



QUARTERLY REPORT DECEMBER 2020

NAVIGATING CHALLENGES

mehransugar.com

DIRECTORS' REPORT

On behalf of the Board, I am pleased to present financial results for the first quarter ended December 31, 2020.

Operational Highlights	December 2020	December 2019
Crushing - M.Tons	298,046	104,917
Capacity Utilization	42.58%	34.97%
Sucrose Recovery	10.02%	10.17%
Sugar Production - M.Tons	28,823	9,993
Molasses production - M.Tons	12,350	3,520
Molasses Recovery	4.14%	3.36%

Financial Highlights	December 2020	December 2019
(Rupees in Thousand except EPS)		
Turnover	972,518	1,618,371
Sales tax	110,225	213,228
Gross Profit	95,936	75,382
Gross Profit margin	11.13%	5.36%
Profit before tax	108,329	41,264
Profit before tax margin	12.56%	2.94%
Net Profit after tax	83,461	40,563
Net Profit margin	9.68%	2.89%
Earnings per share	1.79	0.87

Following factors were primarily responsible for these results:

- Sucrose recovery was 10.02% compared to 10.17% of same period last year. This was primarily because the sugar season has started earlier than last year.
- Selling prices of molasses and Bagasse have improved as compared to last year largely due to the shorter cane crop.
- Company booked a capital gain of Rs.22.5 million during the quarter on sale of shares.
- Dividend income from equity investments is Rs. 5.30 million as compared to Rs. 24.2 million of last year.
- Finance costs decreased to Rs.37 million from Rs. 54.9 million largely due to the lower interest rate environment.
- Unicol Limited contributed Rs. 128.4 million during the quarter. However, for Unifoods Limited we booked a loss of Rs. 50 million.

SEASON 2020-2021

Season 2020-21 commenced earlier than expected so as to address the sugar shortage in the country. Minimum Support Price of Rs.202/- was announced on timely basis. This was an increase of

Rs.10/maund from last year or 5.20 percentage. Other than the minimum cane price the Sindh government also notifies a quality premium which we feel is unfair to mills in the province since it's only in one province and not across the country.

Our cane surveys depict a minimum increase of 10 percent in area under cultivation. This situation indicates that sugar production and consumption are at an equilibrium, which would lead to better opportunity for farmers through higher cane prices and sugar millers through improved sugar prices.

During this quarter, sugarcane availability remained lower as growers chose to hold their harvest in anticipation of better price; however, we see this situation improving in the next quarter. We anticipate to crush 10-15 percent more than last year, which would improve absorption of our fixed costs. In addition, higher by-products prices should supplement the bottom line and compensate the reduction in sugar margins.

The Federal Government has also announced import of refined sugar through the TCP to augment sugar supplies in the country. For the industry to remain profitable, it is important for sugar prices to remain stable and in a range which makes present cane prices viable. It is also important to mention that import of sugar is subject to reduced rate of taxes while the industry is now paying sales tax at standard rate of 17%, which is difficult to absorb for an essential food item.

UNICOL LIMITED

The Company's financial and operational performance remained satisfactory during the period. The company is engaged in ensuring that molasses supplies for the entire year are arranged at competitive prices. However, lower production and resultant increase in price is making this difficult. Unicol's profitability for the year largely depends on its molasses pricing. On the other hand, ethanol market looks strong in view of the demand and price.

Profit before tax for Unicol was Rs. 385.2 million as compared to Rs. 176 million in the same period last year. This was largely due to last year's ethanol being lifted in this quarter at favourable prices. Overall profitability for the year is expected to reduce compared to last year due to higher procurement cost of molasses. However we expect dividends from Unicol to remain consistent.

UNIFOOD INDUSTRIES LIMITED

The packaged cake plant has been passing through difficult time amidst low sales and growing competition. Advent of Covid and closure of educational institutions has affected their sales. Our equity investment in Unifoods till this period is Rs. 321.5 million. The Company intends to add new varieties/products in their mix to enhance market share and improve volumes, which is now imperative to absorb distribution costs. The future of the business lies in adding more quality products and building a strong brand.

