

Shabbir Tiles and Ceramics Limited

Condensed Interim Financial Statements
For the Nine Months Period and Quarter Ended March 31, 2014
(UNAUDITED)





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Shabbir Tiles and Ceramics Limited

COMPANY INFORMATION

BOARD OF DIRECTORS	RAFIQ M HABIB RAZA ANSARI ALI SULEMAN HABIB ALIREZA M. ALLADIN ABDUL HAI M. BHAIMIA SALIM AZHAR MUHAMMAD FAISAL	<i>Chairman</i> <i>Chief Executive Officer</i> <i>Director</i> <i>Director</i> <i>Director</i> <i>Director</i> <i>Director</i>
AUDIT COMMITTEE	MUHAMMAD FAISAL ABDUL HAI M. BHAIMIA SALIM AZHAR	<i>Chairman</i> <i>Member</i> <i>Member</i>
HUMAN RESOURCES AND REMUNERATION COMMITTEE	SALIM AZHAR MUHAMMAD FAISAL ALIREZA M. ALLADIN	<i>Chairman</i> <i>Member</i> <i>Member</i>
COMPANY SECRETARY	AZIZ AHMED	
AUDITORS	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants	
LEGAL ADVISOR	M. Akram Zuberi & Co. Advocate Supreme Court	
BANKERS	Habib Metropolitan Bank Limited National Bank of Pakistan Habib Bank Limited Dubai Islamic Bank Pakistan Limited Allied Bank Limited	
REGISTERED OFFICE	15th Milestone, National Highway, Landhi, Karachi-75120. Phone: (021) 35015024-25, 35014044-45 Fax: (021) 35015545 E-mail: info@stile.com.pk URL: http://www.stile.com.pk	
KARACHI DISPLAY CENTRE & SALES OFFICE	Makro Cash & Carry, CAA, Near Star Gate, Main Shahrah-e-Faisal, Karachi. Phone: (021) 34601372-74 Fax: (021) 34601375	
LAHORE SALES OFFICE	Plot No. 523, Block # 15, Sector B-1, Quaid-e-Azam Town, (College Road), Lahore. Phone: (042) 35117521-24 Fax: (042) 35117520	
ISLAMABAD OFFICE	9th & 10th Lower Ground Floor, Aries Tower, Shamsabad, Muree Road, Rawalpindi. Phone: (051) 4575316-17 Fax: (051) 4575319	
PESHAWAR SALES OFFICE	3-Siyal Flats Opposite Kuwait Hospital, Abdara Chowk University Road, Peshawar. Phone: (091) 5846010/12 Fax: (091) 5846011	
SALES OFFICE MULTAN	2nd Floor, Jalil Centre, Abdali Road, Multan. Phone: (061) 4783097 Fax: (061) 4546439	
REGISTRAR AND SHARE TRANSFER OFFICE	Noble Computer Services (Pvt.) Limited First Floor, Siddiqsons Towers, House of Habib Building, 3-Jinnah Cooperative Housing Society, Main Shahrah-e-Faisal, Karachi. Phone: (021) 34325482-84 Fax: 34325442	
FACTORY:	UNIT-I	15th Milestone, National Highway, Landhi, Karachi-75120. Phones: (021) 35015024-25 / 35014044-45
	UNIT-II	Deh Khanto, Tappo Landhi, District Malir, Bin Qasim Town, Karachi. Phones: (021) 34102702 Fax: (021) 34102709



Shabbir Tiles and Ceramics Limited

DIRECTORS' REPORT TO THE SHAREHOLDERS FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2014

The Directors of the Company are pleased to present the un-audited financial information of the Company for the nine months and quarter ended March 31, 2014. This financial information is submitted in accordance with Section 245 of the Company Ordinance, 1984.

REVIEW OF OPERATING RESULTS

Net sales for the nine months were recorded at Rs. 3,532 million showing a decrease of Rs. 75 million compared to the corresponding period last year. This was achieved despite the ongoing adverse energy crisis coupled with increasing trend of imported tiles from China and other country's. Smuggling of Irani tiles is also increasing which are creating serious hindrances for the local industry and is effecting the performance of the Company. The increase in gas charges through the notification dated 31 December 2013 increasing gas infrastructure development cess by Rs. 50 per MMBTU further aggravated the business conditions.. The Company has taken up this issue with the Government to increase the ITP of Chinese and stoppage of Irani tiles and is also putting serious efforts to increase its share in the market.

