240,422	(2,018,730)	(1,072,692)
Earnings/(loss) per share				
(basic and diluted - in Rupees)	7.42	5.11	(4.61)	(2.45)

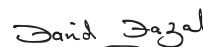
The annexed notes 1 to 18 form an integral part of these consolidated condensed interim financial information.



Chief Executive



Chief Financial Officer



Director

Consolidated Condensed Interim Statement of Comprehensive Income

For the Quarter and Nine Month Period Ended March 31, 2021 (Un-audited)

	2021		2020	
	July to March	January to March	July to March	January to March
	(Rupees in thousand)		(Rupees in thousand)	
Profit/(loss) for the period	3,252,530	2,240,422	(2,018,730)	(1,072,692)
Other comprehensive income / (loss) for the period				
Items that may be re-classified subsequently to profit or loss:	-	-	-	-
Items that will not be subsequently re-classified to profit or loss:				
Change in fair value of investments at fair value through other comprehensive income (OCI)- net of tax	1,844,731	(1,612,665)	(3,996,297)	(7,797,758)
Other comprehensive income / (loss) for the period	1,844,731	(1,612,665)	(3,996,297)	(7,797,758)
Total comprehensive income/(loss) for the period	5,097,261	627,757	(6,015,027)	(8,870,450)
Attributable to				
Equity holders of parent	4,900,738	541,566	(5,940,964)	(8,825,154)
Non-controlling interest	196,523	86,191	(74,063)	(45,297)
	5,097,261	627,757	(6,015,027)	(8,870,451)

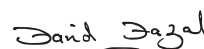
The annexed notes 1 to 18 form an integral part of these consolidated condensed interim financial information.



Chief Executive



Chief Financial Officer



Director

Consolidated Condensed Interim Statement of Changes In Equity

For the Quarter and Nine Month Period Ended March 31, 2021 (Un-audited)

	Capital reserve					Revenue reserve			Total equity attributable to shareholders of parent company	Non-controlling interest	Total equity
	Share capital	Share premium	FVOCI reserve	Capital redemption reserve fund	General reserve	Un-appropriated profits					
Balance as at June 30, 2020 - Audited	4,381,191	4,557,163	18,852,083	353,510	5,110,851	37,744,493	70,999,291	2,039,554	73,038,845		
Total comprehensive income for the period	-	-	-	-	-	(1,954,397)	(1,954,397)	(64,333)	(2,018,730)		
- Loss for the period	-	-	-	-	-	-	-	-	-		
- Other comprehensive income for the period	-	-	(3,986,566)	-	-	-	(3,986,566)	(9,731)	(3,996,297)		
- Changes in fair value of investments at fair value through OCI - net of tax	-	-	(3,986,566)	-	-	(1,954,397)	(5,940,964)	(74,063)	(6,015,027)		
Transactions with owners in their capacity as owners recognised directly in equity											
- Final dividend for the year ended June 30, 2020 (Rs 1.00 per share)	-	-	-	-	-	(438,119)	(438,119)	-	(438,119)		
Balance as at March 31, 2021 - Unaudited	4,381,191	4,557,163	14,865,517	353,510	5,110,851	35,351,977	64,620,208	1,965,491	66,585,699		
Balance as at June 30, 2020 - Audited	4,381,191	4,557,163	17,150,139	353,510	5,110,851	35,104,580	66,657,434	2,016,356	68,673,790		
Total comprehensive income for the period	-	-	-	-	-	3,060,012	3,060,012	192,518	3,252,530		
- Profit for the period	-	-	-	-	-	3,060,012	3,060,012	192,518	3,252,530		
- Other comprehensive income for the period	-	-	1,840,726	-	-	-	1,840,726	4,005	1,844,731		
- Changes in fair value of investments at fair value through OCI - net of tax	-	-	1,840,726	-	-	-	1,840,726	4,005	1,844,731		
Balance as at March 31, 2021 - Unaudited	4,381,191	4,557,163	18,990,865	353,510	5,110,851	38,164,592	71,558,172	2,212,879	73,771,051		

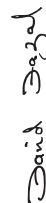
The annexed notes 1 to 18 form an integral part of these consolidated condensed interim financial information.



