



## **Quarterly Report**

Quarter ended September 30, 2011

# DIRECTORS' REVIEW



The Directors are pleased to present the un-audited accounts of the Company for the third quarter ended September 30, 2011.

## FINANCIAL RESULTS

		<u>Quarter Ended 30<sup>th</sup> September</u>	
		<u>2011</u>	<u>2010</u>
<b>Net Sales</b>	<b>(Rs. Million)</b>	4338	3635
<b>Profit after Tax</b>	<b>(Rs. Million)</b>	528	504
<b>Earnings per Share</b>	<b>(Rupees)</b>	57.14	54.62

The period under review is marked with multiple challenges of worsening energy crisis, mounting inflationary pressure on manufacturing costs, declining consumers' purchasing power and overall slowdown of trade and business activities due to devastating floods caused by torrential rains in southern parts of the country. All these factors have negatively impacted the economy and cost of living. However, by the grace of Almighty Allah, your Company continued to show growth and was able to achieve 19% increase in net sales due to improved volume and optimal product mix, even though operating results were negatively impacted by the additional cost burden on account of expensive alternative fuels used during electricity and gas load-shedding. However, through Company's ongoing cost saving, energy conservation and manufacturing optimization initiatives, we were able to partially offset the negative impact of escalating costs of inputs and manufacturing supplies.

## BUSINESS REVIEW

The widening demand and supply gap of power and gas has become a serious challenge for the industrial sector in Pakistan. Consequently, demand from industrial segments remained depressed especially from downstream textile slashing and processing industries. Whereas the demand for regular type of starches remained on goal, the sale of modified starches was lower than estimates. Paper segment also faced adverse effects of cheaper imports but the corrugation segment operated normal to meet improved demand for packaging containers.

The imposition of 16% sales tax on food grade starches and pressure on disposable income led to slowdown in demand for our food ingredients. The deepening energy crisis, loss of crops due to floods and difficult business scenario affected the working of unorganized sectors in the food business. However, organized units showed consistency in their operations due to demand for candies for export markets.

The demand for Animal Nutrition Ingredients remained mixed. Drop in demand was noted on account of flood related losses to poultry and livestock sectors. However, through timely price rationalization and diversifying product application and sales, we were able to overcome the contraction in demand from consuming segments in the flood affected areas by diverting supplies to large farms in organized sector.

## OUTLOOK

With risks to macroeconomic stability emanating from fiscal weaknesses, worsening gas supply due to winter load management and the likelihood of falling GDP growth target with damaging impact of recent floods in Sindh, the overall economic scenario of Pakistan continues to remain under pressure. The situation demands prudent economic management.

# DIRECTORS' REVIEW

The cotton crop production target has been scaled down by 2.5 million bales due to damages caused by floods in Sindh which may impact the overall textile exports target and consequently may affect the demand for modified starches in the textile segment.

Looking forward, low availability of natural gas resulting in increased cost of alternative fuels and overall economic and demand slowdown may negatively impact our business.

In these challenging times, we stand committed to focus on meeting the expectations of our stakeholders by following the strategy of sustainable growth, capitalize on right opportunities and delivering best services to our customers.

May Allah guide us through those challenges to move forward on the path of success. A'meen!

On behalf of the Board



Ansar Yahya  
Chief Executive and  
Managing Director

October 17, 2011

# CONDENSED INTERIM BALANCE SHEET

As at September 30, 2011 (Un-audited)

	Notes	September 30, 2011 (Un-audited)	December 31, 2010 (Audited)
(Rupees in thousands)			
<b>NON CURRENT ASSETS</b>			
Property, Plant and Equipment	5	2,305,871	2,174,145
Capital work-in-progress	6	1,367,144	973,017
Intangible assets		24,909	29,392
Employees Retirement Benefits		64,800	64,800
Long Term Loans - Secured		3,300	2,920
		3,766,024	3,244,274
<b>CURRENT ASSETS</b>			
Stores and spares		338,131	310,521
Stock in trade		4,083,178	3,125,746
Trade debts		614,087	376,923
Loans and advances		97,782	124,966
Trade deposits and short term prepayments		75,362	25,522
Other receivables		9,025	12,254
Cash and bank balances		56,246	39,741
		5,273,811	4,015,673
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,400,721	1,108,503
Mark up accrued on short term running finances		51,297	8,298
Short term running finances-Secured		1,440,405	634,460
Provision for taxation		339,985	203,047
		3,232,408	1,954,308
<b>WORKING CAPITAL</b>		2,041,403	2,061,365
<b>TOTAL CAPITAL EMPLOYED</b>		5,807,427	5,305,639
<b>NON CURRENT LIABILITIES</b>			
Deferred taxation		402,854	351,754
<b>NET CAPITAL EMPLOYED</b>		5,404,573	4,953,885
<b>REPRESENTED BY:</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital		92,364	92,364
Reserves		5,312,209	4,861,521
<b>CONTINGENCIES AND COMMITMENTS</b>	7	-	-
		5,404,573	4,953,885

