

KHAIRPUR SUGAR MILLS LTD.



KHAIRPUR
SUGAR MILLS LIMITED

QUARTERLY

Financial Statements

**FOR THE
PERIOD ENDED
JULY 30, 2019
(UN-AUDITED)**

CONTENTS

S.No		S.No
02	COMPANY PROFILE	02
03	VISION & MISSION STATMENT	03
04	CHAIRPERSON REVIEW REPORT	04
05	DIRECTOR'S REPORT	05
07	CONDENSED INTERIM BALANCE SHEET (UNAUDITED)	07
08	CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)	08
09	CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)	09
10	CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)	10
11	CONDENSED INTERIM FINANCIAL STATEMENT (UNAUDITED)	11

COMPANY PROFILE**CORPORATE INFORMATION****Date of Incorporation**

August 23, 1989

Date of Commencement of Business

September 13, 1989

BOARD OF DIRECTORS

Mr. Muhammad Mubeen Jumani - Chief Executive Officer
Mr. Faraz Mubeen Jumani - Managing Director
Mr. Fahad Mubeen Jumani
Mrs. Qamar Mubeen Jumani - Chairperson
Miss. Arisha Mubeen Jumani
Lt. Gen (Retd). Tahir Mahmud Qazi
Lt. Gen (Retd). Anis Ahmed Abbasi

CHIEF FINANCIAL OFFIER

Mr. Mirza Muhammad Bilal Kamil

COMPANY SECRETARY

Mr. Shoaibul Haque

BANKERS

National Bank of Pakistan
Sindh Bank Limited
Dubai Islamic Bank Pakistan Limited
MCB Bank Limited
United Bank Limited
Allied Bank Limited
Bank Al Falah Limited
Habib Bank Limited

STATUTORY AUDITORS

M/S. Haroon Zakaria & Company
Chartered Accountants
M-1-M4, Mezzanine Floor, Progressive Plaza,
Plot No. 5 CL - 10, Civil Lines Quarter,
Beaumont Road, Near Dawood Centre,
Karachi - 75530 PAKISTAN.

AUDIT COMMITTEE

Lt. Gen (Retd.) Anis Ahmed Abbasi	Chairman
Lt. Gen (Retd). Tahir Mahmud Qazi	Member
Mrs. Qamar Mubeen Jumani	Member

HR AND REMUNERATION COMMITTEE

Mr. Arisha Mubeen Jumani	Chairman
Lt. Gen (Retd.) Anis Ahmed Abbasi	Member
Mr. Muhammad Mubeen Jumani	Member

LEGAL ADVISOR

Syed Zafar Ali Shah (Advocate)
Bukhari Law Associates, B-8, 3rd Floor, Jumani Arcade,
University Road, Gulshan-e-Iqbal, Karachi.

SHARES REGISTERAR

M/S. C & K Management Associates (Pvt.) Limited
404, Trade Tower, Abdullah Haroon Road, Near Metropole
Hotel, Karachi.

REGISTERED OFFICE

3rd Floor, 15-C, 9th Commercial Lane,
Zamzama, Defence Housing Authority, Phase V,
Karachi.
Ph: 021-35810771-75
Fax: 021-35810776

MILLS

Naroo Dhoru, Taluka Kot Diji,
Khairpur.

E-MAIL & WEBSITE

headoffice@jumanigroup.com
<http://khairpursugar.com.pk>

STOCK EXCHANGE SYMBOLKPUS

VISION STATEMENT

We aim to be a leading manufacturer of quality sugar, and other allied products and its supplier in local and international markets. We aspire to be known for the quality of our products and intend to play a pivotal role in the economic and social development of Pakistan.

MISSION STATEMENT

As a prominent producer of sugar, and other allied products, we shall continue to strive to achieve excellence in performance and aim to exceed the expectations of all stakeholders. We target to achieve technological advancements to inculcate the most efficient, ethical and time tested business practices in our management.

CHAIRPERSON REVIEW REPORT

Dear Shareholders

On the end of third quarter of financial year 2018-19, I am pleased to present the results of company operations on behalf of the board of directors where you have invested your capital in facilitating us to create a valuable product and we express our gratitude in the trust you have endowed on us.

The last nine months were very challenging for sugar industry where at one side industry was struggling for sugar cane and due to unavailability of sugarcane almost all mills stop crushing by the mid of March 2019 and on the other hand sugarcane procurement cost are quite high due to short availability of sugar cane further markup cost also increased substantially due to increase in kibar rates by State Bank of Pakistan. Further the continuous unpredictability of the economy also results in further increase in Kibar and the sharp increase in sales tax rates through the finance act also enhance the challenges which the industry is currently facing. However, the board and the management of your company are well aware of the challenges and trying their level best to overcome these challenges in effective and efficient manner.