Chief Executive



Chief Financial Officer



Director

Consolidated Condensed Interim Statement of Cash Flows

For the Quarter and Nine Month Period Ended March 31, 2021 (Un-audited)

	Note	2021 July to March (Rupees in thousand)	2020 July to March
Cash flows from operating activities			
Cash generated from operations	13	9,563,869	4,929,640
Finance cost paid		(2,507,357)	(3,859,018)
Retirement and other benefits paid		(149,726)	(173,430)
Income tax paid		(892,204)	(1,103,117)
Long term deposits - net		(14,525)	15,039
Net cash inflow from operating activities		6,000,057	(190,886)
Cash flows from investing activities			
Payments for property, plant and equipment		(4,186,850)	(2,696,442)
Proceeds from disposal of property, plant and equipment		31,421	78,571
Long term loans, advances and deposits - net		425	2,922
Proceeds from loan from related party		-	235,000
Proceeds from sale of biological assets		138,272	69,720
Investment in equity instruments		(266,159)	(207,775)
Interest received		61,291	82,783
Dividend received		1,712,249	1,510,402
Net cash outflow from investing activities		(2,509,351)	(924,819)
Cash flows from financing activities			
Repayment of long term finances		(386,354)	(3,125,536)
Dividend paid		(392)	(437,716)
Proceeds from long term finances		3,370,603	2,500,000
Net cash inflow/(outflow) from financing activities		2,983,857	(1,063,252)
Net increase in cash and cash equivalents		6,474,563	(2,178,958)
Cash and cash equivalents at the beginning of the year		(25,161,534)	(22,067,766)
Cash and cash equivalents at the end of period	14	(18,686,971)	(24,246,724)

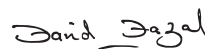
The annexed notes 1 to 18 form an integral part of these consolidated condensed interim financial information.



Chief Executive



Chief Financial Officer



Director

Notes to and Forming Part of the Condensed Interim Consolidated Financial

For the Quarter and Nine Month Period Ended March 31, 2021 (Un-audited)

1. Legal Status and nature of business

The group comprises of:

- D. G. Khan Cement Company Limited (the parent company);
- Nishat Paper Products Company Limited;
- Nishat Dairy (Private) Limited; and

The parent company is a public limited company incorporated in Pakistan and is listed on Pakistan Stock Exchange. It is principally engaged in production and sale of Clinker, Ordinary Portland and Sulphate Resistant Cement. The registered office of the Company is situated at 53-A Lawrence Road, Lahore. The Company is principally engaged in production and sale of Clinker, Ordinary Portland and Sulphate Resistant Cement. It has four cement plants, two plants located at Dera Ghazi Khan ('D.G. Khan'), one at Khairpur District, Chakwal ('Khairpur') and one at Hub District, Lasbela ('Hub').

Nishat Paper Products Company Limited is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984 on July 23, 2004. It is principally engaged in the manufacture and sale of paper products and packaging material.

Nishat Dairy (private) Limited was incorporated in Pakistan under the Companies Ordinance 1984 on October 28, 2011. The principally activity of the company is to carry on the business of production of raw milk.

The registered office of the Group is situated at 53-A, Lawrence Road, Lahore. The parent company's holding in its subsidiaries is as follows:

	Effective percentage of holding
- Nishat Paper Products Company Limited	55%
- Nishat Dairy (Private) Limited	55.10%

2. Basis of preparation

2.1 Statement of compliance

These consolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 These consolidated condensed interim financial statements are un-audited and are being submitted to the members as required by section 237 of the Companies Act, 2017 (the 'Act').

These consolidated condensed interim financial statements do not include all of the information

required for annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended June 30, 2020. Selected explanatory notes are included to explain events and transactions that are significant to and understanding of the changes in the Group's financial position and performance since the last annual financial statements.

3. Significant accounting policies

3.1 The accounting policies and the methods of computation adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of preceding annual published financial statements of the Group for the year ended June 30, 2020 except for new policy adopted in note 3.2 and the adoption of new and amended standards as set out in note 3.3 and 3.4.

3.2 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

3.3 Standards, amendments and interpretations to International Financial Reporting Standards (IFRS) that are effective in the current period

Certain standards, amendments and interpretations to International Financial Reporting Standards (IFRS) are effective for accounting periods beginning on July 1, 2020, but are considered not to be relevant or to have any significant effect on the Group's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these consolidated condensed interim financial statements.

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

There are certain standards, amendments to the accounting standards and interpretations that are mandatory for the Group's accounting periods beginning on or after July 01, 2021 but are considered not to be relevant or to have any significant effect on the Group's operations and are, therefore, not detailed in these consolidated condensed interim financial statements.