Under the foregoing adverse circumstances, your Company achieved a loss before taxation of Rs. 8.275 million for the nine months as against a profit before tax of Rs. 110.783 million in corresponding period of last year. Due to gas load shedding and increased consumption of LPG and diesel, which consequently increased the cost the company increased its product prices to partially offset the increase, however due to market conditions the full impact of which was not passed on to the buyer.

The gross margin has also declined from 25.07% to 21.16% as compared to the corresponding period of last year.

The financial performance for the nine months is summarized below:

	July-Mar 2014 Rs '000	July-Mar 2013 Rs '000
Sales	3,532,243	3,606,907
Operating profit	173,224	367,706
EBITDA	385,640	547,898
(Loss)/Profit before taxation	(8,275)	110,783
(Loss)/Earnings per share - basic and diluted (paisa)	(39)	46

FUTURE OUTLOOK AND CHALLENGES:

The government has ascertained/increased the ITP for tiles from Iran and other Asian and Middle Eastern countries, notice of which was issued in the last week of March. Although it is a step in the positive direction the local industry will continue to engage with the government to reassess the prices from China. NTC also issued an anti dumping notification on Chinese



Shabbir Tiles and Ceramics Limited

tiles. These measures taken by the government will have some positive impact for the local industry but in short term the market will continue to be challenging for the Company, due to adverse energy crisis, the coming months would be another challenging period for the Company. Government needs to take immediate measures to address these issues on a priority basis.

The erection of the alternate energy plants viz Coal and LPG plants at Unit-2 of your Company is under progress and will be operational during the last quarter of this fiscal year.

We take this opportunity to thank all stakeholders for their continued support.

For and on behalf of the Board of Directors

Karachi: April 15, 2014

RAZA ANSARI
Chief Executive Officer



Shabbir Tiles and Ceramics Limited

CONDENSED INTERIM BALANCE SHEET AS AT MARCH 31, 2014

	Note	31 March 2014 (Un-audited) (Rupees in `000)	30 June 2013 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	2,995,199	3,163,042
Investment property		125	207
Long-term loans and advances		18	109
Long-term deposits		9,633	10,810
		3,004,975	3,174,168
CURRENT ASSETS			
Stores and spare parts		153,114	126,438
Stock-in-trade	5	634,463	425,757
Trade debts	6	885,832	829,689
Loans, advances, deposits, prepayments and other receivables		30,477	34,804
Taxation - net		60,306	39,250
Cash and bank balances		117,987	126,019
		1,882,179	1,581,957
TOTAL ASSETS		4,887,154	4,756,125
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital		1,200,000	1,200,000
Issued, subscribed and paid-up capital	7	757,341	721,277
Reserves		903,340	1,070,524
		1,660,681	1,791,801
NON-CURRENT LIABILITIES			
Long-term finance	8	638,532	1,023,682
Liabilities against assets subject to finance lease		156	2,606
Deferred tax liability		170,492	155,564
		809,180	1,181,852
CURRENT LIABILITIES			
Trade and other payables		590,364	521,661
Accrued mark-up		81,175	37,911
Current maturity of long-term finance		506,766	506,766
Current maturity of liabilities against assets subject to finance lease		3,190	2,523
Short-term borrowings		1,197,939	672,362
Sales tax payable		37,859	41,249
		2,417,293	1,782,472
CONTINGENCIES AND COMMITMENTS	9		
TOTAL EQUITY AND LIABILITIES		4,887,154	4,756,125

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.

