CHERAT CEMENT

CHERAT CEMENT COMPANY LIMITED

MODERN MOTORS HOUSE, BEAUMONT ROAD, KARACHI-75530, PAKISTAN.
UAN : (9221) 111-000-009
TEL : (9221) 35683566-35683567-35688348-35689538
FAX : (9221) 35683425
E-MAIL : cherat@gfg.com.pk
WEB : www.gfg.com.pk

Ghulam Faruque Group

CCCL/AZF/016
August 15, 2014

i)	ii)	iii)
The General Manager Karachi Stock Exchange Ltd. Fax: 111-573-329	The Secretary Lahore Stock Exchange Ltd. Fax: 042 – 3636-8485	The Secretary Islamabad Stock Exchange Ltd. Fax: 051 - 111-473-329

Dear Sir,

FINANCIAL RESULTS FOR THE YEAR ENDED JUNE 30, 2014

We have to inform you that the Board of Directors of the company in its meeting held on Friday, August 15, 2014 at 10:30 a.m. at the Head Office of the Company at Modern Motors House, Beaumont Road, Karachi, has recommended the following:

i) **CASH DIVIDEND** — **Cash Dividend @ Rs. 2.00 per share i.e. 20% (This is in addition to interim dividend already paid @ Re. 1.00 per share i.e. 10% and bonus shares in proportion of 10 shares for every 100 shares held i.e. 10%)**

ii) **BONUS SHARES** — **NIL**

iii) **RIGHT SHARES**
The Board has recommended to issue 68% Right Shares (in proportion of 68 shares for every 100 shares held) at a price of Rs. 25 per share i.e. a premium of Rs. 15 per share over the par value of Rs. 10/-. The aforesaid premium is within the free reserves per share. A copy of the certificate from our Auditors on the free reserves per share of the Company is enclosed herewith. A statement setting out the purpose of the Right Issue, benefits to the company, use of funds and financial projections for five years is also enclosed.

The financial results of the company for the year ended June 30, 2014 are annexed herewith.

The Annual General Meeting of the Company will be held on Tuesday, September 30, 2014 at 12:00 noon at the Registered Office of the Company situated at factory premises, Village Lakrai, Nowshera, Khyber Pakhtunkhwa. The share transfer books of the Company will be closed from Friday, September 19, 2014 to Tuesday, September 30, 2014 (both days inclusive). Transfers received at the office of the share registrar of the company M/s. Central Depository Company of Pakistan, CDC House, 99-B, Block "B" S.M.C.H.S. Main Shahrah-e-Faisal, Karachi at the close of business on Thursday, September 18, 2014 will be treated in time for the purpose of above entitlements. The above Cash dividend will be paid on the existing paid up capital of Rs. 1,051,380,080/-.

We will be sending copies of printed accounts for distribution amongst members of the Exchange.

Yours sincerely,
For **Cherat Cement Co. Ltd.**

AZAM FARUQUE
Chief Executive

Encl: As stated above

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CHERAT CEMENT COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013 (Restated)
	(Rupees `000)	
Turnover – net	6,451,330	6,294,376
Cost of sales	(4,348,680)	(4,104,293)
Gross profit	2,102,650	2,190,083
Distribution costs	(188,395)	(159,623)
Administrative expenses	(141,444)	(120,603)
Other expenses	(132,920)	(230,438)
	(462,759)	(510,664)
Other income	76,593	14,703
Operating profit	1,716,484	1,694,122
Finance costs	(28,745)	(108,988)
Profit before taxation	1,687,739	1,585,134
Taxation		
Current - for the year	(243,104)	(46,437)
- prior years	23,578	23,368
Deferred	(152,045)	(334,417)
	(371,571)	(357,486)
Profit after taxation	1,316,168	1,227,648
Earnings per share – basic	Rs. 12.52	Rs. 11.68

AZAM FARUQUE
Chief Executive

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ISSUANCE OF RIGHT SHARES BY CHERAT CEMENT CO. LTD.

The Board of Directors of Cherat Cement in its meeting held on August 15, 2014 has decided to issue 68% right shares on the existing paid-up capital of the Company in the ratio sixty eight (68) shares for every one hundred (100) shares held. The right shares will be offered at an issue price of Rs. 25/- per share including a premium of Rs. 15/- per share. These right shares rank pari passu with the existing shares in all respects.

PURPOSE OF THE RIGHTS ISSUE

Cherat Cement Co. Ltd (CCCL) is a premier name in the field of cement production. The company produces high quality grey Portland cement in Pakistan using its modern and sophisticated production line. The company started commercial operations in 1982 and at present, has an annual production capacity of 1,050,000 tons. It is listed on Karachi, Lahore and Islamabad Stock Exchanges. CCCL is considered one of the most efficient plants in Pakistan in view of various cost efficiency measures taken like WHR plant, Tyre Derived Fuel and more recently Refuse Derived Fuel plant.

The Pakistani cement industry has a production capacity of around 42.52 million tons. By virtue of expansion by other cement plants during last few years, the domestic market share of CCCL has reduced to 2.5%. The company is, however, operating at over 90% capacity utilization on the strength of its domestic sales and exports of Afghanistan. Due to the world class quality of its cement and ideal location, CCCL enjoys strong brand loyalty both in Pakistan and in Afghanistan.

