

QUARTERLY REPORT DECEMBER 2015



YEARS

DIRECTORS' REPORT

On behalf of the Board, I feel pleasure in presenting financial results for the first quarter ended December 31, 2015.

Operational Highlights	2015	2014
Season Started	24-11-2015	08-12-2014
Crushing- M. Tons	382,451	230,908
Capacity Utilization	91.50%	87.47%
Sucrose Recovery	10.75%	10.57%
Sugar Production- M. Tons	39,590	22,850
Molasses production- M. Tons	14,320	8,130
Molasses Recovery	4.06%	4.15%

Financial Highlights		2015	2014
Turnover	Rs. '000	2,286,554	851,397
F.E.D. / Sales tax	Rs. '000	164,023	48,191
Gross profit	Rs. '000	276,076	85,603
Gross Profit margin	%	13.01	10.66
Profit before tax	Rs. '000	253,653	81,515
Profit before tax margin	%	11.95	10.15
Net Profit after tax	Rs. '000	196,600	64,447
Net Profit margin	%	9.26	8.02
Earnings per share	Rs.	6.14	2.01

Factors responsible for achieving positive results are enumerated below;

- Higher dispatches of sugar in the local market which were largely related to production of last season but dispatched during this quarter
- Healthy gross margins due to lower cost of production of previous season
- Share of Profit from Unicol Limited of Rs. 37.15 million
- Improvement in sucrose recovery which was the highest achieved by the company in the first quarter
- Improvement in average selling price of sugar
- Financial expenses were lower by 41%

The crushing season 2015-16 commenced earlier than last year. Your mill started crushing 14 days earlier as compared to last year. Availability of sugarcane during the period remained sufficient in the province and most of the mills were able to crush consistently and our procurement price remained at the notification level of Rs. 172/40 Kg. Sucrose recovery was recorded at 10.75% as compared to 10.57% during the preceding period. Overall sucrose recoveries in the country seem to be slightly lower than last year and thus in such a scenario our recovery is satisfactory.

Initial estimates suggested yet another bumper sugarcane crop. Our internal and regional cane surveys had estimated a crop similar in size to the previous one. However as the season is progressing we feel that the crop in Sindh may be slightly lower than last year. The major shortages seem to be in Southern and Northern regions of the Sindh province, however we still feel crop size in our region shall remain comparable to last season. The overall shortage though could affect most mills and thus production in the province could be lower by 10%.

A Continued deflation in oil and other major commodity prices has impacted sugar and kept international prices depressed. Thus to support our high sugarcane support prices and ensure carryover stocks are off loaded, the

government announced export of 500,000 tons of sugar with a subsidy of Rs. 13/kg. The Federal Government's policy to export this sugar is a welcome and appreciable move however; its linkage with payment for purchase of sugarcane at Rs.180/40 kg has created a dis-equilibrium amongst Sindh and Punjab sugar mills. As a result, export deals are not materializing from Sindh sugar mills as cane prices here are comparatively lower. We feel this policy needs to be addressed as it creates a natural disadvantage for growers and millers in Sindh. The policy would also curb exports as the option of sea freight exports become uncompetitive and thus the only exports from Pakistan shall be from the North to Afghanistan.

Overall our sugar plant has run consistently and daily crushing has averaged 10,064 TCD as compared to 9,621 TCD last year. Our power export to HESCO during the quarter remained satisfactory and we are targeting a cumulative sale of 5.0 million units this year.

UNICOL LIMITED

The distillery operated satisfactorily during the period. Ethanol and CO₂ plants ran efficiently and at capacity. The continued decline in international prices had their effect on the profitability of the Company. However, it managed to improve the profitability from Rs.18.23 million of last year to Rs. 87.74 million during the current quarter which is commendable. This was achieved due to shipments in containers with better gross margins and also reduction in financial charges.

The enhanced yields through efficient molasses procurement at stable prices during the season would enable the company to safeguard itself against major price fluctuation and sustain its profitability for the remaining period of the year.

FUTURE OUTLOOK

As we mentioned earlier it seems that the national sugar production level could be 5-10% lower than last year. Our challenge is to try and ensure we produce a similar volume of sugar despite this lower national number.