Your Board is responsible for setting the right tone from the top and ensuring that a strong governance structure is in place to enable the business to succeed and deliver long term sustainable growth. Your board follows strict measure to ensure it evaluates your directors and the value they add to your board.

I firmly believe that our business is well placed for the competitive future. I take this opportunity to thanks our shareholders, employee, financial institution and all other stakeholders for their continued support and contribution in making company a success story.

A handwritten signature in black ink, appearing to read 'Qamar Mubeen Jumani'.

Qamar Mubeen Jumani

Chairperson

Karachi: July 18, 2019

DIRECTORS' REPORT

Dear Members

Assalam-o-alaikoom

On behalf of the Board of Directors, it is our privilege to present before you the un-audited accounts of the Company for the Third Quarter ended June 30, 2019,

FINANCIAL RESULTS

During the period under review, the operation of your Company resulted in a pre-tax loss of (Rs.31,007) Million. The financial results are as under:

	<u>Rupees in thousand</u>
(Loss) before taxation	(31,007)
Taxation	(11,876)
(Loss) after taxation	(42,883)

PERFORMANCE REVIEW

The crushing season 2018-19 started on 26th November 2018 and closed on March 17, 2019. Till said date (i.e. 17 March 2019) 663,364.694 M.T Sugar-cane has been crushed by producing 68,714 M.T Sugar with an average recovery of 10.358% in 112 days, as compared to crushing of 828,100.921 MT Sugar-cane by producing 85,625 MT of Sugar with average recovery of 10.34% in 148 days in the corresponding period of last year / season 2017-18 (started on November 29, 2017 ended on April 25, 2018).

The Government of Sindh (Agriculture, Supply & Prices Department) on December 07, 2018 issued notification for commencement date of sugarcane crushing season 2018-19 with effect from 30th November 2018 and fixing the minimum support price of sugar-cane at Rs.182/= plus Quality Premium for crushing season 2018-19. The sugar production cost on said rate of sugar-cane works out to Rs.66 per kg. The price of sugar-cane is linked to the price of Sugar. It was not justified in relation to the prevailing sugar price both in domestic and international markets. Our Mill with other sugar mills filed a petition before Hon'ble High Court of Sindh challenging the said notification of Government of Sindh fixing the minimum price of sugar-cane for crushing season 2018/2019 as totally arbitrary and unjustified and would result an economic disaster for the Sugar Industry. In compliance of the Order dated 05.03.2019 passed by the Honorable High Court of Sindh in CP No. 8591/2018, The Government of Sindh (Agriculture Supply & Prices Department) issued notification No. 8(142)S.O(Ext)2018-19/336

dated 02-05-2019 fixing the minimum price of sugarcane at Rs.182/= per 40 kg. (Maund) plus quality premium at fifty paise per 40 kg. (Maund) for each 0.1 % of excess sucrose recovery above 8.7 %. During current season (2018-19), in Sindh sugarcane production saw a decline of 30-35percentage. The sowing of sugar cane was lower compared to last year levels. On the other hand, FBR increased Sales Tax from 11% (i.e. 8% Sales Tax plus 3% further tax) to 17% through Finance Act 2019 on white sugar calculated on the basis of Rs.60 per kg whereas sugar is being sold at ex-mill of not more than Rs.63-64 per kg.

The sugar industry is perturbed over the speculations of crackdown being launched by the Federal Board of Revenue (FBR). There is harrowing fall in the price of sugar due to glut-like situation in the country during the past several years and the industry was not in a position to recover its cost of production. The crushing season 2018-19 generally also started late due to carryover stocks. The sugar industry remained engaged with the government as it was not possible to buy sugar cane from the growers at the support price of Rs.182 / 40 Kg. The sugar industry has time and again reiterated that its cost of production based on the support price of Rs.182 / 40 Kg comes closer to 66 / kg. with the previously notified rate of sales tax. The average break-even with other cost push factors and interest/financial costs has considerably increased for this season (2018-19). With the increase in Sales Tax rate, price will escalate further. However, ever since the budget announced on June 11, 2019, there is a downward trend in the market by almost two/three rupees per kg as the dealers have started taking delivery of the sold un-lifted stocks. It is relevant to mention here that Sugar is produced in 100-120 days crushing season and sold throughout the year therefore at any given point of time there will be stock in the godowns of sold/un-sold quantity.

