

# *Pearls of Wisdom*



Crescent Steel &  
Allied Products Limited



Crescent Steel &  
Allied Products Limited

## Company Information

### Board of Directors

Mazhar Karim	<i>Chairman, Non-Executive Director</i>
Ahsan M. Saleem	<i>Chief Executive &amp; Managing Director</i>
Ahmad Waqar	<i>Non-Executive Director (Independent)</i>
Nasir Shafi	<i>Non-Executive Director</i>
S.M. Ehtishamullah	<i>Non-Executive Director</i>
Syed Zahid Hussain	<i>Non-Executive Director (Independent)</i>
Zahid Bashir	<i>Non-Executive Director</i>
Muhammad Saad Thaniana	<i>Company Secretary</i>

### Audit Committee

Syed Zahid Hussain	<i>Chairman, Non-Executive Director (Independent)</i>
Nasir Shafi	<i>Member, Non-Executive Director</i>
S.M. Ehtishamullah	<i>Member, Non-Executive Director</i>

### Human Resource and Remuneration Committee

Syed Zahid Hussain	<i>Chairman, Non-Executive Director (Independent)</i>
S.M. Ehtishamullah	<i>Member, Non-Executive Director</i>
Zahid Bashir	<i>Member, Non-Executive Director</i>

### Governance and Evaluation Committee

Ahmad Waqar	<i>Chairman, Non-Executive Director (Independent)</i>
Zahid Bashir	<i>Member, Non-Executive Director</i>

### Executive Committee

Ahsan M. Saleem	<i>Chairman</i>
Iqbal Zafar Siddiqui	
Muhammad Saad Thaniana	

### Business Strategy Committee

Ahsan M. Saleem	<i>Chairman</i>
Abdul Rouf	
Arif Raza	
Iqbal Zafar Siddiqui	
Muhammad Saad Thaniana	

### System and Technology Committee

Ahsan M. Saleem	<i>Chairman</i>
Muhammad Saad Thaniana	
Asif Masroor	

### Investment Committee

Ahsan M. Saleem	<i>Chairman</i>
Muhammad Saad Thaniana	
Hajerah A. Saleem	

### Social Investment Committee

Muhammad Saad Thaniana	<i>Chairman</i>
Abdul Rouf	
Iqbal Zafar Siddiqui	

### The Management

Chief Executive & Managing Director Ahsan M. Saleem, 59 1983*
Chief Financial Officer Muhammad Saad Thaniana, 45 2007*
BU Head – Steel Division Iqbal Zafar Siddiqui, 62 2008*
BU Head – Cotton Division Abdul Rouf, 52 2000*
Human Resource Advisor Ehsan Durrani, 64 2008*
Head of Marketing Steel Division Arif Raza, 50 1985*

# Directors' Review

Dear Shareholders

I am pleased to present to you the unaudited unconsolidated and consolidated condensed interim financial information of the Company and the Group respectively for the three monthly period ended 30 September 2012.

## Economic Outlook

Pakistan's economy faces multi-faceted challenges with deep issues in the energy sector, a growing labor force and declining 2012-13 growth projections of 3-3.5% that need to be addressed through structural reforms and policy tools to maintain growth and macroeconomic stability in the context of a difficult global economic environment.

Increased government borrowing from the Central Bank is resulting in a crowding out of private sector credit and negates the desire for a durable and sustained reduction in inflation, which fell to single digits encouraging a staggered policy rate reduction from 12% to 10% during the first quarter. Inflationary pressures however, are likely to remain strong suggesting that there will be

little scope for additional monetary easing in the near term.

## Financial and Operational Performance

### Overall financial performance

The first quarter of the financial year 2013 started positively whereby all the segments contributed to a positive bottom line. On the basis of unconsolidated results, the Company's after tax profit stood at Rs. 222.6 million as compared to after tax loss of Rs. 81.6 million in the same period last year. EPS for the current quarter stood at Rs. 3.94 as compared to loss per share of Rs. 1.45 in the corresponding period last year. During the period, insurance claim relating to Unit-II of the Cotton Division was settled resulting in other operating income of Rs. 310 million which was partially set off by increased tax, WPPF and WWF charges of Rs. 205 million.

Had there been no insurance claim settlement, the Company would still have a profit after tax of Rs. 117 million and EPS of Rs. 2.07 for the quarter ended 30 September 2012 due to operating profits of Rs. 144 million as compared to operating

loss of Rs. 69 million in the corresponding period last year.

Sales revenue was Rs. 879 million for Q1FY13 as compared to Rs. 930 million in Q1FY12, contributed mainly by Cotton Division with Rs. 646 million (Q1FY12: Rs. 781 million) despite the shutdown of Unit II. Steel Division's contribution to the turnover amounted to Rs. 232 million (Q1FY12: Rs. 149 million), whereas investment income from IID Division amounted to Rs. 70 million (Q1FY12: Rs. 18 million).

On Group basis (including the results of wholly owned subsidiary companies), consolidated profit after tax and EPS for the Group for the Q1FY13 amounted to Rs. 198 million and Rs. 3.51 per share as compared to loss after tax and LPS of Rs. 69 million and Rs. 1.23 per share respectively last year. In the condensed interim consolidated financial information, investments in associates have been accounted for under the equity method of accounting. Share of loss from associates during the current period amounted to Rs. 21 million as compared to profit of Rs. 16.2 million last year.



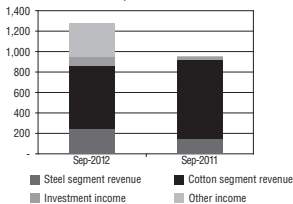
Crescent Steel &  
Allied Products Limited

## Directors' Review

The share of loss relates to Altern Energy Limited and is due to an increase in financial costs payable on its payment delays.

- Return on average equity (annualized) was 7% for the current period as compared to negative 11.6 percent for the period ended 30 September 2011.
- Break-up value per share increased to Rs. 58.5 from Rs. 54.9 as at 30 June 2012.

**Revenue and Income**  
Rupees in million



### Summary of operating results as per condensed interim unconsolidated financial information of the Company

- Sales revenue was Rs. 879 million as compared to Rs. 930 million in Q1FY12.
- Investment income stood at Rs. 70 million as compared to Rs. 18 million in Q1FY12, while other operating income of Rs. 339 million comprised mainly of insurance claim settlement of Rs. 310 million.
- Gross profit margin was 12.7% for current year as compared to negative 1.7% for the last year which was mainly due to the loss in Cotton Division last year.

### Business Segments

#### Steel segment

##### Segment performance

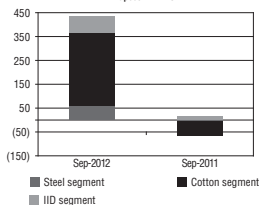
Sales revenue of Steel segment for the quarter ended 30 September 2012 (Q1FY12) was higher by 55.2% at Rs. 232.2 million vis-à-vis Rs. 149.6 million for the corresponding period last year (Q1FY11), mainly due to spill-over of pipe coating job from June last year. Gross profit was also higher by 170.4% compared to corresponding period results.

#### Cotton segment

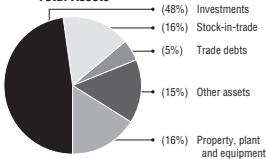
##### Segment performance (Unit I)

Cotton division recorded sales revenue of Rs. 479.6 million (excluding sale of raw cotton Rs. 166.8 million) for the period Q1FY13, an increase of 30.8% as compared to Rs. 366.6 million in the same period last year due to increase in average selling price. The gross profit for the period was Rs. 41 million as compared to gross

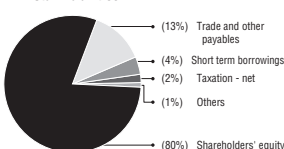
**Profit from operations**  
Rupees in million



**Total Assets**



**Total Liabilities**



## Directors' Review

loss of Rs. 33.5 million in the same period last year due to increase in average selling price by 4.7% (i.e. from Rs. 109.9 per Lb to Rs. 115.1 per Lb) and decrease in average cotton consumption cost by 19.8% at Rs. 1,723 per maund.

### **Investment and infrastructure development segment**

#### *Market Review*

During September, the KSE - 100 index, while oscillating in a 400 points range, ended the month largely unchanged at about 0.35% MoM. Activities were also relatively dull with average daily volumes declining 6% MoM to 147 million.

Moreover, foreign investors also remained relatively less active during the month with their net inflows stood at US\$ 11.7 million. Major interest remained in Construction & Materials, Consumer, Textile and Electricity Sectors where strong inherent bottom line growth, strong payouts and favorable projected impact of fall in interest rates thrived investor interest. Alongside attractive valuations and earnings growth, monetary easing of 50 bps announced in October is expected to contribute further towards positive market sentiments.

### **Segment performance –**

#### **Unconsolidated**

Income from investment activities during the quarter amounted to Rs. 70 million as compared to Rs. 18.2 million for the same period last year. Profit before taxation for the period stood at Rs. 69.6 million as compared to profit before taxation of Rs. 9.5 million in Q1FY12. The value of investments in marketable securities (excluding strategic investments) increased to Rs. 589 million as compared to Rs. 497.4 million as of 30 June 2012. Portfolio of investments as of 30 September 2012 was Rs. 1,957.2 million as compared to Rs. 1,844.1 million as of 30 June 2012. Income from held for trading investments on an average investment of Rs. 410.9 million stood at 16.35% as compared to an increase of 11.48% in KSE-100 index during the period.

### **Segment performance –**

#### **Consolidated**

Profit before taxation as per the condensed interim consolidated financial information amounted to Rs. 49.8 million (Q1FY12: Rs. 21.2 million) including share of loss from equity accounted associates amounting to

Rs. 18.5 million as compared to share of profit of Rs. 14.2 million for same period last year. The increased profitability of the segment is mainly attributable to unrealized / realized gains and dividend income of Rs. 72.9 million which includes Rs. 5.8 million in revenues from CS Capital (Private) Limited. The value of investments in marketable securities (excluding strategic investments) amounted to Rs. 651.2 million as compared to Rs. 523.1 million as of 30 June 2012. The closing position of the portfolio as of 30 September 2012 was Rs. 2,435.9 million as against Rs. 2,346.2 million as of 30 June 2012.

### **Shakarganj Energy (Private) Limited (SEL) (wholly owned subsidiary company)**

Commercial operation of subsidiary – Shakarganj Energy (Private) Limited (SEL) has not yet commenced. The power plant is in commissioning stage and hopefully will be completed in coming season. During the year SEL posted loss before tax of Rs. 2.9 million mainly being share of loss from equity accounted associate (Altem Energy Limited).



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**CS Capital (Private) Limited  
(wholly owned subsidiary  
company)**

Operations of CS Capital (Private) Limited increased significantly during the quarter and made a total contribution of Rs. 5 million in Group profits as compared to loss of Rs. 0.5 million in year ended 30 June 2012.

**Financial Position**

**Balance sheet**

Balance sheet footing stood at Rs. 4,107.5 million as of 30 September 2012 as compared to Rs. 4,172.2 million as of 30 June 2012. Break-up value per share increased to Rs. 58.5 from Rs. 54.9 as at 30 June 2012. Current ratio increased to 2.3:1 as of 30 September 2012 from 1.3:1 as at 30 June 2012. The Company's gearing position reduced to 6% as at 30 September 2012 from 9% as at 30 June 2012.

On a Group basis, the consolidated balance sheet footing stood at Rs. 4,990.4 million as compared to Rs. 5,079.8 million as of 30 June 2012. The total of shareholder's fund increased to Rs. 4,185.9 million from

Rs. 4,007.9 million as of 30 June 2012.

**Future Outlook**

Future outlook for Steel division is positive for FY13. We expect increased order intake both for gas transmission and water sector.

Outlook in Cotton segment remains positive due to improved demand of yarn at good margins. Estimate of Pakistan crop is still unclear but due to surplus availability worldwide, prices are expected to remain low. We are however, expecting major energy crises which may impact production and consequently, margins.

I would also like to record our appreciation to all the stakeholders and look forward towards their continued support.

