



SHAHMURAD SUGAR MILLS LIMITED

1st Quarterly Results for the period
1st October 2013 to 31st December, 2013

COMPANY INFORMATION

BOARD OF DIRECTORS

MR. ISMAIL H. ZAKARIA	Chairman
MR. YUSUF AYOOB	Managing Director
MR. SULEMAN AYOOB	
MR. A. AZIZ AYOOB	
MR. ZIA ZAKARIA	Resident Director
MR. GHULAM MOHIUDDIN ZAKARIA	
MR. ZOHAIR ZAKARIA	
MR. NAEEM AHMED SHAFI	Independent Director (N.I.T. Nominee)
MR. KHURRAM AFTAB	

BOARD AUDIT COMMITTEE

MR. NAEEM AHMED SHAFI	Chairman
MR. SULEMAN AYOOB	Member
MR. ZOHAIR ZAKARIA	Member

HUMAN RESOURCE AND REMUNERATION COMMITTEE

MR. A. AZIZ AYOOB	Chairman
MR. YUSUF AYOOB	Member
MR. GHULAM MOHIUDDIN ZAKARIA	Member

CHIEF FINANCIAL OFFICER

MR. IQBAL UMER

COMPANY SECRETARY

MR. MOHAMMAD YASIN MUGHAL
FCMA

AUDITORS

HYDER BHIMJI & COMPANY
Chartered Accountants

LEGAL ADVISOR

MR. ABDUL SATTAR PINGAR
Advocate

REGISTERED OFFICE

96-A, SINDHI MUSLIM HOUSING SOCIETY,
KARACHI-74400
Tel: 34550161-63 Fax: 34556675

FACTORY

JHOK SHARIF,
TALUKA MIRPUR BATHORO,
DISTRICT THATTA (SINDH)

REGISTRAR & SHARE REGISTRATION OFFICE

C & K MANAGEMENT ASSOCIATES (PVT) LTD.
404-TRADE TOWER,
ABDULLAH HAROON ROAD,
NEAR METROPOLE HOTEL,
KARACHI - 75530

WEBSITE

www.shahmuradsugar.co

DIRECTORS' REPORT

IN THE NAME OF ALLAH THE MOST GRACIOUS AND MOST MERCIFUL

Dear members:

Assalam-o-Alaikum

On behalf of the Board of Directors I feel great pleasure in presenting to you the un-audited financial statements of your company for the period ended December 31, 2013. Segment wise position is briefed as under:

SUGAR DIVISION:

Crushing of sugarcane for the season 2013-14 commenced and up to the close of the period i.e. December 31, 2013 the mill crushed 111,185 metric tons of cane as against 60,460 metric tons crushed in the preceding year. Sugar produced was 9,680 metric tons as against 4,585 metric tons produced last year. However the recovery percentage is 10.117 percent as against 9.876 percent achieved last year. It is expected that during the remaining period of crushing the recovery percentage would improve. Molasses produced was 3,600 metric tons as against 1,350 metric tons produced last year.

During the period under consideration your company earned after tax profit of Rs.1.658 million as against Rs. 11.110 million earned during the last period. As you are aware that the sugar price in the domestic and international markets is depressed considerably due to excess production during last year and it is expected that the production during the current season in progress would also be in excess of the requirements of the country. It seems that the current scenario would continue to prevail unless some concrete steps are taken by the Government to improve the situation.

For the current crushing season the Government of Sindh has maintained the previous year's price at Rs.172 per 40 kg of cane as minimum support price of the same keeping in view the price of the sugar in the domestic and world markets which is depressed due to excess production of the product. During the current crushing season the production of sugar is also expected to be more than the domestic consumption of the same. Government exercises control over the price of raw material to protect the interest of the growers, which is highly appreciated, but similar control must have been exercised over the price of sugar to have win win position to all stakeholders but is left opened to the market forces i.e. demand and supply. Under the present circumstances it appears that your mills would not be in a position to turn the bottom line into a positive figure unless the price of product increases in the local market.

ETHANOL DIVISION:

The Division has produced 2,788 metric tons of Ethanol as against 6,227 metric tons produced in the same period of last year. During the period under consideration the plant was closed for annual repair and maintenance. The company exported 6,246 metric tons of Ethanol and earned valuable foreign exchange for the country. Purchase of molasses for the whole year is expected to be procured during the current crushing season in order to run the plant at optimum level throughout the year. Presently the trend of molasses prices is upward whereas the Ethanol market is steady.

