



NISHAT



D.G. KHAN CEMENT  
COMPANY LIMITED

3rd Quarter Report,  
March 31,

**2020**

(Un-audited)

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## Company Information

<b>Board of Directors</b>	Mrs. Naz Mansha Mr. Raza Mansha Mr. Khalid Niaz Khawaja Mr. Usama Mahmud Mr. Mahmood Akhtar Mr. Farid Noor Ali Fazal Mr. Shahzad Ahmad Malik Female Directors Male Directors	Chairperson Chief Executive Independent Independent Non-Executive Executive Non-Executive 01 06
<b>Audit Committee</b>	Mr. Khalid Niaz Khawaja Mr. Mahmood Akhtar Mr. Usama Mahmud	Member/Chairman Member Member
<b>Human Resource &amp; Remuneration Committee</b>	Mr. Khalid Niaz Khawaja Mr. Raza Mansha Mr. Shahzad Ahmad Malik	Member/Chairman Member Member
<b>Company Secretary</b>	Mr. Khalid Mahmood Chohan	
<b>Management</b>	Mr. Raza Mansha Dr. Arif Bashir Mr. Farid Noor Ali Fazal Mr. Inayat Ullah Niazi	Chief Executive Officer Director Technical & Operations Director Marketing Chief Financial Officer
<b>Local Bankers</b>	Allied Bank Limited Bank Alfalah Limited Bank Al-Habib Limited Bank Islami Pakistan Limited Dubai Islamic Bank Faysal Bank Limited Habib Bank Limited Limited Habib Metropolitan Bank MCB Bank Limited JS Bank Limited Citi Bank N.A. Askari Bank Limited	MCB Islamic Bank Limited Meezan Bank Limited National Bank of Pakistan Samba Bank Limited Soneri Bank Limited Standard Chartered Bank (Pakistan) Limited The Bank of Punjab United Bank Limited The Bank of Khyber Silk Bank Limited Industrial and Commercial Bank of China (ICBC)
<b>External Auditors</b>	A.F. Ferguson & Co., Chartered Accountants	
<b>Legal Advisors</b>	Mr. Shahid Hamid, Bar-at-Law	
<b>CUIN</b>	0006469	
<b>NTN</b>	1213275-6	
<b>STRN</b>	0402252300164	
<b>Symbol</b>	DGKC	

## Contact Us

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### Factories

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Distt. Lasbela, Pakistan  
UAN: 92 42 111 11 33 33

### Share Registrar

THK Associates (Pvt) Ltd  
Head Office, Karachi  
1<sup>st</sup> Floor, 40-C, Block-6,  
P.E.C.H.S., Karachi.  
Tel: (021) 111 000 322  
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Branch Office, Lahore  
DYL Motorcycles Ltd. Office,  
147-Q Block, Behind Emporium Mall,  
Johar Town, Lahore  
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### For Investors' Information, Comments, Inquiries, Complaints:

Mr. Inayat Ullah Niazi  
Chief Financial Officer  
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Mr. Khalid Mehmood Chohan  
Company Secretary  
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Phone: 0092 42 111 11 33 33

## Directors' Report

The directors of your company are pleased to present you the results of 9M FY20:

	9M FY2020	9M FY 2019	Variance	
	Rupees in '000'			%
Sales	30,570,783	30,375,649	195,134	0.64%
Cost of sales	(29,492,853)	(25,410,359)	(4,082,494)	13.84%
<b>Gross profit</b>	<b>1,077,930</b>	<b>4,965,290</b>	<b>(3,887,361)</b>	<b>-360.63%</b>
Administrative expenses	(517,605)	(488,513)	(29,092)	5.62%
Selling and distribution expenses	(1,445,551)	(1,006,663)	(438,888)	30.36%
Other operating expenses	(609,629)	(525,455)	(84,174)	13.81%
Other income	1,796,503	1,717,598	78,905	4.39%
Finance cost	(3,659,200)	(2,259,914)	(1,399,286)	38.24%
<b>Profit before taxation</b>	<b>(3,357,552)</b>	<b>2,402,343</b>	<b>(5,759,896)</b>	<b>171.55%</b>
Taxation	1,507,395	222,457	1,284,938	85.24%
<b>(Loss) / Profit after taxation</b>	<b>(1,850,157)</b>	<b>2,624,800</b>	<b>(4,474,958)</b>	<b>241.87%</b>
<b>EPS (Rs/share)</b>	<b>-4.22</b>	<b>5.99</b>		

Production and Sales volumetric data is as under:

Figures in MT

	9M FY 2020	9M FY 2019	Variance	
	In MT			%
<b>Production:</b>				
Clinker	5,086,079	4,749,816	336,263	7.08%
Cement	4,327,041	4,093,840	233,201	5.70%
<b>Sales:</b>				
Total	4,320,689	4,047,566	273,123	6.75%
Local (excluding own consumption)	4,207,390	3,818,947	388,443	10.17%
Exports	113,299	228,619	-115,320	-50.44%
Clinker Sale	1,431,799	543,492	888,307	163.44%

FY2 2020 is a bumpy ride for cement industry in particular and country in general. The year started with the ongoing stabilization program, tight fiscal and monetary measures, high inflation number, excessive taxation, drive for documentation of economy and slow export market. These factors contributed towards slowing down of construction sector. Capacity expansion in the industry since June 2019 also intensified price war to maintain market share. As the industry moves into the third quarter and country is slowly recovering from its tight fiscal consolidation measures after IMF periodic review, world was hit hard by pandemic flu of novel Covid-19, forcing almost all the countries (including Pakistan) to push for draconian measures to stop its spread particularly in second and third month of the quarter. This led to overall slow down of economy and even closure of any kind of activity relating to assembly of people.

Stock exchange bled worldwide. Pakistan enforced lockdown at the end of third quarter, forcing almost all the industries to close down their operations. Further, outflow of hot money from T-bills and PIBs due to uncertainty put pressure on PKR, resulted in massive devaluation at the end of the period. These factors worsened already struggling construction sector leading to declining profitability and poor profitability and liquidity ratios.

In volume terms, total sales quantity of industry witnessed growth of 7.06%. North zone contributed growth of 10.84% which slightly offset by negative growth of 3.08% in South Zone. Further analysis shows that the growth was mainly driven by exports 25.63% (mainly clinker) while local dispatches showed modest growth of 3.83% despite capacity additions as compared to corresponding period last year. Sales utilization dropped to 78% against 83% for the corresponding period last year. It was largely contributed by exports 14% (9MFY19: 12%) against the local sales utilization of 64% (9MFY19: 71%). Economy did not generate enough demand for the industry to generate proportionate sales to capacity additions, resulting in decline in sales utilization %.

In line with the industry, 9MFY 2020 of your Company was not encouraging. The company able to reverse the loss in the 2nd quarter of the FY2020 but could not maintain pace in 3rd quarter due to cycling trend of cement industry, lock down in the 3rd month of the quarter, continuous cost pressure and tough price war due to fierce competition. For the 9MFY20, overall cement sales quantity registered growth, mainly driven by local cement sales and clinker exports. Exports of cement declined mainly from halt of exports to India after imposition of 200% duty. Sales utilization of your Company improved to 107% (9MFY 2019: 76%). Clinker was exported to contribute towards fixed costs and to reduce the piling clinker stocks.

Sales, in value terms, registered growth primarily due to increase in volume. Costs escalation mainly from general inflation, rise in energy prices (including withdrawal of PM Relief in the South) and continuous currency devaluation since September 2018 could not be absorbed in the falling cement prices amid high competition in the industry. However, prices showed some stability after the first quarter but could not match the cost pressure. This resulted in fall in GP (in absolute terms and as %age of sales). Selling expenses increase were associated with the rise in clinker exports. The Company also had to absorb the exchange loss on account of massive currency devaluation at the end of the period. Finance cost registered increase mainly driven by hike in discount rates as compared to corresponding period last year and more borrowings to finance the inflationary pressure on working capital.

