

SANGHAR SUGAR MILLS LIMITED

**PRESENTATION OF
1st CORPORATE BRIEFING SESSION**

**ON
ANNUAL AUDITED FINANCIAL STATEMENTS FOR THE
YEAR ENDED SEPTEMBER 30, 2019**

HELD ON

FEBRUARY 22, 2020

AT

**PSX AUDITORIUM
PAKISTAN STOCK EXCHANGE BUILDING
KARACHI**

COMPANY INFORMATION



COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Gul Muhammad (Chairman)
Haji Khuda Bux Rajar (Chief Executive)
Mr. Mohammad Aslam
Mr. Rahim Bux
Mr. Ghulam Hyder
Mr. Qazi Shamsuddin
Mr. Shahid Aziz (Nominee of N.I.T.)

SHARE REGISTRAR

Hameed Majeed Associates (Pvt) Limited
Karachi Chambers, Hasrat Mohani Road
Karachi.
Phone: 021 32424826
Fax: 021 32424835

BOARD COMMITTEES

AUDIT COMMITTEE

Mr. Rahim Bux (Chairman)
Mr. Mohammad Aslam
Mr. Shahid Aziz

LEGAL ADVISOR

Rafiq Kalwar & Dars Law Associates,
Advocates & Corporate Counselors,
Office # 412, 4th Floor, Clifton Centre,
DC-1, Block 5, Clifton, Karachi

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Rahim Bux (Chairman)
Mr. Mohammad Aslam
Mr. Shahid Aziz

BANKERS

Islamic

Al-Baraka Bank (Pakistan) Limited
Bank Islami Pakistan Limited
Meezan Bank Limited

INFORMATION TECHNOLOGY STEERING COMMITTEE

Mr. Ghulam Hyder (Chairman)
Syed Rehan Ahmad Hashmi
Mr. Sheraz Khan

Conventional

Bank Al-Habib Limited
MCB Bank Limited
National Bank of Pakistan
Soneri Bank Limited
United Bank Limited

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Mr. Rahim Bux (Chairman)
Mr. Mohammad Aslam
Mr. Shahid Aziz
Syed Rehan Ahmad Hashmi

REGISTERED / HEAD OFFICE

Office No. 204, 2nd Floor,
Clifton Centre, Block - 5, Clifton
Karachi
Phone: 021 35371441 to 43 (3 lines)
Fax: 021 35371444
Website: www.sangharsugarmills.com
E-mail: info@sangharsugarmills.com

RISK MANAGEMENT COMMITTEE

Mr. Mohammad Aslam (Chairman)
Mr. Ghulam Hyder
Mr. Shahid Aziz

COMPANY SECRETARY

Mr. Muhammad Mubeen Alam

MANUFACTURING FACILITIES

13 K.M., Sanghar - Sindhari Road
Deh Kehore, District Sanghar, Sindh
Phone: (0345) 3737001 - 8222911

CHIEF FINANCIAL OFFICER

Syed Rehan Ahmad Hashmi

STATUTORY AUDITOR

Kreston Hyder Bhimji & Co.
Chartered Accountants

BACKGROUND & INDUSTRY OVERVIEW

Background

Sanghar Sugar Mills Limited is a public limited company incorporated in Pakistan under the repealed Companies Ordinance, 1984 and now the Companies Act, 2017. Its shares are quoted on Pakistan Stock Exchange Limited. Sanghar Sugar Mills Limited was incorporated on 5th of May 1986, as a public limited company. The Company went into commercial production in January 1988.

Sanghar Sugar Mills Limited is principally engaged in the manufacture and sale of sugar. The Company has also installed transmission equipment to sell surplus electric power. Initially Mills having a capacity of 2,000 T.C.D. was installed. Subsequently the capacity has been increased to 6,000 T.C.D. and now currently stands at 8,500 T.C.D.

Principle activities of the company include manufacture and sale of sugar and its byproducts, molasses and bagasse. The company has a bagasse-based cogeneration power plant for which it has recently purchased additional equipment to sell surplus electric power. Manufacturing facilities are located in Sanghar district, with registered offices located in provincial capital, Karachi.

Industry Overview

Pakistan has an annual consumption of approximately 5.20 million tons of sugar. During the season 2018/19, the country produced 5.20 million tons of sugar. However, the total stock of sugar available in the country was 6.72 million tons due to carry forward stock of nearly 1.52 million tons from previous year. After meeting the country's demand, the sugar industry exported approximately 0.75 million tons of sugar. Sugar and allied industries have added billions of dollars into national exchequer over past few years and they can continue to be a major export industry in Pakistan with timely decision from the federal and provincial level.

Currently, Provincial Governments fix minimum price of sugar cane at the beginning of crushing season which serves as the floor price at which mills may procure raw material from growers. Over the years, this has resulted in steep rise in sugarcane price, which has made it highly remunerative crop for growers. The Law prescribed mandatory crushing, which means that the mills must crush all the harvested cane for so long as growers in the local area demands to sell at minimum support price.

At the end of two consecutive seasons 2017-18 and 2018-19, mills become hostage of producing sugar in excess of market demand leading to carryover stock, which depressed the domestic prices.

