

# Directors' Report

The Directors of your Company are pleased to present 36th Annual Report with the Audited Financial Statements of the Company for the year ended September 30, 2021.

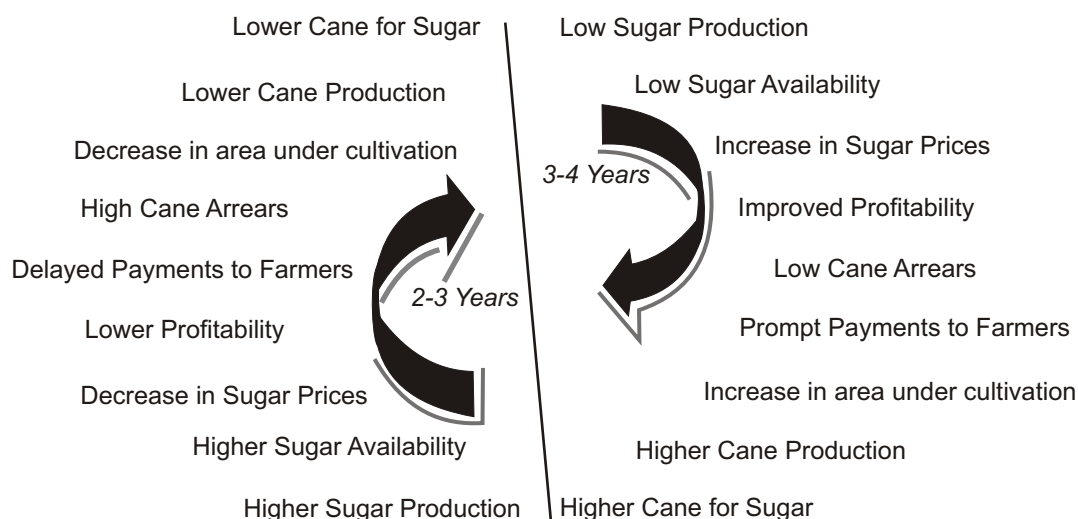
## ABOUT THE ECONOMY & INDUSTRY:

Pakistan's economy witnessed improvements as against the negative impacts of Covid-19 pandemic and lockdown situation in the country last year. Drastic increase in raw material prices and higher costs of operations due to continuous rupee devaluation and disruption in international supply chain routes are hindering the businesses and the economic activities.

The global growth for 2021 and 2022 is projected at 6% and 4.9% respectively, which is far stronger than earlier projections made by the International Monetary Fund (IMF). This growth will be made possible by additional fiscal support, anticipated vaccine-powered recovery and continued reopening of economic activities. However, the another wave will possibly slow down economic growth with the spreading of the previous variant ravaging economies across the globe.

The policy rate remained unchanged throughout the year under review, which improved business sentiments thus stimulating economic activities. IMF has acknowledged that the government policies have been critical in supporting the economy and saving lives and livelihoods with the aggressive intervention of the State Bank of Pakistan.

## The Cycle of Sugar Sector is as follows:



Pakistan has two planting seasons for Sugar Cane Crop i.e. Spring (February-March) and Autumn (September-November). Harvesting of each season is conducted beyond 10 months after plantation. Over the past five years, sugarcane crop has witnessed two opposing trends on an average basis, decline in area under cultivation and increase in overall production. While cultivated area has been reduced and the sugar cane production has been increased, over the past five years. Major reason is attributed to increase in yield / hectare.

The Sugar Industry is subject to variant cost structures due to different recovery ratios of cane type, technology used economies of scale, conversion cost and purchase price of sugarcane. Due to this, even mills located in same area may have different cost structures. Most highly efficient mills are the ones which have maximum recovery ratio and other economies of scale due to larger capacity and better technology. The inefficient mills are the ones with obsolete technology, low recovery ratios and high conversion cost. Sugar recovery rates vary from ~8% to ~12%. In Pakistan the cost of cane varies from 65% to 95% of the cost of production of sugar for different mills, which demonstrates an excessively high share of sugarcane - often with low sucrose content.

