



*Sindh Abadgar's Sugar Mills Limited*

**UNAUDITED  
QUARTERLY FINANCIAL STATEMENTS  
1ST QUARTER ENDED DECEMBER 31, 2016**



## COMPANY PROFILE

<b>DIRECTORS</b>	Mr. Deoo Mal Essarani Dr. Tara Chand Essarani Mr. Dileep Kumar Mr. Pehlaj Rai Mr. Mohan Lal Dr. Besham Kumar Mr. Mahesh Kumar Mr. Shafaqat Ali Shah	Chairman Chief Executive Director Director Director Director Director Independent Director
<b>CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY</b>	Mr. Nisar H. Virani	
<b>BANKERS</b>	Allied Bank Limited Askari Bank Limited Bank Al-Falah Limited MCB Bank Limited Meezan Bank Limited United Bank Limited	
<b>AUDIT COMMITTEE</b>	Mr. Pehlaj Rai Mr. Shafaqat Ali Shah Mr. Dileep Kumar Dr. Besham Kumar	Chairman Member (Independent Director) Member Member
<b>HR AND REMUNERATION COMMITTEE</b>	Mr. Shafaqat Ali Shah Mr. Mohan Lal Mr. Dileep Kumar	Chairman (Independent Director) Member Member
<b>AUDITORS</b>	M/s. Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants	
<b>REGISTERED OFFICE</b>	209, 2nd Floor, Progressive Plaza, Beaumont Road, Karachi-Pakistan.	
<b>MILLS</b>	Deh: Deenpur, Taluka. Bulri Shah Karim, Distt. Tando Muhammad Khan, Sindh-73024.	
<b>REGISTRAR</b>	JWAFFS Registrar Services (Pvt) Ltd. 407- 408, Al Ameera Centre, Shahrah e Iraq, Saddar, Karachi.	
<b>EMAIL ADDRESS</b>	sasm@unitedgroup.org.pk	



## DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors, it is my privilege to present the un-audited condensed interim financial statements of the Company for the first quarter ended December 31, 2016. The crushing season 2016-17 commenced from 15th November, 2016.

**Operational Results :**

		<b>Up to December 31, 2016</b>	<b>Up to December 31, 2015</b>
Season commenced on		15-11-2016	29-11-2015
Period reporting upto		31-12-2016	31-12-2015
Days worked (Gross)	- Days	47	33
Cane crushed	- Tons	117,158	184,289
Average Crushing per day	- Tons	2,492	5,585
Capacity utilization	- %	35	80
Sugar recovery	- %	9.47	9.427
Sugar produced	- Tons	10,045	14,960
Molasses % Cane	- %	4.817	4.755
Molasses produced	- Tons	5,040	7,670

The net turnover decreased to Rs.125.383 million from Rs. 669.971 million of last year's same period. After tax loss amounted to Rs. 30.937 million as compared to after tax loss of Rs. 12.712 million of the 1st quarter of last year. The Sindh Government issued Notification on 31st October, 2016 fixing minimum support price of Sugarcane at Rs. 182/- per 40 Kg i.e. Rs. 4,550/= per MT for the season 2016-2017.

Despite all odds, the Company continued to focus its attention on sale of sugar but due to lesser demand and uncertainty of export etc, a substantial portion of sugar remained unsold and only a quantity of 1,845 MT of fresh stock could be sold.

The value of finished stock stood at Rs. 464.750 million as against Rs. 483.511 million as on 31st December, 2015.

First quarter ended on 31st December, 2016 does not properly reflect the correct view of the profit/loss of the company due to lesser operational days, lower crushing and lower sugar recovery. Due to various factors we anticipate almost the same sugarcane crop and slightly higher sugar recovery during the current season. We have undertaken BMRE process & added latest modernized equipments last year to achieve better and efficient results which we are obtaining as is evident from above operational data.



### **Future Prospects**

The prospects of the crushing season 2016-2017 are yet to improve and a lot of challenges to control the rising prices of sugarcane is required to face and to save totally uneconomical conditions. In view of lesser crop in the area and higher sugarcane prices, the sugar prices are also likely to remain stable. Lately the government has allowed exports of 225,000 M. Tons without subsidy Certain conditionalities and international prices are not very encouraging. Definite measures are needed to control the sugarcane prices to enable the sugar mills to sell their sugar at a reasonable price to the consumers.