For and on behalf of the  
Board of Directors

Ahsan M. Saleem  
Chief Executive Officer  
25 October 2012

## Directors' Review

Condensed Interim Unconsolidated  
Balance Sheet (Unaudited)  
As at 30 September 2012

	Note	Unaudited 30 September 2012 (Rupees in '000)	Audited 30 June 2012
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	649,747	666,793
Intangible assets		547	1,617
Investment property		34,482	35,632
Long term investments	6	1,351,153	1,321,397
Long term loans and deposits	7	243,861	243,867
Deferred taxation		13,313	12,606
		<u>2,293,103</u>	<u>2,281,912</u>
<b>Current assets</b>			
Stores, spares and loose tools		68,593	65,860
Stock-in-trade	8	643,612	586,720
Trade debts	9	225,557	368,930
Loan and advances	10	123,283	137,895
Trade deposits and short term prepayments		9,465	5,471
Investments	11	589,014	497,414
Current portion of long term investments	12	17,007	25,320
Mark-up accrued		24,859	16,989
Other receivables		102,221	29,318
Taxation - net		-	93,090
Cash and bank balances		10,826	63,334
		<u>1,814,437</u>	<u>1,890,341</u>
<b>Total assets</b>		<u>4,107,540</u>	<u>4,172,253</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorized capital			
100,000,000 ordinary shares of Rs. 10 each		<u>1,000,000</u>	<u>1,000,000</u>
Issued, subscribed and paid-up capital		564,600	564,600
Capital reserves		413,457	377,302
Revenue reserves		2,325,489	2,159,343
		<u>3,303,546</u>	<u>3,101,245</u>
<b>Non-current liabilities</b>			
Liabilities against assets subject to finance lease	13	17,538	19,811
<b>Current liabilities</b>			
Trade and other payables		536,153	691,904
Mark-up accrued		3,208	16,262
Short term borrowings	14	172,151	334,958
Current portion of liabilities against assets subject to finance lease	13	8,472	8,073
Taxation - net		66,472	-
		<u>786,456</u>	<u>1,051,197</u>
Contingencies and commitments	15		
<b>Total equity and liabilities</b>		<u>4,107,540</u>	<u>4,172,253</u>

The annexed notes from 1 to 27 form an integral part of this condensed interim unconsolidated financial information.

  
Chief Executive

  
Director



Crescent Steel &  
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## Condensed Interim Unconsolidated Profit and Loss Account (Unaudited) For the first quarter ended 30 September 2012

	Note	First quarter ended 30 September 2012 (Rupees in '000)	30 September 2011 (Rupees in '000)
Sales - net	16	878,670	930,141
Cost of sales		<u>767,140</u>	<u>945,696</u>
Gross profit / (loss)		111,530	(15,555)
Income from investments	17	<u>70,034</u>	<u>18,212</u>
		181,564	2,657
Distribution and selling expenses		11,208	9,331
Administrative expenses		36,456	40,499
Other operating expenses	18	<u>38,232</u>	<u>1,176</u>
		85,896	51,006
		<u>95,668</u>	<u>(48,349)</u>
Other operating income	19	<u>339,469</u>	<u>5,749</u>
Operating profit / (loss) before finance costs		435,137	(42,600)
Finance costs	20	<u>6,460</u>	<u>26,992</u>
Profit / (loss) before taxation		428,677	(69,592)
Taxation - current		206,778	12,036
- deferred		<u>(707)</u>	<u>-</u>
Profit / (loss) after taxation for the period		206,071	12,036
		<u>222,606</u>	<u>(81,628)</u>
		<b>(Rupees)</b>	
Basic and diluted earnings / (loss) per share	21	<u>3.94</u>	<u>(1.45)</u>

The annexed notes from 1 to 27 form an integral part of this condensed interim unconsolidated financial information.

  
Chief Executive

  
Director



Condensed Interim Unconsolidated  
Statement of Comprehensive Income (Unaudited)  
For the first quarter ended 30 September 2012

Note	First quarter ended 30 September 2012    30 September 2011 (Rupees in '000)	
Profit / (loss) after taxation for the period	222,606	(81,628)
<b>Other comprehensive income / (loss)</b>		
Unrealized appreciation / (diminution) during the period on remeasurement of investments classified as 'available for sale'	36,155	(11,848)
Other comprehensive income / (loss) for the period	36,155	(11,848)
<b>Total comprehensive income / (loss) for the period</b>	<b>258,761</b>	<b>(93,476)</b>

The annexed notes from 1 to 27 form an integral part of this condensed interim unconsolidated financial information.

  
Chief Executive

  
Director



Crescent Steel &  
Allied Products Limited

## Condensed Interim Unconsolidated Cash Flow Statement (Unaudited) For the first quarter ended 30 September 2012

	Note	First quarter ended 30 September 2012	30 September 2011
(Rupees in '000)			
<b>Cash flows from operating activities</b>			
Cash (used in) / generated from operations	22	(11,765)	274,215
Taxes paid		(47,216)	(13,186)
Finance costs paid		(19,514)	(27,827)
Contribution to gratuity and pension funds		(2,971)	(2,794)
Contribution to Workers' Profit Participation Fund		-	(25,862)
Infrastructure fee paid		(1,373)	(20,319)
Compensated absences paid		(27)	(163)
10-C bonus paid		(4,914)	(862)
Long term loans and deposits - net		-	(1,244)
Net cash (used in) / generated from operating activities		(87,780)	181,958
<b>Cash flows from investing activities</b>			
Capital expenditure		(4,853)	(48,035)
Proceeds from disposal of operating fixed assets		281,720	167
Investments - net		(23,105)	10,920
Dividend income received		1,624	1,078
Interest income received		488	1,167
Net cash inflows / (outflows) from investing activities		255,874	(34,703)
<b>Cash flows from financing activities</b>			
Proceeds from disposal of operating fixed assets under sale and leaseback arrangement		-	4,980
Payments against finance lease obligations		(1,874)	(3,454)
Repayments against short term loans		(18,548)	(70,907)
Dividends paid		(55,921)	(103,900)
Net cash outflows from financing activities		(76,343)	(173,281)
Net increase / (decrease) in cash and cash equivalents		91,751	(26,026)
Cash and cash equivalents at beginning of the period		(253,076)	(553,661)
Cash and cash equivalents at end of the period	23	(161,325)	(579,687)

The annexed notes from 1 to 27 form an integral part of this condensed interim unconsolidated financial information.

  
Chief Executive

  
Director

Condensed Interim Unconsolidated  
Statement of Changes in Equity (Unaudited)  
For the first quarter ended 30 September 2012

	Issued, subscribed and paid-up capital	Capital reserves		Revenue reserves		Total
		Share premium	Unrealized appreciation / (diminution) on remeasurement of investments classified as 'available for sale' (Rupees in '000)	General reserve	Unappropri- ated profit/ (loss)	
Balance as at 1 July 2011	564,600	349,959	3,048	1,842,000	116,719	2,876,326
<b>Total comprehensive loss for the period</b>						
Loss after taxation for the period ended 30 September 2011	-	-	-	-	(81,628)	(81,628)
<b>Other comprehensive loss</b>						
Unrealized diminution during the period on remeasurement of investments classified as 'available for sale'			(11,848)			(11,848)
Other comprehensive loss for the period	-	-	(11,848)	-	-	(11,848)
<b>Transaction with owners</b>						
Dividend: - Final @ 15% (i.e. Re. 1.5 per share) for the year ended 30 June 2011	-	-	-	-	(84,690)	(84,690)
<b>Balance as at 30 September 2011</b>	<b>564,600</b>	<b>349,959</b>	<b>(8,800)</b>	<b>1,842,000</b>	<b>(49,599)</b>	<b>2,698,160</b>
Balance as at 1 July 2012	564,600	349,959	27,343	1,842,000	317,343	3,101,245
<b>Total comprehensive income for the period</b>						
Profit after taxation for the period ended 30 September 2012	-	-	-	-	222,606	222,606
<b>Other comprehensive income</b>						
Unrealized appreciation during the period on remeasurement of investments classified as 'available for sale'			36,155			36,155
Other comprehensive income for the period	-	-	36,155	-	-	36,155
<b>Transaction with owners</b>						
Dividend: - Final @ 10% (i.e. Rs. 1 per share) for the year ended 30 June 2012	-	-	-	-	(56,460)	(56,460)
<b>Balance as at 30 September 2012</b>	<b>564,600</b>	<b>349,959</b>	<b>63,498</b>	<b>1,842,000</b>	<b>483,489</b>	<b>3,303,546</b>

The annexed notes from 1 to 27 form an integral part of this condensed interim unconsolidated financial information.

  
Chief Executive

  
Director



Crescent Steel &  
Allied Products Limited

# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited) For the first quarter ended 30 September 2012

1. Crescent Steel and Allied Products Limited ('the Company') was incorporated on 1 August 1983 as a public limited company in Pakistan under the Companies Act, 1913 (now the Companies Ordinance, 1984) and is quoted on all stock exchanges of Pakistan. The registered office of the Company is located at 10th floor, BOP Tower, 10-B, Block E-2, Main Boulevard, Gulberg-III, Lahore.

## 2. BASIS OF PREPARATION

2.1 This condensed interim unconsolidated financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. This condensed interim unconsolidated financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the audited annual separate financial statements of the Company as at and for the year ended 30 June 2012.

2.2 This condensed interim unconsolidated financial information is presented in Pakistan Rupees which is also the Company's functional currency and all financial information presented has been rounded off to the nearest thousand.

2.3 The comparative balance sheet presented in this condensed interim unconsolidated financial information has been extracted from the audited annual separate financial statements of the Company for the year ended 30 June 2012, whereas the comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity are extracted from the unaudited condensed interim unconsolidated financial information for the year ended 30 September 2011.

## 3. ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim unconsolidated financial information are the same as those applied in the preparation of audited annual separate financial statements of the Company for the preceding year ended 30 June 2012.

Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Company's operations and did not have any impact on the accounting policies of the Company.

## 4. ESTIMATES AND JUDGEMENTS

Estimates and judgements made by management in the preparation of this condensed interim unconsolidated financial information are the same as those that were applied to the audited annual separate financial statements of the Company as at and for the year ended 30 June 2012..

# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited) For the first quarter ended 30 September 2012

## 5. PROPERTY, PLANT AND EQUIPMENT

Following is the cost of operating fixed assets added / transferred and disposed off during the first quarter ended 30 September 2012:

	First quarter ended 30 September 2012		First quarter ended 30 September 2011	
	Additions	Disposals	Additions	Disposals
	(Rupees in '000)			
Plant and machinery - owned	78	–	46,245	4,880
Plant and machinery - leased	–	–	5,056	–
Furniture and fittings	110	–	74	–
Electrical / office equipment and installation	114	10	649	–
Computers	169	–	21	–
Motor vehicles - owned	1,538	658	684	283
Motor vehicles - leased	–	–	1,795	–
	<u>2,009</u>	<u>668</u>	<u>54,524</u>	<u>5,163</u>

## 6. LONG TERM INVESTMENTS

		Unaudited 30 September 2012	Audited 30 June 2012
		(Rupees in '000)	
Subsidiary companies - at cost	6.1	429,870	400,114
Associated companies - at cost	6.2	742,337	742,337
Other long term investments	6.3	178,946	178,946
		<u>1,351,153</u>	<u>1,321,397</u>

### 6.1 Subsidiary companies - at cost

30 September 2012	30 June 2012		Unaudited 30 September 2012	Audited 30 June 2012
(Number of shares)			(Rupees in '000)	
33,010,000	33,010,000	<b>Unquoted</b>		
		Shakarganj Energy (Private) Limited	330,100	330,100
		(Chief Executive Officer - Mr. Muhammad Saad Thaniana)	6.1.1	
9,977,000	–	CS Capital (Private) Limited	99,770	70,014
		(Chief Executive Officer - Mr. Muhammad Saad Thaniana)	6.1.2	
2	2	Crescent Continental Gas Pipelines Limited	–	–
		(US \$ 1 each)	6.1.3	
			<u>429,870</u>	<u>400,114</u>



Crescent Steel &  
Allied Products Limited

## Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited) For the first quarter ended 30 September 2012

- 6.1.1 This represents the Company's investment in 100% ordinary shares of Shakarganj Energy (Private) Limited. The Company has acquired Shakarganj Energy (Private) Limited on 4 January 2010.
- 6.1.2 This represents the Company's investment in 100% ordinary shares of CS Capital (Private) Limited. The Company has acquired CS Capital (Private) Limited on 26 September 2011. During the quarter, the Company has further subscribed to right issues made by the investee company aggregating 2.98 million ordinary shares for Rs. 29.76 million, making a total holding of 9.97 million ordinary shares as at 30 September 2012.
- 6.1.3 This represents investment in subsidiary of Rs. 90 only. The subsidiary company has not commenced operation and accordingly no financial statements have been prepared.