RAZA ANSARI
Chief Executive Officer

ABDUL HAI M. BHAIMIA
Director



Shabbir Tiles and Ceramics Limited

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE NINE MONTHS ENDED MARCH 31, 2014 (UNAUDITED)

Note	Nine Months Ended		Quarter ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	(Rupees in `000)			
Turnover – net	3,532,243	3,606,907	1,204,444	1,245,454
Cost of sales	(2,784,670)	(2,702,515)	(950,364)	(922,943)
Gross profit	747,573	904,392	254,080	322,511
Distribution costs	(493,939)	(471,566)	(151,161)	(162,404)
Administrative expenses	(84,674)	(67,926)	(26,649)	(21,393)
	(578,613)	(539,492)	(177,810)	(183,797)
Other operating income	4,264	2,806	3,927	1,673
Operating profit	173,224	367,706	80,197	140,387
Finance costs	(176,474)	(243,087)	(63,988)	(74,755)
Other charges	(5,025)	(13,836)	(1,275)	(5,995)
(Loss) / profit before taxation	(8,275)	110,783	14,934	59,637
Taxation				
- Current	(35,789)	(18,768)	(12,867)	(6,307)
- Deferred	(14,928)	(21,679)	(4,653)	(15,407)
	(50,717)	(40,447)	(17,520)	(21,714)
(Loss) / profit after taxation	(58,992)	70,336	(2,586)	37,923
	(Rupees)			
(Loss) / earnings per share – basic and diluted	(0.39)	0.46	(0.02)	0.25

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.

RAZA ANSARI
Chief Executive Officer

ABDUL HAI M. BHAIMIA
Director



Shabbir Tiles and Ceramics Limited

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED MARCH 31, 2014 (UNAUDITED)

	Nine Months Ended		Quarter ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	(Rupees in `000)			
(Loss) / Profit after taxation	(58,992)	70,336	(2,586)	37,923
Other comprehensive income	-	-	-	-
Total comprehensive (loss) / income for the period	(58,992)	70,336	(2,586)	37,923

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.

RAZA ANSARI
Chief Executive Officer

ABDUL HAI M. BHAIMIA
Director



Shabbir Tiles and Ceramics Limited

CONDENSED INTERIM CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED MARCH 31, 2014 (UNAUDITED)

	March 31, 2014	March 31, 2013
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation	(8,275)	110,783
Adjustments for :		
Depreciation	217,441	194,028
Finance costs	176,474	243,087
Gain on disposal of property, plant and equipment	(190)	(1,856)
Provision for impairment of trade debts	19,110	2,369
Provision for slow moving and obsolete stores and spare parts	7,538	7,557
Reversal of provision against obsolete raw and packing material	(1,192)	(6,313)
	<u>419,181</u>	<u>438,872</u>
	410,906	549,655
(Increase) / decrease in current assets		
Stores and spares parts	(34,214)	3,486
Stock-in-trade	(207,514)	125,199
Trade debts	(75,253)	(53,769)
Loans, advances, deposits, prepayments and other receivables	4,327	(4,404)
	<u>(312,654)</u>	<u>70,512</u>
Increase / (decrease) in current liabilities		
Trade and other payables	68,703	109,763
Sales tax payable	(3,390)	546
Cash generated from operations	<u>163,565</u>	<u>730,476</u>
Income tax paid	(56,841)	(38,188)
Finance costs paid	(133,210)	(181,419)
Long-term loans and advances	91	303
Long-term deposits	1,177	456
Net cash (used in) / generated from operating activities	<u>(25,218)</u>	<u>511,628</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(53,554)	(79,874)
Proceeds from disposal of property, plant and equipment	4,224	3,809
Net cash used in investing activities	<u>(49,330)</u>	<u>(76,065)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term finance	(385,150)	(378,383)
Lease rentals paid	(1,783)	(3,459)
Dividend paid	(72,128)	-
Repayment of short-term borrowings	(22,086)	(27,875)
Net cash used in financing activities	<u>(481,147)</u>	<u>(409,717)</u>
Net (decrease) / increase in cash and cash equivalents	<u>(555,695)</u>	<u>25,846</u>
Cash and cash equivalents at the beginning of the period	<u>(422,373)</u>	<u>(390,871)</u>
Cash and cash equivalents at the end of the period	<u><u>(978,068)</u></u>	<u><u>(365,025)</u></u>
CASH AND CASH EQUIVALENTS		
Cash and bank balances	117,987	130,808
Short-term running finances	<u>(1,096,055)</u>	<u>(495,833)</u>
	<u><u>(978,068)</u></u>	<u><u>(365,025)</u></u>

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.

