



# DIRECTOR'S REPORT TO THE MEMBERS

The Directors of your Company are pleased to present the 67th Annual Report together with Audited Accounts and Auditor's Report thereon for the Financial Year ended 30th September 2020.

## INDUSTRY OVERVIEW

During the year under review, sugarcane crop size was slightly lesser and yield per acre being reported was also lower as compared to corresponding period of last year. Moreover, sugar recoveries were also less as compared to last crushing season. Cumulatively, the Company's sugar production was less in line with country's sugar production as compared to the last year.

For current crushing season 2019-20, notified support price of sugarcane was Rs. 190/- per 40 kg in Punjab, KPK and Rs 192/- per 40kg in Sindh. During the whole crushing season there was tough price competition over sugar cane purchase among all sugar mills in the region & in the country, owing partially due to expected short sugarcane crop and partially due to better sugar prices in the local market.

## PERFORMANCE OF THE COMPANY

During the year ended 30 September 2020, the Company was able to crush 1,973,755 M. Tons sugarcane and produced 189,843 M. Tons white refined sugar at an average recovery of 9.629%. During the same period last year, the Company crushed 2,006,892 M. Tons sugarcane and produced 204,406 M. Tons white refined sugar at an average recovery of 10.190%. The decline in company's sugar production & sugarcane crushing is in tandem with the overall reduction of sugar production & sugarcane crushing in the country.

## FINANCIAL HIGHLIGHTS

For the year ended 30 September 2020, the Company earned pretax Profit of Rs. 1,597.274 million and after-tax profit of Rs. 1,263.771 million as compared to pretax profit of Rs. 542.575 million and after-tax profit of Rs. 342.299 million over the same period last year. This extraordinary increase in profitability is attributed to number of elements taken place during the period and mainly due to sales of molasses at exceptionally high prices on account of Pak Rupee devaluation, exponentially high demand of ethanol due to COVID-19 in national & international market and as well as less molasses production in the country due to lower sugar cane crop. Earnings per share for the year ended 30 September 2020 are reported at Rs. 84.12 as compared to Rs. 22.78 for the corresponding period of last year.

Net sales were recorded at Rs. 16,220.378 million during the year ended 30 September 2020, as compared to Rs. 14,359.613 million in last year. Given decrease in sales volumes, increase in sales revenue is attributed to increase in average selling prices.

All out efforts are being made to increase the production and profitability of the Company through process efficiency, installing modern, latest technology equipment, reducing production cost due to close supervision, developing good quality cane, by providing the latest improved seed varieties, fertilizer, pesticides etc. and facilitating the cane growers constantly, which ultimately will result in higher sugar recovery and also financial benefit to the cane growers.

	2020 (Rupees in Million)	2019
Pre- Tax Profit	1,597.274	542.575
Provision for Taxation	(271.736)	(199.603)
Prior Year	7.479	(70.232)
Deferred	(69.246)	69.559
Profit after Taxation	1,263.771	342.299
Effect of OCI	7.344	(4.032)
	1,271.115	338.267
Accumulated Profit brought forward	1,979.792	1,641.525
	3,250.907	1,979.792
<b>APPROPRIATIONS</b>		
Final Cash Dividend paid during the year @ 15% (2019: Nil)	(22.535)	-
Accumulated profit carried forward	3,228.372	1,979.792
Earnings per share (Rs.)	84.12	22.78

## EARNING PER SHARE:

The earning per share of the company for the year under review stood at Rs. 84.12 (2019: Rs. 22.78)

## DIVIDEND

Your Board has recommended 30% (2019: 15%) cash dividend for the financial year that ended 30, September 2020.

## RESEARCH AND DEVELOPMENT

Agricultural R&D is an integral part of the Company's policy which entails identification and multiplication of promising new sugarcane varieties and their subsequent commercial sowing through progressive growers with best agricultural practices. This not only increases per acre yield of sugarcane but also enhances growers earning and creates more enthusiasm for sowing sugarcane compared to competing crops. It also increases the sugarcane supply to the Company and boosts overall sugar recovery, directly improving the bottom line of the company

Like previous years, your management has decided

to provide new improved varieties of sugarcane seed with high yield/recovery and disease/frost resistance along with fertilizers and pesticides to cane growers on markup free credit basis for Autumn sowing 2019, as well as free of cost timely services of biological laboratory at their door step so that sugarcane procurement for the next crushing season may not suffer.

