



FARAN SUGAR MILLS LIMITED

CORPORATE BRIEFING SESSION

FOR YEAR ENDING - SEPTEMBER 30, 2023

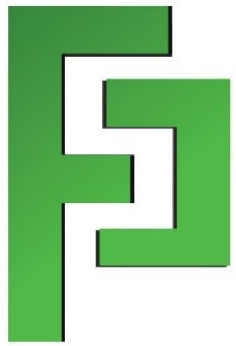
At The Institute of Chartered Accountants of Pakistan (ICAP)

Friday - January 26, 2024 @ 11:45 AM

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COMPANY PROFILE





Date of Incorporation	November 3, 1981
Commencement of Commercial Production	Season - 1983 - 84
Location of Mills	Shaikh Bhrikio District Tando Muhammad Khan
Head Office	Bungalow no. 43-1-E(B), Block 6, P.E.C.H.S., Karachi
Initial Crushing Capacity	2,000 TCD
Current Crushing Capacity	12,000 TCD
Ethanol Business	Distillery - Unicol Limited - JV arrangement with capacity 200,000 ltrs or 160 m.tons / day
Halal Certification	SANHA Halal Association Pakistan Pvt. Limited
Credit Rating	A- / A-2 by VIS Credit Rating Company Limited

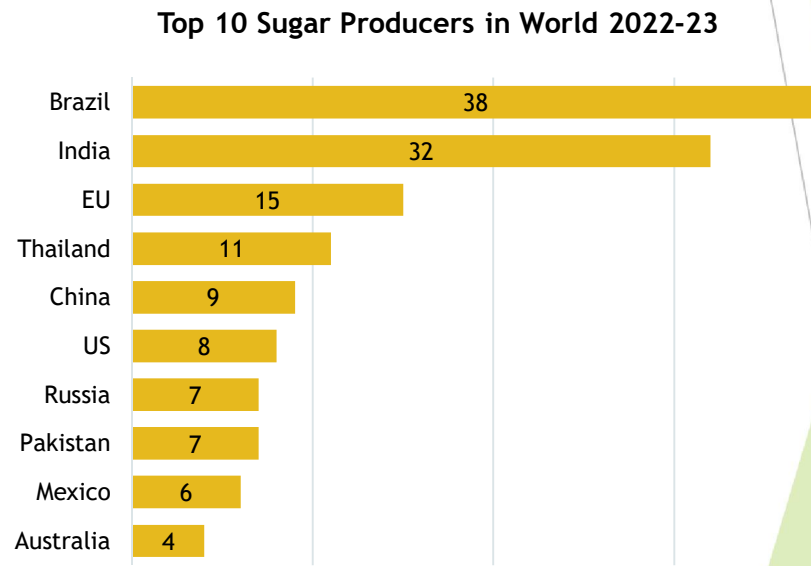
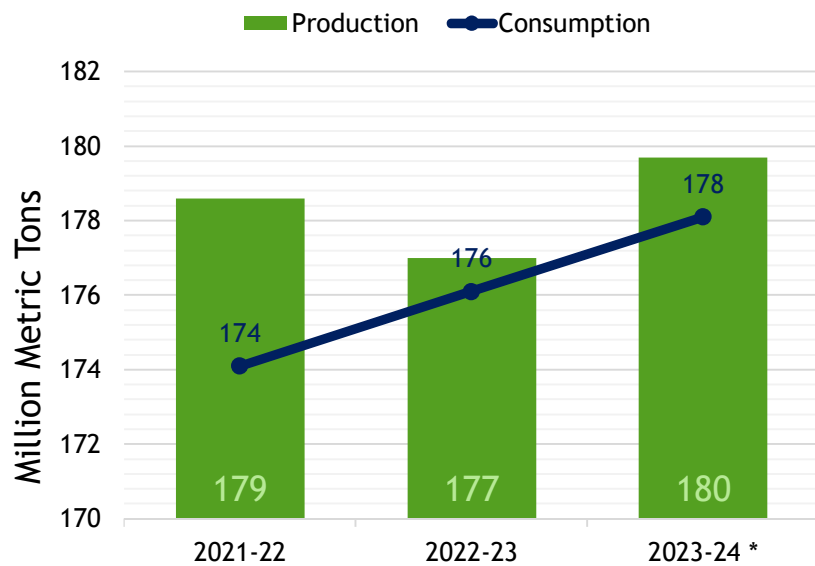


