

Quarterly Report  
for the Period Ended  
30th September 2012



**BIAFO INDUSTRIES LTD.**  
Manufacturers of Tovex<sup>®</sup> Explosives & Blasting Accessories

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## CORPORATE INFORMATION

### **Board of Directors**

#### **Executive Directors**

M. Afzal Khan	Chairman
Khawaja Amanullah Askari	Chief Executive Officer
Maj. General (Ret'd.) S. Z. M. Askree	Director
Ms. Shirin Safdar	Director

#### **Non Executive Directors**

Abdul Maajid Qureshi	Director
M. Salim	Director
M. Zafar Khan	Director
Dr. M. Humayun Khan	Director
Mufti M. Hashim Khan	Director
Adnan Aurangzeb	Director
Khawaja Ahmad Hosain	Director

#### **Company Secretary**

Khawaja Shaiq Tanveer

#### **Audit Committee**

Adnan Aurangzeb	Chairman
Maj. General (Ret'd.) S. Z. M. Askree	Member
Mufti M. Hashim Khan	Member
Dr. M. Humayun Khan	Member
Ms. Shirin Safdar	Member

#### **HR & Remuneration Committee**

Dr. M. Humayun Khan	Chairman
Adnan Aurangzeb	Member
Mufti M. Hashim Khan	Member
Khawaja Amanullah Askari	Member
M. Salim	Member
Khawaja Ahmad Hosain	Member

#### **Auditors**

KPMG Taseer Hadi & Co. Chartered Accountants

#### **Legal Advisors**

Chima & Ibrahim, Raja Rashid, Javaid Qureshi

#### **Shares Registrar**

##### **Riasat Ishtiaq Consulting (Pvt) Ltd**

Office No. 19-20, 2nd Floor, Hill View Plaza, Jinnah Avenue, Blue Area, Islamabad.  
Tel: +92 51 2272152, 7101536 Fax: +92 51 2273158

#### **Bankers**

Allied Bank of Pakistan	Bank Alfalah Limited
National Bank of Pakistan	Standard Chartered Bank
Habib Metropolitan Bank	Dubai Islamic Bank
Bank of Khyber	Faysal Bank Limited
Askari Bank Limited	MCB Bank Limited

#### **Registered Office**

##### **Biafo Industries Limited**

Office No. 203-204, 2nd Floor, Muhammad Gulistan Khan House,  
82-East, Fazal-Ul-Haq Road, Blue Area, Islamabad. Pakistan  
Tel: +92 51 2277358-9, 2829532-3, 2272613, 2802218 Fax: +92 51 2274744  
Website: www.biafo.com, Email: management@biafo.com, biafo@hotmail.com

#### **Factory**

##### **Biafo Industries Limited**

Plot No: 70, Phase III, Industrial Estate, Hattar, Distt Haripur, Khyber Pakhtunkhwa. Pakistan  
Tel: +92 995 617830 Fax: +92 995 617497  
Website: www.biafo.com, Email: plant@biafo.com

## Quarterly Report

### BIAFO INDUSTRIES LTD. DIRECTORS' REPORT FOR THE QUARTER ENDED SEPTEMBER, 2012

Your Directors are pleased to submit the un-audited accounts for the quarter ended 30th. September, 2012.

The net sales of your company increased by 81.21% to Rs. 325.108 m against the previous comparable quarter of last year, however against the previous quarter ending 30th June, 2012 increased by 11.22%.

Net sales in the quarter to oil and gas sector has shown a very substantial increase, alongwith a rise of 14.2% in sales to the Cement sector against comparable previous years quarter. However sales declined to Saindak and Duddar EPZ Mining Projects, Construction and mining sector and small scale users in the period under review.

While overall macro economic situation and pressure on Government finances is effecting funding to the infrastructural sector, we have commenced supplies to the Golen Gol Hydel project and Lowari Road Tunnel Expansion project in the period under review.

Gross profit margin for the quarter under review increased by 2.68 % to 33.95 % against the Gross profit margin of year ending 30th. June, 2012.