### 6.2 Associated companies - at cost

30 September 2012 (Number of shares)	30 June 2012		Unaudited 30 September 2012 (Rupees in '000)	Audited 30 June 2012
60,475,416	60,475,416	Quoted Altern Energy Limited (Chief Executive Officer - Syed Zamanat Abbas)	593,488	593,488
15,244,665	15,244,665	Shakarganj Mills Limited (Chief Executive Officer - Mr. Ahsan M. Saleem)	388,562	388,562
			<u>982,050</u>	<u>982,050</u>
		Less: Provision for impairment	<u>239,713</u>	<u>239,713</u>
			<u>742,337</u>	<u>742,337</u>

- 6.2.1 The Company holds 17.65% shareholding in Altern Energy Limited and has no common directorship. In the condensed interim consolidated financial information, the investee has been treated as an associate due to the Group companies' effective holding of over 20%. Consequently, as per the requirements of IAS 28 'Investments in Associates', the investee company has also been treated as an associate in this condensed interim unconsolidated financial information.

- 6.2.2 The fair value of investments in associates as at 30 September 2012 is Rs. 770.410 million (30 June 2012: Rs. 775.705 million).

### 6.3 Other long term investments

		Unaudited 30 September 2012 (Rupees in '000)	Audited 30 June 2012
<b>Investments in related parties</b>			
Available for sale	6.3.1	-	-
<b>Other investments</b>			
Available for sale		<u>178,946</u>	<u>178,946</u>
		<u>178,946</u>	<u>178,946</u>

# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

## For the first quarter ended 30 September 2012

6.3.1 This includes investment in Crescent Bahuman Limited which is carried at carrying value of Rs. Nil. The break-up value of shares of the investee company is Rs. Nil per share (2011 : Rs. Nil per share) [break-up value including surplus on revaluation of property, plant and equipment Rs. Nil per share (2011 : Rs. 1.07 per share)], calculated on the basis of audited annual financial statements for the year ended 30 June 2012.

This further includes investment in Crescent Industrial Chemicals Limited which is also carried at carrying value of Rs. Nil for reasons specified in the Company's audited annual separate financial statements for the year ended 30 June 2012.

### 7. LONG TERM LOANS AND DEPOSITS

		Unaudited 30 September 2012	Audited 30 June 2012
(Rupees in '000)			
Long term loan - Considered good (Unsecured)			
- to subsidiary company	7.1	223,000	223,000
- to staff		-	6
Security deposits - leasing companies		8,256	8,256
Security deposits - others		12,605	12,605
		<u>243,861</u>	<u>243,867</u>

7.1 This represents long term loan to the wholly owned subsidiary company Shakarganj Energy (Private) Limited. The approved limit as per agreement of long term loan is Rupees 385 million. The repayment schedule of this long term loan will be finalized after the commencement of commercial operations of the subsidiary company during the year.

The mark-up rate on the above loan is 3 months KIBOR prevailing on the date of disbursement of each tranche and thereafter will be reset one day prior to the commencement of mark-up payment period and will be valid for the whole quarter. Mark-up is payable on quarterly basis. The effective mark-up charged during the period was 14.49% (2011: 16.25% to 16.60%) per annum.

### 8. STOCK-IN-TRADE

	Unaudited 30 September 2012	Audited 30 June 2012
(Rupees in '000)		
Raw materials		
Hot rolled steel coils (HR Coil)	138,077	11,237
Coating materials	90,231	64,683
Others	16,674	19,489
Raw cotton	212,987	323,887
Stock-in-transit	6,230	35,649
	<u>464,199</u>	<u>454,945</u>
Work-in-process	36,258	22,268
Finished goods	129,479	101,116
Scrap / cotton waste	13,676	8,391
	<u>179,413</u>	<u>131,775</u>
	<u>643,612</u>	<u>586,720</u>



Crescent Steel &  
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## Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited) For the first quarter ended 30 September 2012

### 9. TRADE DEBTS

	Unaudited 30 September 2012	Audited 30 June 2012
	(Rupees in '000)	
Secured		
Considered good	123,515	230,537
Unsecured		
Considered good	102,042	138,393
Considered doubtful	1,139	1,139
Provision for doubtful trade debts	(1,139)	(1,139)
	<u>102,042</u>	<u>138,393</u>
	<u>225,557</u>	<u>368,930</u>

### 10. LOAN AND ADVANCES

Unsecured		
Advances - considered good		
Advances to executives	2,701	3,333
Suppliers for goods and services	120,582	134,562
Advances - considered doubtful		
Suppliers for goods and services	47	47
Provision for doubtful advances	(47)	(47)
	<u>—</u>	<u>—</u>
	<u>123,283</u>	<u>137,895</u>

### 11. INVESTMENTS

Investments in related parties		
Available for sale	6,740	4,026
Other investments		
Available for sale	143,714	110,274
Held for trading	438,560	383,114
	<u>582,274</u>	<u>493,388</u>
	<u>589,014</u>	<u>497,414</u>

- 11.1 Investments having an aggregate market value of Rs. 772.381 million (30 June 2012: Rs. 776.595 million) have been pledged with financial institutions as security against financing facilities (see note 14.4) out of which Rs. 510.863 million (30 June 2012: Rs. 515.164 million) relates to long term investments.



# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the first quarter ended 30 September 2012

## 12. CURRENT PORTION OF LONG TERM INVESTMENTS

	Unaudited 30 September 2012	Audited 30 June 2012
	(Rupees in '000)	
Preference shares of Shakarganj Mills Limited	29,994	29,994
Term finance certificates of United Bank Limited	-	8,313
Dividend receivable on preference shares of Shakarganj Mills Limited	5,106	5,106
	<u>35,100</u>	<u>43,413</u>
Less: Provision for impairment	18,093	18,093
	<u>17,007</u>	<u>25,320</u>

## 13. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Minimum lease payments		Future finance costs		Present value of minimum lease payments	
	30 September 2012	30 June 2012	30 September 2012	30 June 2012	30 September 2012	30 June 2012
	(Rupees in '000)					
Not later than one year	11,171	11,171	2,699	3,098	8,472	8,073
Later than one year and not later than five years	18,598	21,391	1,060	1,580	17,538	19,811
	<u>29,769</u>	<u>32,562</u>	<u>3,759</u>	<u>4,678</u>	<u>26,010</u>	<u>27,884</u>
Less: Current portion shown under current liabilities					8,472	8,073
					<u>17,538</u>	<u>19,811</u>

- 13.1 The Company has entered into finance lease arrangements with leasing companies for lease of plant and machinery and motor vehicles. The lease term of these arrangements is three years (30 June 2012: three years) and the liability is payable by the year 2015 (30 June 2012: 2015). The periodic lease payments include built-in rates of mark-up ranging between 18.50% to 20.25% (2011: 19.29% to 20.25%) per annum. Included in the gross present value of minimum lease payments, is a sum aggregating Rs. 13.323 million (30 June 2012: Rs. 14.128 million) which pertains to obligations arising from sale and leaseback of assets.

The Company intends to exercise its options to purchase the leased assets upon completion of the respective lease terms. The Company's obligations under these arrangements are secured by the lessor's title to the leased assets.

## 14. SHORT TERM BORROWINGS

	Unaudited 30 September 2012	Audited 30 June 2012
	(Rupees in '000)	
Secured from banking companies		
Running finances under mark-up arrangements	172,151	316,410
Short term loans	-	18,548
	<u>172,151</u>	<u>334,958</u>



Crescent Steel &  
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## Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited) For the first quarter ended 30 September 2012

- 14.1 Short term running finance available from various commercial banks under mark-up arrangements amounted to Rs. 500 million (30 June 2012: Rs. 500 million) out of which Rs. 250 million (30 June 2012: Rs. Nil) is interchangeable with Term Finance / Demand Finance and letters of credit. During the period, the mark-up on such arrangements ranged between 12.47% to 15.01% (2011: 14.68% to 16.56%) per annum.
- 14.2 Short term loan financing available from various commercial banks under mark-up arrangements amounted to Rs. 1,100 million (30 June 2012: Rs. 1,100 million) out of which Rs. 300 million (30 June 2012: Rs. 300 million) is interchangeable with letters of credit. During the period, the mark-up on such arrangements was 14.33% (2011: 16.30% to 16.81%) per annum.
- 14.3 The facilities for opening letters of credit amounted to Rs. 1,400 million (30 June 2012: Rs. 1,150 million) out of which Rs. 250 million (30 June 2012: Rs. Nil), Rs. 300 million (30 June 2012: Rs. 300 million) and Rs. Nil (30 June 2012: Rs. Nil) are interchangeable with short term running finance, short term loans and letters of guarantee respectively as mentioned in notes 14.1 and 14.2 above. The facility for letters of guarantee as at 30 September 2012 amounted to Rs. 500 million (30 June 2012: Rs. 500 million). Amounts unutilized for letters of credit and guarantees as at 30 September 2012 were Rs. 1,132.491 million and Rs. 28.603 million (30 June 2012: Rs. 815.627 million and Rs. 123.035 million) respectively.
- 14.4 The above facilities are secured by way of hypothecation of plant and machinery, stock-in-trade, trade debts and other current assets, pledge of shares and cotton / cotton yarn; and lien over import / export document.

### 15. CONTINGENCIES AND COMMITMENTS

- 15.1 There is no change in the status of contingencies set out in note 12 to the Company's audited annual separate financial statements for the year ended 30 June 2012, except as set out in note 15.2 below.
- 15.2 Aggregate amount of guarantees issued by banks on behalf of the Company against various contracts aggregated Rs. 471.397 million (30 June 2012: Rs. 376.965 million).
- 15.3 Commitments in respect of capital expenditure contracted for as at 30 September 2012 amounted to Rs. 15.256 million (30 June 2012: Rs. 16.230 million) out of which Rs. 4.577 million is payable by December 2012 and the remaining amount is payable on completion of office premises located in Islamabad expected by June 2014.
- 15.4 Commitments under letters of credit as at 30 September 2012 amounted to Rs. 262.056 million (30 June 2012: Rs. 298.789 million).
- 15.5 Commitment in respect of future purchase of shares amounted to Rs. Nil (30 June 2012: Rs. Nil).

Notes to the Condensed Interim Unconsolidated  
Financial Information (Unaudited)  
For the first quarter ended 30 September 2012

16. SALES - NET

	First quarter ended	
	30 September 2012	30 September 2011
	(Rupees in '000)	
<b>Local sales</b>		
Bare pipes (own product excluding coating revenue)	108,836	59,683
Revenue from conversion	3,162	4,257
Coating of pipes	143,582	102,661
Cotton yam / raw cotton	567,634	717,303
Others (including pipes laboratory testing)	13,647	5,979
Scrap / waste	10,321	33,679
Sales returns	-	(7,320)
	<u>847,182</u>	<u>916,242</u>
<b>Export sales</b>		
Cotton yam / raw cotton	68,481	36,843
	<u>915,663</u>	<u>953,085</u>
Sales tax and special excise duty	(36,993)	(22,944)
	<u>878,670</u>	<u>930,141</u>

17. INCOME FROM INVESTMENTS

Return on term finance certificates	76	434
Dividend income	8,258	9,537
Gain on sale of investments - net	6,947	1,856
Unrealized gain on held for trading investments - net	52,148	3,849
Rent from investment property	2,605	2,536
	<u>70,034</u>	<u>18,212</u>

- 17.1 Direct operating expenses incurred against rental income from investment property amounted to Rs. 0.903 million (2011: Rs. 1.813 million). Further, Rs. 0.319 million (2011: Rs. 0.336 million) were incurred against non rented out area.