Board of Directors	Mr. Muhammad Omar Amin Bawany Mr. Ahmed Ali Bawany Mr. Hamza Omar Bawany Mr. Bilal Omar Bawany Mr. Mohammed Altamash Bawany Mr. Ahmed Ghulam Hussain Mr. Irfan Zakaria Bawany Mr. Khurram Aftab Ms. Tasneem Yusuf
Auditor	Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants
Chief Financial Officer & Company Secretary	Mr. Muhammad Ayub

GLOBAL SUGAR OUTLOOK



GLOBAL SUGAR PRODUCTION & CONSUMPTION



- The global sugar production was around 177 million metric tons in 2022-23 and is estimated to increase to 180 million metric tons in 2023-24
- Brazil was the largest producer of sugar with 38 million metric tons followed by India with 32 million metric tons sugar
- India had the highest sugar consumption worldwide with 29.5 million metric tons followed by European Union and China

Source - czapp.com - sugar statshot
* - Estimated

GLOBAL SUGAR PRODUCTION

World Centrifugal Sugar: Production and Consumption
1,000 Metric Tons, Raw Value

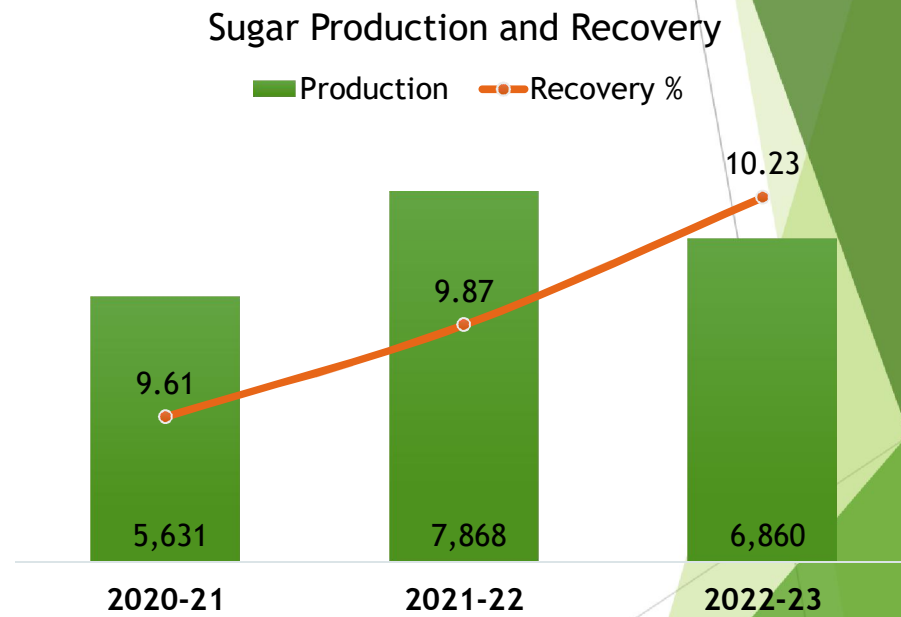
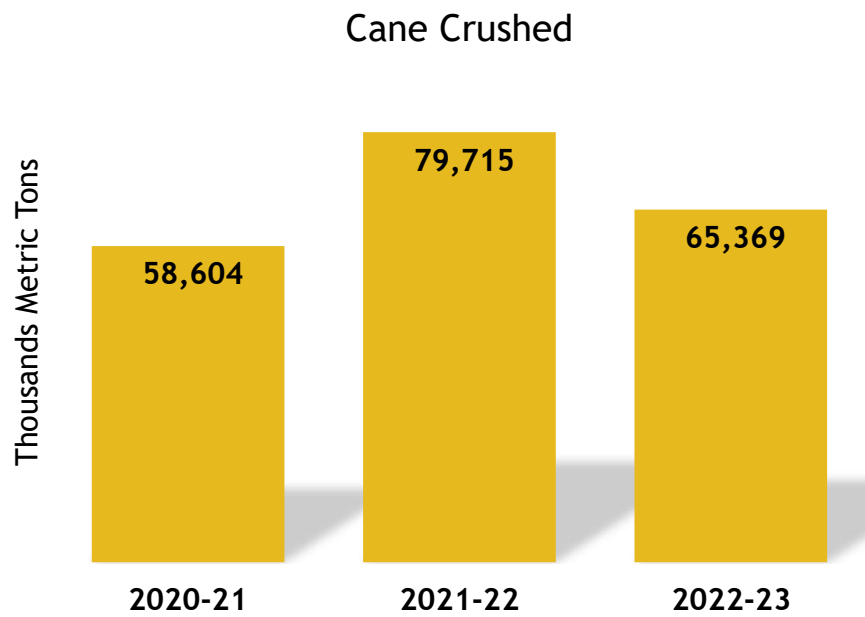
	2019/20	2020/21	2021/22	2022/23	May 2023/24	Nov 2023/24
Production						
Brazil	30,300	42,050	35,450	38,050	42,010	41,000
India	28,900	33,760	36,880	32,000	36,000	36,000
European Union	17,040	15,216	16,577	14,710	15,475	15,532
China	10,400	10,600	9,600	8,960	10,000	10,000
Thailand	8,294	7,587	10,157	11,059	11,200	9,400
United States	7,392	8,376	8,307	8,391	8,369	8,372
Russia	7,800	5,625	6,000	6,100	6,336	6,600
Pakistan	5,340	6,505	7,560	6,860	7,110	6,260
Mexico	5,596	6,058	6,556	5,537	6,254	5,650
Australia	4,285	4,335	4,120	4,200	4,400	4,100
Turkey	2,750	3,100	2,650	2,900	3,000	3,050
Egypt	2,740	2,780	2,855	2,760	2,785	2,785
Indonesia	2,250	2,130	2,300	2,400	2,600	2,600
Guatemala	2,764	2,565	2,575	2,558	2,575	2,575
Colombia	2,350	2,240	2,300	2,300	2,350	2,350
South Africa	2,295	2,106	1,906	1,996	2,174	2,174
Philippines	2,150	2,143	1,800	1,799	1,900	1,800
Argentina	1,750	1,830	1,700	1,670	1,690	1,690
Iran	1,010	1,535	1,600	1,550	1,600	1,600
Ukraine	1,638	1,240	1,450	1,330	1,510	1,510
Peru	1,197	1,197	1,260	1,320	1,300	1,300
Vietnam	850	750	820	950	975	975
United Kingdom	1,191	985	1,025	805	1,050	950
Japan	825	815	810	810	810	810
El Salvador	827	784	807	785	805	805
Other	14,625	13,802	13,598	13,507	13,603	13,573
Total	166,559	180,114	180,663	175,307	187,881	183,461

