

# Directors' Report

The Directors of your Company are pleased to present 37th Annual Report with the Audited Financial Statements of the Company for the year ended September 30, 2022.

## **ABOUT THE INDUSTRY:**

Several types of sugar in Pakistan are manufactured which include pharmaceutical, beverage 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.

## **ABOUT YOUR COMPANY:**

### **PRINCIPAL ACTIVITIES**

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.

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## SANGHAR SUGAR MILLS LIMITED

### 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

Your 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% increase, 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 (Rupees in '000)	2021
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. Your 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, as earlier informed to you.

**COMMENTS ON AUDITORS' REPORT**

The statutory auditors of the Company emphasizing the matter in their report regarding non-provision of Rs. 22 per maund for the season 2017-18, in this regard we would like to inform you that your financials are prepared by taking sugar cane purchased at Rs. 160 per 40 k.g. in the light of the interim order passed by the Honourable High Court of Sindh with the consent of all the stakeholders, we hope that considering the continued depressed economic condition of the sugar industry, the final decision by the Courts are likely to be in line with the consent order.

**CONTINGENCIES**

The Board would like to inform you that the Orders issued by the Deputy Commissioner Inland Revenue (DCIR) of Federal Board of Revenue (FBR) in respect of tax years from 2015 to 2019 under Section 122 (1) / (5) of the Income Tax Ordinance, 2001 creating a demand of Rs. 24,818,724 thousand and also passed Orders under Section 161 of the Income Tax Ordinance, 2001 for the consecutive three Tax Years 2017 to 2019 and again creating an exorbitant demand of Tax in aggregate amounting to Rs. 88,174 thousand and during the year passed an Order for the Tax year 2020 again creating an exorbitant tax demand of Rs. 31,434 thousand.

During the year, the Appellate Tribunal Inland Revenue of Pakistan has passed the Orders dated June 20, 2022 for tax years from 2015 to 2019 against the Orders passed by the DCIR under Section 122 (1) / (5) of the Income Tax Ordinance, 2001 and allegations / issues have been deleted / set aside. Further, the Commissioner Appeal has passed the Orders for the tax years from 2017 to 2020 against the Orders passed by the DCIR under Section 161 of the Income Tax Ordinance, 2001 and remand the issue back to the DCIR.

Your management believe that all the matters will be finalized in Company's favour as the demand raised through the stereo type orders by the FBR are without any justification or basis and further we would like to inform you that the higher authorities / forum have deleted / set aside / remand back the Orders issued by the DCIT.

**STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK**

The Board of Directors and the Company remain committed to the principles of good corporate management practice with emphasis on transparency and disclosures. The Board and management are cognizant of their responsibilities and monitor the operations and performance to enhance the accuracy, comprehensiveness and transparency of financial and non-financial information.

The Company is fully compliant with the Code of Corporate Governance and as per the requirements of the listing regulations, following specific statements are being given hereunder:

- o The Financial Statements prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
  - o Proper books of accounts of the Company have been maintained.
  - o Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
  - o International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of Financial Statements and there is no departure there from.
  - o The system of internal control is sound in design and has been effectively implemented and monitored.
  - o There are no significant doubts upon the Company's ability to continue as going concern.
  - o There has been no material departure from the best practices of the Corporate Governance as detailed in the Regulations.
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- o The Key Operating and Financial Data for last ten years in summarized form are annexed.
- o There are no statutory over dues otherwise than those disclosed in the financial statements and statutory payments due on account of taxes duties, levies and charges are being made in the normal course of business.
- o An unfunded gratuity scheme is in operation for all permanent eligible employees and also the Leave Encashment Scheme for eligible employees to be paid at the time of retirement or leaving the Company. Provision are made annually to cover the obligation on the basis of actuarial valuation, related details of which are mentioned in the notes to the Financial Statements.
- o The Pattern of Shareholding is annexed.
- o In terms of the Listed Companies (Code of Corporate Governance) Regulations, 2019, the Companies shall ensure that all the directors on their boards have acquired the prescribed certification under Director Training Program. All the directors, except Haji Khuda Bux Rajar have attended and completed directors' training course conducted by Institutes / organizations authorized by the Securities & Exchange Commission of Pakistan. Haji Khuda Bux Rajar has the prescribed education and experience required for exemption under Regulations accordingly he is exempted from attending directors' training program.
- o The Board strives to continuously improve its and Board Committees' effectiveness. Board of Directors has developed a mechanism as required under the Code of Corporate Governance to undertake annual evaluation to assess Board's and its Committees' performance. The Board also reviews developments in corporate governance to ensure that the Company always remains aligned with best practices.
- o To the best of our knowledge, the Directors, Executives and their spouses and their minor children have not undertaken any trading of Company's shares during the year.
- o Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 for the year is annexed with the Report.