GDP % would be revised to downward figure as compared to previous projection due to COVID-19 affect. If corona virus spread beyond control and lock down measures stay for a longer period, there could be a painful decline in per capita income leading to unemployment and massive contraction in demand. Cement volumetric sales will continue to remain under pressure and price war is expected to continue and could be fluctuated negatively. Cancellation of export orders and expected drop in remittances shall keep pressure on exchange rate. Government may not be able to meet revenue targets. PSDP funds could be slashed down to meet the fiscal targets set by IMF. It is not clear at the moment about the relaxation provided by IMF in this regard. Disbursement of 1.4 billion USD loan to Pakistan under Rapid Financing Instrument (RFI) by IMF subsequent to the period end to deal with the adverse economic impact of COVID-19 is an encouraging development. This may result in appreciation of PKR against USD and may partially reverse exchange losses subsequent to the period end. Government plan to focus on agriculture, social protection and construction sector at this time of crisis may keep the wealth in circulation. Package for construction sector (primarily focusing on housing sector; subsidy for Naya Pakistan Housing Scheme, tax relaxation measures etc) announced recently may generate massive demand in a year or two. However, uncertainty prevails regarding its execution.

Coal prices shall remain low and may ease pressure on cost. Oil prices hit rock bottom and is expected to remain on lower side in near future during the time of pandemic. This could provide some relief on monetary side. Discount rate was cut by 225 basis points at the end of the quarter. It was further slashed down by 200 points after period end and are expected to come down further. This may provide some breathing space for the industry. This coupled with deferral of principal repayment for a year may help in meeting current liabilities. Announcement of incentive scheme by SBP in the form of credit facility for payroll at reduced rate to the businesses that commit not to lay off workers for the next three months is an encouraging move to help companies in improving liquidity. The Company has applied to its banks to avail these benefits. Ground breaking of Special economic zones took place this year and Government commitment to the plan regarding its development even in the time of crisis is a positive sign. Flagship projects Diamer-Bhasha Dam and Mohmand Dam are yet to come into construction phase. These factors could offset the negative pressure of COVID-19 on industry.

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 Ahmad 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

Lahore  
April 23, 2020



**Farid Noor Ali Fazal**  
Director



مندرجہ ذیل کمپنی کے ڈائریکٹرز ہیں:

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

01 خاتون ڈائریکٹرز:

06 مرد ڈائریکٹرز:

آڈٹ کمیٹی

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

ہیومن ریسورس اینڈ ریمینٹیشن کمیٹی

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

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

ہمارے پلائس 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 پہنچاتی 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 مؤثر طریقہ سے عملدرآمد اور نگرانی کی جاتی ہے۔ کمپنی کے آپریٹنگ 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۔

مثنیٰ بورڈ

Daud Azal

فرید نور علی فضل  
ڈائریکٹر

رضامشا

چیف ایگزیکٹو آفیسر

لاہور

23 اپریل 2020ء

جسم کے لحاظ سے، صنعت کی کل فروخت مقدار میں 7.06 فیصد کا اضافہ ہوا ہے۔ تاہم زون نے 10.84 فیصد نمو کا حصہ شامل کیا جس نے جنوبی زون میں 3.08 فیصد کی منفی نمو کو معمولی کم کیا۔ مزید تجزیہ ظاہر کرتا ہے کہ نمو بنیادی طور پر 25.63 فیصد برآمدات (بنیادی طور پر کلنگر) کے ذریعہ حاصل ہوئی ہے جبکہ گزشتہ سال کے اسی عرصے کے مقابلے میں صلاحیت میں اضافے کے باوجود مقامی ترسیلات میں 3.83 فیصد معمولی اضافہ ہوا ہے۔ گزشتہ سال کے اسی عرصے میں مستعمل فروخت 83 فیصد کے مقابلے میں کم ہو کر 78 فیصد رہ گئی۔ اس میں مقامی مستعمل فروخت 64 فیصد (71.9MFY19 فیصد) کے مقابلے میں بڑے پیمانے پر برآمدات نے 14 فیصد (12.9MFY19 فیصد) کا حصہ شامل کیا۔ معیشت نے اتنی طلب پیدا نہیں کی کہ صنعت میں گنجائش کے اضافے کے تناسب سے فروخت میں اضافہ ہو، جس کے نتیجے میں فیصدی مستعمل فروخت میں کمی واقع ہوئی۔

صنعت کے مطابق، آپ کی کمپنی کی مالی سال 2020Q نوماہی حوصلہ افزا نہیں تھی۔ مالی سال 2020Q کی دوسری سہ ماہی میں کمپنی خسارہ پورا کرنے کے قابل تھی، لیکن سینٹ انڈسٹری کے سائیکلنگ رجحان، سہ ماہی کے تیسرے مہینے میں لاک ڈاؤن، مسلسل قیمت کا دباؤ اور سخت قیمت مقابلہ کے باعث سخت قیمت کی وجہ سے تیسری سہ ماہی میں رفتار برقرار نہ رکھ سکی۔ 9MFY20 کے لئے، مجموعی طور پر سینٹ فروخت کی مقدار میں نمودار کمی گئی ہے، جو بنیادی طور پر سینٹ کی مقامی فروخت اور کلنگر کی برآمدات کے ذریعے ممکن ہوئی ہے۔ 200 برآمدی ڈیوٹی عائد کرنے کے بعد بھارت کو برآمدات رکھنے سے بنیادی طور پر سینٹ کی برآمدات میں کمی آئی ہے۔ آپ کی کمپنی کی مستعمل فروخت 107 فیصد (76.2019MFY فیصد) تک بہتر ہوئی۔ کلنگر کو مقررہ اخراجات کم کرنے اور پائلنگ کلنگر اسٹاک کم کرنے کے لئے برآمد کیا گیا۔

قیمت کے لحاظ سے فروخت نے بنیادی طور پر حجم میں اضافے کے باعث نمودار کمی کرائی ہے۔ بنیادی طور پر عام فراہم کنندہ کی قیمتوں میں اضافہ (جنوب میں وزیراعظم ریلیف کی معطلی سمیت) اور ستمبر 2018 سے کرنسی کی قدر میں مسلسل کمی سے اخراجات میں اضافہ صنعت میں اعلیٰ مسابقت کے دوران سینٹ کی گرتی قیمتوں میں منتقل نہیں ہو سکتا تھا۔ تاہم، قیمتوں میں پہلی سہ ماہی کے بعد کچھ استحکام ظاہر ہوا لیکن اخراجات کے دباؤ سے مطابقت نہیں رکھتا۔ اس کے نتیجے میں پی گریڈ (مطلق شرائط میں اور فروخت فیصد کے طور پر)۔ فروخت کے اخراجات میں اضافہ کلنگر کی برآمدات میں اضافے سے وابستہ تھا۔ مدت کے اختتام پر کمپنی کو بڑے پیمانے پر کرنسی کی قدر میں کمی کی وجہ سے بھی تبادلہ کا خسارہ جذب کرنا پڑا۔ ورلنگ سرمائے پر مہنگائی کے دباؤ کی مالی اعانت کے مزید قرضوں اور گزشتہ سال کی اسی مدت کے مقابلے میں اخراجات میں اضافہ بنیادی طور پر ڈسکونٹ ریٹ میں اضافے سے ہوا ہے۔

