



# **CORPORATE BRIEFING SESSION on Annual Report 2020**



سانگھڑ شوگر ملز لمیٹڈ  
Sanghar Sugar Mills Limited

# Company Information

## Company Information

### BOARD OF DIRECTORS

Mr. Ghulam Dastagir Rajar (Chairman)  
Mr. Ghulam Hyder (Chief Executive)  
Haji Khuda Bux Rajar  
Mr. Mohammad Aslam  
Mr. Rahim Bux  
Mr. Qazi Shamsuddin  
Mr. M. Abdul Jabbar  
Ms. Nazia Azam

### BOARD COMMITTEES

#### AUDIT COMMITTEE

Mr. Rahim Bux (Chairman)  
Mr. Ghulam Dastagir  
Mr. M. Abdul Jabbar

#### HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Rahim Bux (Chairman)  
Mr. Ghulam Hyder  
Mr. M. Abdul Jabbar

#### INFORMATION TECHNOLOGY & STEERING COMMITTEE

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

#### CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Mr. Muhammad Aslam (Chairman)  
Mr. Qazi Shamsuddin  
Ms. Nazia Azam  
Syed Rehan Ahmad Hashmi

#### RISK MANAGEMENT COMMITTEE

Mr. Muhammad Aslam (Chairman)  
Haji Khuda Bux Rajar  
Mr. Qazi Shamsuddin

#### COMPANY SECRETARY

Mr. Muhammad Mubeen Alam

#### CHIEF FINANCIAL OFFICER

Syed Rehan Ahmad Hashmi

### STATUTORY AUDITOR

Kreston Hyder Bhimji & Co.  
Chartered Accountants

### SHARE REGISTRAR

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

### LEGAL ADVISOR

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

### BANKERS

#### Islamic

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

#### Conventional

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

### 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](http://www.sangharsugarmills.com)  
E-mail: [info@sangharsugarmills.com](mailto:info@sangharsugarmills.com)

### MANUFACTURING FACILITIES

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

# Background

## 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Sanghar Sugar Mills Limited is a public limited company incorporated in Pakistan under the repealed Companies Ordinance, 1984 and now the Companies Act, 2017.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 by-products i.e. molasses and bagasse. The Company has a bagasse-based cogeneration power plant and are supplying for the past five years. Manufacturing facilities are located in Sanghar district, with registered office located in provincial capital, Karachi.

# Industry Overview



# Industry Overview

Pakistan is the 8th largest country in the world in terms of sugar production and world's 5th largest producer of sugarcane. Sugarcane is the primary raw material for the production of sugar. Among the provinces, Punjab accounts for around 65% of sugarcane area, Sindh around 25% and Khyber Pakhtunkhwa around 10%. Pakistan has an annual consumption of approximately 5.60 million tons of sugar. During the season 2019-20, the country produced 4.819 million tons of sugar. More stock of sugar is available in the country if includes carry forward stock from previous year. After meeting the country's demand, the Company exported a huge quantity in previous seasons due to surplus production and earned precious foreign exchange for the Country. But the Government had to import sugar in last quarter of 2020 due to shortage of sugar and decided to import another 0.5 million tons of sugar in the ongoing season 2020-21 to overcome the shortage of refined sugar.

In addition to sugar, sugarcane is used in the production of pharmaceuticals, ethanol, bagasse for paper and chip board manufacturing and press mud - a source of organic fertilizer for crop production. Sugarcane is typically grown on the high delta away from flood areas along Pakistan's major rivers. According to experts, water shortages, a lack of high yielding varieties and uneven fertilizer and pesticide application contribute to lower yields. Pakistan would benefit from additional sugarcane research and development initiatives in line with international standards.

The provincial governments set procurement prices for sugarcane in consultation with representatives of both the sugar industry and farmers' organizations, based on the recommendations from the Ministry of National Food Security and Research and the provincial ministries of agriculture, food and industry. Mills are typically bound to pay farmers the minimum support price. The steady rise in sugarcane procurement prices has made it difficult for mills to profitably produce sugar.

Industry reports showed that the average wholesale prices is increased prominently. While mills enjoyed a high prices in the domestic market and export subsidies, the media, influencers and consumer groups raised concerns about the country's sugar production and availability, subsidies, export and pricing mechanisms. As a result the current Government ordered an investigation of the sugar mills.

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, in addition the Law prescribed that the mills must crush all the harvested cane in their area.

Given that sugarcane prices are fixed by the government and sugar prices are determined by market forces, which is exhibiting a declining trend, the same may result in a cost-price mismatch, whereby change in retail sugar prices may not correspond with the change in raw material costs including other overheads as well.

The last couple of years, the conflict between farmers and sugar millers over the issue of price is deepened. The farmers are insisting on higher price for sugarcane and the sugar mills are complains about ever increasing cost of production.

Pakistan has experienced surplus production in the past many years in comparison to its domestic's consumption. But since last two years, sugarcane area and production are on a decreasing trend due to multiple factors and carry forward stock.

