



# Shahtaj Sugar Mills Limited

Condensed Interim Financial Information  
For the First Quarter Ended  
31 December 2014 (Un-Audited)



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## Company Information

### Board of Directors

Mr. Mahmood Nawaz	Chairman
Mr. Muneer Nawaz	Chief Executive
Mr. Cyrus R. Cowasjee	Independent Director
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. Rashed Amjad Khalid	Member
Mr. Toqueer Nawaz	Member

### Human Resource & Remuneration Committee

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

### 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](http://www.shahtajsugar.com)  
E-mail : [mail@shahtajsugar.com](mailto:mail@shahtajsugar.com)

### Registered Office

19, Dockyard Road,  
West Wharf, Karachi - 74000.  
Phone : (021) 3231 3934 - 38  
Fax : (021) 3231 0623  
E-mail : [registeredoffice@shahtajsugar.com](mailto: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](mailto: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 2014. For the crushing season 2014-2015 your mills started operation on 29 November 2014. Production data for the quarter ended 31 December 2014 is given below:

		31 December	
		2014	2013
Start of season		29.11.2014	27.11.2013
Sugarcane crushed	(M.Tons)	262,257	297,918
<b>Production:</b>			
Sugar	(M.Tons)	22,475	27,465
Molasses	(M.Tons)	11,569	13,540
<b>Recovery:</b>			
Sugar	(%)	9.08	9.44
Molasses	(%)	4.84	4.89

Until the morning of 21 January 2015, we crushed 425,257 M.tons of sugarcane, and produced 37,555 M. tons of sugar at an average recovery of 9.12%.


As per data produced above there is decrease in production due to less crushing of sugarcane as well as decrease in recovery percentage as compared with the corresponding period of last year. Flood in our sugarcane procurement area in summer had badly damaged the crop both in quality and quantity. The Government of Punjab has increased the support price of sugarcane for this season from Rs. 170/- to Rs. 180/- per 40 Kg. Our cost of sugarcane procured upto 31 December 2014 remained at about Rs. 185/- per 40 Kg. as compared with Rs. 176/- per 40 Kg. in the 1st quarter of previous year. Final cost of sugarcane procurement may increase further, in case adjoining mills start price war in order to increase their production. This year final crushing of sugarcane is expected to be less than last season along with decrease in recovery percentage due to the reason explained above.

There is no let up in pressure on selling rate of sugar due to oversupply of the commodity. Because of fall in fuel prices, molasses selling rate have also sharply come down. Both these factors have badly affected the financial results of the quarter under discussion.

New high pressure boiler commissioned in mid December 2013 is Alhamd-o-Lillah functioning well. After installation of the high pressure boiler, it is our earnest desire to generate electricity for the national grid under the Government's Co-Generation Policy for the sugar mills. We now plan to install two turbines of about 16 MW each to generate electricity from biomass for our own use and to sell the surplus electricity to the national grid. Electricity would be generated by burning bagasse in the high pressure boiler. In this regard, we are actively conducting negotiations with the Chinese suppliers of Turbo Generators and financial arrangements are being made.

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,



MUNEEB NAWAZ  
Chief Executive

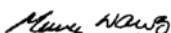
Karachi: 28 January 2015.

## Condensed Interim Balance Sheet

As at 31 December 2014

	Note	(Un-Audited) 31 December 2014	(Audited) 30 September 2014
(Rupees in thousand)			
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	7	723,427	736,255
Investments - associates	8	90,074	92,949
Loans and advances		2,401	2,074
Deposits		1,140	840
		817,042	832,118
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		137,999	116,635
Stock in trade	9	963,042	185,812
Trade debts		128,676	84,029
Loans and advances		59,619	54,126
Tax refunds due from government		79,021	69,287
Deposits, prepayments and other receivables		10,952	2,820
Cash and bank balances		138,394	92,064
		1,517,703	604,773
<b>TOTAL ASSETS</b>		<b>2,334,745</b>	<b>1,436,891</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital		120,111	120,111
Capital reserve - Share premium		27,534	27,534
General reserve and unappropriated profits		923,772	972,233
<b>TOTAL EQUITY</b>		<b>1,071,417</b>	<b>1,119,878</b>
<b>NON CURRENT LIABILITIES</b>			
Long term borrowing	10	125,000	125,000
Deferred taxation		2,685	2,685
Retirement benefit obligations		24,347	23,739
		152,032	151,424
<b>CURRENT LIABILITIES</b>			
Current maturity of long term borrowing	10	50,000	50,000
Trade and other payables		578,383	110,555
Short term borrowings	11	467,334	-
Accrued interest on long term borrowing		9,488	4,556
Provision for taxation		6,091	478
		1,111,296	165,589
<b>TOTAL LIABILITIES</b>		<b>1,263,328</b>	<b>317,013</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	12		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,334,745</b>	<b>1,436,891</b>