کورونا 19 ڈیڑھ کی وجہ سے گزشتہ پروجیکشن کے مقابلہ میں جی ڈی پی فیصد منفی ہندسوں میں تبدیل ہو جائے گا۔ اگر کوئی وائرس کے پھیلاؤ پر قابو نہ پایا گیا اور لاک ڈاؤن کے اقدامات طویل عرصے تک برقرار رہے تو، کسی آمدنی میں شدید کمی واقع ہو سکتی ہے جس کی وجہ سے بیرونی گزاری اور طلب میں بڑے پیمانے پر کمی ہو جائے گی۔ سینٹ کی نجی فروخت مسلسل دباؤ میں رہے گی اور قیمتوں میں جنگ جاری رہنے کی امید ہے اور منفی طور پر اتار چڑھاؤ ہو سکتا ہے۔ ایکسپورٹ آرڈر کی منسوخت اور ترسیلات زرمیں متوقع کی شرح تبادلہ پر دباؤ برقرار رکھے گی۔ حکومت محصول کے اہداف کو پورا نہیں کر سکتی ہے۔ آئی ایم ایف کے طے شدہ مالی اہداف کو پورا کرنے کے لئے پی ایس ڈی پی فنڈز میں کمی ہو سکتی ہے۔ آئی ایم ایف کی جانب سے اس ضمن میں فراہم کی جانے والی نرمی فی الحال واضح نہیں ہے۔ بحران کے اس وقت زراعت، معاشرتی تحفظ اور تعمیراتی شعبے پر توجہ مرکوز کرنے کا حکومت کا منصوبہ دولت کو گردش میں رکھ سکتا ہے۔ تعمیراتی شعبے کے لئے پیکج (بنیادی طور پر ہاؤسنگ سیکٹر، نیا پاکستان ہاؤسنگ اسکیم کے لئے سبسڈی، ٹیکس میں نرمی کے اقدامات وغیرہ پر توجہ مرکوز ہے) حالیہ اعلان کردہ ایک یا دو سال میں بڑے پیمانے پر طلب پیدا کر سکتا ہے۔ تاہم، اس کی تکمیل کے بارے میں غیر یقینی صورتحال برقرار ہے۔ کوئلے کی قیمتیں کم رہیں گی اور اخراجات پر دباؤ کو کم کر سکتی ہیں۔ تیل کی قیمتیں بہت ہی ٹچلے پچلے جائیں اور توقع ہے کہ وہائی مرض کے دوران مستقبل قریب میں کم ہی رہیں گی۔ اس سے مالیاتی پہلو پر کچھ فائدہ مل سکتا ہے۔ سہ ماہی کے اختتام پر ڈسکونٹ کی شرحوں میں 225 بنیادی پوائنٹس کی کمی گئی اور امید کی جارہی ہے کہ اگلے بجٹ میں صنعت کو کچھ فائدہ فراہم کیا جاسکتا ہے۔ اس کے ساتھ ایک سال کے لئے اصل ادائیگی کے ساتھ موجودہ ذمہ داریوں کو پورا کرنے میں مدد مل سکتی ہے۔ اس سال خصوصی اقتصادی زون کا گراؤنڈ بریکنگ ہوا اور بحران کے وقت بھی ترقی کے سلسلے میں حکومت کی اس منصوبے سے وابستگی ایک مثبت علامت ہے۔ دیار بھاشا ڈیم اور مہمند ڈیم جیسے فلیگ شپ منصوبے ابھی تک تعمیراتی مرحلے میں نہیں آئے ہیں۔ یہ عوامل صنعت پر کوئی 19 ڈیڑھ کی منفی دباؤ کو دور کر سکتے ہیں۔

کمپنی کی بنیادی سرگرمی سینٹ اور کلنگر 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۔

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

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

## حصص داران کیلئے ڈائریکٹرز کی رپورٹ

آپ کی کمپنی کے ڈائریکٹرز آپ کو مالی سال 2020 کی نو ماہی کے نتائج پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

پاکستانی روپے ہزاروں میں

تغییرات	نو ماہی مالی سال 2019	نو ماہی مالی سال 2020	
0.64%	195,134	30,375,649	30,570,783
13.84%	(4,082,494)	(25,410,359)	(29,492,853)
<b>-360.63%</b>	<b>(3,887,361)</b>	<b>4,965,290</b>	<b>1,077,930</b>
5.62%	(29,092)	(488,513)	(517,605)
30.36%	(438,888)	(1,006,663)	(1,445,551)
13.81%	(84,174)	(525,455)	(609,629)
4.39%	78,905	1,717,598	1,796,503
38.24%	(1,399,286)	(2,259,914)	(3,659,200)
<b>171.55%</b>	<b>(5,759,896)</b>	<b>2,402,343</b>	<b>(3,357,552)</b>
85.24%	1,284,938	222,457	1,507,395
<b>241.87%</b>	<b>(4,474,958)</b>	<b>2,624,800</b>	<b>(1,850,157)</b>
		<b>5.99</b>	<b>-4.22</b>

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

اعداد و شمار میٹرک ٹن میں

تغییرات	نو ماہی مالی سال 2019	نو ماہی مالی سال 2020	
7.08%	336,263	4,749,816	5,086,079
5.70%	233,201	4,093,840	4,327,041
6.75%	273,123	4,047,566	4,320,689
10.17%	388,443	3,818,947	4,207,390
-50.44%	-115,320	228,619	113,299
163.44%	888,307	543,492	1,431,799

مالی سال 2020 خاص طور پر سیمنٹ کی صنعت کے لئے اور عام طور پر ملک میں ایک طویل سفر ہے۔ سال کا آغاز استحکام کے جاری پروگرام، سخت مالی اور مانیٹری اقدامات، افراط زر کی زیادہ تعداد، ضرورت سے زیادہ ٹیکس کے نفاذ، دستاویزاتی معیشت کے لئے مبہم اور سخت برآمدی منڈی سے ہوا۔ ان عوامل نے تعمیراتی شعبے کو سخت کرنے میں اہم کردار ادا کیا۔ جون 2019 سے صنعت میں صلاحیت کی توسیع نے مارکیٹ شیئر کو برقرار رکھنے کے لئے قیمت جنگ میں بھی شدت پیدا کر دی۔ آئی ایم ایف کے وقتاً فوقتاً جائزے کے بعد صنعت تیسری سہ ماہی میں داخل ہو رہی ہے اور ملک آہستہ آہستہ اپنے سخت مالی استحکام کے اقدامات سے بحالی کی طرف آ رہا ہے تو، دنیا کو کوویڈ-19 کے وبائی مرض نے متاثر کیا، جس نے تقریباً تمام ممالک (پاکستان سمیت) کو خاص طور پر سہ ماہی کے دوسرے اور تیسرے مہینے میں اس کے پھیلاؤ کو روکنے کے بھرپور اقدامات کی جدوجہد کرنے پر مجبور کر دیا۔ اس کے نتیجے میں معیشت میں مجموعی طور پر سست روی پیدا ہو گئی اور یہاں تک کہ لوگوں کے میل جول سے متعلق کسی بھی طرح کی سرگرمی بند ہو گئی۔ دنیا بھر میں اسٹاک ایکسچینج شدید متاثر ہوئی۔ پاکستان نے تیسری سہ ماہی کے اختتام پر لاک ڈاؤن نافذ کر دیا، تقریباً تمام صنعتوں کو اپنے کام بند کرنے پر مجبور کر دیا۔ مزید یہ کہ غیر یقینی صورتحال کی وجہ سے ٹیلی فون اور پی آئی بی سے ہائٹ مٹی کے اخراج نے پاکستانی روپیہ پر دباؤ ڈالا جس کے نتیجے میں مدت کے اختتام پر بڑے پیمانے پر روپیہ کی قدر میں کمی واقع ہوئی۔ یہ عوامل پہلے سے مشکلات کا شکار تعمیراتی شعبے کو متاثر کرتے ہوئے منافع اور لیویڈیٹی تناسب میں کمی کا باعث بنے ہیں۔

# Interim Unconsolidated Financial Statements

## Unconsolidated Condensed Interim Statement of Financial Position

		31 March, 2020 Un-Audited	30 June, 2019 Audited
	Note	(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised share capital			
- 950,000,000 (June 30, 2019: 950,000,000) ordinary shares of Rs 10 each		9,500,000	9,500,000
- 50,000,000 (June 30, 2019: 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, 2019: 438,119,118) ordinary shares of Rs 10 each		4,381,191	4,381,191
Other reserves		24,948,279	28,922,952
Revenue reserve: Un-appropriated profits		35,335,996	37,624,272
		64,665,466	70,928,415
NON-CURRENT LIABILITIES			
Long term finances - secured	6	17,114,605	15,985,030
Long term deposits		257,082	242,043
Deferred liabilities		510,969	449,194
Deferred taxation		2,582,297	4,089,691
		20,464,953	20,765,958
CURRENT LIABILITIES			
Trade and other payables		10,273,122	8,029,874
Accrued markup		941,652	809,569
Short term borrowings - secured		21,994,964	20,258,570
Current portion of non-current liabilities	6	3,473,178	5,080,511
Unclaimed dividend		33,841	33,438
Provision for taxation		35,090	35,090
		36,751,847	34,247,052
Contingencies and Commitments	7		
		121,882,266	125,941,425

The annexed notes 1 to 16 form an integral part of these unconsolidated condensed interim financial statements.