FUTURE OUTLOOK

The crop survey shows that sugarcane output is expected to improve further in our region and all across the country as farmers have been getting handsome returns on their harvest for last two years. This situation may not only bring equilibrium in production and consumption of sugar but also ensure an exportable surplus. One of the concerns for the industry in Sindh is non-realization of Rs. 8.00 billion of provincial export

subsidy, which is now pending for three seasons. Mehran has an outstanding subsidy of Rs.300.76 million which has held back our investments and dividend policy.


As mentioned earlier we shall expect to produce a minimum of 10 percent more sugar this year. Improvement in selling prices of sugar, molasses and bagasse should continue to support the company's profitability. While we foresee a significant increase in sugarcane purchase price due to competition, we anticipate an improvement in sugar selling price. Future profitability largely depends on the behavior of sugar price, which is expected to remain buoyant due to an increase in the international sugar market.

The higher sugarcane price is expected to further improve the plantation and we foresee increase in area under cultivation with a resultant increase in sugarcane production, which augurs well for the future as it, would again improve farmer cane feasibility.

Unicol Limited continues to contribute positively however profits for the year will be lower due to higher raw material prices. Despite this, we expect Unicol to pay dividends throughout the year, which shall contribute positively and allow us to pass on dividends to our shareholders and reinvest in our operations or allow further investments.

The next quarter will provide for a better assessment of this season however at the time of writing this report our January crushing target seems as expected and it seems likely to achieve our sugar production targets for the year. As mentioned the higher sugar prices both locally and internationally shall help farm economics and thus revitalise the sugar industry and help it rebound from these challenging times.

For and on behalf of the Board of Directors



Mohammed Ebrahim Hasham
Chief Executive officer



Ahmed Ebrahim Hasham
Managing Director

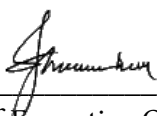
Karachi: January 29, 2021

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

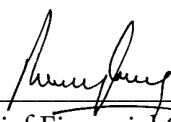
as at December 31, 2020

	Note	Un-audited Dec 31, 2020 Rupees	Audited Sep 30, 2020 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	2,168,221,606	2,191,140,553
Right-of-use assets		74,192,410	80,522,018
Long-term investments	5	1,324,855,838	1,235,646,845
Long-term deposits		852,400	852,400
		3,568,122,254	3,508,161,816
CURRENT ASSETS			
Biological assets		6,045,711	16,621,474
Stores and spare parts		124,712,898	110,342,728
Stock-in-trade		1,598,594,029	60,781,473
Trade debts		44,841,454	18,205,601
Loans and advances		79,099,220	46,274,164
Trade deposits and short-term prepayments		24,373,933	4,358,221
Other receivables		278,244,346	278,392,666
Short-term investments		1,403,742,592	1,108,082,670
Taxation - net		29,362,211	39,360,993
Cash and bank balances		9,642,322	10,140,845
		3,598,658,716	1,692,560,835
TOTAL ASSETS		7,166,780,970	5,200,722,651
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up share capital		465,974,520	465,974,520
Reserves		2,224,065,185	2,141,532,310
		2,690,039,705	2,607,506,830
NON-CURRENT LIABILITIES			
Long-term financing		1,017,974,757	1,125,818,640
Lease Liabilities		21,092,267	29,257,534
Market committee fee payable		27,099,108	28,676,760
Deferred liabilities		4,445,294	4,445,294
Deferred income - government grant		3,614,418	3,614,418
Deferred taxation - net		182,188,701	170,970,925
Provision for quality premium		119,290,919	119,290,919
		1,375,705,464	1,482,074,490
CURRENT LIABILITIES			
Trade and other payables		753,865,167	454,312,396
Contract liabilities (advances from customers)		338,463,923	36,489,970
Unclaimed dividends		18,648,988	18,648,988
Accrued mark-up		29,908,914	20,338,515
Short-term borrowings		1,628,218,966	297,981,575
Current portion of long-term financing		220,655,284	112,811,399
Current portion of lease liabilities		13,712,169	13,014,176
Current portion of market committee fee payable		3,757,652	3,757,652
Current portion of deferred income - government grant		2,409,613	2,409,613
Provision for market committee fee		46,947,482	43,967,017
Sales tax and federal excise duty payable		44,447,643	107,410,030
		3,101,035,801	1,111,141,331
CONTINGENCIES AND COMMITMENTS	6	-	-
TOTAL EQUITY AND LIABILITIES		7,166,780,970	5,200,722,651

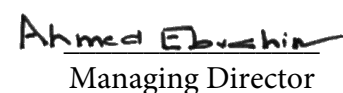
The annexed notes form an integral part of these condensed interim financial statements.