The Board of Directors also wish to place on record their appreciation for the dedication and commitment of all officers, employees and workers who contributed their services to sustain all operations of the company.

For & on behalf of the Board of Directors


YUSUF AYOOB
MANAGING DIRECTOR

Karachi: 28th January 2014

SHAHMURAD SUGAR MILLS LTD.

**CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2013**

	Un-Audited December 2013	Audited September 2013
Note	(Rupees in thousand)	
ASSETS		
NON CURRENT ASSETS		
Property, plant and equipment	2,143,771	2,141,973
Intangible asset	4,186	4,452
Long Term Investments	4,346	4,346
Long Term Deposits	2,390	2,390
Long Term Loan	4,871	2,629
	<u>2,159,564</u>	<u>2,155,790</u>
CURRENT ASSETS		
Stores, spare parts and loose tools	204,723	182,312
Stock-in-trade	1,052,402	1,021,978
Trade debts	208,525	189,114
Loans and advances - unsecured considered good	430,122	126,228
Short term prepayments -to related party	26,704	4,380
Other receivables	47,005	47,017
Income Tax refundable -payments less provision	53,160	45,250
Cash and bank balances	133,559	29,994
	<u>2,156,200</u>	<u>1,646,273</u>
	<u>4,315,764</u>	<u>3,802,063</u>
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorised Capital 25,000,000 ordinary shares of Rs. 10 each	250,000	250,000
Issued, subscribed and paid-up capital	211,187	211,187
General reserve	80,000	80,000
Unrealised loss on remeasurement of investment	(1,378)	(1,378)
Un-appropriated Profit	449,429	443,147
	<u>739,238</u>	<u>732,956</u>
SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT	411,597	416,220
NON CURRENT LIABILITIES		
Long Term Financing	444,498	490,719
Loan from Related Parties	230,836	230,836
Liabilities against assets subject to finance lease	4,696	4,696
Deferred liabilities	1,120	24,831
	<u>681,150</u>	<u>751,082</u>
CURRENT LIABILITIES		
Trade and other Payables	582,022	300,097
Accrued markup	32,627	31,303
Short term borrowings	1,411,913	1,121,105
Current portion of long term financing and Liabilities against assets subject to finance lease	457,217	449,300
	<u>2,483,779</u>	<u>1,901,805</u>
CONTINGENCIES AND COMMITMENTS	5	-
	<u>4,315,764</u>	<u>3,802,063</u>

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements.


YUSUF AYOOB
Managing Director


ZIA ZAKARIA
Director

SHAHMURAD SUGAR MILLS LTD.

**CONDENSED INTERIM PROFIT & LOSS ACCOUNT (UN-AUDITED)
FOR THE PERIOD ENDED DECEMBER 31, 2013**

	Note	October to December	
		2013	2012
(Rupees in thousand)			
Sales		1,037,757	1,682,695
Cost of Sales	6	(952,642)	(1,579,681)
Gross profit		85,115	103,014
Distribution expenses		(18,979)	(30,014)
Administration expense		(35,831)	(30,786)
Other Operating Charges		(132)	(160)
		(54,942)	(60,960)
Operating Profit		30,173	42,054
Other Operating Income		7,061	1,184
		37,234	43,238
Finance Cost		(53,569)	(61,427)
(Loss) before taxation		(16,335)	(18,189)
Taxation		17,993	29,299
Profit for the period after taxation		1,658	11,110
Earning per share-Basic and diluted-Rupees		0.08	0.53

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements.


YUSUF AYOOB
Managing Director


ZIA ZAKARIA
Director

SHAHMURAD SUGAR MILLS LTD.

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE PERIOD ENDED DECEMBER 31, 2013**

	October to December	
	2013	2012
	(Rupees in thousand)	
Profit for the period after taxation	1,658	11,110
Other Comprehensive Income		
Items that may be reclassified subsequently to profit and loss account		
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation net of deferred tax	4,624	4,840
Share of associate's unrealised profit on revaluation of investment	-	-
Total Comprehensive Income for the period	<u>6,282</u>	<u>15,950</u>

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements.


YUSUF AYOOB
Managing Director


ZIA ZAKARIA
Director

SHAHMURAD SUGAR MILLS LTD.