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 2014

	Note	31 December 2014 (Rupees in thousand)	31 December 2013
Sales - net	13	556,643	818,271
Cost of sales	14	(552,894)	(745,745)
<b>Gross profit</b>		3,749	72,526
Distribution cost		(1,618)	(1,794)
Administrative expenses		(42,321)	(42,004)
Other operating expenses		(974)	(3,745)
Other operating income		4,854	7,777
		(40,059)	(39,766)
<b>Operating (loss) / profit</b>		(36,310)	32,760
Finance cost		(6,250)	(533)
		(42,560)	32,227
Share of profit / (loss) of associates - net		-	-
<b>(Loss) / profit before taxation</b>		(42,560)	32,227
Taxation	15	(5,901)	(29,427)
<b>Net (loss) / profit for the period</b>		(48,461)	2,800
(Loss) / earnings per share - Basic (Rupees per share)		(4.03)	0.23

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Chief Executive

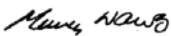
  
Director



## Condensed Interim Statement of Comprehensive Income (Un-Audited) for the first quarter ended 31 December 2014

Note	31 December 2014 (Rupees in thousand)	31 December 2013
Net (loss) / profit for the period	(48,461)	2,800
Other comprehensive income for the period	—	—
<b>Total comprehensive (loss) / income for the period</b>	<b>(48,461)</b>	<b>2,800</b>

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

  
Chief Executive

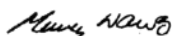
  
Director

## Condensed Interim Cash Flow Statement (Un-Audited)

for the first quarter ended 31 December 2014

	31 December 2014	31 December 2013
	(Rupees in thousand)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss) / profit before taxation	(42,560)	32,227
Non cash adjustments to reconcile profit before tax to net cash flows		
Depreciation	18,550	11,802
Interest / Mark-up	6,176	462
Profit on bank deposits	(2,694)	(3,978)
Gain on disposal of property, plant and equipment	(297)	–
Provision for gratuity and retirement benefits	839	863
	22,574	9,149
<b>Operating (loss) / profit before working capital changes</b>	(19,986)	41,376
<b>Working capital adjustments</b>		
<b>(Increase) / decrease in current assets</b>		
Stores, spares and loose tools	(21,364)	(30,557)
Stock in trade	(777,230)	(686,093)
Trade debts	(44,647)	(86,880)
Loans and advances	(5,493)	(13,288)
Deposits, prepayments and other receivables	(8,132)	34
	(856,866)	(816,784)
<b>Increase in current liabilities</b>		
Trade and other payables	466,584	570,810
Short term borrowings	467,334	192,299
	933,918	763,109
<b>Cash generated from / ( used in) operations</b>	57,066	(12,299)
Interest paid	–	(53)
Income tax paid	(10,021)	(10,000)
Profit on bank deposits	2,694	3,978
Retirement benefits paid	(232)	(445)
	(7,559)	(6,520)
<b>Net cash generated from / (used in) operating activities</b>	49,507	(18,819)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(5,730)	(74,138)
Sale proceeds from disposal of property, plant and equipment	305	–
Loans and advances	(327)	318
Dividend received	2,875	4,600
Deposits	(300)	–
	(3,177)	(69,220)
<b>Net cash generated from / (used in) investing activities</b>	46,330	(88,039)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid	–	–
Long term borrowing	–	–
<b>Net cash used in financing activities</b>	–	–
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	46,330	(88,039)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	92,064	143,677
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	138,394	55,638

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

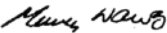
  
Chief Executive

  
Director

## Condensed Interim Statement of Changes in Equity (Un-Audited) for the first quarter ended 31 December 2014

	Share Capital	Share Premium	General Reserve	Unappropriated Profits	Total
( R u p e e s i n t h o u s a n d )					
<b>Balance as at 01 October 2013 - Restated</b>	120,111	27,534	916,000	20,753	1,084,398
Total comprehensive income for the period	–	–	–	2,800	2,800
<b>Balance as at 31 December 2013</b>	120,111	27,534	916,000	23,553	1,087,198
<b>Balance as at 01 October 2014</b>	120,111	27,534	916,000	56,233	1,119,878
Total comprehensive (loss) for the period	–	–	–	(48,461)	(48,461)
<b>Balance as at 31 December 2014</b>	120,111	27,534	916,000	7,772	1,071,417

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 2014

### 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 / Lahore Stock Exchange Limited and is engaged in the manufacture of sugar from sugarcane. Molasses and bagasse are its significant by-products 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 Lahore and Karachi 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 2014.

