



سانگھڑ شوگر ملز لمیٹڈ
Sanghar Sugar Mills Limited



CORPORATE BRIEFING SESSION

on Annual Report 2022



Company Information

BOARD OF DIRECTORS

Mr. Ghulam Dastagir Rajar (Chairman)
Mr. Ghulam Hyder (Chief Executive)
Haji Khuda Bux Rajar (Executive Director)
Mr. Shahid Aziz
Mr. Rahim Bux
Mr. Muhammad Qasim
Mr. M. Abdul Jabbar
Ms. Nazia Azam

BOARD COMMITTEES

AUDIT COMMITTEE

Mr. Rahim Bux (Chairman)
Mr. Shahid Aziz
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. Ghulam Dastagir Rajar (Chairman)
Mr. Muhammad Qasim
Ms. Nazia Azam
Syed Rehan Ahmad Hashmi

RISK MANAGEMENT COMMITTEE

Mr. Shahid Aziz (Chairman)
Haji Khuda Bux Rajar
Mr. Ghulam Dastagir Rajar

COMPANY SECRETARY

Mr. Muhammad Mubeen Alam

CHIEF FINANCIAL OFFICER

Syed Rehan Ahmad Hashmi

STATUTORY AUDITOR

Kreston Hyder Bhimji & Co.
Chartered Accountants

COST AUDITOR

A. D. Akhawala & 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

E-mail: info@sangharsugarmills.com

MANUFACTURING FACILITIES

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



ABOUT YOUR COMPANY & PRINCIPAL ACTIVITIES

Sanghar Sugar Mills Limited is a public limited company incorporated in Pakistan under the repealed Companies Ordinance, 1984 and now the Companies Act, 2017.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.

The Company is principally engaged in the manufacture and sale of sugar and sale of its by-products i.e. molasses and bagasse. The Company has also installed bagasse fired transmission equipment to sell surplus electric power. The manufacturing facilities are located at Sanghar Sindhri Road, Deh Kehore, District Sanghar in the province of Sindh. The total area of industry land / manufacturing facilities which includes the main factory is spread over 320.625 Acres. Cover Area of Building is approximately 299,759 Sq. Feet.



ABOUT THE ECONOMY & INDUSTRY

Several types of sugar are manufactured in Pakistan which includes beverage, pharmaceutical and commercial grades also soft brown sugar, castor and icing sugar, sugar cubes, sachets and retail packs. Sugarcane is of great importance for sugar-related industries and 2nd largest agro-based industry after textile. Its production accounts for 3.7 percent of agriculture's value addition and 0.8 percent of Gross Domestic Product.

Better sugarcane procurement price incentivized growers to dedicate an additional area to sugarcane, favorable weather situations, better management and timely availability of quality inputs. Sugarcane production is characterized by a shorter than normal growing cycle and relatively low yields when compared to international standards. Sugarcane is moved to local mills to manufacture white sugar or is utilized at the farm to manufacturing Gur.

The 2022-23 sugarcane harvested area is slightly reduced in province of Sindh due to the impacts of the recent flooding in key production areas. While sugarcane is more resilient to flooding than other crops, the persistence of standing water and stalk lodging is expected to disrupt cane collection in Sindh province. As a result, estimated harvested area is reduced and the forecast for sugarcane production is lowered as compared to previous season. Similarly, with the expected decline in cane output, the cane sugar production will also be reduced while comparing to previous season.

The sugar industry is gearing-up for a replay of past years regarding surplus carry over stock and industry representatives have been demanding resumption of exports since March this year 2021-22 and claimed that the crushing season 2021-2022 had yielded a surplus production which exceeded domestic demand. Local markets witnessed limited instances of price gouging as consumer prices saw significant escalation, but no shortages. Subsequent to year-end, the Federal Government has approved with conditions some quota for export of surplus sugar stock which will be reviewed on periodically basis, this will give benefits to the industry as a whole and to the economy of our Country. Further, in line with overall inflation and export of sugar, the selling prices of sugar are expected to increase slightly in 2022-23.

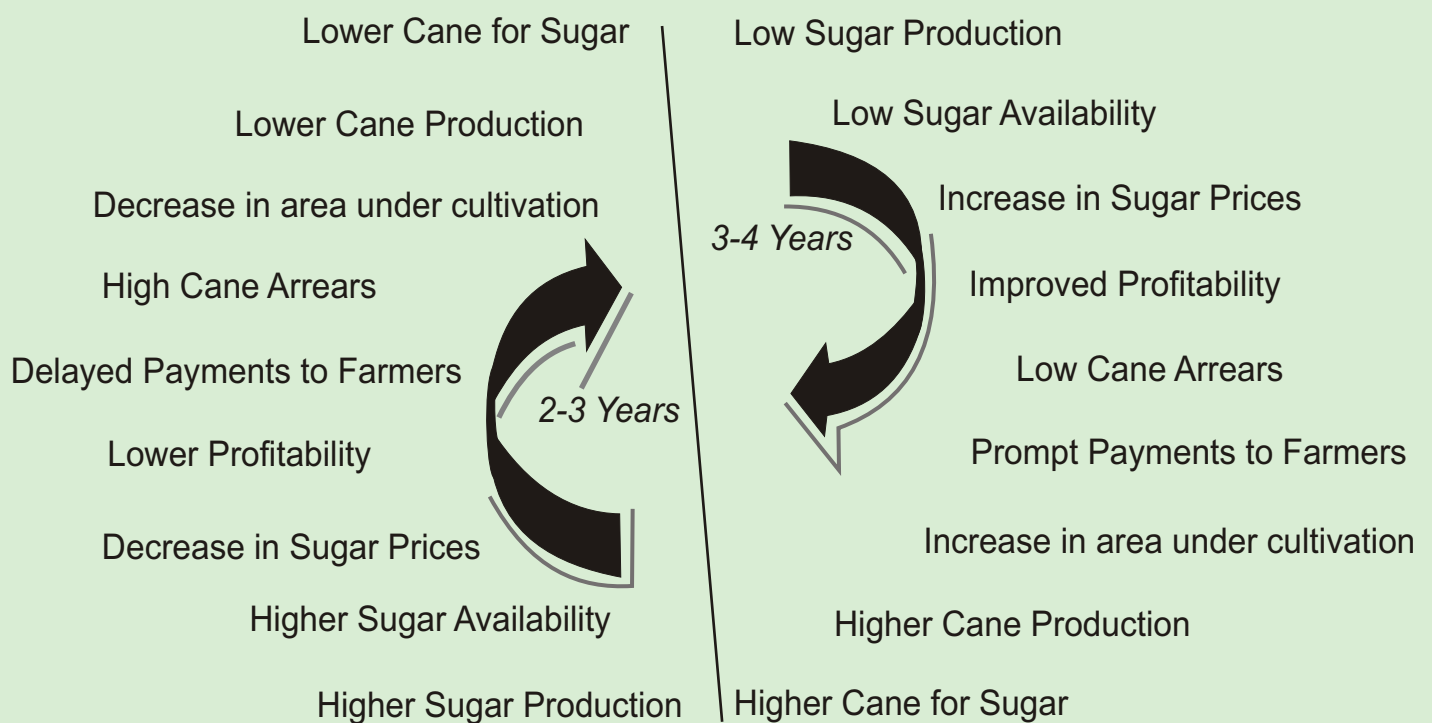
In fact, as floods damaged standing sugarcane crop in Sindh and south Punjab, it looked as if export would no longer be required at all, as the some carryover would be used to service deficit in the upcoming year, if and only if, the crushing season 2022-23 yielded low recovery and produced less sugar as compared to the demand in the Country.

