



# STANDING STRONG





# DIRECTORS' REPORT

On behalf of the Board, I am pleased to present financial results for the half year ended March 31, 2020.

## Operational Highlights

	March 2020	March 2019
Crushing - M.Tons	654,339	702,259
Sucrose Recovery	11.13%	11.44%
Sugar Production - M.Tons	72,821	80,332
Molasses production - M.Tons	29,550	33,182
Molasses Recovery	4.52%	4.72%

## Financial Highlights

	March 2020	March 2019
	(Rupees in Thousand except EPS)	
Turnover	3,538,839	1,992,044
Sales tax / federal excise duty	426,741	206,600
Gross Profit	600,483	404,933
Gross Profit margin	19.30%	22.68%
Profit before tax	261,286	216,158
Profit before tax margin	8.40%	12.11%
Net Profit after tax	110,497	175,400
Net Profit margin	3.55%	9.82%
Earnings per share	2.37	3.76

Following factors were primarily responsible for our operational and financial results:

- Sucrose recovery was 11.13% as compared to 11.44% the previous year.
- Gross Profit margin declined due to substantial increase in sugarcane purchase price due to competition amongst mills. The entire increase could not be passed on and thus led to a fall in GP margin.
- Change in sales tax rate from 8% to 17% also impacted the gross profit margin since the market price of sugar could not absorb the entire increase in government taxes. Thus our farmer and the government both took higher revenue share from the sugar value chain this year as compared to the previous year.
- Selling price of molasses substantially improved by 54.5% as compared to last year due to currency devaluation and shorter molasses production due to lower yields of sugarcane. This production was lower than the requirements of the ethanol industry. The higher price of molasses however played a key role in absorbing the cost of production of sugar and the price paid for cane.
- Selling price of Bagasse increased by 45.9% and the volume of bagasse sold was 34,000 Tons compared to 26,108 Tons last year. Your company's continual investment in energy efficiency has played a role in achieving this. Our long term target is to achieve a bagasse saving of more than 10 percent of cane crushed.

- Unicol's contribution amounted to Rs.55.02 Million while loss from UniFoods contributed Rs. 68.20 Million.
- Dividend income from equity investments amounted to Rs. 30.08 million.
- Finance costs increased from Rs.156.46 Million to Rs.204.57 Million which has been the largest cost increase year on year and in the last few years. The seasonal nature of the business means that growers are paid promptly during season and sugar is distributed and sold annually. This creates a huge financial burden especially when KIBOR rates were as high as 13 %.

## SEASON 2019-2020

Season 2019-2020 was another short crop year due to the overall reduction in plantation across the country. However, improved yields partially mitigated the overall reduction. Lower crop amid mills desire to crush more ignited the cane prices on average by 40-50% higher than the support price announced by the government at Rs.192/Maund. This higher cane price has allowed the farmer to reap handsome return on their produce. On the other hand, the lower crop meant that mills had to procure cane on cash and considering the seasonal nature of the business a large volume of liquidity was required for procurement and with policy rate hovering around at 13.00% this has become a sizeable additional cost pertaining to the cost of sugar production. In fact in such a high interest rates scenario financial costs have become our largest cost centre and this despite the fact that Mehran remains a well capitalised company with comparatively lower long term borrowings. This shows that the nature of the seasonal business and prompt payment to farmers means that the business gets affected when interest costs are extraordinarily high as was seen in this period.

The reduced national sugar production has brought an equilibrium between supply and demand of the commodity. This in turn has meant that sugar prices have also improved. This was critical since the glut had kept sugar prices below the industries average cost for many years and was making it difficult to pay the farmer the minimum notified price of cane.

No new sugar export policy was announced. However, previously contracted sugar was allowed to export. This mainly included road shipments to Afghanistan where Pakistan sugar is the most competitive due to the close border proximity. All the sugar went from mills in the North due to their geographical advantage to Afghanistan.

The higher prices of sugarcane paid by the industry will be difficult to absorb this year however this can be seen as an investment to the rebound of the sugar cane crop. We are optimistic that season 2021 and 2022 will be larger crops and allow better capacity utilisation and fixed costs absorption for the sugar industry. The fall in interest costs is also a huge blessing and shall play a major role in reducing costs for the future.

For the mutual benefit of industry and growers, it is important for sugar prices to stabilise and remain competitive and compatible in relation to cane prices.

## UNICOL LIMITED

The Company's operational numbers continued to remain robust and satisfactory during the period. Ethanol and CO<sub>2</sub> plants ran efficiently. Prices for both ethanol and CO<sub>2</sub> remained constant.

However the financial numbers for Unicol saw a large dip from last year. While sales remained strong the huge price increase in Molasses could not be absorbed during this period. Reduction

in sugarcane yield reduced availability of molasses due to which prices of molasses went up substantially.

However advent of Covid 19 has created new demand which has improved selling price of the grades of ethanol Unicol produces. The effects of this will be visible in the results of the company in the next few quarters.

Overall profitability for the year is expected to remain more or less similar as last year due to emergence of new demand and improvement in selling price which will ultimately mitigate the impact of substantial enhancement in molasses procurement price.

Following are the key data related to Unicol Ltd:

<b>Financial Highlights</b>	Units	<b>March 2020</b>	March 2019
Sales	Rs. in '000	<b>2,942,002</b>	2,560,092
Gross profit	Rs. in '000	<b>482,731</b>	927,609
Gross profit %	%	<b>16.41%</b>	36.23%
Profit before tax	Rs. in '000	<b>194,769</b>	665,509
Profit after tax	Rs. in '000	<b>165,059</b>	639,724
Net profit %	%	<b>5.61%</b>	24.98%
Earnings per share	Rs.	<b>1.10</b>	4.26

## **UNI-FOOD INDUSTRIES LIMITED**

Sales at Unifoods are expected to cross Rs. 1.0 Billion for the year closing June 2020.

The company is working hard to develop a brand and distribution network which allows sustainable sales. Simultaneously it is looking to add more innovative products. New products are expected to be launched by the last quarter of this year. This will allow increase in volumes and market share which is essential to absorb marketing and distribution costs and ultimately bring profits to the company.

The shareholders believe the project has long-term value. Our equity investment in Unifoods has reached Rs.282.18 million till this period.

## **FUTURE OUTLOOK**

In view of exceptional returns to growers during the current season, we have already seen some improvement in September 2019 plantation of sugarcane. We expect further improvement in this trend in February and September 2020 plantation. This augurs well for the industry as it may allow mills to attain better capacity utilisation in the next couple of years.

Sadly there has been no positive headway on the Policy framework regarding sugarcane and sugar pricing. This anomaly where it becomes unviable to pay a minimum notified cane price needs to be ended. Due to legal disputes, uncertainty arises and business decision making becomes difficult and miller and farmer relations suffer which is against the interest of our industry.

This matter has been in limbo since last few years and is proving detrimental to the development of this sector. An early solution to this will prove beneficial to the government, growers, millers and consumer in the long run.