**ANALYSIS, STATEMENTS
&
RATIOS**



STATEMENT OF VALUE ADDITION AND ITS DISTRIBUTION

Value Addition	----- 2019 -----		----- 2018 -----	
	(Rs. '000)	%	(Rs. '000)	%
Turnover Gross	3,533,707	99.930	4,207,749	95.780
Other Income	2,479	0.070	185,391	4.220
	3,536,186	100.000	4,393,140	100.000
Cane Procurement and related expenses	2,222,014	81.255	2,871,755	83.575
Other Expenses	512,594	18.745	564,398	16.425
	2,734,608	100.000	3,436,153	100.000
	801,578	22.668	956,987	21.784
Value Distribution				
Distributed as follows				
To Employees				
- Remuneration	228,475	28.503	223,022	23.305
- Worker's profit participation fund	-	-	1,336	0.140
	228,475		224,358	
To Government				
- Sales Tax / Further Tax & Others	386,562	48.225	421,359	44.030
- Income Tax	39,279	4.900	54,049	5.648
- Deferred Tax	(103,429)	(12.903)	5,442	0.569
- Cess & Fees	7,977	0.995	11,572	1.209
	330,389		492,422	



	----- 2019 -----		----- 2018 -----	
	(Rs. '000)	%	(Rs. '000)	%
To Providers of Capital				
- Finance Cost	172,667	21.541	121,934	12.741
	172,667		121,934	
To Corporate Social Responsibility				
- Charity & Donations	2,321	0.290	3,026	0.316
	2,321		3,026	
Retained in the Business				
- Depreciation & Amortization	166,581	20.782	95,822	10.013
- Profit / (Loss) for the Year	(98,855)	(12.333)	19,426	2.030
	67,726		115,248	
	801,578	100.000	956,988	100.000

Value Distribution - 2019



- To Employees
- To Government
- To Providers of Capital
- To Corporate Social Responsibility
- Retained in the Business

Value Distribution - 2018



- To Employees
- To Government
- To Providers of Capital
- To Corporate Social Responsibility
- Retained in the Business

KEY OPERATING & FINANCIAL HIGHLIGHTS

		2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
OPERATIONAL DATA											
Duration of Season	(Days)	100	142	133	117	137	151	121	109	117	114
Cane crushed	(Tons)	490,932	712,124	625,237	563,617	630,317	738,209	542,289	483,352	491,205	484,452
Sucrose Recovery	(%)	10.76	10.37	10.12	10.20	10.19	9.81	9.77	9.62	9.57	9.60
Sugar Made	(Tons)	52,799.25	73,776	63,380	57,387.5	64,271	72,530	52,823	46,516	47,008	46,547
Molasses	(Tons)	23,590	42,017	30,300	27,040	34,299	39,260	27,460	26,503	24,004	23,785

All figures are in Rs in '000

PROFIT OR LOSS RESULTS

Turnover - Net	2,770,439	3,405,535	2,583,232	2,832,657	2,869,164	3,196,951	2,771,454	3,005,261	1,498,297	2,679,922
Gross Profit / (Loss)	131,778	98,520	(70,660)	151,582	257,087	213,749	148,572	195,512	245,956	377,383
Operating Profit / (Loss)	24,059	146,802	(165,398)	59,919	170,905	135,446	94,580	95,814	159,342	308,572
(Loss) / Profit before taxation	(148,608)	24,868	(259,678)	11,060	89,783	36,091	14,271	(424)	64,345	213,047
(Loss) / Profit after taxation	(98,855)	19,426	(287,104)	13,953	57,400	8,732	6,901	(6,554)	37,759	134,431

ASSETS EMPLOYED

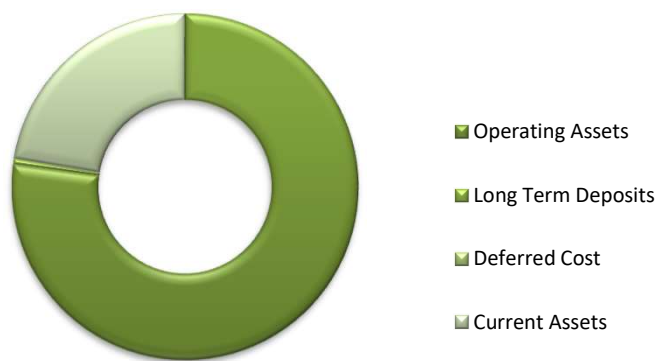
Operating Assets	2,807,695	2,909,416	1,745,965	1,465,348	1,167,508	1,146,845	729,685	747,116	754,005	477,508
Long Term Deposits	17,323	18,823	20,961	15,467	10,966	9,478	45,300	36,369	36,396	2,223
Deferred Cost	-	8,771	17,543	28,885	33,373	-	-	-	-	-
Current Assets	815,755	1,131,843	1,302,916	915,207	688,656	670,133	461,593	935,108	1,471,518	240,366
Total Assets Employed	3,640,773	4,068,853	3,087,385	2,424,907	1,900,503	1,826,456	1,236,578	1,718,593	2,261,919	720,097