The lower cane crop could escalate sugar cane prices however we are seeing a similar price trend in sugar as well which is comforting. We hope the higher sugarcane prices would encourage good plantation for season 2016-2017.

Unicol Limited continues to contribute positively and we expect profitability to remain similar to last year.

At UniEnergy Limited, we are pleased to report that the provincial government has formally allotted land for setting up the wind power project at Jhimpir, district Thatta. Equity Investment has also been made by all joint venture partners to meet the ongoing financial requirements. Technical and Grid studies have already commenced while financial and legal consultants have also been hired.

We are quite optimistic that despite the global commodity meltdown your company shall weather the storm and work hard in producing results which are comparable to the previous year.

For and on behalf of Board of Directors



Mohammed Ebrahim Hasham
Chief Executive Officer

Karachi: January 26, 2016

CONDENSED INTERIM BALANCE SHEET

As at December 31, 2015

	Note	Un-audited Dec 31, 2015 Rupees	Audited Sep 30, 2015 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	1,751,541,626	1,649,074,339
Long term investment	5	689,517,257	652,364,814
Long term deposits		1,055,400	1,055,400
		2,442,114,283	2,302,494,553
CURRENT ASSETS			
Biological assets		42,612,578	48,829,127
Stores and spare parts		80,971,818	95,909,067
Stock-in-trade		1,452,398,977	1,462,632,972
Trade debts - unsecured		18,955,776	42,097,026
Loans and advances - unsecured		57,595,298	35,378,818
Trade deposits and short term prepayments		29,150,890	9,817,974
Other receivables		4,001,935	6,835,115
Short term investments		779,134,718	725,422,253
Advance income tax		-	9,970,709
Cash and bank balances		15,187,746	45,554,037
		2,480,009,736	2,482,447,098
TOTAL ASSETS		4,922,124,019	4,784,941,651
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital		320,312,450	320,312,450
Reserves		1,734,878,226	1,541,452,888
		2,055,190,676	1,861,765,338
NON-CURRENT LIABILITIES			
Long-term financing - secured		435,912,536	273,232,712
Market committee fee payable		26,160,000	26,160,000
Liabilities against assets subject to finance leases		26,180,787	18,396,667
Deferred liabilities		9,414,422	9,414,422
Deferred taxation		305,999,296	289,248,760
Provision for quality premium		119,290,919	119,290,919
		922,957,960	735,743,480
CURRENT LIABILITIES			
Trade and other payables		1,077,210,897	1,670,966,579
Accrued mark-up		7,595,369	11,525,019
Short term borrowings - secured		578,174,051	190,888,771
Current portion of long term financing		154,495,649	151,020,204
Current maturity of liabilities against assets subject to finance lease		18,673,444	14,866,318
Provision for market committee fee		51,154,062	47,329,553
Current Portion of Market Committee fee payable		2,180,000	2,180,000
Income tax payable		13,815,544	-
Sales Tax / F.E.D / S.E.D. payable		40,676,367	98,656,389
		1,943,975,383	2,187,432,833
CONTINGENCIES AND COMMITMENTS	6	-	-
TOTAL EQUITY AND LIABILITIES		4,922,124,019	4,784,941,651

The annexed notes form an integral part of these condensed interim financial statements.


Chief Executive Officer

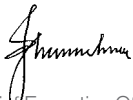

Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

For the period ended December 31, 2015 (Un-Audited)

	Note	Dec 31, 2015 Rupees	Dec 31, 2014 Rupees
Turnover		2,286,553,693	851,396,902
Less: F.E.D. / Sales Tax		(164,023,290)	(48,191,073)
Turnover - net		2,122,530,403	803,205,829
Cost of Sales		(1,846,454,404)	(717,603,212)
Gross Profit		276,075,999	85,602,617
Distribution costs		(9,591,697)	(6,384,543)
Administrative expenses		(39,302,001)	(37,737,948)
Other operating expense		(21,876,743)	(3,051,642)
Other operating income		23,515,829	20,207,426
		(47,254,612)	(26,966,707)
Operating profit		228,821,387	58,635,910
Finance costs		(12,320,741)	(20,761,011)
Profit from an Associate		37,152,443	43,639,628
Profit before taxation		253,653,089	81,514,527
Taxation		(57,052,917)	(17,067,406)
Net profit for the period		196,600,172	64,447,121
Earnings per share - basic and diluted		6.14	2.01

The annexed notes form an integral part of these condensed interim financial statements.