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

  
Anis Ahmad Khan  
Director

  
Ansar Yahya  
Chief Executive and  
Managing Director

  
Zulfikar Mannoo  
Director

# CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

For the nine months and quarter ended September 30, 2011 (Un-audited)

	Note	2011		2010	
		July to September	January to September	July to September	January to September
		(Rupees in thousands)		(Rupees in thousands)	
Sales-Net	8	4,337,530	13,867,412	3,634,807	10,238,835
Cost of sales	9	3,319,727	11,019,286	2,740,966	7,613,904
<b>Gross profit</b>		<b>1,017,803</b>	<b>2,848,126</b>	<b>893,841</b>	<b>2,624,931</b>
Distribution cost		35,460	107,879	35,953	100,448
Administrative expenses		65,067	186,543	58,272	159,452
<b>Operating profit</b>		<b>917,276</b>	<b>2,553,704</b>	<b>799,616</b>	<b>2,365,031</b>
Other operating income		15,978	47,621	24,015	64,922
		933,254	2,601,325	823,631	2,429,953
Finance cost		42,584	50,847	24,763	29,381
Other operating expenses		61,468	176,407	55,584	166,104
		104,052	227,254	80,347	195,485
<b>Profit before taxation</b>		<b>829,202</b>	<b>2,374,071</b>	<b>743,284</b>	<b>2,234,468</b>
Taxation		301,438	861,194	238,833	777,464
<b>Profit after taxation</b>		<b>527,764</b>	<b>1,512,877</b>	<b>504,451</b>	<b>1,457,004</b>
<b>Earnings per share-basic and diluted-(Rupees)</b>		<b>57.14</b>	<b>163.79</b>	<b>54.62</b>	<b>157.75</b>

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Anis Ahmad Khan  
Director

  
Ansar Yahya  
Chief Executive and  
Managing Director

  
Zulfikar Mannoo  
Director

# CONDENSED INTERIM CASH FLOW STATEMENT

For the nine months ended September 30, 2011 (Un-audited)

	2011	2010
	January to September	January to September
	(Rupees in thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
PROFIT BEFORE TAX	2,374,071	2,234,468
<b>Adjustment for non-cash charges and other items:</b>		
Depreciation	128,778	116,391
Amortisation of intangible asset	4,483	-
Provision for employees retirement benefits	20,206	17,579
Provision for doubtful debts	3,536	1,075
Profit on sale of property plant and equipment	(2,577)	(2,092)
Interest Income	(3,064)	(6,565)
Finance cost	50,847	29,381
Gain on foreign exchange transactions	(3,631)	(1,949)
Markup capitalized	29,218	12,388
<b>Operating profit before working capital changes</b>	<b>2,601,867</b>	<b>2,400,676</b>
<b>(Increase)/decrease in current assets</b>		
Stores and spares	(27,610)	14,160
Stock in trade	(957,432)	(1,748,507)
Trade debts	(240,700)	28,961
Loans and advances	27,490	(99,512)
Trade deposits and short term prepayments	(49,840)	(8,742)
Other receivables	3,229	(13,486)
	(1,244,863)	(1,827,126)
<b>Increase /(decrease) in current liabilities</b>		
Trade and other payables	287,322	341,858
<b>Net increase/(decrease) in working capital</b>	<b>(957,541)</b>	<b>(1,485,268)</b>
<b>Cash generated from operations</b>	<b>1,644,326</b>	<b>915,408</b>
Taxes paid	(673,156)	(755,924)
Employees retirement benefits paid	(17,960)	(15,626)
Interest received	3,064	6,565
Finance cost paid	(37,066)	(17,805)
	(725,118)	(782,790)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>919,208</b>	<b>132,618</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital Expenditure incurred	(655,748)	(470,625)
Sale proceeds of property, plant and equipment	3,694	3,117
Long term loans disbursed	(2,800)	-
Repayment from long term loans	2,114	1,109
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(652,740)</b>	<b>(466,399)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(1,059,539)	(922,339)
Short term running finances- Secured	805,945	606,469
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(253,594)</b>	<b>(315,870)</b>
<b>NET INCREASE/(DECREASE)IN CASH AND CASH EQUIVALENTS</b>	<b>12,874</b>	<b>(649,651)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>39,741</b>	<b>673,409</b>
<b>Effect of exchange rate fluctuations on cash and cash equivalents</b>	<b>3,631</b>	<b>1,949</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>56,246</b>	<b>25,707</b>