FINANCED BY

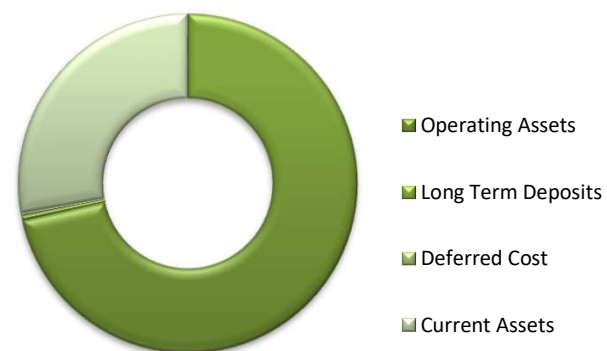
Shareholder's equity	1,223,854	1,330,699	569,165	863,437	860,635	798,148	501,566	490,172	496,725	351,675
Long Term Liabilities	145,670	250,863	345,291	262,532	103,640	23,174	75,242	64,908	85,089	23,159
Deferred Liabilities	519,916	603,790	603,790	295,067	325,349	320,838	210,011	217,741	217,014	145,489
Current Liabilities	1,751,333	1,883,501	1,883,501	1,003,871	610,879	684,296	449,759	945,772	1,463,091	199,774
Total Fund Invested	3,640,773	4,068,853	3,401,747	2,424,907	1,900,503	1,826,456	1,236,578	1,718,593	2,261,919	720,097

Graphical Analysis

Total Assets Employed - 2019



Total Assets Employed - 2018





Total Fund Invested - 2019



- Shareholder's equity
- Long Term Liabilities
- Deferred Liabilities
- Current Liabilities

Total Fund Invested - 2018



- Shareholder's equity
- Long Term Liabilities
- Deferred Liabilities
- Current Liabilities

STAKEHOLDER ENGAGEMENT, INVESTOR RELATIONS & FINANCIAL RATIOS

The Sanghar Sugar Mills Limited (the Company) recognizes and protects the rights of the various stakeholders (internal as well as external) established under relevant laws and regulations and has put in place relevant policies and codes for their protection. The Company maintains sound collaboration relationships with its stakeholders. Procedure for stakeholder's engagement includes communication, good harmony, compliance with laws and regulations and sugarcane growers focused approach which is the key factors for establishment of collaboration relationship with stakeholders. Summary of the rights of the various stakeholders has been discussed below:

Shareholders

Access to shareholder records, enquiries concerning verification of transfer deeds, transfer of share certificates, change of address etc., are directed to the Shares Registrar. We have disclosed essential information to the shareholders and treated them equitably. Shareholders meeting along with timely and accurate reporting to our shareholders are the effective modes of engagements with our shareholders

Regulators

The Company make compliance with laws, rules, regulations and guidelines as directed by the Regulators. Timely, appropriately and accurately disclosures of information, as required by law, are our high priority. We have submitting periodic reports, providing and gives information as and when required.

Customers & Suppliers

The Company receive high-quality services and supplies from our suppliers and ensure that the product we give to our customers should be of high standards. We establish the confidentiality of customer information and redressal their complaints and concerns with honesty and trustworthy. We have maintain a good relationship with our customers and suppliers.

Employees

As a good employer, the Company gives equal employment opportunity, gives performance based remuneration. Having Human Resource policies and procedures, the Company maintains effective communication between the management and the staff. To secure maximum cooperation of the employees and to motivate them to give their best. Gives full attention to redressal of complaints & grievances.

Community

The Company acknowledges its social and ethical responsibility to carry out its business in order to keep it safe and protect it for the generations to come. Gives priority to the fair distribution of resources, opportunities and financial assistances. The Company is contributing to the National growth by sharing its revenue with the nation in the form of taxes, rates, duties and other levies.

Financial Reporting & Communication

Communication with the users of financial statements is given high priority. Annual, half yearly and quarterly reports are distributed to the shareholders and provided to other users within the time specified by the Regulators and also makes it available on the Company's website for the easy access for the shareholders and potential shareholders. There is also an opportunity for individual shareholder to participate at the General Meetings to ensure high level of accountability. The Company notifies information to the Regulators from time to time. This helps the shareholders remain connected with the Company. The notifications mainly include Financial Results, Board of Directors meetings, shareholders meetings etc.

Media & Website

The Company disseminates information through print, electronic, social and other web media. The Company is maintaining its website providing complete information about the Company, Investors Relations, Investors Informations, Governance, Policy & Procedures and contact details. This can be accessed through a link www.sangharsugarmills.com

FINANCIAL RATIOS

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Profitability Ratios											
Gross Profit Ratio (%)	4.76	2.89	(2.74)	5.35	8.96	6.69	5.36	6.51	16.42	14.08	13.43
Net Profit to Sales (%)	(3.57)	0.57	(11.11)	0.49	2.00	0.27	0.25	(0.22)	2.52	5.02	6.86
Return on Capital Employed (%)	1.97	11.03	(85.28)	12.82	37.87	36.52	36.52	42.17	47.43	85.86	77.37
Turnover Ratios											
Inventory Turnover Ratio	3.78	3.51	3.12	4.59	5.21	8.01	6.19	3.08	1.96	17.51	11.72
Fixed Assets Turnover Ratio	98.67	117.05	147.96	193.37	245.93	278.88	383.94	403.72	200.02	561.23	339.96
Investor Information											
Price Earning Ratio	(3.15)	15.36	(1.55)	36.39	5.31	34.89	39.47	(44.91)	3.39	1.23	2.81
Market Value per Share	26.05	24.98	37.35	42.50	41.74	25.50	22.89	24.70	10.71	13.84	15.75
Book Value per Share	102.45	111.39	54.02	46.68	37.78	31.04	29.70	27.62	27.43	25.57	15.03
(Loss) / Earning per Share	(8.28)	1.63	(24.03)	1.17	4.80	0.73	0.58	(0.55)	3.16	11.25	5.60
Liquidity Ratios											
Current Ratio	0.47	0.60	0.69	0.91	1.13	0.98	1.03	0.99	1.01	1.203	0.871
Capital Structure Ratios											
Debt Equity Ratio	0.86	1.05	3.10	1.11	0.53	0.69	1.05	2.06	3.12	1.05	1.97
Interest Cover Ratio	0.14	1.20	(1.75)	1.23	2.11	1.36	1.18	1.00	1.68	4.11	4.14