### **CORPORATE GOVERNANCE & ADHERENCE TO BEST PRACTICES OF CORPORATE GOVERNANCE**

The Company has a long history of adherence to high standards of ethical practices, and it continues to uphold these standards going forward. The Board defines a path of continuous improvement by constantly challenging existing processes and the Board has fiduciary responsibility for the proper direction and control of the activities of the Company. This responsibility includes such areas of stewardship as the identification and control of the Company's business risks, the integrity of management information systems and transparent reporting to shareholders.

The Corporate Governance structure of the Company is based on the Articles of Association as well as statutory, regulatory and other compliance requirements applicable to companies listed on the Pakistan Stock Exchange and the same is complemented by several internal procedures including a risk assessment and control system, as well as system of assurance on compliance with the applicable laws, regulations and the Company's Code of Conduct.

### **NUMBER OF DIRECTORS**

The total numbers of Directors are eight as per the following:

- a) Male: Seven
- b) Female: One

**COMPOSITION OF THE BOARD**

The composition of Board is as follows:

**Independent Directors**

Male:

Mr. Rahim Bux

Mr. M. Abdul Jabbar

Female:

Ms. Nazia Azam

**Non-Executive Directors**

Mr. Ghulam Dastagir Rajar

Mr. Shahid Aziz

Mr. Muhammad Qasim

**Executive Directors**

Haji Khuda Bux Rajar

Mr. Ghulam Hyder

**BOARD COMMITTEES**

The Board has formed committees comprising of members given below:

**a) Audit Committee:**

<b>Name</b>	<b>Status</b>
Mr. Rahim Bux	Chairman
Mr. Shahid Aziz	Member
Mr. M. Abdul Jabbar	Member

**b) Human Resource and Remuneration Committee:**

<b>Name</b>	<b>Status</b>
Mr. Rahim Bux	Chairman
Mr. Ghulam Hyder	Member
Mr. M. Abdul Jabbar	Member

**c) Risk Management Committee:**

<b>Name</b>	<b>Status</b>
Mr. Shahid Aziz	Chairman
Haji Khuda Bux Rajar	Member
Mr. Ghulam Dastagir Rajar	Member

**d) Corporate Social Responsibility Committee:**

<b>Name</b>	<b>Status</b>
Mr. Ghulam Dastagir Rajar	Chairman
Mr. Muhammad Qasim	Member
Ms. Nazia Azam	Member
Syed Rehan Ahmad Hashmi	Member

**e) Information Technology & Steering Committee:**

<b>Name</b>	<b>Status</b>
Mr. Ghulam Hyder	Chairman
Syed Rehan Ahmad Hashmi	Member
Mr. Sheraz Khan	Member

**ATTENDANCE OF BOARD OF DIRECTORS AND COMMITTEES****Attendance of Board of Directors in Board Meeting**

Five Board meetings were held during the year. Leave of absence was granted to the Director unable to attend the meeting. Attendance by each Director was as mentioned below:

S. No.	Name of Directors	Status	No. of Meetings Attended / Total Meetings held
1)	Mr. Ghulam Dastagir Rajar	Chairman	4/5
2)	Mr. Ghulam Hyder	Chief Executive	5/5
3)	Haji Khuda Bux Rajar	Director	5/5
4)	Mr. Rahim Bux	Director	5/5
5)	Mr. Shahid Aziz	Director	5/5
6)	Mr. M. Abdul Jabbar	Director	5/5
7)	Ms Nazia Azam	Director	5/5
8)	Mr. Muhammad Qasim	Director	5/5