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE PERIOD ENDED DECEMBER 31, 2013**

	December 2013	December 2012
	(Rupees in thousand)	
A. CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(16,335)	(18,189)
Adjustment for non cash charges and other items:		
Depreciation	26,864	26,158
Amortization	266	-
Finance cost	53,569	61,427
	<u>80,699</u>	<u>87,585</u>
Cash generated before working capital changes (Increase) / decrease in current assets	64,364	69,396
Stores spares and loose tools	(22,411)	(34,938)
Stock in trade	(30,424)	1,083,364
Trade debts	(19,411)	(272,892)
Loans & advances	(303,894)	(268,018)
Short term prepayments	(22,324)	(7,999)
Other receivables	12	5,619
	<u>(398,452)</u>	<u>505,136</u>
Increase / (decrease) in current liabilities		
Trade and Other payables	281,925	(486,187)
Short term borrowings	290,808	212,345
	<u>572,733</u>	<u>(273,842)</u>
Cash generated from operations	238,645	300,690
Taxes paid	(13,627)	(8,363)
Finance cost paid	(52,245)	(57,456)
	<u>(65,872)</u>	<u>(65,819)</u>
Net cash in flow from operating activities	<u>172,773</u>	<u>234,871</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Addition in Property, Plant & Equipment	(28,662)	(10,216)
Decrease/(Increase) in long term deposits	-	492
Decrease/(increase) long term Loan	(2,242)	742
Net cash out flow from investing activities	<u>(30,904)</u>	<u>(8,982)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of long term financing	(38,304)	(200,587)
Net cash out flow from financing activities	<u>(38,304)</u>	<u>(200,587)</u>
Net increase in cash and bank balances (A+B+C)	103,565	25,302
Cash and bank balance at the beginning of the period	29,994	21,325
Cash and bank balance at the end of period	<u>133,559</u>	<u>46,627</u>

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements.


YUSUF AYOUB
Managing Director


ZIA ZAKARIA
Director

SHAHMURAD SUGAR MILLS LTD.

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED DECEMBER 31, 2013**

	Issued, subscribed & paid up capital	General reserve	Unrealized (loss)/profit on remeasurement of investment	Un-appropriated profit	Total
	----- (Rupees in thousand) -----				
Balances as at October 01, 2012	211,187	80,000	(1,448)	363,636	653,375
Total Comprehensive Income for the three months ended December 31,2012	-	-	-	15,950	15,950
Balances as at December 31,2012	211,187	80,000	(1,448)	379,586	669,325
Transaction with owners					
Final Dividend for 30-September-2012 @ Rs.1.50 Per Share	-	-	-	(31,678)	(31,678)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation net of deferred tax	-	-	-	19,578	19,578
Total Comprehensive Income for the year ended September 30, 2013	-	-	70	75,661	75,731
Balances as at September 30, 2013	211,187	80,000	(1,378)	443,147	732,956
Total Comprehensive Income for the three months ended December 31,2013	-	-	-	6,282	6,282
Balances as at December 31,2013	211,187	80,000	(1,378)	449,429	739,238

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements.


YUSUF AYOOB
Managing Director


ZIA ZAKARIA
Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2013**

1 SELECTED EXPLANATORY NOTES TO THE ACCOUNTS

1.1 The Company and its Operations

The Company was incorporated in Pakistan under the repealed Companies Act, 1913 (now companies Ordinance, 1984) as a public limited company. Its shares are listed in Karachi stock Exchange. The company owns and operate sugar and ethyl Ethanol units which are located at Jhoke Sharif, District Thatta in the province of Sindh, while Company's registered office is located at 96-A, Sindhi Muslim Cooperative Housing Society, Karachi, Sindh.

1.2 Accounting Convention

These financial statements have been prepared under "Historical cost convention" as modified by revaluation of certain property, plant and equipments, and long term investments, which is stated at fair value and stock in trade when valued at net realizable value. The Financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

1.3 Basis of Preparation

These financial statements are unaudited and are being submitted to the shareholders as required under section 245 of Companies Ordinance, 1984 and have been prepared in accordance with the requirements of the International Accounting Standard-34 "Interim Financial Reporting" as applicable in Pakistan.

These interim financial statements are in condensed form and should be read in conjunction with the annual financial statements of the company for the year ended September 30, 2013.

1.4 Accounting Policies

The accounting policies and basis for accounting estimates adopted for 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 September 30, 2013.

- 1.5** Due to the seasonal availability of sugarcane, the manufacture 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 subsequent interim and annual financial statements.

SHAHMURAD SUGAR MILLS LTD.