## FUTURE OUT LOOK

Overall the world and the country in particular is passing through tough economic times and uncertain climate due to COVID-19. During the year under review government has taken aggressive steps for closure/ lockdown of the country from March, to August, 2020 to reduce the risk of pandemic. To overcome this situation Government took different steps to support the industry i.e. facilitation in utilities bills, financial support to lower middle class and multiple downward adjustments in KIBOR rates which reduced to 7% for industries. Additionally, State Bank of Pakistan advised all financial institutions to defer repayment of principle loans for one year and introduced refinance scheme for the salaries of staff for a period of 6 months i.e. April to September, 2020 at fixed rate of 3%. However, due to currency devaluation Pakistan's sugar industry



is now globally competitive at large in spite of highly depressed sugar prices in the international markets.

The Federal Government had formed Joint Investigation Team in January 2020 to probe in the Increase in sugar prices in 2018-19 and Export Subsidy approved during last 4-5 years to facilitate the grower's payment and to earn foreign exchange. The Joint Commission submitted its report to fulfill the vague objectives without considering and realizing the facts that Budget 2019-20 increased sales tax from 8% to 17%, the market adjustment in sugar price due to change of Country's status from sugar surplus country to sugar shortage and setting higher sugarcane support prices without considering the sugar prices in local and international markets. The outcome of Commission Report and its effects are being faced by the whole sugar industry in terms of various on-going departmental investigation by FBR, SECP and different agencies.

According to initial the sugarcane crop yield per acre in the year 2020-21 was expected higher by 5-10% as compared to last year (2019-20) but early start of crushing has been detrimental to yield and recovery. In anticipation of the prevailing sugar prices in local market, it is expected that there will be price war over the sugarcane purchase among sugar mills of surrounding area. Carryover sugar stock for season 2020-21 was much less as

compared to last year. Government has allowed import of 300,000 M Tons of sugar which has been completed in the last quarter of the year. It is expected that sugar prices may be under pressure in the coming period. Molasses and bagasse prices are also expected to remain high partially due rupee devaluation and partially due to expectedly reduced molasses production in 2020-21.

The proposed investment in Australian sugar mill approved by the Board jointly with its associated companies M/s Almoiz Industries Limited and M/s Naubahar Bottling Company (Private) Limited, for the acquisition of majority stake in ordinary shares in Isis Central Sugar Mill Company Limited Queensland, Australia ("ICSM"). The investment of AUD 36.10 Mn (Australian Dollars Thirty Six Million One Hundred Thousand) equivalent to USD 26.6 Mn was subject to applicable statutory and regulatory approvals. While the proposal was recommended by State Bank of Pakistan to the Economic Coordination Committee (ECC) of Pakistan at Federal Government level for approval, it remained pending for an extended period with the ECC due to macroeconomic uncertainty around the country's foreign exchange reserves and the covid-19 pandemic. As a result of these delayed approvals, the parties failed to achieve financial close of the transaction despite several extensions. A decision was therefore taken in July to allow the agreement to lapse and to call off the transaction.

## RELATED PARTIES DISCLOSURE

The transactions between the related parties were carried out at arm's length prices determined in accordance with the comparable uncontrolled market prices method. The Company has fully complied with the best practices on transfer pricing.

## CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- a) The Financial Statements prepared by the company fairly present its state of affairs, the result of operations, cash flows and changes in equity
- b) Proper books of accounts of the company have been maintained
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement
- d) International Financial Reporting Standards as applicable in Pakistan and the requirements of the Companies Act, 2017 have been followed in preparation of financial statements and there has been no departure there from
- e) The system of internal control has been designed and effectively implemented according to the requirement of the industry and on modern managerial principles which are being continuously reviewed and monitored. The review will continue in future for the improvement in control
- f) The company has adopted the central depository system and the listing regulations of Pakistan Stock Exchange. So far 206,925 shares of the company have been transferred by the shareholders to the Central Depository Company, Pakistan
- g) The company has appointed M/s CORPLINK (Pvt) Ltd., independent share Registrar in terms of section 195 of the Companies Act, 2017
- h) There is no doubt upon the Company's ability to continue as a going concern