Chief Executive Officer



Chief Financial Officer



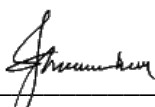
Managing Director

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS

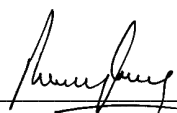
for the period ended December 31, 2020 (Un-Audited)

	Dec 31, 2020 Rupees	Dec 31, 2019 Rupees
Turnover - gross	972,518,126	1,618,370,686
Sales Tax	(110,224,806)	(213,228,339)
Turnover - net	862,293,320	1,405,142,347
Cost of Sales	(766,357,521)	(1,329,760,696)
Gross profit	95,935,799	75,381,651
Distribution costs	(9,669,947)	(7,586,797)
Administrative expenses	(55,481,828)	(50,151,930)
Other expenses	(752,970)	-
Other income	36,886,531	33,613,720
	(29,018,214)	(24,125,007)
Operating profit	66,917,585	51,256,644
Share of profits from associates - net	78,408,992	44,892,516
Finance costs	(36,997,826)	(54,885,281)
Profit before taxation	108,328,751	41,263,879
Taxation	(24,868,050)	(700,813)
Net profit for the period	83,460,701	40,563,066
Earnings per share - basic and diluted	1.79	1.00

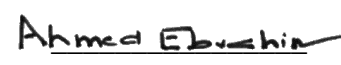
The annexed notes form an integral part of these condensed interim financial statements.



Chief Executive Officer



Chief Financial Officer



Managing Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

for the period ended December 31, 2019 (Un-Audited)

	Dec 31, 2020 Rupees	Dec 31, 2019 Rupees
Net profit for the period	83,460,701	107,775,169
Other comprehensive income		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods		
Loss on disposal of equity instruments designated at fair value through other comprehensive income (net of current tax)	(31,889)	(104,623,107)
Unrealised (loss) / gain on remeasurement of equity instruments designated at fair value through other comprehensive income (net of deferred tax)	(895,937)	31,125,977
	(927,826)	(73,497,130)
Total comprehensive income for the period	82,532,875	34,278,039

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Chief Executive Officer



Chief Financial Officer



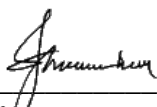
Managing Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

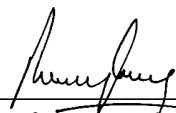
for the period ended December 31, 2020 (Un-Audited)

Issued, Subscribed and Paid-up Capital	Reserves						Sub-total	Total equity
	Capital	Revenue		Other components of equity				
	Share Premium	General Reerve	Unappropriated profits	FV reserve of financial assets at FVOCI	Actuarial gains on defined benefit plan			
-----Rupees-----								
Balance as at October 01, 2019 (Audited)	405,195,240	63,281,250	85,000,000	2,099,148,776	(240,424,147)	2,695,731	2,009,701,610	2,414,896,850
Loss for the period	-	-	-	40,563,066	-	-	40,563,066	40,563,066
Other comprehensive income for the period	-	-	-	-	354,106,526	-	354,106,526	354,106,526
Transfer of fair value reserve of equity instruments designated at FVOCI	-	-	-	101,146,717	(101,146,717)	-	-	-
Total comprehensive income for the Period	-	-	-	141,709,783	252,959,809	-	394,669,592	394,669,592
Balance as at December 31, 2019 (Un-audited)	405,195,240	63,281,250	85,000,000	2,240,858,559	12,535,662	2,695,731	2,404,371,202	2,809,566,442
Balance as at October 01, 2020 (Audited)	465,974,520	63,281,250	85,000,000	1,980,249,741	9,978,051	3,023,268	2,141,532,310	2,607,506,830
Profit for the period	-	-	-	83,460,701	-	-	83,460,701	83,460,701
Other comprehensive loss for the period	-	-	-	-	(927,826)	-	(927,826)	(927,826)
Transfer of fair value reserve of equity instruments designated at FVOCI	-	-	-	(6,430,724)	6,430,724	-	-	-
Total comprehensive income for the Period	-	-	-	77,029,977	5,502,898	-	82,532,875	82,532,875
Balance as at December 31, 2020 (Un-audited)	465,974,520	63,281,250	85,000,000	2,057,279,718	15,480,949	3,023,268	2,224,065,185	2,690,039,705