Source - Foreign Agriculture Services/USDA

PAKISTAN SUGAR INDUSTRY OVERVIEW



PAKISTAN SUGAR CANE, SUGAR PRODUCTION



Source: PSMA - Sindh Zone

KEY ATTRIBUTES

Dynamic of sugar industry 2022-23

Number of Mills: 90
Operated: 78

Listed Sugar
Companies: 26

Province	Mills	Operated
Punjab	46	40
Sindh	38	32
KPK	6	6

Sugar Cane
Crushing:
65.37 million
tons

Sugar
Production: 6.68
million tons

Sugar Recovery:
10.23%

Sugar
Consumption:
6.2 - 6.7 million
tons

SUGAR INDUSTRY

OVERVIEW OF SEASON 2022-23

- Minimum support price for sugarcane at Rs. 302 per maund (40 kgs.) - Rs. 52 jump from the previous season for season 2022-23.
- The Province of Sindh produced 1.7 million tons refined sugar against 2.2 million produced in the previous season, down by 22% due to shorter crop as well lower recovery due to flash flood.
- Sindh province was hit hardest by the heavy torrential rainfall and flash floods in the month of July and August 2022.
- There was carry over stock of 0.99 million tons of sugar and the Industry had been demanding permission to export surplus sugar since March 2022 due to huge production in season 2021-22. However, the government inordinately delayed the decision and deprived the country to earn precious Foreign Exchange in crucial time of the country.
- In January 2023, the Economic Coordination Committee (ECC), after detailed discussions on the recommendation of the Sugar Advisory Board (SAB), allowed 250,000 tons of sugar for export, allocating 61 percent of sugar export quota to Punjab (152,500 tons), 32 percent to Sindh (80,000 tons) and 7 percent to KP (17,500 tons).
- The Sindh High Court initially permitted an export quota of 1,500 tons for each mill and later further quota of 1,000 tons per mill, allowing a cumulative export of 2,500 tons per mill in Sindh.
- Sugar selling price remained depressed in throughout 1st half of the financial year but start to improve in 2nd half of the year; sugar price experienced a steady increase and jumped after 3rd quarter at a level to allow the industry to secure its margin.
- Prices and demand of Ethanol in international market coupled with PKR depreciation boosted the profitability of Distillery segment during the year