18. OTHER OPERATING EXPENSES

	First quarter ended	
	30 September 2012	30 September 2011
	(Rupees in '000)	
Exchange loss	6,124	1,176
Provision for Workers' Welfare Fund	12,432	-
Provision for Workers' Profit Participation Fund	19,538	-
Others	138	-
	<u>38,232</u>	<u>1,176</u>

19. OTHER OPERATING EXPENSES

This includes an amount of Rs. 310.872 million on account of gain on final settlement of insurance claim.



Crescent Steel &  
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## Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited) For the first quarter ended 30 September 2012

### 20. FINANCE COSTS

	First quarter ended 30 September 2012	30 September 2011
	(Rupees in '000)	
Incurring on		
- finance lease obligations	909	1,055
- running finances / short term loans	4,740	23,914
- Workers' Profit Participation Fund	-	563
Bank charges	811	1,460
	<u>6,460</u>	<u>26,992</u>

### 21. BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE

Profit / (loss) after taxation for the period	<u>222,606</u>	<u>(81,628)</u>
	(Number of shares)	
Average number of ordinary shares in issue during the period	<u>56,459,993</u>	<u>56,459,993</u>
	(Rupees)	
Basic and diluted earnings / (loss) per share	<u>3.94</u>	<u>(1.45)</u>

### 22. CASH (USED IN) / GENERATED FROM OPERATIONS

	First quarter ended 30 September 2012	30 September 2011
	(Rupees in '000)	
Profit / (loss) before taxation for the period	428,677	(69,592)
Adjustments for non cash charges and other items		
Depreciation on operating fixed assets and investment property	22,998	40,258
Amortization of intangible assets	1,070	2,847
Charge for the period on staff retirement benefit funds	2,971	2,794
(Reversal) / charge for compensated absences	(20)	163
Provision for 10-C bonus	974	-
Amortization of advances to staff	5	20
Dividend income	(8,258)	(9,537)
Unrealized gain on held for trading investments - net	(52,148)	(3,849)
Gain on sale of investments - net	(6,947)	(1,856)
Provision for Workers' Welfare Fund	12,432	-
Provision for Workers' Profit Participation Fund	19,538	-
Reversal of provision for liquidated damages	(8,934)	-
Return on deposits, loan and investments	(8,358)	(4,065)
Gain on disposal of operating fixed assets	(281,668)	(102)
Liabilities written back	-	(430)
Finance costs	6,460	26,992
Working capital changes	22.1 (140,557)	290,572
	<u>(11,765)</u>	<u>274,215</u>

# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited) For the first quarter ended 30 September 2012

## 22.1 Working capital changes

	First quarter ended	
	30 September 2012	30 September 2011
	(Rupees in '000)	
(Increase) / decrease in current assets		
Stores, spares and loose tools	(2,733)	4,244
Stock-in-trade	(54,583)	330,725
Trade debts	143,373	(38,918)
Loan and advances	14,612	(86,357)
Trade deposits and short term prepayments	(3,994)	(1,561)
Other receivables	(60,957)	(1,969)
	<u>35,718</u>	<u>206,164</u>
(Decrease) / increase in current liabilities		
Trade and other payables	(176,275)	84,408
	<u>(140,557)</u>	<u>290,572</u>

## 23. CASH AND CASH EQUIVALENTS

Running finances under mark-up arrangements	(172,151)	(626,496)
Cash and bank balances	10,826	46,809
	<u>(161,325)</u>	<u>(579,687)</u>

## 24. SEGMENT REPORTING

### 24.1 Reportable segments

The Company's reportable segments under International Financial Reporting Standard 8 are as follows

- Steel segment - It comprises of manufacturing and coating of steel pipes.
- Cotton segment - It comprises of manufacturing of yarn.
- Investment and Infrastructure Development (IID) segment - To effectively manage the investment portfolio in shares and other securities (strategic as well as short term) and investment property (held for rentals as well as long term appreciation).



Crescent Steel &  
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## Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited) For the first quarter ended 30 September 2012

Information regarding the Company's reportable segments is presented below.

### 24.2 Segment revenues and results

Following is an analysis of the Company's revenue and results by reportable segment

<b>For the first quarter ended 30 September 2012</b>	Steel segment	Cotton segment	IID segment	Total
	(Rupees in '000)			
Sales - net	232,235	646,435	-	878,670
Cost of sales	161,698	605,442	-	767,140
<b>Gross profit</b>	<b>70,537</b>	<b>40,993</b>	<b>-</b>	<b>111,530</b>
Income from investments	-	-	70,034	70,034
	70,537	40,993	70,034	181,564
Distribution and selling expenses	2,720	8,488	-	11,208
Administrative expenses	27,135	5,928	3,393	36,456
Other operating expenses	5,624	32,336	272	38,232
	35,479	46,752	3,665	85,896
	35,058	(5,759)	66,369	95,668
Other operating income	19,275	313,545	6,649	339,469
<b>Operating profit before finance costs</b>	<b>54,333</b>	<b>307,786</b>	<b>73,018</b>	<b>435,137</b>
Finance costs	1,519	1,545	3,396	6,460
<b>Profit before taxation</b>	<b>52,814</b>	<b>306,241</b>	<b>69,622</b>	<b>428,677</b>
Taxation				206,071
<b>Profit after taxation</b>				<b>222,606</b>
<b>For the first quarter ended 30 September 2011</b>				
Sales - net	149,638	780,503	-	930,141
Cost of sales	123,550	822,146	-	945,696
<b>Gross profit / (loss)</b>	<b>26,088</b>	<b>(41,643)</b>	<b>-</b>	<b>(15,555)</b>
Income from investments	-	-	18,212	18,212
	26,088	(41,643)	18,212	2,657
Distribution and selling expenses	2,616	6,715	-	9,331
Administrative expenses	23,710	12,032	4,757	40,499
Other operating expenses	72	1,104	-	1,176
	26,398	19,851	4,757	51,006
	(310)	(61,494)	13,455	(48,349)
Other operating income	1,570	1,732	2,447	5,749
<b>Operating profit / (loss) before finance costs</b>	<b>1,260</b>	<b>(59,762)</b>	<b>15,902</b>	<b>(42,600)</b>
Finance costs	593	20,035	6,364	26,992
<b>Profit / (loss) before taxation</b>	<b>667</b>	<b>(79,797)</b>	<b>9,538</b>	<b>(69,592)</b>
Taxation				12,036
<b>Loss after taxation</b>				<b>(81,628)</b>

# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

## For the first quarter ended 30 September 2012

**24.2.1** Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the period (2011: Nil).

**24.2.2** The accounting policies of the reportable segments are the same as the Company's accounting policies as disclosed in the audited annual separate financial statements of the Company for the preceding year ended 30 June 2012. The Steel segment allocates certain percentage of the common expenditure to the Cotton and IID segments. In addition, financial charges between Steel and Cotton segments are allocated at average mark-up rate on the basis of funds utilized. This is the measure reported to management for the purposes of resource allocation and assessment of segment performance.

### **24.3 Revenue from major products and services**

The analysis of the Company's revenue from external customers for major products and services is given in note 16 to this condensed interim unconsolidated financial information.

### **24.4 Information about major customers**

Revenue from major customers of Steel segment represents an aggregate amount of Rs. 180.231 million (2011: Rs. 107.544 million) of total Steel segment revenue of Rs. 232.235 million (2011: Rs. 149.638 million). Further, revenue from major customers of Cotton segment represents an aggregate amount of Rs. 334.319 million (2011: Rs. 98.430 million) of total Cotton segment revenue of Rs. 646.435 million (2011: Rs. 780.503 million).

### **24.5 Geographical information**

**24.5.1** The Company's revenue from external customers by geographical location is detailed below:

	First quarter ended	
	30 September 2012	30 September 2011
	(Rupees in '000)	
Pakistan	810,189	893,298
Far East	68,481	36,843
	<u>878,670</u>	<u>930,141</u>

**24.5.2** All non-current assets of the Company as at 30 September 2012 and 30 June 2012 were located and operated in Pakistan.



Crescent Steel &  
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## Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited) For the first quarter ended 30 September 2012

### 24.6 Segment assets and liabilities

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	Steel segment	Cotton segment (Rupees in '000)	IID segment	Total
<b>As at 30 September 2012</b>				
Segment assets for reportable segments	834,582	850,566	2,095,466	<b>3,780,614</b>
Unallocated corporate assets				<b>326,926</b>
Total assets as per balance sheet				<b><u>4,107,540</u></b>
Segment liabilities for reportable segments	105,698	77,406	2,677	<b>185,781</b>
Unallocated corporate liabilities				<b>618,213</b>
Total liabilities as per balance sheet				<b><u>803,994</u></b>
<b>As at 30 June 2012</b>				
Segment assets for reportable segments	858,360	1,147,382	1,995,770	4,001,512
Unallocated corporate assets				170,741
Total assets as per balance sheet				<b><u>4,172,253</u></b>
Segment liabilities for reportable segments	154,224	475,746	2,695	632,665
Unallocated corporate liabilities				438,343
Total liabilities as per balance sheet				<b><u>1,071,008</u></b>

#### 24.6.1 For the purposes of monitoring segment performance and allocating resources between segments

- all assets are allocated to reportable segments other than those directly relating to corporate and taxation assets; and
- all liabilities are allocated to reportable segments other than 'trade and other payables' directly relating to corporate, 'short term borrowings', 'mark-up accrued' and liabilities relating to current and deferred taxation.

Cash and bank balances, borrowings and related mark-up payable thereon and receivable therefrom are not allocated to reporting segments as these are managed by the Company's central treasury function.



# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

## For the first quarter ended 30 September 2012

### 24.7 Other segment information

	Steel segment	Cotton segment (Rupees in '000)	IID segment	Total
For the first quarter ended 30 September 2012				
Capital expenditure	-	2,932	-	2,932
Depreciation and amortization	7,472	15,336	1,265	24,073
Non-cash items other than depreciation and amortization - net	(2,995)	(250,654)	(70,309)	(323,958)
For the first quarter ended 30 September 2011				
Capital expenditure	28	47,263	-	47,291
Depreciation and amortization	9,488	32,304	1,333	43,125
Non-cash items other than depreciation and amortization - net	2,059	19,655	(11,604)	10,110

### 25. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of subsidiary and associated companies, directors of the Company, companies in which directors also hold directorship, related group companies, key management personnel and staff retirement benefit funds.

Transactions with related parties other than those disclosed elsewhere are as follows

Name of entity	Nature of relationship	Nature of transaction	First quarter ended	
			30 September 2012	30 September 2011
			(Rupees in '000)	
Muhammad Amin Muhammad Bashir Limited *	Related party	Dividend paid	1	1
Premier Insurance Company *	Related party	Dividend paid	10	60
		Insurance premium	1,293	1,271
Shakarganj Energy (Private) Limited	Subsidiary company	Short term loan provided	-	16,000
		Mark-up on short term loan	-	3,517
		Mark-up on long term loan	8,145	-
CS Capital (Private) Limited	Subsidiary company	Right shares subscribed	29,756	-
Shakarganj Mills Limited	Associated company	Dividend paid	2,448	3,672
		Sales of finished goods	9,224	6,551
		Sales of raw cotton	134,721	-
		Services received	326	217
		Services rendered	393	305



Crescent Steel &  
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## Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited) For the first quarter ended 30 September 2012

Name of entity	Nature of relationship	Nature of transaction	First quarter ended	
			30 September 2012	30 September 2011
			(Rupees in '000)	
The Crescent Textile Mills Limited*	Related party	Dividend paid	<u>5,589</u>	<u>8,394</u>
Crescent Cotton Products - Staff Provident Fund	Retirement	Contribution made	<u>383</u>	<u>996</u>
	benefit fund	Dividend paid	<u>4</u>	<u>1</u>
Crescent Steel and Allied Products Limited - Gratuity Fund	Retirement	Contribution made	<u>847</u>	<u>854</u>
	benefit fund	Dividend paid	<u>621</u>	<u>715</u>
Crescent Steel and Allied Products Limited - Pension Fund	Retirement	Contribution made	<u>2,122</u>	<u>2,131</u>
	benefit fund	Dividend paid	<u>1,244</u>	<u>1,475</u>
Crescent Steel and Allied Products Limited - Staff Provident Fund	Retirement	Contribution made	<u>1,196</u>	<u>1,181</u>
	benefit fund	Dividend paid	<u>400</u>	<u>600</u>
Key management personnel	Related parties	Remuneration and benefits	<u>12,741</u>	<u>10,726</u>

\*These entities are / have been related parties of the Company by virtue of common directorship only.

