



SHAHTAJ

SUGAR MILLS LIMITED

Condensed Interim
Financial Statements
(Un-audited)

For the nine month
period ended
30 June

2019

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(Un-audited)

Company Information

Board of Directors

Mr. Mahmood Nawaz	Chairman
Mr. Muneer Nawaz	Chief Executive
Mr. Cyrus R. Cowasjee	
Mr. M. Naeem	
Mr. Ijaz Ahmad	
Mrs. Samia Shahnawaz Idris	
Mr. Rashed Amjad Khalid	
Mr. Toqueer Nawaz	
Mr. Aamir Amin	(NIT)
Mr. Mushtaq Ahmad	(SLICP)

Company Secretary

Mr. Jamil Ahmad Butt, FCMA

Chief Financial Officer

Mr. Waqar Ahmad, FCA

Audit Committee

Mr. Mushtaq Ahmad
Mr. M. Naeem
Mr. Rashed Amjad Khalid
Mr. Toqueer Nawaz

Human Resource & Remuneration Committee

Mr. Aamir Amin
Mr. Muneer Nawaz
Mr. M. Naeem
Mr. Rashed Amjad Khalid

Head Office

72/C-1, M. M. Alam Road,
Gulberg III, Lahore - 54660.
Phone : (042) 3571 0482 - 84
Fax : (042) 3571 1904
Website : www.shahtajsugar.com
E-mail : mail@shahtajsugar.com

Registered Office

19, Dockyard Road,
West Wharf, Karachi - 74000
Phone : (021) 3231 3934 - 38
Fax : (021) 3231 0623
E-mail : jamilbutt@shahtaj.com

Production Facility

Mandi Bahauddin - 50400.
Phone : (0546) 501 147 - 49
(0546) 508 047 - 48
Fax : (0546) 501 768
E-mail : mills@shahtajsugar.com

Auditors

EY Ford Rhodes,
Chartered Accountants,
96-B-1, 4th Floor, PACE Mall Building,
M. M. Alam Road, Gulberg-II,
Lahore - 54660.

Legal Advisor

Mr. Ras Tariq Chowdhary,
52 - Ravi Block, Fort Green,
Canal Bank, Lahore.

Share Registrar

JWAFFS Registrar Services (Private) Limited
Suite No. 407 - 408,
4th Floor, Al-Ameera Centre,
Shahrah-e-Iraq, Saddar, Karachi.

Bankers

United Bank Limited
Habib Bank Limited
MCB Bank Limited
Bank Alfalah Limited
Bank AL-Habib Limited
JS Bank Limited
Allied Bank Limited
National Bank of Pakistan
Soneri Bank Limited

Directors' Report to the Members

Your Directors have pleasure in presenting the un-audited condensed interim financial statements for the nine month period ended 30 June 2019.

The operational performance of the present crushing season as compared with that of last year is produced below:

Production Data

		Season	
		2019	2018
Start of Season		12.12.2018	30.11.2017
End of Season		18.03.2019	19.03.2018
Duration	Days	97	110
Sugarcane Crushed	(M. Tons)	750,785	940,405
Production:			
Sugar	(M. Tons)	74,585	90,756
Molasses	(M. Tons)	31,486	42,987
Recovery:			
Sugar	%	9.94	9.65
Molasses	%	4.19	4.57

As per data produced above there is a decrease in production of sugar due to late start of season. Sugar recovery was better than the corresponding period. However, molasses recovery was less than last year. There is no change in the support price of sugarcane for this season and it remained at Rs. 180/- per 40 Kg.

Sugar prices during the nine month period increased almost upto 15% than the corresponding period of last year due to less crop of sugarcane and ultimately lesser production of sugar for the season. Further molasses prices during the period under review were also better as compared to corresponding period due to low production and non-availability of molasses stocks in the market.

For the third quarter, your Company recorded a turnover of Rs. 1.384 billion as against Rs. 1.539 billion in the corresponding period of 2018. The cost of sales was Rs. 1.210 billion as against Rs. 1.524 billion in the previous period. Thus, the Company has a gross profit of Rs. 174.609 million for the third quarter ended 30 June 2019 as against a gross profit of Rs. 14.965 million for the corresponding period. The net profit has been recorded at Rs. 59.881 million against the loss of Rs. 67.492 million for the corresponding period. This profit is due to sugar price gained better pace and likely to continue further in the year ahead. The finance cost for the period was Rs. 41.917 million as against Rs. 20.132 million for the corresponding period. The earnings per share for the period was Rs. 4.99 as against loss per share of Rs. 5.62 for the corresponding period.

For the nine month period, your Company recorded a turnover of Rs. 3.733 billion as against Rs. 4.272 billion in the corresponding period of 2018. The cost of sales was Rs. 3.430 billion as against Rs. 4.347 billion in the previous period. Thus, the Company has a gross profit of Rs. 302.340 million for the nine month period ended 30 June 2019 as against a gross loss of Rs. 75.680 million for the corresponding period. The net profit has been recorded at Rs. 3.776 million against the loss of Rs. 265.845 million for the corresponding period. The financial results for the period under review have improved in comparison with the results for the corresponding period due to significant increase in the price of sugar and molasses. The finance cost for the period was Rs. 90.998 million as against Rs. 38.476 million for the corresponding period as informed earlier due to higher utilization of banking limits against pledge of sugar and upward adjustment in interest rates due to change of discount rates and rise in KIBOR. The earnings per share for the period was Rs. 0.31 as against loss per share of Rs. 22.13 for the corresponding period.