Improvement in selling prices of sugar, molasses and bagasse should continue to support the company's profitability. The sugar industry in general deserves praise since the large investment

made in ethanol has allowed molasses prices to improve and the continual investment in steam efficiency measures has improved bagasse saving. For MEHRAN there is great potential in energy efficiency and subsequent bagasse savings which we plan to continue to work on.

However, the industry is still uncertain about Subsidy payment pending from Sindh Government since last three years. As of today our pending subsidy amount is Rs. 302 Million which is creating strain on our financial expenses.

Sugar industry was fortunate to have completed its crushing campaign before the insurgence of Covid 19 in the country and consequent lock down. Hence, its operations were less effected as compared to other industrial sectors. The recent stimulus announced by the Federal Government and SBP along with other relaxation measures to soften the impact of Covid 19 and fuel economic growth in the country are appreciable. Reduction in Discount Rate to 8% from 13% and concessional borrowings for BMRE and payment of salaries and wages augurs well for industrial sector. This will bring down financial costs and halt mass unemployment and encourage entrepreneurs for future investment.

In spite of the challenging times we remain committed and sincerely look to sail through. The realised value of sugar, molasses and Bagasse should continue to keep the company competitive and profitable. Unicol is expected to pay healthy dividends throughout the year which shall contribute positively. While we have paid higher sugarcane purchase price due to lower harvest, we anticipate an improvement in sugarcane produce in the long term and see this as an investment in attracting the farmers towards cane. Future profitability this year depends on the behaviour of sugar price for the entire year however we remain cautiously optimistic that it will remain stable.

For and on behalf of the Board of Directors



**Mohammed Ebrahim Hasham**  
Chief Executive Officer


Karachi: May 30, 2020

پڑنے والے بُرے اثرات اس صنعت پر نسبتاً کم ہوئے۔ کوویڈ 19 کے معیشت پر پڑنے والے اثرات کو کم کرنے کے لئے وفاقی حکومت اور اسٹیٹ بینک کی جانب سے حالیہ اعلانات اور اقدامات معاشی شعبے کی بحالی میں مددگار ثابت ہو گئے شرح سود کو 13 فیصد سے کم کر کے 8 فیصد کرنا، بی ایم آر ای (BMRE) اور تنخواہوں ادائیگی کے لئے سستے قرضے فراہم کرنا ایسے اقدامات ہیں جس سے صنعتی شعبے میں بہتری آئے گی نیز اس سے مالیاتی اخراجات کم ہو گئے اور بیروزگاری میں کمی ہوگی اور سرمایہ کاری کی حوصلہ افزائی ہوگی۔

اس مشکل وقت کے باوجود ہم پُر عزم ہیں کہ ان حالات سے باہر نکل آئیں گے۔ چینی، بگاس اور مولیس کی موجودہ قیمتیں برقرار رہنی چاہئیں جس سے کمپنی کے نفع بخش رہنے کی توقع ہے۔ یونی کول سے پورے سال اچھے منافع منقسمہ (Dividend) کی توقع ہے۔ جیسا کہ ہم نے گئے کی زائد قیمت ادا کی ہے جسے ہم مستقبل کی سرمایہ کاری کے طور پر دیکھتے ہیں جس سے گئے کی کاشت کے رقبے میں اضافہ کی صورت طویل المدتی فوائد حاصل ہو گئے۔ اس سال کمپنی کے منافع کا دارومدار چینی کی قیمتوں پر ہے ہمیں اُمید ہے کہ یہ مستحکم رہیں گی۔

از طرف

بورڈ آف ڈائریکٹرز

  
محمد ابراہیم ہاشمی

چیف ایگزیکٹو آفیسر

کراچی - 30 مئی 2020

جدید طرز کی مصنوعات کو شامل کرنے کا ارادہ رکھتی ہے جو کہ اس سال کی آخری سہ ماہی تک متوقع ہیں اس سے ہماری فروخت کے حجم اور مارکیٹ میں حصہ داری میں اضافہ ہوگا جو کہ نہ صرف کمپنی کے مارکیٹنگ اور ترسیل کے اخراجات کو جذب کرنے میں معاون ہوگا بلکہ اس سے کمپنی کے منافع میں بھی اضافہ ہوگا۔

اس منصوبہ کے تمام شرائط دار منصوبہ کے طویل مدتی ویلیو پر یقین رکھتے ہیں۔

## مستقبل کا منظر نامہ

موجودہ سیزن کے دوران چونکہ کسانوں کو گنے کی فصل کی بہتر قیمت ملی ہے جس کی بناء پر ہم نے ستمبر 2019 کی کاشت میں بہتری دیکھی ہے اور توقع ہے کہ فروری اور ستمبر 2020 کی کاشت میں مزید بہتری آئے گی، کاشت میں اضافے کا یہ رجحان چینی کی صنعت کے لئے بہتر ہے کیونکہ اس سے ملوں کو آئندہ آنے والے دو سالوں تک اپنی مکمل پیداواری صلاحیت کا استعمال کرنے کا موقع ملے گا۔

یہ بات قابل افسوس ہے کہ اب تک گنے اور چینی کی قیمتوں سے متعلق پالیسی فریم ورک میں کوئی مثبت پیش رفت نہیں ہو سکی ہے۔ اس بے ضابطگی کے نتیجے میں گنے کی کم از کم اعلان کردہ قیمت کی ادائیگی ناگزیر ہوجاتی ہے نیز اس کی وجہ سے قانونی تنازعات پیدا ہوتے ہیں اور غیر یقینی کی صورتحال پیدا ہوتی ہے جس کی وجہ سے کاروباری فیصلہ سازی مشکل ہوجاتی ہے اور نتیجے میں کاشتکار اور ملز کے تعلقات مشکلات کا شکار ہوجاتے ہیں جو کہ چینی کی صنعت کے مفاد کے منافی ہیں۔

یہ معاملہ پچھلے چند سالوں سے عدم توجہی کا شکار رہے جو کہ اس شعبے کی ترقی کے لئے نقصان دہ ثابت ہو رہا ہے۔ اس کا فوری حل حکومت، کاشتکاروں اور ملز کے لئے طویل المدتی فائدہ مند ہوگا۔

چینی، مولیس اور بگاس کی قیمتوں میں بہتری کا رجحان کمپنی کو منافع بخش رکھنے میں مددگار ثابت ہوگا، چینی کی صنعت قابل تعریف ہے کہ جس کی ہتھنوں میں سرمایہ کاری کی وجہ سے مولیس کی قیمت میں بہتری پیدا ہوئی اور بھاپ کے استعمال میں بہتری کے لئے کئی سرمایہ کاری کی وجہ سے بگاس کی بچت میں بھی نمایاں اضافہ ہوا ہے۔ مہران کے لئے توانائی کی بچت کے لئے مزید مواقع موجود ہیں اور ہم اس سلسلے میں مسلسل کام کر رہے ہیں۔

