



Directors' Report

The Directors of your Company are pleased to present Thirty Second Annual Report with the Audited Financial Statements of the Company for the year ended September 30, 2017.

ABOUT THE INDUSTRY:

Industry Overview

Pakistan's Economy, during the Fiscal Year (FY) 2016-17, witnessed the highest Gross Domestic Product (GDP) Growth in the last few years. The GDP during FY 2016-17 was 5.28% as compared to 4.51% in the FY 2015-16.

The Government support on output prices largely protected sugarcane growers from the impact of subdued commodity prices in the international market. The provincial governments of Sindh and Punjab announced indicative sugarcane price at Rs. 182 and Rs. 180 per 40 kg respectively, which led the domestic market price of sugar higher than the average in the global market.

Policy challenge pertained to gradual build-up of sugar stocks over the years. Specifically, the attractive support prices for sugarcane crop increased their production to levels that exceeded even their domestic consumption. Although the government offered high rebate on the export of surplus stocks, this was not sufficient to boost exports due to wide margin between domestic and international prices.

The sugarcane production in the country has reached historical high of 73.6 million ton during the year 2016-17 as compared to 67.5 million ton in the year 2015-16, showing 12.4 percent increase. This year, sugarcane has portrayed a very promising picture not only in production domain but also area-wise cultivation which increased to 1,217,000 hectares as compared to last year's area of 1,131,000 hectares, showing an increase of 7.6 percent. Its production accounted for 3.4 percent in agriculture's value addition and 0.7 percent in overall Gross Domestic Product (GDP). The country's total sugar production stood at 7.049 million tons as compared to last year which was at 5.11 million tons. Encouragingly, this growth stemmed from better productivity. More importantly, market price of sugarcane crop largely remained in favour of growers, which shored up their margins as well.

The increase in sugar production was mainly due to availability of increased sugarcane crop which resulted in glut like situation of sugar stock in Country. Therefore, due to availability of surplus stock, the price of sugar was depressed and the mills could not offload their large carryover stock in the market in the expectation that the domestic prices will raise. The export of sugar was not viable due to depressed prices in the international market as well.

Further, the Government still charge sales tax at fixed value i.e. Rs. 60 per kg for the purpose of levying sales tax. This tax is payable at the rate of 8% for registered buyers and 10% for the unregistered buyers.

ABOUT YOUR COMPANY:

Principal Activity

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 equipment to sell surplus electric power transmission to National Grid.

Operating Results

A brief summary of operating results of the Company for the year ended September 30, 2017 along with the comparatives for the corresponding year is given below:

	2016-2017	2015-2016
Season started on	04-11-2016	05-11-2015
Season completed on	16-03-2017	29-02-2016
Duration of crushing Days	133	117
Sugarcane crushed M-Tons	625,237	563,617
Sugar Produced M-Tons	63,380	57,387.5
Sucrose recovery %	10.12	10.20

**Review of Operation**

Our Company started crushing almost on the same date as compared with the corresponding season. The Company was able to operate 133 days crushing at the average rate of 4,701 Metric Tons of sugarcane per day as compared with the average of 4,817 Metric Tons per day crushing during corresponding season, due to break in crushing of cane for few days. This, along-with other factors causes decrease in recovery rate as compared to corresponding period

The Sindh Government had notified the price of sugarcane at Rs. 182 per maund for the season 2016-17, due to unnecessary competition and desired to decrease the manufacturing cost, millers indulge in price war resulting in increase in cost of sugar cane which pushed up the cost of production.

Financial Results

The key financial figures of the Company for the year ended September 30, 2017 along with the comparatives for the corresponding year are summarized as under:

	2017 (Rupees in '000)	2016
(Loss) / Profit before taxation	(259,678)	11,060
Taxation	(27,426)	(2,893)
(Loss) / Profit after taxation	<u>(287,104)</u>	<u>13,953</u>
(Loss) / Earnings per share-basic and diluted (Rupees)	<u>(24.03)</u>	<u>1.17</u>

Review of Financial Results

During the year under review, production is increased by almost 10.44% and sales quantity is decreased by 13.33% as compared with last year therefore leaving a surplus stock to carryover for the next year.

On the other hand cost of production increased due to increase in the cost of sugarcane, the sugarcane crushed increased by 10.93% as compared to previous year but the cost of cane increased by 16.12% as compared to last year. Better production and sale of molasses and Bagasse, even the sale of electricity could not give much input to the cost of production.

Due to the depressed selling prices in the local market as well as in an international market, the results of your Company as well as the mills in Sindh are negative.

Statement on Corporate and Financial Reporting Framework

In compliance with the Code of Corporate Governance, the Board of Directors hereby confirms that:

- i. 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.
- ii. Proper books of accounts of the Company have been maintained.
- iii. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- iv. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of Financial Statements and there is no departure there from
- v. The system of internal control is sound in design and has been effectively implemented and monitored.
- vi. There are no significant doubts upon the Company's ability to continue as going concern.
- vii. There has been no material departure from the best practices of the Corporate Governance as detailed in the Listing Regulations of the Pakistan Stock Exchange.
- viii. The Key Operating and Financial Data for last ten years in summarized form are annexed.
- ix. 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.