During the last crushing season, Pakistan finally completed successful implementation of the Track and Trace system in the sugar industry, hoping to bring large quantities of previously under reported sugar production into the documented economy.



Pakistan has two planting seasons for Sugar Cane Crop i.e. Spring (February-March) and Autumn (September-November). Harvesting of each season is conducted beyond 10 months after plantation.

The Cycle of Sugar Sector is as follows:





OPERATING RESULTS & ITS REVIEW

	2021-2022	2020-2021
Season started on	15-11-2021	05-11-2020
Season completed on	19-03-2022	20-02-2021
Duration of crushing days	125	108
Sugarcane crushed (Metric Tons)	581,109.556	451,275.963
Average daily crushing (Metric Tons)	4,648.88	4,178.49
Cane sugar produced (Metric Tons)	61,785.00	45,239.50
Sucrose recovery (%)	10.635	10.012

The Company is able to crush 581,109.556 M. Tons of sugar cane compared with 451,275.963 M. Tons of sugar cane in the last crushing season resulting an increase of 28.77% in crushing & producing 61,785.00 M. Tons of sugar, resulting an increase of 36.58 % of Sugar, when compared with production of 45,239.50 M. Tons of last season. Further, the Company is able to save an average 14% of baggasse consumed, in manufacturing of per ton of sugar, which results in an increase of selling of baggasse i.e approximately 281% higher quantity while comparing with the corresponding year and also produced molasses 26,291.340 M. Tons resulting an increase of 40.45%, when compared with the production of 18,720 M. Tons of last year.

Crushing & Production is high due to better crop in the area when compared with the last season along-with recovery is high due to the continuous supply of cane and the effect of better quality of crop since start of season.



FINANCIAL RESULTS & ITS REVIEW

The key financial figures of the Company for the year ended September 30, 2022 along with the comparatives for the corresponding year are summarized as under:

	2022	2021
	(Rupees in '000)	
Profit / (Loss) before taxation	70,466	(16,094)
Taxation	68,857	13,732
Profit / (Loss) after taxation	1,609	(29,826)
Earnings / (Loss) per share - basic and diluted (Rupees)	0.13	(2.50)

During the year, the Company has earned profit before taxation amounted to Rs. 70,466 thousand compared with loss before taxation of Rs. 16,094 thousand in last year. During the year, we managed to keep the cane procurement cost on the lower side when compared to the adjoining mills, gradually reduced the tenure of utilization of short term borrowings for a short span of time to keep the markup cost on lower side and also the repayment of long term loans gradually keep the cost at lower side, managed & control the manufacturing expenses despite phenomenal increase in inflation.

Due to better selling price of sugar which also remain stable in the first quarter resulting an increase the net turnover of sugar up-to 35.39% as compared to corresponding year and the sale of by-products i.e molasses and baggasse have also increased up-to 36.40% and 381.39% respectively which contributed in the profitability of the Company. The Company's financial results shows improvement because of an increase in sucrose recovery and increase in turnover of by-products due to better management of operational efficiency of plant & machinery of the Company.



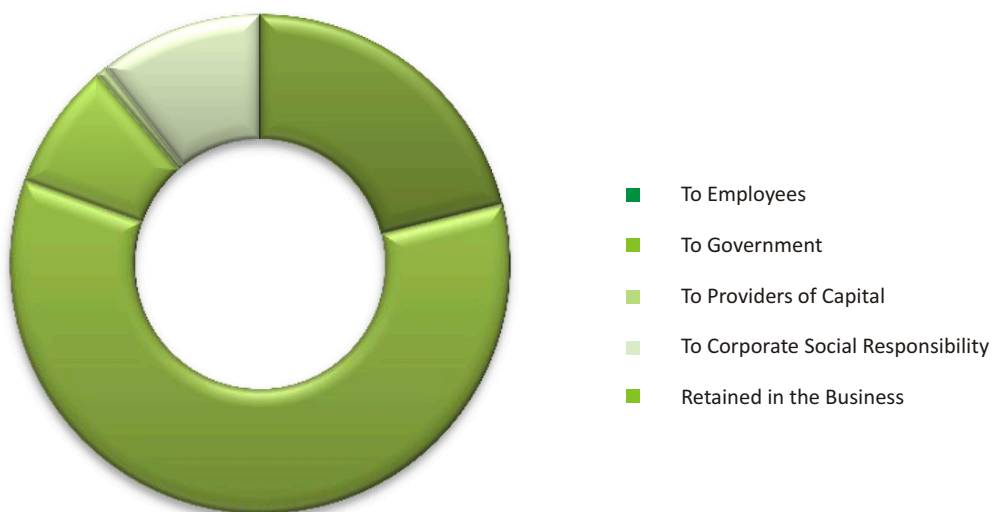
Statement of Value Addition and its Distribution