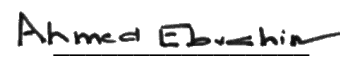
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Chief Executive Officer



Chief Financial Officer



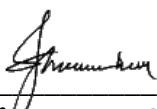
Managing Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS

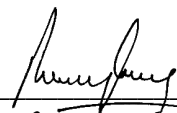
for the period ended December 31, 2020 (Un-Audited)

	Note	Dec 31, 2020 Rupees	Dec 31, 2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		108,328,751	41,263,879
Adjustments for non-cash charges and other items:			
Depreciation			
- Operating fixed assets		42,135,548	42,940,858
- Right of use assets		1,463,525	-
Share of profit from associates - net		(78,408,992)	(44,892,516)
Gain on disposal of operating fixed assets		(2,320,483)	(250,956)
Finance costs		36,997,826	54,885,281
Provision for market committee fee		2,980,465	1,049,166
Gain from equity instruments		(22,488,558)	-
Working Capital Changes	7	(1,082,370,923)	456,812,964
		(1,102,011,592)	510,544,797
Gratuity paid		-	(195,599)
Income taxes paid		(3,651,493)	(26,002,908)
Finance costs paid		(1,577,652)	(151,804,637)
Market committee fee paid		(27,427,427)	-
Long term deposits - net		-	10,000
Cash generated from operating activities		(1,026,339,413)	373,815,532
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(16,082,300)	(192,505,169)
Proceeds from disposal of operating fixed assets		4,052,267	466,404
Investments made		(1,195,185,835)	(606,157,686)
Proceeds from disposal of short-term investments		910,286,641	538,018,320
Cash used in investing activities		(296,929,227)	(260,178,131)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing obtained		-	71,041,667
Short-term borrowings obtained / (repaid)		1,330,237,391	(819,252,471)
Lease rentals paid		(7,467,274)	(4,557,318)
Cash generated from / (used in) financing activities		1,322,770,117	(752,768,122)
Net (decrease) / increase in cash and cash equivalents		(498,523)	(639,130,721)
Cash and cash equivalent at the beginning of the period		10,140,845	672,983,635
Cash and cash equivalents at the end of the period		9,642,322	33,852,914

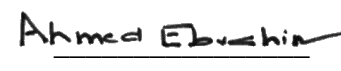
The annexed notes form an integral part of these condensed interim financial statements.



Chief Executive Officer



Chief Financial Officer



Managing Director

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the period ended December 31, 2020

1. THE COMPANY AND ITS OPERATIONS

Mehran Sugar Mills Limited (the Company) was incorporated in Pakistan as a public limited company in December, 1965 under the repealed Companies Act, 1912. The shares of the Company are quoted on Pakistan Stock Exchange Limited. 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 Distt. Tando Allahyar, Sindh.

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared with the accounting and reporting standards as applicable in Pakistan for financial reporting. The accounting and reporting standards as applicable in Pakistan comprise of International Financial Reporting Standards (IFRS) issued by International Accounting Standard Board (IASB) as notified under Companies Act, 2017 (the Act) and, provisions of and directives issued under the Act. Where the provisions of and directives issued under the Act differ from the IFRS standards, the provisions of and directives issued under the Act have been followed.

2.2 ACCOUNTING CONVENTION

These condensed interim financial statements have been prepared under the historical cost convention except for short-term investments which are carried at fair value, investment in associates calculated using equity method of accounting, biological assets carried at fair value less costs to sell and staff gratuity carried at present value of defined benefit obligation and market committee fee payable recorded at present value.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended September 30, 2020.