Considering surplus stock in the country, the Federal Government (ECC – Economic Coordination Committee of the Cabinet) has allowed export of sugar with “no freight or financial support to millers/exporters by the Federal/Provincial Government” and “those Mills will be allowed to export who have cleared outstanding dues of farmers for sugar-cane crop up to 2017-18”. Apart from this, due to depress price of sugar in international market the export of sugar could not be materialized.

In the end, I would like to place on record the sincere efforts and hard work put up by workers, staff and officers of the company.

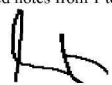

(Faraz Mubeen Jumani)
Managing Director

Karachi, dated the
July 18, 2019

KHAIRPUR SUGAR MILLS LIMITED
CONDENSED INTERIM BALANCE SHEET (UNAUDITED)
AS AT JUNE 30, 2019

	June 30 2019 (Unaudited)	September 30 2018 (Audited)
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	5 2,253,561	1,608,012
Intangible Assets	6,307	6,307
Long Term deposits	2,129	1,557
Deferred taxation	-	5,321
	2,261,997	1,621,197
CURRENT ASSETS		
Stores & spare and loose tools	141,632	120,742
Stock in Trade	1,356,953	1,174,143
Loans and Advances	410,673	309,452
Deposits, prepayments and other receivables	228,921	478,379
Tax refund due from Government	-	6,288
Cash and bank balances	7,779	23,908
	2,145,958	2,112,912
TOTAL ASSETS	4,407,955	3,734,109
EQUITY AND LIABILITIES		
Authorised share capital 20,000,000 ordinary shares of Rs. 10/- each	200,000	200,000
Issued, subscribed and paidup capital	160,175	160,175
Surplus on revaluation of fixed assets-net	718,964	255,329
Accumulated (Loss)	(210,864)	(189,504)
SHAREHOLDER'S EQUITY	668,275	226,000
NON-CURRENT LIABILITIES		
Long Term Financing	1,055,066	1,006,238
Liabilities against asset subject to finance lease	8,647	12,364
Deferred Liability	168,718	86,220
	1,232,431	1,104,822
CURRENT LIABILITIES		
Short term borrowing	6 1,399,724	894,107
Current portion of liabilities against assets subject to finance lease	4,922	4,709
Trade & other payables	1,072,645	1,479,815
Provision for taxation	2,442	-
Accrued Markup	27,516	24,656
	2,507,249	2,403,287
CONTINGENCIES	7	
Total Equity and Liabilities	4,407,955	3,734,109

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



MUHAMMAD MUBEEN JUMANI
Chief Executive



**MIRZA MUHAMMAD BILAL
KAMIL**
Chief Financial Officer



FARAZ MUBEEN JUMANI
Managing Director

Karachi, Dated, July 18, 2019

KHAIRPUR SUGAR MILLS LTD
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT & OTHER COMPRENSIVE (UNAUDITED)
FOR THE NINE MONTHS AND THIRD QUARTER ENDED JUNE 30, 2019

	<i>Nine months ended</i>		<i>Third quarter ended</i>	
	<i>June 30, 2019</i>	<i>June 30, 2018</i>	<i>June 30, 2019</i>	<i>June 30, 2018</i>
	<i>-----Rupees in 000's-----</i>			
Sales - net	3,695,560	3,780,411	979,507	883,568
Cost of Sales	(3,363,080)	(3,837,518)	(942,656)	(813,411)
Gross (Profit / Loss)	332,480	(57,107)	36,851	70,157
Administrative Expenses	(174,952)	(131,824)	(69,087)	(45,889)
Distribution Expense	(16,760)	(68,753)	(337)	(33,134)
Operating (Profit / Loss)	140,768	(257,684)	(32,573)	(8,866)
Other Income	282	281,240	30	73,629
Other Operating Charges	(8,497)	(9,644)	(1,863)	(2,651)
	132,553	13,912	(34,406)	62,112
Financial charges	(163,560)	(119,292)	(72,296)	(56,549)
(Loss)/ Profit before Taxation	(31,007)	(105,380)	(106,702)	5,563
Taxation	(11,876)	25,233	41,790	8,211
(Loss) / Profit after Taxation	(42,883)	(80,147)	(64,912)	13,774
Other comprehensive income	-	-	-	-
Total comprehensive (loss)/ profit for the period	(42,883)	(80,147)	(64,912)	13,774
(Loss) / Earnings per share-basic and diluted	(2.68)	(5.01)	(4.06)	0.86

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


MUHAMMAD MUBEEN JUMANI
 Chief Executive


MIRZA MUHAMMAD BILAL KAMIL
 Chief Financial Officer


FARAZ MUBEEN JUMANI
 Managing Director

Karachi, Dated, July 18, 2019

KHAIRPUR SUGAR MILLS LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED JUNE 30, 2019

