



QUARTERLY REPORT JUNE 2015



Directors' Report

On behalf of the Board, I am pleased to present the financial results for the nine months ended June 30, 2015.

Operational Highlights		2014-15	2013-14
Season Started		08-12-2014	01-11-2013
Crushing Days	Days	108	122
Crushing-M. Tons	M. Tons	946,871	1,140,502
Sucrose Recovery	%	11.42%	10.81%
Sugar Production-M. Tons	M. Tons	108,136	123,210
Molasses Production - M. Tons	M. Tons	39,027	48,770

Financial Highlights		June 30, 2015	June 30, 2014
Turnover	Rs. in '000	3,118,021	5,187,188
Profit before tax	Rs. in '000	412,646	401,455
Profit after tax	Rs. in '000	329,080	305,557
Earnings per share	Rs.	10.27	9.54

By the grace of God we were able to achieve a major success in season 2014-2015 as your Company achieved a sucrose recovery of 11.42% which was the highest in the history of Mehran as well as by any sugar mill in Pakistan.

During the year the average recovery in Sindh was 10.46% as compared to 10.08% in the previous year. In Punjab it was 9.96% as compared to 9.81% in the previous year while in KP it was 9.13% as compared to 8.75% in the previous year.

The overall Pakistan recovery was recorded at 10.07% which meant that Mehran's recovery at 11.42% was 13.4% higher than the national average.

Commencement of crushing season 2014-15 was marred by uncertainty. Dispute over the minimum support price between provincial government, growers and millers went back and forth before being finally settled by a Consent Order through the honourable high court of Sindh. The Government of Sindh (GoS) played a positive and instrumental role in amicably settling the situation. Their assistance to the growers and the industry by subsidizing the farmer in such tough times through a Rs. 12/- per maund subsidy was an extremely welcome and pro agriculture decision.

As committed by the GoS the subsidy was received in June 2015 and paid by us subsequently to the grower. We are pleased to report that we disbursed the said subsidy as soon as received from the Provincial Government. Accordingly, the cost of sugarcane has been adjusted downwards to account for receipt of subject subsidy.

This incentive and positive move by the Government of Sindh will go a long way in enhancing the revenue of the sugarcane farmers and encourage them to continue plantation of sugarcane.

During this period the Profit before tax of the Company amounted to Rs. 412.65 million as compared to Rs. 401.46 million during the same period last year.

The following factors impacted the overall profitability of the Company:

- Gross profit margin for this period was a healthy 20% as compared to 14% in the corresponding period. The increase in GP was primarily due to our record highest sugarcane recovery.

- Decrease in turnover by 41% primarily due to lower sales volume during this period. Since sales are booked on the basis of lifting we expect sugar dispatches to improve which shall increase sales and profitability in the next quarter.
- The gradual reduction in discount rate by State Bank of Pakistan from 9.5% to 7% has also helped in reducing financial charges on borrowings which have reduced by 22%.
- Exports of Sugar were much lower at only 12,208 metric tons as compared to 33,316 metric tons of sugar in the corresponding period of last year. The State Bank of Pakistan has been so far approved 554,920 metric tons of sugar for export for all mills in Pakistan.
- Profit from Unicol was also substantially lower at Rs. 100.57 million. This was largely due to heavy financial and depreciation expenses which were Rs. 208.95 million and Rs. 224.54 million respectively. During the year lower ethanol prices further dented the overall profitability.
- Capital gains and dividends amounting to Rs. 77.42 million as compared to Rs. 48.23 million in the corresponding period of last year showing an increase of 61%.

Our Off Season maintenance work is progressing satisfactorily. The Board of Directors has approved Rs. 211 million as capital budget for this year which focuses primarily on efficiency and infrastructure development. Requirements are being ordered in accordance with the approved budget and timeline. We hope to be completely ready within time for crushing season 2015-16.

During the season 2014-15 we supplied 2.83 million units of surplus electricity to HESCO. Though the payment for the same is still awaited yet we are confident of its realization and for planning further investments in this sector.

As previously reported the freight subsidy claims on account of sugar export during 2012-13 and 2013-14 have not yet been realized despite intense effort by the industry in fulfilling all TDAP requirements. Realization of these claims would yield Rs. 89.12 million and improve our profitability.

Industry Review

The final industry production number was 4.98 million M. Tons as compared to 5.18 million M. Tons last year. In order to encourage the mills to export the surplus production the Federal Government took a proactive decision and allowed exports of sugar up to 650,000 metric tons along with an export subsidy of Rs. 10/- per kg. The export subsidy was a welcome addition since international sugar prices are at a 3 year low considering this being the 5th year of global surpluses.