Directors' Report to the Members

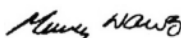
Sowing of sugarcane crop for the next crushing season is reported to be less than last year due to traditional cyclical trend of crops and market conditions. However, our field staff is doing its best to persuade the sugarcane growers to use better quality seed. Let us pray for good monsoon rains in the summer season, so that higher quantity is available for crushing.

As informed earlier, we are in the process of setting up a Bagasse based Power Project of installed gross capacity of 32 MW with 15 MW spillover to the National Grid. Two steam turbines of the generation capacity of 16MW each have been installed successfully. Work on the construction of Switch Yard of 132 KV is in progress. Further, your Company has been granted Generation License and Upfront Tariff for 30 years by National Electric Power Regulatory Authority (NEPRA). We had negotiated and finalized the Energy Purchase Agreement (EPA) with the Central Power Purchasing Agency (Gaurantee) Limited (CPPA) which was subsequently approved by the Board of Directors of CPPA. The CPPA has not signed off the negotiated EPA till date. Consequently, the Company along with five (5) other Bagasse Based Cogeneration power projects have filed writ petitions in the Honorable Islamabad High Court against the Federation of Pakistan, CPPA, NEPRA and others against the impugned decisions of Cabinet Committee on Energy (CCoE). We are hopeful about a favorable outcome of the writ petition which will have a positive impact on the Company.

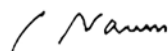
Our Company's respectable Independent Director Mr. Attaullah A. Rasheed has resigned with effect from 28 May 2019, in his place the Board co-opted Mr. Mushtaq Ahmad, also a nominee of State Life Insurance Corporation of Pakistan, as Independent Director with effect from 29 May 2019.

Your Directors place on record their appreciations of the diligence and devotion of duty of the Officers, Members of Staff and Workers of all categories.

For and on behalf of the Board of Director



MUNEER NAWAZ
Chief Executive



M. NAEEM
Director

Karachi: 24 July 2019.

ڈائریکٹرز رپورٹ برائے ممبران

۲۷-۲۸ ملین روپے تھی۔ اس نو ماہی عرصہ کے دوران فی شخص منافع ۳۱-۰ روپے رہا جبکہ گزشتہ سال کے اسی عرصہ کے دوران خالص نقصان ۱۳-۲۲ روپے فی شخص تھا۔

رپورٹس کے مطابق آئندہ سال گننے کی ہوائی فصلوں کے گردشی ادوار کی روایت اور کاروباری حالات کی بنا پر گزشتہ سال کے مقابل کم ہوگی۔ تاہم ہمارا فیملڈ سٹاف کا شیکاروں کو اس بات کی طرف مائل کرنے کی بھرپور کوشش کرتا رہا ہے کہ وہ ہوائی کے لیے بہتر بیج استعمال کریں۔ اب ہم دھاگو چیں کو موسم گرما کے دوران مون سون بارشیں ہوں، تاکہ کرکٹ کے لیے دستیاب فصل معیاری اور زائد مقدار میں ہو۔

جیسا کہ پہلے ہی آپ سے علم میں لایا جا چکا ہے کہ ادارے کا بگاس (گنے کی کھوٹی) سے چلنے والا بجلی کا پلانٹ جو کہ ۳۲ میگا واٹ کی صلاحیت پر مشتمل ہے تنصیب کے مرحلہ میں ہے۔ جس میں سے ۱۵ میگا واٹ بجلی نیشنل گرڈ کو قابل ترسیل ہوگی۔ ۱۶ میگا واٹ صلاحیت کی دو عدد ڈزلی جنین کی تنصیب کا کام مکمل ہو چکا ہے جبکہ ۱۳ کے وی اے صلاحیت کے گرڈ اسٹیشن کی تنصیب کا کام جاری ہے مزیڈ نیشنل پاور اینڈ ریگولیشن اتھارٹی نے آپ کے ادارے کو بجلی کی پیداوار کا اجازت نامہ (جنریشن لائسنس) اور بجلی نرخ نامہ کا معاہدہ میں سال کے لیے جاری کر دیا ہے جبکہ آج تک ہم سینٹرل پاور پراجیکشن (CPPA) کے ساتھ بجلی خریداری کا معاہدہ باہمی رضامندی کے ساتھ طے کر چکے ہیں CPPA کے بورڈ آف ڈائریکٹرز نے بعد ازاں منظوری و تحفظ کے لیے مجھوادیا تھا۔ لیکن CPPA نے حال اس پر سختی نہیں کیے۔ لہذا ادارے سے سیت دیگر ۵ بگاس سے چلنے والے زیر تعمیر منصوبوں کے اداروں نے معزز اسلام آباد بجلی کورٹ میں فیڈریشن آف پاکستان CPPA اور نیچر اکیڈمی کے خلاف CCoE کے منہم فیصلوں کے خلاف رٹ پٹیشن دائر کر دی ہے۔ ہمیں امید ہے کہ اس رٹ پٹیشن پر ہمارے حق میں فیصلہ آئے گا اور ادارے پر اس کے مثبت اثرات ہوں گے۔