	<i>June 30,</i> 2019	<i>June 30,</i> 2018
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>----- Rupees in '000 -----</i>	
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net (loss) / profit before taxation	(31,007)	(105,380)
Adjustments for:		
- Financial cost	114,205	73,198
- Depreciation	80,186	55,446
- Gratuity	-	2,353
- Amortization of interest free loan	48,828	45,735
	243,219	176,732
Working capital changes:		
Stores, spares and loose tools	(20,890)	2,740
Stock in trade	(182,810)	150,010
Loans and advances - Considered good	(101,221)	(18,806)
Deposits, prepayments and other receivables	249,458	(291,341)
Trade and other payables	(407,170)	64,449
	(462,633)	(92,948)
	(250,421)	(21,596)
Taxes paid - net	(28,853)	(49,710)
Financial charges paid	(125,146)	(82,564)
	(153,999)	(132,274)
Net cash (used in) operating activities	(404,420)	(153,871)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(101,966)	(692)
Long term deposits	(572)	(6,381)
Capital work-in-progress	(4,778)	(27,632)
Net cash (used in) investing activities	(107,315)	(34,705)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from short term borrowing and long term loan	505,617	164,359
Repayment of lease rentals	(3,504)	-
Repayment of staff gratuity	(6,507)	-
Net cash generated from financing activities	495,606	164,359
Net decrease in cash and cash equivalents	(16,129)	(24,217)
Cash and cash equivalent at beginning of the period	23,908	37,048
Cash and cash equivalent at end of the period	7,779	12,831

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



 MUHAMMAD MUBEEN JUMANI
 Chief Executive



 MIRZA MUHAMMAD BILAL
 KAMIL
 Chief Financial Officer



 FARAZ MUBEEN JUMANI
 Managing Director

Karachi, Dated, July 18, 2019

KHAIRPUR SUGAR MILLS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED JUNE 30, 2019

	<i>Issued, subscribed & paid-up capital</i>	<i>Capital Reserve Surplus on revaluation of fixed assets</i>	<i>Accumulated loss</i>	<i>Total</i>
-----Rupees in 000's-----				
Balance as at September 30, 2017	160,175	264,583	(224,767)	199,991
<i>Total comprehensive income for the period ended June 30 2018</i>				
- Profit for the period	-	-	(80,147)	(80,147)
- Other comprehensive income for the period	-	-	9,628	9,628
	-	-	(70,519)	(70,519)
Transfer on account of incremental depreciation-net of deferred tax	-	(9,628)	-	(9,628)
Balance as at June 30, 2018	160,175	254,955	(295,287)	119,843
Balance as at September 30, 2018	160,175	255,329	(189,504)	226,000
Revaluation during the period - net off deferred tax		485,159		
<i>Total comprehensive income for the period ended June 30 2019</i>				
- Profit for the period	-	-	(42,883)	(42,883)
- Other comprehensive income for the period	-	-	-	-
	-	-	(42,883)	(42,883)
Transfer on account of incremental depreciation-net of deferred tax	-	(21,524)	21,524	-
Balance as at June 30, 2019	160,175	718,964	(210,864)	668,275

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


MUHAMMAD MUBEEN JUMANI
 Chief Executive


MIRZA MUHAMMAD BILAL KAMIL
 Chief Financial Officer


FARAZ MUBEEN JUMANI
 Managing Director

Karachi, Dated, July 18, 2019

KHAIRPUR SUGAR MILLS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED JUNE 30, 2019

1. NATURE AND STATUS OF BUSINESS

The Company was incorporated in Pakistan on August 23, 1989 as a public limited company under the Companies Ordinance, 1984 (The Ordinance). The company is listed on Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange). The registered office of the Company is situated at 3rd floor, Plot No.15C, 9th Commercial lane, Zamzama, D.H.A Karachi.

The principal activity of the Company is the manufacture and sale of sugar and by products.

2. BASIS OF PREPARATION

This condensed interim financial statements is unaudited and has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting which comprise of the International Accounting Standard - 34 "Interim Financial Reporting" as applicable in Pakistan and provisions of, and directives issued under the Companies Act 2017; in case, where the requirements of the International Accounting Standard differ, the provisions of, and directives issued under the Companies Act 2017 (the act). In cases where the requirements of the International Accounting Standard differ, the provisions of, and directives issued under the Act shall prevail.

This condensed interim financial statements does not include all the information required for full annual financial statements and should be read in conjunction with the audited financial statements of the company as at and for the year ended September 30, 2018.