تاہم، چینی کی صنعت کو حکومت سندھ کی جانب سے گزشتہ تین سالوں سے اتوار کا شکار سبسڈی کی ادائیگی کے بارے میں ابھی تک غیر یقینی ہے۔ اس سلسلے میں مہران شوگر ملز کے 30 کروڑ سے زائد روپے واجب الوصول ہیں جس کے باعث ہمارے مالیاتی اخراجات میں اضافہ ہوا ہے۔

تاہم چینی کی صنعت اس معاملے میں قدرے خوش نصیب ثابت ہوئی کہ اس نے کوویڈ 19 کی تباہ کاریاں اور اس کے نتیجے میں ہونے والے لاک ڈاؤن سے قبل کرشنگ مکمل کر لی لہذا دیگر صنعتی شعبوں پر



تاہم، مالیاتی اعداد و شمار میں پچھلے سال کے مقابلے میں بڑی کمی ہوئی ہے حالانکہ مجموعی فروخت اچھی رہی لیکن مولیس کی قیمتوں میں ہونے والا اضافہ ان قیمتوں میں جذب (Absorb) نہ ہو سکا۔ گنے کی پیداوار میں کمی کے سبب مولیس کی پیداوار میں بھی کمی واقع ہوئی جس کے باعث مولیس کی قیمتوں میں بھی بے پناہ اضافہ ہوا۔

تاہم کوویڈ 19 کی وجہ سے طلب میں زبردستی ہے جس سے ہتھونوں کی قیمت میں بہتری آئی ہے اس بہتری کے اثرات آئندہ آنے والی چند سہ ماہی میں نظر آئیں گے۔

توقع ہے کہ مجموعی طور پر منافع کے اعداد و شمار کم و بیش پچھلے سال جیسے رہیں گے۔ جس کی وجہ طلب میں نیا اضافہ اور قیمت فروخت میں بہتری کا رجحان ہے جس سے امید ہے کہ مولیس کی اضافی قیمت کو جذب کرنے میں مدد ملے گی۔

## یونی کول سے متعلق اہم مالیاتی اعداد و شمار مندرجہ ذیل ہیں:

مارچ 2019	مارچ 2020	مالیاتی معلومات (فنانس ہائی لائنس)	
2,560,092	2,942,002	مجموعی فروخت (ٹرن اوور)	روپے ہزاروں میں
927,609	482,731	خالص منافع	روپے ہزاروں میں
36.23%	16.41%	خالص منافع کی شرح	(%)
665,509	194,769	قبل از ٹیکس منافع	روپے ہزاروں میں
639,724	165,059	بعد از ٹیکس منافع	روپے ہزاروں میں
24.98%	5.61%	بعد از ٹیکس منافع کی شرح	(%)
4.26	1.10	نی حصص آمدنی	روپے

## یونی فوڈ انڈسٹریز لمیٹڈ

توقع ہے کہ اس سال جون کے اختتام تک فروخت کا حجم 1.0 ارب روپے تک ہو جائے گا۔

کمپنی اپنے برانڈ کو مستحکم کرنے اور ترسیل کے نظام کو بہتر کرنے کے لئے سخت محنت کر رہی ہے تاکہ فروخت کو مستحکم کیا جاسکے۔ اس کے علاوہ کمپنی مارکیٹ میں مزید جگہ حاصل کرنے کے لئے چند نئی اور

2019-20 نسبتاً مختصر ثابت ہوا، تاہم فی ایکڑ بہتر پیداوار کے حصول نے مجموعی طور پر اس کمی کو جزوری طور پر کم کر دیا۔ ملوں کے مابین اپنی کرشنگ صلاحیت کے بھرپور استعمال کی خواہش نے، گنے کی حکومت کی جانب سے اعلان کردہ قیمت 192 روپے فی من میں 40 سے 50 فیصد اضافہ کر دیا۔ گنے کی اس زائد قیمت سے کاشتکار کو اپنی فصل پر زیادہ منافع حاصل ہوا۔ دوسری طرف گنے کی پیداوار میں کمی کے سبب ملوں کو اپنی خریداری پر (فوری ادائیگی کرنا پڑی اور جیسا کہ چینی کی پیداوار کا دورانیہ مخصوص ہوتا ہے لہذا کمپنی کو گنے کی خریداری کے لئے بینکوں سے بھاری شرح سود پر قرضہ لینا پڑتا ہے اور جبکہ شرح سود %13 ہو تو یہ پیداواری لاگت میں بھاری اضافہ کا باعث بنتا ہے۔ اس سال مالیاتی اخراجات چینی کی پیداواری لاگت میں گنے کے بعد سب سے زیادہ ہیں باوجود اس کے کہ مہران ایک کم طویل مدتی قرضوں کی حامل کمپنی ہے۔ اس سے ظاہر ہوتا ہے کہ مخصوص دورانیہ کی کاروباری سرگرمی اور فوری ادائیگی کی وجہ سے کاروبار متاثر ہوتا ہے جیسا کہ ہم نے متذکرہ عرصہ میں دیکھا۔

چینی کی پیداوار میں پچھلے سال کی نسبت کمی سے اس کی طلب اور رسد کے مابین ایک توازن قائم ہوا ہے جس کے نتیجے میں چینی کی قیمت میں بہتری آئی جو کہ بے حد ضروری تھی کیونکہ گذشتہ چند سالوں سے چینی کی زائد پیداوار کے سبب قیمتیں ملوں کی پیداواری لاگت سے کم قیمت پر فروخت ہوتی رہی جس کی وجہ سے کاشتکاروں کو گنے کی اعلان کردہ کم از کم قیمت کی ادائیگی میں شدید مشکلات پیش آتیں رہیں ہیں۔

چینی کی برآمدگی کے لئے کسی نئی پالیسی کا اعلان نہیں کیا گیا تھا، تاہم پہلے سے معاہدہ شدہ چینی کو برآمد کرنے کی اجازت دی گئی بذریعہ سڑک منسلک ہونے کی وجہ سے زیادہ تر برآمدات افغانستان کو کی گئیں جہاں پاکستانی چینی کی درآمد منسلک بارڈر ہونے کی وجہ سے زیادہ موزوں ہے۔

اس سیزن میں شوگر ملوں نے گنے کی بھاری قیمت ادا کی ہے اس بھاری اضافہ کو چینی کی قیمت میں ایڈجسٹ کرنا بہت مشکل ہوگا تاہم اس کو مستقبل کے لئے سرمایہ کاری کی مد میں بھی دیکھا جاسکتا ہے کہ اس سے کاشتکاروں کو گنے کی بہترین قیمت ملی جو کہ مستقبل میں گنے کی فصل کی کاشت میں اضافہ کا باعث ہوگی۔ ہم امید کرتے ہیں کہ سیزن 2021 اور سیزن 2022 کے لئے گنے کی فراہمی میں بہتری آئیگی اور ہم اپنی پوری کرشنگ صلاحیت کا استعمال اور فی ٹن پیداواری اخراجات کو بہتر جذب کر سکیں گے، شرح سود میں حالیہ کمی بھی مستقبل میں پیداواری لاگت کو کم کرنے میں بہت اہم کردار ادا کرے گی۔