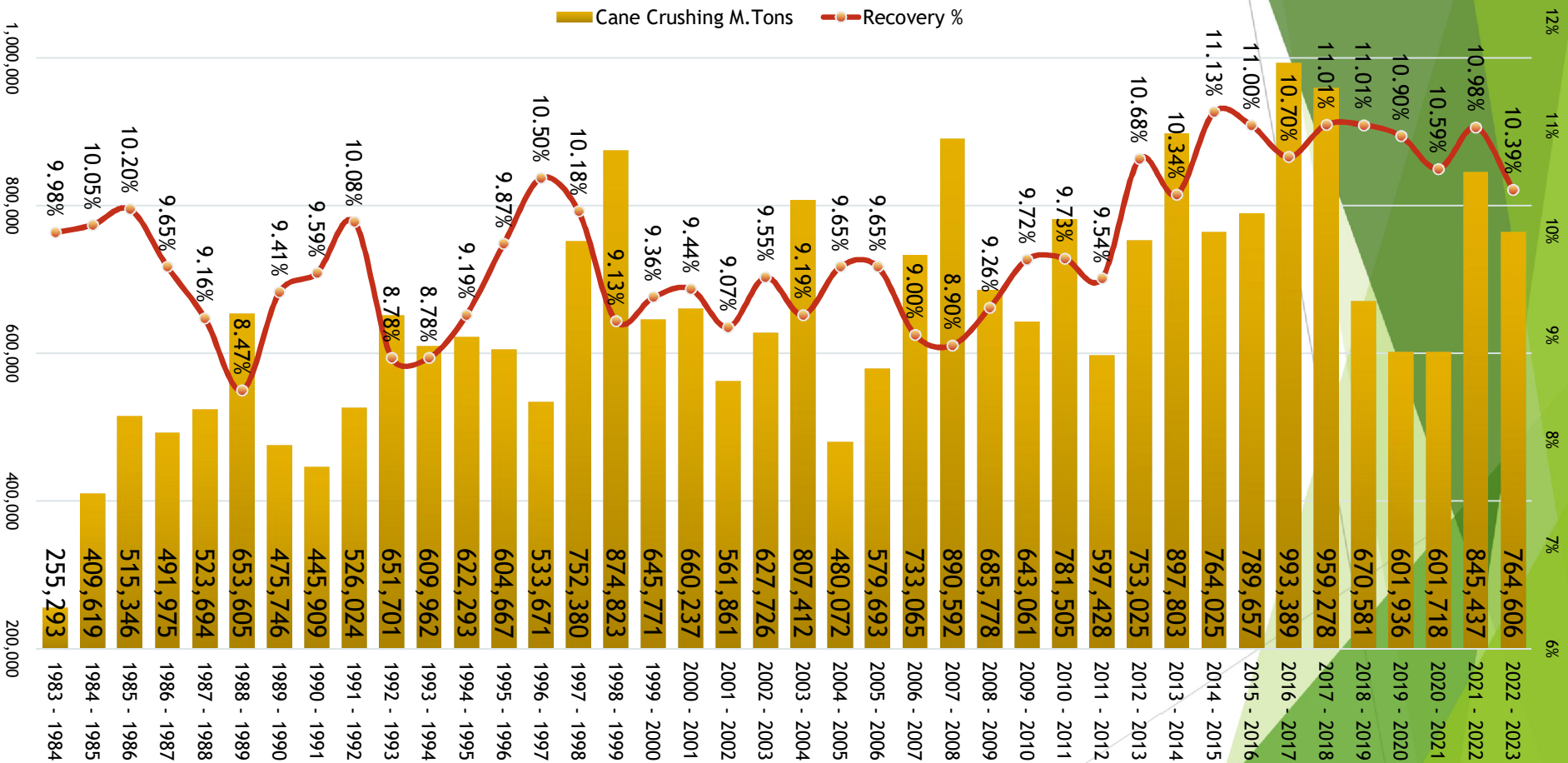
STRATEGICAL & OPERATION DEVELOPMENTS



COMPANY OVERVIEW ON OPERATIONAL DEVELOPMENTS

- ▶ Cane crushing and sugar production of the company was quite satisfactorily despite of reduction in cane crushing and sugar production in the Sindh province due to shorter crop as well lower recovery due to flash flood in the month of July and August 2022 in the province.
- ▶ Despite of high production cost and depressed sugar selling price throughout the season that rebounded in 2nd half of the year under review, the management made strategic decisions and devised its sale strategy to secure healthy margin.
- ▶ Company earned highest ever profit in the history of the company though major chunk of profit carry forward to next year and that will support the gross profit of 2023-24.
- ▶ The company set up 248.5 kW solar power for self- consumption under concession SBP scheme for solar power.
- ▶ All cost saving projects, financed from long-term financing of Rs.700 million under Islamic Temporary Economic Refinance Facility (ITERF), concessional financing scheme of SBP and deferral payment basis, have been fully operational which were initiated in the previous season and now FSML is reaping its benefits.