These condensed interim financial statements are being submitted to the shareholders as required under section 237 of the Companies Act, 2017 and the listing regulations of the Karachi Stock Exchange.

The comparative balance sheet presented in these interim financial statements has been extracted from the audited financial statements of the Company for the year ended September 30, 2018, whereas the comparative profit and loss account, statement of changes in equity, statement of comprehensive income and cash flow statement are extracted from the unaudited interim financial statements for the nine months period ended June 30, 2018.

2.1 Functional and Presentation Currency

These condensed interim financial statements are prepared in Pakistani Rupees which is also the Company's functional currency and all the numbers presented have been rounded off to the nearest thousand.

3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial statements are the same as those applied in the preparation of the audited financial statements of the company as at and for the year ended September 30, 2018. Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the company's operations and did not have any impact on the accounting policies of the company.

4 ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of these condensed interim financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts. Actual results may differ from these estimates, assumptions and judgements. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the financial statements as at and for the year ended September 30, 2018.

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended September 30, 2018.

5. PROPERTY, PLANT & EQUIPMENT

		<i>Un-audited</i> <i>June 30,</i> <i>2019</i>	<i>Audited</i> <i>September 30,</i> <i>2018</i>
	<i>Note</i>	<i>----- Rupees in '000 -----</i>	
Written down value at 1 October		1,591,925	1,442,751
Additions	5.1	101,966	228,371
Revaluation		618,992	
Depreciation		<u>(80,186)</u>	<u>(79,197)</u>
		2,232,697	1,591,925
Capital work in progress		<u>20,865</u>	<u>16,087</u>
		<u>2,253,561</u>	<u>1,608,012</u>

	<i>Un-audited</i> <i>June 30,</i> <i>2019</i>	<i>Audited</i> <i>September 30,</i> <i>2018</i>
<i>Note</i>	<i>----- Rupees in '000 -----</i>	
5.1 Additions		
Building on freehold land	-	19,858
Plant and machinery	101,342	208,239
Office equipment	52	-
Furniture & fixture	-	146
Factory equipment	12	64
Vehicle	560	64
	<u>101,966</u>	<u>228,371</u>
6. SHORT TERM BORROWINGS		
<i>From Related parties - Unsecured</i>		
- From directors	28,907	18,907
<i>From banking company - Secured</i>		
- Running Finance	6.1 89,772	
- Cash finance	6.2 1,281,045	875,200
	<u>1,399,724</u>	<u>894,107</u>

6.1 This represents one time running finance from National Bank of Pakistan of Rs 179.4 million. The entire amount is secured against the assignment of subsidy receivable onky NBP portion and personal guarantees of directors.

6.2 This represents roll over secured cash financing of Rs. 2,000 million (2018 : Rs. 1,800 millions) from Banking companies and carries markup ranges from 3 Month KIBOR + 2.5% to 3 Month KIBOR + 5 % (2018 : 3 Month KIBOR + 2.5% to 3 Month KIBOR 2.5% to 5%) per annum. The facility is secured against pledge of sugar stock of the Company, first equitable mortgage over land and property of associated company and personal guarantees of all directors of the Company.

7 CONTINGENCIES AND COMMITMENTS

As at 30 June 2019, there is no material change in the status of matters reported as contingencies and commitments in the notes to financial statements of the company for the year ending 30 September 2018.

8 SEASONALITY OF OPERATIONS

The Sugar Industry are operating on seasonal basis normally from November to April. Therefore all major production cost other than fixed cost, for example cost of goods manufactured, stock and short term finances being reflected to be high in this period.

9 TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise group companies, associates, directors and key management personnel.

During the period, following transactions with related parties are carried out: -


	<i>Nine months ended</i>	
	<i>June 30,</i> <i>2019</i>	<i>June 30,</i> <i>2018</i>
	<i>----- Rupees in '000 -----</i>	
Loan from director - receipts	10,000	-
Loan from director - repayments	-	30,100
Remuneration and other benefits of Chief Executive and Directors	32,770	8,400
Loan received from associate	75,600	-
Loan repaid to associate	18,700	-

10 DATE OF AUTHORIZATION

This condensed interim financial information has been authorized for issue on **18th July 2019** by the Board of Directors of the Company.

11 GENERAL

Figures have been rounded off to the nearest thousand rupees.


 MUHAMMAD MUBEEN JUMANI
 Chief Executive


 MIRZA MUHAMMAD BILAL
 KAMIL
 Chief Financial Officer


 FARAZ MUBEEN JUMANI
 Managing Director

Karachi, Dated, July 18, 2019