## SANGHAR SUGAR MILLS LIMITED

The production of sugar for the season 2020-21 was 5.65 million tons as compared to 4.88 million tons of previous season. With estimated consumption close to 6.00 million tons and in order to address the shortfall, the Government has allowed TCP to import 300 thousand tons of sugar without duties and taxes. The prices of sugar continued to remain under pressure for several reasons, including registration of various cases against brokers / dealers by the Government agencies regarding increase in sugar prices and bulk storage. High sugarcane procurement prices mainly due to intense competition between the sugar manufacturers particularly in lower Sindh which have resulted in significant pressure on the profitability of sugar producers. Better returns to growers in last two seasons have resulted in improvement of plantation of sugarcane.

### ABOUT YOUR COMPANY:

#### PRINCIPAL ACTIVITIES

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 transmission equipment to sell surplus electric power. The manufacturing facilities are located at Sanghar Sindhri Road, Deh Kehore, District Sanghar in the province of Sindh.

#### OPERATING RESULTS & ITS REVIEW

	2020-2021	2019-2020
Season started on	05-11-2020	15-11-2019
Season completed on	20-02-2021	02-03-2020
Duration of crushing days	108	109
Sugarcane crushed (Metric Tons)	451,275.963	387,302.875
Average daily crushing (Metric Tons)	4,178.48	3,553.24
Cane sugar produced (Metric Tons)	45,239.50	39,804.25
Sucrose recovery (%)	10.012	10.263

Your Company is able to crush 451,275.963 M. Tons of sugarcane compared with 387,302.875 M. Tons of sugarcane in the last crushing season resulting an increase of 16.52% in crushing & producing 45,239.50 M. Tons of sugar, resulting an increase of 13.65% of Sugar, when compared with production of 39,804.25 M. Tons of last season. During the crushing period, supply of cane was not regular due to cane procurement war in the province, resulting in increased cane prices and intermittent supply also results in low recovery due to frequent stoppages etc. Lower recovery is also attributed to the impact of supply of cane from areas to the south of mills which were affected by torrential rain that resulted in stagnation of water in cane fields.

#### FINANCIAL RESULTS & ITS REVIEW

The key financial figures of the Company for the year ended September 30, 2021 along with the comparatives for the corresponding year are summarized as under:

	2021 (Rupees in '000)	2020
Loss before taxation	(16,094)	(98,846)
Taxation	13,732	19,909
Loss after taxation	(29,826)	(118,755)
Loss per share-basic and diluted (Rupees)	(2.50)	(9.94)

During the year, Company's loss before taxation was Rs. 16,094 thousand compared with loss before taxation of Rs. 98,846 thousand in last year. During the year, we managed to keep the cane procurement cost on the lower side when compared to the adjoining mills, gradually reduced the tenure of utilization of short term borrowings for a short span of time to keep the markup cost on lower side and also the repayment of long term loans gradually keep the cost at lower side, managed & control the manufacturing expenses despite phenomenal increase in inflation. Despite our efforts the results are still in negative, mainly due to increased cost of production as compared to the selling price of sugar of the Company except during the last quarter, which compensate the losses to some extent.

**COMMENTS ON AUDITORS' REPORT**

The statutory auditors of the Company emphasizing the matter in their report regarding non-provision of Rs. 22 per maund for the season 2017-18, in this regard we would like to inform you that your financials are prepared by taking sugar cane purchased at Rs. 160 per 40 k.g. in the light of the interim order passed by the Honourable High Court of Sindh with the consent of all the stakeholders, we hope that considering the continued depressed economic condition of the sugar industry, the final decision by the Courts are likely to be in line with the consent order.

**CONTINGENCIES**

The Board would like to inform you that during the year, the Orders issued by the Federal Board of Revenue (FBR) in respect of tax years from 2015 to 2019 creating a demand of Rs. 24,818,724 thousand and also passed Orders Under Section 161 for the consecutive three Tax Years 2017 to 2019 and again creating an exorbitant demand of Tax in aggregate amounting to Rs. 88,174 thousand. Your management believe that all the matters will be decided in Company's favour as the demand raised through the stereo type orders by the FBR are created on the basis of using stock phrases, imagination based workings and predetermined mindset and are illegal, ultra-vires and without any justification or basis. Further, your Company is in the process of contesting legal course and currently at the stage of appeal to the Appellate Tribunal and Commissioner Appeal respectively. The Company has also filed application for stay against these Orders in the Honourable Sindh High Court which have been granted by the said Honourable Court, alongside appeal before the Appellate Tribunal and Commissioner Inland Revenue Appeals along with application for the stay against demands.

**STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK**

The Board of Directors and the Company remain committed to the principles of good corporate management practice with emphasis on transparency and disclosures. The Board and management are cognizant of their responsibilities and monitor the operations and performance to enhance the accuracy, comprehensiveness and transparency of financial and non-financial information.

The Company is fully compliant with the Code of Corporate Governance and as per the requirements of the listing regulations, following specific statements are being given hereunder:

- o 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.
  - o Proper books of accounts of the Company have been maintained.
  - o Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
  - o International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of Financial Statements and there is no departure there from.
  - o The system of internal control is sound in design and has been effectively implemented and monitored.
  - o There are no significant doubts upon the Company's ability to continue as going concern.
  - o There has been no material departure from the best practices of the Corporate Governance as detailed in the Regulations.
  - o The Key Operating and Financial Data for last ten years in summarized form are annexed.
  - o 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.
  - o An unfunded gratuity scheme is in operation for all permanent eligible employees and also the Leave Encashment Scheme for eligible employees to be paid at the time of retirement or leaving the Company. 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.
  - o The Pattern of Shareholding is annexed.
  - o In terms of the Listed Companies (Code of Corporate Governance) Regulations, 2019, the Companies shall ensure that all the directors on their boards have acquired the prescribed certification under Director Training Program. All the directors, except Haji Khuda Bux Rajar and Mr. Muhammad Qasim, have attended and completed directors' training course conducted by Institutes / organizations authorized by the Securities & Exchange Commission of Pakistan. Haji Khuda Bux Rajar has the prescribed education and experience required for exemption under Regulations accordingly he is exempted from attending directors' training program and Mr. Muhammad Qasim will attend and complete the Training Program in due course of time, as allowed by the Regulations.
-

## SANGHAR SUGAR MILLS LIMITED

- o The Board strives to continuously improve its and Board Committees' effectiveness. Board of Directors has developed a mechanism as required under the Code of Corporate Governance to undertake annual evaluation to assess Board's and its Committees' performance. The Board also reviews developments in corporate governance to ensure that the Company always remains aligned with best practices.
- o 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.
- o Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 for the year is annexed with the Report.

### CORPORATE GOVERNANCE & ADHERENCE TO BEST PRACTICES OF CORPORATE GOVERNANCE

The Company has a long history of adherence to high standards of ethical practices, and it continues to uphold these standards going forward. The Board defines a path of continuous improvement by constantly challenging existing processes and the Board has fiduciary responsibility for the proper direction and control of the activities of the Company. This responsibility includes such areas of stewardship as the identification and control of the Company's business risks, the integrity of management information systems and transparent reporting to shareholders.

The Corporate Governance structure of the Company is based on the Articles of Association as well as statutory, regulatory and other compliance requirements applicable to companies listed on the Pakistan Stock Exchange and the same is complemented by several internal procedures including a risk assessment and control system, as well as system of assurance on compliance with the applicable laws, regulations and the Company's Code of Conduct.

### NUMBER OF DIRECTORS

The total numbers of Directors are eight as per the following:

- a) Male: Seven
- b) Female: One

### COMPOSITION OF THE BOARD

The composition of Board is as follows:

#### Independent Directors

Male:

Mr. Rahim Bux  
Mr. M. Abdul Jabbar

Female:

Ms. Nazia Azam

#### Non-Executive Directors

Mr. Ghulam Dastagir Rajar  
Mr. Shahid Aziz  
Mr. Muhammad Qasim

#### Executive Directors

Haji Khuda Bux Rajar  
Mr. Ghulam Hyder

### BOARD COMMITTEES

The Board has formed committees comprising of members given below:

#### a) Audit Committee:

Name	Status
Mr. Rahim Bux	Chairman
Mr. Shahid Aziz	Member
Mr. M. Abdul Jabbar	Member

