



Directors' Report

Your Directors are pleased to welcome you at the twenty sixth Annual General Meeting and present Annual Report together with the Company's audited Financial Statements for the year ended September 30, 2011.

Review of the Performance of the Company

The crushing season for the year 2010-2011 commenced on November 22, 2010 and closed on March 18, 2011. The Company operated under extra ordinary environment due to limited availability of sugarcane crop which significantly enhanced procurement cost of sugar cane by around 61% over and above the price of sugarcane fixed by the Government of Sindh for the current season at Rs. 127 per 40 Kg which was already higher by around 25% from the price fixed at Rs. 102 per 40 Kg for the last season 2009-2010. Thus, the increased procurement cost of sugarcane together with ever increasing inflationary pressure on other input items had a direct impact on the earnings of the Company. However, the Company has made its best efforts to play its role with regard to its social responsibilities for the economic well-being alongwith uplift of the rural areas of the Country.

Operating Results

A brief summary of operating results of the Company for the year ended September 30, 2011 along with the comparatives for the corresponding year is given as under.

	2010-2011	2009-2010
Season started on	22-11-2010	12-11-2009
Season completed on	18-03-2011	05-03-2010
Duration of crushing days	117	114
Sugarcane Crushed (M.Tons)	491,205	484,452
Cane sugar produced (M.Tons)	47,008	46,449
Sugar processed	—	98
Sucrose recovery (%)	9.57	9.60

Review of Operation

The Company operated at reasonable level during the season 2010-2011 and was able to manufacture reasonable quantity of sugar under the circumstances of availability of sugarcane at higher procurement cost besides lesser sucrose recovery as compared with the previous year.

Financial Results

The key financial figures of the Company for the year ended September 30, 2011 along with the comparatives for the corresponding year are summarized as under:

	2011	2010
	(Rupees in '000)	
Net profit before taxation	64,344	213,047
Taxation	26,585	78,616
Net profit after taxation	37,759	134,431
Earning per share-basic and diluted (Rupees)	3.16	11.25



Review of Financial Results

As reported earlier, the Company was able to manufacture reasonable quantity of sugar, but significantly enhanced procurement cost of sugarcane with lower sucrose recovery together with increasing other overhead expenses, volatile sale price of sugar and sugar contracted for sale not lifted by the parties as compared with the last year were the main factors that had directly affected the financial results, to a great extent. Thus, the Company made net sales of Rs. 1,498,297 thousand as compared with sales of Rs. 2,679,922 thousand in the last year and gross profit of Rs. 245,956 thousand as compared with gross profit of Rs 377,383 thousand in the last year. This resulted in the lesser net profit after taxation of Rs. 37,759 thousand as compared with the net profit after taxation of Rs 134,431 thousand during the last year ended September 30, 2010.

Future Prospects

The sugar industry has entered into a surplus phase which is in line with the global trend. However, policy of fixation of “Minimum Support Price” of sugarcane leaves little room for the Industry to adjust itself to market trends. The sugar prices have fallen drastically both internationally as well in the domestic market putting the industry under extreme stress. In the “Minimum Support Price” regime, the Government will have to make arrangements for the disposal of excess quantities of sugar in the shape of self purchase through Trading Corporation of Pakistan and/or allowing exports. Stabilizing the sugar market is of utmost importance as it will enable the sugar industry to remain viable and continue to support the rural economy by keeping the growers viable as well.

Contribution of the Company to National Exchequer

The Company's contribution to the National Exchequer in the form of income tax, sales tax and other levies and charges, was Rs. 144,097 thousands during the year as compared to Rs. 203,054 thousands during the last year. This does not include withholding tax that is deducted by the Company from payments made to employees, suppliers etc and deposited with Government Treasury.

Health, Safety and Environment

Your Company, its directors and management are of conscious to follow the needs of the society concerning health, safety and environment for achieving the objective. The Company is responsive to make efforts to minimize the accidental risks, have necessary medical facilities and continuously strive to improve greenery and maintain clean environment around the factory, better housekeeping, safeguarding the health of employees and application of the principles of safety in its operations, the consumers and public at large by following the rules and regulations in this regards.

Corporate Social Responsibility

Your Company is socially responsible and committed to conduct its business ethically and with responsibility. The Company is conscious of the role to play as responsible corporate citizen in fulfilling the various needs of the society concerning health, safety, environment, employee relationship and social welfare of the society. The Company considers itself accountable to its stakeholders and has identified dimensions of performing the social responsibilities which are contribution to economy, environment and society. The management peruses the strategy by following strategic guidelines to be a good corporate citizen:

- i) Encouraging employment of work force living in the rural areas in order to yield significant gain and uplift their living standard.
- ii) Continuously striving to improve greenery, maintain a clean environment around the factory and better housekeeping.