RAZA ANSARI
Chief Executive Officer

ABDUL HAI M. BHAIMIA
Director



Shabbir Tiles and Ceramics Limited

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED MARCH 31, 2014 (UNAUDITED)

	Issued, subscribed and paid-up capital	Capital reserve	Revenue reserves		Total reserves	Total equity
		Share premium	General reserve	Accumulated profit / (loss)		
----- (Rupees in `000) -----						
Balance as at 30 June 2012	721,277	456,288	514,000	17,914	988,202	1,709,479
Total comprehensive income for the period	-	-	-	70,336	70,336	70,336
Balance as at 31 March 2013	721,277	456,288	514,000	88,250	1,058,538	1,779,815
Balance as at 30 June 2013	721,277	456,288	514,000	100,236	1,070,524	1,791,801
Transfer from general reserve	-	-	(36,000)	36,000	-	-
Final dividend @ 10% for the year June 30, 2013	-	-	-	(72,128)	(72,128)	(72,128)
Issue of bonus shares @ 5% for the year June 30, 2013	36,064	-	-	(36,064)	(36,064)	-
Total comprehensive loss for the period	-	-	-	(58,992)	(58,992)	(58,992)
Balance as at 31 March 2014	757,341	456,288	478,000	(30,948)	903,340	1,660,681

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.

RAZA ANSARI
Chief Executive Officer

ABDUL HAI M. BHAIMIA
Director



Shabbir Tiles and Ceramics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2014 (UNAUDITED)

1. THE COMPANY AND ITS OPERATIONS

Shabbir Tiles and Ceramics Limited (the Company) was incorporated in Pakistan as a public limited company under the Companies Act 1913 (now the Companies Ordinance, 1984) on 07 November 1978 and is listed on all the Stock Exchanges in Pakistan. The Company is primarily engaged in manufacture and sale of tiles and trading of allied building material products. The registered office of the Company is situated at 15th Milestone, National Highway, Landhi, Karachi.

2. BASIS OF PREPARATION

- 2.1 These condensed interim financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) - 34, 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.
- 2.2 These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended 30 June 2013.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended June 30, 2013 other than as follows:

New, Amended and Revised Standards and Interpretations of IFRSs

The Company has adopted the following revised standard, amendments and interpretation of IFRSs which became effective during the period:

IAS - 19	Employee Benefits - (Revised)
IFRS - 7	Financial Instruments: Disclosures - (Amendments) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities
IFRIC - 20	Stripping costs in the production phase of a surface mine

Improvement to Accounting Standards issued by the IASB

IAS - 1	Presentation of Financial Statements - Clarification of the requirements for comparative information
IAS - 16	Property, Plant and Equipment - Classification of Servicing Equipment
IAS - 32	Financial Instruments: Presentation - Tax effects of Distribution to Holders of Equity Equipment
IAS - 34	Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any material effect on these condensed interim financial statements of the Company.

4. PROPERTY, PLANT AND EQUIPMENT

		March 31, 2014 (Un-audited)	June 30, 2013 (Audited)
		(Rupees in `000)	
Opening Net Book Value (NBV)		3,130,746	3,332,287
Additions to operating property, plant and equipment	4.1	38,681	66,750
		3,169,427	3,399,037
Deletions during the period / year (NBV)	4.1	(1,825)	(2,123)
Depreciation charged during the period / year		(217,369)	(266,168)
Closing NBV		2,950,233	3,130,746
Capital work-in-progress		44,966	32,296
		2,995,199	3,163,042



Shabbir Tiles and Ceramics Limited

4.1 Additions and disposals to operating property, plant and equipment

	Additions (cost)		Deletions (NBV)	
	March 31, 2014 (Un-audited)	June 30, 2013 (Audited)	March 31, 2014 (Un-audited)	June 30, 2013 (Audited)
----- Rs. In 000 -----				
Owned				
Building on freehold land	-	7,435	-	-
Plant and machinery	33,239	48,948	-	-
Office equipment	1,761	827	-	-
Computers and accessories	258	1,768	125	58
Vehicles	3,423	7,772	1,700	2,065
	<u>38,681</u>	<u>66,750</u>	<u>1,825</u>	<u>2,123</u>
		Note	March 31, 2014 (Un-audited)	June 30, 2013 (Audited)
			(Rupees in `000)	