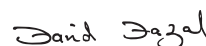
Chief Executive

## As At March 31, 2020 (Un-audited)

	Note	31 March, 2020 Un-Audited (Rupees in thousand)	30 June, 2019 Audited
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	79,783,422	79,980,234
Investments	9	10,538,779	12,276,961
Long term loans to employees		237	237
Long term deposits		57,811	60,733
		<u>90,380,249</u>	<u>92,318,165</u>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		9,301,920	9,240,264
Stock-in-trade		2,651,984	3,714,058
Trade debts		2,070,947	1,191,881
Investments	9	12,090,085	14,129,075
Loans, advances, deposits, prepayments and other receivables		387,977	1,064,369
Loan to related party	10	765,000	1,000,000
Income tax receivable		3,842,671	2,794,695
Cash and bank balances		391,433	488,918
		<u>31,502,017</u>	<u>33,623,260</u>
		<u><u>121,882,266</u></u>	<u><u>125,941,425</u></u>



Chief Financial Officer



Director

# **Unconsolidated Condensed Interim Statement of Profit or Loss** For the Quarter and Nine Month Period Ended March 31, 2020 (Un-audited)

	Note	2020		2019	
		July to March (Rupees in thousand)	January to March (Rupees in thousand)	July to March (Rupees in thousand)	January to March (Rupees in thousand)
<b>Sales</b>		30,570,783	9,682,526	30,375,649	10,608,444
Cost of sales		(29,492,853)	(9,626,082)	(25,410,359)	(8,827,938)
<b>Gross profit</b>		1,077,930	56,444	4,965,290	1,780,506
Administrative expenses		(517,605)	(159,776)	(488,513)	(176,557)
Selling and distribution expenses		(1,445,551)	(436,056)	(1,006,663)	(358,370)
Other expenses		(609,629)	(504,551)	(525,455)	(94,275)
Other income		1,796,503	611,557	1,717,598	572,967
Finance cost		(3,659,200)	(1,203,536)	(2,259,914)	(911,766)
<b>(Loss)/profit before taxation</b>		(3,357,552)	(1,635,918)	2,402,343	812,505
Taxation		1,507,395	632,819	222,457	70,506
<b>(Loss)/profit for the period</b>		(1,850,157)	(1,003,099)	2,624,800	883,011
<b>(Loss)/earnings per share</b>					
<b>(basic and diluted - in Rupees)</b>		(4.22)	(2.29)	5.99	2.02

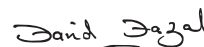
The annexed notes 1 to 16 form an integral part of these unconsolidated condensed interim financial statements.



Chief Executive



Chief Financial Officer



Director

## Unconsolidated Condensed Interim Statement of Comprehensive Income

For the Quarter and Nine Month Period Ended March 31, 2020 (Un-audited)

	2020		2019	
	July to March	January to March	July to March	January to March
	(Rupees in thousand)		(Rupees in thousand)	
<b>(Loss)/profit for the period</b>	(1,850,157)	(1,003,099)	2,624,800	883,011
<b>Other comprehensive income/(loss) for the period - net of tax</b>				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Change in fair value of available-for-sale investments	-	-	(2,326,401)	544,636
Tax effect of change in fair value of available-for-sale investments	-	-	336,654	-
	-	-	(1,989,747)	544,636
<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)	(3,974,673)	(7,750,034)	-	-
	(3,974,673)	(7,750,034)	(1,989,747)	544,636
<b>Total comprehensive income/(loss) for the period</b>	<b>(5,824,830)</b>	<b>(8,753,133)</b>	<b>635,053</b>	<b>1,427,647</b>

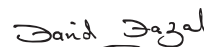
The annexed notes 1 to 16 form an integral part of these unconsolidated condensed interim financial statements.



Chief Executive



Chief Financial Officer



Director



## Unconsolidated Condensed Interim Statement of Changes In Equity

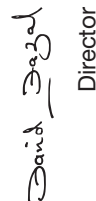
For the Nine Month Period Ended March 31, 2020 (Un-audited)

	(Rupees in thousands)								
	Share capital	Share premium	Capital reserve			Revenue reserve			
			Fair value reserve	FVOCI reserve	Capital redemption reserve fund	General reserve	Un-appropriated profits	Total	
Balance as at July 1, 2018 - Audited	4,381,191	4,557,163	24,779,125	-	-	353,510	5,071,827	37,991,605	77,134,421
Total comprehensive (loss)/income for the period									
- Profit for the period	-	-	-	-	-	-	-	2,624,800	2,624,800
- Other comprehensive loss for the period	-	-	(1,989,747)	-	-	-	-	-	(1,989,747)
Transactions with owners in their capacity as owners recognised directly in equity	-	-	(1,989,747)	-	-	-	-	2,624,800	635,053
- Final dividend for the year ended									
June 30, 2018 (Rs 4.25 per share)	-	-	-	-	-	-	-	(1,862,013)	(1,862,013)
Balance as at March 31, 2019 - Un-audited	4,381,191	4,557,163	22,789,378	-	-	353,510	5,071,827	38,754,392	75,907,461
Balance as at July 1, 2019 - Audited	4,381,191	4,557,163	-	18,940,452	-	353,510	5,071,827	37,624,272	70,928,415
Total comprehensive income/(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)
Transactions with owners in their capacity as owners recognised directly in equity	-	-	-	(3,974,673)	-	-	-	(1,850,157)	(5,824,830)
- Final dividend for the year ended									
June 30, 2019 (Re 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

The annexed notes 1 to 16 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, 2020 (Un-audited)

	Note	2020 July to March (Rupees in thousand)	2019 July to March
<b>Cash flows from operating activities</b>			
Cash generated from operations	12	4,775,018	(128,456)
Finance cost paid		(3,527,117)	(1,891,075)
Retirement and other benefits paid		(155,295)	(11,434)
Income tax paid		(1,047,975)	(605,400)
Long term deposits - net		15,038	104,791
Net cash inflow/(outflow) from operating activities		59,669	(2,531,574)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(2,678,848)	(3,691,558)
Proceeds from disposal of property, plant and equipment		78,291	33,431
Investments in equity instruments		(197,500)	(250,000)
Long term loans, advances and deposits - net		2,922	(1,654)
Recovery of loan to related party		235,000	-
Interest received		82,686	76,684
Dividend received		1,499,375	1,441,049
Net cash outflow from investing activities		(978,074)	(2,392,048)
<b>Cash flows from financing activities</b>			
Repayment of long term finances		(2,977,758)	(1,299,000)
Proceeds from long term finances		2,500,000	2,700,000
Dividend paid		(437,716)	(1,854,702)
Net cash outflow from financing activities		(915,474)	(453,702)
<b>Net decrease in cash and cash equivalents</b>		<b>(1,833,879)</b>	<b>(5,377,324)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>(19,769,652)</b>	<b>(11,740,563)</b>
<b>Cash and cash equivalents at the end of the period</b>	13	<b>(21,603,531)</b>	<b>(17,117,887)</b>

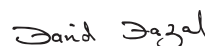
The annexed notes 1 to 16 form an integral part of these unconsolidated condensed interim financial statements.