	Un-audited Dec 31, 2020	Audited Sep 30, 2020
4. PROPERTY, PLANT AND EQUIPMENT		
4.1 OPERATING FIXED ASSETS		
Opening written down value	2,098,419,192	2,064,953,414
Additions / (Transfer) during the period	5,396,650	194,117,115
	<u>2,103,815,842</u>	<u>2,259,070,529</u>
Written down value of disposal during the period	(215,322)	(3,731,550)
	<u>2,103,600,520</u>	<u>2,255,338,979</u>
Depreciation charged during the period	38,785,927	156,919,787
	<u>2,064,814,593</u>	<u>2,098,419,192</u>
4.2 CAPITAL WORK-IN-PROGRESS		
Buildings - Civil Works	23,301,791	22,819,314
Plant & Machinery	80,105,222	69,902,047
	<u>103,407,013</u>	<u>92,721,361</u>

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the period ended December 31, 2020

5. LONG TERM INVESTMENT

		Un-audited Dec 31, 2020	Audited Sep 30, 2020
Subsidiary			
Mehran Energy Limited	5.1	42,398,289	42,199,839
Associates			
Unicol Limited	5.2	1,204,984,928	1,176,986,929
UniEnergy Limited	5.3	20,059,665	19,852,179
Uni Foods Industries Limited	5.4	57,412,956	123,335,715
		1,282,457,549	1,320,174,823
		1,324,855,838	1,362,374,662

- 5.1 The Company holds 4,000,000 (Sep 30, 2020: 4,000,000) shares representing 100 (Sep 30, 2020: 100) percent of the total equity of Mehran Energy Limited.
- 5.2 The Company holds 49,999,997 (Sep 30, 2020: 49,999,997) shares representing 33.33 (Sep 30, 2020: 33.33) percent of the total equity of Unicol Limited.
- 5.3 The Company holds 1,999,998 (Sep 30, 2020: 1,999,998) shares representing 20 (Sep 30, 2020: 20) percent of the total equity of UniEnergy Limited.
- 5.4 The Company holds 321,545,600 (Sep 30, 2020: 317,456,000) shares representing 24 (Sep 30, 2020: 24) percent of the total equity of Uni foods Limited.

6. CONTINGENCIES & COMMITMENTS

CONTINGENCIES

There is no significant change in the contingencies since the last audited annual financial statements for the year ended September 30, 2020.

COMMITMENTS

	Un-audited Dec 31, 2020	Audited Sep 30, 2020
Capital commitments	15,674,067	10,942,770
Letter of Credit - sight (Foreign)	3,287,600	3,287,600
Letter of guarantee	10,791,457	11,181,375

7. WORKING CAPITAL CHANGES

	Un-audited Dec 31, 2020	Un-audited Dec 31, 2019
(Increase) / decrease in current assets		
Biological assets	10,575,765	(2,430,900)
Stores and spare parts	(14,370,170)	(61,169,149)
Stock-in-trade	(1,537,812,556)	656,101,430
Trade debts	(26,635,853)	(1,664,007)
Loans and advances	(32,825,056)	27,496,769
Trade deposits and short-term prepayments	(20,015,712)	(15,170,802)
Other receivables	148,320	12,593,528
	(1,620,935,262)	615,756,869
(Increase) / decrease in current assets		
Trade and other payables	299,552,773	54,065,840
Contract liabilities	301,973,953	(164,128,334)
Sales tax payable	(62,962,387)	(48,881,411)
	538,564,339	(158,943,905)
	(1,082,370,923)	456,812,964

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the period ended December 31, 2020

8. TRANSACTIONS WITH RELATED PARTIES

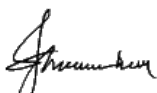
	<u>Un-audited Dec 31, 2020</u>	<u>Un-audited Dec 31, 2019</u>
Associates		
Investment made during the period	10,800,000	18,792,000
Sales	224,816,388	51,941,100
Expenses shared	470,099	312,478
Donation	500,000	-
Retirement benefits Plan		
Provident fund contribution	1,548,924	2,239,049

9. GENERAL

These financial statements were authorized for issue on January 29, 2021 by the Board of Directors of the Company.

Previous period figures have been rearranged / regrouped wherever necessary to facilitate comparison.

Figures have been rounded off to the nearest rupee.



Chief Executive Officer



Chief Financial Officer



Managing Director



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