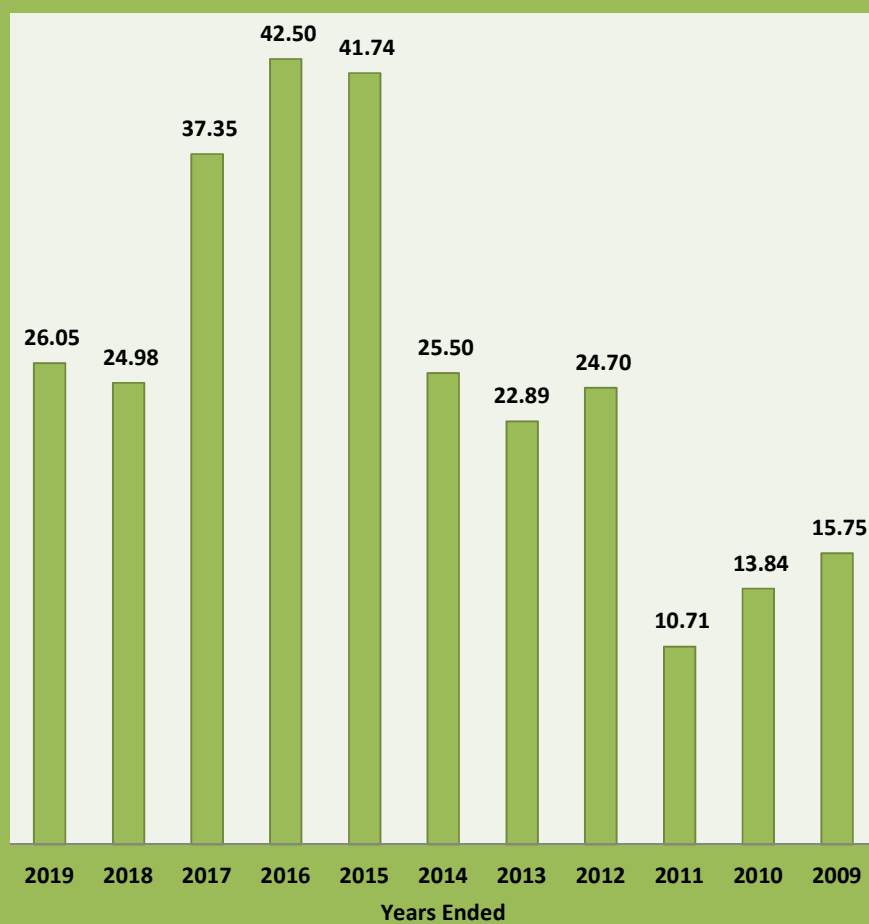


Gross Profit Ratio (%)