- iii) Making arrangement for civic, health, education and accommodation facilities to employees.
- iv) Support social causes.

On the corporate social responsibility front, the Company has already launched education program and accordingly providing education facilities at premises adjacent to employees colony at the factory in order to provide primary education facilities by qualified staff on concessional fees basis to the children of the factory employees and others living nearby in the rural areas in order to alleviate illiteracy and poverty. The Company has always supported other noble causes which help the members of the society.



Board of Directors

During the year, the Board accepted resignation of Mr. Muhammad Tariq nominee director representing N.I.T. and in his place appointed Mr. Irshad Husain as nominee director representing N.I.T. on September 22, 2011.

The Shareholders of the Company elected in the Extraordinary General Meeting held on October 21, 2011, the following directors of the Company for a period of three years commencing from November 04, 2011.

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|-------------------------------------|---------------------------------------|
| 1. Haji Khuda Bux Rajar | 2. Mr. Jam Mitha Khan |
| 3. Mr. Ghulam Dastagir Rajar | 4. Mr. Gul Mohammad |
| 5. Mr. Mohammad Aslam | 6. Mr. Qazi Shamsuddin |
| 7. Mr. Shahid Aziz (N.I.T. Nominee) | 8. Mr. Irshad Husain (N.I.T. Nominee) |

Revaluation of Property, Plant and Equipment

The Directors are pleased to report that the Company's free hold land, building, plant and machinery were revalued on September 30, 2011 by the independent professional valuers M/s. Akbani & Javed Associates in order to be current with prevailing fair market value and accordingly the carrying value of such assets has been adjusted. The details of which are fully disclosed in the annexed Notes to the Financial Statements.

Corporate and Financial Reporting Framework

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

- i. The financial statements of the Company, prepared by the management, present fairly its state of affairs, the results of its operation, cash flows and changes in equity.
- ii. Proper books of accounts have been maintained by the Company.
- 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 departure, if any, there from has been adequately disclosed.
- 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 Karachi and Lahore Stock Exchanges.
- viii. The key operation and financial data for last ten years in summarized form are annexed.
- ix. Keeping in view, the review of the Financial Results and also factors stated under Future Prospects mentioned above, and the liquidity position as is evident from the annexed financial statements do not permit to recommend dividend for the year ended September 30, 2011.



- x. There are no over dues and statutory payments due on account of taxes, duties, levies and charges are being made in the normal course of business.
- xi. An unfunded gratuity scheme is in operation for all permanent employees. Provision are made annually to cover the obligation on the basis of actuarial valuation and charge to income currently, related details of which are mentioned in the Notes to the Financial Statements.
- xii. During the year, six meetings of the Board of Directors were held. Leaves of absence were granted to the Directors who could not attend the Board meetings. Attendance by each director was as follows:

Name of Directors	Board meetings held on					
	11.10.10	03.01.11	28.01.11	27.05.11	25.07.11	22.09.11
Haji Khuda Bux Rajar	P	P	P	P	P	P
Mr. Jam Mitha Khan	P	L	P	P	P	L
Mr. Ghulam Dastagir Rajar	L	L	P	P	P	P
Mr. Gul Mohammad	P	P	P	P	L	P
Mr. Mohammad Aslam	P	P	P	P	P	P
Mr. Qazi Shamsuddin	P	L	P	P	L	P
Mr. Shahid Aziz (Nominee of N.I.T.)	L	P	P	P	L	L
Mr. Muhammad Tariq (Nominee of N.I.T.)	P	P	P	P	P	N/A
P=Present L=Leave of absence		N/A= Not Applicable				

- xiii. The Pattern of Shareholding as on September 30, 2011 is annexed
- xiv. To the best of our knowledge, the Directors, Chief Executive, CFO, Company Secretary, their spouse and their minor children have not undertaken any trading of Company's shares during the year 2010-2011.

Statement of Compliance with Code of Corporate Governance

The requirements of the Code set out by Karachi and Lahore Stock Exchanges in their Listing Regulations, relevant for the year ended September 30, 2011 have been complied with. A statement of compliance to this effect is annexed with the Report.

Auditors

The present auditors M/s. 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, 2012.

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

Chief Executive

Karachi: January 05, 2012