# Statement of Value Addition and its Distribution

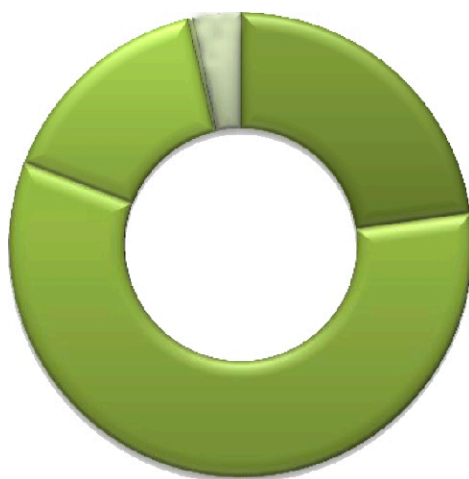


## Statement of Value Addition and its Distribution

	..... 2020.....		..... 2019.....	
<b>Value Addition</b>	(Rs. '000)	%	(Rs. '000)	%
Turnover Gross	3,790,779	99.856	3,533,707	99.930
Other Income	5,463	0.144	2,479	0.070
	<b>3,796,242</b>	<b>100.000</b>	<b>3,536,186</b>	<b>100.000</b>
Cane Procurement and related expenses	2,252,663	80.161	2,222,014	81.255
Other Expenses	557,504	19.839	512,594	18.745
	<b>2,810,167</b>	<b>100.000</b>	<b>2,734,608</b>	<b>100.000</b>
	<b>986,075</b>	<b>25.975</b>	<b>801,578</b>	<b>22.668</b>
<b>Value Distribution</b>				
<b>Distributed as follows</b>				
To Employees				
– Remuneration	225,244	22.843	228,475	28.503
	<b>225,244</b>		<b>228,475</b>	
To Government				
– Sales Tax / Further Tax & Others	543,488	55.116	386,562	48.225
– Income Tax	50,522	5.124	39,279	4.900
– Deferred Tax	(29,112)	(2.952)	(103,429)	(12.903)
– Cess & Fees	6,293	0.638	7,977	0.995
	<b>571,191</b>		<b>330,389</b>	
To Providers of Capital				
– Finance Cost	153,446	15.561	172,667	21.541
	<b>153,446</b>		<b>172,667</b>	
To Corporate Social Responsibility				
– Charity & Donations	3,968	0.402	2,321	0.290
	<b>3,968</b>		<b>2,321</b>	
Retained in the Business				
– Depreciation & Amortization	150,981	15.311	166,581	20.782
– Loss for the year	(118,755)	(12.043)	(98,855)	(12.333)
	<b>32,226</b>		<b>67,726</b>	
	<b>986,075</b>	<b>100.000</b>	<b>801,578</b>	<b>100.000</b>

# Graphical Presentation of Value Distribution

## Value Distribution - 2020



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

## Value Distribution - 2019



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

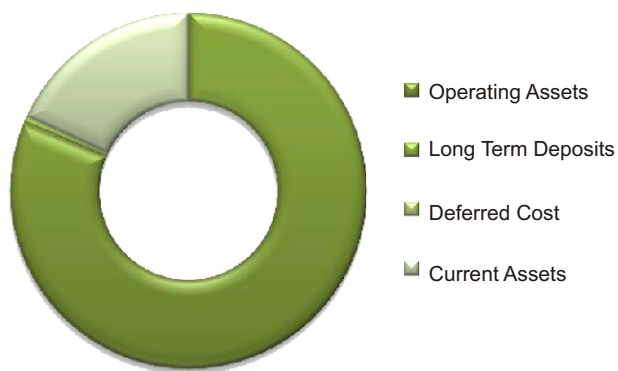
# Key Operating & Financial Highlights

## KEY OPERATING & FINANCIAL HIGHLIGHTS

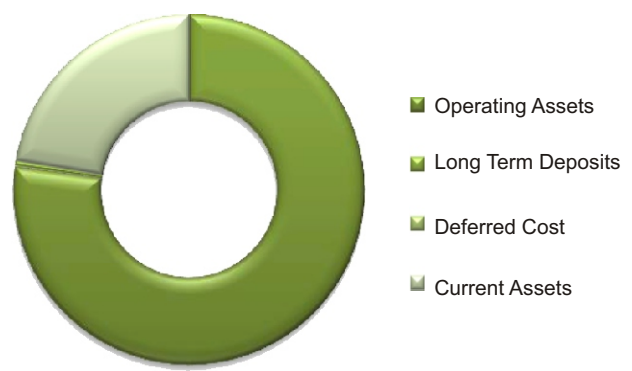
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>OPERATIONAL DATA</b>										
Duration of Season (Days)	109	100	142	133	117	137	151	121	109	117
Cane crushed (Tons)	387,302.875	490,931.929	712,124	625,237	563,617	630,317	738,209	542,289	483,352	491,205
Sucrose Recovery ( % )	10.263	10.76	10.37	10.12	10.20	10.19	9.81	9.77	9.62	9.57
Sugar Made (Tons)	39,804.25	52,799.25	73,776	63,380	57,387.5	64,271	72,530	52,823	46,516	47,008
Molasses (Tons)	16,802	23,590	42,017	30,300	27,040	34,299	39,260	27,460	26,503	24,004
<b>All figures are in Rs in '000</b>										
<b>PROFIT OR LOSS RESULTS</b>										
Turnover - Net	2,938,182	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
Gross Profit / (Loss)	156,161	131,778	98,520	(70,660)	151,582	257,087	213,749	148,572	195,512	245,956
Operating Profit / (Loss)	49,137	21,580	146,802	(165,398)	59,919	170,905	135,446	94,580	95,814	159,342
(Loss) / Profit before taxation	(98,846)	(148,608)	24,868	(259,678)	11,060	89,783	36,091	14,271	(424)	64,345
(Loss) / Profit after taxation	(118,755)	(98,855)	19,426	(287,104)	13,953	57,400	8,732	6,901	(6,554)	37,759
<b>ASSETS EMPLOYED</b>										
Operating Assets	2,712,815	2,807,695	2,909,416	1,745,965	1,465,348	1,167,508	1,146,845	729,685	747,116	754,005
Long Term Deposits	20,231	17,323	18,823	20,961	15,467	10,966	9,478	45,300	36,369	36,396
Deferred Cost	—	—	8,771	17,543	28,885	33,373	—	—	—	—
Current Assets	606,939	815,755	1,131,843	1,302,916	915,207	688,656	670,133	461,593	935,108	1,471,518
Total Assets Employed	3,339,985	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
<b>FINANCED BY</b>										
Shareholder's equity	1,108,108	1,223,854	1,330,699	569,165	863,437	860,635	798,148	501,566	490,172	496,725
Long Term Liabilities	247,536	145,670	250,863	345,291	262,532	103,640	23,174	75,242	64,908	85,089
Deferred Liabilities	508,584	519,916	603,790	300,074	295,067	325,349	320,838	210,011	217,741	217,014
Current Liabilities	1,475,757	1,751,333	1,883,501	1,872,855	1,003,871	610,879	684,296	449,759	945,772	1,463,091
Total Fund Invested	3,339,985	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