5. STOCK-IN-TRADE

Raw and packing materials		269,504	262,223
Work-in-process		43,872	44,711
Finished goods	5.1	320,778	94,293
In transit		309	24,530
		<u>634,463</u>	<u>425,757</u>

5.1 Includes stock-in-trade costing Rs.100.668 million (June 2013: Rs. 34.908 million) which has been written down to net realisable value of Rs. 80.031 million (June 2013: Rs. 28.380 million).

	March 31, 2014 (Un-audited)	June 30 2013 (Audited)
	(Rupees in `000)	
6. TRADE DEBTS - unsecured		
Considered good	885,832	829,689
Considered doubtful	22,772	3,662
Less: Provision for impairment	(22,772)	(3,662)
	<u>885,832</u>	<u>829,689</u>

7. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Ordinary shares of Rs. 5/- each.

Number of shares in '000			March 31, 2014 (Un-audited)	June 30 2013 (Audited)
March 31 2014	June 30 2013		(Rupees in `000)	
111,775	111,775	Fully paid-up in cash	558,880	558,880
1,150	1,150	Issued for consideration other than cash	5,750	5,750
38,543	31,329	Issued as fully paid bonus shares	192,711	156,647
<u>151,468</u>	<u>144,254</u>		<u>757,341</u>	<u>721,277</u>

8. LONG TERM FINANCE

Includes second draw down of Rs. 250 million obtained from Dubai Islamic Bank during the period. The loan carries markup at rate of six months KIBOR + 0.5% per annum, payable quarterly. The facility is secured against first pari passu charge over fixed assets including land, building, plant and machinery for Rs. 667 million. The loan is repayable within two years in eight equal quarterly installments commencing from March 2014.



Shabbir Tiles and Ceramics Limited

9. CONTINGENCIES AND COMMITMENTS

Contingencies

There is no change in the status of contingencies as reported in the annual financial statements of the Company for the year ended 30 June 2013.

	March 31, 2014 (Un-audited)	June 30, 2013 (Audited)
	(Rupees in '000)	
Commitments		
Capital commitments	32,049	-
Outstanding letters of credit	71,728	69,204
Outstanding letters of guarantee	296,909	292,909

10. TAXATION

In view of taxable losses, provision for current taxation is based under section 113 of the Income Tax Ordinance, 2001 @ 1% of turnover (2013 : 0.5% of turnover).

11. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise companies with common directorship, retirement funds, directors and key management personnel. Details of transactions with related parties during the period, are as follows:

	Nine Months Ended	
	March 31, 2014	March 31, 2013
	----- (Un-audited) -----	
	(Rupees in '000)	
Associated Companies		
Sales	4,442	13,698
Purchases of goods, material and services	51,360	42,912
Insurance premium	20,075	18,866
Insurance claims received	3,796	1,922
Rent paid and services	4,111	7,688
Rent received	347	347
Key management personnel compensation	18,143	12,309
Markup earned	188	414
Markup paid	27,373	24,895
Commission on letter of guarantee	1,288	431
Other related parties		
Contribution to Provident Fund	8,909	8,875
	March 31, 2014	June 30 2013
	(Un-audited)	(Audited)
	(Rupees in '000)	
Balances as at period / year end		
Trade debts	358	681
Trade and other payables	8,632	13,182
Bank balances	42,527	52,148
Short-term borrowing	285,593	396,863
Commitments		
Outstanding letters of credit	86,058	69,204
Outstanding letters of guarantee	296,909	292,909

12. GENERAL

12.1 Figures have been rounded off to the nearest thousands.

13. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorised for issue on April 15, 2014 by the Board of Directors of the Company.

RAZA ANSARI
Chief Executive Officer

ABDUL HAI M. BHAIMIA
Director

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Phones: (021) 35015024-25, 35014044-45

Fax: (021) 35015545 E-mail: info@stile.com.pk

URL: <http://www.stile.com.pk>

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