	2022		2021	
Value Addition	(Rs. '000)	%	(Rs. '000)	%
Turnover Gross	5,159,920	99.929	3,812,159	95.321
Other Income	3,664	0.071	187,106	4.679
	5,163,584	100.000	3,999,265	100.000
Cane Procurement and related expenses	3,999,852	104.642	3,276,747	109.262
Other Expenses	(177,440)	(4.642)	(277,774)	(9.262)
	3,822,412	100.000	2,998,973	100.000
	1,341,172	25.974	1,000,292	25.012
Value Distribution				
Distributed as follows				
To Employees				
– Remuneration	283,518	21.140	242,461	24.239
	283,518		242,461	
To Government				
– Sales Tax & Others	700,409	52.224	521,470	52.132
– Income Tax	64,002	4.772	38,037	3.803
– Deferred Tax	21,851	1.629	(38,855)	(3.884)
– Cess & Fees	9,442	0.704	7,333	0.733
	795,704		527,985	
To Providers of Capital				
– Finance Cost	110,479	8.237	111,140	11.111
	110,479		111,140	
To Corporate Social Responsibility				
– Charity & Donations	9,772	0.729	1,438	0.144
	9,772		1,438	
Retained in the Business				
– Depreciation & Amortization	140,090	10.445	147,093	14.705
– Profit / (Loss) for the year	1,609	0.120	(29,826)	(2.982)
	141,699		117,267	
	1,341,172	100.000	1,000,292	100.000