- ▶ Due to rising cost of financing, the company is focusing only on necessary capex.
- ▶ Unicol Limited, a joint venture distillery , reported all time high profit
- ▶ Unicol Limited has purchased the entire assets of the Popular Sugar Mills Limited located at province of Punjab that allow Unicol to enter into other geographical area of Pakistan to grow/diversify its revenue base and increase its future profitability.

CANE CRUSHING HISTORY





DETAIL OF FINANCIAL INFORMATION

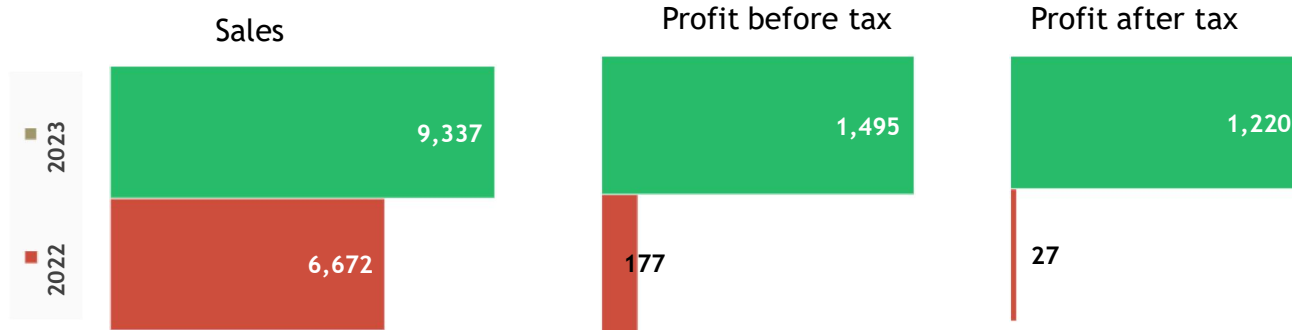


FINANCIAL HIGHLIGHTS

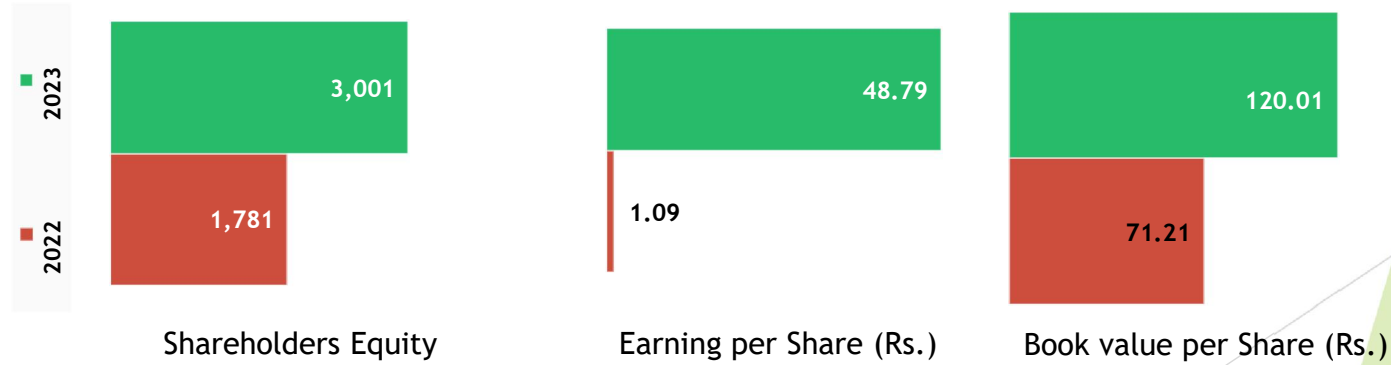
	UOM	2023	2022	%	+ / -
Sales	Rs. In Million	9,337	6,672	39.94%	+
Gross Profit	Rs. In Million	1,550	472	228.54%	+
Operating Profit	Rs. In Million	1,363	289	371.74%	+
Profit Before Tax	Rs. In Million	1,495	177	746.36%	+
Profit After Tax	Rs. In Million	1,220	27	4355.49%	+
Earnings per Share	Rupees	48.79	1.09	4355.49%	+
Shareholders' Equity	Rs. In Million	3,001	1,781	68.53%	+
Book Value per Share	Rupees	121.01	71.21	68.53%	+
Property, Plant & Equipment	Rs. In Million	2,988	2,790	7.10%	+