The future prospects of the Company are greatly dependent on the trend of sugar prices in the next three quarters in addition to the government policies. We understand the current sugar stock levels are more than sufficient for the present requirement. Therefore, proper planning should be made based on realistic and logical statistics of actual sugar production, its consumption and deficit or surplus etc., as the case may be. With the hope of stability in sugar prices during the next three quarters, we anticipate better financial results for the current year.

The Board of Directors wishes to keep on record and convey assurance to the respectable shareholders of our dedicated efforts and honest working which would strengthen our determination to achieve success with better planning to overcome the difficult situation and conditions. The Directors also place on record their appreciation of the devoted services and hard work put in by the officers and workers of the Company. Please pray to God to guide us and help us to achieve desired results and prosperous future.

On behalf of the Board of Directors

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**Dr. Tara Chand Essarani**  
Chief Executive

Karachi: January 20, 2017



**CONDENSED INTERIM BALANCE SHEET (UNAUDITED)**  
AS AT DECEMBER 31, 2016

	Note	Un-audited December 31, 2016 Rupees	Audited September 30, 2016 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL &amp; RESERVES</b>			
Authorized Capital 65,000,000 (2015: 65,000,000)		650,000,000	650,000,000
Ordinary shares of Rs. 10/- each		650,000,000	650,000,000
Issued, subscribed and paid-up capital 10,425,000 ordinary shares of Rs. 10/- each		104,250,000	104,250,000
Accumulated loss		(131,854,424)	(129,979,060)
		(27,604,424)	(25,729,060)
Surplus on revaluation of Property, Plant and Equipment		894,906,482	915,249,691
Subordinated loans		260,000,000	260,000,000
<b>NON-CURRENT LIABILITIES</b>			
Long term finance - secured	6	401,000,000	451,000,000
Deferred liabilities		557,715,897	566,434,415
<b>CURRENT LIABILITIES</b>			
Trade and other payables		322,733,110	250,809,381
Accrued mark-up		12,827,056	12,558,529
Current portion of non current liabilities		172,000,000	178,000,000
Short term running finance		689,760,665	-
		1,197,320,831	441,367,910
<b>CONTINGENCIES AND COMMITMENTS</b>			
	7	-	-
		3,283,338,787	2,608,322,956
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	1,968,260,746	2,012,259,205
Long term loans		358,642	313,946
Long term deposits		792,527	792,527
<b>CURRENT ASSETS</b>			
Stores and spares		199,291,056	179,936,602
Stock-in-trade		560,715,421	32,963,273
Trade debts - unsecured		1,236,634	27,342,856
Short term loans and advances		118,023,858	95,647,433
Trade deposits and short term prepayments		3,891,493	135,493
Other receivables		135,252,588	135,252,588
Advance tax - net		42,088,895	40,484,215
Cash and bank balances	11	253,426,926	83,194,818
		1,313,926,871	594,957,278
		3,283,338,787	2,608,322,956

The annexed notes from 1 to 14 form an integral part of the condensed interim financial information.

**DR. TARA CHAND**  
Chief Executive

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**MAHESH KUMAR**  
Director



**CONDENSED INTERIM  
PROFIT AND LOSS ACCOUNT (UNAUDITED)  
FOR THE 1ST QUARTER ENDED DECEMBER 31, 2016**

	Note	December 2016 Rupees	December 2015 Rupees
Net Sales	9	125,382,975	669,970,729
Cost of sales	10	(129,616,876)	(656,419,087)
<b>Gross profit / loss</b>		<u>(4,233,901)</u>	<u>13,551,642</u>
<b>Operating expenses</b>			
Administrative expenses		(25,882,569)	(20,231,073)
Selling and distribution cost		(984,427)	(1,123,579)
		<u>(26,866,996)</u>	<u>(21,354,652)</u>
<b>Operating loss</b>		(31,100,897)	(7,803,010)
Finance cost		(13,255,115)	(11,631,642)
		<u>(44,356,012)</u>	<u>(19,434,652)</u>
Other income		13,418,921	6,722,989
<b>Loss before taxation</b>		<u>(30,937,091)</u>	<u>(12,711,663)</u>
Taxation - Current		-	-
<b>Loss after taxation</b>		<u>(30,937,091)</u>	<u>(12,711,663)</u>
<b>Earning / loss per share - basic &amp; diluted</b>		<u>(2.97)</u>	<u>(1.22)</u>

The annexed notes from 1 to 14 form an integral part of the condensed interim financial information.