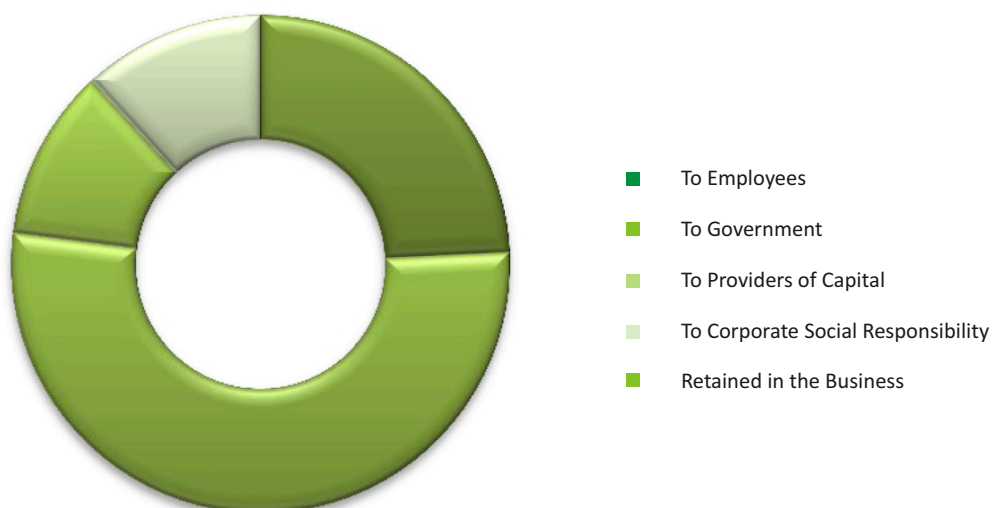


Graphical Presentation of Value Distribution

Value Distribution - 2022



Value Distribution - 2021





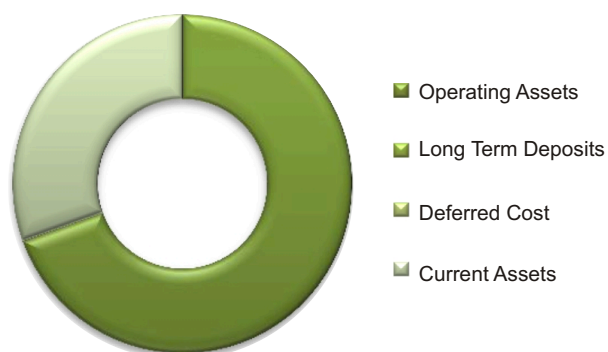
KEY OPERATING & FINANCIAL HIGHLIGHTS

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
OPERATIONAL DATA										
Duration of Season (Days)	125	108	109	100	142	133	117	137	151	121
Cane crushed (Tons)	581,109.56	451,275.963	387,302.875	490,932	712,124	625,237	563,617	630,317	738,209	542,289
Sucrose Recovery (%)	10.635	10.012	10.263	10.76	10.37	10.12	10.20	10.19	9.81	9.77
Sugar Made (Tons)	61,785.00	45,239.50	39,804.25	52,799.25	73,776	63,380	57,387.5	64,271	72,530	52,823
Molasses (Tons)	26,291.34	18,720	16,802	23,590	42,017	30,300	27,040	34,299	39,260	27,460
All figures are in Rs in '000										
PROFIT OR LOSS RESULTS										
Turnover - Net	3,872,185	2,860,053	2,938,182	2,770,439	3,405,535	2,583,232	2,832,657	2,869,164	3,196,951	2,771,454
Gross Profit / (Loss)	360,641	32,913	156,161	131,778	98,520	(70,660)	151,582	257,087	213,749	148,572
Operating Profit / (Loss)	177,281	(92,060)	49,137	24,059	146,802	(165,398)	59,919	170,905	135,446	94,580
Profit / (Loss) before taxation	70,466	(16,094)	(98,846)	(148,608)	24,868	(259,678)	11,060	89,783	36,091	14,271
Profit / (Loss) after taxation	1,609	(29,826)	(118,755)	(98,855)	19,426	(287,104)	13,953	57,400	8,732	6,901
ASSETS EMPLOYED										
Operating Assets	3,707,666	2,615,681	2,712,815	2,807,695	2,909,416	1,745,965	1,465,348	1,167,508	1,146,845	729,685
Long Term Deposits	4,586	20,581	20,231	17,323	18,823	20,961	15,467	10,966	9,478	45,300
Deferred Cost	—	—	—	—	8,771	17,543	28,885	33,373	—	—
Current Assets	1,622,488	1,220,197	606,939	815,755	1,131,843	1,302,916	915,207	688,656	670,133	461,593
Total Assets Employed	5,334,740	3,856,459	3,339,985	3,640,773	4,068,853	3,087,385	2,424,907	1,900,503	1,826,456	1,236,578
FINANCED BY										
Shareholder's equity	1,965,075	1,080,845	1,108,108	1,223,854	1,330,699	569,165	863,437	860,635	798,148	501,566
Long Term Liabilities	1,752	114,145	247,536	145,670	250,863	345,291	262,532	103,640	23,174	75,242
Deferred Liabilities	850,123	483,704	508,584	519,916	603,790	300,074	295,067	325,349	320,838	210,011
Current Liabilities	2,517,790	2,177,765	1,475,757	1,751,333	1,883,501	1,872,855	1,003,871	610,879	684,296	449,759
Total Fund Invested	5,334,740	3,856,459	3,339,985	3,640,773	4,068,853	3,087,385	2,424,907	1,900,503	1,826,456	1,236,578

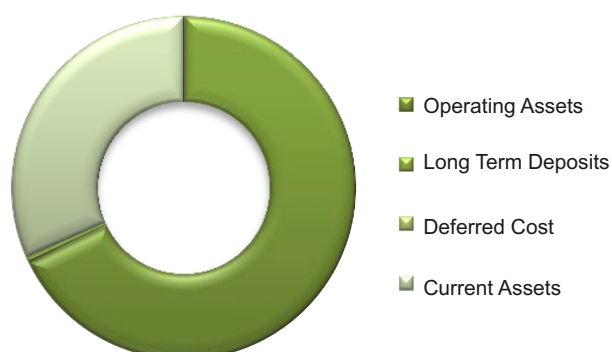


Graphical Presentation of Financial Highlights

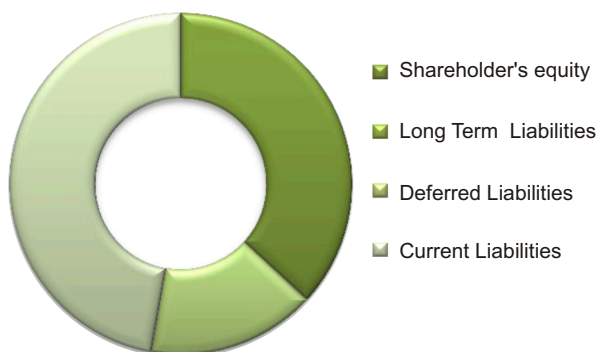
Total Assets Employed - 2022



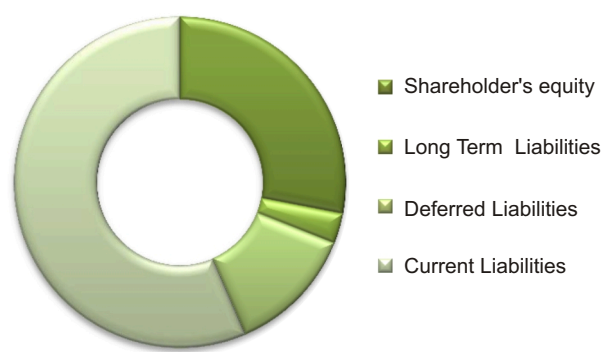
Total Assets Employed - 2021



Total Fund Invested - 2022



Total Fund Invested - 2021





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

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
PROFITABILITY RATIOS										
Gross Profit Ratio (%)	9.31	1.15	5.31	4.76	2.89	(2.74)	5.35	8.96	6.69	5.36
Net Profit to Sales (%)	0.04	(1.04)	(4.04)	(3.57)	0.57	(11.11)	0.49	2.00	0.27	0.25
Return on Capital Employed (%)	9.21	8.79	4.93	1.97	11.03	(85.28)	12.82	37.87	36.52	36.52
TURNOVER RATIOS										
Inventory Turnover Ratio	3.44	5.50	6.51	3.78	3.51	3.12	4.59	5.21	8.01	6.19
Fixed Assets Turnover Ratio	104.44	109.35	108.31	98.67	117.05	147.96	193.37	245.93	278.88	383.94
INVESTOR INFORMATION										
Price Earning Ratio	103.94	(6.49)	(1.74)	(3.15)	15.36	(1.55)	36.39	5.31	34.89	39.47
Market Value per Share	14.00	16.20	17.34	26.05	24.98	37.35	42.50	41.74	25.50	22.89
Book Value per Share	164.50	90.48	92.76	102.45	111.39	54.02	46.68	37.78	31.04	29.70
Earning / (Loss) per Share	0.13	(2.50)	(9.94)	8.28	1.63	(24.03)	1.17	4.80	0.73	0.58
LIQUIDITY RATIOS										
Current Ratio	0.64	0.56	0.41	0.47	0.60	0.69	0.91	1.13	0.98	1.03
CAPITAL STRUCTURE RATIOS										
Debt Equity Ratio	0.42	0.97	0.68	0.86	1.05	3.10	1.11	0.53	0.69	1.05
Interest Cover Ratio	1.64	0.86	0.36	0.14	1.20	(1.75)	1.23	2.11	1.36	1.18