- x. An unfunded gratuity scheme is in operation for all permanent eligible employees. 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.
- xi. The Pattern of Shareholding is annexed.
- xii. 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.
- xiii. A Statement of Compliance with the Code of Corporate Governance for the year is annexed with the Report.

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:

Name of Directors	Status	No. of Meeting Attended
1) Mr. Ghulam Dastagir Rajar	Chairman	4
2) Haji Khuda Bux Rajar	Chief Executive	5
3) Mr. Mohammad Aslam	Director	5
4) Mr. Rahim Bux	Director	5
5) Mr. Ghulam Hyder	Director	5
6) Mr. Qazi Shamsuddin	Director	3
7) Mr. Shahid Aziz	Director (N.I.T)	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:

Name of Members	Status	No. of Meetings Attended
1) Mr. Rahim Bux	Chairman	5
2) Mr. Shahid Aziz	Member	5
3) Mr. Mohammad Aslam	Member	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:

Name of Members	Status	No. of Meetings Attended
1) Mr. Rahim Bux	Chairman	2
2) Mr. Muhammad Aslam	Member	2
3) Mr. Shahid Aziz	Member	2

Attendance of Members in Meeting of Information Technology & Steering Committee

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

Name of Members	Status	No. of Meetings Attended
1) Mr. Ghulam Hyder	Chairman	2
2) Syed Rehan Ahmad Hashmi	Member	2
3) Mr. Muhammad Ahmed	Member	2

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

There are no meetings of CSR Committee was held during the year due to the reason that the CSR Committee constituted on July 28, 2017 with the approval of the Board.

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 Board has evaluated all the factors based on the inputs of the Directors made in the Board Meeting.

Directors Training

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. All other Directors have already completed approved Directors' Training Program as specified in the Code of Corporate Governance.

Adequacy of Internal Financial Controls

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 xvi (i) of the Code of Corporate Governance, the Board has revised and set out a Threshold for determining an 'Executive' in respect of trading of Company's shares. The person whose annual basic salary exceeds Rupees 2.3 million during the year commencing from October 01, 2016 and onwards as deemed necessary, is treated as executive.

Related Party Transactions

The following Related party transactions were placed before the Board Audit Committee and were 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.

i) Remuneration of Chief Executive, Directors and Executives

The aggregate amount charged during the year for remuneration, including all benefits to the Chief Executive, Directors and Executives of the Company were as follows:

	Chief Executive		Director		Executives		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
 (Rupees '000)							
Meeting fee - Director	--	--	120	85	--	--	120	85
Managerial remuneration	5,383	5,262	2,163	1,867	5,999	7,048	13,545	14,177
Allowances & others benefits	3,074	3,047	827	827	5,882	4,004	9,783	7,878
	8,457	8,309	2,990	2,694	11,881	11,052	23,328	22,055
Number of persons	1	1	1	1	3	3	5	5

The Chief Executive and Executives as stated above are provided with the Company maintained cars and telephone facilities. All non-executive directors except one director waived their directors' fee, which was approved in the Board of Directors meeting.

ii) Other Transactions

The Company in the normal course of business carried out transactions with Key Management Personnel (KMP) / related parties as detailed below. The transactions reflect economic substance and are executed in the normal course of business.



Relationship with Company	Nature of Transaction	2017 (Rupees in '000)	2016
KMP and their relatives	Purchase of sugarcane	51,996	39,857
KMP and their relatives	Advances disbursed against cane supplies	26,535	22,914

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

Materiality Approach

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. The Company has approved materiality policy, which is reviewed annually to check its relevance.

Human Resource Management & Succession Planning

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.

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. 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.

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 installed 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. Further, the feasibility of Effluent treatment plant and consideration of other environmental factors are in process and will be finalized.

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 related details. 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 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:

i) Operational Risk

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.



ii) 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. Further, the Company is exposed to the risk of exchange rate fluctuation as at the year-end due to the import of machinery. As per the sensitivity analysis made as at the year end, the result of changes in exchange rate is not material. The management has planned to use of financial instruments in future.

iii) Credit Risk

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. Where considered necessary, advance payments are obtained from certain parties or by obtain advance payments from counter parties. The Company believes that it is not exposed to major concentration of credit risk.

iv) Liquidity Risk

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.

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 contributed to National Exchequer in the form income taxes, sales tax and other levies amounting to Rs. 314,404 thousand during the year as compared to Rs. 222,234 thousand during the last year.

Future Prospects

Crushing season 2017-18 is started little bit late as compared to our previous practice. The expected increase in availability of sugarcane and in turn production of sugar may results in surplus stock at the end of season. The approval of export by Economic Coordination Committee and announcement of subsidy by the Federal Government and the Provincial Government may offset the impact of surplus sugar stock in the country. However the Company feels that the announced minimum sugarcane support price at Rs. 182 per 40 kilogram of cane may leads to high production cost. Considering the prevailing low selling price of sugar, your management is expecting another difficult year for your Company as well as for sugar industry.

As reported earlier, the capacity expansion work is in progress and your management is working hard to make the trial run during the current season 2017-18.