- 25.1 Sale of finished goods, operating fixed assets and raw materials, rendering of services and rental income are based on commercial terms and at market prices which are approved by the Board of Directors.
- 25.2 Contributions to the employee retirement benefit funds are made in accordance with the terms of employee retirement benefit schemes and actuarial advice.
- 25.3 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors of the Company. There were no transactions with key management personnel during the period other than their terms of employment / entitlements.

### 26. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the audited annual separate financial statements of the Company as at and for the year ended 30 June 2012.

### 27. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim unconsolidated financial information was authorized for issue in the Board of Directors meeting held on 25 October 2012.

  
Chief Executive

  
Director

Condensed Interim  
Consolidated Financial  
Information (Unaudited)

For the first quarter  
ended 30 September 2012

Condensed Interim Consolidated  
Balance Sheet (Unaudited)  
As at 30 September 2012

	Note	Unaudited 30 September 2012 (Rupees in '000)	Audited 30 June 2012
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	1,069,182	1,086,169
Intangible assets		547	1,617
Investment property		34,482	35,632
Investment in equity accounted investees	6	1,784,752	1,805,860
Other long term investments	7	220,717	220,717
Long term loans and deposits		20,861	20,867
Deferred taxation		13,313	12,606
		<u>3,143,854</u>	<u>3,183,468</u>
<b>Current assets</b>			
Stores, spares and loose tools		68,593	65,860
Stock-in-trade	8	643,612	586,720
Trade debts	9	225,557	368,930
Advances	10	123,283	137,896
Trade deposits and short term prepayments		9,627	5,753
Investments	11	651,184	523,077
Current portion of long term investments	12	-	8,313
Mark-up accrued on term finance certificates		-	275
Other receivables		110,265	36,760
Taxation - net		-	93,357
Cash and bank balances		14,475	69,366
		<u>1,846,596</u>	<u>1,896,307</u>
<b>Total assets</b>		<u><b>4,990,450</b></u>	<u><b>5,079,775</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorized capital			
100,000,000 ordinary shares of Rs. 10 each		<u>1,000,000</u>	<u>1,000,000</u>
Issued, subscribed and paid-up capital		564,600	564,600
Capital reserves		438,729	402,574
Revenue reserves		<u>3,182,533</u>	<u>3,040,788</u>
		<u>4,185,862</u>	<u>4,007,962</u>
<b>Non-current liabilities</b>			
Liabilities against assets subject to finance lease	13	17,538	19,811
<b>Current liabilities</b>			
Trade and other payables		536,876	692,709
Mark-up accrued		3,208	16,262
Short term borrowings	14	172,151	334,958
Current portion of liabilities against assets subject to finance lease	13	8,472	8,073
Taxation - net		<u>66,343</u>	<u>-</u>
		<u>787,050</u>	<u>1,052,002</u>
Contingencies and commitments	15		
<b>Total equity and liabilities</b>		<u><b>4,990,450</b></u>	<u><b>5,079,775</b></u>

The annexed notes from 1 to 27 form an integral part of this condensed interim consolidated financial information.

  
Chief Executive

  
Director



Crescent Steel &  
Allied Products Limited

## Condensed Interim Consolidated Profit and Loss Account (Unaudited) For the first quarter ended 30 September 2012

	Note	First quarter ended 30 September 2012 (Rupees in '000)	30 September 2011 (Rupees in '000)
Sales - net	16	878,670	930,141
Cost of sales		767,140	945,696
Gross profit / (loss)		111,530	(15,555)
Income from investments	17	75,664	18,212
		187,194	2,657
Distribution and selling expenses		11,208	9,331
Administrative expenses		37,144	40,894
Other operating expenses	18	38,232	1,176
		86,584	51,401
		100,610	(48,744)
Other operating income	19	331,411	2,289
Operating profit / (loss) before finance costs		432,021	(46,455)
Finance costs	20	6,461	26,996
Share of (loss) / profit in equity accounted investees - net of taxation		(21,108)	16,236
Profit / (loss) before taxation		404,452	(57,215)
Taxation - current		206,953	12,036
- deferred		(707)	-
Profit / (loss) after taxation for the period		198,206	12,036
		198,206	(69,251)
		<b>(Rupees)</b>	
Basic and diluted earnings / (loss) per share	21	3.51	(1.23)

The annexed notes from 1 to 27 form an integral part of this condensed interim consolidated financial information.

  
Chief Executive

  
Director

Condensed Interim Consolidated  
Statement of Comprehensive Income (Unaudited)  
For the first quarter ended 30 September 2012

Note	First quarter ended 30 September 2012	30 September 2011 (Rupees in '000)
Profit / (loss) after taxation for the period	198,206	(69,251)
<b>Other comprehensive income</b>		
Unrealized appreciation / (diminution) during the period on remeasurement of investments classified as 'available for sale'	36,155	(11,848)
Proportionate share of other comprehensive income of equity accounted investees	—	52,515
Other comprehensive income for the period	36,155	40,667
<b>Total comprehensive income / (loss) for the period</b>	<b>234,361</b>	<b>(28,584)</b>

The annexed notes from 1 to 27 form an integral part of this condensed interim consolidated financial information.

  
Chief Executive

  
Director



Crescent Steel &  
Allied Products Limited

## Condensed Interim Consolidated Cash Flow Statement (Unaudited) For the first quarter ended 30 September 2012

	Note	First quarter ended 30 September 2012	30 September 2011	
		(Rupees in '000)		
<b>Cash flows from operating activities</b>				
Cash (used in) / generated from operations	22	(12,415)	283,521	
Taxes paid		(47,252)	(13,192)	
Finance costs paid		(19,515)	(27,823)	
Contribution to gratuity and pension funds		(2,971)	(2,794)	
Contribution to Workers' Profit Participation Fund		-	(25,862)	
Infrastructure fee paid		(1,373)	(20,319)	
Compensated absences paid		(27)	(163)	
10-C bonus paid		(4,914)	(862)	
Long term loans and deposits - net		-	(1,244)	
Net cash (used in) / generated from operating activities		(88,467)	191,262	
<b>Cash flows from investing activities</b>				
Capital expenditure		(4,912)	(53,074)	
Proceeds from disposal of operating fixed assets		281,720	167	
Investments - net		(25,066)	10,930	
Dividend income received		1,861	1,078	
Interest income received		575	1,225	
Net cash inflows / (outflows) from investing activities		254,178	(39,674)	
<b>Cash flows from financing activities</b>				
Proceeds from disposal of operating fixed assets under sale and leaseback arrangement		-	4,980	
Payments against finance lease obligations		(1,874)	(3,454)	
Repayments against short term loans		(18,548)	(70,907)	
Dividends paid		(55,921)	(103,900)	
Net cash outflows from financing activities		(76,343)	(173,281)	
Net increase / (decrease) in cash and cash equivalents		89,368	(21,693)	
Cash and cash equivalents at beginning of the period		(247,044)	(551,179)	
Cash and cash equivalents at end of the period	23	(157,676)	(572,872)	

The annexed notes from 1 to 27 form an integral part of this condensed interim consolidated financial information.

  
Chief Executive

  
Director

# Condensed Interim Consolidated Statement of Changes in Equity (Unaudited) For the first quarter ended 30 September 2012

	Issued, subscribed and paid-up capital	Share premium	Capital reserves		Revenue reserves		Total
			Unrealized appreciation / (diminution) on remeasurement of investments classified as 'available for sale'	Others*	General reserve	Unappropri- ated profit / (loss)	
(Rupees in '000)							
Balance as at 1 July 2011	564,600	349,959	3,048	(27,243)	1,842,000	868,952	3,601,316
<b>Total comprehensive (loss) / income for the period</b>							
Loss after taxation for the period ended 30 September 2011	-	-	-	-	-	(69,251)	(69,251)
<b>Other comprehensive (loss) / income</b>							
Unrealized diminution during the period on remeasurement of investments classified as 'available for sale'	-	-	(11,848)	-	-	-	(11,848)
Proportionate share of other comprehensive income of equity accounted investees	-	-	-	52,515	-	-	52,515
Other comprehensive (loss) / income for the period	-	-	(11,848)	52,515	-	-	40,667
	-	-	(11,848)	52,515	-	(69,251)	(28,584)
<b>Transaction with owners</b>							
<b>Dividend:</b>							
- Final @ 15% (i.e. Re. 1.5 per share) for the year ended 30 June 2011	-	-	-	-	-	(84,690)	(84,690)
<b>Balance as at 30 September 2011</b>	<b>564,600</b>	<b>349,959</b>	<b>(8,800)</b>	<b>25,272</b>	<b>1,842,000</b>	<b>715,011</b>	<b>3,488,042</b>
<b>Balance as at 1 July 2012</b>	<b>564,600</b>	<b>349,959</b>	<b>27,343</b>	<b>25,272</b>	<b>1,842,000</b>	<b>1,198,788</b>	<b>4,007,962</b>
<b>Total comprehensive income for the period</b>							
Profit after taxation for the period ended 30 September 2012	-	-	-	-	-	198,205	198,205
<b>Other comprehensive income</b>							
Unrealized appreciation during the period on remeasurement of investments classified as 'available for sale'	-	-	36,155	-	-	-	36,155
Other comprehensive income for the period	-	-	36,155	-	-	-	36,155
	-	-	36,155	-	-	198,205	234,360
<b>Transaction with owners</b>							
<b>Dividend:</b>							
- Final @ 10% (i.e. Re. 1 per share) for the year ended 30 June 2012	-	-	-	-	-	(56,460)	(56,460)
<b>Balance as at 30 September 2012</b>	<b>564,600</b>	<b>349,959</b>	<b>63,498</b>	<b>25,272</b>	<b>1,842,000</b>	<b>1,340,533</b>	<b>4,185,862</b>

\* This represents the Group's share of various reserves held by equity accounted investees.

The annexed notes from 1 to 27 form an integral part of this condensed interim consolidated financial information.

  
Chief Executive

  
Director





Crescent Steel &  
Allied Products Limited

# Notes to the Condensed Interim Consolidated Financial Information (Unaudited) For the first quarter ended 30 September 2012

## **1. THE GROUP AND ITS OPERATIONS**

- 1.1 The Group consists of Crescent Steel and Allied Products Limited ('the Holding Company') and its wholly owned subsidiary companies Shakarganj Energy (Private) Limited, CS Capital (Private) Limited and Crescent Continental Gas Pipelines Limited.
- 1.2 The Holding Company was incorporated on 1 August 1983 as a public limited company in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984) and is quoted on all stock exchanges of Pakistan. The registered office of the Holding Company is located at 10th floor, BOP Tower, 10-B, Block E-2, Main Boulevard, Gulberg-III, Lahore.
- 1.3 Shakarganj Energy (Private) Limited (SEL) was incorporated on 2 April 2008 as a private limited company in Pakistan under the Companies Ordinance, 1984. The Holding Company acquired this subsidiary on 4 January 2010. The principal activity of SEL will be to build, own, operate and maintain a power plant and to generate, accumulate, distribute, sell and supply electricity / power to the Pakistan Electric Power Company (Private) Limited (PEPCO) / power distribution companies under agreement(s) with the Government of Pakistan or to any other consumer as permitted.
- 1.4 CS Capital (Private) Limited was incorporated on 5 November 2010 as a private limited company in Pakistan under the Companies Ordinance, 1984. The Holding Company acquired this subsidiary on 26 September 2011. The principal activity of this company will be to effectively manage investment portfolios in shares, commodities and other securities (strategic as well as short term).
- 1.5 Crescent Continental Gas Pipelines Limited is not carrying on any business operations.
- 1.6 Details regarding the Group's associates are given in note 6 to this condensed interim consolidated financial information.