**DR. TARA CHAND**  
Chief Executive

**MAHESH KUMAR**  
Director



**CONDENSED INTERIM STATEMENT OF  
COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE 1ST QUARTER ENDED DECEMBER 31, 2016**

	<b>December 2016 Rupees</b>	<b>December 2015 Rupees</b>
Loss for the quarter	(30,937,091)	(12,711,663)
<b>Other comprehensive income</b>		
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	29,061,727	13,579,519
Total comprehensive loss for the quarter transferred to equity.	<u>(1,875,364)</u>	<u>867,856</u>

The annexed notes from 1 to 14 form an integral part of the condensed interim financial information.

**DR. TARA CHAND**  
Chief Executive

**MAHESH KUMAR**  
Director



**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)**  
FOR THE 1ST QUARTER ENDED DECEMBER 31, 2016

	<b>December 2016 Rupees</b>	<b>December 2015 Rupees</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(30,937,091)	(12,711,663)
Adjustment for:		
Depreciation	47,770,008	32,911,059
Financial cost	13,255,115	11,631,642
Gain on disposal of Property, Plant & Equipment	(11,503,141)	(1,264,345)
	<u>49,521,982</u>	<u>43,278,356</u>
Operating profit before working capital changes	18,584,891	30,566,693
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(19,354,454)	(8,593,186)
Stock in trade	(527,752,148)	(186,622,959)
Trade debts - Unsecured	26,106,222	(2,617,809)
Short term loans and advances	(22,376,425)	4,239,316
Trade deposits, prepayment and other receivables	(3,756,000)	(174,535)
Other receivables	-	19,425
	<u>(547,132,805)</u>	<u>(193,749,748)</u>
Increase in current liabilities		
Trade and other payables	71,923,729	(216,045,687)
	<u>(475,209,076)</u>	<u>(409,795,435)</u>
Cash generated from/(used in) operating activities	<u>(456,624,185)</u>	<u>(379,228,742)</u>
Finance cost paid	(12,986,588)	(11,690,653)
Taxes paid	(1,604,680)	(957,397)
Net cash generated from/(used in) operating activities	<u>(471,215,453)</u>	<u>(391,876,792)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(3,978,305)	(1,395,072)
Capital work in progress	(828,103)	1,365,000
Sales Proceeds of assets	12,538,000	-
Long term loans	(44,696)	(23,791)
Long term deposits	-	140,535
Net cash (used in) investing activities	7,686,896	86,672
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long term loan	(56,000,000)	(33,500,000)
Long term finance obtained	-	223,000,000
Net cash generated from/ (used in) financing activities	<u>(56,000,000)</u>	<u>189,500,000</u>
Net increase/(decrease) in cash and cash equivalents	(519,528,557)	(202,290,120)
Cash and cash equivalents at the beginning of the period	83,194,818	81,360,256
Cash and cash equivalents at the end of the period	<u>(436,333,739)</u>	<u>(120,929,864)</u>

The annexed notes from 1 to 14 form an integral part of the condensed interim financial information.