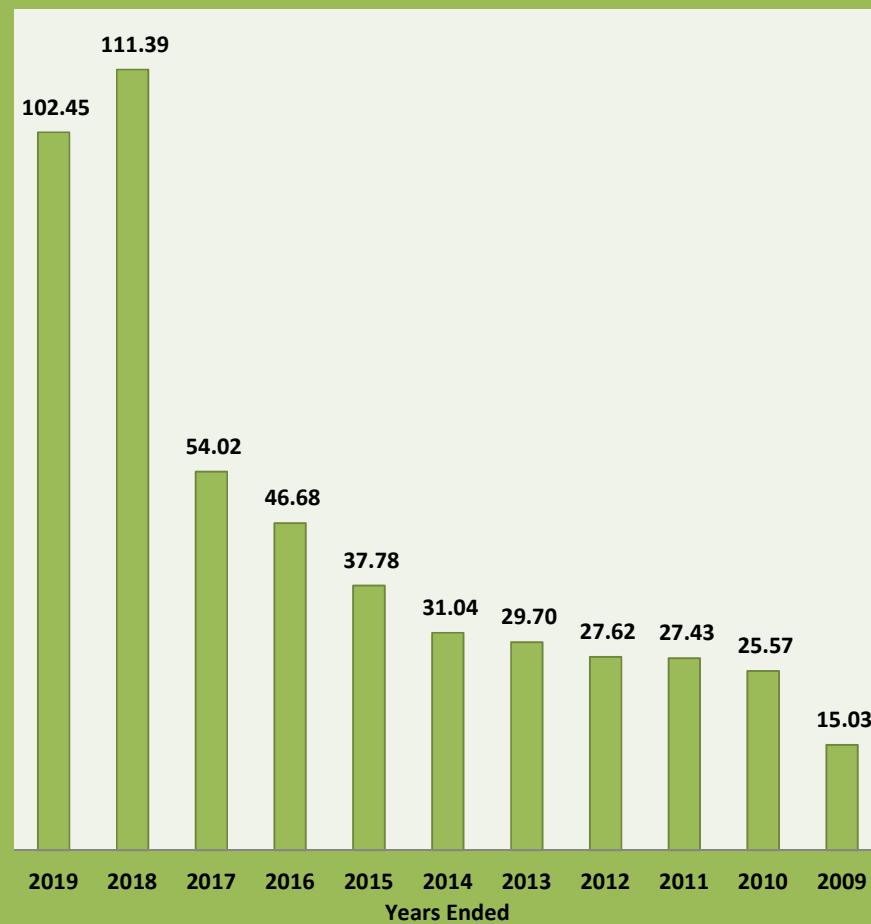




Market Value Per Share



Book Value Per Share

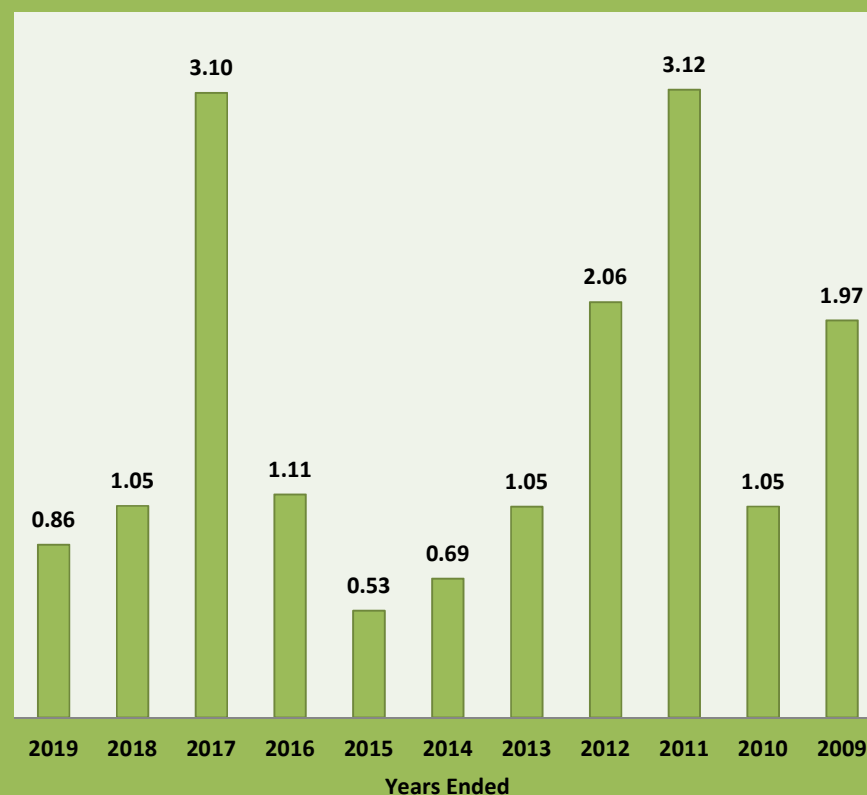




Current Ratio



Debt Equity Ratio



VERTICAL ANALYSIS OF FINANCIAL STATEMENTS

	2019	2019	2018	2018	2017	2017	2016	2016	2015	2015
	Rupees in 000	%	Rupees in 000	%	Rupees in 000	%	Rupees in 000	%	Rupees in 000	%
<u>Financial Position</u>										
Total Non-Current Assets	2,825,018	77.59	2,937,010	72.18	1,784,469	57.80	1,509,700	62.26	1,211,847	63.76
Total Current Assets	815,755	22.41	1,131,843	27.82	1,302,916	42.20	915,207	37.74	688,656	36.24
Total Assets	3,640,773	100.00	4,068,853	100.00	3,087,385	100.00	2,424,907	100.00	1,900,503	100.00
Total Equity & Surplus on revaluation	1,223,854	33.62	1,330,699	32.70	569,165	18.44	863,437	35.61	860,635	45.28
Total Non-Current Liabilities	665,586	18.28	854,653	21.00	645,365	20.90	557,599	22.99	428,989	22.57
Total Current Liabilities	1,751,333	48.10	1,883,501	46.29	1,872,855	60.66	1,003,871	41.40	610,879	32.14
Total Equity & Liabilities	3,640,773	100.00	4,068,853	100.00	3,087,385	100.00	2,424,907	100.00	1,900,503	100.00
<u>Profit or Loss</u>										
Sales	2,770,439	100.00	3,405,535	100.00	2,583,232	100.00	2,832,657	100.00	2,869,164	100.00
Cost of sales	(2,638,661)	(95.24)	(3,307,015)	(97.11)	(2,653,892)	(102.74)	(2,681,075)	(94.65)	(2,612,077)	(91.04)
Gross Profit / (Loss)	131,778	4.76	98,520	2.89	(70,660)	(2.74)	151,582	5.35	257,087	8.96
Profit from trading activities	-	-	3,553	0.10	-	-	2,179	0.08	-	-
Distribution cost	(12,698)	(0.46)	(41,879)	(1.23)	(796)	(0.03)	(522)	(0.02)	(769)	(0.03)
Administrative cost	(91,136)	(3.29)	(90,971)	(2.67)	(84,937)	(3.29)	(77,999)	(2.75)	(75,544)	(2.63)
Other operating cost	(6,364)	(0.23)	(7,812)	(0.23)	(11,622)	(0.45)	(22,168)	(0.78)	(9,950)	(0.35)
Other income	2,479	0.09	185,391	5.44	2,617	0.10	6,847	0.24	81	0.00
Operating Profit / (Loss)	24,059	0.87	146,802	4.31	(165,398)	(6.40)	59,919	2.12	170,905	5.96
Finance cost	(172,667)	(6.23)	(121,934)	(3.58)	(94,280)	(3.65)	(48,859)	(1.72)	(81,122)	(2.83)
(Loss) / Profit before taxation	(148,608)	(5.36)	24,868	0.73	(259,678)	(10.05)	11,060	0.39	89,783	3.13
Taxation	49,753	1.80	(5,442)	(0.16)	(27,426)	(1.06)	2,893	0.10	(32,383)	(1.13)
(Loss) / Profit after taxation	(98,855)	(3.57)	19,426	0.57	(287,104)	(11.11)	13,953	0.49	57,400	2.00