VERTICAL ANALYSIS OF FINANCIAL STATEMENTS

	2022 Rupees in 000	2022 %	2021 Rupees in 000	2021 %	2020 Rupees in 000	2020 %	2019 Rupees in 000	2019 %	2018 Rupees in 000	2018 %
FINANCIAL POSITION										
Total Non-Current Assets	3,712,252	69.59	2,636,262	68.36	2,733,046	81.83	2,825,018	77.59	2,937,010	72.18
Total Current Assets	1,622,488	30.41	1,220,197	31.64	606,939	18.17	815,755	22.41	1,131,843	27.82
Total Assets	5,334,740	100.00	3,856,459	100.00	3,339,985	100.00	3,640,773	100.00	4,068,853	100.00
Total Equity & Surplus on revaluation	1,965,075	36.84	1,080,845	28.03	1,108,108	33.18	1,223,854	33.62	1,330,699	32.70
Total Non-Current Liabilities	851,875	15.97	597,849	15.50	756,120	22.64	665,586	18.28	854,653	21.00
Total Current Liabilities	2,517,790	47.20	2,177,765	56.47	1,475,757	44.18	1,751,333	48.10	1,883,501	46.29
Total Equity & Liabilities	5,334,740	100.00	3,856,459	100.00	3,339,985	100.00	3,640,773	100.00	4,068,853	100.00
PROFIT OR LOSS										
Sales	3,872,185	100.00	2,860,053	100.00	2,938,182	100.00	2,770,439	100.00	3,405,535	100.00
Cost of sales	(3,511,544)	(90.69)	(2,827,140)	(98.85)	(2,782,021)	(94.69)	(2,638,661)	(95.24)	(3,307,015)	(97.11)
Gross Profit	360,641	9.31	32,913	1.15	156,161	5.31	131,778	4.76	98,520	2.89
Trading activities	111	0.00	—	—	—	—	—	—	3,553	0.10
Distribution cost	(696)	(0.02)	(766)	(0.03)	(710)	(0.02)	(12,698)	(0.46)	(41,879)	(1.23)
Administrative expenses	(132,656)	(3.43)	(114,239)	(3.99)	(99,630)	(3.39)	(91,136)	(3.29)	(90,971)	(2.67)
Other operating expenses	(50,119)	(1.29)	(9,968)	(0.35)	(6,684)	(0.23)	(6,364)	(0.23)	(7,812)	(0.23)
Other income	3,664	0.09	187,106	6.54	5,463	0.19	2,479	0.09	185,391	5.44
Operating Profit	180,945	4.67	95,046	3.32	54,600	1.86	24,059	0.87	146,802	4.31
Finance cost	(110,479)	(2.85)	(111,140)	(3.89)	(153,446)	(5.22)	(172,667)	(6.23)	(121,934)	(3.58)
Profit / (Loss) before taxation	70,466	1.82	(16,094)	(0.56)	(98,846)	(3.36)	(148,608)	(5.36)	24,868	0.73
Taxation	(68,857)	(1.78)	13,732	0.48	19,909	0.68	(49,753)	(1.80)	(5,442)	(0.16)
Profit / (Loss) after taxation	1,609	0.04	(29,826)	(1.04)	(118,755)	(4.04)	(98,855)	(3.57)	19,426	0.57



HORIZONTAL ANALYSIS OF FINANCIAL STATEMENTS

	2022	2021	2020	2019	2018	2022	2021	2020	2019	2018
	Rupees in 000					Variance in %				
<u>FINANCIAL POSITION</u>										
Total Non-Current Assets	3,712,252	2,636,262	2,733,046	2,825,018	2,937,010	40.81	(3.54)	(3.26)	(3.81)	64.59
Total Current Assets	1,622,488	1,220,197	606,939	815,755	1,131,843	32.97	101.04	(25.60)	(27.93)	(13.13)
Total Assets	5,334,740	3,856,459	3,339,985	3,640,773	4,068,853	38.33	15.46	(8.26)	(10.52)	31.79
Total Equity & Surplus on revaluation	1,965,075	1,080,845	1,108,108	1,223,854	1,330,699	81.81	(2.46)	(9.46)	(8.03)	133.80
Total Non-Current Liabilities	851,875	597,849	756,120	665,586	854,653	42.49	(20.93)	13.60	(22.12)	32.43
Total Current Liabilities	2,517,790	2,177,765	1,475,757	1,751,333	1,883,501	15.61	47.57	(15.74)	(7.02)	0.57
Total Equity & Liabilities	5,334,740	3,856,459	3,339,985	3,640,773	4,068,853	38.33	15.46	(8.26)	(10.52)	31.79
<u>PROFIT OR LOSS</u>										
Sales	3,872,185	2,860,053	2,938,182	2,770,439	3,405,535	35.39	(2.66)	6.05	(18.65)	31.83
Cost of sales	(3,511,544)	(2,827,140)	(2,782,021)	(2,638,661)	(3,307,015)	24.21	1.62	5.43	(20.21)	24.61
Gross Profit	360,641	32,913	156,161	131,778	98,520	995.74	78.92	(18.50)	(33.76)	239.43
Trading activities	111	—	—	—	3,553	100.00	—	—	(100.00)	100.00
Distribution cost	(696)	(766)	(710)	(12,698)	(41,879)	(9.14)	7.89	(94.41)	(69.68)	5,161.18
Administrative expenses	(132,656)	(114,239)	(99,630)	(91,136)	(90,971)	16.12	14.66	9.32	0.18	7.10
Other operating expenses	(50,119)	(9,968)	(6,684)	(6,364)	(7,812)	402.80	49.13	5.03	(18.54)	(32.78)
Other income	3,664	187,106	5,463	2,479	185,391	(98.04)	3,324.97	120.37	(98.66)	6,984.10
Operating Profit	180,945	95,046	54,600	24,059	146,802	90.38	(74.08)	(126.94)	83.61	188.76
Finance cost	(110,479)	(111,140)	(153,446)	(172,667)	(121,934)	(0.59)	(27.57)	(11.13)	41.61	29.33
Profit / (Loss) before taxation	70,466	(16,094)	(98,846)	(148,608)	24,868	537.84	83.72	33.49	697.59	109.58
Taxation	(68,857)	(13,732)	(19,909)	49,753	(5,442)	401.43	(31.03)	(140.02)	(1,014.24)	(80.16)
Profit / (Loss) after taxation	1,609	(29,826)	(118,755)	(98,855)	19,426	105.39	74.88	(20.13)	608.88	106.77



