

DIRECTORS' REVIEW

The Directors of Kohat Cement Company Limited take pleasure in presenting the financial statements of the Company for 2nd quarter and half year ended on December 31, 2009.

Financial and operational performance - Comparison of results for the quarter and half year ended December 31, 2009 as against December 31, 2008 is as follows:

	2nd Quarter ended December 31,		Half year ended December 31,	
	2009 (Rupees)	2008 (Rupees)	2009 (Rupees)	2008 (Rupees)
Net sales revenue	699,020,668	693,732,138	1,406,824,150	1,118,915,501
Earnings before interest, tax & depreciation	101,947,763	34,562,176	236,854,117	155,031,880
Depreciation	(62,628,242)	(20,598,010)	(113,087,300)	(44,255,343)
Finance costs	(168,435,360)	(156,742,666)	(337,376,312)	(201,105,264)
Loss before taxation	(129,115,839)	(142,778,500)	(213,609,495)	(90,328,727)
Taxation	58,936,835	28,600,486	65,184,373	14,362,658
Loss after taxation	(70,179,004)	(114,178,014)	(148,425,122)	(75,966,069)
Loss per share	(0.55)	(0.89)	(1.15)	(0.59)

The net sales have grown by 25.73% over the corresponding half year whereas marginal increase has been witnessed during the 2nd quarter over the corresponding quarter. Presently cement prices in local market are depressed; therefore, despite more than 100% increase in production and dispatches, the top line as well as the bottom line figure has not increased in the same fashion. Management is focusing cost effective operations and lower finance costs to cope with the current situation.

Company produced 455,484 tons (2008: 218,359 tons) clinker during the half year and 284,233 tons (2008: 129,555 tons) during the 2nd quarter from its new grey cement line. Cement dispatches were 428,342 tons (2008: 231,114 tons) during the half year and 235,009 tons (2008: 144,168 tons) during the 2nd quarter. Low capacity utilization is mainly due to overall adverse law and order situation in the country especially in our region and irregular power supply from WAPDA in first quarter. 22.6 MW under installation power plant is ready for test run and once it becomes operational the electricity issue will be resolved to great extent.

Auditors in their review report on attached condensed interim financial statements have highlighted certain over due debt payments (note 5.2), as referred to in note 5 in the annexed financial statements, the major part of long term finances i.e. Sukuk issue of PKR 2,414 million has been restructured whereas restructuring of remaining long term debt of Rs. 1,100 million is in process which will hopefully be done shortly and accordingly this matter will also be resolved.

Future outlook - The local demand is expected to gain momentum in forthcoming months amid start of construction season and consumption of PSDP budget by the government. However no significant growth is expected in export market.

Management-employees relations - Relationship between management and employees has been cordial and mutually supportive.

For and on behalf of the board



Aizaz Mansoor Sheikh
Chief Executive

Lahore: February 22, 2010