4. Accounting estimates

The preparation of these consolidated condensed interim financial statements 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 these consolidated condensed interim financial statements, the significant judgments made by management in applying accounting policies and key sources of estimation were the same as those that were applied to the annual financial statements of the Group for the year ended June 30, 2021, with the exception of change in estimate that is required in determining the provision for income taxes as referred to in note 4.1:

4.1 Taxation

Income tax expense is recognized in each interim period based on best estimate of the weighted average annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual income tax rate changes.

March 31, 2021	June 30, 2020
Un-audited	audited
(Rupees in thousand)	

5. Long term finances

Long term loans	- note 5.1	27,631,845	24,728,690
Current portion shown under current liabilities		(5,888,079)	(2,049,484)
		21,743,766	22,679,206

5.1 The reconciliation of the carrying amount is as follows:

Opening balance		24,728,690	21,875,324
Disbursements during the period		3,370,603	6,278,293
Repayment during the period		(386,354)	(3,424,927)
		27,712,939	24,728,690
Net Discounting adjustment - deferred grant		(81,094)	-
Closing balance		27,631,845	24,728,690

6. Long term liability

During the period, the Supreme Court of Pakistan has upheld the Gas Infrastructure Development Cess Act, 2015 to be constitutional and intravires and has allowed the settlement of Gas Infrastructure Development Cess ('GIDC') over a period of time and this amount represents its long term portion. The Group has followed the relevant accounting standards and guidelines issued by the Institute of Chartered Accountants of Pakistan ('ICAP') in this regard.

7. Deferred income - Government grant

The Group received long term loans at concessional market interest rate under IH & SMEFD Circular No. 01, 06 and 07 of 2020 issued by State Bank Of Pakistan. The Group has deferred income associated with the Government grant to amortize over the period of loans.

March 31, 2021	June 30, 2020
Un-audited	audited
(Rupees in thousand)	

Government grant as at March 31, 2021	81,094	-
Current portion shown under current liabilities	(47,907)	-
Closing balance	33,187	-

There are no unfulfilled conditions or other contingencies attached to these grants.

8. Contingencies and commitments

8.1 Contingencies

There is no significant change in contingencies from the preceding annual financial statements of the Company for the year ended June 30, 2020 except for the matter disclosed in annual financial statements, which is mentioned below:

- (i) The Additional Commissioner Inland Revenue through his order dated September 02, 2020 has curtailed tax credit availed by the Company under section 65B of the Income Tax Ordinance, 2001 pertaining to Tax Year 2018 having an impact of Rs 238.278 million. The Company has filed an appeal against this disallowance before the Commissioner Inland Revenue (Appeals) on the grounds that such tax credit is in respect of a settled position and the same was duly admissible to it as has been settled by appellate authorities. Management of the Company feels that there are meritorious grounds that the ultimate decision would be in its favour, therefore, the said tax credit has not been curtailed in the Company's books.
- (ii) On January 18, 2021, the Commissioner Inland Revenue (Appeals) ('CIR(A)') has passed orders ratifying the earlier demand of Deputy Commissioner Inland Revenue ('DCIR') through which input sales tax, mainly on construction material and vehicles, for the tax periods from June 2016 to July 2017 aggregating Rs 332.817 million was disallowed to the Company. Further, the default surcharge thereon, levied by the DCIR, has also been upheld by CIR(A), that shall be calculated at the time of recovery. The Company has filed an appeal before the Appellate Tribunal Inland Revenue against the decision of the Commissioner Inland Revenue (Appeals). As per Company's management, there are meritorious grounds that the ultimate decision would be in its favour wherein such claim of input tax would be allowed to the Company. Therefore, such credit of input sales tax has not been reversed in these interim financial statements. However, in case of an adverse decision, such input sales tax shall be reversed and will become part of the cost of the related fixed assets that would result in increase in depreciation charge of such fixed assets over their remaining useful lives.
- (iii) A guarantee to Director Excise and Taxation Karachi on account of infrastructure development cess amounting to Rs. 116.106 million (June 30, 2020: Rs 92.647 million).

8.2 Commitments in respect of:

- (i) Contracts for capital expenditure Rs 964.87 million (June 30, 2020: Rs 2,614.855 million).
- (ii) Letters of credit for capital expenditure Rs 105.851 million (June 30, 2020: Rs 2,237.133 million).
- (iii) Letters of credit other than capital expenditure Rs 2,707.692 million (June 30, 2020: Rs 1,397.913 million).