Chief Executive Officer



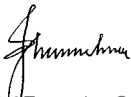
Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the period ended December 31, 2015 (Un-Audited)

	Dec 31, 2015 Rupees	Dec 31, 2014 Rupees
Net profit for the period	196,600,172	64,447,121
Other comprehensive (loss) / income		
Items to be classified to profit and loss account in subsequent periods		
Unrealised (loss) / gain on revaluation of investments	(7,826,000)	46,845,458
Reclassification to profit and loss account for (gain) / loss on sale of investments	4,651,165	(5,460,832)
	(3,174,835)	41,384,626
Total comprehensive income for the period	193,425,337	105,831,747

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Chief Executive Officer



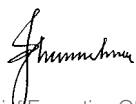
Director

CONDENSED INTERIM CASH FLOW STATEMENT

For the period ended December 31, 2015 (Un-Audited)

	Dec 31, 2015 Rupees	Dec 31, 2014 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	253,653,089	81,514,527
Adjustemnts for non -cash items:		
Depreciation	32,353,582	31,376,705
Share of profit from an associate	(37,152,443)	(43,639,628)
Provision for market committee fee	3,824,509	2,309,079
Gain on disposal of fixed assets	(3,354,530)	(535,963)
Realised loss/ (gain) on disposal of short term investments	5,311,396	(5,805,563)
Finance costs	12,320,741	20,761,011
Working Capital Changes	(603,672,695)	80,579,443
	(590,369,440)	85,045,084
Staff gratuity paid	-	(18,900)
Taxes paid	(16,516,128)	(4,027,696)
Market Committee fee	-	(2,180,000)
Finance costs paid	(16,250,390)	(34,728,770)
Net cash (used in) / generated from operating activities	(369,482,869)	125,604,245
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(137,616,339)	(39,631,866)
Short term investments	(129,411,388)	(132,173,736)
Proceeds from disposal of short term investements	67,212,693	106,277,659
Proceeds from disposal of operating fixed assets	6,150,000	1,305,000
Net cash used in investing activities	(193,665,034)	(64,222,943)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt of long-term financing (net)	166,155,269	74,198,410
Receipt / (Repayment) of short term loans (net)	387,285,280	(23,708,979)
Financing acquired / (Repayment) against assets subject to finance lease (net)	11,591,246	(659,901)
Dividend paid	(32,250,183)	(3,218,532)
Net cash generated in financing activities	532,781,612	46,610,998
Net (decrease)/increase in cash and cash equivalents	(30,366,291)	107,992,300
Cash and cash equivalent at the beginning of the period	45,554,037	33,192,734
Cash and cash equivalents at the end of the period	15,187,746	141,185,034

The annexed notes form an integral part of these condensed interim financial statements.



Chief Executive Officer



Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the period ended December 31, 2015 (Un-Audited)

	Reserves					Total	
	Issued, Subscribed and Paid-up Capital	Capital Reserve	Revenue Reserve	Gain/(loss) on changes in fair value of available for sale investments	Actuarial gain/(loss) on defined benefit plan		Accumulated (Losses) / Profit
	Rupees-						
Balance as at October 01, 2014	320,312,450	63,281,250	85,000,000	90,537,834	-	1,093,115,916	1,652,247,450
Profit for the period	-	-	-	-	-	64,447,121	64,447,121
Net gain on revaluation of available for sale investments	-	-	-	41,384,626	-	-	41,384,626
Total comprehensive income for the year	-	-	-	41,384,626	-	64,447,121	105,831,747
Balance as at December 31, 2014	320,312,450	63,281,250	85,000,000	131,922,460	-	1,157,563,037	1,758,079,197
Balance as at October 01, 2015	320,312,450	63,281,250	85,000,000	46,860,781	(667,641)	1,346,978,499	1,861,765,339
Profit for the period	-	-	-	-	-	196,600,172	196,600,172
Net loss on revaluation of available for sale investments	-	-	-	(3,174,835)	-	-	(3,174,835)
Total comprehensive income for the year	-	-	-	(3,174,835)	-	196,600,172	193,425,337
Balance as at December 31, 2015	320,312,450	63,281,250	85,000,000	43,685,946	(667,641)	1,543,578,671	2,055,190,676

The annexed notes form an integral part of these condensed interim financial statements.