ہماری کھیتی کے معزز آزاد ڈائریکٹرز محترم جناب عطا اللہ اے رشید صاحب مورخہ ۲۸ مئی ۲۰۱۹ کو مستعفی ہو گئے ہیں۔ ان کی جگہ پر بورڈ نے مورخہ ۲۹ مئی ۲۰۱۹ سے محترم جناب مشتاق احمد صاحب جو کہ اسٹیٹ لائف انشورنس کارپوریشن آف پاکستان کے بھی نامزد کردہ ہیں کو بطور آزاد ڈائریکٹر مقرر کیا ہے۔

آپ کے ڈائریکٹرز اس موقع پر ادارے کے آفیسرز، اسٹاف ممبران اور تمام کارکنان کی جان فٹانی اور کام سے لگاؤ کے معترف ہیں۔

برائے اور از طرف بورڈ آف ڈائریکٹرز

(Name) _____

ایم فیم

ڈائریکٹر

منیو نواز

چیف ایگزیکٹو آفیسر

کراچی

۲۳ جولائی ۲۰۱۹

ڈائریکٹرز رپورٹ برائے ممبران

ادارے کے ڈائریکٹرز کی طرف سے غیر محاسب شدہ مختصر عبوری مالیاتی نتائج برائے اختتام شدہ دورانیہ نو مہینے ۲۰۱۹ پیش خدمت ہیں۔ اس دورانیہ میں گزشتہ سال کے اسی عرصہ کے مقابل ہماری پیداواری کارکردگی درج ذیل رہی۔

پیداواری اعداد و شمار		۲۰۱۸	۲۰۱۹
آغاز سیزن	۱۲ دسمبر ۲۰۱۸	۳۰ نومبر ۲۰۱۷	
اختتام سیزن	۱۸ مارچ ۲۰۱۹	۱۹ مارچ ۲۰۱۸	
دورانیہ	۹۷ دن	۱۱۱ دن	
گنے کی پٹائی	۵۰،۷۵۰ میٹرک ٹن	۹۳،۰۳۰ میٹرک ٹن	
پیداوار			
چینی	۴،۵۸۵ میٹرک ٹن	۹۰،۷۵۶ میٹرک ٹن	
راب	۳۱،۰۲۶ میٹرک ٹن	۲۲،۹۸۷ میٹرک ٹن	
پیداواری تناسب			
چینی	۹۳ فیصد	۶۵ فیصد	
راب	۱۹ فیصد	۵۷ فیصد	

اوپر درج شدہ اعداد و شمار کے مطابق چینی کی پیداوار میں سیزن دیر سے شروع ہونے اور گنے کی کم تر دستیابی کی وجہ سے کمی واقع ہوئی۔ چینی کا پیداواری تناسب گزشتہ دورانیہ سے بہتر ہے تاہم راب کا پیداواری تناسب گزشتہ سال کے مقابل کم رہا۔ گنے کی امدادی قیمت میں کمی تبدیلی نہیں ہوئی جو کہ ۱۸ روپے فی سن رہی۔

چینی کی قیمت فروخت میں اس نو مہینے کے دوران گزشتہ سال کے اسی عرصہ کے مقابل تقریباً ۱۵ فیصد تک اضافہ ریکارڈ کیا گیا جو کہ گزشتہ سیزن میں گنے کی کم تر پیداوار اور بالآخر چینی کی کم پیداواری کی وجہ سے ہے۔ علاوہ ازیں عرصہ زیر نظر راب کی قیمت بھی گزشتہ سال کے اسی عرصہ کے مقابل کم پیداوار اور بازار میں راب کی کم دستیابی کے باعث بہتر رہی۔

سال کی تیسری سہ ماہی کے دوران آپ کے ادارے کی فروخت سال ۲۰۱۸ کے مقابلی عرصہ کی فروخت ۱۵۳۹۔ ارب روپے کے مقابل ۳۸۳۱۔ ارب روپے رہی۔ جبکہ پیداواری لاگت گزشتہ عرصہ کی پیداواری لاگت ۱۵۲۳۔ ارب کے مقابل ۲۱۰۔ ارب روپے رہی، اس طرح چینی کی تیسری اختتام شدہ سہ ماہی ۲۰۱۹ جون ۳۰ کے دوران کل منافع ۱۷۳۰۹۔ ملین روپے رہا جبکہ گزشتہ سال کے اسی عرصہ کے دوران کل منافع ۹۹۵۹۔ ملین روپے تھا۔ جبکہ گزشتہ سال کے اسی عرصہ کے دوران خالص نقصان ۳۹۲۔ ملین روپے کے مقابل دوران سال عرصہ زیر نظر خالص منافع ۸۸۱۔۵۹ ملین روپے ریکارڈ کیا گیا۔ یہ منافع چینی کی قیمت فروخت میں تیزی کی وجہ سے ہے اور امید ہے کہ یہ رجحان سال کے اگلے حصہ میں برقرار رہے گا۔ دوران سہ ماہی مالیاتی لاگت ۹۱۷۔۳۱ ملین روپے تھی جبکہ گزشتہ سال کے اسی عرصہ میں مالیاتی لاگت ۱۳۲۔۲۰ ملین روپے تھی۔ دوران عرصہ فی حصص منافع ۹۹۔۳۹ روپے رہا جبکہ گزشتہ سال کے اسی عرصہ کے دوران خالص نقصان ۲۲۔۵ روپے فی حصص تھا۔