----- Rupees in Millions -----

Business Growth



Shareholder Value Accretion



Key Figures - 2022-2023

Note No.	Amount	Head of Account
25.1	188 Million	Sale of Associate - Other Income
5.2.1	911.65 Million	Share of Profit (all time high) from Unicol Limited
26.1.1	(69.97) Million	Export Subsidies written off
39.1	2.5 / Share	Dividend per share after 4 years

PROFITABILITY RATIOS

	2023	2022
Gross Profit Ratio %	16.6	7.07
Net Profit / Ratio %	13.07	0.41
Earning before Interest & Tax Margin %	24.36	9.61
Return on Share Holder Equity %	40.65	1.54
Return on Capital Employed %	63.65	24.83

LIQUIDITY RATIOS

	2023	2022	Change %
Current Ratio (x) *	0.79	0.78	1.95%
Quick Ratio (x)	0.13	0.09	47.02%
Cash flow from Operating Activities (In Million)	1,924.96	(444.70)	

Current ratio would have been increased to 1.3x if the committed sales materialized on reporting date.

LIQUIDITY RATIOS

	2023	2022
Free Cashflows (In Million)	1,563.55	(1,191.20)
Long term debt to equity %	37%	45%
Interest Cover (x)	2.92	1.36

VALUATION RATIOS

	2023	2022	Change %
Market Value per Share	61.00	52.50	16.19%
PE Ratio	1.08	47.95	-97.75%

Current Share price Rs. 76 as on January 24, 2023

Future Outlook - Season 2023-24

1. The Sindh government fixed minimum support price (MSP) for sugarcane at Rs. 425 per maund - a jump of Rs. 123 which is more than 41% increase.
2. Punjab province (with MSP of Rs. 402 per maund) will remain beneficial as, it has larger crop area, duration of the Crushing is longer with no extra cost of Quality Premium. Rate of actual Cane cost in Punjab is lower than Sindh, whereas the Mills in Sindh are closed to each other, causing severe competition due to limited cane.
3. As per Track and Trace system of FBR, 1.13 million metric tons sugar stocks as on 31-10-2023, It means there will be surplus sugar in 2023-24 which may depress the domestic selling price further.
4. Prices of sugar are already much lower than its higher cost of production due to constant increases in major cost components like prices of sugarcane, markup rates and imported chemicals.

Future Outlook - Season 2023-24

5. FSML started crushing on November 10, 2023 and produced 42,840 tons refined sugar by crushing 450,098 tons cane with average recovery of 10.021%. up to December 31, 2023.
6. 41% increase in cane cost together with twofold finance cost will cause substantial increase in cost of production. However, carry over stock of last year will support the gross profit during FY: 2023-24.
7. Cash freight subsidy of Rs. 304.73 million receivable from Government of Sindh since FY 2016-17 and Inland freight subsidy amounting to Rs. 83.28 million receivable from TDAP since FY 2012-13. FSML along with other sugar mills have filed petition in Honorable High Court of Sindh for release of subsidies. SHC directed Government of Sindh to release the Cash freight subsidy by September 2023. Reminder has also been sent to Government of Sindh through Legal counsel. Petition for Inland freight subsidy is still pending with SHC. We are hopeful that both subsidies amounting to Rs. 388 will be received during this financial year.
8. We are confident that sales price will improve after close of season, considering multiple factors.

QUESTIONS & ANSWERS

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THANK YOU

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