



# Directors' Report

Your Directors are pleased to welcome you at the twenty eighth 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, 2013.

## Review of the Performance of the Company

The crushing season for the year 2012-2013 started on November 03, 2012 and completed on March 03, 2013. The Government has continued the long debated 'mismatch' in the policy while fixing the minimum price of sugarcane whereas adopting free market policy with regard to price of sugar. This is evident from the fact that though price of sugar crashed, the Government enhanced the minimum price of sugarcane from Rs 154 for the season, 2011-2012 to Rs 172 per 40 Kg for the season, 2012-2013. This policy together with the increasing inflationary pressure on other overhead expenses exposed the Company under tremendous strain. The Company, under these circumstances, has made its best efforts to play its role with regard to uplift of the people in the rural areas of the Country, particularly Sanghar district which was devastated by natural calamities.

## Operating Results

A brief summary of operating results of the Company for the year ended September 30, 2013 along with the comparatives for the corresponding year is given as under.

	2012-2013	2011-2012
Season started on	03-11-2012	25-11-2011
Season completed on	03-03-2013	12-03-2012
Duration of crushing days	121	109
Sugarcane Crushed (M.Tons)	542,289	483,352
Cane sugar produced (M.Tons)	52,823	46,516
Sucrose recovery (%)	9.77	9.62

## Review of Operation

The Company operated at optimum level during the year ended September 30, 2013 under the prevailing circumstances as compared with the previous year.

## Financial Results

The key financial figures of the Company for the year ended September 30, 2013 along with the comparatives for the corresponding year are summarized as under:

	2013	2012
	(Rupees in '000)	
Profit/(Loss) before taxation	14,271	(424)
Taxation	7,370	6,130
Profit/(Loss) after taxation	6,901	(6,554)
Earning/(Loss) per share-basic and diluted (Rupees)	0.58	(0.55)

## Review of Financial Results

As reported above and in the previous reports, the Company although manufactured the higher quantity of sugar as compared with the corresponding year, but significantly enhanced procurement cost of sugarcane together with increasing other overhead expenses, mismatching prices of sugar and carry over stock of sugar as compared with the corresponding year were the main factors that had directly affected the financial results of the Company for the year ended September 30, 2013 to some extent. Although export quota approved by ECC has benefited the Company to avail relief in FED, but higher sugar production and unsold carryover sugar stock in the Country depressed sugar prices. The Company has earned profit after tax amounting to Rs. 6,901 thousand during the year as compared to loss after tax amounting to Rs. 6,554 thousand in the last year ended September 30, 2012.

## Emphasis Paragraph contained in Audit Report

The auditors have drawn attention to note 23.1.4 in the financial statements and for which the Directors reiterated that no further adverse financial impact is foreseeable other than impact recorded in the financial statements.

## Future Prospects

As mentioned above, the sugar industry is functioning under the peculiar environment affected by the policies of the Government 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, mismatching in the sale price of sugar with its cost of production, glut 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 these



circumstances, certain remedial measures taken by the Government to reduce the surplus stock of sugar, stability and rationality in sugar prices in the local and international market will shape the future prospect of the sugar industry which must operate viably to continue 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. 96,588 thousands during the year as compared to Rs 298,154 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 contributing 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.

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, 2013, 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 and explained.
- 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 operating and financial data for last ten years in summarized form are annexed.
- ix. Keeping in view the factors stated under Review of the Performance of the Company, Review of Financial Results and Future Prospects mentioned above do not permit to recommend dividend for the year ended September 30, 2013.
- 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. The Pattern of Shareholding as on September 30, 2013 is annexed.
- xiii. 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 2012-2013.
- xiv. A statement of Compliance with the Code of Corporate Governance for the year ended September 30, 2013 is annexed with the Report.



## Board of Directors

During the year ended September 30, 2013, there was no change in the Board of Directors of the Company. The condition in relation to the Chairman and CEO will be applicable after election of next Board of Directors of the Company due in November 2014 as provided under proviso of the clause (vi) of the CCG. The Board is composed of three Executive and five Non-Executive Directors. During the year ended September 30, 2013, five meetings of the Board were held. Leave of absence was granted to the Directors who could not attend the Board meeting. Attendance by each director was as follows:

Name of Directors	Status	Category	No. of meetings attended
Haji Khuda Bux Rajar	Chairman & Chief Executive	Executive Director	5
Mr. Jam Mitha Khan	Director	Non-Executive Director	4
Mr. Ghulam Dastagir Rajar	Director	Non-Executive Director	5
Mr. Mohammad Aslam	Director	Executive Director	5
Mr. Gul Mohammad	Director	Executive Director	4
Mr. Qazi Shamsuddin	Director	Non-Executive Director	3
Mr. Shahid Aziz	Director	Non-Executive Director	4
Mr. Irshad Husain	Director	Non-Executive Director	5

## Audit Committee

The Board has already setup an Audit Committee comprising three Non-Executive Directors. Its five meetings were held during the year ended September 30, 2013. Leave of absence was granted to the directors who could not attend the meeting. Attendance by each director was as follows:

Name of Directors		No. of meetings attended
Mr. Ghulam Dastagir Rajar	(Chairman)	5
Mr. Jam Mitha Khan	(Member)	4
Mr. Shahid Aziz	(Member)	4

## Human Resource & Remuneration Committee

The Board has already formed a Human Resource & Remuneration Committee comprising three Non-Executive Directors. Its one meeting was held during the year ended September 30, 2013. Attendance by each director was as follows:

Name of Directors		No. of meetings attended
Mr. Ghulam Dastagir Rajar	(Chairman)	1
Mr. Jam Mitha Khan	(Member)	1
Mr. Shahid Aziz	(Member)	1

## Threshold for determining Executive

Pursuant to the requirement of sub-clause (l) of clause (xvi) of the Code of Corporate Governance, the Board has revised and set out as Threshold for determining an 'Executive' whose annual basic salary exceeds Rupees 1.2 million in the financial year ended September 30, 2013.

## 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, 2014.

## 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 09, 2014

**Chief Executive**