دوران نو مہینے آپ کے ادارے کی فروخت ۷۳۳۔ ارب روپے رہی جو کہ ۲۰۱۸ کے اسی عرصہ میں فروخت ۲۷۲۲۔ ارب روپے تھی۔ پیداواری لاگت ۳۳۳۰۔ ارب روپے رہی جبکہ گزشتہ سال کے اسی عرصہ میں یہ رقم ۳۳۳۷۔ ارب روپے تھی۔ اس طرح دوران اختتام شدہ نو مہینے ۲۰۱۹ جون ۳۰ میں ادارے کو ۳۳۰۲۔۳۳۰ ملین روپے کا کل منافع ہوا جبکہ گزشتہ سال کے اسی دورانیہ میں کل نقصان ۷۸۰۔۷۵ ملین روپے تھا۔ تاہم دوران عرصہ گزشتہ سال کے خالص نقصان ۸۳۵۔۲۶۵ ملین روپے کے مقابل خالص منافع ۷۷۶۔۳۷ ملین روپے رہا۔ تاہم جواز عرصہ کے دوران کمپنی کے مالیاتی نتائج چینی اور راب کی قیمتوں میں خاطر خواہ اضافہ کی وجہ سے گزشتہ سال کی نسبت بہتر رہے۔ دوران عرصہ زائد مدت بینک قرض کے حصول کے لیے چینی کے ذخائر بینک کے ساتھ زر خانہ رکھنا پڑے اور شرح سود میں اضافہ کی بنا پر مالیاتی اخراجات ۹۹۸۔۹۰ ملین روپے رہے جبکہ اس کے مقابل گزشتہ سال کے اسی عرصہ کے دوران یہ رقم

Condensed Interim Statement of Financial Position

As at 30 June 2019

		(Un-audited) 30 June 2019	(Audited) 30 September 2018
	Note	(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	7	3,561,719	1,934,858
Investment in associate		124,968	116,039
Long term loans and advances		2,040	3,328
Long term deposits		1,103	1,103
Deferred Tax	8	7,999	-
		3,697,829	2,055,328
CURRENT ASSETS			
Stores, spares and loose tools		136,854	119,093
Stock in trade	9	964,077	383,474
Trade debts		1,758	55,926
Loans and advances		21,900	37,597
Trade deposits and short term prepayments		5,653	2,355
Other receivables		12,000	8,400
Income tax recoverable		440,990	370,995
Cash and bank balances		97,661	56,274
		1,680,893	1,034,114
TOTAL ASSETS		5,378,722	3,089,442
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital		120,111	120,111
Capital reserve			
Share premium		27,534	27,534
Revaluation surplus on property, plant and equipment		1,506,111	-
		1,533,645	27,534
Revenue reserve - general reserve and unappropriated profits		654,548	650,262
TOTAL EQUITY		2,308,304	797,907
NON CURRENT LIABILITIES			
Long term borrowings	10	992,054	1,133,248
Retirement benefits obligation		32,483	31,755
Deferred taxation	8	-	9,748
		1,024,537	1,174,751
CURRENT LIABILITIES			
Trade and other payables		307,147	116,554
Contract Liabilities		6,293	206,055
Unclaimed dividend		1,992	2,048
Short term borrowings	11	1,119,779	550,003
Loan from associate		145,000	45,000
Accrued interest on borrowings		102,107	32,689
Current maturity of long-term borrowings		244,888	103,694
Provision for taxation		118,675	60,741
		2,045,881	1,116,784
TOTAL LIABILITIES		3,070,418	2,291,535
Contingencies and commitments	12		
TOTAL EQUITY AND LIABILITIES		5,378,722	3,089,442

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.



Chief Executive



Chief Financial Officer



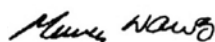
Director

Condensed Interim Statement of Profit or Loss (Un-audited)

For the nine month period ended 30 June 2019

		Nine Month Period Ended		Three Month Period Ended	
		30 June		30 June	
	Note	2019	2018	2019	2018
(Rupees in thousand)					
Revenue from contracts with customers - net	13	3,732,749	4,271,538	1,384,475	1,538,641
Cost of sales	14	(3,430,409)	(4,347,218)	(1,209,866)	(1,523,676)
Gross profit / (loss)		302,340	(75,680)	174,609	14,965
Distribution cost		(9,279)	(10,105)	(2,101)	(2,312)
Administrative expenses		(175,974)	(180,434)	(43,788)	(40,975)
Other operating expenses		(4,454)	(2,747)	(2,459)	(915)
Other income		10,747	17,241	3,513	1,163
		(178,960)	(176,045)	(44,835)	(43,039)
Operating profit / (loss)		123,380	(251,725)	129,774	(28,074)
Finance cost		(90,998)	(38,476)	(41,917)	(20,132)
Share of profit of associate - net of tax		11,582	4,702	-	-
Profit / (loss) before taxation		43,964	(285,499)	87,857	(48,206)
Taxation	15	(40,188)	19,654	(27,976)	(19,286)
Profit / (loss) for the period		3,776	(265,845)	59,881	(67,492)
Earnings / (loss) per share - basic and diluted (Rupees per share)		0.31	(22.13)	4.99	(5.62)

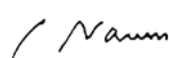
The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.