HORIZONTAL ANALYSIS OF FINANCIAL STATEMENTS

	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015
	----- Rupees in 000 -----					----- Variance in % -----				
<u>Financial Position</u>										
Total Non-Current Assets	2,825,018	2,937,010	1,784,469	1,509,700	1,211,847	(3.81)	64.59	18.20	24.58	4.80
Total Current Assets	815,755	1,131,843	1,302,916	915,207	688,656	(27.93)	(13.13)	42.36	32.90	2.76
Total Assets	3,640,773	4,068,853	3,087,385	2,424,907	1,900,503	(10.52)	31.79	27.32	27.59	4.05
Total Equity & Surplus on revaluation	1,223,854	1,330,699	569,165	863,437	860,635	(8.03)	133.80	(34.08)	0.33	7.83
Total Non-Current Liabilities	665,586	854,653	645,365	557,599	428,989	(22.12)	32.43	15.74	29.98	24.70
Total Current Liabilities	1,751,333	1,883,501	1,872,855	1,003,871	610,879	(7.02)	0.57	86.56	64.33	(10.73)
Total Equity & Liabilities	3,640,773	4,068,853	3,087,385	2,424,907	1,900,503	(10.52)	31.79	27.32	27.59	4.05
<u>Profit or Loss</u>										
Sales	2,770,439	3,405,535	2,583,232	2,832,657	2,869,164	(18.65)	31.83	(8.81)	(1.27)	(10.25)
Cost of sales	(2,638,661)	(3,307,015)	(2,653,892)	(2,681,075)	(2,612,077)	(20.21)	24.61	(1.01)	2.64	(12.44)
Gross Profit / (Loss)	131,778	98,520	(70,660)	151,582	257,087	(33.76)	(239.43)	(146.62)	(41.04)	20.28
Profit from trading activities	-	3,553	-	2,179	-	(100.00)	100.00	(100.00)	100.00	(100.00)
Distribution cost	(12,698)	(41,879)	(796)	(522)	(769)	(69.68)	5,161.18	52.49	(32.12)	(85.56)
Administrative cost	(91,136)	(90,971)	(84,937)	(77,999)	(75,544)	0.18	7.10	8.89	3.25	18.13
Other operating cost	(6,364)	(7,812)	(11,622)	(22,168)	(9,950)	(18.54)	(32.78)	(47.57)	122.79	12.63
Other income	2,479	185,391	2,617	6,847	81	(98.66)	6,984.10	(61.78)	8,353.09	(78.85)
Operating Profit / (Loss)	24,059	146,802	(165,398)	59,919	170,905	83.61	(188.76)	(376.04)	(64.94)	26.18
Finance cost	(172,667)	(121,934)	(94,280)	(48,859)	(81,122)	41.61	29.33	92.96	(39.77)	(18.35)
(Loss) / Profit before taxation	(148,608)	24,868	(259,678)	11,060	89,783	697.59	(109.58)	(2,447.90)	(87.68)	148.77
Taxation	49,753	(5,442)	(27,426)	2,893	(32,383)	(1,014.25)	(80.16)	(1,048.01)	(108.93)	18.36
(Loss) / Profit after taxation	(98,855)	19,426	(287,104)	13,953	57,400	608.88	(106.77)	(2,157.65)	(75.69)	557.35

FINANCIALS ANALYSIS

&

VARIANCES

Business & Financial Analysis

Sale of sugar is the primary revenue source of the Company as sales of by products i.e. molasses, bagasse and electric power are classified under the cost of Sales based on the convention followed by the Company. All sales made by the Company are usually local and some export of sugar has also been made, based on the available and allotted sugar quota by the Government and the viability of sugar selling rate. The company does not have any sugarcane farming; however, small percentage of sugarcane procured during the year by the related parties were obtained from them.

The Company has the crushing capacity of 8,500 TCD and the Company operates for 100 days for the season 2018-19 as compared to the crushing days of 142 for the previous season 2017-18. The Company utilized its capacity up-to 57.75% for the year 2018-19 as compared to the 59% utilization for the corresponding year. The main reason for under utilization of production capacity is lesser availability of sugarcane during the season.

It was the challenging year for sugar industry because of the high cost of sugarcane set by the Government and increase in cost of various input items. Due to availability of surplus stock, the price of sugar did not increase in the same proportion as the cost of producing sugar during the year.

Financial performance of Sanghar remained dismal during the period under review, operating performance of sugar recorded decline of 14.58% for local sales and 45.94% for export sales, as the overall decrease in net sugar sales was 18.65% and the average cost of sugar sold during the year did not exceed the net sales by the Company during the year but the other operating cost of Company has wiped out the profitability margin especially the Finance Cost which was increased by the 41.61% as compared to the last year. Also the main reason for increase in the finance cost was the increase in the base rate for an average of 8.5% to 13.25%.

Lesser production with high procurement cost and other operating expenses has resulted in worsening cash flow situation for the Company, resulting in increasing reliance on short term bank financing to meet immediate needs. Short term borrowing has been fully availed during the year for long duration but as at the year end there was a decrease of 21.94% as compared to the last year.