صنعت اور کسانوں کے باہمی فائدے کے لئے ضروری ہے کہ چینی کی قیمتوں میں استحکام رہے اور گنے کی قیمت اور چینی کی قیمت کے درمیان مطابقت رہے۔

## یونی کول

کمپنی کے مالی اور آپریشنل نمبرز متذکرہ عرصے کے دوران بہت اچھے اور اطمینان بخش رہے۔ ایٹھونول اور CO<sub>2</sub> کے پلانٹس نے اچھی کارکردگی کا مظاہرہ کیا اور ایٹھونول اور CO<sub>2</sub> کی قیمتوں میں مسلسل استحکام رہا۔

## بنیادی عوامل جو ان نتائج کے حصول میں کارفرما رہے:

- سکروز ریکوری %11.13 رہی جو کہ پچھلے سال %11.44 تھی۔
- گنے کی فصل میں کمی کے باعث ملوں کے مابین خریداری میں مسابقت پیدا ہوئی جس کی وجہ سے گنے کی قیمت خرید میں بہت زیادہ اضافہ ہوا جبکہ چینی کی قیمتوں میں اتنا اضافہ نہیں ہو سکا جس کی وجہ سے منافع کی شرح میں کمی واقع ہوئی۔
- حکومت کی جانب سے سیلز ٹیکس کی شرح 8 فیصد سے بڑھا کر 17 فیصد کر دی گئی اس تبدیلی نے بھی مجموعی منافع کو متاثر کیا چونکہ چینی کی قیمتوں میں اس شرح سے اضافہ نہ ہو سکا لہذا یہ بوجہ براہ راست ملوں کی جانب منتقل ہو گیا جبکہ کسان نے گنے کی قیمت کی مد میں اور حکومت نے محصولات کی مد میں گزشتہ سال کے مقابلے میں رواں سال چینی کی قیمت میں ہونے والے اضافے سے نسبتاً زیادہ حصہ وصول کیا۔
- مولیسس کی قیمت میں پچھلے سال کی نسبت %54.5 اضافہ ہوا جس کی وجہ سے گنے کی پیداوار میں کمی، روپے کی قدر میں کمی اور مولیسس کی طلب میں اضافہ اور اس کی پیداوار میں کمی تھی تاہم چینی کی اضافی پیداواری لاگت اور گنے کی زائد قیمت کی ادائیگی میں مولیسس کی فروخت سے حاصل ہونے والی رقم نے کلیدی کردار ادا کیا۔
- بگاس کی قیمت فروخت میں پچھلے سال کی نسبت %45.9 اضافہ ہوا۔ پچھلے سال بگاس 34,000 ٹن تھی جو کہ اس سال 26,108 ٹن رہی۔ آپ کی کمپنی نے توانائی کی استعداد کار کو بہتر بنانے کے لئے مستقل سرمایہ کاری کر رہی ہے جس کے نتائج بگاس کی بچت کی صورت میں مل رہے ہیں جبکہ ہمارا طویل مدتی ہدف گنے کی کڑشنگ کا 10 فیصد بگاس کا حصول ہے
- یونیکول سے حاصل شدہ منافع 55.02 ملین روپے رہا، جبکہ یونی فوڈز سے 68.20 ملین روپے کا نقصان ریکارڈ کیا گیا۔
- لیکویٹی سرمایہ کاری سے حاصل شدہ منافع منقسمہ (Dividend) 30.08 ملین روپے رہا۔
- مالیاتی اخراجات 156.46 ملین روپے سے بڑھ کر 204.57 ملین روپے ہو گئے جو کہ نہ صرف اس سال کا بلکہ گزشتہ چند سالوں میں ہونے والا سب سے بڑا اضافہ ہے۔ چینی کی تیاری چونکہ ایک سیزنل کاروبار ہے، جبکہ اس کی فروخت سال بھر جاری رہتی ہے۔ ہمیں گنے کے حصول کے لئے کسان کو فوری ادائیگی کرنی پڑتی ہے جس کے لئے ہماری شرح سود پر قرض لینا پڑتا ہے جو کہ کمپنی پر شدید مالیاتی بوجھ کا سبب بنتا ہے خاص طور پر جب ملک میں شرح سود %13 تھی۔

## سیزن 2019-20

ملک بھر میں گنے کی کاشت میں کمی کے سبب گنے کی پیداوار میں کمی واقع ہوئی اس وجہ سے سیزن

# ڈائریکٹرز رپورٹ

میں 31 مارچ 2020 کو ختم ہونے والی ششماہی مالی نتائج کو آپ کی خدمت میں پیش کرتے ہوئے مسرت محسوس کر رہا ہوں۔

2019 مارچ	2020 مارچ	اپریشنل معلومات
702,259	654,339	کرسٹنگ (میٹرک ٹن)
11.44%	11.13%	سکروز ریکوری
80,332	72,821	چینی کی پیداوار (میٹرک ٹن)
33,182	29,550	مولیسس کی پیداوار (میٹرک ٹن)
4.72%	4.52%	مولیسس ریکوری
2019 مارچ	2020 مارچ	مالیاتی معلومات (فنانشل ہائی لائنس)
1,992,044	3,538,839	مجموعی فروخت (ٹرن اوور) روپے ہزاروں میں
206,600	426,741	ایف ای ڈی / سیلز ٹیکس روپے ہزاروں میں
404,933	600,483	خالص منافع روپے ہزاروں میں
22.68%	19.30%	خالص منافع کی شرح (%)
216,158	261,286	قبل از ٹیکس منافع روپے ہزاروں میں
12.11%	8.40%	قبل از ٹیکس منافع کی شرح (%)
175,400	110,497	بعد از ٹیکس منافع روپے ہزاروں میں
9.82%	3.55%	بعد از ٹیکس منافع کی شرح (%)
3.76	2.37	فی حصص آمدنی روپے

## **INDEPENDENT AUDITORS' REVIEW REPORT**

**To the members of Mehran Sugar Mills Limited**

**Report on review of Interim Financial Statements**

### **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of **Mehran Sugar Mills Limited (the Company)** as at **31 March 2020** and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity and notes to the condensed interim financial statements for the half year then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

The figures of the condensed interim statement of profit or loss and other comprehensive income and notes forming part thereof for the quarters ended 31 March 2020 and 2019 have not been reviewed, as we are required to review only the cumulative figures for the half year ended 31 March 2020.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditors' report is **Mr. Arif Nazeer**.