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

  
Anis Ahmad Khan  
Director

  
Ansar Yahya  
Chief Executive and  
Managing Director

  
Zulfikar Mannoo  
Director

# CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the nine months ended September 30, 2011 (Un-audited)

	Share Capital	Capital Reserves		Revenue Reserves		Total
		Share Premium	Other	General	Unappropriated Profit	
		(Rupees in thousands)				
Balance as at January 01, 2010	92,364	36,946	941	207	3,877,272	4,007,730
Net profit for the period					1,457,004	1,457,004
<b>Transactions with owners of the Company, recognized directly in equity:</b>						
Final dividend 2009 (Rs. 40.00 per share)					(369,457)	(369,457)
1st interim dividend (Rs. 35.00 per share)					(323,275)	(323,275)
2nd interim dividend (Rs. 25.00 per share)					(230,910)	(230,910)
Balance as at September 30, 2010	92,364	36,946	941	207	4,410,634	4,541,092
Balance as at January 01, 2011	92,364	36,946	941	207	4,823,427	4,953,885
Net profit for the period					1,512,877	1,512,877
<b>Transactions with owners of the Company, recognized directly in equity:</b>						
Final dividend 2010 (Rs. 55.00 per share)					(508,004)	(508,004)
1st interim dividend (Rs. 35.00 per share)					(323,275)	(323,275)
2nd interim dividend (Rs. 25.00 per share)					(230,910)	(230,910)
Balance as at September 30, 2011	92,364	36,946	941	207	5,274,115	5,404,573

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

  
Anis Ahmad Khan  
Director

  
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Chief Executive and  
Managing Director

  
Zulfikar Mannoo  
Director

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the nine months and quarter ended September 30, 2011 (Un-audited)

## 1. STATUS AND NATURE OF BUSINESS

Rafhan Maize Products Co. Ltd ("the Company") is incorporated in Pakistan and is listed on the Karachi and Lahore Stock Exchanges. Corn Products International, Inc. Chicago, U.S.A., holds the majority shares of the Company. The registered office of the Company is situated at Finlay House, I.I Chundrigar Road, Karachi. The Company uses maize as the basic raw material to manufacture and sell a number of industrial products, principal ones being industrial starches, liquid glucose, dextrose, dextrin and gluten meals.

## 2. BASIS OF PREPARATION

This condensed interim financial information is un-audited and has been presented in accordance with the requirements of the approved Accounting Standards as applicable in Pakistan relating to interim financial reporting and is being submitted to the shareholders in accordance with the requirements of Section 245 to the Companies Ordinance, 1984. The condensed interim financial information does not include all the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2010.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied and method of computation followed for the preparation of the condensed interim financial information are the same as those applied in preparation of the annual audited financial statements of the Company for the year ended 31 December 2010.

## 4. ESTIMATES

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation were same as those applied to the financial statements for the year ended 31 December 2010.

## 5. PROPERTY, PLANT AND EQUIPMENT

The following additions have been made during the nine months ended September 30, 2011:

	(Rupees in thousands)
Factory Building	22,283
Plant and machinery	214,918
Furniture, fixture and office equipment	5,523
Automobiles	18,897
	<u>261,621</u>

## 6. CAPITAL WORK-IN-PROGRESS

The following net additions have been made during the nine months ended September 30, 2011:

	(Rupees in thousands)
Civil works and building	124,960
Plant and machinery	269,167
	<u>394,127</u>

## 7. CONTINGENCIES AND COMMITMENTS

- There is no material change in contingencies since the last audited published accounts.
- Commitments in respect of capital expenditure contracted Rs. (thousands) 527,407 [2010: Rs. (thousands) 476,247]
- Commitments in respect of purchase of corn amounted to Rs. (thousands) 2,832,880 [2010: Rs. (thousands) 3,488,519]
- Commitments in respect of counter guarantees given to banks in the normal course of business Rs. (thousands) 141,950 [2010: Rs. (thousands) 120,370]

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the nine months and quarter ended September 30, 2011 (Un-audited)