Chief Executive



Chief Financial Officer



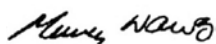
Director

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the nine month period ended 30 June 2019

	Nine Month Period Ended 30 June		Three Month Period Ended 30 June	
	2019	2018	2019	2018
	(Rupees in thousand)			
Profit / (loss) for the period	3,776	(265,845)	59,881	(67,492)
Other comprehensive income for the period				
Other comprehensive income not to be re-classified to profit or loss in subsequent periods (net of deferred tax)				
Share of associate's other comprehensive income	510	9,005	-	-
Revaluation surplus on property, plant and equipment	1,506,111	-	1,506,111	-
Total comprehensive income / (loss) for the period	1,510,397	(256,840)	1,565,992	(67,492)

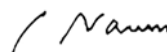
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Chief Executive



Chief Financial Officer



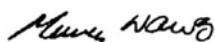
Director

Condensed Interim Statement of Changes in Equity (Un-audited)

For the nine month period ended 30 June 2019

	Capital reserve			Revenue reserve		
	Share capital	Share premium	Revaluation surplus on property, plant and equipment	General reserve	Un-appropriated profits / (losses)	Total
	(Rupees in thousand)					
Balance as at 01 October 2017	120,111	27,534	-	956,000	160,528	1,264,173
Transfer to general reserve	-	-	-	60,000	(60,000)	-
Final Dividend @ Rs. 5/- per share for the year ended 30 September 2017	-	-	-	-	(60,056)	(60,056)
Loss for the period	-	-	-	-	(265,845)	(265,845)
Other comprehensive income	-	-	-	-	9,005	9,005
Total comprehensive loss for the period	-	-	-	-	(256,840)	(256,840)
Balance as at 30 June 2018	120,111	27,534	-	1,016,000	(216,368)	947,277
Balance as at 01 October 2018	120,111	27,534	-	1,016,000	(365,738)	797,907
Profit for the period	-	-	-	-	3,776	3,776
Other comprehensive income	-	-	1,506,111	-	510	1,506,621
Total comprehensive income for the period	-	-	1,506,111	-	4,286	1,510,397
Balance as at 30 June 2019	120,111	27,534	1,506,111	1,016,000	(361,452)	2,308,304

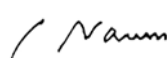
The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.



Chief Executive



Chief Financial Officer




Director

Condensed Interim Statement of Cash Flows (Un-audited)

For the nine month period ended 30 June 2019

	30 June	
	2019	2018
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	43,964	(285,499)
Non-cash adjustments to reconcile profit / (loss) before tax to net cash flows:		
Depreciation on property, plant and equipment	40,832	46,033
Interest / mark-up	89,266	36,683
Profit on bank deposits	(421)	(860)
Share of profit of associate	(11,582)	(4,702)
Gain on disposal of property, plant and equipment	(1,276)	(494)
Provision for gratuity and retirement benefits	2,858	2,747
Loss on initial recognition of financial assets at fair value	(77)	(344)
	119,600	79,063
Operating profit / (loss) before working capital changes	163,564	(206,436)
Working capital adjustments:		
(Increase) / decrease in current asset:		
Stores, spares and loose tools	(17,761)	(30,754)
Stock in trade	(580,603)	(153,706)
Trade debts	54,168	(12,874)
Loans and advances	15,697	7,485
Trade deposits and short term prepayments	(3,298)	(2,204)
Other receivables	(3,600)	67
	(535,397)	(191,986)
Increase / (decrease) in current liabilities		
Trade and other payables	191,298	332,048
Contract liabilities	(199,762)	-
Cash used in operations	(380,297)	(66,374)
Income tax paid	(69,995)	(138,445)
Interest / mark-up paid	(19,848)	(7,062)
Profit on bank deposits received	421	860
Leave encashment paid	(707)	-
Retirement benefits paid	(2,130)	(872)
Net Cash used in operating activities	(472,556)	(211,893)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of operating fixed assets	(1,837)	(993)
Addition in capital work in progress	(161,115)	(349,373)
Sale proceeds from disposal of operating fixed assets	2,647	2,151
Decrease in loans and advances	1,365	1,678
Dividend received from associate	3,163	5,750
Net cash used in investing activities	(155,777)	(340,787)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(56)	(59,410)
Short-term borrowings	569,776	356,689
Loan from associate	100,000	-
Long-term borrowings	-	240,200
Net cash generated from financing activities	669,720	537,479
Net decrease in cash and cash equivalents	41,387	(15,201)
Cash and cash equivalents at the beginning of the period	56,274	50,240
Cash and cash equivalents at the end of the period	97,661	35,039


The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.