## Graphical Presentation of Financial Highlights

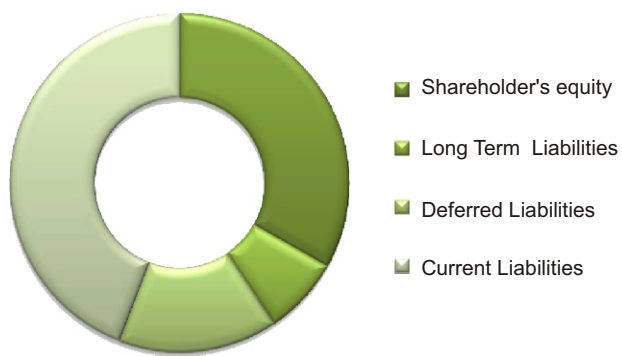
**Total Assets Employed - 2020**



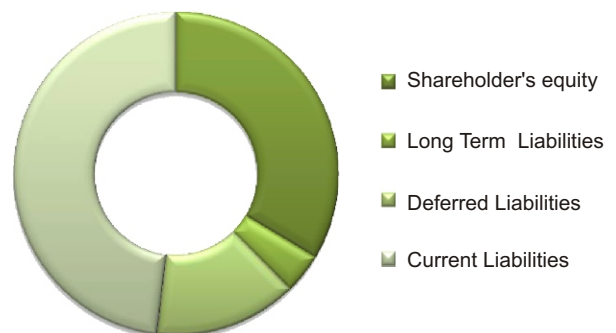
**Total Assets Employed - 2019**



**Total Fund Invested - 2020**



**Total Fund Invested - 2019**



# Stakeholder Engagement, Investor Relations & Financial Ratios



# 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 give high priority. Annual, half yearly and quarterly reports are distributed to the shareholders and provided to other users with in 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 help 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](http://www.sangharsugarmills.com)

## **Public Information**

Financial analysts, stock brokers, interested investors and financial media desiring information about the Company and its product may contact the Chief Financial Officer and or the Company Secretary at Head Office, Karachi.



## Financial Ratios

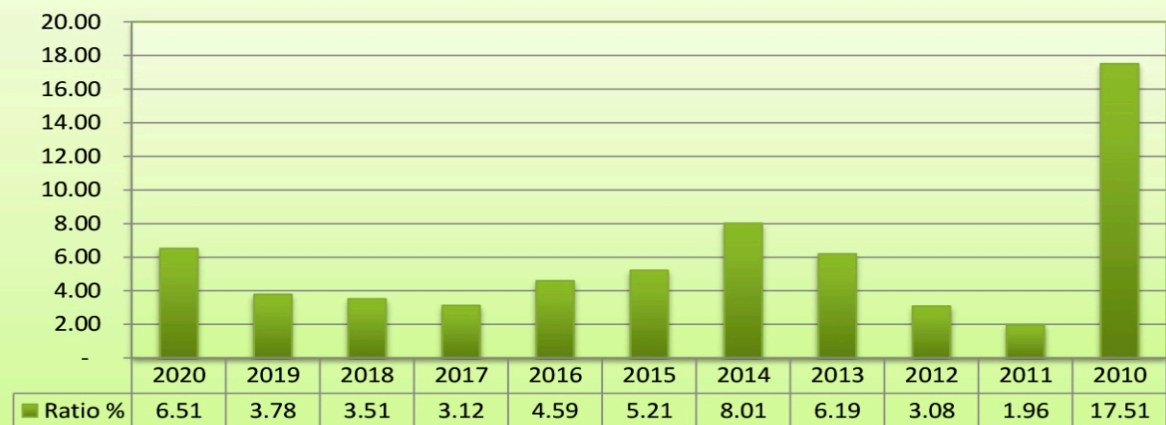
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Profitability Ratios</b>										
Gross Profit Ratio (%)	5.31	4.76	2.89	(2.74)	5.35	8.96	6.69	5.36	6.51	16.42
Net Profit to Sales (%)	(4.04)	(3.57)	0.57	(11.11)	0.49	2.00	0.27	0.25	(0.22)	2.52
Return on Capital Employed (%)	4.93	1.97	11.03	(85.28)	12.82	37.87	36.52	36.52	42.17	47.43
<b>Turnover Ratios</b>										
Inventory Turnover Ratio	6.51	3.78	3.51	3.12	4.59	5.21	8.01	6.19	3.08	1.96
Fixed Assets Turnover Ratio	108.31	98.67	117.05	147.96	193.37	245.93	278.88	383.94	403.72	200.02
<b>Investor Information</b>										
Price Earning Ratio	(1.74)	(3.15)	15.36	(1.55)	36.39	5.31	34.89	39.47	(44.91)	3.39
Market Value per Share	17.34	26.05	24.98	37.35	42.50	41.74	25.50	22.89	24.70	10.71
Book Value per Share	92.76	102.45	111.39	54.02	46.68	37.78	31.04	29.70	27.62	27.43
(Loss) / Earning per Share	(9.94)	(8.28)	1.63	(24.03)	1.17	4.80	0.73	0.58	(0.55)	3.16
<b>Liquidity Ratios</b>										
Current Ratio	0.41	0.47	0.60	0.69	0.91	1.13	0.98	1.03	0.99	1.01
<b>Capital Structure Ratios</b>										
Debt Equity Ratio	0.68	0.86	1.05	3.10	1.11	0.53	0.69	1.05	2.06	3.12
Interest Cover Ratio	0.36	0.14	1.20	(1.75)	1.23	2.11	1.36	1.18	1.00	1.68