#### Attendance of Members in Meeting of Audit Committee

Five meetings of Audit Committee were held during the year. Attendance by each Member was as mentioned below:

S. No.	Name of Members	Status	No. of Meetings Attended / Total Meetings held
1)	Mr. Rahim Bux	Chairman	5/5
2)	Mr. Shahid Aziz	Member	5/5
3)	Mr. M Abdul Jabbar	Member	5/5

#### Attendance of Members in Meeting of Human Resource & Remuneration (H. R. & R.) Committee

Two meetings of H. R. & R. Committee were held during the year. Attendance by each Member was as mentioned below:

S. No.	Name of Members	Status	No. of Meetings Attended / Total Meetings held
1)	Mr. Rahim Bux	Chairman	2/2
2)	Mr. Ghulam Hyder	Member	2/2
3)	Mr. M. Abdul Jabbar	Member	2/2

#### Attendance of Members in Meeting of Information Technology Committee

Two meetings of Information Technology Committee were held during the year. Attendance by each Member was as mentioned below:

S. No.	Name of Members	Status	No. of Meetings Attended / Total Meetings held
1)	Mr. Ghulam Hyder	Chairman	2/2
2)	Syed Rehan Ahmad Hashmi	Member	2/2
3)	Mr. Sheraz Khan	Member	2/2

**Attendance of Members in Meeting of Corporate Social Responsibility (CSR) Committee**

Two meetings of CSR Committee were held during the year. Attendance by each Member was as mentioned below:

<b>S. No.</b>	<b>Name of Members</b>	<b>Status</b>	<b>No. of Meetings Attended / Total Meetings held</b>
1)	Mr. Ghulam Dastagir Rajar	Chairman	2/2
2)	Mr. Muhammad Qasim	Member	2/2
3)	Ms. Nazia Azam	Member	2/2
4)	Syed Rehan Ahmad Hashmi	Member	2/2

**Attendance of Members in Meeting of Risk Management Committee**

Two meetings of Risk Management Committee were held during the year. Attendance by each Member was as mentioned below:

<b>S. No.</b>	<b>Name of Members</b>	<b>Status</b>	<b>No. of Meetings Attended / Total Meetings held</b>
1)	Mr. Shahid Aziz	Chairman	2/2
2)	Haji Khuda Bux Rajar	Member	2/2
3)	Mr. Ghulam Dastagir Rajar	Member	2/2

**BOARD EVALUATION**

Complying with the Code of Corporate Governance, the Board approved "Self-Evaluation Mechanism" for evaluation of performance of the Board, its directors and committees through discussion and questions focusing on the Board's scope, objectives, functions, responsibilities, the Company's performance and monitoring. The purpose of the evaluation is to ensure that the Board's performance is measured with reference to overall corporate objectives, governance structure of the Company, statutory & regulatory compliance, effectiveness, collaboration and value addition and members also want to be even better at what they do. The Board has evaluated all the factors based on the inputs of the Directors made in the Board Meeting. All members of the Board participated in performance evaluation and provided their feedback. The results are then compiled and analyzed and the report further sent to Chairman. Capabilities and constraints are identified and the next part involves the members and discussing the findings of data gathered and analysis to reach an agreement on governance challenges facing the Board and development of appropriate action plans designed to address the problems.

**DIRECTOR'S TRAINING**

The Company is fully aware of the requirements of the Code of Corporate Governance. A formal program has been conducted which primarily includes amongst other things giving briefings relating to the Company's Vision and Strategies, organizational structure, role and responsibilities and powers of the Directors as per the Companies Act including the Code of Corporate Governance and any other regulatory laws applicable in Pakistan. One Director of the Company has the prescribed education and experience. Therefore, he is exempted from attending Director's Training Program pursuant to the Code of Corporate Governance Regulations. All other Directors have completed approved Directors' Training Program as specified in the Corporate Governance.

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**CHIEF EXECUTIVE OFFICER'S (CEO) PERFORMANCE REVIEW**

Each year the Board establishes a list of goals and strategies aligned to achieve the mission of the Company. This helps in assessing how each objective is contributing towards the growth of the Company. The factors to be evaluated are adherence to the mission, long and short term objectives, ensuring long term profitability, increasing shareholder's value and ensuring good governance and statutory reporting. In addition, a separate evaluation questionnaire for Chief Executive Officer has also been developed for his performance. The performance evaluation of the CEO is carried out by all the Directors.

**ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO)**

The role of the Chairman and the Chief Executive Officer are segregated and they have distinct responsibilities and has been informed at the time of appointments.

Chairman acts as custodian of the Company on behalf of the Board and Stakeholders. He heads the Board of Directors and is responsible for ensuring the Board's effectiveness. The Chairman ensures the development of business and protection of goodwill of the Company. The Chairman also controls all meeting procedures and processes, guiding discussion and decision making along with enhancing relations with members and staff.

CEO has the prime responsibility of driving for achievement of the Company's vision, mission and its long term goals. He acts as a link between the Board and management of the Company and communicates with the Board on behalf of the management. The CEO is responsible for the day to day management of the Company's affairs and execution of long term strategy and plans. CEO also represents the Company to the shareholders, government authorities and the public. He is the leader and the decision maker to achieve targets.

**ADEQUACY OF INTERNAL FINANCIAL CONTROLS**

The Management of the Company is responsible for establishing and maintaining a system of adequate internal controls and procedures. The Company has developed a sound mechanism for identification of risks, assigning levels and devising effective mitigating measures where required while ensuring their implementation by the Management across all functions.

In order to address existing and emerging risks with local implications, the Internal Audit department on an annual basis prepares annual risk assessment & audit plans for reviews in consultation with the business and Senior Management. Based on the annual risk & audit plan, regular reviews and advisories are performed to identify the significant Operational, Compliance & Financial Reporting risks and the key controls designed to address them. These controls are documented, responsibility is assigned, and are monitored for design and operating effectiveness. The Internal Audit function also assists the Management to achieve reasonable assurance in terms of reliability and integrity of the Company's financial and operational information, effectiveness in Company's operation to achieve desired results, Safeguarding of Company's assets, and Compliance of Company's actions with the relevant laws and regulations.

Further, the Directors confirm that the compliance with highest standard of Corporate Governance and comprehensive policies and procedures on internal financial controls has been approved by the Board and are in place and have been effectively implemented and monitored.

**THRESHOLD FOR DETERMINING EXECUTIVE**

Pursuant to the requirement of Clause 5.6.4 of the Listing Regulations (Rule Book) of the Pakistan Stock Exchange, the Board has set out a Threshold for determining an 'Executive' in respect of trading of Company's shares. The person whose annual basic salary exceeds Rs. 2.3 million during the year is treated as executive.

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**RELATED PARTY TRANSACTIONS**

The Code of Corporate Governance requires the Company to place before the Audit Committee and upon recommendation of the Audit Committee, place before the Board for consideration and approval. The Company has duly ensured compliance of this requirement and all the Related party transactions were placed before the Audit Committee and upon recommendation, approved by the Board. These transactions were in-line with the requirements of International Financial Reporting Standards (IFRS) and the Companies Act, 2017. The Company maintains a thorough and complete record of all such transactions.

**Remuneration of Chief Executive, Directors and Executives**

The remuneration of the Board Members are approved by the Board itself. However, in accordance with the Code of Corporate Governance, it is ensured that no Director takes part in deciding his own remuneration. The aggregate amount charged during the year for remuneration, including all benefits to the Chief Executive, Directors and Executives of the Company are disclosed in notes to the Financial Statements. Policy for Director's remuneration and meeting fee are annexed with the report.

**Other Transactions**

The Company in the normal course of business carried out transactions with Key Management Personnel (KMP) / related parties. The transactions reflect economic substance and are executed in the normal course of business and are disclosed in notes to the Financial Statements.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

Name of Related parties with whom the Company has entered into transactions or had agreements and arrangements in place during the financial year along with the basis of relationship are also disclosed in respective notes to the financial statements. Contract or arrangements with related parties were in the ordinary course of business and were at arm's length basis.

**MATERIALITY APPROACH**

The Board has given authority and powers to the Company's management for taking day to day decisions. The management however observes the approach of materiality in applying power and authority. Determining materiality levels is subjective and varied between organizations. Authorizations for transactions and delegation of powers have been define clearly and carried out through formalized process in the Company.