**Chartered Accountants**

**Place:** Karachi

**Date:** 11 June 2020

# CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at March 31, 2020

ASSETS	Note	March 31, 2020 (Un-audited) Rupees	September 30, 2019 (Audited) Rupees
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	2,247,866,246	2,190,683,368
Right-of-use assets	8	84,108,304	-
Long-term investments	9	1,291,702,746	1,362,374,662
Long-term deposits		852,400	862,400
		<b>3,624,529,696</b>	<b>3,553,920,430</b>
<b>CURRENT ASSETS</b>			
Biological assets		2,321,005	15,245,232
Stores and spare parts		105,857,784	102,423,181
Stock-in-trade	10	3,310,283,331	1,060,595,943
Trade debts		365,162,108	79,134,253
Loans and advances		66,236,310	116,690,640
Trade deposits and short-term prepayments		18,770,082	9,259,524
Other receivables		329,675,251	317,561,175
Short-term investments	11	808,380,488	995,383,024
Taxation – net		24,800,511	40,252,287
Cash and bank balances		50,609,245	672,983,635
		<b>5,082,096,115</b>	<b>3,409,528,894</b>
<b>TOTAL ASSETS</b>		<b>8,706,625,811</b>	<b>6,963,449,324</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital 50,000,000 (2019: 50,000,000) ordinary shares of Rs.10/- each		<b>500,000,000</b>	500,000,000
Issued, subscribed and paid-up share capital 46,597,452 (2019: 40,519,524) ordinary shares of Rs.10/- each		465,974,526	405,195,240
Reserves		2,000,748,434	2,009,701,610
		<b>2,466,722,960</b>	<b>2,414,896,850</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing	12	716,247,509	735,830,843
Lease liabilities	13	20,459,489	20,591,783
Market committee fee payable		21,804,698	23,382,350
Deferred liabilities		39,288,533	39,839,071
Deferred taxation		242,808,862	199,581,276
Provision for quality premium	14	119,290,919	119,290,919
		<b>1,159,900,010</b>	<b>1,138,516,242</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		626,511,691	641,879,969
Contract liabilities (advances from customers - unsecured)		1,016,913,478	415,587,300
Unclaimed dividend		18,560,754	17,692,483
Accrued mark up		110,617,825	125,500,017
Short-term borrowings	15	2,758,596,016	1,750,705,674
Current portion of long-term financing	12	306,250,000	315,833,332
Current portion of lease liabilities	13	14,630,786	9,773,410
Current portion of market committee fee payable		3,757,652	3,757,652
Provision for market committee fee		43,967,017	37,423,627
Sales tax and federal excise duty payable		180,197,622	91,882,768
		<b>5,080,002,841</b>	<b>3,410,036,232</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	16		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8,706,625,811</b>	<b>6,963,449,324</b>

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



Chief Executive Officer



Chief Financial Officer



Managing Director

# CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended March 31, 2020 (Un-Audited)

	Half year ended		Quarter ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	Rupees	Rupees	Rupees	Rupees
Turnover	3,538,839,401	1,992,044,377	1,920,468,715	673,688,909
Sales tax / F.E.D	(426,740,867)	(206,599,811)	(213,512,528)	(39,390,423)
<b>Turnover - net</b>	<b>3,112,098,534</b>	<b>1,785,444,566</b>	<b>1,706,956,187</b>	<b>634,298,486</b>
Cost of sales	(2,511,615,114)	(1,380,511,934)	(1,181,854,418)	(384,406,699)
Gross profit	600,483,420	404,932,632	525,101,769	249,891,787
Distribution costs	(25,852,326)	(24,079,051)	(18,265,529)	(16,817,779)
Administrative expenses	(112,041,334)	(128,840,462)	(61,889,404)	(70,664,522)
Other expenses	(18,998,127)	(51,728,243)	(18,998,127)	(5,150,462)
Other income	37,908,384	40,652,650	4,294,664	6,848,571
	(118,983,403)	(163,995,106)	(94,858,396)	(85,784,192)
<b>Operating profit</b>	<b>481,500,017</b>	<b>240,937,466</b>	<b>430,243,373</b>	<b>164,107,595</b>
Share of (loss) / profit from associates – net	(13,255,923)	131,681,674	(58,148,439)	29,223,475
Finance costs	(206,957,605)	(156,461,299)	(152,072,324)	(100,799,757)
<b>Profit before taxation</b>	<b>261,286,489</b>	<b>216,157,841</b>	<b>220,022,610</b>	<b>92,531,313</b>
Taxation				
Current	(64,903,733)	(33,428,061)	(41,486,402)	(26,411,884)
Prior	-	288,786	-	288,786
Deferred	(85,885,742)	(7,618,118)	(108,602,260)	1,217,064
	(150,789,475)	(40,757,393)	(150,088,662)	(24,906,034)
<b>Net profit for the period</b>	<b>110,497,014</b>	<b>175,400,448</b>	<b>69,933,948</b>	<b>67,625,279</b>
<b>Other comprehensive income</b>				
<b>Items that may be re-classified to statement of profit or loss in subsequent periods</b>				
(loss) / gain on remeasurement of equity investments at fair value through other comprehensive income - net of tax	(163,640,163)	(88,755,918)	(418,831,482)	15,867,189
Gain on disposal of equity investments at fair value through other comprehensive income	180,436,872	-	79,290,155	-
Reclassification to statement of profit or loss for gain / (loss) upon sale of investments	-	26,540,731	-	(4,585,246)
	16,796,709	(62,215,187)	(339,541,327)	11,281,943
<b>Total comprehensive income / (loss) for the period</b>	<b>127,293,723</b>	<b>113,185,261</b>	<b>(269,607,379)</b>	<b>78,907,222</b>
<b>Earnings per share-</b>		Restated		Restated
Basic and diluted (Rupees)	<b>2.37</b>	3.76	<b>1.50</b>	1.45

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



Chief Executive Officer



Chief Financial Officer



Managing Director

# CONDENSED INTERIM STATEMENT OF CASH FLOWS

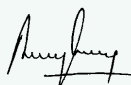
For the half year ended March 31, 2020 (Un-Audited)

	Note	March 31, 2020 Rupees	March 31, 2019 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before taxation</b>		<b>261,286,489</b>	216,157,841
<b>Adjustment for:</b>			
Depreciation		85,607,715	84,501,485
Share of loss / (profit) from associates		13,255,923	(131,681,673)
Provision for market committee fee		6,543,390	7,022,588
Gain on disposal of fixed assets		(561,937)	(2,380,002)
Loss on sale of short-term investments		-	43,902,643
Finance costs		206,957,605	156,461,299
		<b>311,802,696</b>	157,826,340
Working capital changes	17	<b>(1,823,122,889)</b>	(2,238,647,330)
		<b>(1,250,033,704)</b>	(1,864,663,149)
Gratuity paid		(550,538)	-
Taxes paid		(49,451,957)	(36,229,513)
Finance costs paid		(221,839,797)	(117,293,134)
Market committee fee paid		(1,577,652)	(1,577,652)
Long-term deposits		10,000	10,000
<b>Net cash used in operating activities</b>		<b>(1,523,443,648)</b>	(2,019,753,448)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(206,079,053)	(97,512,805)
Investments made during the period – net		(1,236,988,603)	(585,774,820)
Proceeds from disposal of short-term investments		1,355,545,692	526,641,055
Dividend received from associates		99,999,994	124,999,993
Proceeds from disposal of operating fixed assets		891,404	5,964,917
<b>Net cash generated from / (used in) investing activities</b>		<b>13,369,434</b>	(25,681,660)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long-term financing – net		(29,166,666)	260,833,334
Short-term borrowings – net		1,007,890,343	1,884,647,885
Lease rentals paid		(16,424,235)	(13,485,284)
Dividends paid		(74,599,618)	(94,422,381)
<b>Net cash generated from financing activities</b>		<b>887,699,824</b>	2,037,573,554
<b>Net decrease in cash and cash equivalents</b>		<b>(622,374,390)</b>	(7,861,554)
Cash and cash equivalents at beginning of the period		672,983,635	15,954,187
<b>Cash and cash equivalents at end of the period</b>		<b>50,609,245</b>	8,092,633