# Graphical Analysis

### Gross Profit Ratios (%)



### Inventory Turnover Ratio (%)

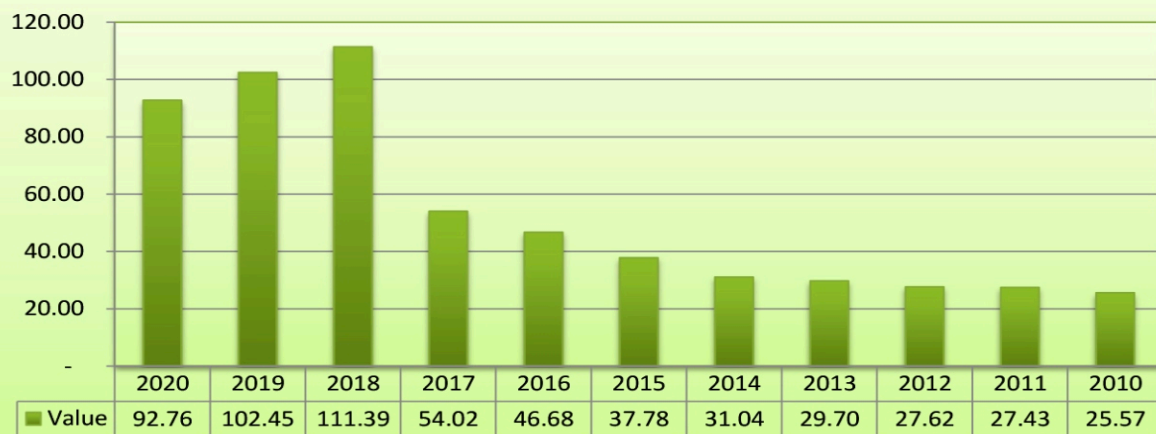


### Market Value Per Share





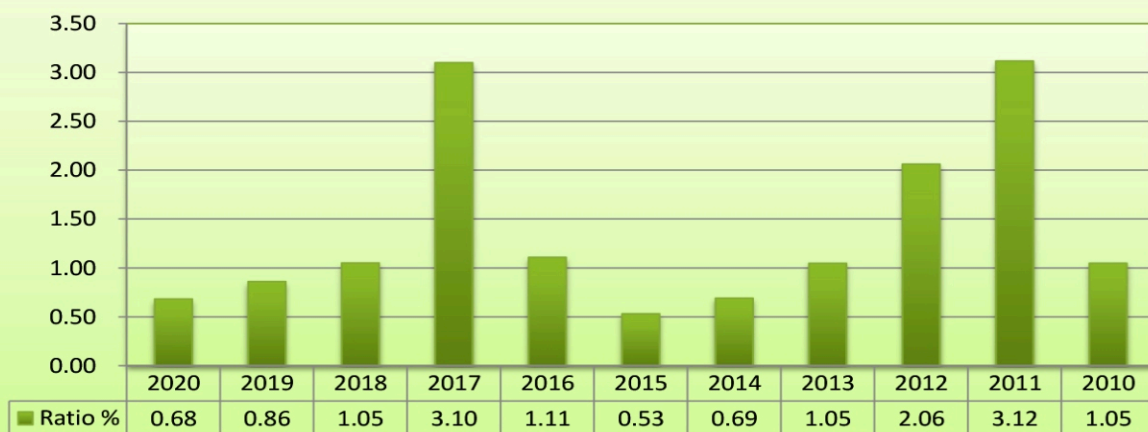
### Book Value Per Share



### Current Ratio (%)



### Debt Equity Ratio (%)





# Vertical Analysis of Financial Statements

# Vertical Analysis of Financial Statements

	2020 Rupees in 000	2020 %	2019 Rupees in 000	2019 %
<b><u>Financial Position</u></b>				
Total Non-Current Assets	2,733,046	81.83	2,825,018	77.59
Total Current Assets	606,939	18.17	815,755	22.41
<b>Total Assets</b>	<b>3,339,985</b>	<b>100.00</b>	<b>3,640,773</b>	<b>100.00</b>
Total Equity & Surplus on revaluation	1,108,108	33.18	1,223,854	33.62
Total Non-Current Liabilities	756,120	22.64	665,586	18.28
Total Current Liabilities	1,475,757	44.18	1,751,333	48.10
<b>Total Equity &amp; Liabilities</b>	<b>3,339,985</b>	<b>100.00</b>	<b>3,640,773</b>	<b>100.00</b>
<b><u>Profit or Loss</u></b>				
Sales	2,938,182	100.00	2,770,439	100.00
Cost of sales	(2,782,021)	(94.69)	(2,638,661)	(95.24)
<b>Gross Profit / (Loss)</b>	<b>156,161</b>	<b>5.31</b>	<b>131,778</b>	<b>4.76</b>
Trading activities	—	—	—	—
Distribution cost	(710)	(0.02)	(12,698)	(0.46)
Administrative cost	(99,630)	(3.39)	(91,136)	(3.29)
Other operating cost	(6,684)	(0.23)	(6,364)	(0.23)
Other income	5,463	0.19	2,479	0.09
<b>Operating Profit / (Loss)</b>	<b>54,600</b>	<b>1.86</b>	<b>24,059</b>	<b>0.87</b>
Finance cost	(153,446)	(5.22)	(172,667)	(6.23)
<b>(Loss) / Profit before taxation</b>	<b>(98,846)</b>	<b>(3.36)</b>	<b>(148,608)</b>	<b>(5.36)</b>
Taxation	(19,909)	(0.68)	(49,753)	(1.80)
<b>(Loss) / Profit after taxation</b>	<b>(118,755)</b>	<b>(4.04)</b>	<b>(98,855)</b>	<b>(3.57)</b>

# Horizontal Analysis of Financial Statements

# Horizontal Analysis of Financial Statements

	2020 .....Rupees in 000.....	2019	2020 ....Variance in %....	2019	Reasons/Comments for increase / (decrease) in the 2020 as compared to 2019
<b><u>Financial Position</u></b>					
Total Non-Current Assets	2,733,046	2,825,018	(3.26)	(3.81)	Decreased mainly due to the depreciation charged for the year on owned assets amounted to Rs. 143,307 thousand and on Right to use assets amounted to Rs. 7,674 thousand. While total additions / deletions (net) of owned and Right to use assets were Rs. 49,683 thousand. Further, addition in long term deposits amounted to Rs. 2,908 thousand.
Total Current Assets	606,939	815,755	(25.60)	(27.93)	Decreased mainly due to 58.68% decreased in the value of stock in trade as at the year end. But the Trade debts, loans & advances and cash & bank balances has been increased by 100%, 264.61% and 84.33% respectively which off-set the decrease of stock in trade upto net impact of 25.60%.
<b>Total Assets</b>	<b>3,339,985</b>	<b>3,640,773</b>	<b>(8.26)</b>	<b>(10.52)</b>	