	December 2013			September 2013 (Audited)		
	Direct Addition	Transfer from CWIP	TOTAL	Direct Additions	Transfer from CWIP	TOTAL
2 ADDITIONS AND DISPOSAL IN OPERATING ASSET						
Land	-	-	-	-	-	-
Factory Building	-	-	-	-	1,999	1,999
Non-Factory Building	-	-	-	-	2,506	2,506
Residential Quarter	-	-	-	-	3,169	3,169
Plant and machinery	-	28,333	28,333	-	149,002	149,002
Furniture and fixtures	71	-	71	1,113	-	1,113
Vehicles	2,527	-	2,527	1,492	-	1,492
Office equipment	1,361	-	1,361	5,872	-	5,872
	<u>3,959</u>	<u>28,333</u>	<u>32,292</u>	<u>8,477</u>	<u>156,676</u>	<u>165,153</u>
Disposal of Assets (W.D.V):			<u>9</u>			<u>2,025</u>

	December 2013	September 2013 (Audited)
2.1 CAPITAL WORK IN PROGRESS		
Civil	10,739	14,954
Plant & Machinery	26,343	82,395
	37,082	97,349
Addition during the three months		
Civil	9,852	3,459
Plant & Machinery	15,123	92,950
	24,975	96,409
Capitalization during the three months		
Civil	-	7,674
Plant & Machinery	28,333	149,002
	28,333	156,676
Closing Balance		
Civil	20,591	10,739
Plant & Machinery	13,133	26,343
	<u>33,724</u>	<u>37,082</u>
3 Intangible Asset		
Opening	4,452	-
Addition during the period	-	5,917
Amortization charged during the period	(266)	(1,465)
Closing Balance	<u>4,186</u>	<u>4,452</u>

SHAHMURAD SUGAR MILLS LTD.

	December 2013	September 2013 (Audited)
4 Long Term Investments	(Rupees in thousand)	
Share of M/S Al-Noor Modaraba Management (Pvt.) Ltd.	4,346	4,130
Share of profit /Dividend received	-	216
	4,346	4,346

The company holds 14.285% (September 2013:14.285%) interest in Al-Noor Modaraba Management (Pvt.) Ltd., a private limited Company. The accounting policies and basis for accounting estimates adopted for 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 September 30,2013. Since the latest financial statements of associate are available for the year ended June 30, 2013, hence the value of investment has been taken on the basis of financial statements for that year end.

5 CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

- a) There is no material change in status of contingencies as disclosed in note No. 26 (a) of the annual financial statements for the year ended September 30, 2013 except for;

As stated in note# 25.1.4 of the annual report 2013, that Honourable High Court of Sindh,Karachi has declared Special Excise Duty as void-abinitio and of no legal effect.The Inland Revenue Department Karachi has filled an appeal before the Honourable Supreme Court of Pakistan against the decision of Honourable High Court of Sind Karachi.

During the period under review , the company has received show cause notice, from department of Inland Revenue LTU Karachi, against refund claim of Special Excise Duty filed by the company, in compliance of the order of Honourable High Court of Sindh Karachi.

The Company has filed another appeal in Honourable High Court of Sindh Karachi, against the show cause notice issued by the department of Inland Revenue LTU Karachi.

- b) During the period under review, the company has filed an appeal before the Honorable High Court of Sindh against the show cause notice issued by the department of Inland Revenue Service-LTU.The show cause notice was issued against the company regarding the reduced rate of Federal Excise Duty availed by the company amounting to Rs.99,801,094 under SRO 77(1)/2013 dated 7th February 2013.

	December 2013	September 2013 (Audited)
5.2 Commitment	(Rupees in thousand)	
Letter of credit for Store and Spares	-	1,624
Bank Guarantees		
In favour of Trading Corporation of Pakistan	34,152	6,505
In favour of Excise & Taxation department	500	500
	34,652	7,005

SHAHMURAD SUGAR MILLS LTD.