### 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 2014.

### 5 SEASONALITY OF OPERATIONS

The Company is inter-annual, 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 2014

	Note	(Un-audited) 31 December 2014 (Rupees in thousand)	(Audited) 30 September 2014
<b>7</b>			
<b>PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	7.1	707,932	719,583
Capital work in progress		15,495	16,672
		723,427	736,255

**7.1** Additions and deletions made to operating fixed assets during the three month period ended 31 December 2014 are as under:

	Additions (Rupees in thousand)	Deletions
Plant and machinery	6,634	264
Office equipment	258	—
Furniture and fittings	16	—
	6,908	264

	Note	(Un-audited) 31 December 2014 (Rupees in thousand)	(Audited) 30 September 2014
<b>8</b>			
<b>INVESTMENTS - ASSOCIATES</b>			
<b>Associates - Equity method</b>			
Shahtaj Textile Limited - Listed	8.1	90,074	92,949

**8.1** Fair value of investment as at 31 December 2014 is Rs. (thousand) 109,250 (30 September 2014: Rs. (thousand) 176,920).

	Note	(Un-audited) 31 December 2014 (Rupees in thousand)	(Audited) 30 September 2014
<b>9</b>			
<b>STOCK IN TRADE</b>			
Sugar		835,894	164,052
Molasses		89,078	29
Bagasse		37,017	21,315
		961,989	185,396
Insecticide		34	36
Fair price shop		1,019	380
		1,053	416
		963,042	185,812

## Notes to the Condensed Interim Financial Information (Un-Audited) for the first quarter ended 31 December 2014

	Note	(Un-audited) 31 December 2014 (Rupees in thousand)	(Audited) 30 September 2014
<b>10</b>	<b>LONG TERM BORROWING</b>		
	Long term borrowing	10.1	175,000
	Less: Current maturity		(50,000)
			125,000
			125,000

**10.1** This represents long term loan obtained for purchase and installation of 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 is chargeable at a rate of 6 month KIBOR plus 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 2014: 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) 50,267 (30 September 2014: Rs. (thousand) 50,061).

### 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 2014 amounts to Rs. (thousand) 15,495 (30 September 2014: Rs. (thousand) 16,672) in the normal course of business.

## Notes to the Condensed Interim Financial Information (Un-Audited) for the first quarter ended 31 December 2014

	<b>31 December 2014</b>	31 December 2013
	<b>(Rupees in thousand)</b>	
<b>13 SALES - NET</b>		
Sugar	566,049	826,685
Molasses	12,460	54,161
Bagasse	25,178	2,791
Press mud	1,888	2,056
	605,575	885,693
Less:		
Broker's commission on sugar	1,266	1,881
Sales tax / FED	46,831	64,719
Withholding tax on sales	835	822
	48,932	67,422
	556,643	818,271
<b>14 COST OF SALES</b>		
Cost of sugarcane procurement	1,210,063	1,313,197
Process materials	13,811	15,596
Fuel and power	5,913	7,950
Stores and spares consumed	20,431	18,800
Repairs and maintenance	2,572	3,459
Salaries, wages and other benefits	40,740	41,698
Company's contribution to provident fund	449	418
Rent, rates and taxes	816	756
Insurance	1,505	923
Conveyance and travelling	2,321	2,572
Depreciation	17,576	10,701
Other expenses	1,898	2,233
	1,318,095	1,418,303
Add: Opening stock of sugar and by-products in process	2,271	1,714
Less: Closing stock of sugar and by-products in process	(82,980)	(44,092)
<b>Cost of sugar manufactured</b>	1,237,386	1,375,925
Packing material	11,393	13,363
<b>Cost of sugar bagged</b>	1,248,779	1,389,288
Add: Opening stock of sugar and by-products	183,125	259,631
Less: Closing stock of sugar and by-products	(879,010)	(903,174)
	552,894	745,745

## Notes to the Condensed Interim Financial Information (Un-Audited) for the first quarter ended 31 December 2014

	31 December 2014	31 December 2013
	(Rupees in thousand)	
<b>15 TAXATION</b>		
Taxation for the period		
Current	5,901	8,279
Deferred	–	21,148
	5,901	29,427

### 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 2014					
Related Parties					
	Shahtaj Textile Limited	Shezan International Limited	Shahnawaz (Private) Limited	Information System Associates Limited	Staff Provident Fund
	( Rupees in thousand )				
Dividend received	2,875	–	–	–	–
Utilities paid	–	–	67	–	–
Purchases and services received	90	9	14	122	–
Sales	–	122,285	–	–	–
Staff Provident Fund	–	–	–	–	989
	2,965	122,294	81	122	989

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



## Notes to the Condensed Interim Financial Information (Un-Audited) for the first quarter ended 31 December 2014

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.

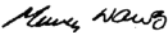
No buying or selling commission has been paid to any associated undertaking.

### 17 AUTHORIZATION

This Condensed Interim Financial Information was authorized for issue by the Board of Directors on 28 January 2015.

### 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

Head Office:

72/C - 1, M.M. Alam Road, Gulberg III, Lahore - 54660

Phone: 042 -35710482 - 84 Fax: 042 - 35711904

Website: [www.shahtajsugar.com](http://www.shahtajsugar.com) E-mail: [mail@shahtajsugar.com](mailto:mail@shahtajsugar.com)