**HUMAN RESOURCE MANAGEMENT & SUCCESSION PLANNING**

Human resource planning and management is one of the most important considerations with the senior management. The Board has established a Committee which is involved in the selection, evaluation, compensation and succession planning of key management personnel. It is also involved in recommending improvements in the human resource policies and procedures and their periodic review.

The Company is committed to build the better organizational culture that is shaped by empowered employees who demonstrate a deep belief in the Company's Vision and Values. H.R. Management Policy is integral part of the Company's business strategy. The Company fosters leadership, individual accountability and team work.

The Company believes in pro-active approach towards Succession Planning. The Company recruits employees, develops their knowledge, skills, abilities and prepares them for advancement and promotion into more challenging roles. Succession Planning ensures that employees are constantly developed to fill each needed role. The Company looks for people who exemplify continuous improvement when it is spotting Successors for future.

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**CONFLICT OF INTEREST**

The management of Company has the policy for actual and perceived conflicts of interest and measures are adopted to avoid, identify the existence and to disclose the existence of conflict of interest. No employee will perform any kind of work (directly or indirectly) for a third party without proper approval. Employees must notify their any actual or potential conflict of interest situation and obtain an advice or ruling as the case may be. The primary goal of Company is to manage conflicts of interest to ensure that decisions are made and are seen to be made on proper grounds, for legitimate reasons and without bias. The Company has set the procedures to manage and monitor the conflict of interest.

Every Director is required to provide to the Board complete details regarding any material transaction which may bring conflict of interest with the Company for prior approval of the Board. The interested director(s) do not participate in the discussion neither they vote on such matters. The Director shall promptly notify or disclose to the Board any personal or outside interest, relationship or responsibility held by the director with respect to any potential or actual transaction, agreement or other matter which is or may be presented to the Board for consideration. The transactions with all the related parties are made on arms length basis and complete details are provided to the Board for their approval. Further all the transactions with the related parties are fully disclosed in the financial statements of the Company.

**IMPACT OF COMPANY'S BUSINESS ON ENVIRONMENT**

It is the responsibility of the Company to make the environment healthy and clean. Therefore, the Company has made serious efforts and are installing equipment to reduce the pollution and making a good impact of Company's business on Environment. The Company has installed collection units to retrieve oil / grease e.t.c. from the waste water and ash collectors are also installed at the chimneys to absorb the ash. The Effluent treatment plant has been completed and it is to inform you that the Company has finalized the Environmental Management Plan and has also conducted all environmental examination and is working hard to significantly reduce the consumption of water by increase in imbibition water temperature at Mill House, reactivation of cooling tower for vertical crystallizer by this we are re cycling water use for crystallizer cooling purposes. Intake of fresh water is minimized only to make up water loss due to evaporation. Process chemicals are prepared with condensate water in place of raw water.

Further, our Reverse Osmosis (RO) Plants helps meet our water requirements at the factory premises while reducing reliance on municipal water systems, thereby assisting in the reduction of water scarcity in Pakistan. The Company is considerable lighting load, initially all lights were high pressure sodium bulbs, we have started to replace bulbs with Light Emitting Diode (LED) helping us in energy savings. Variable Frequency Drives (VFDs) has been installed on various machines to reduce power consumption.

**INVESTOR GRIEVANCE AND COMPLAINTS**

The Company allows full access to all shareholders including potential investors, to call for relevant information or details on Company's operations and their own shareholding. The required information is provided immediately or a query / grievance is resolved promptly in accordance with the regulatory guidelines.

**SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY**

Report of Sustainability and Corporate Social Responsibility is annexed

**RISK MANAGEMENT & STRATEGY**

The Company's overall risk management program focus on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's operations. The Company's risk management policies are established to identify and analyze the risk faced by the Company, to set appropriate risk limits and control, and to monitor risks and adherence to limits. The Board of Directors has overall responsibility for

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the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company considers the following material risk:

**Operational Risk**

Operational risk results in disruption of operations due to scarcity of material, energy outages and dearth of skilled human resources. To mitigate the operational risks, necessary strategies have been developed and substantial investments are continuously being made to ensure the reliability of operating plant. The Company has carried out necessary repairs & maintenance as required.