Chief Executive Officer


Director

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

For the period ended December 31, 2015

1. THE COMPANY AND ITS OPERATIONS

Mehran Sugar Mills Limited (the Company) was incorporated in Pakistan as a public limited company on December 22, 1965 under the Companies Act, 1913 (now Companies Ordinance, 1984). The shares of the Company are quoted on Karachi Stock Exchange. The Company is principally engaged in the manufacturing and sale of sugar. The registered office of the Company is situated at 14th Floor, Dolmen City Executive Tower, Marine Drive, Block 4, Clifton, Karachi. The mill of the Company is located at Distt. Tando Allahyar, Sindh.

2. STATEMENT OF COMPLIANCE

These condensed interim financial statements are unaudited, except for the figures of the condensed interim Balance Sheet for the year ended September 30, 2015. These are required to be presented to the shareholders under Section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of the International Accounting Standard (IAS) – 34, "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. 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 Company's annual financial statements for the year ended September 30, 2015.

3. 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 September 30, 2015.

4. PROPERTY, PLANT AND EQUIPMENT

4.1 OPERATING FIXED ASSETS

	Un-audited Dec 31, 2015	Audited Sep 30, 2015
Opening written down value	1,601,164,852	1,522,440,753
Additions during the period	110,856,928	211,414,619
	<u>1,712,021,780</u>	<u>1,733,855,372</u>
Written down value of disposal during the period	2,795,470	2,545,204
	<u>1,709,226,310</u>	<u>1,731,310,168</u>
Depreciation charged during the period	32,353,582	130,145,316
	<u>1,676,872,728</u>	<u>1,601,164,852</u>

4.2 CAPITAL WORK-IN-PROGRESS

Buildings on freehold Land	1,151,978	1,764,127
Plant & Machinery	73,516,920	46,145,360
	<u>74,668,898</u>	<u>47,909,487</u>

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the period ended December 31, 2015 (Un-Audited)

	Note	Un-audited Dec 31, 2015	Audited Sep 30, 2015
5. LONG TERM INVESTMENT - Associated Company			
Investment in Unicol Limited	5.1	<u>689,517,257</u>	<u>652,364,814</u>
5.1			
The Company holds 23,059,573 (Sep 30, 2015: 23,059,573) shares representing 33.33 (Sep 30, 2015: 33.33) percent of the total equity of Unicol Limited which is involved in the manufacturing and selling of industrial ethanol.			

6. CONTINGENCIES & COMMITMENTS

CONTINGENCIES

There is no significant change in the contingencies since the last audited annual financial statements for the year ended September 30, 2015.

COMMITMENTS

Commitments in respect of capital expenditure as on December 31, 2015 amounted to Rs. 656.32 million (Sep 30, 2015: Rs. 710.73 million).

Commitments in respect of operating lease rentals for farms as on December 31, 2015 amounted to Rs. 5.37 million (Sep 30, 2015: Rs. 12.68 million).

Commitments for ljarah rentals in respect of motor vehicles as on December 31, 2015 amounted to Rs. 0.21 million (Sep 30, 2015: Rs. 0.53 million).

7. TRANSACTIONS WITH RELATED PARTIES

	Un-audited Dec 31, 2015	Un-audited Dec 31, 2014
Sales	83,829,409	49,222,056
Expenses shared	259,171	247,720
Insurance premium	-	13,400,111
Provident fund contribution	2,166,342	1,740,276
Donation Paid	-	1,000,000

8. EVENTS AFTER BALANCE SHEET DATE

The Board of Directors in its meeting held on January 26, 2016 has declared an interim cash dividend of Rs. 1.25 per share i.e. 12.5% (December 31, 2014: Re. 1.00 per share i.e. 10%).

9. GENERAL

These financial statements were authorized for issue on January 26, 2016 by the Board of Directors of the Company.

Previous period figures have been rearranged / regrouped wherever necessary to facilitate comparison.

Figures have been rounded off to the nearest rupee.


Chief Executive Officer


Director

CELEBRATING
50
YEARS

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