## 8. SALES-NET

	2011		2010	
	July to September	January to September	July to September	January to September
	(Rupees in thousands)			
Domestic	4,482,998	14,370,114	3,617,238	10,366,320
Exports	142,517	461,679	200,123	399,883
	4,625,515	14,831,793	3,817,361	10,766,203
Less:				
Sales tax	284,815	899,415	171,186	490,061
Special excise duty	-	54,880	10,353	30,781
Trade discount and commission	3,170	10,086	1,015	6,526
	287,985	964,381	182,554	527,368
	4,337,530	13,867,412	3,634,807	10,238,835

## 9. COST OF SALES

Opening stock of finished goods	741,881	739,975	293,443	474,876
Cost of goods manufactured	3,516,599	11,218,064	2,920,711	7,612,216
	4,258,480	11,958,039	3,214,154	8,087,092
Less: closing stock of finished goods	938,753	938,753	473,188	473,188
	3,319,727	11,019,286	2,740,966	7,613,904

## 10. TRANSACTIONS WITH RELATED PARTIES AND ASSOCIATES

The related parties comprise parent company, related group companies, local associated company, directors of the company, key management personnel and staff retirement funds. Details of transactions with related parties, other than those disclosed else where in these financial statements are as follows:

Name of parties	Nature of relationship	Nature and description of related party transaction	2011		2010	
			July to Sep.	January to Sep.	July to Sep.	January to Sep.
			(Rupees in thousands)			
Unilever Pakistan Food Limited	Associate	Sales	254,208	826,164	221,778	676,227
Corn Products Kenya Ltd.	Associate	Export sales	9,838	28,315	1,027	8,052
Corn Products Malaysia	Associate	Export sales	12,592	41,444	58,643	76,349
National Starch Bangkok	Associate	Export sample		2		
Corn Product Chilli	Associate	Import	21,214	21,214		
Employees benefits	Other related parties	Contribution to funds	6,738	20,206	5,859	17,579
Key Management Personnel	Other related parties	Remuneration	34,605	116,782	22,808	86,102
			339,195	1,054,127	310,115	864,309

- The transactions were carried out at an arm's length basis, in accordance with the company's accounting policy.

- No buying and selling commission has been paid to any associated undertaking.

## 11. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objective and policies are consistent with that disclosed in financial statements as at and for the year 31 December 2010.

## 12. AUTHORIZATION

This un-audited condensed interim financial information was authorized for issue by the Board of Directors on 17 October, 2011.

## 13. GENERAL

Figures in these accounts have been rounded off to the nearest thousand of rupees.

  
Anis Ahmad Khan  
Director

  
Ansar Yahya  
Chief Executive and  
Managing Director

  
Zulfikar Mannoo  
Director

# COMPANY INFORMATION

BOOK POST (Under Certificate of Posting)

## Board Of Directors

Jorgen Kokke  
Chairman  
  
Rashid Ali  
Vice Chairman  
  
Ansar Yahya  
Chief Executive & Managing Director  
  
Cheryl K. Beebe  
Mary A. Hynes  
James P. Zallie  
Zulfikar Mannoo  
Mian M. Adil Mannoo  
Wisal A. Mannoo  
Anis A. Khan

## Chief Financial Officer

Anis A. Khan

## Secretary

M. Yasin Anwar

## Audit Committee

Cheryl K. Beebe  
Rashid Ali  
Zulfikar Mannoo

## Business Strategy and Planning Committee

Jorgen Kokke  
Rashid Ali  
Ansar Yahya  
Anis A. Khan

## Shares Transfer Committee

Rashid Ali  
Ansar Yahya  
Anis A. Khan

## Bankers

Citibank, N.A.  
Habib Bank Ltd.  
Meezan Bank Ltd.  
MCB Bank Ltd.  
National Bank of Pakistan  
Standard Chartered Bank (Pakistan) Ltd.

## Auditors

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Lahore - Karachi

## Legal Advisor

M. Ali Seena  
C/o Surridge & Beecheno, Karachi

## Shares Registrar

FAMCO Associates (Pvt.) Ltd.  
1st Floor, State Life Building 1-A,  
I.I. Chundrigar Road, Karachi-74000:  
Tel: (92-21) 32427012 - 32425467  
Fax: (92-21) 32426752 - 32428310

## Registered Office

1st Floor, Finlay House, I. I. Chundrigar Road,  
Karachi-74000, Pakistan  
Ph: (92-21) 32442516 - 32410848  
Fax: (92-21) 32428651

## Head Office & Shares Department

Rakh Canal East Road, Faisalabad, Pakistan  
Ph: (92-41) 8540121-22-23 Fax: (92-41) 8711016 - 8502197  
Website: [www.rafanmaize.com](http://www.rafanmaize.com)  
E-mail: [corporate@rafanmaize.com](mailto:corporate@rafanmaize.com)