STATEMENT OF FINANCIAL POSITION

As At September 30, 2022

	September 30 2022	September 30 2021	Variance	Percentage
(Rupees in '000)			%
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	3,707,666	2,615,681	1,091,985	41.75%
Long term deposits	4,586	20,581	(15,995)	-77.72%
	3,712,252	2,636,262	1,075,990	40.81%
CURRENT ASSETS				
Stores, spare parts and loose tools	61,407	54,659	6,748	12.35%
Stock-in-trade	1,263,429	778,811	484,618	62.23%
Trade Debts	32,754	144,240	(111,486)	-77.29%
Loans and advances	127,996	122,931	5,065	4.12%
Trade deposits & short term prepayments	2,056	6,948	(4,892)	-70.41%
Other receivables	56,239	47,080	9,159	19.45%
Income tax refundable - net of provision	27,706	10,710	16,996	158.69%
Cash and bank balances	50,901	54,818	(3,917)	-7.15%
	1,622,488	1,220,197	402,291	32.97%
TOTAL ASSETS	5,334,740	3,856,459	1,478,281	38.33%
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	68,999	24,683	44,316	179.54%
Surplus on revaluation of property, plant & equipment	1,776,616	936,702	839,914	89.67%
	1,965,075	1,080,845	884,230	81.81%
NON CURRENT LIABILITIES				
Long term financing	—	80,476	(80,476)	-100.00%
Lease Liabilities	1,752	33,625	(31,873)	-94.79%
Deferred liabilities	850,123	483,704	366,419	75.75%
Deferred Government grant	—	44	(44)	-100.00%
	851,875	597,849	254,026	42.49%
CURRENT LIABILITIES				
Trade and other payables	1,655,730	1,205,791	449,939	37.31%
Accrued finance cost	34,060	34,299	(239)	-0.70%
Short term borrowings	734,855	770,819	(35,964)	-4.67%
Unclaimed dividend	4,696	4,696	—	—
Current portion of long term financing	74,022	125,528	(51,506)	-41.03%
Current portion of lease liabilities	14,427	35,202	(20,775)	-59.02%
Current portion of deferred Government grant	—	1,430	(1,430)	-100.00%
	2,517,790	2,177,765	340,025	15.61%
CONTINGENCIES AND COMMITMENTS	—	—	—	—
TOTAL EQUITY AND LIABILITIES	5,334,740	3,856,459	1,478,281	38.33%



STATEMENT OF PROFIT OR LOSS

For the year ended September 30, 2022

	September 30 2022	September 30 2021	Variance	Percentage
(Rupees in '000)			%
Sales	3,872,185	2,860,053	1,012,132	35.39%
Cost of sales	3,511,544	2,827,140	684,404	24.21%
Gross Profit	360,641	32,913	327,728	995.74%
Trading activities	111	—	111	100.00%
Distribution cost	696	766	(70)	-9.14%
Administrative expenses	132,656	114,239	18,417	16.12%
Other operating expenses	50,119	9,968	40,151	402.80%
	183,471	124,973	58,498	46.81%
Operating Profit / (Loss)	177,281	(92,060)	269,341	-292.57%
Other income	3,664	187,106	(183,442)	-98.04%
	180,945	95,046	85,899	90.38%
Finance cost	110,479	111,140	(661)	-0.59%
Profit / (Loss) before taxation	70,466	(16,094)	86,560	-537.84%
Taxation	68,857	13,732	55,125	401.43%
Profit / (Loss) after taxation	1,609	(29,826)	31,435	-105.39%
Earnings / (Loss) per share - Basic and diluted (Rupees)	0.13	(2.50)	2.63	-105.39%



NOTES TO THE PROFIT OR LOSS

For the year ended September 30, 2022

	September 30 2022	September 30 2021	Variance	Percentage %
(Rupees in '000)			
SALES				
Local Sales	4,553,272	3,347,071	1,206,201	36.04%
Less : Brokerage & Commission	—	(386)	(386)	-100.00%
Sales Tax	(681,087)	(486,632)	(194,455)	39.96%
	(681,087)	(487,018)	(194,069)	39.85%
	<u>3,872,185</u>	<u>2,860,053</u>	<u>1,012,132</u>	<u>35.39%</u>
COST OF SALES				
Sugar cane consumed (including cane procurement expenses)	3,999,852	3,276,747	723,105	22.07%
Salaries, wages and staff benefits	189,347	166,694	22,653	13.59%
Stores, spare parts & loose tools consumed	190,040	105,201	84,839	80.64%
Fuel, power & utilities	13,264	13,118	146	1.11%
Insurance	10,017	10,151	(134)	-1.32%
Repairs and maintenance	8,297	5,512	2,785	50.53%
Vehicle running expenses	10,706	8,289	2,417	29.16%
Depreciation	120,823	123,911	(3,088)	-2.49%
Depreciation on right-of use assets	8,724	11,505	(2,781)	-24.17%
Other expenses	12,827	10,695	2,132	19.93%
	<u>4,563,897</u>	<u>3,731,823</u>	<u>832,074</u>	<u>22.30%</u>
Sugar -in-process				
— Opening	667	1,542	(875)	-56.74%
— Closing	(873)	(667)	(206)	30.85%
	(206)	875	(1,081)	-123.54%
	<u>4,563,691</u>	<u>3,732,698</u>	<u>830,993</u>	<u>22.26%</u>
Sale of Molasses	490,827	359,857	130,970	36.40%
Inventory adjustment for molasses	34	16	18	114.97%
	490,861	359,873	130,988	36.40%
Sale of Bagasse	76,907	15,976	60,931	381.39%
Inventory adjustment for bagasse	9,846	3,084	6,762	219.26%
	86,753	19,060	67,693	355.16%
Cost of goods manufactured	<u>3,986,077</u>	<u>3,353,765</u>	<u>632,312</u>	<u>18.85%</u>
Finished sugar				
— Opening stock	774,478	247,853	526,625	212.47%
— Closing stock	(1,249,011)	(774,478)	(474,533)	61.27%
	(474,533)	(526,625)	52,092	-9.89%
	<u>3,511,544</u>	<u>2,827,140</u>	<u>684,404</u>	<u>24.21%</u>
TRADING ACTIVITIES				
Sales	19,984	89,255	(69,271)	-77.61%
Less: Sales Tax	(392)	(1,760)	1,368	-77.74%
	19,592	87,495	(67,903)	-77.61%
Less: Purchases & other expenses thereon	(19,481)	(87,495)	68,014	-77.73%
	<u>111</u>	<u>—</u>	<u>111</u>	<u>100.00%</u>



