



Shah Taj Sugar Mills Limited

Condensed Interim Financial Information
For the First Quarter Ended
31 December 2013 (Un-Audited)



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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. Attaullah A. Rasheed	(S.L.I.C.)
Mr. Aamir Amin	(N.I.T.)

Company Secretary

Mr. Jamil Ahmad Butt

Chief Financial Officer

Mr. Muhammad Asghar

Audit Committee

Mr. M. Naeem	Chairman
Mr. Ijaz Ahmad	Member
Mr. Rashed Amjad Khalid	Member

Human Resources & Remuneration Committee

Mr. Rashed Amjad Khalid	Chairman
Mr. Muneer Nawaz	Member
Mr. Attaullah A. Rasheed	Member

Head Office

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Gulberg III, Lahore - 54660.
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Website : www.shahtajsugar.com
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Registered Office

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

Production Facility

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

Auditors

Ernst & Young Ford Rhodes Sidat Hyder,
Chartered Accountants,
Mall View Building,
4 - Bank Square, Lahore.

Legal Advisor

Mr. Ras Tariq Chowdhary,
30 - Mall Mansion,
The Mall, Lahore.

Share Registrar

Evolution Factor (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

Directors' Report to the Members

Your Directors are pleased to present Un-audited Condensed Interim Financial Information for the first quarter ended 31 December 2013. For the crushing season 2013-2014 your mills started operation on 27 November 2013.

Production data for the quarter ended 31 December 2013 is given below:

		PRODUCTION DATA	
		31 December	
		2013	2012
Start of season		27.11.2013	30.11.2012
Sugarcane crushed	(M. Tons)	297,918	251,404
Production:			
Sugar	(M. Tons)	27,465	21,790
Molasses	(M. Tons)	13,540	10,127
Recovery:			
Sugar	(%)	9.44	9.06
Molasses	(%)	4.89	4.56

Until the morning of 21st January 2014, we crushed 467,381 M.tons of sugarcane, and produced 44,230 M. tons of sugar at an average recovery of 9.62%.

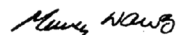
As per data produced above, there is increase in production due to more crushing of sugarcane and increase in recovery percentage as compared with the corresponding period of last year. The Government of Punjab has not increased the support price of sugarcane this season, which remains at Rs.170/- per 40 Kg. Our cost of sugarcane procured upto 31 December 2013 remained at about Rs. 176/- per 40 Kg. This may increase further, in case other mills start price war in order to increase their production. Final crushing of sugarcane is expected to be little less than last season. However, recovery is expected to be better.

Selling price of sugar is under continuous pressure however price of molasses has improved to some extent. Due to improved sugar recovery percentage and increase in molasses price, profit before tax at the quarter ended 31 December 2013 has increased as compared with the corresponding period in the last year.

New high pressure boiler commissioned in mid December 2103 is Alhamd-o-Lillah functioning satisfactorily.

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,



MUNEER NAWAZ
Chief Executive

Karachi: 29th January 2014.

Condensed Interim Balance Sheet

As at 31 December 2013

	Note	(Un-Audited) 31 December 2013	(Audited) 30 September 2013
(Rupees in thousand)			
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	7	775,262	707,623
Investments - associates	8	84,217	88,817
Loans and advances		2,102	2,420
Deposits		843	843
Deferred taxation		-	10,760
		862,424	810,463
CURRENT ASSETS			
Stores, spares and loose tools		120,174	89,617
Stock in trade	9	947,992	261,899
Trade debts		139,214	52,334
Loans and advances		67,241	53,953
Deposits, prepayments and other receivables		37,979	28,098
Cash and bank balances		55,638	143,677
		1,368,238	629,578
TOTAL ASSETS		2,230,662	1,440,041
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital		120,111	120,111
Capital reserve - Share premium		27,534	27,534
General reserve and unappropriated profits		937,621	934,821
TOTAL EQUITY		1,085,266	1,082,466
NON CURRENT LIABILITIES			
Long term borrowing	10	175,000	175,000
Deferred taxation		10,389	-
Retirement benefit obligations		24,610	24,193
		209,999	199,193
CURRENT LIABILITIES			
Current maturity of long term borrowing	10	25,000	25,000
Trade and other payables		651,095	79,875
Short term borrowings	11	192,299	-
Accrued interest on long term borrowing		9,993	4,690
Provision for taxation		57,010	48,817
		935,397	158,382
TOTAL LIABILITIES		1,145,396	357,575
CONTINGENCIES AND COMMITMENTS	12		
TOTAL EQUITY AND LIABILITIES		2,230,662	1,440,041