Until the period ended 30th June the industry was able to export 554,290 M. Tons. The SBP remained extremely proactive in ensuring timely completion of paperwork and payments of subsidy to the industry. We have received an export subsidy receipt of Rs. 40 million while Rs. 51.4 million is still to be received within the next quarter.

During this period the Company exported 12,208 M. Tons as compared to 33,316 M. Tons during the corresponding period of the last year.

In order to protect the local industry from cheap imports, the government has increased regulatory duty on sugar imports from 20% to 40% which is considered a positive measure for the industry. This along with growing sugar demand saw sugar prices increasing by 15% during this quarter. This shall allow the Company to benefit from inventory gains as the remaining stocks are lifted.

Mehran Retail

Our retail brands Sugarie and Chashnik are gaining coverage and we have now launched it in Islamabad and Lahore as well. During this quarter we were also able to launch three new products which are Moisture, Icing and Caster sugar. Within this year the company also plans to launch its products in a sachet packaging to further enhance the sugar product range. We are trying to build our retail division on sound and steady basis and hope to see it doing well in the years to come.

Unicol Ltd

This has been the first year where both our ethanol plants are running since the start of the financial year. We are glad to inform that the plants are running smoothly and yield and energy efficiency are higher than last year. Unicol was thus able to produce its highest ever production which until June 30 was 43,392 M. Tons.

Since our molasses procurement remains covered for the entire year we expect both plants to run at capacity. Ethanol prices have improved marginally by around 5-10% during this quarter which would lead to comparatively better results for the year end.

Some important information about Unicol is as follows:

Sales	:	Rs. 3.33 billion
Net profit after tax	:	Rs. 100.57 million
Long-term debt	:	Rs. 1.287 billion

Production for the period		
Ethanol	:	43,392 M. Tons
CO ₂	:	3,254 M. Tons

Future Outlook

Our initial sugarcane survey has shown a fall in acreage between 5-10%. However the crop in our area is showing satisfactory trend due to the monsoon rainfall and improved water supply. We are monitoring the situation closely and shall have a better idea within the next quarter as to the exact crop available for the next crushing season.

With 58% of stock still to be dispatched and the market reacting positively, we expect improved profitability by the end of the year.

Our future investments at the plant shall continue to focus primarily on conserving energy, increase in power generation capacity and supply of surplus power to the national grid.

Future Investments

Your Company along with its Unicol JV partners is exploring the opportunity to setup a 50 MW renewable energy project. As and when there are further developments we shall inform all concerned.

On behalf of the Board of Directors


Ahmed Ebrahim Hasham
Managing Director

Karachi: July 28, 2015

Condensed Interim Balance Sheet

as at June 30, 2015

	June 30, 2015 (Un-audited)	Sept 30, 2014 (Audited)
Note	Rupees	Rupees
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	4 1,625,091,164	1,578,626,678
Advance against Purchase of Land	-	6,250,000
Long term investment	5 618,453,994	558,396,204
Long term deposits	1,055,400	1,055,400
	<u>2,244,600,558</u>	<u>2,144,328,282</u>
CURRENT ASSETS		
Biological assets	20,746,645	58,924,461
Stores and spare parts	91,031,997	62,222,707
Stock-in-trade	2,648,615,467	459,926,470
Trade debts - unsecured	6 65,045,211	42,871,351
Loans and advances - unsecured	68,810,820	34,340,982
Trade deposits and short term prepayments	18,278,852	28,286,701
Other receivables	7,284,307	4,697,979
Short term investments	777,954,736	487,902,312
Advance income tax	39,636,125	57,588,417
Cash and bank balances	114,590,924	33,192,734
	<u>3,851,995,084</u>	<u>1,269,954,114</u>
TOTAL ASSETS	<u><u>6,096,595,642</u></u>	<u><u>3,414,282,396</u></u>
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Issued, subscribed and paid-up capital	320,312,450	320,312,450
Reserves	1,585,308,189	1,331,935,000
	<u>1,905,620,639</u>	<u>1,652,247,450</u>
NON-CURRENT LIABILITIES		
Long-term financing - secured	319,820,053	318,348,217
Liabilities against assets subject to finance leases	22,164,577	22,592,870
Deferred liabilities	7,866,971	8,004,115
Deferred taxation	284,963,289	234,621,296
Provision for quality premium	119,290,919	119,290,919
Market committee fee payable	28,340,000	28,340,000
	<u>782,445,809</u>	<u>731,197,417</u>
CURRENT LIABILITIES		
Trade and other payables	1,809,875,019	288,028,701
Accrued mark-up	45,581,689	29,360,066
Short term borrowings - secured	1,226,677,248	457,972,745
Current portion of long term financing	137,976,188	135,892,855
Current maturity of liabilities against assets subject to finance lease	12,802,751	15,928,366
Provision for market committee fee	47,329,553	42,220,845
Current Portion of Market Committee fee payable	2,180,000	-
Sales Tax / F.E.D / S.E.D. payable	126,106,746	61,433,951
	<u>3,408,529,194</u>	<u>1,030,837,529</u>
Contingencies and commitments	7 -	-
TOTAL EQUITY AND LIABILITIES	<u><u>6,096,595,642</u></u>	<u><u>3,414,282,396</u></u>