Chief Executive



Chief Financial Officer



Director

## **Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements (Un-audited) For the Nine Month Period Ended March 31, 2020 (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 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, 2019. 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, 2019 except for the adoption of new and amended standards as set out below:

### 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 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 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, 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.

## 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, 2019, 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, 2020	June 30, 2019
	Un-audited	audited
	(Rupees in thousand)	

## 6. Long term finances - secured

Long term loans	- note 6.1	20,547,566	21,025,324
Current portion shown under current liabilities	- note 6.2	(3,432,961)	(5,040,294)
		<u>17,114,605</u>	<u>15,985,030</u>

### 6.1 The reconciliation of the carrying amount is as follows:

Opening balance	21,025,324	20,040,471
Disbursements during the period/year	2,500,000	3,600,000
Repayments during the period/year	(2,977,758)	(2,615,147)
Closing balance	<u>20,547,566</u>	<u>21,025,324</u>

## 6.2 Current portion shown under current liabilities

State bank of Pakistan has issued a circular as on March 26, 2020, in which SBP has granted a regulatory relief to dampen the adverse effect of coronavirus (COVID-19) on the industries and directed Banks/DFIs to fulfill their role in funding the real economy. To avail this relief, the Company has obtained a partial approval of Rs. 1,807.555 Million out of total current portion until the date of board meeting from its banks which will allow the company to defer the repayment of principal loan amount by one year. This has been classified in non-current liabilities. The approval regarding the remaining current portion of long term loans are still being awaited.

## 7. Contingencies and commitments

### 7.1 Contingencies

There is no significant change in contingencies from the preceding annual financial statements of the Company for the year ended June 30, 2019 except for the matter disclosed in note 15.1.8 to the preceding annual financial statements, which is mentioned below:

A guarantee to Meezan Bank Limited (MBL) against the loan provided by MBL to Hyundai Nishat Motor (Private) Limited, a related party, has been enhanced to Rs 989.485 million (June 30, 2019: Rs 550 million).

### 7.2 Commitments in respect of:

- (i) Contracts for capital expenditure Rs 1,585.130 million (June 30, 2019: Rs 1,600.703 million).
- (ii) Letters of credit for capital expenditure Rs 5,178.172 million (June 30, 2019: Rs 935.353 million)
- (iii) Letters of credit other than capital expenditure Rs 1,421.029 million (June 30, 2019: Rs 1,423.09 million)

March 31, 2020	June 30, 2019
Un-audited	audited
(Rupees in thousand)	

## 8. Property, plant and equipment

Operating fixed assets	- note 8.1	77,415,457	76,928,989
Capital work-in-progress	- note 8.2	2,175,529	3,008,937
Major spare parts and stand-by equipment		192,436	42,308
		<u>79,783,422</u>	<u>79,980,234</u>

### 8.1 Operating fixed assets

Opening book value		76,928,989	73,434,283
Additions during the period/year	- note 8.1.1	3,362,128	7,022,815
		<u>80,291,117</u>	<u>80,457,098</u>
Disposals during the period/year - at book value		(110,101)	(28,042)
Depreciation charged for the period/year		(2,765,559)	(3,500,067)
		<u>(2,875,660)</u>	<u>(3,528,109)</u>
Closing book value		<u>77,415,457</u>	<u>76,928,989</u>

<b>March 31, 2020</b>	<b>June 30, 2019</b>
<b>Un-audited</b>	<b>audited</b>
<b>(Rupees in thousand)</b>	

### 8.1.1 Additions during the period/year

Freehold land	15,570	19,990
Leasehold land	-	200,000
Buildings on freehold land:		
- Factory buildings	253,784	1,412,254
- Office building and housing colony	2,531	553,029
Roads	-	838,514
Plant and machinery	2,774,239	3,098,894
Quarry equipment	142,275	312,609
Furniture and fittings	37,211	115,553
Office equipment	79,473	71,188
Vehicles	57,045	257,635
Power and water supply lines	-	143,149
	<u>3,362,128</u>	<u>7,022,815</u>

### 8.2 Capital work-in-progress

Civil works	1,608,024	1,001,461
Plant and machinery	242,558	1,724,300
Advances to suppliers and contractors	64,417	236,442
Others	260,530	46,734
	<u>2,175,529</u>	<u>3,008,937</u>

## 9. 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:

<b>March 31, 2020</b>	<b>June 30, 2019</b>
<b>Un-audited</b>	<b>audited</b>
<b>(Rupees in thousand)</b>	

Carrying value of investments at the beginning of the period/year	1,983,213	3,392,170
Investments made during the period/year	197,500	441,667
Fair value gain/(loss) recognized in other comprehensive income	-	(1,850,624)
Carrying value at the end of the period/year	<u>2,180,713</u>	<u>1,983,213</u>

## 10. Loan to related party - considered good

This represents loan to Nishat Hotels and Properties Limited ('NHPL'), a related party due to common directorship, for meeting its working capital requirements. The outstanding amount is due for repayment on October 27, 2020. It carried markup at the rate of 1 month Karachi Inter Bank Offered Rate (KIBOR) + 0.5% per annum till October 27, 2019, after which the rate changed to 1 month KIBOR + 1% per annum. The reconciliation of carrying amount is as follows:

	<b>March 31, 2020</b>	<b>June 30, 2019</b>
	<b>Un-audited</b>	<b>audited</b>
	<b>(Rupees in thousand)</b>	
Opening balance	1,000,000	1,000,000
Less: Receipts during the period/year	(235,000)	-
Closing balance	765,000	1,000,000

**11. 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:

		<b>July to March 2020</b>	<b>July to March 2019</b>
		<b>Un-audited</b>	<b>Un-audited</b>
		<b>(Rupees in thousand)</b>	
<b>Relationship with the Company</b>	<b>Nature of transaction</b>		
<b>i. Subsidiary entities</b>	Purchase of goods and services	1,994,021	1,739,715
	Rental income	697	697
	Sale of goods	21,442	16,745
<b>ii. Investor</b>	Sale of goods	38,582	40,986
	Dividend income	121,158	143,875
	Dividends paid	137,574	584,690
<b>iii. Other related entities</b>	Insurance premium	136,191	110,079
	Sale of goods	45,720	87,399
	Dividend income	1,375,668	1,294,566
	Dividends paid	3,587	15,244
	Purchase of goods and services	74,527	31,634
	Mark-up income on balances with related parties	92,159	72,581
	Insurance claims received	35	1,531
	Purchase of shares	197,500	-
<b>iv. Key management personnel</b>	Salaries and other employment benefits	178,783	180,283
	Dividend paid	23,951	101,366
<b>v. Post employment benefit plans</b>	Expense charged in respect of defined benefit plan	145,396	92,831
	Expense charged in respect of defined contribution plan	71,674	62,108

	<b>March 31, 2020</b>	<b>June 30, 2019</b>
	<b>Un-audited</b>	<b>audited</b>
	<b>(Rupees in thousand)</b>	
<b>Period/year end balances</b>		
<b>Payable to related parties</b>		
Trade and other payables	57,507	245,582
<b>Receivable from related parties</b>		
Trade debts	49,488	13,657
Loan to related party	765,000	1,000,000
Long term deposits	300	300
Mark-up receivable from related party	9,473	10,838
	824,261	1,024,795
	<b>July to March, 2020</b>	<b>July to March, 2019</b>
	<b>Un-audited</b>	<b>Un-audited</b>
	<b>(Rupees in thousand)</b>	

**12. Cash generated from operations**

(Loss)/profit before tax	(3,357,552)	2,402,343
Adjustments for non-cash charges and other items:		
- Depreciation on operating fixed assets	2,765,559	2,587,176
- Loss/(gain) on disposal of operating fixed assets	31,810	(14,498)
- Net impairment losses on financial assets	50,200	-
- Dividend income	(1,500,232)	(1,441,049)
- Provision for retirement benefits	217,070	189,129
- Impairment of investment in equity instruments of subsidiary	-	162,789
- Mark-up income	(92,159)	(72,581)
- Profit on bank deposits	(2,757)	(7,551)
- Exchange loss	525,208	135,162
- Finance cost	3,659,200	2,259,914
<b>Profit before working capital changes</b>	<b>2,296,347</b>	<b>6,200,834</b>
Effect on cash flow due to working capital changes:		
- Decrease/(increase) in stores, spare parts and loose tools	(61,656)	(3,017,145)
- Decrease/(increase) in stock-in-trade	1,062,074	(2,262,750)
- Increase in trade debts	(929,266)	(1,429,615)
- Decrease in loans, advances, deposits, prepayments and other receivables	689,479	599,781
- Increase/(decrease) in trade and other payables	1,718,040	(219,561)
	2,478,671	(6,329,290)
	4,775,018	(128,456)



<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Un-audited</b>	<b>Un-audited</b>
<b>(Rupees in thousand)</b>	

### 13. Cash and cash equivalents

Short term borrowings - secured	(21,994,964)	(17,901,621)
Cash and bank balances	391,433	783,734
	<u>(21,603,531)</u>	<u>(17,117,887)</u>

### 14. Financial risk management

#### 14.1 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, 2019.

There have been no changes in the risk management department or in any risk management policies since the year ended June 30, 2019.