Total Equity & Surplus on revaluation	1,108,108	1,223,854	(9.46)	(8.03)	Decreased due to the total comprehensive loss for the year amounted to Rs. 115,746 thousand.
Total Non-Current Liabilities	756,120	665,586	13.60	(22.12)	Increased mainly due to the long term finances obtained during the year amounted to Rs. 182,577 thousand and repayments of long term financings made during the year amounted to Rs. 71,396 thousand.
Total Current Liabilities	1,475,757	1,751,333	(15.74)	(7.02)	Decreased mainly due to 51.21% decrease in short term borrowings, 32.93% decrease in accrued liabilities and 43.12% decrease in unclaimed dividend as at the year end. Trade and other payables has been 17.96% increased as at the year end as compared to last year.
<b>Total Equity &amp; Liabilities</b>	<b>3,339,985</b>	<b>3,640,773</b>	<b>(8.26)</b>	<b>(10.52)</b>	

# SANGHAR SUGAR MILLS LIMITED

	2020 .....Rupees in 000.....	2019	2020 ....Variance in %.....	2019	Reasons/Comments for increase / (decrease) in the 2020 as compared to 2019
<b><u>Profit or Loss</u></b>					
Sales	2,938,182	2,770,439	6.05	(18.65)	Turnover has been increased as compared to last year due to the consistent dispatches throughout the year at better selling prices.
Cost of sales	(2,782,021)	(2,638,661)	5.43	(20.21)	Mainly increased due to low closing stock (finished) and 58.83% decrease in valuation as at the year-end.
<b>Gross Profit</b>	<b>156,161</b>	131,778	<b>18.50</b>	(33.76)	
Distribution cost	(710)	(12,698)	(94.41)	(69.68)	Due to the 100% decrease in export sales and their expenses also decreased due to the handling & stacking expenses.
Administrative cost	(99,630)	(91,136)	9.32	0.18	Mainly increased due to repair & maintenance, printing & stationery, legal & professional and other expenses during the year.
Other operating cost	(6,684)	(6,364)	5.03	(18.54)	Other operating expenses has been increased due to the Corporate Social Responsibility costs incurred during the year.
Other income	5,463	2,479	120.37	(98.66)	Mainly increased due to the some liabilities for more than three years has been written back which were no more payable.
<b>Operating Profit</b>	<b>54,600</b>	24,059	<b>(126.94)</b>	83.61	
Finance cost	(153,446)	(172,667)	(11.13)	41.61	Mainly decreased due to the reduction in Mark-up base rate (KIBOR) as per State Bank of Pakistan and further repayment of long term financing and availed the short term borrowings for shorter period.
<b>Loss before taxation</b>	<b>(98,846)</b>	148,608	<b>33.49</b>	697.59	
Taxation	(19,909)	49,753	(140.02)	(1,014.24)	Increased mainly due to the minimum tax on turnover and significantly decreased in reversal of Deferred Tax due to minimum tax, previous years losses and tax credit carried forward.
<b>Loss after taxation</b>	<b>(118,755)</b>	(98,855)	<b>(20.13)</b>	608.88	