	March 31, 2021	June 30, 2020
	Un-audited	audited
	(Rupees in thousand)	

9. Property, plant and equipment

Operating Assets	-note 8.1	78,777,676	80,612,174
Capital work-in-progress		9,579,023	6,369,586
Major spare parts and stand-by equipment		152,415	192,500
		88,509,114	87,174,260

	March 31, 2021	June 30, 2020
	Un-audited	audited
	(Rupees in thousand)	
9.1 Operating assets		
Opening book value	80,612,174	80,783,631
Add: Additions during the period/ year -note 8.1.1	1,017,498	3,888,106
	81,629,672	84,671,737
Less: Disposals during the period/ year - net book value	10,992	116,596
Depreciation charged during the period/ year	2,841,004	3,942,967
	2,851,996	4,059,563
Closing book value	78,777,676	80,612,174
9.1.1 Major additions during the period		
Free hold land	-	16,690
Leasehold land	-	-
Building on freehold land	144,912	103,223
Office building and housing colony	338,324	2,531
Roads	14,221	15,454
Plant and machinery	434,018	3,024,340
Quarry equipment	31,308	130,767
Furniture, fixtures and office equipment	36,722	125,553
Motor vehicles	11,050	67,301
Power and water supply lines	6,943	402,247
	1,017,498	3,888,106
9.2 Capital work-in-progress		
Civil works	1,640,870	1,608,930
Plant and machinery	7,490,780	4,403,532
Advances to suppliers and contractors	155,701	202,614
Others	291,672	154,510
	9,579,023	6,369,586

10. Investments

This includes Level 3 investments in Nishat Hotels and Properties Limited and Hyundai Nishat Motor (Private) Limited that are related parties on the basis of common directorship. The reconciliation of carrying amount of these investments is as follows:

	March 31, 2021	June 30, 2020
	Un-audited	audited
	(Rupees in thousand)	
Carrying value of investments at the beginning of the period/year	2,364,787	1,983,213
Investments made during the period/year	176,107	197,500
Fair value gain recognized in other comprehensive income	117,157	184,074
Carrying value at the end of the period/year	2,658,051	2,364,787

11. Loan to related party

This represents loan to Nishat Hotels and Properties Limited ('NHPL'), a related party, for meeting its working capital requirements. The outstanding amount is due for repayment by October 27, 2021 in accordance with the extension granted in Annual General Meeting of the Company held on October 28, 2020. It carries mark-up at the rate of 1 month KIBOR + 1% per annum. Reconciliation of the carrying amount is as follows:

	March 31, 2021	June 30, 2020
	Un-audited	audited
	(Rupees in thousand)	
Opening balance	765,000	1,000,000
Receipts during the period/year	-	(235,000)
Closing balance	<u>765,000</u>	<u>765,000</u>

12. Transactions with related parties

The related parties include other related parties on the basis of common directorship, group companies, key management personnel including directors and post employment benefit plans. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director (whether executive or otherwise) of that company. The Company in the normal course of business carries out transactions with various related parties. Significant transactions with related parties are as follows:

		July to March 2021	2020
		Un-audited	Un-audited
		(Rupees in thousand)	
Relationship with the Group	Nature of transaction		
Other related parties	Purchase of goods and services	41,081	155,893
	Purchase of shares	185,809	207,776
	Insurance premium	150,327	148,518
	Sale of goods and services	838,176	84,302
	Mark-up income	48,300	92,159
	Insurance claims received	12,210	35
	Dividend income	1,704,153	1,507,853
	Dividend paid	-	141,161
Key Management personnel	Salaries and other employment benefits	168,850	178,783
	Dividend paid	-	23,951
Post employment benefit plans	Expense charged in respect of staff retirement benefits plans	226,592	235,205

All transactions with related parties have been carried out on commercial terms and conditions.

July to March	
2021	2020
Un-audited	Un-audited
(Rupees in thousand)	

13. Cash flow from operating activities

Profit/(loss) before tax	4,140,788	(3,490,662)
Adjustment for :		
- Depreciation on property, plant and equipment	2,841,004	2,954,311
- Gain on disposal of operating fixed assets	(20,429)	31,885
- Loss on disposal of biological assets	72,284	135,974
- Net Impairment/(reversal of impairment) losses on financial assets	(30,888)	50,200
- Gain on changes in fair value biological asset	(238,368)	(195,988)
- Dividend income	(1,714,285)	(1,511,259)
- Retirement and other benefits accrued	226,592	235,205
- Markup income	(48,300)	(92,159)
- Profit on bank deposit	(12,638)	(2,854)
- Exchange (gain) / loss - net	(69,864)	525,790
- Finance cost	2,379,284	4,031,353
Profit/(loss) before working capital changes	7,525,180	2,671,796
Working capital changes		
- (Increase)/decrease in stores, spares and loose tools	533,065	(83,419)
- Decrease in stock-in-trade	1,249,349	1,495,789
- (Increase)/decrease in trade debts and contract assets	(20,909)	(1,478,278)
- Decrease in advances, deposits, prepayments and other receivables	439,934	959,514
- Increase/(decrease) in trade and other payables	(162,750)	1,364,238
Net working capital changes	2,038,689	2,257,844
Cash (used in)/ generated from operations	9,563,869	4,929,640