#### b) Human Resource and Remuneration Committee:

Name	Status
Mr. Rahim Bux	Chairman
Mr. Ghulam Hyder	Member
Mr. M. Abdul Jabbar	Member

---

## SANGHAR SUGAR MILLS LIMITED

---

**c) Risk Management Committee:**

<b>Name</b>	<b>Status</b>
Mr. Shahid Aziz	Chairman
Haji Khuda Bux Rajar	Member
Mr. Ghulam Dastagir Rajar	Member

**d) Corporate Social Responsibility Committee:**

<b>Name</b>	<b>Status</b>
Mr. Ghulam Dastagir Rajar	Chairman
Mr. Muhammad Qasim	Member
Ms. Nazia Azam	Member
Syed Rehan Ahmad Hashmi	Member

**e) Information Technology & Steering Committee:**

<b>Name</b>	<b>Status</b>
Mr. Ghulam Hyder	Chairman
Syed Rehan Ahmad Hashmi	Member
Mr. Sheraz Khan	Member

### ATTENDANCE OF BOARD OF DIRECTORS AND COMMITTEES

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:

<b>Name of Directors</b>	<b>Status</b>	<b>No. of Meetings Attended / Total Meetings held in Director's tenure</b>
1) Mr. Ghulam Dastagir Rajar	Chairman	5/5
2) Mr. Ghulam Hyder	Chief Executive	5/5
3) Haji Khuda Bux Rajar	Director	4/5
4) Mr. Mohammad Aslam <i>Expired on March 15, 2021</i>	Ex-Director	3/3
5) Mr. Rahim Bux	Director	5/5
6) Mr. Qazi Shamsuddin <i>Resigned on May 31, 2021</i>	Ex-Director	4/4
7) Mr. Shahid Aziz <i>Appointed on June 09, 2021 in place of Mr. Muhammad Aslam</i>	Director	1/1
8) Mr. M. Abdul Jabbar	Director	5/5
9) Ms Nazia Azam	Director	5/5
10) Mr. Muhammad Qasim <i>Appointed on June 09, 2021 in place of Mr. Qazi Shamsuddin</i>	Director	1/1

---

---

## SANGHAR SUGAR MILLS LIMITED

---

### 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 / Total Meetings held in Member's tenure
1) Mr. Rahim Bux	Chairman	5/5
2) Mr. Shahid Aziz	Member	1/1
<i>Appointed on June 09, 2021 in place of Mr. Ghulam Dastagir</i>		
3) Mr. Ghulam Dastagir Rajar	Ex-Member	4/4
<i>Changed due to Re-constitution of Committee</i>		
4) Mr. M Abdul Jabbar	Member	5/5

### 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 / Total Meetings held in Member's tenure
1) Mr. Rahim Bux	Chairman	2/2
2) Mr. Ghulam Hyder	Member	2/2
3) Mr. M. Abdul Jabbar	Member	2/2

### Attendance of Members in Meeting of Information Technology Committee

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

Name of Members	Status	No. of Meetings Attended / Total Meetings held in Member's tenure
1) Mr. Ghulam Hyder	Chairman	2/2
2) Syed Rehan Ahmad Hashmi	Member	2/2
3) Mr. Sheraz Khan	Member	2/2

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

Two meetings of CSR Committee were held during the year. Attendance by each Member was as mentioned below:

Name of Members	Status	No. of Meetings Attended / Total Meetings held in Member's tenure
1) Mr. Muhammad Aslam	Ex-Chairman	1/1
<i>Expired on March 15, 2021</i>		
2) Mr. Ghulam Dastagir Rajar	Chairman	Nil
<i>Appointed on June 09, 2021</i>		
3) Mr. Qazi Shamsuddin	Ex-Member	2/2
<i>Resigned on May 31, 2021</i>		
4) Mr. Muhammad Qasim	Member	Nil
<i>Appointed on June 09, 2021</i>		
5) Ms. Nazia Azam	Member	2/2
6) Syed Rehan Ahmad Hashmi	Member	2/2

---

## SANGHAR SUGAR MILLS LIMITED

### Attendance of Members in Meeting of Risk Management Committee

Two meetings of Risk Management Committee were held during the year. Attendance by each Member was as mentioned below:

Name of Members	Status	No. of Meetings Attended / Total Meetings held in Member's tenure
1) Mr. Muhammad Aslam <i>Expired on March 15, 2021</i>	Ex-Chairman	1/1
2) Mr. Shahid Aziz <i>Appointed on June 09, 2021</i>	Chairman	Nil
3) Haji Khuda Bux Rajar	Member	1/2
4) Mr. Qazi Shamsuddin <i>Resigned on May 31, 2021</i>	Ex-Member	2/2
5) Mr. Ghulam Dastagir Rajar <i>Appointed on June 09, 2021</i>	Member	Nil

### 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 purpose of the evaluation is to ensure that the Board's performance is measured with reference to overall corporate objectives, governance structure of the Company, statutory & regulatory compliance, effectiveness, collaboration and value addition. The Board has evaluated all the factors based on the inputs of the Directors made in the Board Meeting. All members of the Board participated in performance evaluation and provided their feedback.

### 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 Regulations. All other Directors have already completed approved Directors' Training Program as specified in the Corporate Governance except Mr. Muhammad Qasim. He is a newly appointed Director and prescribed director training program will be completed in due course of time, as allowed by the Regulations.

### CHIEF EXECUTIVE OFFICER'S PERFORMANCE REVIEW

Each year the Board establishes a list of goals and strategies aligned to achieve the mission of the Company. This helps in assessing how each objective is contributing towards the growth of the Company. The factors to be evaluated are adherence to the mission, long and short term objectives, ensuring long term profitability, increasing shareholder's value and ensuring good governance and statutory reporting.

### ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO)

Chairman acts as custodian of the Company on behalf of the Board and Stakeholders. He heads the Board of Directors and is responsible for ensuring the Board's effectiveness. The Chairman ensures the development of business and protection of goodwill of the Company.

CEO has the prime responsibility of driving for achievement of the Company's vision, mission and its long term goals. He acts as a link between the Board and management of the Company and communicates with the Board on behalf of the management. The CEO is responsible for the day to day management of the Company's affairs and execution of long term strategy and plans. CEO also represents the Company to the shareholders, government authorities and the public. He is the leader and the decision maker to achieve targets.

### 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. The Board has established a system of internal control and formulated policies for ensuring efficient conduct of its business, safeguarding the Company's assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information.



**THRESHOLD FOR DETERMINING EXECUTIVE**

Pursuant to the requirement of Clause 5.6.4 of the Listing Regulations (Rule Book) of the Pakistan Stock Exchange, the Board has set out a Threshold for determining an 'Executive' in respect of trading of Company's shares. The person whose annual basic salary exceeds Rs. 2.3 million during the year is treated as executive.

**RELATED PARTY TRANSACTIONS**

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

***Remuneration of Chief Executive, Directors and Executives***

The remuneration of the Board Members are approved by the Board itself. However, in accordance with the Code of Corporate Governance, it is ensured that no Director takes part in deciding his/her own remuneration. The aggregate amount charged during the year for remuneration, including all benefits to the Chief Executive, Directors and Executives of the Company are disclosed in Notes to the Financial Statements. Policy for Director's remuneration and meeting fee are annexed with the report.

***Other Transactions***

The Company in the normal course of business carried out transactions with Key Management Personnel (KMP) / related parties. The transactions reflect economic substance and are executed in the normal course of business and are disclosed in Notes to the annexed Financial Statements.

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

Name of Related parties with whom the Company has entered into transactions or had agreements and arrangements in place during the financial year along with the basis of relationship are also disclosed in respective notes to the financial statements. Contract or arrangements with related parties were in the ordinary course of business and were at arm's length basis.

**MATERIALITY APPROACH**

Determining materiality levels is subjective and varied between organizations. Authorizations for transactions and delegation of powers have been defined 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**

Human resource planning and management is one of the most important considerations with the senior management. The Board has established a Committee which is involved in the selection, evaluation, compensation and succession planning of key management personnel. It is also involved in recommending improvements in the human resource policies and procedures and their periodic review.