#### 14.2 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, 2020 and June 30, 2019 on a recurring basis:

	Level 1	Level 2	Level 3	Total
		(Rupees in thousand)		

**As at March 31, 2020**
**Recurring fair value measurements**
**Assets**

Investments - FVOCI	18,057,163	-	2,180,713	20,237,876
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**As at June 30, 2019**
**Assets**

Investments - FVOCI	22,031,838	-	1,983,213	24,015,051
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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, 2019.

**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**

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 14.82%.
- Long term growth rate of 4% for computation of terminal value.
- Annual growth in costs and revenues is linked to inflation at 8% per annum.

Investment in Hyundai Nishat Motor (Private) Limited's ordinary shares are also not listed and its operations have not commenced as of the reporting date. It is classified as a Level 3 financial asset and is measured at fair value on the reporting date. However, due to volatility in the underlying assumptions relevant to the valuation, there is a wide range of possible fair value measurements and cost is considered to represent the best estimate of fair value within that range.

### **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, 2020 would be Rs 292.460 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 136.366 million lower.

If inflation decreases by 1% with all other variables held constant, the impact on fair value as at March 31, 2020 would be Rs 18.630 million lower.

### **15. Date of authorization for issue**

These unconsolidated condensed interim financial statements were authorized for issue on April 23, 2020 by the Board of Directors of the Company.

### **16. Corresponding figures**

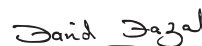
In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the unconsolidated condensed interim financial position has been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim 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, 2020 Un-Audited	30 June, 2019 Audited
	Note	(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
- 950,000,000 (June 30, 2019: 950,000,000) ordinary shares of Rs 10 each		9,500,000	9,500,000
- 50,000,000 (June 30, 2019: 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, 2019: 438,119,118) ordinary shares of Rs 10 each		4,381,191	4,381,191
Reserves		24,887,041	28,873,607
Un-appropriated profits		35,351,977	37,744,493
Attributable to owners of the parent company		64,620,208	70,999,291
Non-controlling interest		1,965,491	2,039,554
		66,585,699	73,038,845
NON-CURRENT LIABILITIES			
Long term finances - secured	5	17,641,271	16,659,474
Long term deposits		257,082	242,043
Deferred liabilities		510,969	449,194
Deferred taxation		2,826,257	4,339,696
		21,235,579	21,690,407
CURRENT LIABILITIES			
Trade and other payables		10,380,770	8,490,742
Accrued finance cost		1,063,199	890,864
Short term borrowing-secured		24,928,283	22,851,016
Loan from related party - unsecured		214,000	214,000
Current portion of non-current liabilities	5	3,648,734	5,256,067
Unclaimed dividend		33,841	33,438
Provision for taxation		35,090	35,090
		40,303,917	37,771,217
CONTINGENCIES AND COMMITMENTS			
	6	128,125,195	132,500,469

The annexed notes 1 to 16 form an integral part of this consolidated condensed interim financial information.



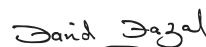
Chief Executive

## As At March 31, 2020 (Un-audited)

	Note	31 March, 2020 Un-Audited (Rupees in thousand)	30 June, 2019 Audited
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	83,468,512	83,836,836
Biological assets		817,782	827,488
Investments	8	8,280,277	10,029,807
Long term loans to employees		237	237
Long term loans, advances and deposits		57,811	60,733
		<u>92,624,618</u>	<u>94,755,101</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		9,523,093	9,439,674
Stock-in-trade		3,990,273	5,486,062
Trade debts		3,226,479	1,678,379
Investments		12,090,107	14,129,099
Advances, deposits, prepayments and other receivables		636,908	1,583,335
Loan to related party	9	765,000	1,000,000
Contract assets		43,999	164,021
Income tax recoverable		4,543,158	3,481,548
Cash and bank balances		681,559	783,250
		<u>35,500,576</u>	<u>37,745,368</u>
		<u><u>128,125,195</u></u>	<u><u>132,500,469</u></u>



Chief Financial Officer



Director

## Consolidated Condensed Interim Statement of Profit or Loss

For the Quarter and Nine Month Period Ended March 31, 2020 (Un-audited)

	2020		2019	
	July to	January to	July to	January to
	March	March	March	March
Note	(Rupees in thousand)		(Rupees in thousand)	
Sales	33,217,862	10,594,579	32,609,651	11,113,313
Cost of sales	(31,874,544)	(10,379,197)	(27,419,503)	(9,275,549)
<b>Gross profit</b>	<b>1,343,319</b>	<b>215,382</b>	<b>5,190,148</b>	<b>1,837,764</b>
Administrative expenses	(576,431)	(179,765)	(545,122)	(195,960)
Selling and distribution expenses	(1,448,078)	(436,881)	(1,025,500)	(364,533)
Other expenses	(794,774)	(619,630)	(639,200)	(105,295)
Other income	2,016,655	640,111	1,823,001	621,418
Finance cost	(4,031,353)	(1,320,060)	(2,457,596)	(1,007,959)
<b>(Loss)/Profit before taxation</b>	<b>(3,490,662)</b>	<b>(1,700,843)</b>	<b>2,345,731</b>	<b>785,435</b>
Taxation	1,471,932	628,151	155,037	43,453
<b>(Loss)/Profit for the period</b>	<b>(2,018,730)</b>	<b>(1,072,692)</b>	<b>2,500,768</b>	<b>828,888</b>
<b>Attributable to :</b>				
Equity holders of the parent	(1,954,397)	(1,048,871)	2,556,401	853,244
Non-controlling interest	(64,333)	(23,821)	(55,633)	(24,356)
	<b>(2,018,730)</b>	<b>(1,072,692)</b>	<b>2,500,768</b>	<b>828,888</b>
<b>(Loss)/Earnings per share</b>				
<b>(basic and diluted - in Rupees)</b>	<b>(4.61)</b>	<b>(2.45)</b>	<b>5.71</b>	<b>1.89</b>

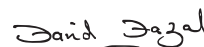
The annexed notes 1 to 16 form an integral part of this consolidated condensed interim financial information.