14. Cash and cash equivalents

Short term borrowings - secured	(21,672,397)	(24,928,283)
Cash and bank balances	2,985,426	681,559
Total cash and cash equivalents	(18,686,971)	(24,246,724)

15. Financial risk management

15.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, and other price risk), credit risk and liquidity risk.

The consolidated condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the group's annual financial statements as at June 30, 2020.

There have been no changes in the risk management department or in any risk management policies since the year ended June 30, 2020.

15.2 Fair value estimation

a) Fair value hierarchy

The different levels for fair value estimation used by the Group have been defined as follows:

- The fair value of financial instruments traded in active markets (such as publicly traded equity securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.
- The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to determine fair value of an instrument are observable, the instrument is included in Level 2.
- If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity instruments.

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed above. The following table presents the Group's financial assets measured and recognised at fair value at March 31, 2021 and June 30, 2020 on a recurring basis:

	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
As at March 31, 2021				
Recurring fair value measurements				
Assets				
Investments - FVOCI	22,178,444	-	2,658,051	24,836,495
Investments - FVPL	25	-	-	25
Biological assets	-	-	909,152	909,152
As at June 30, 2020				
Assets				
Investments - FVOCI	20,335,341	-	2,364,787	22,700,128
Investments - FVPL	20	-	-	20
Biological assets	-	-	881,340	881,340

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between Level 1, 2 and 3 during the period. There were no changes in valuation techniques during the period.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at March 31, 2021.

b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments; and
- for other financial instruments - discounted cash flow analysis.

c) Fair value measurements using significant unobservable inputs

Investment in Nishat Hotels and Properties Limited

The main level 3 inputs used by the Group to determine fair value of investment in Nishat Hotels and Properties Limited ('NHPL') are derived and evaluated as follows.

- Discount rate is determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to NHPL and HNMPL.
- Long term growth rate is estimated based on historical performance of NHPL and HNMPL and current market information for similar type of entities.

The significant assumptions used in this valuation technique for NHPL are as follows:

- Discount rate of 9.01%.
- Long term growth rate of 2% for computation of terminal value.
- Annual growth in costs and revenues is linked to inflation at 5.99% per annum.
- NHPL has multiple sources of revenue. Annual growth in revenue ranges from 6.57% to 9.98% per annum depending upon inflation and other factors.

Sensitivity analysis

Sensitivity analysis of the significant assumptions used in the valuation technique are as follows:

If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at March 31, 2021 would be Rs 333.333 million lower.

If the long term growth rate decreases by 1% with all other variables held constant, the impact on fair value as at March 31, 2021 would be Rs 194.792 million lower.

If inflation decreases by 1% with all other variables held constant, the impact on fair value as at March 31, 2021 would be Rs 100.00 million lower.

If interest rate increases by 1% with all other variables held constant, the impact on fair value as at March 31, 2021 would be Rs 66.667 million lower.

Investment in Hyundai Nishat Motor (Private) Limited

The main level 3 inputs used by the Company to determine fair value of investment in Nishat Hotels and Properties Limited ('NHPL') are derived and evaluated as follows.

- Discount rate is determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to NHPL.
- Long term growth rate is estimated based on historical performance of NHPL and current market information for similar type of entities.

The significant assumptions used in this valuation technique for HNMPL are as follows:

- Discount rate of 14.87%.
- Long term growth rate of 2% for computation of terminal value.
- Annual growth in costs are linked to inflation and currency devaluation at 7% per annum and revenues are linked to currency devaluation at 7% per annum

Sensitivity analysis

Sensitivity analysis of the significant assumptions used in the valuation technique are as follows:

If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at March 31, 2021 would be Rs 138.288 million lower.

If the long term growth rate decreases by 1% with all other variables held constant, the impact on fair value as at March 31, 2021 would be Rs 84.468 million lower.