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. No employee will perform any kind of work (directly or indirectly) for a third party without proper approval. Employees must notify their any actual or potential conflict of interest situation and obtain an advice or ruling as the case may be. 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.

Every director is required to provide to the Board complete details regarding any material transaction which may bring conflict of interest with the Company for prior approval of the Board. The interested director(s) do not participate in the discussion neither they vote on such matters. The transactions with all the related parties are made on arms length basis and complete details are provided to the Board for their approval. Further all the transactions with the related parties are fully disclosed in the financial statements of the Company.

---



**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 are installing 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. The Effluent treatment plant has been completed and capitalized.

Further, it is to inform you that the Company has finalized the Environmental Management Plan and has also conducted all environmental examination and is working hard to significantly reduce the consumption of water by doing following steps;

- o Increase in imbibition water Temperature at Mill House from 40 Centigrade to 55 Centigrade using condensate water in place of raw water.
- o Reactivation of cooling tower for vertical crystallizer by this we are re cycling water use for crystallizer cooling purposes. Intake of fresh water is minimized only to make up water loss due to evaporation.
- o Process chemicals are prepared with condensate water in place of raw water. We are working on reducing, re-cycle and re-use of water.

**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. 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:

**Operational Risk**

Operational risk results in disruption of operations due to scarcity of material, energy outages and dearth of skilled human resources. 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.

**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.

**Foreign Exchange Risk**

The Company is not directly exposed to the risk of exchange rate fluctuation as at the year-end and the Company was also not directly exposed during the year.

**Credit Risk**

Credit risk relates to the risk that a Company may encounter as a result of failure of the counter parties to satisfy their debts or obligation in accordance with the agreed terms of credit. 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 inter alia 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. The Company believes that it is not exposed to major concentration of credit risk.

---

**Liquidity Risk**

Liquidity risk arises when the Company has insufficient ready cash and encounters difficulty in meeting its financial obligation. 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.

**Interest Rate Risk**

Interest rate risk arises due to fluctuation in interest rates resulting in adverse future cash flows. Company's exposure to interest rate is associated with the long term financing and short term borrowings. The Company monitors interest rate fluctuation and encounters interest rate risk by utilizing optimal mix of different types of borrowing arrangements.

**ISSUES RAISED IN LAST ANNUAL GENERAL MEETING (AGM)**

The Annual General Meeting of the Company was held on January 28, 2021. All the following agenda items of the meeting were approved without any specific issues raised by the members:

1. Confirmation of the minutes of the Extra Ordinary General Meeting of the Company held on October 31, 2020.
2. Audited financial statements for the year ended September 30, 2020 together with the Directors' and Auditors' report thereon.
3. Appointment of M/s Kreston Hyder Bhimji & Co., Chartered Accountants as statutory auditors for the year ended September 30, 2021 and fixation of their remuneration.

**IMPACT OF COVID - 19**

Consequent to the spread out of the pandemic of COVID-19 the Company has adopted all of the necessary Standard Operating Procedures (SOPs) to ensure safety and well being of the employees. All employees of the Company have been fully vaccinated except few having medical reasons. The management of the Company has taken all of the necessary steps to carry out safe and reliable operations and ensuring continuation of the business of the Company. Due to this, management has assessed the accounting implications of these developments on these financial statements and assessed that there is no significant accounting impact of the effects of COVID-19 on these financial statements.

Due to the adverse impact of the COVID-19 pandemic on the economy of the country in preceding year, the liquidity position of the Company was greatly affected. However, with efficient and timely cash management, the Company was able to meet its cash flow requirements to support its operations and financial position.

The Company also took the benefit of a very timely announced State bank of Pakistan scheme during COVID-19 and deferred its short-term maturities. However, due to the picking up of economy and the Company's prudent cash management strategies all deferred maturities were paid off. The Company also timely took the advantage of subsidized financing offered by the State Bank of Pakistan to support the economy.

**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 has accounted for in respect of contribution to National Exchequer in the form income taxes, sales tax and other levies amounting to Rs. 566,840 thousand during the year as compared to Rs. 600,303 thousand during the last year.