The annexed notes from 1 to 12 form an integral part of these condensed interim financial statements.


Chairman


Director


Director

Condensed Interim Profit and Loss Account
for the period ended June 30, 2015 (Un-Audited)

Note	Nine months ended		Quarter ended	
	June 2015	June 2014	June 2015	June 2014
Rupees			
Turnover	3,118,021,418	5,187,187,820	1,647,009,033	1,387,691,617
Less: Sales tax / F.E.D	(165,459,653)	(157,359,785)	(89,930,238)	(18,574,449)
Turnover - net	2,952,561,765	5,029,828,035	1,557,078,795	1,369,117,168
Cost of sales	(2,376,391,293)	(4,350,045,912)	(1,376,278,593)	(1,298,101,298)
Gross profit	576,170,472	679,782,123	180,800,202	71,015,870
Distribution costs	(32,448,943)	(85,627,486)	(9,076,914)	(23,681,247)
Administrative expenses	(134,825,882)	(114,633,570)	(48,341,935)	(33,525,160)
Other operating expense	(32,151,249)	(31,867,136)	(2,577,336)	2,899,575
Other operating income	101,588,780	62,734,187	47,875,675	34,130,444
	(97,837,294)	(169,394,005)	(12,120,510)	(20,176,388)
Operating profit	478,333,178	510,388,118	168,679,692	50,839,482
Finance costs	(125,745,244)	(160,583,412)	(61,504,708)	(66,185,037)
Share of profit from an associate - net of tax	60,057,790	51,650,400	-	2,656,062
Profit before taxation	412,645,724	401,455,106	107,174,984	(12,689,493)
Taxation	(83,565,335)	(95,898,286)	(4,823,767)	14,392,551
Profit after taxation	329,080,389	305,556,820	102,351,217	1,703,058
Earnings per share - basic and diluted	10.27	9.54	3.20	0.05

The annexed notes from 1 to 12 form an integral part of these condensed interim financial statements.


Chairman

Ahmed Ebusahia
Director


Director

Condensed Interim Statement of Comprehensive Income
for the period ended June 30, 2015 (Un-Audited)

	Nine months ended		Quarter ended	
	June 2015	June 2014	June 2015	June 2014
Rupees			
Profit for the year	329,080,389	305,556,820	102,351,217	1,703,058
Other comprehensive income:				
Items to be classified to profit and loss account in subsequent periods				
Unrealised gain / (loss) on revaluation Of investments during the period	50,039,425	89,786,758	53,931,741	32,207,994
Reclassification to profit and loss account for (gain) / loss upon sale of investments	(21,645,335)	(4,995,078)	(8,739,408)	(5,902,306)
	28,394,090	84,791,680	45,192,333	26,305,688
Total comprehensive income for the period	<u>357,474,479</u>	<u>390,348,500</u>	<u>147,543,550</u>	<u>28,008,746</u>

The annexed notes from 1 to 12 form an integral part of these condensed interim financial statements.