Consumption of cement is closely tied to the state of the economy of the country. Constructive economic measures taken by the government is having positive impact on the macroeconomic indicators of the country. This government has a history of undertaking large infrastructural projects in the country. It has already announced and initiated several major infrastructural projects with special focus on constructing highways, dams, hydro power and housing projects. Furthermore, with greater spending by the private sector fuelled by inward remittances from expatriate Pakistanis on construction related activities, the domestic demand is set to grow and play a significant role in enhancing the demand for cement in the near future. A major portion of these projects are expected to be launched in the northern part of the country, which is the target market for the company. Furthermore, with the quantum of the PSDP allocation in the budget, we feel that the future domestic growth rate is expected to surpass 5%, which will fuel the demand for cement in the country. At present, the industry is operating at around 75% capacity utilization. Considering the time it takes to construct a cement plant and the growth rate at which the cement demand is expected to grow, the current capacity of the cement industry will soon be insufficient to meet the demand.

The future strategy of the company is based on producing best quality cement and capitalizing on its strong relationship with the existing customer base. Further, export of cement to Afghanistan, where the company has a strong customer base is also our strength.

Keeping in view the expected rise in the domestic demand for cement, the company has decided to install another production line at its existing site in Nowshera, Khyber Pakhtunkhwa Province. The plant will be acquired from M/s. Tianjin Cement Industry Design and Research Institute Company Limited (TCDRI). TCDRI is the largest cement plant manufacturer in China and has wide experience of installing cement plants worldwide and also in Pakistan. The plant will have a production capacity of over 1,300,000 tons per annum. It will be one of the most advanced and efficient plant of its kind in Pakistan. The new line is expected to be commissioned in 30 months time. The letter of credit for the import of foreign component has been established by the company. The total cost of the project is approximately Rs. 12 billion.

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CHERAT CEMENT

CHERAT CEMENT COMPANY LIMITED

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BENEFITS TO THE COMPANY

The new line will add value to the company by increasing its revenues and enhancing its domestic market share. Further, establishing another cement line at existing site will allow the company to achieve economies of scale, which would enable the company to optimize the use of its existing resources and better allocate its fixed costs.

FINANCING ARRANGEMENT

The company plans to raise Rs. 1.79 billion for the project by way of a rights issue. These right shares will be offered at a price of Rs. 25 per share, which includes a premium of Rs. 15 per share. Furthermore, the company has already finalized a loan of Rs. 9.50 billion from a consortium of Meezan Bank, Bank Alfalah and MCB Bank at competitive rates. The loan will have a tenor of 8 years including a grace period of 3 years. The company will inject the remaining amount from its own resources.

UTILIZATION OF FUNDS

The amount raised through the rights issue will be utilized towards the expansion of the production capacity by the company.

FINANCIAL PROJECTIONS

The project has a positive NPV. The 5 year financial projections of the combined operations are as follows:

(Rs. in '000')

	2014/15	2015/16	2016/17	2017/18	2018/19
Revenue	7,000,900	7,081,403	9,738,275	13,771,254	14,322,392
Profit after tax	1,262,473	1,427,131	1,898,439	2,462,581	2,981,713

- *The information given above reflects bona fide current business perceptions of the Directors as to costs and future performance of the Company's business, trading policies and government policies. Neither the Company nor the Directors accept any responsibility for conclusions drawn or investment decisions made by any member or any other person based on above information.*

Omar Faruque | **Azam Faruque** | **Akbarali Pesnani**

Shehryar Faruque | Approved Via Videocon **Tariq Faruque** | **Javaid Anwar**

Saquib H. Shirazi | **Aamir Amin**

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Building a better
working world

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
eyfrsh.khi@pk.ey.com
ey.com/pk

AB2/164/2014
15 August 2014

Mr. Yasir Masood
Chief Financial Officer
Cherat Cement Company Limited (the Company)
Karachi

Dear Sir

FREE RESERVES

As requested by you, we have reviewed the annexed computation of free reserves for the issue of right shares prepared by the Company on the basis of audited financial statements for the year ended 30 June 2014. Based on our review, we confirm that the "free reserves" of the Company, in terms of the meaning given to "free reserves" in the Companies (Issue of Capital) Rules, 1996 amounts to Rs. 31.98 per share.

This letter is being issued at the request of the Company for the purpose of issue of right shares in accordance with Rule 5 of the Companies (Issue of Capital) Rules, 1996.

Yours faithfully

Ernst & Young Ford Rhodes Sidat Hyder

RAR/AI:aa.

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CHERAT CEMENT CO. LIMITED

COMPUTATION OF FREE RESERVES IN TERMS OF RULE 5 OF THE COMPANIES (ISSUE OF CAPITAL) RULES, 1996

AS OF JUNE 30, 2014

	Amount in Rupees
Capital	
Paidup capital	**1,051,380,080**
Reserves	
General reserves	420,000,000
Capital reserves	50,900,000
Actuarial Gain on defined banefit plan	11,719,000
Unrealised gian on available-for-sale securirties	97,332,000
Unappropriated profit	3,232,937,000
	3,812,888,000
Less: Proposed cash dividend	(210,276,016)
Less: Intangible Assets (NBV)	(14,125,000)
Less: Contingency as per Note 22 to the financial statements	(226,000,000)
Free reserves	**3,362,486,984**
Free reserve per share	**31.98**

Chief Executive

Chief Financial Officer

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
EY
KARACHI

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