**FUTURE PROSPECTS**

Federal Board of Revenue directed the sugar mills to install "Video Analytics for Electric Monitoring of Sugar Production" vide its SRO 889(I) / 2020 dated September 21, 2020 of Video Analytics Rules, 2020 for the season 2020-21. However, due to some uncertain circumstances, the same was not implemented and subsequent to the year ended 2021, Track & Trace System was implemented for the Season 2021-22 and became part of this Tax System.

We appreciate the reduction of minimum turnover tax rate to 1.25% from 1.5% in the budget and this will surely help the sugar industry.

Due to increase in area under cultivation, your management see an increase in crushing of sugar cane as well as increase in production of sugar for the ensuing season. Cane growers also expecting prices above the minimum prices announced by the Government of Sindh and has deliberately slowed down the harvesting of cane to increase the price of cane. We expect that all the stakeholders will keep the cost of sugarcane in-line with the selling price of sugar and urge the Government to take the necessary steps to ensure the price of sugar adequately reflects the cost of production and other related expenses. We would also request the Government to resolve the issue of pending subsidies and disburse them as this will be the instrumental to the Company's liquidity.

---

## SANGHAR SUGAR MILLS LIMITED

The Federal Government is expecting surplus sugar, but the situation in Sindh in terms of retail price of the commodity is unlikely to be changed. There are actually four forces which affect the commodity prices one way or the other. They are: Centre, province, dealers and market forces. If anyone fails to play its role that failure would ultimately affect the prices.

Strategies are in place and are regularly reviewed to ensure that the Company stays on the path of growth and progress. The focus is on stringent controls on the cost of production mainly through modernizing and replacement of old machines, lesser interruptions, abnormal wastages, process improvements, energy savings and high savings in Baggasse consumption through availing and implementing various options and installing machineries like juice heaters, lotus rollers, variable frequency drives and quintuple effects. Also adhering to the guidelines and SOPs necessary to ensure the health and safety of human resources. We are optimistic that the Company's performance will sustain and further improve in terms of revenue, profits and liquidity positions.

### CAPITAL RESERVE

Revaluation surplus on property, plant & equipment is presented in the statement of financial position as part of equity and in the statement of changes in equity as a capital reserve being the part of equity. This surplus is a capital reserve and is not available for distribution to shareholders of the Company in accordance with the Section 241 of the Companies Act, 2017.

### DIVIDEND & APPROPRIATION

Due to the circumstances already discussed, the Board of Directors of the Company in its meeting does not recommend any dividend and or appropriation for the year ended September 30, 2021.

### 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, 2020 elected the Eight Directors for the tenure of three years commencing from November 04, 2020, 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 (7) Mr. M. Abdul Jabbar (8) Ms Nazia Azam.

The Board in this meeting elected Mr. Ghulam Dastagir Rajar as the Chairman of the Board. The Board also appointed Mr. Ghulam Hyder as the Chief Executive of the Company and appointed Haji Khuda Bux Rajar as Working Director for next term of three years effective from November 04, 2020 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, 2020 was the following composition:

Names of Directors	Status	Category
1) Mr. Ghulam Dastagir Rajar	Chairman	Non-Executive Director
2) Mr. Ghulam Hyder	Chief Executive	Executive Director
3) Haji Khuda Bux Rajar	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. M. Abdul Jabbar	Director	Independent Director
8) Ms. Nazia Azam	Director	Independent Director

During the year and subsequent to the Election of Directors, our two members of the Board Mr. Muhammad Aslam has been expired on March 15, 2021 and Mr. Qazi Shamsuddin has been resigned from the Board with effect from May 31, 2021. To fill the casual vacancies, the Board of Directors of the Company considered and approved the appointment of Mr. Shahid Aziz as a Non-Executive Director with effect from June 09, 2021 in place of Mr. Muhammad Aslam to fill the casual vacancy occurred due to death on March 15, 2021 and also considered and approved the appointment of Mr. Muhammad Qasim as a Non-Executive Director with effect from June 09, 2021 in place of Mr. Qazi Shamsuddin to fill the casual vacancy occurred due to his Resignation with effect from May 31, 2021.