**DR. TARA CHAND**  
Chief Executive

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**MAHESH KUMAR**  
Director





**CONDENSED INTERIM STATEMENT OF  
CHANGES IN EQUITY (UNAUDITED)  
FOR THE 1ST QUARTER ENDED DECEMBER 31, 2016**

	Issued, Subscribed and Paidup Capital Rupees	Accumulated Loss Rupees	Total Rupees
<b>Balance as at October 1, 2015 (restated)</b>	104,250,000	(152,278,517)	(48,028,517)
Loss after taxation (restead)	-	(25,036,905)	(25,036,905)
Incremental depreciation transferred from surplus on revaluation of fixed assets-net of deffered tax	-	47,336,362	47,336,362
<b>Balance as at September 30, 2016</b>	<u>104,250,000</u>	<u>(129,979,060)</u>	<u>(25,729,060)</u>
<b>Balance as at October 1, 2016</b>	104,250,000	(129,979,060)	(25,729,060)
Total comprehensive loss for the quarter	-	(1,875,364)	(1,875,364)
<b>Balance as at December 31, 2016</b>	<u>104,250,000</u>	<u>(131,854,424)</u>	<u>(27,604,424)</u>

The annexed notes from 1 to 14 form an integral part of the condensed interim financial information.

**DR. TARA CHAND**  
Chief Executive

**MAHESH KUMAR**  
Director



**NOTES TO THE CONDENSED INTERIM  
FINANCIAL STATEMENT (UNAUDITED)  
FOR THE 1ST QUARTER ENDED DECEMBER 31, 2016**

**1. STATUS AND NATURE OF BUSINESS**

The company was incorporated in Pakistan on January 28, 1984 as a public limited company and its shares are quoted on Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited). The mill is located at Deh Deenpur, District Tando Mohammed Khan in the province of Sindh and its registered office is situated at 209, Progressive Plaza, Beaumont Road, Karachi in the province of Sindh. The company is principally engaged in the manufacturing and sale of sugar.

**2 BASIS OF PREPARATION**

The condensed interim financial information are un-audited and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and the Listing Regulation of the Pakistan Stock Exchange Limited. The condensed interim financial information have been prepared in accordance with the requirements of the International Accounting Standard - 34 "Interim Financial Reporting" as applicable in Pakistan. The condensed interim financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended September 30, 2016.

**3 SIGNIFICANT ACCOUNTING POLICIES**

These interim financial information have been prepared using the same accounting convention, basis of preparation and significant accounting policies as those applied in the preparation of the audited financial statements for the year ended September 30, 2016.

**4 ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the condensed interim financial information in conformity with approved accounting standards require management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

In preparing the condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the preceding published annual financial information of the Company as at and for the year ended September 30, 2016.

**5 SEASONALITY OF OPERATIONS**

Due to the seasonal availability of sugarcane, the manufacturing of sugar is carried out during the period of availability of sugarcane and costs incurred / accrued upto the reporting date have been accounted for. Accordingly, the costs incurred / accrued after the reporting date will be reported in the annual financial statements.



	<b>Unaudited December 2016 Rupees</b>	<b>Audited September 2016 Rupees</b>
<b>6 LONG TERM FINANCES - SECURED</b>		
Opening balance	629,000,000	459,000,000
Obtained during the period	-	288,000,000
	<u>629,000,000</u>	<u>747,000,000</u>
Less: Repaid during the period	(56,000,000)	(118,000,000)
Current portion	(172,000,000)	(178,000,000)
	<u>(228,000,000)</u>	<u>(296,000,000)</u>
Closing balance	<u>401,000,000</u>	<u>451,000,000</u>

## 7 CONTINGENCIES & COMMITMENTS

### 7.1 Contingencies

There is no change in the status of contingencies as disclosed in the published annual financial statements for the year ended September 30, 2016.

### 7.2 Commitments

In respect of the quantity of 131 M.T (September 30, 2016 : 398 M.T) representing sale commitments of sugar having aggregate value of Rs. 7.841 million (September 30, 2016 : Rs. 24.267 million).

	<b>Unaudited December 2016 Rupees</b>	<b>Audited September 2016 Rupees</b>
<b>8 PROPERTY, PLANT AND EQUIPMENT</b>		
Operating fixed assets	1,944,612,654	1,989,439,216
Capital work in progress	23,648,092	22,819,989
	<u>1,968,260,746</u>	<u>2,012,259,205</u>