## **2. BASIS OF PREPARATION**

- 2.1 This condensed interim consolidated financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. This condensed interim consolidated financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the audited annual consolidated financial statements of the Group as at and for the year ended 30 June 2012.
- 2.2 This condensed interim consolidated financial information is presented in Pakistan Rupees which is also the Group's functional currency and all financial information presented has been rounded off to the nearest thousand.
- 2.3 The comparative balance sheet presented in this condensed interim consolidated financial information has been extracted from the audited annual consolidated financial statements of the Group for the year ended 30 June 2012, whereas the comparative condensed interim consolidated profit and loss account, condensed interim consolidated statement of comprehensive income, condensed interim consolidated cash flow statement and condensed interim consolidated statement of changes in equity are stated from the unaudited condensed interim consolidated financial information for the first quarter ended 30 September 2011.

# Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

## For the first quarter ended 30 September 2012

### 3. ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim consolidated financial information are the same as those applied in the preparation of audited annual consolidated financial statements of the Group for the preceding year ended 30 June 2012.

Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Group's operations and did not have any impact on the accounting policies of the Group.

### 4. ESTIMATES AND JUDGEMENTS

Estimates and judgements made by management in the preparation of this condensed interim consolidated financial information were the same as those that were applied to the audited annual consolidated financial statements of the Group as at and for the year ended 30 June 2012.

### 5. PROPERTY, PLANT AND EQUIPMENT

Following is the cost of operating fixed assets added / transferred and disposed off during the first quarter ended 30 September 2012:

	First quarter ended 30 September 2012		First quarter ended 30 September 2011	
	Additions	Disposals	Additions	Disposals
	(Rupees in '000)			
Plant and machinery - owned	78	–	46,245	4,880
Plant and machinery - leased	–	–	5,056	–
Furniture and fittings	110	–	74	–
Electrical / office equipment and installation	114	10	649	–
Computers	169	–	21	–
Motor vehicles - owned	1,538	658	684	283
Motor vehicles - leased	–	–	1,795	–
	<u>2,009</u>	<u>668</u>	<u>54,524</u>	<u>5,163</u>

### 6. INVESTMENT IN EQUITY ACCOUNTED INVESTEEES

The following associates, over which the Group has significant influence either due to representation on the investee company's board or percentage of holding of voting power or both, are accounted for under the equity method of accounting as defined in International Accounting Standard (IAS) 28, 'Investments in Associates'.

30 September 2012	30 June 2012		Unaudited 30 September 2012	Audited 30 June 2012	
(Number of shares)			(Rupees in '000)		
		<b>Quoted</b>			
69,175,416	69,175,416	Altem Energy Limited (Chief Executive Officer - Syed Zamanat Abbas)	6.1	1,784,752	1,805,860
15,244,665	15,244,665	Shakarganj Mills Limited (Chief Executive Officer - Mr. Ahsan M. Saleem)	6.2	–	–
			<u>1,784,752</u>	<u>1,805,860</u>	



Crescent Steel &  
Allied Products Limited

## Notes to the Condensed Interim Consolidated Financial Information (Unaudited) For the first quarter ended 30 September 2012

- 6.1 The Holding Company and the Subsidiary Company hold 17.65% and 2.54% shareholding in Altern Energy Limited respectively and have no common directorship. The Group has an effective holding of 20.19% in the investee company and accordingly has been treated as an associate and accounted for under the equity method.
- 6.2 As at 30 September 2012 and 30 June 2012, the carrying amount of equity accounted investment in Shakarganj Mills Limited has been reduced to Nil due to recognition of the Group's share of losses incurred by the investee company. The Group has already further recognized its share of losses against the carrying amount in respect of preference shares of the investee company held by the Group and dividend receivable thereon as more fully explained in notes 17.2 and 26.1 to the audited annual consolidated financial statements of the Group for the preceding year ended 30 June 2012.
- The Group has discontinued any further recognition of its share of losses of the investee company. The unrecognized share of net losses for the period amounted to Rs. 38.602 million (2011: Rs. 12.716 million) and cumulatively share of net losses as at 30 September 2012 amounted to Rs. 113.281 million (30 June 2012: Rs. 74.698 million). Included in the unrecognized share of net losses for the period, is an amount aggregating Rs. Nil (2012: Rs. 1.903 million) representing the Group's share of net loss from discontinued operations of the investee company.
- 6.3 The above figures are based on financial statements of these companies as at 30 June 2012.
- 6.4 The fair value of investments in associates as at 30 September 2012 is Rs. 853.060 million (30 June 2012: Rs. 859.051 million).

### 7. OTHER LONG TERM INVESTMENTS

		Unaudited 30 September 2012	Audited 30 June 2012
		(Rupees in '000)	
<b>Investments in related parties</b>			
Available for sale	7.1	-	-
<b>Other investments</b>			
Available for sale		220,717	220,717
		<u>220,717</u>	<u>220,717</u>

- 7.1 This includes investment in Crescent Bahuman Limited which is carried at carrying value of Rs. Nil. The break-up value of shares of the investee company is Rs. Nil per share (2011 : Rs. Nil per share) [break-up value including surplus on revaluation of property, plant and equipment Rs. Nil per share (2011 : Rs. 1.07 per share)], calculated on the basis of audited annual financial statements for the year ended 30 June 2012.

This further includes investment in Crescent Industrial Chemicals Limited which is also carried at carrying value of Rs. Nil for reasons specified in the Company's audited annual separate financial statements for the year ended 30 June 2012.

Notes to the Condensed Interim Consolidated  
Financial Information (Unaudited)  
For the first quarter ended 30 September 2012

8. **STOCK-IN-TRADE**

	Unaudited 30 September 2012 (Rupees in '000)	Audited 30 June 2012
Raw materials		
Hot rolled steel coils (HR Coil)	138,077	11,237
Coating materials	90,231	64,683
Others	16,674	19,489
Raw cotton	212,987	323,887
Stock-in-transit	6,230	35,649
	<u>464,199</u>	<u>454,945</u>
Work-in-process	36,258	22,268
Finished goods	129,479	101,116
Scrap / cotton waste	13,676	8,391
	<u>179,413</u>	<u>131,775</u>
	<u>643,612</u>	<u>586,720</u>

9. **TRADE DEBTS**

Secured		
Considered good	123,515	230,537
Unsecured		
Considered good	102,042	138,393
Considered doubtful	1,139	1,139
Provision for doubtful trade debts	(1,139)	(1,139)
	<u>102,042</u>	<u>138,393</u>
	<u>225,557</u>	<u>368,930</u>

10. **ADVANCES**

Unsecured - Considered good		
Advances to executives	2,701	3,333
Suppliers for goods and services	120,582	134,563
Unsecured - Considered doubtful		
Suppliers for goods and services	47	47
Provision for doubtful advances	(47)	(47)
	<u>—</u>	<u>—</u>
	<u>123,283</u>	<u>137,896</u>



Crescent Steel &  
Allied Products Limited

## Notes to the Condensed Interim Consolidated Financial Information (Unaudited) For the first quarter ended 30 September 2012

### 11. INVESTMENTS

	Unaudited 30 September 2012 (Rupees in '000)	Audited 30 June 2012
Investments in related parties		
Available for sale	6,740	4,026
Other investments		
Available for sale	143,714	110,274
Held for trading	500,730	408,777
	<u>644,444</u>	<u>519,051</u>
	<u>651,184</u>	<u>523,077</u>

- 11.1 Investments having an aggregate market value of Rs. 772.381 million (30 June 2012: Rs. 776.595 million) have been pledged with financial institutions as security against financing facilities (see note 14.4) out of which Rs. 510.863 million (30 June 2012: Rs. 515.164 million) relates to long term investments.

### 12. CURRENT PORTION OF LONG TERM INVESTMENTS

	Unaudited 30 September 2012 (Rupees in '000)	Audited 30 June 2012
Preference shares of Shakarganj Mills Limited	29,994	29,994
Term finance certificates of United Bank Limited	-	8,313
Dividend receivable on preference shares of Shakarganj Mills Limited	5,106	5,106
	<u>35,100</u>	<u>43,413</u>
Less: Share of loss on Shakarganj Mills Limited attributed to preference shares and dividend receivable thereon	<u>35,100</u>	<u>35,100</u>
	-	8,313

- 12.1 The Group's share of unadjusted loss on equity accounted investment in Shakarganj Mills Limited has been allocated to the preference shares and dividend receivable thereon in accordance with the requirements of IAS 28, 'Investments in Associates' (see note 6.2).

### 13. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Minimum lease payments		Future finance costs		Present value of minimum lease payments	
	30 September 2012	30 June 2012	30 September 2012	30 June 2012	30 September 2012	30 June 2012
	(Rupees in '000)					
Not later than one year	11,171	11,171	2,699	3,098	8,472	8,073
Later than one year and not later than five years	18,598	21,391	1,060	1,580	17,538	19,811
	<u>29,769</u>	<u>32,562</u>	<u>3,759</u>	<u>4,678</u>	<u>26,010</u>	<u>27,884</u>
Less: Current portion shown under current liabilities					8,472	8,073
					<u>17,538</u>	<u>19,811</u>

# Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

## For the first quarter ended 30 September 2012

- 13.1 The Holding Company has entered into finance lease arrangements with leasing companies for lease of plant and machinery and motor vehicles. The lease term of these arrangements is three years (30 June 2012: three years) and the liability is payable by the year 2015 (30 June 2012: 2015). The periodic lease payments include built-in rates of mark-up ranging between 18.50% to 20.25% (2011: 19.29% to 20.25%) per annum. Included in the gross present value of minimum lease payments, is a sum aggregating Rs. 13.323 million (30 June 2012: Rs. 14.128 million) which pertains to obligations arising from sale and leaseback of assets.

The Holding Company intends to exercise its options to purchase the leased assets upon completion of the respective lease terms. The Holding Company's obligations under these arrangements are secured by the lessor's title to the leased assets.

### 14. SHORT TERM BORROWINGS

	Unaudited 30 September 2012	Audited 30 June 2012
	(Rupees in '000)	
<b>Secured from banking companies</b>		
Running finances under mark-up arrangements	172,151	316,410
Short term loans	-	18,548
	<u>172,151</u>	<u>334,958</u>

- 14.1 Short term running finance available from various commercial banks under mark-up arrangements amounted to Rs. 500 million (30 June 2012: Rs. 500 million) out of which Rs. 250 million (30 June 2012: Rs. Nil) is interchangeable with Term Finance / Demand Finance and letters of credit. During the period, the mark-up on such arrangements ranged between 12.47% to 15.01% (2011: 14.68% to 16.56%) per annum.
- 14.2 Short term loan financing available from various commercial banks under mark-up arrangements amounted to Rs. 1,100 million (30 June 2012: Rs. 1,100 million) out of which Rs. 300 million (30 June 2012: Rs. 300 million) is interchangeable with letters of credit. During the period, the mark-up on such arrangements was 14.33% (2011: 16.30% to 16.81%) per annum.
- 14.3 The facilities for opening letters of credit amounted to Rs. 1,400 million (30 June 2012: Rs. 1,150 million) out of which Rs. 250 million (30 June 2012: Rs. Nil), Rs. 300 million (30 June 2012: Rs. 300 million) and Rs. Nil (30 June 2012: Rs. Nil) are interchangeable with short term running finance, short term loans and letters of guarantee respectively as mentioned in notes 14.1 and 14.2 above. The facility for letters of guarantee as at 30 September 2012 amounted to Rs. 500 million (30 June 2012: Rs. 500 million). Amounts unutilized for letters of credit and guarantees as at 30 September 2012 were Rs. 1,132.491 million and Rs. 28.603 million (30 June 2012: Rs. 815.627 million and Rs. 123.035 million) respectively.
- 14.4 The above facilities are secured by way of hypothecation of plant and machinery, stock-in-trade, trade debts and other current assets, pledge of shares and cotton / cotton yarn; and lien over import / export document.

### 15. CONTINGENCIES AND COMMITMENTS

- 15.1 There is no change in the status of contingencies set out in note 13 to the Group's audited annual consolidated financial statements for the year ended 30 June 2012, except as set out in note 15.2 below.
- 15.2 Aggregate amount of guarantees issued by banks on behalf of the Group against various contracts aggregated Rs. 471.397 million (30 June 2012: Rs. 376.965 million).