- i) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations of Stock Exchanges
- j) The key operating and financial data of the last six (06) years is annexed herewith
- k) There are no statutory payments against the company on account of Taxes, duties, levies and other charges except for those which are being paid in the normal course of business
- l) The Company maintains unfunded gratuity scheme for its permanent employees
- m) Share transactions (if any) have been reported by the Directors, CFO, other Executives, Auditors, Company secretary or their spouses and minor children during the year ended 30 September, 2019 are annexed in pattern of shareholding
- n) All the information as required to be placed on Company's website under SRO-634(1) 2014 is appropriately placed at [www.thalindustries.com](http://www.thalindustries.com).

## BOARD MEETINGS

During the year under review, 4 board meetings were held and attendance of each Director in the board meeting was as under:

SR. NO.	NAME OF THE DIRECTORS	NO. OF ATTENDED MEETINGS
1	Mrs. Qaiser Shamim Khan	4
2	Mr. Muhammad Shamim Khan	4
3	Mr. Adnan Ahmed Khan	3
4	Mr. Nauman Ahmed Khan	4
5	Mr. Muhammad Khan	4
6	Mr. Abdul Wahid Khan	4
7	Mr. Muhammad Ashraf Khan Durani	4

## CORPORATE GOVERNANCE

### Best Corporate Practices

Directors are committed to good corporate governance and comply with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 and the Rule Book of Pakistan Stock Exchange.

The statement of compliance with the CCG is enclosed.

- The total number of directors are seven as per the following:
  - Male: Six
  - Female: One
- The composition of the Board of Directors (the Board") is as follows:

Category	Names
Independent Director*	Mr. Muhammad Ashraf Khan Durani Mr. Abdul Wahid Khan
Executive Directors	Mr. Muhammad Shamim Khan (CEO) Mr. Nauman Ahmed Khan
Non-Executive Director	Mrs. Qaiser Shamim Khan Mr. Adnan Ahmed Khan Mr. Muhammad Khan

- The Board has formed committees comprising of members given below:

#### Audit Committee

- Mr. Muhmmad Ashraf Khan Durani (Chairman)
- Mrs. Qaiser Shamim Khan
- Mr. Adnan Ahmed Khan

#### HR and Remuneration Committee

- Mr. Abdul Wahid Khan (Chairman)
- Mr. Adnan Ahmed Khan
- Mr. Muhammad Khan

#### NOMINATION COMMITTEE

- Mr. Abdul Wahid Khan (Chairman)
- Mr. Muhmmad Ashraf Khan Durani

#### RISK MANAGEMENT COMMITTEE

- Mr. Abdul Wahid Khan (Chairman)
- Mr. Muhmmad Ashraf Khan Durani



4. The Board of Directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations. The detail is given in Note: 36 to the Financial Statement.

## PATTERN OF SHARE HOLDING

The statement of pattern of shareholding along with categories of shareholding of the company as noted on September 30, 2020 required under section 227 of the Companies Act, 2017 and Code of Corporate Governance is annexed with this report.

## AUDITORS

The present Auditors M/S Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants have retired and being eligible, offered their services for reappointment. The Audit Committee has recommended M/S Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants for reappointment as Auditors for the year ending 30 September, 2021.

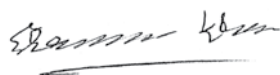
## OTHER STATEMENTS AND REPORTS

Statement of Ethics and Business Practices, Six years summary of financial highlights, Pattern of Shareholding, Statement of compliance with the Code of Corporate Governance and Auditors' Report in this regard are also presented.

## ACKNOWLEDGEMENT

The Board would like to record their appreciation for the efforts and devotion of all the company's employees and hope they will continue their contribution towards the enhancement of productivity and well-being of the company in the future as well. The board also wishes to thank the financial institutions, farmers and all stakeholders associated with the company for their support and cooperation.

For and on behalf of Board of Directors,  
The Thal Industries Corporation Ltd.



**Muhammad Shamim Khan**  
Chief Executive



**Mrs. Qaiser Shamim Khan**  
Chairperson

Lahore: 24th December, 2020