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



Chief Executive Officer



Chief Financial Officer



Managing Director



# CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the half year ended March 31, 2020 (Un-Audited)

	Issued, subscribed and paid-up capital	Reserves					Sub-Total	Total Equity
		Capital Share Premium	Revenue		FV reserve of financial assets at FVOCI	Actuarial gain on defined benefit plan		
			General Reserve	Unappropriated Profit				
----- Rupees -----								
<b>October 01, 2018 (Audited)</b>	320,312,450	63,281,250	85,000,000	2,073,004,968	64,950,566	2,772,365	2,289,009,149	2,609,321,599
Final dividend @ Rs. 3 per share for the year September 30, 2018	-	-	-	(96,093,735)	-	-	(96,093,735)	(96,093,735)
Bonus shares issued for the period ended September 30, 2018 in the ratio of 15 ordinary share for every 100 shares held	48,046,860	-	-	(48,046,860)	-	-	(48,046,860)	-
Net profit for the period	-	-	-	175,400,448	-	-	175,400,448	175,400,448
Other comprehensive loss	-	-	-	-	(62,215,187)	-	(62,215,187)	(62,215,187)
Total comprehensive Income	-	-	-	175,400,448	(62,215,187)	-	113,185,261	113,185,261
<b>Balance as at March 31, 2019 (Un-audited)</b>	<b>368,359,310</b>	<b>63,281,250</b>	<b>85,000,000</b>	<b>2,104,264,821</b>	<b>2,735,379</b>	<b>2,772,365</b>	<b>2,258,053,815</b>	<b>2,626,413,125</b>
<b>Balance as at October 01, 2019 (Audited)</b>	<b>405,195,240</b>	<b>63,281,250</b>	<b>85,000,000</b>	<b>2,099,148,776</b>	<b>(240,424,147)</b>	<b>2,695,731</b>	<b>2,009,701,610</b>	<b>2,414,896,850</b>
Final dividend @ Rs. 1 per share for the year September 30, 2019	-	-	-	(40,519,524)	-	-	(40,519,524)	(40,519,524)
Bonus shares issued for the period ended September 30, 2019 in the ratio of 15 ordinary share for every 100 shares held	60,779,286	-	-	(60,779,286)	-	-	(60,779,286)	-
Interim dividend @ Re. 0.75 per share for the quarter ended December 31, 2019	-	-	-	(34,948,089)	-	-	(34,948,089)	(34,948,089)
Net profit for the period	-	-	-	110,497,014	-	-	110,497,014	110,497,014
Other comprehensive income	-	-	-	-	16,796,709	-	16,796,709	16,796,709
Total comprehensive income	-	-	-	110,497,014	16,796,709	-	127,293,723	127,293,723
Transfer of realised loss on disposal of equity investments	-	-	-	(42,573,302)	42,573,302	-	-	-
<b>Balance as at March 31, 2020 (Un-audited)</b>	<b>465,974,526</b>	<b>63,281,250</b>	<b>85,000,000</b>	<b>2,030,825,589</b>	<b>(181,054,136)</b>	<b>2,695,731</b>	<b>2,000,748,434</b>	<b>2,466,722,960</b>

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



Chief Executive Officer



Chief Financial Officer



Managing Director

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended March 31, 2020 (Un-Audited)

## 1. THE COMPANY AND ITS OPERATIONS

- 1.1** Mehran Sugar Mills Limited (the Company) was incorporated in Pakistan as a public limited company on December 22, 1965 under the Companies Act, 1913 and then under the Companies Ordinance, 1984, which is now superseded by the Companies Act, 2017 (the Act). The shares of the Company are quoted on Pakistan Stock Exchange. The Company is principally engaged in the manufacturing and sale of sugar and its by-products. The registered office of the Company is situated at 14th floor, Dolmen City Executive Tower, Marine Drive, Block 4, Clifton, Karachi. The mill of the Company is located at District Tando Allahyar, Sindh.
- 1.2** These unconsolidated condensed interim financial statements (the condensed interim financial statements) are separate interim financial statements of the Company in which investments in subsidiary and associates are accounted for on the basis of cost less impairment losses, if any and equity method respectively.
- 1.3** The outbreak of the Novel Coronavirus (Covid-19) has disrupted commercial and economic activities all around the world and has impacted almost every organization and industry. The outbreak still continues to progress and evolve, therefore, it is challenging now to predict the full extent and duration of its business and economic impact. However, up to the date of authorisation of these condensed interim financial statements, the operations and results of the Company have not been materially impacted by the Covid-19 since the Company is involved in the manufacture and sale of sugar which is an essential good.

## 2. STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting which comprise of International Accounting Standard (IAS) 34 - 'Interim Financial Reporting', issued by the International Accounting Standards Board (IASB) as notified under the Act and provisions of and directives issued under the Act. Where the provisions of and directives issued under the Act differ with the requirement of IAS 34, the provisions of and directives issued under the Act have been followed.

## 3. BASIS OF PREPARATION

These condensed interim financial statements are un-audited but subject to limited scope review by the statutory auditors as required under Section 237 of the Companies Act, 2017. These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements of the Company for the year ended September 30, 2019.

The figures of the condensed interim statement of profit or loss and other comprehensive income for the quarter ended March 31, 2020 and March 31, 2019 and notes forming part thereof have not been reviewed by the statutory auditors of the Company, as they are required to review only the cumulative figures for the half year ended March 31, 2020 and March 31, 2019.

## 4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended September 30, 2019, except for new standard, amendments and improvements to International Financial Reporting Standards (IFRSs) issued during the period, the adoption of which did not have any material impact on Company's condensed interim financial statements other than IFRS 16 "Leases". The impact of adoption of IFRS 16 is described below:

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended March 31, 2020 (Un-Audited)

## IFRS 16 - Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on statement of financial position model.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of October 01, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Accordingly the information presented for prior years has not been restated. The Company elected to use the transition practical expedient allowing the standard to be applied only to lease contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases').

The new accounting policy in respect of leases is disclosed in note 4.1 to these financial statements. The impact of adoption of IFRS 16 as at October 01, 2019 is summarised below:

	Vehicles Rupees	Farms Rupees	Total Rupees
<b>Assets</b>			
Operating fixed assets - leased	(73,528,534)	-	(73,528,534)
Right-of-use assets	73,528,534	18,624,311	92,152,845
Trade deposits and short-term prepayments	-	(5,230,916)	(5,230,916)
	<u>-</u>	<u>13,393,395</u>	<u>13,393,395</u>
<b>Liabilities</b>			
Liabilities against assets subject to finance leases	(30,365,193)	-	(30,365,193)
Lease liabilities	30,365,193	13,393,395	43,758,588
	<u>-</u>	<u>13,393,395</u>	<u>13,393,395</u>

In respect of vehicles, as before the adoption of IFRS 16, the leases were classified as finance lease applying IAS 17. The carrying amount of right-of-use assets and lease liabilities were recognised at an amount equal to the carrying amount of operating fixed assets - leased and liabilities against assets subject to finance lease respectively, immediately before October 01, 2019 measured applying IAS 17.