Crescent Steel &  
Allied Products Limited

## Notes to the Condensed Interim Consolidated Financial Information (Unaudited) For the first quarter ended 30 September 2012

- 15.3 Commitments in respect of capital expenditure contracted for as at 30 September 2012 amounted to Rs. 138.963 million (30 June 2012: Rs. 139.937 million) out of which Rs. 4.777 million is payable by December 2012 and Rs. 10.479 million is payable on completion of office premises located in Islamabad. This also includes commitments contracted by the subsidiary company aggregating Rs. 123.707 million (30 June 2012: Rs. 123.707 million) in respect of capital expenditure to acquire plant and machinery.
- 15.4 Commitments under letters of credit as at 30 September 2012 amounted to Rs. 262.056 million (30 June 2012: Rs. 298.789 million).
- 15.5 Commitment in respect of future purchase of shares amounted to Rs. Nil (30 June 2012: Rs. Nil).

### 16. SALES - NET

	First quarter ended	
	30 September 2012	30 September 2011
	(Rupees in '000)	
<b>Local sales</b>		
Bare pipes (own product excluding coating revenue)	108,836	59,683
Revenue from conversion	3,162	4,257
Coating of pipes	143,582	102,661
Cotton yarn / raw cotton	567,634	717,303
Others (including pipes laboratory testing)	13,647	5,979
Scrap / waste	10,321	33,679
Sales returns	-	(7,320)
	<u>847,182</u>	<u>916,242</u>
<b>Export sales</b>		
Cotton yarn / raw cotton	68,481	36,843
	<u>915,663</u>	<u>953,085</u>
Sales tax	(36,993)	(22,944)
	<u>878,670</u>	<u>930,141</u>

### 17. INCOME FROM INVESTMENTS

Return on term finance certificates	76	434
Dividend income	9,097	9,537
Gain on sale of investments - net	7,893	1,856
Unrealized gain on held for trading investments - net	55,993	3,849
Rent from investment property	2,605	2,536
	<u>75,664</u>	<u>18,212</u>

- 17.1 Direct operating expenses incurred against rental income from investment property amounted to Rs. 0.903 million (2011: Rs. 1.813 million). Further, Rs. 0.319 million (2011: Rs. 0.336 million) were incurred against non rented out area.

Notes to the Condensed Interim Consolidated  
Financial Information (Unaudited)  
For the first quarter ended 30 September 2012

**18. OTHER OPERATING EXPENSES**

	First quarter ended	
	30 September 2012	30 September 2011
	(Rupees in '000)	
Exchange loss	6,124	1,176
Provision for Workers' Welfare Fund	12,432	-
Provision for Workers' Profit Participation Fund	19,538	-
Others	138	-
	<u>38,232</u>	<u>1,176</u>

**19. OTHER OPERATING INCOME**

This includes an amount of Rs. 310.872 million on account of gain on final settlement of insurance claim.

**20. FINANCE COSTS**

	First quarter ended	
	30 September 2012	30 September 2011
	(Rupees in '000)	
Incurring on		
- finance lease obligations	909	1,055
- running finances / short term loans	4,740	23,914
- Workers' Profit Participation Fund	-	563
Bank charges	812	1,464
	<u>6,461</u>	<u>26,996</u>

**21. BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE**

Profit / (loss) after taxation for the period	<u>198,206</u>	<u>(69,251)</u>
	(Number of shares)	
Average number of ordinary shares in issue during the period	<u>56,459,993</u>	<u>56,459,993</u>
	(Rupees)	
Basic and diluted earnings / (loss) per share	<u>3.51</u>	<u>(1.23)</u>





Crescent Steel &  
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## Notes to the Condensed Interim Consolidated Financial Information (Unaudited) For the first quarter ended 30 September 2012

### 22. CASH (USED IN) / GENERATED FROM OPERATIONS

	First quarter ended 30 September 2012	30 September 2011
	(Rupees in '000)	
Profit / (loss) before taxation for the period	404,452	(57,215)
<b>Adjustments for non cash charges and other items</b>		
Depreciation on operating fixed assets and investment property	22,998	40,258
Amortization of intangible assets	1,070	2,847
Charge for the period on staff retirement benefit funds	2,971	2,794
(Reversal) / charge for compensated absences	(20)	163
Provision for 10-C bonus	974	-
Amortization of advances to staff	5	20
Dividend income	(9,097)	(9,537)
Unrealized gain on held for trading investments - net	(55,993)	(3,849)
Gain on sale of investments - net	(7,893)	(1,856)
Provision for Workers' Welfare Fund	12,432	-
Provision for Workers' Profit Participation Fund	19,538	-
Reversal of provision for liquidated damages	(8,934)	-
Return on deposits and investments	(300)	(605)
Gain on disposal of operating fixed assets	(281,668)	(102)
Liabilities written back	-	(430)
Finance costs	6,461	26,996
Share of loss / (profit) from equity accounted investees - net of taxation	21,108	(16,236)
Working capital changes	22.1	300,273
	<u>(12,415)</u>	<u>283,521</u>
<b>22.1 Working capital changes</b>		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(2,733)	4,244
Stock-in-trade	(54,583)	330,725
Trade debts	143,373	(38,918)
Advances	14,612	(70,357)
Trade deposits and short term prepayments	(3,874)	(1,444)
Other receivables	(60,957)	(1,969)
	<u>35,838</u>	<u>222,281</u>
(Decrease) / increase in current liabilities		
Trade and other payables	(176,357)	77,992
	<u>(140,519)</u>	<u>300,273</u>
<b>23. CASH AND CASH EQUIVALENTS</b>		
Running finances under mark-up arrangements	(172,151)	(626,496)
Cash and bank balances	14,475	53,624
	<u>(157,676)</u>	<u>(572,872)</u>

# Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

## For the first quarter ended 30 September 2012

### 24. SEGMENT REPORTING

#### 24.1 Reportable segments

The Group's reportable segments under International Financial Reporting Standard 8 are as follows:

- Steel segment - It comprises of manufacturing and coating of steel pipes.
- Cotton segment - It comprises of manufacturing of yarn.
- Investment and Infrastructure Development (IID) segment - To effectively manage the investment portfolio in shares and other securities (strategic as well as short term) and investment property (held for rentals as well as long term appreciation).
- Energy segment - It comprises operations of Shakarganj Energy (Private) Limited.

Information regarding the Group's reportable segments is presented below.

#### 24.2 Segment revenues and results

Following is an analysis of the Group's revenue and results by reportable segment

<b>For the first quarter ended 30 September 2012</b>	Steel segment	Cotton segment	IID segment	Energy segment	Total
	(Rupees in '000)				
Sales - net	232,235	646,435	-	-	878,670
Cost of sales	161,698	605,442	-	-	767,140
<b>Gross profit</b>	<b>70,537</b>	<b>40,993</b>	<b>-</b>	<b>-</b>	<b>111,530</b>
Income from investments	-	-	75,664	-	75,664
	70,537	40,993	75,664	-	187,194
Distribution and selling expenses	2,720	8,488	-	-	11,208
Administrative expenses	27,135	5,928	3,831	250	37,144
Other operating expenses	5,624	32,336	272	-	38,232
	35,479	46,752	4,103	250	86,584
	35,058	(5,759)	71,561	(250)	100,610
Other operating income	17,779	313,545	60	27	331,411
<b>Operating profit / (loss) before finance costs</b>	<b>52,837</b>	<b>307,786</b>	<b>71,621</b>	<b>(223)</b>	<b>432,021</b>
Finance costs	1,519	1,545	3,396	1	6,461
Share of loss in equity accounted investees - net of taxation	-	-	(18,453)	(2,655)	(21,108)
<b>Profit / (loss) before taxation</b>	<b>51,318</b>	<b>306,241</b>	<b>49,772</b>	<b>(2,879)</b>	<b>404,452</b>
Taxation					206,246
<b>Profit after taxation</b>					<b>198,206</b>



Crescent Steel &  
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## Notes to the Condensed Interim Consolidated Financial Information (Unaudited) For the first quarter ended 30 September 2012

<b>For the first quarter ended 30 September 2011</b>	Steel segment	Cotton segment	IID segment	Energy segment	Total
	(Rupees in '000)				
Sales - net	149,638	780,503	-	-	930,141
Cost of sales	123,550	822,146	-	-	945,696
<b>Gross profit / (loss)</b>	<b>26,088</b>	<b>(41,643)</b>	<b>-</b>	<b>-</b>	<b>(15,555)</b>
Income from investments	-	-	18,212	-	18,212
	26,088	(41,643)	18,212	-	2,657
Distribution and selling expenses	2,616	6,715	-	-	9,331
Administrative expenses	23,710	12,032	4,836	316	40,894
Other operating expenses	72	1,104	-	-	1,176
	26,398	19,851	4,836	316	51,401
	(310)	(61,494)	13,376	(316)	(48,744)
Other operating income	1,050	1,182	-	57	2,289
<b>Operating profit / (loss) before finance costs</b>	<b>740</b>	<b>(60,312)</b>	<b>13,376</b>	<b>(259)</b>	<b>(46,455)</b>
Finance costs	593	20,035	6,364	4	26,996
Share of profit in equity accounted investees - net of taxation	-	-	14,194	2,042	16,236
<b>Profit / (loss) before taxation</b>	<b>147</b>	<b>(80,347)</b>	<b>21,206</b>	<b>1,779</b>	<b>(57,215)</b>
Taxation					12,036
<b>Loss after taxation</b>					<b>(69,251)</b>

**24.2.1** Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the period (2011: Nil).

**24.2.2** The accounting policies of the reportable segments are the same as the Group's accounting policies as disclosed in the audited annual consolidated financial statements of the Group for the preceding year ended 30 June 2012. The Steel segment allocates certain percentage of the common expenditure to the Cotton and IID segments. In addition, financial charges between Steel and Cotton segments are allocated at average mark-up rate on the basis of funds utilized. This is the measure reported to management for the purposes of resource allocation and assessment of segment performance.

### **24.3 Revenue from major products and services**

The analysis of the Group's revenue from external customers for major products and services is given in note 16 to this condensed interim consolidated financial information.

### **24.4 Information about major customers**

Revenue from major customers of Steel segment represent an aggregate amount of Rs. 180.231 million (2011: Rs. 107.544 million) of total Steel segment revenue of Rs. 232.235 million (2011: Rs. 149.638 million). Further, revenue from major customers of Cotton segment represent an aggregate amount of Rs. 334.319 million (2011: Rs. 098.430 million) of total Cotton segment revenue of Rs. 646.435 million (2011: Rs. 780.503 million).

# Notes to the Condensed Interim Consolidated Financial Information (Unaudited) For the first quarter ended 30 September 2012

## 24.5 Geographical information

24.5.1 The Group's revenue from external customers by geographical location is detailed below:

	First quarter ended	
	30 September 2012	30 September 2011
	(Rupees in '000)	
Pakistan	810,189	893,298
Far East	68,481	36,843
	<u>878,670</u>	<u>930,141</u>

24.5.2 All non-current assets of the Group as at 30 September 2012 and 30 June 2012 were located and operated in Pakistan.

## 24.6 Segment assets and liabilities

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	Steel segment	Cotton segment	IID segment	Energy segment	Total
	(Rupees in '000)				
<b>As at 30 September 2012</b>					
Segment assets for reportable segments	834,582	850,566	1,012,598	428,885	<b>3,126,631</b>
Investment in equity accounted investees	-	-	1,617,066	167,686	<b>1,784,752</b>
Unallocated corporate assets					<b>79,067</b>
Total assets as per balance sheet					<u><b>4,990,450</b></u>
Segment liabilities for reportable segments	105,698	77,406	2,781	324	<b>186,209</b>
Unallocated corporate liabilities					<b>618,379</b>
Total liabilities as per balance sheet					<u><b>804,588</b></u>
<b>As at 30 June 2012</b>					
Segment assets for reportable segments	858,360	1,147,383	907,685	429,460	3,342,888
Investment in equity accounted investees	-	-	1,635,519	170,341	1,805,860
Unallocated corporate assets					(68,973)
Total assets as per balance sheet					<u>5,079,775</u>
Segment liabilities for reportable segments	154,224	475,746	2,825	675	633,470
Unallocated corporate liabilities					438,343
Total liabilities as per balance sheet					<u>1,071,813</u>



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## Notes to the Condensed Interim Consolidated Financial Information (Unaudited) For the first quarter ended 30 September 2012

**24.6.1** For the purposes of monitoring segment performance and allocating resources between segments

- all assets are allocated to reportable segments other than those directly relating to corporate and taxation assets; and
- all liabilities are allocated to reportable segments other than 'trade and other payables' directly relating to corporate, 'short term borrowings', 'mark-up accrued' and liabilities relating to current and deferred taxation.