Operating profit for the quarter increased by 96% to Rs. 97.495 (quarter to 30th June 2012: 36.11%) and net after tax profit increased 84.54% (quarter to 30th June 2012: 36.54%) resulting in EPS of Rs. 3.27 (quarter to 30th June 2012 of Rs. 2.39) against the comparable quarter of the previous year (2011: Rs. 1.77). Tax charge in the quarter increased to 7.84% of net sales as against 6.09% of the previous year comparable period, due to lower (tax exempt) export sales to Saindak and Duddar EPZ projects.

The company continued to operate within the budget as approved by the Board of Directors.

Your Board of Directors have declared the 1st. Interim cash dividend of Rs. 3.00 per share (30%) for the quarter under review.

Your management continues to interact and cooperate with all stakeholders in its efforts in meeting business opportunities and challenges.



**Khawaja Amanullah Askari**  
Chief Executive

Islamabad  
22nd October, 2012

## Quarterly Report


**BIAFO INDUSTRIES LIMITED**  
**CONDENSED INTERIM BALANCE SHEET (UNAUDITED)**  
**AS AT 30 SEPTEMBER 2012**

	Note	30 Sep 2012 Rupees	30 June 2012 Rupees
Property, plant and equipment	4	254,000,134	257,856,895
Long term deposits		2,147,754	2,136,754
		<u>256,147,888</u>	<u>259,993,649</u>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		9,728,985	7,119,891
Stock in trade		140,969,317	97,475,579
Trade debts - Unsecured	5	186,364,157	118,206,509
Advances - Unsecured		7,456,734	5,000,778
Trade deposits and short term prepayments		3,191,348	1,491,143
Advance income tax - net		3,283,608	3,355,178
Other receivables		490,313	347,794
Other financial assets	6	228,681,725	206,929,872
Cash and bank balances		27,224,159	39,047,848
		<u>607,390,346</u>	<u>478,974,592</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		127,941,523	132,773,333
Markup accrued		2,626,257	1,301,802
Short term borrowings - Secured	7	108,620,620	45,429,217
		<u>239,188,400</u>	<u>179,504,352</u>
<b>NET CURRENT ASSETS</b>		<u>368,201,946</u>	<u>299,470,240</u>
<b>NON CURRENT LIABILITIES</b>			
Deferred employee benefit		1,321,393	1,321,393
Deferred tax liability - net		35,645,947	36,107,171
		<u>36,967,340</u>	<u>37,428,564</u>
<b>NET ASSETS</b>		<u><b>587,382,494</b></u>	<u><b>522,035,325</b></u>
<b>REPRESENTED BY:</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital		200,000,000	200,000,000
Unappropriated profit		326,893,315	260,918,569
		<u>526,893,315</u>	<u>460,918,569</u>
<b>SURPLUS ON REVALUATION OF FIXED ASSETS - Net of tax</b>		<u>60,489,179</u>	<u>61,116,756</u>
		<u><b>587,382,494</b></u>	<u><b>522,035,325</b></u>