Therefore, upon first time application of IFRS 16, there is no material impact with respect to recognition and measurement of leased assets (now right-of-use assets) and liabilities against assets subject to finance leases (now lease liabilities).

In respect of farms, the right-of-use assets were recognised based on the amount equal to the lease liabilities adjusted for related prepayments. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The Company did not have any sub-lease as at October 01, 2019.

The impact of adoption of IFRS 16 on condensed interim statement of profit or loss for the half year ended March 31, 2020 is summarized below:

	Rupees
Decrease in rent expenses	(3,268,368)
Increase in depreciation expense	2,914,766
Increase in finance costs	732,715
	<u>379,113</u>

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended March 31, 2020 (Un-Audited)

The lease liabilities as at October 01, 2019 can be reconciled to the operating lease commitments as at September 30, 2019 as follows:

	Rupees
Operating lease commitments as at September 30, 2019	15,687,000
Impact of discounting	(2,118,845)
Short-term leases	(174,760)
Total lease liability as at October 01, 2019	13,393,395
Average incremental borrowing rate as at October 01, 2019	14.00%

## 4.1 Summary of new accounting policies

Set out below are the new accounting policies of the Company upon adoption of IFRS 16, which have been applied from the date of initial application:

### Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated using straight line method. Right-of-use assets are subject to impairment.

### Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments represent fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees wherever applicable. Wherever applicable, the lease payments may also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the commencement date of the lease if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

### Short-term leases

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended March 31, 2020 (Un-Audited)

## 5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND FINANCIAL RISK MANAGEMENT

- 5.1 The preparation of condensed interim financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements and estimates made by the management in the preparation of these condensed interim financial statements are the same as those applied in the Company's annual financial statements for the year ended September 30, 2019 except for significant judgement in determining the lease term of contracts with renewal options as stated in note 4 above.

- 5.2 The Company's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements as at and for the year ended September 30, 2019.

## 6. SEASONALITY OF OPERATIONS

The Company's production process is seasonal in nature because of the cultivation and reaping of sugarcane due to which production is carried out in the first half of the financial year.

	Note	March 31, 2020 (Un-audited) Rupees	September 30, 2019 (Audited) Rupees
<b>7. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	7.1	<b>2,169,988,164</b>	2,064,953,414
Capital work-in-progress (CWIP)	7.2	<b>77,878,082</b>	125,729,954
		<b>2,247,866,246</b>	<u>2,190,683,368</u>
<b>7.1 Operating fixed assets</b>			
Book value at the beginning of the period / year		<b>1,991,424,880</b>	2,064,524,860
Additions during the period / year	7.1.1	<b>20,235,283</b>	51,964,544
Transfer from ROUA assets during the period / year		<b>329,467</b>	-
Transfer from CWIP during the period / year	7.2	<b>233,695,642</b>	126,323,095
		<b>2,245,685,272</b>	<u>2,242,812,499</u>
Disposal during the period / year		<b>(329,467)</b>	(6,985,466)
Depreciation charged during the period / year		<b>(75,367,641)</b>	(170,873,619)
		<b>(75,697,108)</b>	<u>(177,859,085)</u>
		<b>2,169,988,164</b>	<u>2,064,953,414</u>
<b>7.1.1 Additions during the period / year</b>			
Plant, machinery and equipment		<b>14,738,394</b>	28,118,001
Vehicles		-	19,128,600
Electric installation		<b>3,894,040</b>	2,601,577
Computers		<b>1,068,449</b>	557,500
Air-conditioners and refrigerators		<b>534,400</b>	1,558,866
		<b>20,235,283</b>	<u>51,964,544</u>

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended March 31, 2020 (Un-Audited)

	Opening balance	Additions during the period / year	Transfers to operating fixed assets	Closing balance
<b>7.2 Capital work-in-progress</b>	----- Rupees -----			
Civil works	29,555,922	20,404,031	(16,160,196)	33,799,757
Plant, machinery and equipment	96,174,032	165,439,739	217,535,446	44,078,325
March 31, 2020	<u>125,729,954</u>	<u>185,843,770</u>	<u>(233,695,642)</u>	<u>77,878,082</u>
September 30, 2019	<u>103,802,817</u>	<u>148,250,232</u>	<u>126,323,095</u>	<u>125,729,954</u>

	March 31, 2020 (Un-audited) Rupees	September 30, 2019 (Audited) Rupees
Note		

## 8. RIGHT-OF-USE ASSETS

Balance at the beginning of the period		-	-
Impact of initial application of IFRS 16 as at October 01, 2019	4	92,152,845	-
Additions during the period		2,525,000	-
Transfer to operating fixed assets during the period		(329,467)	-
Depreciation charged during the period		(10,240,074)	-
Balance at the end of the period		<u>84,108,304</u>	<u>-</u>

## 9. LONG-TERM INVESTMENTS

### Subsidiary

#### Mehran Energy Limited (MEL)

4,000,000 Ordinary shares of Rs. 10 each	40,000,000	40,000,000
Advance against right issue of shares	2,199,839	2,199,839
% of holding: 100%	<u>42,199,839</u>	<u>42,199,839</u>

### Associates

#### Unicol Limited (UL)

49,999,997 (2019: 49,999,997) Ordinary shares of Rs. 10 each	1,132,006,598	1,176,986,929
% of holding: 33.33% (2019: 33.33%)		

#### UniEnergy Limited (UEL)

1,999,998 (2019: 1,999,998) Ordinary shares of Rs. 10 each	19,772,636	19,852,179
% of holding: 20% (2019: 20%)		

#### UniFoods Industries Limited (UFL)

28,217,600 (2019: 23,959,200) Ordinary shares of Rs. 10 each	97,723,673	123,335,715
% of holding: 24% (2019: 24%)		

<u>1,249,502,907</u>	<u>1,320,174,823</u>
<u>1,291,702,746</u>	<u>1,362,374,662</u>

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended March 31, 2020 (Un-Audited)