Mr. Shahid Aziz and Mr. Muhammad Qasim has been appointed along-with the Roles & Responsibilities for being a Directors on the Board, as per the provisions of the law, for a remaining term i.e. up-to November 03, 2023 unless he earlier resigns, becomes ineligible or disqualified under any provision of applicable law or removed by the directors.

## SANGHAR SUGAR MILLS LIMITED

After appointment of two directors, to fill the casual vacancies, the composition of Board on or after June 09, 2021 are as follows:

Names of Directors	Status	Category
1) Mr. Ghulam Dastagir Rajar	Chairman	Non-Executive Director
2) Mr. Ghulam Hyder	Chief Executive	Executive Director
3) Haji Khuda Bux Rajar	Director	Executive Director
4) Mr. Rahim Bux	Director	Independent Director
5) Mr. Shahid Aziz	Director	Non-Executive Director
6) Mr. Muhammad Qasim	Director	Non-Executive Director
7) Mr. M. Abdul Jabbar	Director	Independent Director
8) Ms. Nazia Azam	Director	Independent Director

### Re-constituted Audit Committee

The Board after election of Directors has re-constituted the Audit Committee effective from November 04, 2020 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:-

Names of Members	Status	Category
1) Mr. Rahim Bux	Chairman	Independent Director
2) Mr. Ghulam Dastagir	Member	Non-Executive Director
3) Mr. M. Abdul Jabbar	Member	Independent Director

### Re-constituted Audit Committee on and after June 09, 2021

Names of Members	Status	Category
1) Mr. Rahim Bux	Chairman	Independent Director
2) Mr. Shahid Aziz	Member	Non-Executive Director
3) Mr. M. Abdul Jabbar	Member	Independent Director

### Re-constituted Human Resource & Remuneration Committee

The Board after election of Directors has reconstituted the Human Resource & Remuneration Committee (H.R. & R.) effective from November 04, 2020 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:-

Names of Members	Status	Category
1) Mr. Rahim Bux	Chairman	Independent Director
2) Mr. Ghulam Hyder	Member	Executive Director
3) Mr. M. Abdul Jabbar	Member	Independent 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, 2020 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:-

Names of Members	Status	Category
1) Mr. Ghulam Hyder	Chairman	Executive Director
2) Syed Rehan Ahmad Hashmi	Member	Chief Financial Officer
3) Mr. Sheraz Khan	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, 2020 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:-

## SANGHAR SUGAR MILLS LIMITED

Names of Members	Status	Category
1) Mr. Muhammad Aslam	Chairman	Non-Executive Director
2) Mr. Qazi Shamsuddin	Member	Non-Executive Director
3) Mr. Nazia Azam	Member	Independent Director
4) Syed Rehan Ahmad Hashmi	Member	Chief Financial Officer - Representing Management

### Re-constituted Corporate Social Responsibility Committee on and after June 09, 2021

Names of Members	Status	Category
1) Mr. Ghulam Dastagir Rajar	Chairman	Non-Executive Director
2) Mr. Muhammad Qasim	Member	Non-Executive Director
3) Mr. Nazia Azam	Member	Independent Director
4) Syed Rehan Ahmad Hashmi	Member	Chief Financial Officer - Representing Management

### Re-constituted Risk Management (RM) Committee

The Board after election of Directors has re-constituted the Risk Management (RM) Committee effective from November 04, 2020 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:-

Names of Members	Status	Category
1) Mr. Muhammad Aslam	Chairman	Non-Executive Director
2) Haji Khuda Bux	Member	Executive Director
3) Mr. Qazi Shamsuddin	Member	Non-Executive Director

### Re-constituted Risk Management Committee on and after June 09, 2021

Names of Members	Status	Category
1) Mr. Shahid Aziz	Chairman	Non-Executive Director
2) Haji Khuda Bux	Member	Executive Director
3) Mr. Ghulam Dastagir	Member	Non-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, 2022.

### ACKNOWLEDGEMENT

Your Directors appreciate the various relief measures initiated by the Government of Pakistan and the State Bank of Pakistan to support the business industry to mitigate the adverse impact of COVID-19 and also wish to 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 & on Behalf of the Board

**Ghulam Dastagir Rajar**  
Chairman

**Ghulam Hyder**  
Chief Executive Officer

Karachi: January 01, 2022