Chairman


Director


Director

Condensed Interim Cash Flow Statement for the period ended June 30, 2015 (Un-Audited)

	June 2015	June 2014
Rupees.....	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	412,645,724	401,455,106
Adjustments for non -cash items:		
Depreciation	96,482,358	90,141,643
Share of profit from an associate	(60,057,790)	(51,650,400)
Dividend Income	(38,921,165)	(20,111,751)
Provision for market committee fee	9,468,708	11,405,022
Gain on disposal of fixed assets	(1,095,148)	(2,631,704)
Realised gain on disposal of short term investments	(38,500,545)	(28,113,543)
Finance costs	125,745,244	160,583,412
	<u>93,121,662</u>	<u>159,622,679</u>
Working Capital Changes	(649,515,813)	(1,128,335,088)
	<u>(556,394,151)</u>	<u>(968,712,409)</u>
Staff gratuity paid	(137,144)	(689,966)
Market Committee fee	(2,180,000)	-
Taxes paid	(15,271,050)	(23,425,776)
Finance costs paid	(109,523,621)	(112,612,848)
Long term deposits	-	(2,562,120)
Net cash generated from operating activities	<u>(270,860,242)</u>	<u>(706,548,013)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(138,405,545)	(135,314,164)
Dividend Received	38,921,165	20,111,751
Short term investments	(546,753,906)	(281,662,605)
Proceeds from disposal of short term investments	323,596,118	178,957,831
Proceeds from disposal of operating fixed assets	2,803,849	6,375,205
Net cash used in investing activities	<u>(319,838,319)</u>	<u>(211,531,982)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term financing - net	3,555,169	(103,035,714)
Short term loans - net	768,704,503	1,200,000,000
Financing against assets subject to lease (net)	(3,553,908)	(2,832,516)
Dividend paid	(96,609,013)	(33,240,933)
Net cash generated / (used) in financing activities	<u>672,096,751</u>	<u>1,060,890,837</u>
Net (decrease)/increase in cash and cash equivalents	<u>81,398,190</u>	<u>142,810,842</u>
Cash and cash equivalent at the beginning of the period	<u>33,192,734</u>	<u>(116,062,432)</u>
Cash and cash equivalents at the end of the period	<u>114,590,924</u>	<u>26,748,410</u>

The annexed notes from 1 to 12 form an integral part of these condensed interim financial statements.


Chairman


Director


Director

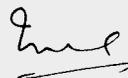
Condensed Interim Statement of Changes in Equity for the period ended June 30, 2015 (Un-Audited)

	Reserves				Total	
	Capital Reserve	Revenue Reserve	Gain/(loss) on changes in fair value of available for sale investments	Accumulated (Losses) / Profit		
Rupees.....					
Balance as at October 01, 2013	253,211,430	63,281,250	85,000,000	25,618,133	958,438,012	1,385,548,825
Profit for the Period	-	-	-	-	305,556,820	305,556,820
Net gain on revaluation of available for sale investments	-	-	-	84,791,680	-	84,791,680
Total comprehensive income for the Period	-	-	-	84,791,680	305,556,820	390,348,500
Final dividend for the year ended September 30, 2013 @ Re. 0.75 per share					(18,990,730)	(18,990,730)
Bonus shares issued for the period ended September 30, 2013 in the ratio of 15 ordinary share for every 100 shares held	37,981,710				(37,981,710)	-
Interim dividend for the year ended September 30, 2014 @ Re. 0.50 per share					(14,559,202)	(14,559,202)
Bonus shares issued for the period ended September 30, 2014 in the ratio of 1 ordinary share for every 10 shares held	29,119,310				(29,119,310)	-
Interim dividend for the year ended September 30, 2014 @ Re. 0.5 per share					(14,559,225)	(14,559,225)
Balance as at June 30, 2014	320,312,450	63,281,250	85,000,000	110,409,813	1,148,784,655	1,727,788,168
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
Final dividend for the year ended September 30, 2014 @ Re. 1 per share					(32,031,245)	(32,031,245)
Interim dividend for the year ending September 30, 2015 @ Re.1 per share					(32,031,245)	(32,031,245)
Interim dividend for the year ending September 30, 2015 @ Re.1.25 per share					(40,038,800)	(40,038,800)
Profit for the Period	-	-	-	-	329,080,389	329,080,389
Net gain on revaluation of available for sale investments	-	-	-	28,394,090	-	28,394,090
Total comprehensive income for the Period	-	-	-	28,394,090	329,080,389	357,474,479
Balance as at June 30, 2015	320,312,450	63,281,250	85,000,000	118,931,924	1,318,095,015	1,905,620,639

The annexed notes from 1 to 12 form an integral part of these condensed interim financial statements.


Chairman


Director


Director

Condensed Notes to the Financial Statements

for the period ended June 30, 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. BASIS OF PRESENTATION

These interim condensed financial statements are un-audited and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of International Accounting Standard 34 'Interim Financial Reporting' as applicable in Pakistan. These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended September 30, 2014.