**CONTINGENCIES AND COMMITMENTS** 8

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

Islamabad  
22 October 2012

  
Director

  
Chief Executive

## Quarterly Report

**BIAFO INDUSTRIES LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
**FOR THE QUARTER ENDED 30 SEPTEMBER 2012**

	Note	Quarter Ended		Quarter Ended	
		30 Sep	Period to	30 Sep	Period to
		2012	Due Date	2011	Due Date
		Rupees	Rupees	Rupees	Rupees
<b>NET SALES</b>	9	325,108,707	325,108,707	179,406,922	179,406,922
Cost of sales		(214,742,293)	(214,742,293)	(120,016,638)	(120,016,638)
<b>GROSS PROFIT</b>		110,366,414	110,366,414	59,390,284	59,390,284
Other operating income		7,340,394	7,340,394	3,971,376	3,971,376
Distribution cost		(2,724,235)	(2,724,235)	(2,041,650)	(2,041,650)
Administrative expenses		(14,667,539)	(14,667,539)	(10,863,028)	(10,863,028)
Finance costs		(2,819,781)	(2,819,781)	(715,729)	(715,729)
<b>OPERATING PROFIT</b>		97,495,253	97,495,253	49,741,253	49,741,253
Workers' profit participation fund		(4,874,763)	(4,874,763)	(2,487,063)	(2,487,063)
Workers' welfare fund		(1,772,999)	(1,772,999)	(907,895)	(907,895)
<b>PROFIT BEFORE TAXATION</b>		<b>90,847,491</b>	<b>90,847,491</b>	<b>46,346,295</b>	<b>46,346,295</b>
<b>TAXATION</b>					
Current		(25,961,539)	(25,961,539)	(11,913,895)	(11,913,895)
Deferred		461,217	461,217	1,008,180	1,008,180
		(25,500,322)	(25,500,322)	(10,905,715)	(10,905,715)
<b>PROFIT FOR THE PERIOD</b>		<b>65,347,169</b>	<b>65,347,169</b>	<b>35,440,580</b>	<b>35,440,580</b>
<b>EARNINGS PER SHARE - Basic and diluted</b>		<b>3.27</b>	<b>3.27</b>	<b>1.77</b>	<b>1.77</b>

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

Islamabad  
22 October 2012



Director



Chief Executive

## Quarterly Report

**BIAFO INDUSTRIES LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE QUARTER ENDED 30 SEPTEMBER 2012**

	Quarter Ended		Quarter Ended	
	30 Sep 2012	Period to Due Date	30 Sep 2011	Period to Due Date
	Rupees	Rupees	Rupees	Rupees
Profit for the period	65,347,169	65,347,169	35,440,580	35,440,580
Other comprehensive income	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>65,347,169</b>	<b>65,347,169</b>	<b>35,440,580</b>	<b>35,440,580</b>

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

Islamabad  
22 October 2012



Director



Chief Executive


## Quarterly Report

**BIAFO INDUSTRIES LIMITED**  
**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)**  
**FOR THE QUARTER ENDED 30 SEPTEMBER 2012**

	Note	30 Sep 2012 Rupees	30 Sep 2011 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		90,847,491	46,346,295
Adjustments for:			
Depreciation		4,662,244	4,058,241
Finance costs		2,819,781	715,729
Provision for Workers' profit participation fund		4,874,763	2,487,063
Provision for Workers' welfare fund		1,772,999	907,895
Provision for slow moving stores, spare parts and loose tools		55,000	55,000
Unrealized gain on remeasurement of investment		(6,526,852)	(3,078,693)
Gain on disposal of property, plant and equipment		(323,730)	-
Interest on deposit accounts and TDRs		(143,243)	(994,643)
Exchange (gain) / loss		(346,568)	101,961
		6,844,394	4,252,553
		97,691,885	50,598,848
<b>Changes in:</b>			
Store, spare parts and loose tools		(2,664,094)	(468,457)
Stock in trade		(43,493,739)	3,385,468
Trade debts		(68,220,225)	(22,370,895)
Advances, deposits, prepayments and other receivables		(4,167,161)	(5,766,526)
Trade and other payables		1,233,212	(12,321,524)
		(117,312,007)	(37,541,934)
<b>Cash generated from operations</b>		<b>(19,620,122)</b>	<b>13,056,913</b>
Finance costs paid		(1,495,326)	(977,371)
Payments to Workers' profit participation fund		(12,712,784)	(12,000,000)
Income taxes paid		(25,889,969)	(15,243,889)
		(40,098,080)	(28,221,260)
<b>Net cash from operating activities</b>		<b>(59,718,202)</b>	<b>(15,164,347)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(1,632,614)	(572,153)
Proceeds from disposal of property, plant and equipment		1,335,000	-
Net investment during the year		(15,000,000)	-
Interest received on deposit accounts and TDRs		724	1,150,684
<b>Net cash used in investing activities</b>		<b>(15,296,889)</b>	<b>578,531</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Net cash used in financing activities</b>		-	-
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(75,015,091)</b>	<b>(14,585,816)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		<b>(6,381,369)</b>	<b>(8,998,435)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	10	<b>(81,396,461)</b>	<b>(23,584,251)</b>