# Statement of Financial Position

As at September 30, 2020



# Statement of Financial Position

As At September 30, 2020

	September 30 2020	September 30 2019	Variance	Percentage
	.....(Rupees in '000) .....			%
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	2,712,815	2,807,695	(94,880)	(3.38)
Long term deposits	20,231	17,323	2,908	16.79
	<b>2,733,046</b>	<b>2,825,018</b>	<b>(91,972)</b>	<b>(3.26)</b>
<b>CURRENT ASSETS</b>				
Stores, spare parts and loose tools	51,573	56,925	(5,352)	(9.40)
Stock-in-trade	249,959	604,943	(354,984)	(58.68)
Trade Debts	27,924	—	27,924	100.00
Loans and advances	125,193	34,336	90,857	264.61
Trade deposits & short term prepayments	10,526	11,051	(525)	(4.75)
Other receivables	47,080	47,080	—	—
Income tax refundable - net of provision	25,260	23,758	1,502	6.32
Cash and bank balances	69,424	37,662	31,762	84.33
	<b>606,939</b>	<b>815,755</b>	<b>(208,816)</b>	<b>(25.60)</b>
<b>TOTAL ASSETS</b>	<b>3,339,985</b>	<b>3,640,773</b>	<b>(300,788)</b>	<b>(8.26)</b>
<b>EQUITY AND LIABILITIES</b>				
<b>SHARE CAPITAL AND RESERVES</b>				
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	3,397	67,276	(63,879)	(94.95)
Surplus on revaluation of property, plant & equipment	985,251	1,037,118	(51,867)	(5.00)
	<b>1,108,108</b>	<b>1,223,854</b>	<b>(115,746)</b>	<b>(9.46)</b>
<b>NON CURRENT LIABILITIES</b>				
Long term financing	187,091	84,560	102,531	121.25
Lease Liabilities	59,741	61,110	(1,369)	(2.24)
Deferred liabilities	508,584	519,916	(11,332)	(2.18)
Deferred Government grant	704	—	704	100.00
	<b>756,120</b>	<b>665,586</b>	<b>90,534</b>	<b>13.60</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	922,401	781,975	140,426	17.96
Accrued finance cost	38,677	57,670	(18,993)	(32.93)
Short term borrowings	389,019	797,350	(408,331)	(51.21)
Unclaimed dividend	4,713	8,286	(3,573)	(43.12)
Current portion of long term financing	77,922	69,272	8,650	12.49
Current portion of lease liabilities	41,473	36,780	4,693	12.76
Current portion of deferred Government grant	1,552	—	1,552	100.00
	<b>1,475,757</b>	<b>1,751,333</b>	<b>(275,576)</b>	<b>(15.74)</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	—	—	—	—
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,339,985</b>	<b>3,640,773</b>	<b>(300,788)</b>	<b>(8.26)</b>

# Statement of Profit or Loss

For the year ended September 30, 2020

## Statement of Profit or Loss

### For the year ended September 30, 2020

	September 30 2020	September 30 2019	Variance	Percentage
	.....(Rupees in '000) .....			%
Sales	2,938,182	2,770,439	167,743	6.05
Cost of sales	2,782,021	2,638,661	143,360	5.43
Gross Profit	156,161	131,778	24,383	18.50
Trading activities	—	—	—	—
Distribution cost	710	12,698	(11,988)	(94.41)
Administrative cost	99,630	91,136	8,494	9.32
Other operating cost	6,684	6,364	320	5.03
	107,024	110,198	(3,174)	(2.88)
Operating Profit	49,137	21,580	27,557	127.70
Other Income	5,463	2,479	2,984	120.37
	54,600	24,059	30,541	126.94
Finance cost	153,446	172,667	(19,221)	(11.13)
Loss before taxation	(98,846)	(148,608)	49,762	(33.49)
Taxation	19,909	(49,753)	69,662	(140.02)
Loss after taxation	(118,755)	(98,855)	(19,900)	20.13
Loss per share - Basic and diluted (Rupees)	(9.94)	(8.28)	(1.66)	20.06