**SANGHAR SUGAR MILLS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2019**

	September 30 2019	September 30 2018	Variance	Percentage
	----- (Rupees in '000) -----			%
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	2,807,695	2,909,416	(101,721)	(3.50)
Intangible asset	-	-	-	-
Long term deposits	17,323	18,823	(1,500)	(7.97)
Deferred cost	-	8,771	(8,771)	(100.00)
	2,825,018	2,937,010	(111,992)	(3.81)
CURRENT ASSETS				
Stores, spare parts and loose tools	56,925	55,599	1,326	2.38
Stock-in-trade	604,943	790,044	(185,101)	(23.43)
Trade Debts	-	28,726	(28,726)	(100.00)
Loans and advances	34,336	38,841	(4,505)	(11.60)
Trade deposits & short term prepayments	11,051	12,413	(1,362)	(10.97)
Other receivables	47,080	160,994	(113,914)	(70.76)
Income tax refundable - net of provision	23,758	38,155	(14,397)	(37.73)
Cash and bank balances	37,662	7,071	30,591	432.63
	815,755	1,131,843	(316,088)	(27.93)
TOTAL ASSETS	3,640,773	4,068,853	(428,080)	(10.52)



	September 30 2019	September 30 2018	Variance	Percentage
	----- (Rupees in '000) -----			%
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized capital				
20,000,000 shares of Rs.10 each	200,000	200,000	-	-
Issued, subscribed and paid up capital	119,460	119,460	-	-
Unappropriated profit	67,276	111,367	(44,091)	(39.59)
Surplus on revaluation of property, plant & equipment	1,037,118	1,099,872	(62,754)	(5.71)
	1,223,854	1,330,699	(106,845)	(8.03)
NON CURRENT LIABILITIES				
Long term financing	84,560	153,791	(69,231)	(45.02)
Liabilities against assets subject to finance lease	61,110	97,072	(35,962)	(37.05)
Deferred liabilities	519,916	603,790	(83,874)	(13.89)
	665,586	854,653	(189,067)	(22.12)
CURRENT LIABILITIES				
Trade and other payables	781,975	688,073	93,902	13.65
Accrued finance cost	57,670	29,035	28,635	98.62
Short term borrowings	797,350	1,021,483	(224,133)	(21.94)
Unclaimed dividend	8,286	1,526	6,760	442.99
Dividend payable	-	12,418	(12,418)	(100.00)
Current portion of long term financing	69,272	87,936	(18,664)	(21.22)
Current portion of liabilities against assets subject to finance lease	36,780	43,030	(6,250)	(14.52)
	1,751,333	1,883,501	(132,168)	(7.02)
CONTINGENCIES AND COMMITMENTS	-	-	-	-
TOTAL EQUITY AND LIABILITIES	3,640,773	4,068,853	(428,080)	(10.52)

SANGHAR SUGAR MILLS LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	September 30 2019	September 30 2018	Variance	Percentage
	----- (Rupees in '000) -----			%
Sales	2,770,439	3,405,535	(635,096)	(18.65)
Cost of sales	2,638,661	3,307,015	(668,354)	(20.21)
Gross Profit	131,778	98,520	33,258	33.76
Profit from trading activities	-	3,553	(3,553)	(100.00)
	131,778	102,073	29,705	29.10
Distribution cost	12,698	41,879	(29,181)	(69.68)
Administrative cost	91,136	90,971	165	0.18
Other operating cost	6,364	7,812	(1,448)	(18.54)
	110,198	140,662	(30,464)	(21.66)
Operating Profit / (Loss)	21,580	(38,589)	60,169	(155.92)
Other income	2,479	185,391	(182,912)	(98.66)
	24,059	146,802	(122,743)	(83.61)
Finance cost	172,667	121,934	50,733	41.61
(Loss) / Profit before taxation	(148,608)	24,868	(173,476)	(697.59)
Taxation	(49,753)	5,442	(55,195)	(1,014.25)
(Loss) / Profit after taxation	(98,855)	19,426	(118,281)	(608.88)
(Loss) / Earning per share - Basic and diluted (Rupees)	(8.28)	1.63	(10)	(607.68)

SALES

Local Sales

Export Sales

Less:

Brokerage and Commission

Sales Tax / Further Tax

2019	2018	Variance	Percentage
----- Rs in '000 -----			
			%
2,951,835	3,455,534	(503,699)	(14.58)
195,565	361,726	(166,161)	(45.94)
(979)	(825)	154	(18.67)
(375,982)	(410,900)	(34,918)	8.50
(376,961)	(411,725)	(34,764)	8.44
2,770,439	3,405,535	(635,096)	(18.65)