Chief Executive



Chief Financial Officer



Director

## Consolidated Condensed Interim Statement of Comprehensive Income

For the Quarter and Nine Month Period Ended March 31, 2020 (Un-audited)

	2020		2019	
	July to	January to	July to	January to
	March	March	March	March
	(Rupees in thousand)		(Rupees in thousand)	
<b>(Loss) / Profit for the year</b>	(2,018,730)	(1,072,692)	2,500,768	828,888
<b>Other comprehensive income / (loss) for the period</b>				
<i>Items that may be re-classified subsequently to profit or loss:</i>				
Change in fair value of available-for-sale investments	-	-	(1,989,747)	542,170
	-	-	(1,989,747)	542,170
<i>Items that will not be subsequently re-classified to profit or loss:</i>				
Change in fair value of investments at fair value through other comprehensive income (OCI)	(3,996,297)	(7,797,758)	-	-
	(3,996,297)	(7,797,758)	-	-
<b>Other comprehensive income / (loss) for the period</b>	(3,996,297)	(7,797,758)	(1,989,747)	542,170
<b>Total comprehensive income for the period</b>	<b>(6,015,027)</b>	<b>(8,870,450)</b>	<b>511,021</b>	<b>1,371,058</b>
<b>Attributable to</b>				
Equity holders of parent	(5,940,964)	(8,825,154)	566,654	1,396,523
Non-controlling interest	(74,063)	(45,297)	(55,633)	(25,465)
	<b>(6,015,027)</b>	<b>(8,870,450)</b>	<b>511,021</b>	<b>1,371,058</b>

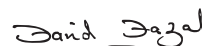
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Chief Executive



Chief Financial Officer



Director



The annexed notes 1 to 16 form an integral part of this consolidated condensed interim financial information.

Chief Executive

Chief Financial Officer

Director

## Consolidated Condensed Interim Statement of Cash Flows

For the Nine Month Period Ended March 31, 2020 (Un-audited)

	Note	2020 July to March (Rupees in thousand)	2019 July to March
<b>Cash flows from operating activities</b>			
Cash generated from operations	11	4,929,640	(993,918)
Finance cost paid		(3,859,018)	(2,108,536)
Retirement and other benefits paid		(173,430)	(11,434)
Income tax paid		(1,103,117)	(1,085,134)
Long term deposits - net		15,039	104,791
<b>Net cash outflow from operating activities</b>		<b>(190,886)</b>	<b>(4,094,231)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(2,696,442)	(3,692,350)
Proceeds from disposal of property, plant and equipment		78,571	59,972
Long term loans, advances and deposits - net		2,922	(1,655)
Proceeds from loan from related party		235,000	-
Proceeds from sale of biological assets		69,720	-
Investment in equity instruments		(207,775)	235,843
Interest received		82,783	77,109
Dividend received		1,510,402	1,447,404
<b>Net cash outflow from investing activities</b>		<b>924,819</b>	<b>(1,873,677)</b>
<b>Cash flows from financing activities</b>			
Repayment of long term finances		(3,125,536)	(6,267,010)
Dividend paid		(437,716)	(1,854,700)
Proceeds from long term finances		2,500,000	7,890,510
<b>Net cash (outflow) from financing activities</b>		<b>(1,063,655)</b>	<b>(231,200)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(2,178,958)</b>	<b>(6,413,818)</b>
Cash and cash equivalents at the beginning of the year		(22,067,766)	(13,115,969)
<b>Cash and cash equivalents at the end of period</b>	12	<b>(24,246,724)</b>	<b>(19,529,787)</b>

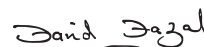
The annexed notes 1 to 16 form an integral part of this consolidated condensed interim financial information.



Chief Executive



Chief Financial Officer



Director

## Notes to and Forming Part of the Condensed Interim Consolidated Financial For the NineMonth Period Ended March 31, 2020 (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 (the company) 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

This condensed interim financial information has 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, 2019. 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, 2019 except for the adoption of new and amended standards as set out below:

**3.2 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, 2019, 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.

**3.3 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, 2020 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, 2019, with the exception of change in estimate that is required in determining the provision for income taxes as referred to below:

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.

<b>March 31, 2020</b>	<b>June 30, 2019</b>
<b>Un-audited</b>	<b>audited</b>
<b>(Rupees in thousand)</b>	

### 5. Long term finances

These are composed of:

Long term loans	- note 5.1	21,249,788	21,875,324
Less: Current portion shown under current liabilities	- note 5.2	3,608,517	5,215,850
		<u>17,641,271</u>	<u>16,659,474</u>

March 31, 2020	June 30, 2019
Un-audited	audited
(Rupees in thousand)	

**5.1** The reconciliation of the carrying amount is as follows:

Opening balance	21,875,324	20,667,971
Add: Disbursements during the period	2,500,000	3,850,000
	24,375,324	24,517,971
Less: Repayments during the period	(3,125,536)	(2,642,647)
Closing balance	21,249,788	21,875,324

**5.2 Current portion shown under current liabilities**

State bank of Pakistan has issued a circular as on March 26, 2020, in which SBP has granted a regulatory relief to dampen the adverse effect of coronavirus (COVID-19) on the industries and directed Banks/DFIs to fulfill their role in funding the real economy. To avail this relief, Group has obtained a partial approval of Rs. 1,807.555 Million out of total current portion until the date of board meeting from its banks which will allow them to defer the repayment of principal loan amount by one year. This has been classified in non-current liabilities. The approval regarding the remaining current portion of long term loans are still being awaited.

**6. Contingencies and commitments**
**6.1 Contingencies**

There is no significant change in contingencies from the preceding annual financial statements of the Company for the year ended June 30, 2019 except for the matter disclosed in annual financial statements, which is mentioned below:

- (i) A guarantee to Meezan Bank Limited (MBL) against the loan provided by MBL to Hyundai Nishat Motor (Private) Limited, a related party, has been enhanced to Rs 989.485 million (June 30, 2019: Rs 550 million).
- (ii) A guarantee to Director Excise and Taxation Karachi on account of infrastructure development cess amounting to Rs. 104.58 million (June 30, 2019: Rs 91.33 million).

**6.2 Commitments in respect of:**

- (i) Contracts for capital expenditure Rs 1,585.130 million (June 30, 2019: Rs 1,600.703 million).
- (ii) Letters of credit for capital expenditure Rs 5,178.172 million (June 30, 2019: Rs 935.353 million).
- (iii) Letters of credit other than capital expenditure Rs 1,421.029 million (June 30, 2019: Rs 1,436.660 million).

March 31, 2020	June 30, 2019
Un-audited	audited
(Rupees in thousand)	

**7. Property, plant and equipment**

Operating Assets	-note 7.1	81,100,547	80,783,631
Capital work-in-progress		2,175,529	3,010,897
Major spare parts and stand-by equipment		192,436	42,308
		83,468,512	83,836,836

<b>March 31, 2020</b>	<b>June 30, 2019</b>
<b>Un-audited</b>	<b>audited</b>
<b>(Rupees in thousand)</b>	

## 7.1 Operating assets

Opening book value	80,783,631	77,509,420
Add: Additions during the period/ year	3,381,683	7,091,672
	84,165,314	84,601,092
Less: Disposals during the period/ year - net book value	110,456	46,024
Depreciation charged during the period/ year	2,954,311	3,771,437
Closing book value	81,100,547	80,783,631

### 7.1.1 Major additions during the period

Free hold land	16,690	53,929
Leasehold land	-	200,000
Building on freehold land	255,940	1,423,308
Office building and housing colony	2,531	553,029
Roads	-	838,514
Plant and machinery	2,777,395	3,095,997
Quarry equipment	142,275	315,958
Furniture, fixtures and office equipment	117,379	196,836
Motor vehicles	68,123	270,952
Power and water supply lines	1,350	143,149
	3,381,683	7,091,672

## 8. 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:

<b>March 31, 2020</b>	<b>June 30, 2019</b>
<b>Un-audited</b>	<b>audited</b>
<b>(Rupees in thousand)</b>	

Carrying value of investments at the beginning of the period/year	1,983,213	3,392,170
Investments made during the period/year	147,500	441,667
Fair value gain/(loss) recognized in other comprehensive income	-	(1,850,624)
Carrying value at the end of the period/year	2,130,713	1,983,213

**9. Loan to related party**

This represents loan to Nishat Hotels and Properties Limited ('NHPL'), a related party due to common directorship, for meeting its working capital requirements. The outstanding amount is due for repayment on October 27, 2019. It carried markup at the rate of 1 month Karachi Inter Bank Offered Rate (KIBOR) + 0.5% per annum till October 27, 2019, after which the rate changed to 1 month KIBOR + 1% per annum. The reconciliation of carrying amount is as follows:

