



Directors' Report

The Directors of your Company are pleased to present Thirtieth Annual Report with the Audited Financial Statements of the Company for the year ended September 30, 2015.

Review of the Performance of the Company

The crushing season for the year 2014-2015 started on November 15, 2014 and completed on March 31, 2015. Due to lesser crop in Sanghar district, your Company has started commercial Production 15 days late as compared with last season and was able to operate for 137 days only, crushing at the average rate of 4,601 Metric Tons of sugarcane per day as compared with an average of 4,888.8 Metric Tons per day crushing during 151 days of the previous season.

Operating Results

A brief summary of operating results of the Company for the year ended September 30, 2015 along with the comparatives for the corresponding year is given below:

	2014-2015	2013-2014
Season started on	15-11-2014	01-11-2013
Season completed on	31-03-2015	31-03-2014
Duration of crushing days	137	151
Sugarcane Crushed (Metric Tons)	630,317	738,209
Cane sugar produced (Metric Tons)	64,271	72,530
Sucrose recovery (%)	10.19	9.81

Review of Operation

As mentioned above, the Company operates for a shorter period of time due to lesser availability of sugarcane as compared to last year; However the Sucrose recovery is higher by 0.36% offsetting the effect of decrease in crushing to certain extent.

Financial Results

The key financial figures of the Company for the year ended September 30, 2015 along with the comparatives for the corresponding year are summarized as under:

	2015	2014
	(Rupees in '000)	
Profit before taxation	89,783	36,091
Taxation	32,383	27,359
Profit after taxation	57,400	8,732
Earnings per share-basic and diluted (Rupees)	4.80	0.73

Review of Financial Results

Although the Company has produced lesser quantity of Sugar as compared with last year, the financial results are much better due to higher selling price of Sugar, higher Sucrose recovery and also due to sale of surplus electricity to Hyderabad Electric Supply Company.

Future Prospects

Current crushing season is progressing satisfactorily; the crop of Sugar cane in Sanghar district is almost identical with the last year, the recent announcement by Government of Sindh of Minimum price of Cane at Rs. 172/40 K.gs kept us floating. With this support price and current trend in selling price of sugar, the results of next year would be satisfactory, subject to the condition that Mills will not indulge in price war over Cane.



Dividend

The Board of Directors of the Company in its meeting held on January 06, 2016 has decided to recommend to pay cash dividend at Rs. 2/- per share i.e. 20% for the year ended September 30, 2015 (September 30, 2014: Nil).

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, 2015, prepared by the Management, 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 any departure 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 of the Stock Exchanges.
- 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 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 as on September 30, 2015 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 ended September 30, 2015.
- xiii. A Statement of Compliance with the Code of Corporate Governance for the year ended September 30, 2015 is annexed with the Report.

Board of Directors - Changes and Re Categorization

The Board of Directors of the Company was composed of three Executive Directors and five Non-Executive Directors upto completion of its tenure on November 03, 2014 namely - 1) Haji Khuda Bux Rajar (Executive Director - Chairman & Chief Executive) - 2) Mr. Ghulam Dastagir Rajar (Non-Executive) - 3) Mr. Mohammad Aslam (Executive Director) - 4) Mr. Gul Mohammad (Executive Director) 5) Mr. Jam Mitha Khan (Non-Executive Director) - 6) Mr. Qazi Shamsuddin (Non-Executive Director) 7) Mr. Shahid Aziz (Non-Executive Director) and 8) Mr. Irshad Hussain (Non-Executive Director).

In order to comply with the provisions of the Companies Ordinance, 1984, the Board fixed seven number of Directors to be elected before the expiry of the tenure of above mentioned Directors. Accordingly, the Extra Ordinary General Meeting (The E.O.G.M) of the Company was held on October 30, 2014 wherein the Shareholders unanimously elected seven Directors namely (1) Haji Khuda Bux Rajar (2) Mr. Ghulam Dastagir Rajar(3) Mr. Mohammad Aslam (4) Mr. Gul Mohammad (5) Mr. Ghulam Hyder (6) Mr. Qazi Shamsuddin and (7) Mr. Shahid Aziz for next term of three years with effect from November 04, 2014 to November 03, 2017. Mr. Jam Mitha Khan and Mr. Irshad Husain did not offer for election as director hence they were automatically retired on the expiry of their tenure.