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


Chief Executive



Director

Condensed Interim Profit and Loss Account (Un-Audited)

for the first quarter ended 31 December 2013

	Note	31 December 2013 (Rupees in thousand)	31 December 2012
Sales - net	13	818,271	737,055
Cost of sales	14	745,745	698,217
Gross profit		72,526	38,838
Distribution cost		1,794	1,441
Administrative expenses		42,004	37,920
Other operating expenses		3,745	1,668
Other operating income		(7,777)	(12,142)
		39,766	28,887
Operating profit		32,760	9,951
Finance cost		533	160
		32,227	9,791
Share of profit / (loss) of associates - net		-	-
Profit before taxation		32,227	9,791
Taxation	15	29,427	3,427
Net profit for the period		2,800	6,364
Earnings per share - Basic (Rupees per share)		0.23	0.53

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


Chief Executive


Director

Condensed Interim Statement of Comprehensive Income (Un-Audited) for the first quarter ended 31 December 2013

	31 December 2013	31 December 2012
	(Rupees in thousand)	
Net profit for the period	2,800	6,364
Other comprehensive income for the period	-	-
Total comprehensive income for the period	2,800	6,364

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


Chief Executive



Director

Condensed Interim Cash Flow Statement (Un-Audited)

for the first quarter ended 31 December 2013

	31 December 2013	31 December 2012
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	32,227	9,791
Non cash adjustments to reconcile profit before tax to net cash flows		
Depreciation of property, plant and equipment	11,802	8,160
Interest / Mark-up	462	-
Profit on bank deposits	(3,978)	(8,635)
Gain on disposal of property, plant and equipment	-	(170)
Provision for gratuity and retirement benefits	863	942
	9,149	297
Operating profit before working capital changes	41,376	10,088
Working capital adjustments		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(30,557)	(19,530)
Stock in trade	(686,093)	(507,288)
Trade debts	(86,880)	(207,558)
Loans and advances	(13,288)	15,599
Deposits, prepayments and other receivables	34	(917)
	(816,784)	(719,694)
Increase in current liabilities		
Trade and other payables	570,810	423,999
Short term borrowings	192,299	-
	763,109	423,999
Cash used in operations	(12,299)	(285,607)
Interest paid	(53)	-
Income tax paid	(10,000)	(8,082)
Profit on bank deposits	3,978	11,931
Retirement benefits paid	(445)	(398)
	(6,520)	3,451
Net cash used in operating activities	(18,819)	(282,156)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(74,138)	(80,466)
Sale proceeds from disposal of property, plant and equipment	-	978
Loans and advances	318	(26,089)
Dividend received	4,600	4,025
Deposits	-	(42)
	(69,220)	(101,594)
Net cash used in investing activities	(88,039)	(383,750)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	-	-
Net cash used in financing activities	-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(88,039)	(383,750)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	143,677	505,320
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	55,638	121,570

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


Chief Executive


Director

Condensed Interim Statement of Changes in Equity (Un-Audited) for the first quarter ended 31 December 2013

	Share Capital	Share Premium	General Reserve	Unappropriated Profits	Total
(Rupees in thousand)					
Balance as at 01 October 2012	120,111	27,534	776,000	243,711	1,167,356
Total comprehensive income for the period	-	-	-	6,364	6,364
Balance as at 31 December 2012	120,111	27,534	776,000	250,075	1,173,720
Balance as at 01 October 2013	120,111	27,534	916,000	18,821	1,082,466
Total comprehensive income for the period	-	-	-	2,800	2,800
Balance as at 31 December 2013	120,111	27,534	916,000	21,621	1,085,266

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


Chief Executive


Director

Notes to the Condensed Interim Financial Information (Un-Audited) for the first quarter ended 31 December 2013

1 THE COMPANY AND ITS OPERATIONS

Shahtaj Sugar Mills Limited was incorporated in Pakistan on 27 March 1965 as a Public Limited Company under the Companies Ordinance, 1984 with a registered office situated in Karachi. The Company is listed on Karachi and Lahore Stock Exchanges and is engaged in the manufacture of sugar from sugarcane. Molasses is the only significant by-product contributing to the Company's revenue.

