



Directors' Report



Your Directors are pleased to welcome you at the twenty seventh Annual General Meeting of the Company and present Annual Report together with the Audited Financial Statements of the Company for the year ended September 30, 2012.

Review of the Performance of the Company

The crushing season for the year 2011-2012 started on November 25, 2011 and completed on March 12, 2012. The current season highlighted the long debated "mismatch" in the policy of the Government to fix the minimum price of sugarcane whereas adopts a free market policy with regard to price of sugar. This is evident from the fact that though the prices of sugar crashed, the Government increased the price of sugarcane by 21%. This policy together with the inflationary pressure on other inputs exposed the industry in general and your Company in particular under tremendous strain. Though, the impact of the above was contained somewhat by purchase of sugar by the Trading Corporation of Pakistan and belated permission to Export sugar in small quantities, but it nonetheless left an overall negative impact on the results of the Company. Under these tiring circumstances, the Company has made its best efforts to play its role with regard to its social and corporate responsibilities for economic well being and development of the Country along with uplift of the people living in the rural areas of the Country.

Operating Results

A brief summary of operating results of the Company for the year ended September 30, 2012 along with the comparatives for the corresponding year is given as under:

	2011-2012	2010-2011
Season started on	25-11-2011	22-11-2010
Season completed on	12-03-2012	18-03-2011
Duration of crushing days	109	117
Sugarcane Crushed (M.Tons)	483,352	491,205
Cane sugar produced (M.Tons)	46,516	47,008
Sucrose recovery (%)	9.62	9.57

Review of Operation

The Company operated at reasonable level during the season 2011-2012 and was able to manufacture reasonable quantity of sugar under the circumstances of availability of sugarcane at unviable procurement cost as compared with the previous year.

Financial Results

The key financial figures of the Company for the year ended September 30, 2012 along with the comparatives for the corresponding year are summarized as under:

	2012	2011
	(Rupees in '000)	
(Loss)/profit before taxation	(424)	64,344
Taxation	6,130	26,585
(Loss)/profit after taxation	(6,554)	37,759
Earning per share-basic and diluted (Rupees)	(0.55)	3.16



Review of Financial Results

As already reported above and in the previous reports, the Company was able to manufacture reasonable quantity of sugar, but significantly enhanced procurement cost of sugarcane together with increasing other overhead expenses, drastically fallen sale price of sugar as compared with the last year, carryover stock of sugar, and sugar contracted for sale not lifted, were the main factors that had directly affected the current year's financial results, to a great extent. Consequently, the Company has incurred loss after taxation of Rs.(6,554) thousand as compared with the profit after taxation of Rs.37,759 thousand during the last year ended September 30, 2011.

Future Prospects

As already reported above and in the previous reports of the Company, 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, unmatching 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 of Pakistan Sugar Mills Association 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.

Contribution to the Economy

The Company's contribution to the National Exchequer in the form of income tax, sales tax and other levies and charges, was Rs. 298,154 thousand during the year as compared to Rs 144,097 thousand 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 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 and safe 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 pursues 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.

In this regard, the shareholder will be pleased to know that the Pakistan Centre for Philanthropy ranked the Company as 21st out of 490 listed companies and selected the Company for the Corporate Philanthropy Award 2012 and awarded the Certificate of Recognition for the Company's philanthropic contribution to social development in Pakistan for the year 2011.

Sustainability of the Company, its employees and shareholders of the Company is the prime concern of your directors and various developments on this are under active consideration which will be reported in the ensuing periods.

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 for the year ended September 30, 2012, prepared by the Management, present its state of affairs fairly, 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 any departures 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.
- viii. The key operation and financial data for last ten years in summarized form are annexed.
- ix. Keeping in view the loss after taxation during the year and also factors stated under Review of the Performance of the Company, Review of Financial Results, 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, 2012.
- 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, five Board Meetings of the Board of Directors were held. Leave of absence was 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				
	21.10.11	05.01.12	28.01.12	26.05.12	28.07.12
Haji Khuda Bux Rajar	P	P	P	L	P
Mr. Jam Mitha Khan	P	P	P	P	P
Mr. Ghulam Dastagir Rajar	P	L	P	P	P
Mr. Mohammad Aslam	P	P	P	P	P
Mr. Gul Mohammad	P	P	L	P	L
Mr. Qazi Shamsuddin	P	L	L	P	L
Mr. Shahid Aziz (Nominee of N.I.T.)	P	P	P	P	P
Mr. Irshad Husain (Nominee of N.I.T.)	P	P	P	P	P



Name of Directors	Audit Committee Meetings held on				
	17.12.11	05.01.12	28.01.12	26.05.12	28.07.12
Mr. Ghulam Dastagir Rajar	P	L	P	L	P
Mr. Shahid Aziz	L	P	P	P	P
Mr. Gul Mohammad	P	P	L	P	N/A
Mr. Jam Mitha Khan	N/A	N/A	N/A	N/A	P
P=Present	L=Leave of absence		N/A= Not Applicable		

The Board accepted resignation of Mr. Gul Mohammad as member of the Audit Committee and in his place appointed Mr. Jam Mitha Khan as member of the Audit Committee w.e.f. July 28, 2012, keeping in view the proviso of clause (vi) of the Code of Corporate Governance.

Human Resource & Remuneration (HR&R) Committee

In compliance with the Code of Corporate Governance, the Directors have established a HR&R Committee comprising the following non-executive directors, keeping in view the proviso of clause (vi) of the Code of Corporate Governance.

Mr. Ghulam Dastagir Rajar	Chairman
Mr. Shahid Aziz	Member
Mr. Jam Mitha Khan	Member

- xiii. The Pattern of Shareholding as on September 30, 2012 is annexed
- xiv. To the best of our knowledge, the Directors, Executives and their spouse and their minor children have not undertaken any trading of Company's shares during the year 2011-2012.
- xv. A Statement of Compliance with the Code of Corporate Governance for the year ended September 30, 2012 is annexed with the Report.

Board of Directors

During the year, there was no change in the Board of Directors of the Company. The Present Directors were elected in the Extra Ordinary General Meeting held on October 21, 2011 for the period of three years commencing from November 04, 2011

Threshold for determining Executive

Pursuant to the requirement of sub-clause (l) of clause (xvi) of the Code of Corporate Governance, the Board has set out as threshold for determining an 'Executive' whose annual basic salary exceeds one million rupees in the financial year ended September 30, 2012.

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, 2013.

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

Karachi: January 05, 2013

Chief Executive