A casual vacancy occurred on the Board because Mr. Gul Mohammad elected as Director in the E.O.G.M. held on October 30, 2014 for the next tenure of the Board of Directors starting from November 04, 2014, resigned on November 01, 2014 which was accepted by the Board of Directors in its meeting held on November 05, 2014 (because of public holidays on November 02, to 04, 2014 due to Aashura) and Mr. Rahim Bux was appointed as the Director of the Company by the Board of Directors in his place in order to fill the casual vacancy immediately.



In order to comply with the requirements as provided under proviso of the clause (vi) and clause i (b) of the Code of Corporate Governance, the Board in its meeting held on November 05, 2015, elected Mr. Ghulam Dastagir Rajar (Non-Executive Director) as Chairman of the Board in place of Haji Khuda Bux Rajar. The Board in this meeting also re-appointed Haji Khuda Bux Rajar as the Chief Executive of the Company and re-appointed Mr. Mohammad Aslam as Working Director for next three years effective from November 04, 2014 to November 03, 2017 as authorized by the Articles of Association of the Company on the remuneration, terms and conditions mentioned in the Abstract U/s 218(2) of the Companies Ordinance, 1984 which was circulated to the Shareholders of the Company as required within the specified time in this regard. Accordingly, after election, the Reconstituted Board of Directors from November 05, 2014 to January 08, 2015 has the following composition (one independent, two executive and four non-executive Directors):

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

The Board, in its meeting held on January 08, 2015, appointed in terms of provisions of Articles of Association of the Company, Mr. Ghulam Hyder as Working / Executive Director in place of Mr. Mohammad Aslam who was relinquished as Working / Executive Director commencing from January 09, 2015 to November 03, 2017 and approved his remuneration, terms and condition of appointment that were already notified through Abstract U/s 218 (2) of the Companies Ordinance, 1984 to the Shareholders of the Company with in specified time in this regard.

Accordingly, the Reconstituted Board of Directors from January 09, 2015 to date has the following composition:

(One independent, two executive and four non executive Directors):

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

Attendance of Reconstituted Board of Directors in Board Meeting

Five Board meetings were held during the year ended September 30, 2015. 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	5
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	4
7)	Mr. Shahid Aziz	Director (N.I.T)	5

Re Constituted Audit Committee

The Board after election of Directors has reconstituted the Audit Committee effective from November 05, 2014 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 Directors	Status	Category	Explanation
1)	Mr. Rahim Bux	Chairman	Independent Director	—
2)	Mr. Ghulam Hyder	Member	Non-Executive Director	Relinquished on January 09, 2015
3)	Mr. Shahid Aziz	Member	Non-Executive Director	Having financial skills and experience
4)	Mr. Mohammad Aslam	Member	Non-Executive Director	Appointed on January 09, 2015



The Board of Directors in its meeting held on January 08, 2015 relinquished Mr. Ghulam Hyder as member of Audit Committee effective from January 09, 2015 and in his place appointed Mr. Mohammad Aslam as member of Audit Committee for the remaining period of his tenure of directorship.

Attendance of Members in Meeting of Reconstituted Audit Committee

Five meetings of Audit Committee were held during the year ended September 30, 2015. Leave of absence was granted to the Member unable to attend the meeting. During the year, its one member was replaced as mentioned above. Attendance by each Member was as mentioned below:

	Name of Directors	Status	No. of Meetings Attended
1)	Mr. Rahim Bux	Chairman	5
2)	Mr. Ghulam Hyder	Member	2
3)	Mr. Shahid Aziz	Member	4
4)	Mr. Mohammad Aslam	Member	3

Reconstituted Human Resource & Remuneration Committee

The Board after election of Directors has reconstituted the Human Resource & Remuneration (H.R. & R.) Committee effective from November 05, 2014 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 Directors	Status	Category	Explanation
1)	Mr. Rahim Bux	Chairman	Independent Director	—
2)	Mr. Ghulam Hyder	Member	Non-Executive Director	Relinquished on January 09, 2015
3)	Mr. Shahid Aziz	Member	Non-Executive Director	—
4)	Mr. Mohammad Aslam	Member	Non-Executive Director	Appointed on January 09, 2015

The Board of Directors in its meeting held on January 08, 2015 relinquished Mr. Ghulam Hyder as member of H.R. & R. Committee effective from January 09, 2015 and in his place appointed Mr. Mohammad Aslam as member of H. R & R. Committee for the remaining period of his tenure of directorship.