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

Islamabad  
22 October 2012

  
Director

  
Chief Executive




## Quarterly Report

**BIAFO INDUSTRIES LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE QUARTER ENDED 30 SEPTEMBER 2012**

	<u>Share Capital</u>	<u>Unappropriated Profit</u>	<u>Total Equity</u>
	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>Balance at 01 July 2011</b>	200,000,000	237,515,259	437,515,259
Total comprehensive income for the period	-	35,440,580	35,440,580
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year - net of deferred tax	-	698,294	698,294
	-	<b>36,138,874</b>	<b>36,138,874</b>
<b>Balance at 30 September 2011</b>	<b>200,000,000</b>	<b>273,654,133</b>	<b>473,654,133</b>
<b>Balance at 01 July 2012</b>	200,000,000	260,918,569	460,918,569
Total comprehensive income for the period	-	65,347,169	65,347,169
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year - net of deferred tax	-	627,577	627,577
	-	<b>65,974,746</b>	<b>65,974,746</b>
<b>Balance at 30 September 2012</b>	<b>200,000,000</b>	<b>326,893,315</b>	<b>526,893,315</b>

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

Islamabad  
22 October 2012

  
Director

  
Chief Executive

## Quarterly Report

### BIAFO INDUSTRIES LIMITED SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER 2012

#### 1. THE COMPANY AND ITS OPERATIONS

Biafo Industries Limited ("the Company") was incorporated in Pakistan on 07 September 1988 as a public limited company under the Companies Ordinance, 1984 and its shares are quoted on the Karachi and Islamabad Stock Exchanges. The Company started its commercial production on 01 July 1994 and is principally engaged in the manufacturing of commercial explosives and blasting accessories including detonators and other materials. The Company has set up its industrial undertaking in Hattar Industrial Estate, Khyber Pakhtunkhwa with its registered office at 203-204, 2nd Floor, M. Gulistan Khan House, 82-E, Fazal-Ul-Haq Road, Blue Area, Islamabad, Pakistan.

#### 2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements for the year ended 30 June 2012. Comparative balance sheet is extracted from annual financial statements as of 30 June 2012 whereas comparative profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity are stated from unaudited condensed interim financial information for the quarter ended 30 September 2011.

The condensed interim financial information is unaudited and is being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984.

#### 3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The accounting policies and estimates applied by the Company for the preparation of this condensed interim financial information are the same as those applied by the Company in preparation of annual financial statements for the year ended 30 June 2012.

#### 4. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 30 September 2012 the Company acquired property, plant and equipment aggregating Rs.1,632,614 (30 September 2011: Rs. 569,889).

	Unaudited 30 Sep 2012 Rupees	Audited 30 June 2012 Rupees
<b>5. TRADE DEBTS - Unsecured</b>		
Considered good	186,364,157	118,206,509
Considered doubtful	1,592,761	1,592,761
	187,956,918	119,799,270
Less: Provision for doubtful debts	(1,592,761)	(1,592,761)
	<b>186,364,157</b>	<b>118,206,509</b>
	<b>Unaudited 30 Sep 2012 Rupees</b>	<b>Audited 30 June 2012 Rupees</b>
<b>6. OTHER FINANCIAL ASSETS</b>		
Investments:		
At fair value through profit or loss		
NAFA Government Securities Liquid Fund	42,496,052	41,459,985
ABL Income Fund	105,559,858	86,975,354
MCB Dynamic Cash Fund	38,100,815	36,194,533
Held to maturity - Term deposit receipts	42,525,000	42,300,000
	<b>228,681,725</b>	<b>206,929,872</b>

## Quarterly Report

### BIAFO INDUSTRIES LIMITED SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER 2012

	Note	Unaudited 30 Sep 2012 Rupees	Audited 30 June 2012 Rupees
<b>7. SHORT TERM BORROWINGS - SECURED</b>			
National Bank of Pakistan (NBP)	7.1	8,590,306	3,680,520
Allied Bank Limited (ABL)	7.2	77,573,302	41,748,696
MCB Bank Limited (MCB)	7.3	22,457,012	-
		<u>108,620,620</u>	<u>45,429,217</u>

7.1 The Company has arranged various facilities with NBP and during the period the Company utilized Running Finance facility. The Running Finance facility has a sanctioned limit of Rs. 25 million (30 June 2012: Rs. 25 million) and carries mark-up at the rate of 6 month Kibor + 1.35% per annum (30 June 2012: 3 month Kibor + 2% per annum) of the amount utilized.