# Notes to Profit or Loss

For the year ended September 30, 2020

# SANGHAR SUGAR MILLS LIMITED

	September 30 2020 .....(Rupees in '000) .....	September 30 2019	Variance	Percentage %
<b>SALES</b>				
Local Sales	3,465,585	2,951,835	513,750	17.40
Export Sales	—	195,565	(195,565)	(100.00)
Less: Brokerage and Commission	(148)	(979)	831	(84.88)
Sales Tax / Further Tax	(527,255)	(375,982)	(151,273)	40.23
	(527,403)	(376,961)	(150,442)	39.91
	<u>2,938,182</u>	<u>2,770,439</u>	<u>167,743</u>	<u>6.05</u>
<b>COST OF SALES</b>				
Sugar cane consumed (including cane procurement expenses)	2,252,663	2,222,014	30,649	1.38
Salaries, wages and staff benefits	159,240	167,309	(8,069)	(4.82)
Stores, spare parts & loose tools consumed	106,615	128,193	(21,578)	(16.83)
Fuel, power & utilities	12,263	9,772	2,491	25.49
Insurance	12,344	12,520	(176)	(1.41)
Repairs and maintenance	8,896	10,420	(1,524)	(14.63)
Vehicle running expenses	7,902	7,562	340	4.49
Ijarah Lease Rentals	—	1,777	(1,777)	(100.00)
Depreciation	133,633	139,207	(5,574)	(4.00)
Depreciation on right-of use assets	7,674	9,033	(1,359)	(15.04)
Amortization of deferred cost	—	8,771	(8,771)	(100.00)
Other expenses	10,474	11,841	(1,367)	(11.54)
	<u>2,711,704</u>	<u>2,728,419</u>	<u>(16,715)</u>	<u>(0.61)</u>
Sale of electric power	23,638	29,949	(6,311)	(21.07)
<b>Sugar -in-process</b>				
— Opening	1,268	1,153	115	9.97
— Closing	(1,542)	(1,268)	(274)	21.61
	(274)	(115)	(159)	138.26
	<u>2,687,792</u>	<u>2,698,355</u>	<u>(10,563)</u>	<u>(0.39)</u>
Sale of Molasses	250,847	240,980	9,867	4.09
Inventory adjustment for molasses	(93)	(48)	(45)	94.55
	<u>250,754</u>	<u>240,932</u>	<u>9,822</u>	<u>4.08</u>
Sale of Bagasse	10,229	3,846	6,383	165.96
Inventory adjustment for bagasse	(979)	600	(1,579)	(263.17)
	<u>9,250</u>	<u>4,446</u>	<u>4,804</u>	<u>108.05</u>
Cost of goods manufactured	<u>2,427,788</u>	<u>2,452,977</u>	<u>(25,189)</u>	<u>(1.03)</u>
<b>Finished sugar</b>				
— Opening stock	602,086	787,770	(185,684)	(23.57)
— Closing stock	(247,853)	(602,086)	354,233	(58.83)
	<u>354,233</u>	<u>185,684</u>	<u>168,549</u>	<u>90.77</u>
	<u>2,782,021</u>	<u>2,638,661</u>	<u>143,360</u>	<u>5.43</u>
<b>TRADING ACTIVITIES</b>				
Sales	40,480	111,532	(71,052)	(63.71)
Less: Sales Tax	(753)	(2,187)	1,434	(65.57)
	<u>39,727</u>	<u>109,345</u>	<u>(69,618)</u>	<u>(63.67)</u>
Less: Purchases & other expenses thereon	(39,727)	(109,345)	69,618	(63.67)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

# SANGHAR SUGAR MILLS LIMITED

	September 30 2020 .....(Rupees in '000) .....	September 30 2019	Variance	Percentage %
<b>DISTRIBUTION COST</b>				
Export charges including transportation	—	11,689	(11,689)	(100.00)
Handling and Stacking	710	1,009	(299)	(29.63)
	<b>710</b>	<b>12,698</b>	<b>(11,988)</b>	<b>(94.41)</b>
<b>ADMINISTRATIVE COST</b>				
Salaries, wages and staff benefits	66,004	61,166	4,838	7.91
Rent, rates and taxes	2,883	2,038	845	41.46
Communication	808	644	164	25.47
Repairs and maintenance	2,678	1,469	1,209	82.30
Utilities	528	955	(427)	(44.71)
Entertainment	575	610	(35)	(5.74)
Subscription	1,617	2,313	(696)	(30.09)
Cartage	39	34	5	14.71
Printing and stationery	1,671	1,115	556	49.87
Insurance	4,115	4,173	(58)	(1.39)
Legal and professional charges	2,895	1,320	1,575	119.32
Conveyance and traveling	4,077	4,624	(547)	(11.83)
Depreciation	9,674	9,570	104	1.09
Others	2,066	1,105	961	86.97
	<b>99,630</b>	<b>91,136</b>	<b>8,494</b>	<b>9.32</b>
<b>OTHER OPERATING COST</b>				
Auditors' remuneration	1,566	1,393	173	12.42
Corporate social responsibility costs	3,968	2,321	1,647	70.96
Exchange Loss - net	—	747	(747)	(100.00)
Provision for doubtful grower's advance	—	953	(953)	(100.00)
Provision for slow moving and obsolete items	1,150	950	200	21.05
	<b>6,684</b>	<b>6,364</b>	<b>320</b>	<b>5.03</b>
<b>Auditors' remuneration</b>				
<b>Statutory Auditors - Kreston Hyder Bhimji and Co.</b>				
Audit fee	1,125	1,000	125	12.50
Half yearly review fee	120	103	17	16.50
Code of corporate governance certification	90	80	10	12.50
Certification of Free Float of Shares & reconciliation	115	107	8	7.48
Sindh Sales Tax on Services	116	103	13	12.62
	<b>1,566</b>	<b>1,393</b>	<b>173</b>	<b>12.42</b>