3. 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, 2014. Also we have adopted the amendments and interpretations of IAS and IFRS which are effective during the period but did not have any effect to these condensed interim financial statements.

	Jun 30, 2015 (Un-audited)	Sept 30, 2014 (Audited)
Rupees.....	
4. OPERATING FIXED ASSETS		
Opening written down value	1,522,440,753	1,424,307,615
Additions during the period	<u>172,628,954</u>	<u>225,318,161</u>
	1,695,069,707	1,649,625,776
Written down value of disposal during the period	<u>1,708,701</u>	<u>6,138,857</u>
	1,693,361,006	1,643,486,919
Depreciation charged during the period	<u>96,482,358</u>	<u>121,046,166</u>
	<u><u>1,596,878,648</u></u>	<u><u>1,522,440,753</u></u>
4.1 CAPITAL WORK-IN-PROGRESS		
Civil Works	263,992	40,000
Advance against supply of Plant & Machinery	<u>27,948,524</u>	<u>56,145,925</u>
	<u><u>28,212,516</u></u>	<u><u>56,185,925</u></u>
5. LONG TERM INVESTMENT - Associated Company		
Investment in related party	<u>618,453,994</u>	<u>558,396,204</u>

5.1 The Company holds 23,059,573 (Sep 30, 2014: 23,059,373) shares representing 33.33 (Sep 30, 2014: 33.33) percent of the total equity of Unicol Limited which is involved in the manufacturing and selling of industrial ethanol.

6. TRADE DEBTS - unsecured

Includes an amount of Rs. 14.519 million due from the Food Department, Government of Sindh (GoS). This represents amount withheld by the Government of Sindh from the bills raised by the Company during the years from 1981 to 1983 on account of a dispute regarding the quality of sugar. Consequently, the Company has withheld mark-up due to the Food Department, amounting to Rs. 6.192 million. Since then, the matter is under litigation and pending before the Honorable High Court of Sindh. The amount receivable from the Department has been provided because it has been long time the case is pending and

Condensed Notes to the Financial Statements for the period ended June 30, 2015

the respective liability of mark-up due to the Food Department, GoS has also been written back during the year ended September 30, 2009.

7. CONTINGENCIES & COMMITMENTS

CONTINGENCIES

There is no significant change in the contingencies since the last audited annual financial statements for the year ended September 30, 2014.

COMMITMENTS

Commitments in respect of capital expenditure as on June 30, 2015 amounted to Rs. 60.539 million (Sep 30, 2014: Rs. 15.126 million).

Commitments in respect of operating lease rentals for farms as on June 30, 2015 amounted to Rs. 12.677 million (Sep 30, 2014: Rs. 25.35 million).

Commitments for ljarah rentals in respect of motor vehicles as on June 30, 2014 amounted to Rs. 0.814 million (Sep 30, 2014: Rs. 2.132 million).

8. OTHER INCOME

Includes Rs. 22.132 million in respect of supply of electricity to Hyderabad Electric Supply Company Ltd. from bagasse based co-generation power plant of 5 mega watts commissioned during the period.

	June 30, 2015 (Un-audited)	June 30, 2014 (Un-audited)
Rupees.....	
9. TAXATION		
Current	17,622,250	62,194,237
Prior Year	15,601,092	-
Deferred	50,341,993	33,704,049
	<u>83,565,335</u>	<u>95,898,286</u>
10. TRANSACTIONS WITH RELATED PARTIES		
Sales	318,663,619	544,363,476
Expenses shared	729,267	731,104
Insurance premium	16,319,559	14,709,885
Donation Paid	6,500,000	4,000,000
Compensation to key management personnel	38,654,900	38,234,690
Provident fund contribution	5,806,118	4,457,162
	June 30, 2015 (Un-audited)	Sept 30, 2014 (Audited)
Rupees.....	
BALANCE AS AT PERIOD / YEAR END		
Other Receivables	4,668,126	3,938,859
Trades debts	3,448,744	16,925,512
Trade creditors	(4,864,051)	(1,372,446)
Accrued markup	-	(142,167)

Condensed Notes to the Financial Statements for the period ended June 30, 2015

11. EVENTS AFTER BALANCE SHEET DATE

The Board of Directors in its meeting held on July 28, 2015 has declared an interim cash dividend of Re. 1.25 per share i.e. 12.5% (June 30, 2014: Re. 0.50 per share i.e. 5%).

12. GENERAL

These financial statements were authorized for issue on July 28, 2015 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.


Chairman

Ahmed Elbushia
Director


Director



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