Sanghar Sugar Mills Limited

	September 30 2022	September 30 2021	Variance	Percentage %
(Rupees in '000)			
DISTRIBUTION COST				
Handling and Stacking	696	766	(70)	-9.14%
	<u>696</u>	<u>766</u>	<u>(70)</u>	<u>-9.14%</u>
ADMINISTRATIVE COST				
Salaries, wages and staff benefits	94,171	75,767	18,404	24.29%
Rent, rates and taxes	2,879	2,600	279	10.73%
Communication	994	813	181	22.26%
Repairs and maintenance	1,369	1,581	(212)	-13.41%
Utilities	1,073	540	533	98.70%
Entertainment	567	585	(18)	-3.08%
Subscription	3,600	1,786	1,814	101.57%
Cartage	28	19	9	47.37%
Printing and stationery	2,211	1,919	292	15.22%
Insurance	3,339	3,384	(45)	-1.33%
Legal and professional charges	5,041	5,224	(183)	-3.50%
Conveyance and traveling	5,205	5,021	184	3.66%
Depreciation	10,543	11,676	(1,133)	-9.70%
Others	1,636	3,324	(1,688)	-50.78%
	<u>132,656</u>	<u>114,239</u>	<u>18,417</u>	<u>16.12%</u>
OTHER OPERATING COST				
Auditors' remuneration	2,468	2,187	281	12.84%
Corporate social responsibility costs	9,772	1,438	8,334	579.55%
Workers Profit Participation Fund	3,784	—	3,784	100.00%
Workers Welfare Fund	1,438	—	1,438	100.00%
Provision for slow moving & obsolete items	2,515	850	1,665	195.88%
Sales tax default surcharge	30,142	4,709	25,433	540.11%
Impairment allowance against dormant bank account	—	784	(784)	-100.00%
	<u>50,119</u>	<u>9,968</u>	<u>40,151</u>	<u>402.80%</u>
Auditors' remuneration				
Statutory Auditors - Kreston Hyder Bhimji and Co.				
Audit fee	1,450	1,260	190	15.08%
Half yearly review fee	175	135	40	29.63%
Code of corporate governance certification	115	100	15	15.00%
Certification of Free Float of Shares & reconciliation	145	130	15	11.54%
Sindh Sales Tax on Services	151	130	21	16.00%
	<u>2,036</u>	<u>1,755</u>	<u>281</u>	<u>16.00%</u>
Cost Auditors - A.D. Akhawala & Co.				
Cost Audit Fee	400	400	—	—
Sindh Sales Tax on Services	32	32	—	—
	<u>432</u>	<u>432</u>	<u>—</u>	<u>—</u>
	<u>2,468</u>	<u>2,187</u>	<u>281</u>	<u>12.84%</u>

Corporate social responsibility costs do not include any amount paid to any person or organization amount exceed Rs. 500,000 and in which any director or their spouse had any interest.



Sanghar Sugar Mills Limited

September 30 2022 September 30 2021 Variance Percentage
(Rupees in '000)

OTHER INCOME

Income from non financial assets:

Government grant recognized as income	1,474	3,249	(1,775)	-54.63%
Gain on sale of property, plant & equipment	1,157	3,947	(2,790)	-70.70%
Others - Rent & related receipts	73	18	55	306.19%
	2,704	7,214	(4,510)	-62.52%

Income from others:

Liabilities written back:

Reversal of Cane Growers Payable Season 2014-15	—	157,579	(157,579)	-100.00%
Reversal of Nara Canal Area Water Board	—	14,699	(14,699)	-100.00%
Others	—	7,424	(7,424)	-100.00%
	—	179,702	(179,702)	-100.00%

Reversal of Provision of Doubtful Growers advances

Reversal of Provision of Dormant bank accounts	958	—	958	100.00%
Others	2	—	2	100.00%
	960	190	770	405.51%
	3,664	187,106	(183,442)	-98.04%

FINANCE COST

Mark-up / profit on long term financing	19,297	25,824	(6,527)	-25.27%
Mark-up / profit on short-term borrowings	86,201	75,096	11,105	14.79%
Financial charges on lease liabilities	4,301	8,978	(4,677)	-52.09%
Bank charges	680	1,242	(562)	-45.25%
	110,479	111,140	(661)	-0.59%

TAXATION

Current and Prior year	47,006	52,587	(5,581)	-10.61%
Deferred	21,851	(38,855)	60,706	-156.24%
	68,857	13,732	55,125	401.43%

September 30 2022 September 30 2021 Variance Percentage
 %

EARNING / (LOSS) PER SHARE - Basic and Diluted

Profit / (Loss) after taxation (Rupees '000)	1,609	(29,826)	31,435	-105.39%
Weighted average number of ordinary shares	11,946,000	11,946,000	—	—
Earning / (Loss) per share - (Rupees)	0.13	(2.50)	2.63	-105.39%

There is no dilutive effect on the basic earning / (loss) per share of the Company.



CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares and take other measures commensurate to the circumstances. The Company finances its expansions projects through equity, borrowings and management of its working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

The Company monitors capital using a gearing ratio, which is net debt divided by total shareholders equity plus net debt. Net debt is calculated as total loans and borrowings less cash and bank balances. The Company's strategy was to maintain leveraged gearing. The gearing ratio as at reporting date is as follows:

	2022 (Rupees in '000)	2021
Total financing and borrowings including lease liabilities	825,056	1,045,650
Less: Cash and bank balances	(50,901)	(54,818)
Net debt	774,155	990,832
Total Equity	1,965,075	1,080,845
Total capital employed	2,739,230	2,071,677
Gearing Ratio	28.26%	47.83%

Consistent with others in the industry, the Company manages its capital risk by monitoring its liquid assets and keeping in view future investment requirements and expectation of the shareholders.



FAIR VALUES / MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

A number of the Company's accounting policies and disclosure require the measurement of fair values, for both financial, if any and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the Company uses valuation techniques that are appropriate in the circumstances and uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the management recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between different levels of fair values mentioned above.

Management assessed that the fair values of cash & cash equivalent and short term deposits, trade & other receivable, trade receivables, trade payables, short term borrowing and other current liabilities approximate their carrying amounts largely due to the short term maturities of these instruments. For long term asset and long term liabilities, management considers that their carrying values approximates fair value.

The fair value of land and buildings and plant and machinery is a level 3 recurring fair value measurement. Management engages an independent external expert / valuator to carry out periodic valuation of its non-financial assets (i.e. Land, Building and Plant and Machinery) and selection criteria include market knowledge, reputation, independence and whether professional standards are maintained by the valuer. The Fair Values were determined with reference to market based evidence, based on active market prices and relevant enquiries and information as considered necessary, adjusted for any difference in nature, location or condition of the specific property. Recent valuation was carried on September 30, 2022 and following factors were considered:

Land and Building	The valuation is considered on the factors of location, need of the buyers, the overall prevailing market situation and other considerations linked with this.
Plant and Machinery	Factors taken into consideration in order to assess the present value of the machinery include Make, Model, Quality, Operational Capacity, Existing Condition, Demand and Resale Prospects, Depreciation and Obsolescence etc.



FUTURE OUTLOOK

The Company has paid prices of sugarcane to cane growers above the minimum prices while compared with minimum price announced by the Government of Sindh, which results in an increase in the overall cost of production. Currently the selling prices of sugar are not in line with the cost of production, which will affect the margin of profitability of the Company and the sugar industry as a whole. We expect that the selling price of sugar will remain in-line with the average cost of Production to save the industry from losses.

The sugar industry is functioning under the peculiar environment affected by the policies of federal and provincial Governments as well as the trend of the international and local markets. The rising trend of procurement cost of sugarcane along with increasing other overhead expenses, un matching sale prices of sugar with its cost of production, expected surplus production of sugar in the country, and other unpredictable circumstances prevailing in the sugar industry might affect the profitability of the Company currently and in the future as well. Under the circumstances, certain remedial measures taken by the Government to reduce the surplus stock of sugar and stability and rationality in sugar prices in the local and international market will shape the future prospect of the sugar industry. In this connection, the Government should consider the proposal to link the minimum price of sugarcane with selling price of sugar, because maintenance of reasonable price of sugar will help to tackle the situation and result in benefiting to all the stake holders and allow the sugar industry to continue its operation for providing various economic and financial opportunities to uplift the rural community of the Country.

The rise in Minimum Support Price has once again thrown a spanner in the works. The sugar mills would not be able to turn a profit if their cost of production is raised, as retail prices might crash simultaneously due to significant carryover. Meanwhile, Government is relying on the oldest trick in the book, using the minimum price as indirect means for cash transfer to farmers, to compensate them for losses during floods and higher prices of farm inputs.

We would also again request the Government to resolve and disburse the issue of pending subsidies, as there were continuous hearing by Honourable Court were held in the matter of the case filed by the Company along-with the other sugar mills on the matter of pending subsidies and further the Company's legal council is confident that the case will be resolved in Company's favour in near future.

Strategies are in place and are regularly reviewed to ensure that the Company stays on the path of growth and progress. The focus is on stringent controls on the cost of production mainly through modernizing and replacement of old machines, lesser interruptions, abnormal wastages, process improvements, energy savings and high savings in Baggasse consumption through availing and implementing various options and installing machineries. Adhering to the guidelines and SOPs necessary to ensure the health and safety of human resources. We are optimistic that the Company's performance will sustain and further improve in terms of revenue, profits and liquidity positions.



KEY FACTORS TO BE CONSIDERED

- ◆ Higher procurement cost of sugarcane due to lower availability
- ◆ Increase in minimum support price by the Provincial Government
- ◆ Efficiency improvement measures
- ◆ Low sugar recovery
- ◆ High Taxes & Duties
- ◆ Inconsistent & Arbitrary changes in Government Policies
- ◆ Interest Rates



Sanghar Sugar Mills Limited

Questions & Answers Session







Sanghar Sugar Mills Limited

*Thank
you*



سانگھڑ شوگر ملز لمیٹڈ
Sanghar Sugar Mills Limited

REGISTERED / HEAD OFFICE:

Office # 204, 2nd Floor, Clifton Centre,
Block 5, Clifton, Karachi Pakistan.

Phone: 021 35371441 to 43 (3 lines)

Fax: 021 35371444

E-mail: info@sangharsugarmills.com

Website: www.sangharsugarmills.com

MANUFACTURING FACILITIES:

13th Km, Sanghar – Sindhri Road, Deh Kehore,
District Sanghar, Sindh

Phone : (0345) 3737001 – 8222911