Dividend

Due to the circumstances already discussed, the Board of Directors of the Company in its meeting does not recommend any dividend for the year ended September 30, 2017.

Appropriation

Final Dividend for the year ended September 30, 2016 Paisa Sixty only (Rs. 0.60) per share i.e 6 % declared by Board of Directors and subsequently approved during the year in Annual General Meeting. An amount of Rs. 7,168 thousand was appropriated during the year against the dividend paid to shareholders of the Company. The appropriation is disclosed in the statement of Changes in Equity.

Re-constituted Board of Directors After Election

The Shareholders of the Company in the Extra Ordinary General Meeting of the Company held on October 31, 2017 elected the Seven Directors for the tenure of three years commencing from November 04, 2017, namely (1) Mr. Ghulam Dastagir Rajar (2) Haji Khuda Bux Rajar (3) Mr. Mohammad Aslam (4) Mr. Ghulam Hyder (5) Mr. Rahim Bux (6) Mr. Qazi Shamsuddin and (7) Mr. Shahid Aziz (Representing N.I.T).



The Board in this meeting re-elected Mr. Ghulam Dastagir Rajar as the Chairman of the Board. The Board also re-appointed Haji Khuda Bux Rajar as the Chief Executive of the Company and re-appointed Mr. Ghulam Hyder as Working Director for next three years effective from November 04, 2017 as authorized by the Articles of Association of the Company on the remuneration, terms and conditions, as approved by the Board. Accordingly, the re-constituted Board of Directors from November 04, 2017 has the following composition:

Names of Directors	Status	Category
1) Mr. Ghulam Dastagir Rajar	Chairman	Non-Executive Director
2) Haji Khuda Bux Rajar	Chief Executive	Executive Director
3) Mr. Ghulam Hyder	Director	Executive Director
4) Mr. Rahim Bux	Director	Independent Director
5) Mr. Mohammad Aslam	Director	Non-Executive Director
6) Mr. Qazi Shamsuddin	Director	Non-Executive Director
7) Mr. Shahid Aziz	Director (N.I.T)	Non-Executive Director

Re-constituted Audit Committee

The Board after election of Directors has re-constituted the Audit Committee effective from November 04, 2017 for the tenure of three years in order to comply with the provisions of the Code of Corporate Governance. Accordingly, the Board appointed three members of the Audit Committee having the following composition:-

Name of Members	Status	Category
1) Mr. Rahim Bux	Chairman	Independent Director
2) Mr. Muhammad Aslam	Member	Non-Executive Director
3) Mr. Shahid Aziz	Member	Non-Executive Director having financial skill & experience

Re-constituted Human Resource & Remuneration Committee

The Board after election of Directors has reconstituted the Human Resource & Remuneration (H.R. & R.) Committee effective from November 04, 2017 for the tenure of three years in order to comply with the provisions of the Code of Corporate Governance. Accordingly, the Board appointed three members of the H.R. & R. Committee having the following composition:-

Name of Members	Status	Category
1) Mr. Rahim Bux	Chairman	Independent Director
2) Mr. Muhammad Aslam	Member	Non-Executive Director
3) Mr. Shahid Aziz	Member	Non-Executive Director

Re-constituted Information Technology & Steering Committee

The Board after election of Directors has re-constituted the Information Technology & Steering (IT & S) Committee effective from November 04, 2017 for the tenure of three years in order to comply with the provisions of the Code of Corporate Governance. Accordingly, the Board appointed three members of the IT & S Committee having the following composition:-

Name of Members	Status	Category
1) Mr. Ghulam Hyder	Chairman	Executive Director
2) Syed Rehan Ahmad Hashmi	Member	Chief Financial Officer
3) Mr. Muhammad Ahmad	Member	Manager Management Information System



Re-constituted Corporate Social Responsibility Committee

The Board after election of Directors has re-constituted the Corporate Social Responsibility (CSR) Committee effective from November 04, 2017 for the tenure of three years in order to comply with the provisions of the Code of Corporate Governance. Accordingly, the Board appointed four members of the CSR Committee having the following composition:-

Name of Members	Status	Category
1) Mr. Rahim Bux	Chairman	Independent Director
2) Mr. Muhammad Aslam	Member	Non-Executive Director
3) Mr. Shahid Aziz	Member	Non-Executive Director
4) Syed Rehan Ahmad Hashmi	Member	Chief Financial Officer Representing Management

Constitution of Risk Management (RM) Committee

The Board after election of Directors has constituted the Risk Management (RM) Committee effective from November 04, 2017 for the tenure of three years in order to comply with the provisions of the Code of Corporate Governance. Accordingly, the Board appointed three members of the RM Committee having the following composition:-

Name of Members	Status	Category
1) Mr. Muhammad Aslam	Chairman	Non-Executive Director
2) Mr. Shahid Aziz	Member	Non-Executive Director
3) Mr. Ghulam Hyder	Member	Executive Director

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, 2018.

Acknowledgement

Your Directors 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 and on behalf of the Board of Directors

Ghulam Dastagir Rajar
Chairman

Haji Khuda Bux Rajar
Chief Executive Officer

Karachi: December 30, 2017