2 STATEMENT OF COMPLIANCE

This condensed interim financial information has been prepared in accordance with the requirements of IAS - 34 "Interim Financial Reporting", as applicable in Pakistan in all material respects. This condensed interim financial information is un-audited and is being submitted to the members under section-245 of the Companies Ordinance, 1984, and listing regulations of Karachi and Lahore Stock Exchanges.

3 BASIS OF PRESENTATION AND MEASUREMENT

- 3.1 This condensed interim financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as applicable in Pakistan.
- 3.2 This condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with financial statements of the Company for the year ended 30 September 2013.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted and applied by the Company for the preparation of this condensed interim financial information are the same as were adopted and applied in the preparation of the preceding annual audited financial statements for the year ended 30 September 2013.

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 thus increasing volume of inventories and financing at the end of the first half.

6 TAXATION, WORKERS' WELFARE FUND AND WORKERS' PROFIT PARTICIPATION FUND

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

Notes to the Condensed Interim Financial Information (Un-Audited) for the first quarter ended 31 December 2013

	Note	(Un-audited) 31 December 2013 (Rupees in thousand)	(Audited) 30 September 2013
7			
PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	7.1	771,807	285,630
Capital work in progress	7.2	3,455	421,993
		775,262	707,623

7.1 Additions and deletions made to operating fixed assets during the three month period ended 31 December 2013 are as under:

	Additions (Rupees in thousand)	Deletions
Factory buildings	316	-
Plant and machinery	497,347	-
Office equipment	281	-
Furniture and fittings	35	-
	497,663	-

7.2 The additions and transfers made during the three month period ended 31 December 2013 are as follows:

	Additions (Rupees in thousand)	Transfers
Factory buildings	135	316
Plant and machinery	78,990	497,347
Office equipment	236	236
	79,361	497,899

7.2.1 This includes borrowing cost amounting to Rs. (thousand) 9,993 which carries effective interest rate of six month KIBOR+1%.

		(Un-audited) 31 December 2013 (Rupees in thousand)	(Audited) 30 September 2013
8			
INVESTMENTS - ASSOCIATES			
Associates - Equity method			
Shahtaj Textile Limited - Listed	8.1	84,217	88,817

8.1 Fair value of investment as at 31 December 2013 is Rs. (thousand) 58,259 (30 September 2013: Rs. (thousand) 57,500).

Notes to the Condensed Interim Financial Information (Un-Audited) for the first quarter ended 31 December 2013

Note	(Un-Audited)	(Audited)
	31 December 2013 (Rupees in thousand)	30 September 2013
9 STOCK IN TRADE		
Sugar	872,351	261,324
Molasses	74,915	21
	947,266	261,345
Insecticide	53	3
Fair price shop	673	551
	726	554
	947,992	261,899
10 LONG TERM BORROWING		
Long term borrowing	10.1 200,000	200,000
Less: Current maturity	(25,000)	(25,000)
	175,000	175,000

10.1 The Company has borrowed Rs. (thousand) 200,000 (30 September 2013: Rs. (thousand) 200,000) for purchase and installation of new high pressure boiler and ancillary machinery from a commercial bank, repayable in 8 equal half yearly installments commencing after grace period of one year. Mark-up to be charged at a rate of 6 month KIBOR + 1% per annum payable bi-annually. The facility is secured against first exclusive charge over entire plant and machinery with 25% margin limited to Rs. 267 million.