# SANGHAR SUGAR MILLS LIMITED

	September 30 2020 .....(Rupees in '000) .....	September 30 2019	Variance	Percentage %
<b>OTHER INCOME</b>				
<b>Income from non financial assets:</b>				
Gain on sale of property, plant & equipment	1,022	1,399	(377)	(26.96)
Government grant recognized as income	313	—	313	100.00
Others - Rent & related receipts	30	127	(97)	(76.38)
	<b>1,365</b>	<b>1,526</b>	<b>(161)</b>	<b>(10.57)</b>
<b>Income from others:</b>				
Liabilities written back	3,924	75	3,849	5,131.61
Reversal of provision of doubtful growers advances	173	—	173	100.00
Others	1	878	(877)	(99.89)
	<b>4,098</b>	<b>953</b>	<b>3,145</b>	<b>330.02</b>
	<b>5,463</b>	<b>2,479</b>	<b>2,984</b>	<b>120.36</b>
<b>FINANCE COST</b>				
Mark-up on long term financing	19,255	26,197	(6,942)	(26.50)
Mark-up / profit on short-term borrowings	120,891	130,080	(9,189)	(7.06)
Financial charges on lease liabilities	11,649	14,843	(3,194)	(21.52)
Bank charges	1,651	1,398	253	18.10
Interest on workers' profit participation fund	—	149	(149)	(100.00)
	<b>153,446</b>	<b>172,667</b>	<b>(19,221)</b>	<b>(11.13)</b>
<b>TAXATION</b>				
Current year	49,021	46,378	2,643	5.70
Prior years	—	7,298	(7,298)	(100.00)
Deferred	(29,112)	(103,429)	74,317	(71.85)
	<b>19,909</b>	<b>(49,753)</b>	<b>69,662</b>	<b>(140.02)</b>

# Business & Financial Analysis

## 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 due to the shortage of cane, Company is able to crush 387,302.875 M. Tons of sugarcane compared with 490,931.929 M. Tons of sugarcane in the last crushing season resulting in a short fall of 21.10% in crushing & producing 39,804.25 M. Tons of sugar, resulting in a shortfall of 24.61% of Sugar, when compared with production of 52,799.25 M. Tons of last season. During the crushing period, supply of cane was not regular due to shortage of cane in the province, resulting in increased cane prices and intermittent supply also results in low recovery due to frequent stoppages etc.

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, at the start of the year, the price of sugar did not increase in the same proportion as the cost of producing sugar during the year except for the last quarter.

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 as compared to the last year.

# Future Outlook & Key Factors to be Considered

## Future Outlook

Crushing for the season 2020-21 has been started and is expected to be a challenging one for the sugar industry. Pakistan's sugar production for the year 2020-21 are the sugarcane planted on 1.2 million hectares which will produce 72 million metric tons of sugarcane and cane sugar will produce 5.86 million metric tons. After three successive years of increases in sugar production, it is on a downward trajectory mainly due to a decrease in area followed by a significant acreage of ratoon crop.

Due to increase in area under cultivation by about 10% to 12%, your management sees an increase in crushing of sugar cane as well as an increase in production of sugar. This increase in production may not cater the overall demand of the country and we foresee higher selling price of sugar, on the other hand, cane growers also expect prices above the minimum prices announced by the Government of Sindh and has deliberately slowed down the harvesting of cane to increase the price of cane. We expect that all the stakeholders will keep the cost of sugarcane in-line with the selling price of sugar. In addition, operational areas related to cane are affected due to stagnant water after the torrential rain of July 2020 & August 2020 which may have an effect on final sucrose recovery of our mills.

Majority of the sugar industry started its crushing in November 2020 to overcome shortage of sugar in the country. But growers were not willing to supply at support price i.e. Rs. 202/- maund and asking very high price and millers are paying very exorbitant rate to run their mill at optimum capacity and there is no any government agency to control this cane price which will ultimately result in hefty cost of refined sugar.

In ongoing season 2020-21, the Federal Board of Revenue (FBR) had deputed again its staff under section 40B of the Sales Tax Act, 1990 in factory premises to keep surveillance to confirm actual production and stock position of all sugar mills of the country. With willingness and support of Pakistan Sugar Mills Association (PSMA), the FBR initiated to implement Video Analytical System (VAS) for electronic monitoring of sugar production in real time under section 40C of Sales Tax Act, 1990 read with S.R.O. 889(I)/2020 dated September 21, 2020.

Subsequent to the year end, the Deputy Commissioner Inland Revenue has passed Orders under section 122(1)/(5) of the Income Tax Ordinance, 2001 for the consecutive Tax Years from 2015 to 2019 creating an exorbitant demand of Tax in aggregate amounting to Rs. 24,818,724 thousand. Company is in the process of contesting legal course and has filed an appeal to the Commissioner Appeal against these stereo type orders which were framed by using stock phrases, imagination based workings and predetermined mindset and we believe these are illegal, ultra-vires and without any justification or basis. The Company has also filed application for the stay against these Orders in the Honourable Sindh High Court, along-side application for the stay to Commissioner Appeals.

Furthermore, the import of sugar by the Government without addressing the genuine concerns of the domestic industry will further push the sugar industry towards a major crisis. The Government must ensure the price of sugar is reflective of the price of sugarcane to create a conducive business environment for the industry as well as develop policies to promote agriculture by providing better yielding seed to farmers.

## 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
- Taxes & Duties

# Questions & Answers Session







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