		October to December 2013 2012	
		(Rupees in thousand)	
6	COST OF GOODS SOLD		
	Cost of goods manufactured (5.1)	679,988	659,080
	Finished goods (Opening stock)	854,077	1,362,983
	Finished goods (Closing stock) 6.2	(581,423)	(442,382)
		272,654	920,601
		<u>952,642</u>	<u>1,579,681</u>
6.1	Cost of goods manufactured		
	Raw material consumed	658,069	624,817
	Salaries,wages and benefits	21,513	18,432
	Stores and spares consumed	39,665	35,490
	Packing materials	4,603	2,363
	Chemical and process	7,678	6,625
	Fuel and oil	10,097	7,272
	Power and water	8,307	6,846
	Repair and maintenance	13,870	11,929
	Insurance	2,284	2,326
	Depreciation	23,910	22,932
	Cane Development Cess	695	339
	Other manufacturing expenses	6,025	2,653
		<u>796,716</u>	<u>742,024</u>
	Less: by product transfer/sale		
	Molasses	(34,920)	(12,150)
	Scrape	(2)	-
		<u>(34,922)</u>	<u>(12,150)</u>
	Work-in-process		
	Opening stock-Sugar	7,794	6,792
	Closing stock-Sugar	(75,015)	(65,567)
	Opening stock-Molasses	-	-
	Closing stock-Molasses	(14,585)	(12,019)
		<u>(81,806)</u>	<u>(70,794)</u>
		<u>679,988</u>	<u>659,080</u>

6.2 Stock of refined sugar at the end of the period valued at Net Realizable Value amounting to Rs.510.116M

7 AGGREGATE TRANSACTION WITH ASSOCIATED UNDERTAKINGS

The associated undertakings and related parties comprises associated companies staff retirement funds, directors and key management personnel. The significant transactions with associated undertakings and related parties and contribution to retirement benefit scheme during the period are given below:

SHAHMURAD SUGAR MILLS LTD.

	December 2013	December 2012
	(Rupees in thousand)	
Reliance Insurance Company Ltd-Insurance premium	3,128	2,361
Key Management Personnel		
Directors' remuneration	3,045	3,050
Executives remuneration	7,805	6,905
	10,850	9,955
Directors' meeting fee	45	40
Al-Noor Sugar Mills Ltd -Purchase of Goods	129,847	69,087
Reliance Insurance Comapy Ltd-Insurance Claim	606	-
Staff Provident Fund contribution during the period	632	576

8 SEGMENT INFORMATION

The Company operating businesses are organized and managed separately according to the nature of products produced with each segment representing a strategic business unit that offer different products and serves different markets. The sugar segment is the manufacturer of the sugar and ethanol segment is a manufacturer of Ethyl Ethanol. The following tables represents revenue and profit and other information regarding business segment for the period ended December 31, 2013 and December 31, 2012 and assets and liabilities information regarding business segments as at December 31, 2013 and September 30, 2013.

	(Rupees in thousand)					
	Sugar		Ethanol		Consolidated	
	December		December		December	
	2013	2012	2013	2012	2013	2012
REVENUE						
External Sales	480,354	858,542	557,402	824,153	1,037,756	1,682,695
Intersegment sales	34,920	12,150			34,920	12,150
Total Revenue	515,274	870,692	557,402	824,153	1,072,676	1,694,845
RESULTS						
Profit/(Loss) from operation	(79,468)	(92,475)	109,641	134,529	30,173	42,054
Other Operating Income					7,061	1,184
Finance charges					(53,569)	(61,427)
Loss before tax					(16,335)	(18,189)
Taxation					17,993	29,299
Profit for the period					1,658	11,110
OTHER INFORMATION						
Additions in Property, Plant & Equipment	2,595	6,208	26,067	4,008	28,662	10,216
Depreciation	14,607	14,364	12,523	11,794	27,130	26,158
Disposal	9	-	-	-	9	-
BALANCE SHEET						
Assets						
Segment Assets	2,164,524	1,950,908	2,000,631	1,698,307	4,165,155	3,649,215
Un-allocated Assets					150,609	152,848
Total Assets					4,315,764	3,802,063
Liabilities						
Segment Liabilities	2,255,384	1,413,161	1,526,393	1,227,588	3,781,777	2,640,749
Un-allocated Liabilities					5,911	12,138
					3,787,688	2,652,887

9 WORKERS PROFIT PARTICIPATION FUND, WORKERS WELFARE FUND AND TAXATION

Allocation to the Worker's Profit Participation Fund, Worker's Welfare Fund and provision for taxation are provisional. Final Liability would be determined on the basis of annual results. Due to loss in the current period no provision of Workers' Profit Participation Fund and Workers' Welfare Fund has been provided.

10 Authorization

These financial statements were authorized for issue on January 28, 2014 by the Board of Directors of the Company.

11 GENERAL

Figures have been rounded off nearest to thousand rupees.


YUSUF AYOOB
Managing Director


ZIA ZAKARIA
Director


SHAHMURAD
SUGAR MILLS LIMITED

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