7.2 The Company has arranged various facilities with ABL and during the period the Company utilized FE-25 and Running Finance facilities. This FE-25 facility has a sanctioned limit of Rs. 50 million (30 June 2012: Rs. 50 million) for export of the Company's products. The facility carries mark-up at the rate of LIBOR + 2% per annum (30 June 2012: LIBOR + 2% per annum) of the amount utilized. The Running Finance facility has a sanctioned limit of Rs. 32.80 million (30 June 2012: Rs. 32.80 million) and carries mark-up at the rate of 3 month Kibor + 1% per annum (30 June 2012: 3 month Kibor + 1% per annum) of the amount utilized.

7.3 The Company has arranged Running Finance facility with MCB and during the period the Company utilized this facility. The Running Finance facility has a sanctioned limit of Rs. 31.415 million (30 June 2012: Rs. 31.415 million) and carries mark-up at the rate of 3 month Kibor + 1% per annum (30 June 2012: 3 month Kibor + 1% per annum) of the amount utilized.

#### 8. CONTINGENCIES AND COMMITMENTS

There is no change in the contingent liabilities as reported in the annual financial statements for the year ended 30 June 2012.

There is no change in the commitments as reported in the annual financial statements for the year ended 30 June 2012, except that the letters of credit issued by the banks on behalf of the Company for the import of raw materials amount to Rs. 36.239 million at the period end (30 June 2012: Rs. 45.545 million).

	Quarter Ended	
	Unaudited 30 Sep 2012 Rupees	Unaudited 30 Sep 2011 Rupees
<b>9. SALES - Net</b>		
Gross Local Sales	407,602,594	168,748,063
Sales tax	(43,424,779)	(17,170,682)
Discounts and commissions	(93,196,657)	(34,449,448)
Net Local Sales	<u>270,981,158</u>	<u>117,127,933</u>
Net Export Sales	<u>54,127,549</u>	<u>62,278,989</u>
	<u>325,108,707</u>	<u>179,406,922</u>

## Quarterly Report

**BIAFO INDUSTRIES LIMITED**  
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER 2012

	Quarter Ended	
	Unaudited 30 Sep 2012 Rupees	Unaudited 30 Sep 2011 Rupees
<b>10. CASH AND CASH EQUIVALENTS</b>		
For the purpose of cash flow statement cash and cash equivalents comprise of:		
Cash and bank balances	27,224,159	25,481,227
Short term borrowings- secured	(108,620,620)	(49,065,478)
	<u>(81,396,461)</u>	<u>(23,584,251)</u>

### 11. RELATED PARTY TRANSACTIONS

Related parties comprise directors, key management personnel, major shareholders, entities over which the directors are able to exercise influence and employees' fund. Transactions with related parties during the period are as follows:

	Quarter Ended	
	Unaudited 30 Sep 2012 Rupees	Unaudited 30 Sep 2011 Rupees
<b>Associated undertaking- sole proprietorship concern of a director of the Company</b>		
Sale of explosives	1,854,405	-
Advance received during the period	1,854,405	-
Balance receivable/payable at the period end	-	-
<b>Other related parties</b>		
Remuneration including perquisites of Chief Executive	4,355,190	3,222,581
Remuneration including perquisites of Directors	2,975,000	3,000,000
Remuneration including perquisites of Executives	1,841,000	1,269,500
Payment to employees' provident fund	784,379	368,361

### 12. NON ADJUSTING EVENT AFTER BALANCE SHEET DATE AND DATE OF AUTHORIZATION FOR ISSUE

12.1 The Board of Directors of the Company in their meeting held on 22 October, 2012 proposed interim cash dividend of Rs. 3.00 per share.

12.2 The condensed interim financial information was authorized for issue by the Board of Directors of the Company in their meeting held on 22 October, 2012.

### 13. GENERAL

Figures in the condensed interim financial information have been rounded off to the nearest rupee.

Islamabad  
22 October 2012



Director



Chief Executive