	Note	March 31, 2020 (Un-audited) Rupees	September 30, 2019 (Audited) Rupees
<b>10. STOCK-IN-TRADE</b>			
Work-in-process		73,672,691	2,589,011
Finished goods		3,236,610,640	1,058,006,932
		<b>3,310,283,331</b>	<b>1,060,595,943</b>
<b>11. SHORT-TERM INVESTMENTS</b>			
<b>Amortised cost</b>			
Term deposit certificates		3,300,000	3,300,000
<b>Fair value through other comprehensive income</b>			
Equity securities		805,080,488	992,083,024
		<b>808,380,488</b>	<b>995,383,024</b>
<b>12. LONG-TERM FINANCING – secured</b>			
Long-term financing		1,022,497,509	1,051,664,175
Current portion of long-term financing		(306,250,000)	(315,833,332)
	12.1	<b>716,247,509</b>	<b>735,830,843</b>
<b>12.1</b>			
<p>There is no material change in the terms and conditions of long term financing as disclosed in the Company's annual audited financial statements for the year ended September 30, 2019 except that during the current period, the Company has obtained additional long-term financing from a commercial bank amounting to Rs. 150 million. The facility carries a markup rate of 3 months' KIBOR plus 1% per annum repayable in sixteen equal quarterly installments commencing from one year after the date of disbursement of the loan and is secured first pari passu hypothecation Company's fixed assets.</p>			
<b>13. LEASE LIABILITIES – secured</b>			
Lease liabilities		35,090,275	30,365,193
Current portion of lease liabilities		(14,630,786)	(9,773,410)
	13.1	<b>20,459,489</b>	<b>20,591,783</b>

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended March 31, 2020 (Un-Audited)

	March 31, 2020			September 30, 2019		
	(Un-audited) Rupees			(Audited) Rupees		
13.1 Movement of lease liabilities:	Vehicles	Farms	Total	Vehicle	Farms	Total
Balance at the beginning of the period / year	30,365,193	-	30,365,193	38,997,482	-	38,997,482
Impact of initial application of IFRS 16 as at October 01, 2019 (note 4)	-	13,393,395	13,393,395	-	-	-
Additions during the period / year	2,525,000	-	2,525,000	18,057,000	-	18,057,000
Finance cost during the period / year	4,498,207	732,715	5,230,922	3,620,237	-	3,620,237
Payments during the period / year	(11,195,235)	(5,229,000)	(16,424,235)	(30,309,526)	-	(30,309,526)
Balance at the end of the year	26,193,165	8,897,110	35,090,275	30,365,193	-	30,365,193
Current portion of lease liabilities	(9,891,204)	(4,739,582)	(14,630,786)	(9,773,410)	-	(9,773,410)
	16,301,961	4,157,528	20,459,489	20,591,783	-	20,591,783

13.2 Expenses relating to short-term leases amounted to Rs. 174,760 (March 31, 2019: Nil).

## 14. PROVISION FOR QUALITY PREMIUM

As required under the provisions of Sugar Factories Control Act, 1950, sugar mills in Sindh are required to pay quality premium to cane growers at the rate of 50 paise per 40 Kg cane for each 0.1 percent of excess sucrose recovery above the benchmark of 8.7 percent, determined on the aggregate sucrose recovery of each mill. The Company along with other sugar mills had challenged the levy of quality premium through the Pakistan Sugar Mills Association (PSMA) – Sindh Zone before the Honorable High Court of Sindh, however, the matter was decided against the Company. Thereafter, the Company filed an appeal with the Honorable Supreme Court of Pakistan (SCP) which then granted stay to the Company, while admitting the appeal against the impugned judgment of the Court.

During the year ended September 30, 2019, the Honorable SCP has issued an order in this matter and has disposed the appeal filed by the sugar mills. Recently growers association have filed petition in Sindh High Court for execution and implementation of Apex Court Orders. The learned Sindh High Court through its order dated December 19, 2019 has disposed of the petition by laying down criteria for payment of quality premium. As no action was taken by relevant department in terms of learned court order, therefore as a matter of prudence the management has decided to retain the above referred provision in the these condensed interim financial statements till further clarification.

	March 31, 2020 (Un-audited) Rupees	September 30, 2019 (Audited) Rupees
15. SHORT-TERM BORROWINGS – secured		
Running finance under markup arrangements	-	14,009,213
Short-term finance	2,758,596,016	1,736,696,461
	2,758,596,016	1,750,705,674

15.1 There is no material change in the terms and conditions of short-term running finances and short-term finance facility as disclosed in the annual audited financial statements of the Company for the year ended September 30, 2019.



# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended March 31, 2020 (Un-Audited)

## 16. CONTINGENCIES AND COMMITMENTS

### 16.1 Contingencies

There has been no material change in the status of contingencies as disclosed in note 29 to the annual financial statements of the Company for the year ended September 30, 2019.

	<b>March 31, 2020 (Un-audited) Rupees</b>	September 30, 2019 (Audited) Rupees
<b>16.2 Commitments</b>		
Capital commitments	<b>1,638,328</b>	149,552,483
Commitments in respect of operating lease rentals for farms	-	15,687,000
Commitments in respect of lease liabilities	<b>35,186,292</b>	30,365,193
<b>17. WORKING CAPITAL CHANGES</b>		
(Increase) / decrease in current assets		
Biological assets	<b>12,924,227</b>	3,417,180
Stores and spare parts	<b>(3,434,603)</b>	6,046,436
Stock-in-trade	<b>(2,249,687,388)</b>	(2,684,405,003)
Trade debts	<b>(286,027,855)</b>	20,599,356
Loans and advances	<b>50,454,330</b>	2,131,037
Trade deposits and short-term prepayments	<b>(9,510,558)</b>	(13,359,387)
Other receivables	<b>(12,113,796)</b>	69,579,274
	<b>(2,497,395,643)</b>	(2,595,991,107)
Increase / (decrease) in current liabilities		
Trade and other payables	<b>(15,368,278)</b>	416,059,738
Contract liabilities (advances from customers - unsecured)	<b>601,326,178</b>	(45,127,501)
Sales tax and federal excise duty payable	<b>88,314,854</b>	(13,588,460)
	<b>674,272,754</b>	357,343,777
	<b>(1,823,122,889)</b>	(2,238,647,330)

## 18. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties of the Company comprise of subsidiaries, associates, retirement funds, directors and key management personnel. All the transactions with related parties are entered into at agreed terms duly approved by the Board of Directors of the Company. Transactions and balances with related parties, other than those disclosed elsewhere in the condensed interim financial statements, are as follows:

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended March 31, 2020 (Un-Audited)

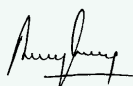
18.1 Transactions with related parties	March 31, 2020 (Un-audited) Rupees	March 31, 2019 (Un-audited) Rupees
<b>Associates</b>		
Sales	538,683,995	366,267,774
Expenses shared	587,449	734,112
Donations paid	4,500,000	14,820,000
<b>Key management personnel</b>		
Salaries and allowances	35,851,533	30,324,639
Bonus	3,619,950	3,437,800
<b>Retirement benefit plans</b>		
Contribution to provident fund	4,097,004	4,634,831
<b>18.2 Balances with related parties</b>		
Trade debts	51,819,026	-
Other receivables	686,134	1,025,722
Trade and other payables	-	175,845,176

## 19. GENERAL

- 19.1 These condensed interim financial statements were authorised for issue on May 30, 2020 by the Board of Directors of the Company.



Chief Executive Officer



Chief Financial Officer



Managing Director





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