11 SHORT TERM BORROWINGS

The aggregate facility of short-term borrowings available from commercial banks amounts to Rs. (thousand) 2,270,000 (30 September 2013: Rs. (thousand) 2,270,000). These facilities are secured against pledge over stock, hypothecation over stores and spares.

The unutilized facility for letter of credit and guarantees at the period end amounts to Rs. (thousand) 49,721 (30 September 2013: Rs. (thousand) 44,429).

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

There is no material change in contingencies since the last published financial statements.

12.2 Commitments

The Company's commitments for capital expenditure as on 31 December 2013 amounts to Rs. (thousand) 3,219 (30 September 2013: Rs. (thousand) 497,287) in the normal course of business.

Notes to the Condensed Interim Financial Information (Un-Audited) for the first quarter ended 31 December 2013

	31 December 2013	31 December 2012
	(Rupees in thousand)	
13 SALES - NET		
Sugar	826,685	785,496
Molasses	54,161	12,167
Bagasse	2,791	-
Press mud	2,056	1,508
	885,693	799,171
Less:		
Broker's commission on sugar	1,881	2,045
Sales tax / FED	64,719	60,071
Withholding tax on sales	822	-
	67,422	62,116
	818,271	737,055
14 COST OF SALES		
Cost of sugarcane procurement	1,313,197	1,105,867
Process materials	15,596	12,992
Fuel and power	7,950	5,671
Stores and spares consumed	18,800	19,817
Repairs and maintenance	3,459	626
Salaries, wages and other benefits	41,698	31,878
Company's contribution to provident fund	418	394
Rent, rates and taxes	756	708
Insurance	923	934
Conveyance and travelling	2,572	2,663
Depreciation	10,701	6,958
Other expenses	2,233	1,469
	1,418,303	1,189,977
Add: Opening stock of sugar and by-products in process	1,714	1,446
Less: Closing stock of sugar and by-products in process	(44,092)	(65,083)
Cost of sugar manufactured	1,375,925	1,126,340
Packing material	13,363	8,717
Cost of sugar bagged	1,389,288	1,135,057
Add: Opening stock of sugar and by-products	259,631	202,506
Less: Closing stock of sugar and by-products	(903,174)	(639,346)
	745,745	698,217

Notes to the Condensed Interim Financial Information (Un-Audited) for the first quarter ended 31 December 2013

		31 December 2013	31 December 2012
		(Rupees in thousand)	
15	TAXATION		
	Taxation for the period		
	Current	8,279	3,427
	Deferred	21,148	-
		29,427	3,427

16 TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise related group companies, local associates, staff provident fund, 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:

31 December 2013					
Related Parties					
	Shahtaj Textile Limited	Shezan International Limited	Shahnawaz (Private) Limited	Information System Associates Limited	Staff Provident Fund
(Rupees in thousand)					
Dividend received	4,600	-	-	-	-
Utilities paid	-	-	67	-	-
Purchases and services received	90	11	41	460	-
Sales	-	125,250	-	-	-
Staff Provident Fund	-	-	-	-	890
	4,690	125,261	108	460	890

31 December 2012					
Related Parties					
	Shahtaj Textile Limited	Shezan International Limited	Shahnawaz (Private) Limited	Information System Associates Limited	Staff Provident Fund
(Rupees in thousand)					
Dividend received	4,025	-	-	-	-
Utilities paid	-	-	64	-	-
Purchases and services received	90	10	18	480	-
Sales	-	82,145	-	-	-
Staff Provident Fund	-	-	-	-	869
	4,115	82,155	82	480	869

Notes to the Condensed Interim Financial Information (Un-Audited) for the first quarter ended 31 December 2013

All transactions with the related parties and associated undertakings are entered into 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, due to group policy. The effect of this policy on the balance sheet and profit and loss account is considered to be immaterial.

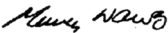
No buying or selling commission has been paid to any associated undertaking.

17 AUTHORIZATION

This condensed interim financial information was authorized for issue by the Board of Directors on 29 January 2014.

18 GENERAL

Figures in this condensed interim financial information have been rounded off to the nearest thousand of rupees.


Chief Executive


Director

Shahtaj Sugar Mills Limited



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