	<b>March 31, 2020</b>	<b>June 30, 2019</b>
	<b>Un-audited</b>	<b>audited</b>
	<b>(Rupees in thousand)</b>	
Opening balance	1,000,000	1,000,000
Less: Receipts during the period/year	(235,000)	-
Closing balance	765,000	1,000,000

**10. Transactions with related parties**

The related parties comprise associated companies, other related companies, directors of the company, key management personnel and post employment benefit plans. Significant transactions with related parties are as follows:

		<b>July to March 2020</b>	<b>2019</b>
		<b>(Rupees in thousand)</b>	
<b>Relationship with the Group</b>	<b>Nature of transaction</b>		
<b>Investor &amp; other related entities</b>	Purchase of goods and services	155,893	31,634
	Purchase of shares	207,776	-
	Insurance premium	148,518	110,079
	Dividend paid	141,161	498,568
	Sale of goods	84,302	128,385
	Mark-up income	92,159	72,581
	Insurance claim received	35	1,531
	Dividend income	1,507,853	1,438,441
Key Management personnel	Salaries and other employment benefits	178,783	180,283
	Dividend paid	23,951	101,366
Post employment benefit plans	Expense charged in respect of staff retirement benefits plans	235,205	154,939

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

**July to March**
**2020**
**2019**
**(Rupees in thousand)**
**11. Cash flow from operating activities**

Profit before tax	(3,490,662)	2,345,731
Adjustment for :		
- Depreciation on property, plant and equipment	2,954,311	2,790,130
- (Loss)/Profit on disposal of property, plant and equipment	31,885	(23,164)
- Loss on disposal of biological assets	135,974	-
- Net impairment loss on financial assets	50,200	-
- Gain on changes in fair value biological asset	(195,988)	-
- Dividend income	(1,511,259)	(1,447,404)
- Retirement and other benefits accrued	235,205	196,013
- Markup income	(92,159)	(72,581)
- Profit on bank deposit	(2,854)	(7,976)
- Exchange (gain) / loss - net	525,790	173,768
- Finance cost	4,031,353	2,457,596
<b>Profit before working capital changes</b>	<b>2,671,796</b>	<b>6,412,113</b>
- Increase in stores, spares and loose tools	(83,419)	(3,167,415)
- Increase/(decrease) stock-in-trade	1,495,789	(3,074,653)
- Increase in trade debts	(1,478,278)	(1,698,101)
- Decrease in advances, deposits, prepayments and other receivables	959,514	521,188
- Increase/(decrease) in trade and other payables	1,364,238	(12,950)
<b>Net working capital changes</b>	<b>2,257,844</b>	<b>(7,406,031)</b>
<b>Cash (used in)/ generated from operations</b>	<b>4,929,640</b>	<b>(993,918)</b>

**12. Cash and cash equivalents**

Short term borrowings - secured	(24,928,283)	(20,599,684)
Cash and bank balances	681,559	1,069,897
<b>Total cash and cash equivalents</b>	<b>(24,246,724)</b>	<b>(19,529,787)</b>

**13. Financial risk management**
**13.1 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, 2019.

There have been no changes in the risk management department or in any risk management policies since the year ended June 30, 2019.



**13.2 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, 2020 and June 30, 2019 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>As at March 31, 2020</b>				
<i>Recurring fair value measurements</i>				
<b>Assets</b>				
Investments - FVOCI	<u>18,189,670</u>	<u>-</u>	<u>2,180,713</u>	<u>20,370,383</u>
<b>As at June 30, 2019</b>				
<b>Assets</b>				
Investments - FVOCI	<u>22,175,692</u>	<u>-</u>	<u>1,983,213</u>	<u>24,158,905</u>

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, 2020.

**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**

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.
- 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 14.82%.
- Long term growth rate of 4% for computation of terminal value.
- Annual growth in costs and revenues is linked to inflation at 8% per annum.

Investment in Hyundai Nishat Motor (Private) Limited's ordinary shares are also not listed and its operations have not commenced as of the reporting date. It is classified as a Level 3 financial asset and is measured at fair value on the reporting date. However, due to volatility in the underlying assumptions relevant to the valuation, there is a wide range of possible fair value measurements and cost is considered to represent the best estimate of fair value within that range.

**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, 2020 would be Rs 292.460 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 136.366 million lower.

If inflation decreases by 1% with all other variables held constant, the impact on fair value as at March 31, 2020 would be Rs 18.630 million lower.

**14. 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.

**14.1 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.

July 1 to December 31

Rupees in thousands	Cement			Paper		Dairy/Farm		Elimination - net		Consolidated	
	2020	2019	2020	2020	2019	2020	2019	2020	2019	2020	2019
Revenue from											
- External Customers	30,570,634	30,375,649	1,357,560	1,152,296	1,081,706	1,289,668	1,081,706	-	-	33,217,862	32,609,651
- Inter-group	149	-	1,990,831	1,738,371	-	-	-	(1,990,980)	(1,738,371)	-	-
	30,570,783	30,375,649	3,348,391	2,890,667	1,081,706	1,289,668	1,081,706	(1,990,980)	(1,738,371)	33,217,862	32,609,651
Segment gross profit/(loss)	1,077,930	4,965,290	484,795	383,806	(127,596)	(164,694)	(127,596)	(54,712)	(31,352)	1,343,319	5,190,148
Segment expenses	(2,572,785)	(2,020,631)	(50,887)	(70,909)	(118,282)	(195,611)	(118,282)	-	-	(2,819,283)	(2,209,822)
Other income	1,796,503	1,717,598	13,770	10,522	95,578	207,079	95,578	(697)	(697)	2,016,655	1,823,001
Financial charges	(3,659,200)	(2,259,914)	(363,805)	(192,618)	(5,064)	(8,348)	(5,064)	-	-	(4,031,353)	(2,457,596)
Taxation	1,507,395	222,457	(15,954)	(59,241)	(8,179)	(19,509)	(8,179)	-	-	1,471,932	155,037
Profit after taxation	(1,850,157)	2,624,800	67,919	71,560	(163,543)	(181,083)	(163,543)	(55,409)	(32,049)	(2,018,730)	2,500,768
Depreciation	2,765,559	2,587,176	45,112	45,140	135,617	122,897	135,617	20,743	22,197	2,954,311	2,790,130
Capital expenditure	(2,678,848)	(3,691,558)	(578)	(1,424)	(34,947)	(17,016)	(34,947)	-	35,579	(2,696,442)	(3,692,350)
Net cash (outflow) / inflow from operating activities	59,669	(2,531,574)	99,390	(1,025,292)	(103,787)	(26,948)	(103,787)	(322,997)	(433,578)	(190,886)	(4,094,231)
Net cash outflow from investing activities	(978,074)	(2,392,048)	270	(33)	38,184	53,491	38,184	(306)	480,220	(924,819)	(1,873,677)
	31.03.2020	30.06.2019	31.03.2020	30.06.2019	30.06.2019	31.03.2020	30.06.2019	31.03.2020	30.06.2019	31.03.2020	31.03.2020
<i>Rupees in thousands</i>	unaudited	audited	unaudited	audited	audited	unaudited	audited	unaudited	audited	unaudited	audited
Segment assets	121,882,266	125,941,425	5,488,077	5,466,160	3,242,803	3,098,300	3,242,803	(2,343,448)	(2,149,919)	128,125,195	132,500,469
Segment liabilities	57,216,800	55,011,605	4,038,080	4,062,459	566,273	602,853	566,273	(318,237)	(178,713)	61,539,496	59,461,624

## 14.2 Geographical segments

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

## 15. Date of authorization

This interim financial information was authorized for issue by the Board of Directors of the Company on April 23, 2020.

## 16. Corresponding figures

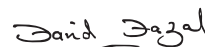
In order to comply with the requirements of the International Accounting Standard 34: 'Interim Financial Reporting', the condensed interim consolidated balance sheet and condensed interim consolidated statement of changes in equity have been compared with the balances of annual audited financial statements 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

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