Attendance of Members in Meeting of Re constituted H. R. & R. Committee

Three meetings of H. R. & R. Committee were held during the year ended September 30, 2015. Leave of absence was granted to the Member unable to attend the meeting. During the year, its one member was replaced as mentioned above. Attendance by each Member was as mentioned below:

	Name of Directors	Status	No. of Meetings Attended
1)	Mr. Rahim Bux	Chairman	3
2)	Mr. Ghulam Hyder	Member	2
3)	Mr. Shahid Aziz	Member	2
4)	Mr. Mohammad Aslam	Member	1

Directors' Training Program Attendance

The Directors are well aware of their duties and responsibilities under the Code of Corporate Governance (CCG). One Director Haji Khuda Bux Rajar is exempt from Directors' Training Program in accordance with criteria defined in clause (xi) of the CCG. Five Directors namely Mr. Ghulam Dastagir Rajar, Mr. Mohammad Aslam, Mr. Ghulam Hyder, Mr. Rahim Bux and Mr. Qazi Shamsuddin have attended approved Directors Training Program. Mr. Shahid Aziz, Director representing N.I.T. will attend the approved Directors' Training Program with in specified time under the CCG.

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.

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 as Threshold for determining an 'Executive' in respect of trading of company's shares whose annual basic salary exceeds Rupees 1.8 million during the year commencing from October 01, 2014 upto the next period when it will be revised and approved by the Board as and when deemed necessary.



Sustainability & Corporate Social Responsibility

Sanghar Sugar Mills Limited (the Company) acknowledges its social and ethical responsibility to carry out its business in order to keep it safe and protect it for the generations to come. Sustainability Policy is considered to be essential for continuing of the business at Sanghar Sugar Mills Limited. The Company considers itself accountable to its stakeholders and informs them about the initiative and measures taken to ensure sustainability and has identified the following dimensions of performing social responsibilities which contributing to economy, environment, health, education and society.

- i. To support the sugarcane growers of the area and provide better quality seeds and fertilizers to achieve improvement in quality of sugarcane and enhance its quantity and productivity in order to have regular, constant and better supply in future the major basic raw material for sugar mills.
- ii. To alleviate illiteracy in the rural areas of the Country, the Company has launched education program and is providing education facilities at the premises adjacent to the Mills' Employees' Colony by the qualified staff on concessional basis to the children of the factory employees and persons living nearby in rural areas.
- iii. 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 is also helping the Country to improve foreign reserves by earning foreign currency through exports of sugar as and when allowed. The Company contributed to National Exchequer in the form income taxes, sales tax and other levies amounting to Rs. 255,818 thousand during the year ended September 30, 2015 as compared to Rs. 283,052 thousand during the last year.
- iv. To follow consciously 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 Mills, 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 regard.
- v. The Company's efforts have primarily on improving the social conditions of the Communities and employees related to the Company by establishing fair working conditions, ensuring occupational safety, setting social standard, establishing minimum wages, zero tolerance on child labour and forced labour etc.
- vi. The Company continuously is striving to improve greenery, maintaining clean environment around the mills and better house-keeping.
- vii. To encourage employment of workforce living in the rural areas in order to yield significant gain and uplift their living standard.
- viii. The Company treats all employees fairly and compensates them according to the industry practice. The Company provides the benefits such as perquisites, annual leaves, pick and drop, facility of mess, safe and healthy working conditions etc along-with group insurance, making payments to Employees Old Age Benefits Institution, Worker's Welfare Fund, Worker's Profit Participation Funds.
- ix. The Company is committed to maintaining the principles of integrity and trust with respect to privacy of the employees of the Company.

Auditors

The present Auditors M/s. Kerston 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, 2016.

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 06, 2016