	<b>Unaudited December 2016 Rupees Acquisitions</b>	<b>Audited September 2016 Rupees Acquisitions</b>
<b>8.1 Operating fixed assets</b>		
Factory building on free hold land	-	126,000
Non factory building on free hold land	-	14,900
Plant & machinery	483,360	9,979,141
	(5,116,058)	-
Office equipment	70,588	186,426
	(120,000)	-
Furniture & fixture	26,401	56,852
Computers	17,530	314,710
Vehicles	3,315,203	10,690,080
	(1,039,000)	-
Tents and tarpouline	-	104,765
Tools & tackles	65,223	707,463
	<u>(2,296,753)</u>	<u>22,180,337</u>



	<b>Unaudited December 2016 Rupees</b>	<b>Unaudited December 2015 Rupees</b>
<b>9 SALES</b>		
Local	137,187,375	738,335,090
Export	-	-
Less: Sales Tax	(11,804,400)	(68,364,361)
	<u>125,382,975</u>	<u>669,970,729</u>
<b>10 COST OF GOODS SOLD</b>		
Sugarcane consumed	562,972,329	754,847,774
Manufacturing expenses	94,396,695	88,194,272
	<u>657,369,024</u>	<u>843,042,046</u>
Stock in process - opening	7,915,258	6,888,540
Stock in process - closing	(53,104,927)	(110,057,129)
	<u>(45,189,669)</u>	<u>(103,168,589)</u>
	612,179,355	739,873,457
Stock of by-product - opening	-	-
Sale of by-product	-	-
Stock of by-product - closing	(42,860,000)	(59,826,000)
	<u>(42,860,000)</u>	<u>(59,826,000)</u>
Cost of goods manufactured	569,319,355	680,047,457
Stock of finished goods - opening	25,048,015	459,882,644
Stock of finished goods - closing	(464,750,494)	(483,511,014)
	<u>(439,702,479)</u>	<u>(23,628,370)</u>
	<u>129,616,876</u>	<u>656,419,087</u>
<b>10.1 Manufacturing Expenses</b>		
Salaries, wages and other benefits	26,541,597	25,100,369
Production stores consumed	7,440,629	11,892,069
Fuel and power	1,230,188	1,719,941
Repairs and maintenance	11,897,653	16,130,856
Vehicle running and maintenance	455,859	507,406
Insurance	2,061,809	1,742,314
Depreciation	42,993,007	29,619,953
Others	1,775,953	1,481,364
	<u>94,396,695</u>	<u>88,194,272</u>



## 11 CASH AND CASH EQUIVALENTS

For the purpose of cash flow statement, cash and cash equivalents include cash in hand and in banks and investments having maturity of less than 3 months and insignificant risk of changes in value till maturity, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the condensed interim cash flow statement are reconciled to the related items as follows:

	<b>Unaudited December 2016 Rupees</b>	<b>Audited September 2016 Rupees</b>
Cash and bank balances	253,426,926	83,194,818
Short term running finance	(689,760,665)	-
	<u>(436,333,739)</u>	<u>83,194,818</u>

## 12 RELATED PARTY TRANSACTIONS

Related parties constitute transactions with Directors, key management personnel and retirement benefit plan. Material transactions with related parties are given below:

	<b>Unaudited December 2016 Rupees</b>	<b>Audited September 2016 Rupees</b>
Directors	2,215,997	9,768,231
Key Management personnel	3,430,475	13,605,418
Provident fund contribution	956,258	3,300,809
Loans from Directors	183,000,000	183,000,000
Loans from Related Parties	77,000,000	77,000,000
	<u>260,000,000</u>	<u>260,000,000</u>

## 13 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue by the Board of Directors of the company at their meeting held on January 20, 2017.

## 14 GENERAL

14.1 Figure have been rounded off to the nearest Rupee.

**DR. TARA CHAND**  
Chief Executive

**MAHESH KUMAR**  
Director

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209, 2nd Floor, Progressive Plaza, Beaumont Road, Karachi-Pakistan.  
Tel : 35638212-13 Fax : (92-21) 35638219 E-mail : [sasm@unitedgroup.org.pk](mailto:sasm@unitedgroup.org.pk)

Mill: Deh: Deenpur, Taluka: Bulri Shah Karim, Distt. Tando Muhammad Khan, Sindh-73024.  
Tel : 03152001617 E-mail : [sasmtmk@unitedgroup.org.pk](mailto:sasmtmk@unitedgroup.org.pk)

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