Chief Executive



Chief Financial Officer



Director

Notes to the Condensed Interim Financial Statements (Un-audited)

For the nine month period ended 30 June 2019

1. The Company and its Operations

Shahtaj Sugar Mills Limited (the Company) was incorporated in Pakistan on 27 March 1965 as a Public Limited Company under the Companies Act 1913. Its registered office is situated at 19, Dockyard Road, West Wharf, Karachi. The Company is listed on Pakistan Stock Exchange and is engaged in the manufacture and sale of sugar whereas molasses and bagasse are its significant by-products. The business units of the Company along with their locations are as follows:

Business Unit	Address
Registered Office	19, Dockyard Road, West Wharf, Karachi
Head Office	72-C/1, M. M. Alam Road, Gulberg-III, Lahore.
Production Plant	Kuthiala Saidan, Mandi Bahauddin

The Company is in the process to setup a bagasse based co-generation power project with an installed capacity of 32 MW. The project is being financed through a combination of debt and equity. The Company has received power generation license and upfront tariff for thirty years from the National Electric Power Regulatory Authority (NEPRA). The Company had negotiated and finalized the Energy Purchase Agreement (EPA) with Central Power Purchasing Agency (Guarantee) Limited (CPPA) which was subsequently approved by the Board of Directors of CPPA. The CPPA has not signed off the negotiated EPA till to date. Consequently, the Company alongwith five (5) other bagasse based co-generation power projects have filed writ petition in the Honorable Islamabad High Court against Federation of Pakistan, CPPA, NEPRA and others against the decisions of Cabinet Committee on Energy (CCoE). The Company is hopeful of a favorable outcome of the writ petition.

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. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3. Basis of Presentation and Measurement

3.1 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 audited financial statements of the Company for the year ended 30 September 2018.

3.2 The Company elected to change the method of accounting for free hold land classified as property, plant and equipment. The Company had previously measured all property, plant and equipment using the cost model whereby, after initial recognition of the asset classified as property, plant and equipment, the asset was carried at cost less accumulated depreciation and accumulated impairment loss.

On 30 June 2019, the Company elected to change the method of accounting for free hold land classified as property, plant and equipment, as the Company believes that the revaluation model provides more relevant information to the users of its financial statements. In addition, available valuation techniques provide reliable estimates of the free hold land's fair value. The Company applied the revaluation model prospectively.

After initial recognition, free hold land is measured at fair value at the date of the revaluation.

Notes to the Condensed Interim Financial Statements (Un-audited)

For the nine month period ended 30 June 2019

(Un-audited)
30 June 2019
(Rupees in thousand)
2,364

Free hold land

There has been no impact on the statement of profit or loss as a result of change in accounting policy as mentioned above.

- 3.3** These condensed interim financial statements are presented in Pak Rupee, which is the Company's functional currency. Figures have been rounded off to nearest thousand Rupees, unless otherwise stated.

4. Summary of 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 30 September 2018, except as follows:

4.1 New Standards, Interpretations and Amendments

The Company has adopted the following standards and amendments to IFRSs which became effective for the current period:

- IFRS 15 - Revenue from Contracts with Customers
- IFRS 2 - Classification and Measurement of Share-based Payment Transactions (Amendment)
- IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendment)
- IAS 40 - Transfers of Investment Property (Amendment)
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any material effect on these condensed interim financial statements apart from change in policy and resultant retrospective adjustment, using modified retrospective approach, relating to revenue recognition (Note 4.2). Such change does not financially impact these condensed interim financial statements. There are also certain changes in terminology in line with requirements of the new standards.

In addition to the above standards and interpretations, improvements to various accounting standards have also been issued by the IASB and are generally effective for current period. The Company expects that such improvements to the standards do not have any material impact on the Company's condensed interim financial statements for the period.

4.2 Revenue from Contracts with Customers

Revenue from sale of goods is recognized at point when performance obligations are satisfied coinciding with transfer of control of the asset to the customer, usually at the time of issuance of delivery challan (i.e. on dispatch of goods to the customers). Under its previous accounting policy, the Company also recognized revenue upon dispatch of goods to customer and recognized any contract cost in the statement of profit or loss, as and when incurred. Similarly, the contract assets and liabilities were also recognized and measured, in accordance with the policy explained above. These contract asset and liabilities are now presented as separate line items.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of transaction price needs to be allocated such as sale incentives, promotions and rebates. In considering the transaction price for the sale of sugar, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to customer (if any).

Notes to the Condensed Interim Financial Statements (Un-audited)

For the nine month period ended 30 June 2019

4.2.1 Contract balances

(i) Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

(ii) Contract assets

Contract assets are recognized by the Company on right to consideration in exchange for goods or services transferred to customers when the right to bill has not been established. Contract assets are reviewed by the Company for impairment. The Company recognizes impairment loss in statement of comprehensive income to the extent that carrying amount of an asset exceeds:

- The remaining amount of consideration that the Company expects to receive in exchange for goods or services to which the asset relates; less
- The cost that relate directly to providing those goods or services and that have not been recognized as expenses.

(iii) Contract liabilities

A contract liability is the obligation to transfer goods to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue as the Company discharges performance obligations under the contract.

4.2.2 Cost to obtain a contract

The Company pays legal documentation cost for each contract that they obtain for sale of goods. The Company has elected to apply the optional practical expedient for cost to obtain a contract which allows the Company to immediately expense these cost because the amortization period of the asset that the Company otherwise would have used is one year or less.

5. Seasonality of Operations

The Company is inter-alia, engaged in manufacturing of sugar for which the season begins in November / December and ends in March / April. Therefore, majority of expenses are incurred and production activities are undertaken in first half of the Company's financial year resulting in increased volume of inventories, receivables, payables and financing at the end of the first half.

6. Taxation, Retirement Benefit Obligations, WWF and WPPF

Provisions in respect of Taxation, Retirement Benefit Obligations, Workers' Welfare Fund (WWF) and Workers' Profit Participation Fund (WPPF) are estimated and these are subject to final adjustments in the annual audited financial statements.