	2019	2018	Variance	Percentage
	----- Rs in '000 -----			%
<u>COST OF SALES</u>				
Sugar cane consumed (including cane procurement expenses)	2,222,014	2,871,755	(649,741)	(22.63)
Salaries, wages and staff benefits	167,309	162,753	4,556	2.80
Stores, spare parts & loose tools consumed	128,193	122,614	5,579	4.55
Fuel, power & utilities	9,772	8,240	1,532	18.59
Insurance	12,520	13,417	(897)	(6.69)
Repairs and maintenance	10,420	5,995	4,425	73.81
Vehicle running expenses	7,562	7,460	102	1.37
Ijarah Lease Rentals	1,777	7,106	(5,329)	(74.99)
Depreciation	148,240	77,748	70,492	90.67
Amortization of deferred cost	8,771	8,772	(1)	(0.01)
Other expenses	11,841	12,560	(719)	(5.72)
	2,728,419	3,298,420	(570,001)	(17.28)
Sale of Electric Power	29,949	31,365	(1,416)	(4.51)
Sugar -in-process Opening	1,153	650	503	77.38
Sugar -in-process Closing	(1,268)	(1,153)	115	9.97
	(115)	(503)	(388)	(77.14)
	2,698,355	3,266,552	(568,197)	(17.39)
Sale of Molasses	240,980	265,528	(24,548)	(9.24)
Inventory adjustment for molasses	(48)	84	(132)	(157.13)
	240,932	265,612	(24,680)	(9.29)
Sale of Bagasse	3,846	-	3,846	100.00
Inventory adjustment for bagasse	600	(3,071)	(3,671)	(119.54)
	4,446	(3,071)	(7,517)	(244.77)
Cost of goods manufactured	2,452,977	3,004,011	(551,034)	(18.34)
Finished sugar - Opening stock	787,770	1,090,774	(303,004)	(27.78)
Finished sugar - Closing stock	(602,086)	(787,770)	(185,684)	(23.57)
	185,684	303,004	(117,320)	(38.72)
	2,638,661	3,307,015	(668,354)	(20.21)

	2019	2018	Variance	Percentage
	----- Rs in '000 -----			%
<u>PROFIT FROM TRADING ACTIVITIES</u>				
Sales	111,532	93,596	17,936	19.16
Less: Sales Tax	(2,187)	(4,378)	(2,191)	(50.05)
	109,345	89,218	20,127	22.56
Less: Purchases & other expenses thereon	(109,345)	(85,665)	23,680	27.64
	-	3,553	(3,553)	(100.00)
<u>DISTRIBUTION COST</u>				
Export charges including transportation	11,689	28,712	(17,023)	(59.29)
Rent of godown, salaries & transportation charges	-	11,725	(11,725)	(100.00)
Handling and Stacking	1,009	1,442	(433)	(30.03)
	12,698	41,879	(29,181)	(69.68)
<u>ADMINISTRATIVE COST</u>				
Salaries, wages and staff benefits	61,166	60,269	897	1.49
Rent, rates and taxes	2,038	1,121	917	81.80
Communication	644	635	9	1.42
Repairs and maintenance	1,469	1,951	(482)	(24.71)
Utilities	955	1,340	(385)	(28.73)
Entertainment	610	656	(46)	(7.01)
Subscription	2,313	1,974	339	17.17
Cartage	34	35	(1)	(2.86)
Printing and stationery	1,115	1,337	(222)	(16.60)
Insurance	4,173	4,472	(299)	(6.69)
Legal and professional charges	1,320	3,088	(1,768)	(57.25)
Conveyance and traveling	4,624	3,656	968	26.48
Depreciation	9,570	9,283	287	3.09
Amortization of intangible asset	-	19	(19)	(100.00)
Others	1,105	1,135	(30)	(2.64)
	91,136	90,971	165	0.18

OTHER OPERATING COST

	2019	2018	Variance	Percentage
	----- Rs in '000 -----			%
<u>FINANCE COST</u>				
Mark-up on long term financing	26,197	15,005	11,192	74.59
Mark-up / profit on short-term borrowings	130,080	95,967	34,113	35.55
Financial charges on liabilities against asset subject to finance lease	14,843	9,571	5,272	55.08
Bank charges	1,398	1,391	7	0.50
Interest on workers' profit participation fund	149	-	149	100.00
	<u>172,667</u>	<u>121,934</u>	<u>50,733</u>	<u>41.61</u>
<u>TAXATION</u>				
Current year	46,378	-	46,378	100.00
Prior years	7,298	-	7,298	100.00
Deferred	(103,429)	5,442	108,871	2,000.57
	<u>(49,753)</u>	<u>5,442</u>	<u>(55,195)</u>	<u>(1,014.25)</u>

FUTURE OUTLOOK
&
KEY FACTORS

Future Outlook

Crushing season 2019-20, the country is expecting shortfall in the sugar stock due to low production, as compared to previous seasons. Export permitted by Federal Government was cut down and the permission of import of sugar has been given, which will results in decreasing sugar prices in the market.

Due to shortfall in supply of cane, the procurement cost are much above the support price as announced by the Government, therefore, for crushing season 2019-20 the margin of profitability becomes minimum and or eroded.

Season 2019-20 is expected to be another challenging year for the sugar industry and cane crop is expected to be less by 10% to 20% compared to last year. The government should develop policies to promote the sugar industry in Pakistan. Furthermore, it is also requested to rationalise the assessable value of sugar rate for sales tax purpose, which is currently fixed at Rs. 60 per kg or Market Price, which ever is higher. Meanwhile, the Sindh government is requested to release on immediate basis export subsidy amounting to Rs. 3.95 billion. The decision on Quality Premium will have an adverse impact on the sugar industry in Sindh as price of sugarcane will be much higher here compared to other provinces where there is no quality premium. This will have serious impact on the financial health of the sugar mills in Sindh.

Key Factors to be Considered

- Higher procurement cost of sugarcane due to lower availability
- Increase in minimum support price by the Provincial Government
- Delay in efficiency improvement measures
- Low sugar recovery
- High interest rates
- Taxes & Duties

QUESTION & ANSWERS SESSION

THANK YOU