If inflation decreases by 1% with all other variables held constant, the impact on fair value as at March 31, 2021 would be Rs 36.628 million higher.

If interest rate increases by 1% with all other variables held constant, the impact on fair value as at March 31, 2021 would be Rs 17.94 million higher.

16. Operating segments

Segment information is presented in respect of the group's business. The primary format, business segment, is based on the group's management reporting structure.

The group's operations comprise of the following main business segment types:

Type of segments Nature of business

Cement	Production and sale of clinker, Ordinary Portland and Sulphate Resistant Cements.
Paper	Manufacture and supply of paper products and packing material.
Dairy	Production and sale of raw milk.

16.1 Segment analysis and reconciliation - condensed

The information by operating segment is based on internal reporting to the Group executive committee, identified as the 'Chief Operating Decision Maker' as defined by IFRS 8. This information is prepared under the IFRS's applicable to the consolidated financial statements. All group financial data are assigned to the operating segments.

Rupees in thousands	Cement		Paper		Dairy/Farm		Elimination - net		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	Revenue from									
- External Customers	32,744,045	30,570,634	1,174,206	1,357,560	1,453,609	1,289,668	-	-	35,371,860	33,217,862
- Inter-group	3,630	149	1,729,640	1,990,831	-	-	(1,733,270)	(1,990,980)	-	-
	32,747,675	30,570,783	2,903,846	3,348,391	1,453,609	1,289,668	(2,954,775)	(1,990,980)	35,371,860	33,217,862
Segment gross profit/(loss)	5,894,148	1,077,930	676,766	484,795	14,094	(164,694)	(48,877)	(54,712)	6,536,131	1,343,319
Segment expenses	(2,125,691)	(2,572,785)	(58,380)	(50,887)	(129,316)	(195,611)	-	-	(2,313,387)	(2,819,283)
Other income	2,029,483	1,796,503	17,767	13,770	250,775	207,079	(697)	(697)	2,297,328	2,016,655
Financial charges	(2,223,558)	(3,659,200)	(152,402)	(363,805)	(3,324)	(8,348)	-	-	(2,379,284)	(4,031,353)
Taxation	(726,001)	1,507,395	(140,288)	(15,954)	(21,969)	(19,509)	-	-	(888,258)	1,471,932
Profit after taxation	2,848,381	(1,850,157)	343,463	67,919	110,260	(181,083)	(49,574)	(55,409)	3,252,530	(2,018,730)
Depreciation	2,663,291	2,765,559	44,609	45,112	112,361	122,897	20,743	20,743	2,841,004	2,954,311
Capital expenditure	(4,095,943)	(2,678,848)	-	(578)	(90,907)	(17,016)	-	-	(4,186,850)	(2,696,442)
Net cash (outflow) / inflow from operating activities	5,578,269	59,669	708,580	99,390	27,225	(26,948)	(314,017)	(322,997)	6,000,057	(190,886)
Net cash outflow from investing activities	(2,497,087)	(978,074)	4,335	270	(31,587)	53,291	14,988	(306)	(2,509,351)	(924,819)
<i>Rupees in thousands</i>	31.03.2020	30.06.2020	31.03.2020	30.06.2021	31.03.2020	30.06.2020	31.03.2020	30.06.2020	31.03.2021	30.06.2020
	unaudited	audited	unaudited	audited	unaudited	audited	unaudited	audited	unaudited	audited
Segment assets	134,184,282	129,551,534	4,831,502	5,183,377	3,226,676	3,280,366	(3,059,580)	(2,704,562)	139,182,880	135,310,715
Segment liabilities	62,855,914	62,907,377	2,955,035	3,659,274	559,436	723,386	(958,556)	(653,112)	65,411,829	66,636,925

16.2 Geographical segments

All segments of the group are managed on nation-wide basis and operate manufacturing facilities and sales offices in Pakistan only.

17. Date of authorization

This interim financial information was authorized for issue by the Board of Directors of the Company on April 24, 2021.

18. Corresponding figures

In order to comply with the requirements of the International Accounting Standard 34: 'Interim Financial Reporting', the condensed interim consolidated balance sheet and condensed interim consolidated statement of changes in equity have been compared with the balances of annual audited financial statements of preceding year, whereas, the condensed interim consolidated profit and loss account, condensed interim consolidated statement of comprehensive income and condensed interim consolidated cash flow statement have been compared with the balances of comparable period of immediately preceding year.



Chief Executive



Chief Financial Officer



Director

Notes



D.G. KHAN CEMENT COMPANY LIMITED
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