7. Property, Plant and Equipment

		(Un-audited) 30 June 2019	(Audited) 30 September 2018
Note		(Rupees in thousand)	
Operating fixed assets	7.1	1,990,471	524,726
Capital work in progress	7.2	1,571,248	1,410,132
		3,561,719	1,934,858

Notes to the Condensed Interim Financial Statements (Un-audited)

For the nine month period ended 30 June 2019

- 7.1 Surplus on revaluation, additions and deletions made to operating fixed assets during the nine month period ended 30 June 2019 are as under:

Operating Fixed Assets	Surplus on revaluation	Additions	Deletions
(Rupees in thousand)			
Free hold land	1,506,111	-	-
Plant and Machinery	-	-	720
Motor vehicles	-	-	3,273
Furniture and Fixtures	-	-	57
Office equipment	-	220	402
	1,506,111	220	4,452

- 7.2 Additions and transfers made to capital work in progress during the nine month period ended 30 June 2019 are as under:

Capital Work in Progress	Additions	Transfers
(Rupees in thousand)		
Civil works and buildings	10,711	-
Plant and machinery	64,140	-
Other directly attributable overheads	103,231	-
Advances to Suppliers	11,204	28,170
	189,286	28,170

8. Deferred Taxation

This Comprises:

Deferred tax liabilities on taxable temporary differences

Accelerated tax depreciation

Deferred tax assets on taxable temporary differences

Employee benefits

Carry forward tax losses and credits

Deferred tax (asset) / liability

Note	(Un-audited) 30 June 2019	(Audited) 30 September 2018
(Rupees in thousand)		
	92,520	105,867
	(11,616)	(11,761)
	(88,903)	(84,358)
	(100,519)	(96,119)
	(7,999)	9,748

Notes to the Condensed Interim Financial Statements (Un-audited)

For the nine month period ended 30 June 2019

Note	(Un-audited) 30 June 2019	(Audited) 30 September 2018
	(Rupees in thousand)	
9. Stock In Trade		
Sugar refined	915,139	367,843
Bagasse	43,692	11,931
Sugar in process	4,086	3,195
Molasses in process	105	41
	963,022	383,010
Insecticide	118	11
Stock at fair price shop	937	453
	1,055	464
	964,077	383,474
10. Long Term Borrowing		
Loan I	10.1 1,036,942	1,036,942
Loan II	10.2 200,000	200,000
	1,236,942	1,236,942
Less: Current maturity	(244,888)	(103,694)
	992,054	1,133,248

10.1 This represents a long term syndicated term finance facility obtained from a consortium of banking companies comprising MCB Bank Limited, United Bank Limited and Bank AL Habib Limited. The facility is secured against first mortgage charge over properties and first pari passu hypothecation charge over hypothecated assets in favor of the syndicate for the purpose of co-generation power project with 25% margin limited to Rs. 2,608 million. Markup is chargeable at a rate of 6 month KIBOR + 1.25% per annum semi-annually with a two years grace period. The loan is repayable in ten equal semi-annual installments. Out of total available facility of Rs. 1,956 million, the un-utilized portion amounts to Rs. 919 million.

10.2 This represents an outstanding loan amounting to Rs. (thousand) 200,000 obtained from MCB Bank Limited for BMR of machinery. Markup is chargeable at a rate of 3 month KIBOR + 1.25% per annum quarterly. This facility is secured against first pari passu charge over present and future plant and machinery with 25% margin limited to Rs. 267 million. The loan is repayable in 16 equal quarterly installments commencing after a grace period of one year.

11. Short Term Borrowings

The aggregate facility of short term borrowings available from commercial banks is Rs. (thousand) 2,864,000 (30 September 2018: Rs. (thousand) 2,920,000). These facilities are secured against pledge over stocks and 1st pari passu hypothecation charge on plant & machinery (restricted to Rs. (thousand) 432,200) of the Company. The un-utilized portion of the said facility as on 30 June 2019 amounts to Rs. (thousand) 1,744,221 (30 September 2018: Rs. (thousand) 2,369,997).

The rates of markup range between 1 month / 3 month KIBOR + 0.65% to 1 month / 3 month KIBOR + 1.25% (30 September 2018: 1 month / 3 month KIBOR + 0.65% to 1 month / 3 month KIBOR + 0.75%) per annum.

The aggregate facility for letters of credit and guarantees amounts to Rs. (thousand) 1,545,000 (30 September 2018: Rs. (thousand) 1,545,000) and Rs. (thousand) 16,000 (30 September 2018: Rs. (thousand) 16,000), respectively. Out of total facilities available, the un-utilized facility for letters of credit and guarantees amounts to Rs. (thousand) 1,053,039 (30 September 2018: Rs. (thousand)

Notes to the Condensed Interim Financial Statements (Un-audited)

For the nine month period ended 30 June 2019

1,089,005) and Rs. (thousand) Nil (30 September 2018: Rs. (thousand) Nil), respectively.

12. Contingencies and Commitments

12.1 Contingencies

There has been no change in the status of the contingencies reported in the annual audited financial statements of the Company for the year ended 30 September 2018.

12.2 Commitments

The Company's commitments for letters of credit and guarantees amounts to Rs. (thousand) 491,961 (30 September 2018: Rs. (thousand) 455,995) and Rs. (thousand) Nil (30 September 2018: Rs. (thousand) Nil), respectively. The amount of letters of credit includes Rs. (thousand) 489,711 (30 September 2018: (thousand) 445,503) which relating to co generation power project.