**Market Risk**

The Company is not materially exposed to the prices of raw material due to the fixation of prices by the Government. Strategies has been planned and implemented to overcome the huge cost of raw material.

**Foreign Exchange Risk**

The Company is not directly exposed to the risk of exchange rate fluctuation as at the year-end and the Company was also not directly exposed during the year.

**Credit Risk**

Credit risk relates to the risk that a Company may encounter as a result of failure of the counter parties to satisfy their debts or obligation in accordance with the agreed terms of credit. To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. The Company manages credit risk interalia by setting out credit limits in relation to individual customers and / or by obtaining advance against the sales and / or through letter of credits and / or by providing adequate allowance for doubtful debts. The Company believes that it is not exposed to major concentration of credit risk.

**Liquidity Risk**

Liquidity risk arises when the Company has insufficient ready cash and encounters difficulty in meeting its financial obligation. The Company manages liquidity risk by maintaining sufficient cash and ensuring the fund availability through adequate credit facilities. As at the year-end, the Company has available un-availed short term borrowing facilities and also has cash & bank balances. The management believes that the Company is not significantly exposed to the liquidity risk.

**Interest Rate Risk**

Interest rate risk arises due to fluctuation in interest rates resulting in adverse future cash flows. Company's exposure to interest rate is associated with the long term financing and short term borrowings. The Company monitors interest rate fluctuation and encounters interest rate risk by utilizing optimal mix of different types of borrowing arrangements.

**ISSUES RAISED IN LAST ANNUAL GENERAL MEETING (AGM)**

The Annual General Meeting of the Company was held on January 27, 2022. All the agenda items of the meeting were approved without any specific issues raised by the members.

**IMPACT OF COVID - 19**

Consequent to the spread out of the pandemic of COVID-19 the Company has adopted all of the necessary Standard Operating Procedures (SOPs) to ensure safety and well being of the employees. All employees of the Company have been fully vaccinated except few having medical reasons. The management of the

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Company has taken all of the necessary steps to carry out safe and reliable operations and ensuring continuation of the business of the Company. Due to this, management has assessed the accounting implications of these developments on these financial statements and assessed that there is no significant accounting impact of the effects of COVID-19 on these financial statements.

#### **CAPITAL RESERVE**

Revaluation surplus on property, plant & equipment is presented in the statement of financial position as part of equity and in the statement of changes in equity as a capital reserve being the part of equity. This surplus is a capital reserve and is not available for distribution to shareholders of the Company in accordance with the Section 241 of the Companies Act, 2017.

#### **DIVIDEND & APPROPRIATION**

Due to the minimum profit, cash flows and other circumstances already discussed, the Board of Directors of the Company in its meeting does not recommend any dividend and or appropriation for the year ended September 30, 2022.

#### **CONTRIBUTION TO NATIONAL EXCHEQUER**

The Company is contributing to the National growth by sharing its revenue with the nation in the form of taxes, rates and duties. The Company has accounted for in respect of contribution to National Exchequer in the form income taxes, sales tax and other levies amounting to Rs. 773,854 thousand during the year as compared to Rs. 566,840 thousand during the last year.

#### **FUTURE PROSPECTS**

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.

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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.

#### **AUDITORS**

The present Auditors M/s. Kreston Hyder Bhimji & Co. Chartered Accountants, retire at the conclusion of forthcoming Annual General Meeting and being eligible, have offered themselves for re-appointment. As suggested by the Audit Committee in terms of the Code of Corporate Governance, the Board of Directors has recommended their appointment as Auditors of the Company for the year ending September 30, 2023.

#### **ACKNOWLEDGEMENT**

Your Directors appreciate and wish to place on record their appreciation for devotion of duty, loyalty and hard work of the executives, officers, staff members and workers for smooth running of the Company's affair and hope that they will continue for enhancement of productivity with great zeal and spirit under the blessings of Almighty Allah.

The Directors would like to thank all the government functionaries, banking and non-banking financial institutions, suppliers and shareholders for their continued support and cooperation for the betterment and prosperity of the Company.

For & on Behalf of the Board

**Ghulam Dastagir Rajar**  
Chairman

**Ghulam Hyder**  
Chief Executive Officer

Karachi: December 31, 2022

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