Cash and bank balances, borrowings and related mark-up payable thereon and receivable therefrom are not allocated to reporting segments as these are managed by the Group's central treasury function.

**24.7** Other segment information

	Steel segment	Cotton segment	IID segment	Energy segment	Total
	(Rupees in '000)				
<b>For the first quarter ended</b>					
<b>30 September 2012</b>					
Capital expenditure	-	2,932	-	59	2,991
Depreciation and amortization	7,472	15,336	1,265	-	24,073
Non-cash items other than depreciation and amortization - net	(1,499)	(250,654)	(50,897)	2,629	(300,421)
<b>For the first quarter ended</b>					
<b>30 September 2011</b>					
Capital expenditure	28	47,263	-	5,039	52,330
Depreciation and amortization	9,488	32,304	1,333	-	43,125
Non-cash items other than depreciation and amortization - net	2,579	20,205	(23,351)	(2,095)	(2,662)

## **25. TRANSACTIONS WITH RELATED PARTIES**

Related parties comprise of associated companies, directors, companies where directors also hold directorship, related group companies, key management personnel and staff retirement benefit funds. Balances and transactions between the Holding Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

# Notes to the Condensed Interim Consolidated Financial Information (Unaudited) For the first quarter ended 30 September 2012

Transactions with related parties of the group other than those disclosed elsewhere are as follows

Name of entity	Nature of relationship	Nature of transaction	First quarter ended	
			30 September 2012	30 September 2011
			(Rupees in '000)	
Muhammad Amin Muhammad Bashir Limited *	Related party	Dividend paid	<u>1</u>	<u>1</u>
Premier Insurance Company *	Related party	Dividend paid	<u>10</u>	<u>60</u>
		Insurance premium	<u>1,293</u>	<u>1,271</u>
Shakarganj Mills Limited	Associated company	Dividend paid	<u>2,448</u>	<u>3,672</u>
		Sales of finished goods	<u>9,224</u>	<u>6,551</u>
		Sales of raw cotton	<u>134,721</u>	<u>-</u>
		Services received	<u>326</u>	<u>217</u>
		Services rendered	<u>393</u>	<u>305</u>
The Crescent Textile Mills Limited *	Related party	Dividend paid	<u>5,589</u>	<u>8,384</u>
Crescent Cotton Products - Staff Provident Fund	Retirement benefit fund	Contribution made	<u>383</u>	<u>996</u>
		Dividend paid	<u>4</u>	<u>1</u>
Crescent Steel and Allied Products Limited - Gratuity Fund	Retirement benefit fund	Contribution made	<u>847</u>	<u>854</u>
		Dividend paid	<u>621</u>	<u>715</u>
Crescent Steel and Allied Products Limited - Pension Fund	Retirement benefit fund	Contribution made	<u>2,122</u>	<u>2,131</u>
		Dividend paid	<u>1,244</u>	<u>1,475</u>
Crescent Steel and Allied Products Limited - Staff Provident Fund	Retirement benefit fund	Contribution made	<u>1,196</u>	<u>1,181</u>
		Dividend paid	<u>400</u>	<u>600</u>
Key management personnel	Related parties	Remuneration and benefits	<u>12,741</u>	<u>10,726</u>

\* These entities are / have been related parties of the Group by virtue of common directorship only.

- 25.1 Sale of finished goods, operating fixed assets and raw materials, rendering of services and rental income are based on commercial terms and at market prices which are approved by the Board of Directors.
- 25.2 Contributions to the employee retirement benefit funds are made in accordance with the terms of employee retirement benefit schemes and actuarial advice.
- 25.3 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including directors of the Group. There were no transactions with key management personnel during the period other than their terms of employment / entitlements.



Crescent Steel &  
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# Notes to the Condensed Interim Consolidated Financial Information (Unaudited) For the first quarter ended 30 September 2012

## 26. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the audited annual consolidated financial statements of the Group as at and for the year ended 30 June 2012.

## 27. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim consolidated financial information was authorized for issue in the Board of Directors meeting held on 25 October 2012.

  
Chief Executive

  
Director

# Shareholders' Information

## Stock Exchange Listing

Crescent Steel and Allied Products Limited is a listed Company and its shares are traded on all the three stock exchanges of Pakistan. The Company's shares are quoted in leading dailies under the Industrial metals and Mining Sector.

## Public Information

Financial analysts, stock brokers, interested investors and financial media desiring information regarding the company should contact Mr. Abdul Wahab at the Company's Principal Office, Karachi.  
Tel: +92 21 3567 4881-85  
Email: [abdul.wahab@crescent.com.pk](mailto:abdul.wahab@crescent.com.pk)

## Shareholders' Information

Enquiries concerning lost share certificates, dividend payments, change of address, verification of transfer deeds and share transfers should be directed to M/s CorpTec Associates (Private) Limited, 7/3-G, Mushtaq Ahmed Gurmani Road, Gulberg-II, Lahore.  
Tel: +92 42 3578 8097-98,  
+92 42 3576 1661-62  
Fax: +92 42 3575 5215  
Email: [info@corptec.com.pk](mailto:info@corptec.com.pk)

## Products

Steel Division  
Manufacturer of DSAW steel line pipes in diameters ranging from 8" to 90" and applicator of internal and external coating conforming to international standards.

Cotton Division  
Manufacturer of quality cotton yarn of various counts of 10s to 30s.

## Auditors

KPMG Taseer Hadi & Co.

## Legal Advisor

Hassan & Hassan, Advocates,  
Lahore

## Bankers

Allied Bank Limited  
Barclays Bank PLC, Pakistan  
Habib Metropolitan Bank Limited  
HSBC Bank Middle East Limited  
MCB Bank Limited  
Summit Bank Limited

## Registered Office

10th Floor, BOP Tower, 10-B,  
Block E-2, Main Boulevard,  
Gulberg-III, Lahore.  
Tel: +92 42 3578 3801-03,  
+92 42 3578 3811

## Liaison Office Lahore

10th Floor, BOP Tower, 10-B,  
Block E-2, Main Boulevard,  
Gulberg-III, Lahore.  
Tel: +92 42 3578 3801-03  
Fax: +92 42 3578 3811  
Email: [ejaz.ahmed@shakarganj.com.pk](mailto:ejaz.ahmed@shakarganj.com.pk)

## Principal Office

9th Floor, Sidco Avenue Centre,  
264 R.A. Lines, Karachi-74200.  
Tel: +92 21 3567 4881-85  
Fax: +92 21 3568 0476  
Email: [arif.raza@crescent.com.pk](mailto:arif.raza@crescent.com.pk)

## Factory – Steel Division

Pipe & Coating Plants  
A/25, S.I.T.E., Nooriabad,  
District Jamshoro, Sindh.  
Tel: +92 25 4670 020-22,  
+92 25 4670 055  
Email: [iqbal.siddiqui@crescent.com.pk](mailto:iqbal.siddiqui@crescent.com.pk)

## Engineering Unit

17 Km Summudri Road,  
Dalawal, District  
Faisalabad, Punjab.  
Tel: +92 41 2569 825-26  
Fax: +92 41 2679 825

## Mills – Cotton Division

Crescent Cotton Products  
(Spinning Unit)  
1st Mile, Lahore Road,  
Jaranwala, District Faisalabad,  
Punjab.  
Tel: +92 41 4318 061-65,  
Fax: +92 41 4318 066  
Email: [abdul.rouf@crescent.com.pk](mailto:abdul.rouf@crescent.com.pk)

## Power Plant

Shakarganj Energy (Private)  
Limited  
57 Km Jhang Sargodha Road,  
Bhone, District Jhang.  
Tel: +92 48 6889 210 & 12  
Fax: +92 48 6889 211

## Corporate Website

To visit our website, go to  
[www.crescent.com.pk](http://www.crescent.com.pk) or  
scan QR code



For Condensed Interim Report for the first quarter ended September 2012, go to [http://www.crescent.com.pk/Financial\\_Reports/Quarter-Sep12.pdf](http://www.crescent.com.pk/Financial_Reports/Quarter-Sep12.pdf) or scan QR code







Crescent Steel &  
Allied Products Limited

Crescent Steel and Allied Products Limited is a Public Limited Company listed on all the Stock Exchanges of Pakistan. It started commercial production in March 1987. The manufacturing facilities consist of a Spiral Pipe Production line and a multi-layer Polyolefin and stand-alone Epoxy Coating line, both located side by side at the Sindh Industrial Trading Estate, Nooriabad in Jamshoro district of Sindh and a Cotton Spinning Unit of 19,680 spindles at Jaranwala, Faisalabad.

Company's Investment and Infrastructure Development Division manages an investment portfolio and real estate.

Crescent Steel and Allied Products Limited is an equal opportunity employer with a sense of social responsibility and strongly supports education, healthcare and environmental causes.

### **Steel Division**

The Spiral Pipe Plant has a capability of manufacturing high quality steel pipes in the diameter range of 8" – 90" (219 mm – 2,286 mm) in wall thickness from 4 mm – 20 mm and material grades up to API 5L X-80. The Company has been gradually enhancing and up-grading the pipe production capacity which has increased from 80,000 tons initially to the present notional capacity of 90,000 tons extendable upto maximum 200,000 tons per annum. The Company has authorization to use API monogram of the American Petroleum Institute – the highest international standard accredited for quality of steel line pipe. It also has the ISO 9001:2000 certification. In addition, we have become the first Pakistani company to have acquired oil

and gas industry specifics ISO/TS 29001, Quality Management System Certification from API. The Polyolefin Coating Plant was added adjacent to the pipe mills which is capable of applying single and multi-layer Coatings comprising of Fusion Bonded Epoxy, Co-Polymer Adhesive and High Density Polyethylene / Poly-propylene and Polyethylene Tape Coating on steel pipes ranging from 4" – 60" (114 mm – 1,524 mm). During the last year we diversified our product offering by adding capabilities to fabricate and erect machinery specially for sugar and cement industry. We have also developed capability for manufacturing of boilers, cane shredders upto dia 1700 mm, juice heaters, evaporators, batch and continuous vacuum pans, centrifugal machines, stainless steel spray clusters and multijet condensers, perforated plates and vibro screens, and high voltage transformer tanks. Crescent Steel maintains high quality norms in all its products and has consistently exceeded the requirements of international standards both in steel line pipe and multi-layer coatings and will continue to remain at the cutting edge in terms of technology, quality control and quality assurance.

### **Cotton Division**

The Company is running cotton spinning mill located at Jaranwala near Faisalabad, which is the hub of textile industry and carries out this activity under the name and title of "Crescent Cotton Products" (CCP) a division of Crescent Steel and Allied Products Limited. CCP is a division of the Company but its operating results are shown separately. CCP as a division holds ISO 9001: 2000 Quality

## **Company Profile**

Management Credential. CCP produces good quality cotton yarn of various counts from 10s to 30s having a notional capacity based on 20s of 6.5 million kgs per annum and its products are consistently in demand and generally sold at a premium.

### **Investment and Infrastructure Development Division**

The division manages an investment portfolio in shares and other securities, across diversified sectors and real estate. Our strategy has been to focus on those sectors and projects which have potential for growth and where real investments are being made.

To further strengthen our investment portfolio, the Company acquired 100% stake in CS Capital (Private) Limited on 26 September 2011. The principal activity of the subsidiary is to effectively manage investment portfolios in shares, commodities and other securities (strategic as well as short term).

### **Energy Division – Subsidiary Company Shakarganj Energy (Private) Limited**

The Company acquired a 100% stake in Shakarganj Energy (Private) Limited on 4 January 2010 to build, own, operate and maintain a bagasse fired thermal generation power plant.

This company will generate, accumulate, distribute, sell and supply electricity to PEPCO and to other distribution companies under agreement with the Government of Pakistan or to any other company as permitted. This plant is under commissioning at Bhone.