13. Revenue from Contracts with Customers - net

Set out below is the disaggregation of the Company's revenue from contracts with customers

	(Un-audited) Nine Month Period Ended 30 June		(Un-audited) Three Month Period Ended 30 June	
	2019	2018	2019	2018
	(Rupees in thousand)			
Major Products:				
Sugar	3,668,730	4,336,695	1,409,408	1,544,920
Molasses	313,174	290,426	113,460	145,390
Bagasse	143,392	145,571	-	20,164
Press mud	6,870	4,655	-	-
	4,132,166	4,777,347	1,522,868	1,710,474
Less:				
Broker's commission on sugar	8,242	10,774	3,361	3,458
Sales Tax / Federal Excise Duty	388,184	491,259	134,224	167,569
Withholding tax on sales	2,991	3,776	808	806
	399,417	505,809	138,393	171,833
	3,732,749	4,271,538	1,384,475	1,538,641
Geographical region:				
Pakistan	4,132,166	4,777,347	1,522,868	1,710,474
Type of customer:				
Non-government customers	4,111,634	4,763,117	1,502,336	1,696,244
Government customers	20,532	14,230	20,532	14,230
	4,132,166	4,777,347	1,522,868	1,710,474
Timing of transfer of goods:				
Goods transferred to customers at a point in time	4,132,166	4,777,347	1,522,868	1,710,474

Notes to the Condensed Interim Financial Statements (Un-audited)

For the nine month period ended 30 June 2019

	(Un-audited) Nine Month Period Ended 30 June		(Un-audited) Three Month Period Ended 30 June	
	2019	2018	2019	2018
	(Rupees in thousand)			
14. Cost of Sales				
Cost of sugarcane procurement	3,626,286	4,086,137	248	-
Process materials	49,442	51,868	792	465
Fuel and power	16,085	12,817	6,003	8,409
Stores and spares consumed	40,344	55,931	5,064	8,603
Repairs and maintenance	8,138	18,881	775	2,544
Salaries, wages and other benefits	170,755	173,889	32,811	20,701
Company's contribution to provident fund	1,645	1,601	538	491
Rent, rates and taxes	1,117	1,053	186	142
Insurance	6,909	7,460	2,303	2,487
Depreciation	37,825	42,262	12,607	14,146
Conveyance and travelling	6,569	6,307	1,295	942
Other expenses	6,077	5,796	168	149
	3,971,192	4,464,002	62,790	59,079
Add: Opening stock of sugar and by-products in process	3,236	3,156	4,470	3,139
Less: Closing stock of sugar and by-products in process	(4,191)	(3,169)	(4,191)	(3,169)
Cost of sugar manufactured	3,970,237	4,463,989	63,069	59,049
Packing material consumed	39,229	36,078	-	-
Cost of sugar bagged	4,009,466	4,500,067	63,069	59,049
Add: Opening stock of sugar and by-products	379,774	800,646	2,105,628	2,418,122
Less: Closing stock of sugar and by-products	(958,831)	(953,495)	(958,831)	(953,495)
	3,430,409	4,347,218	1,209,866	1,523,676
15. Taxation				
Current	(57,934)	(53,139)	(27,976)	(19,286)
Deferred	17,746	72,793	-	-
	(40,188)	19,654	(27,976)	(19,286)

Notes to the Condensed Interim Financial Statements (Un-audited)

For the nine month period ended 30 June 2019

16. Transactions with Related Parties

The related parties comprise related group companies, local associates, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings, other than remuneration and benefits to key management personnel under the terms of their employment are as follows.

		30 June	
		2019	2018
Name of Related Party	Nature of Transactions	(Rupees in thousand)	
Shahtaj Textile Mills Limited	Dividend Received	3,163	5,750
Shahnawaz (Private) Limited	Purchases and Services Received	581	2,103
	Utilities paid	201	224
	Loan Received	100,000	-
Shezan International Limited	Sale of Sugar	656,530	591,155
	Purchase of goods	-	572
Information System Associates Limited	Purchases and Services Received	551	491
Shezan Services (Pvt.) Limited	Dividend Paid	-	1,428
Staff Provident Fund Trust	Contributions Paid	3,872	3,780
Key Management personnel	Remuneration and benefits	51,725	55,290

All transactions with the related parties and associated undertakings are entered into at arm's length, determined in accordance with comparable uncontrolled price method except for transactions with M/s Shahnawaz (Private) Limited, where an additional discount of 40% is received on service charges and 15% on spare parts, in connection with the repairs of motor vehicles, as per group policy. The effect of this policy on the balance sheet and profit and loss account is considered to be immaterial.

No buying or selling commission has been paid to any associated undertaking.

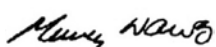
17. Authorization

These condensed interim financial statements were authorized for issue by the Board of Directors on 24 July 2019.


18. General

Corresponding figures of the following have been reclassified in accordance with the requirements of IFRS 15.

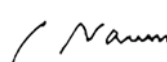
<u>Particulars</u>	<u>Classified from</u>	<u>Classified to</u>	<u>30 September 2018</u>
			<u>(Rupees in thousand)</u>
Advance from customers	Trade and other payables	Contract liabilities	206,055



Chief Executive



Chief Financial Officer



Director

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