

DIRECTOR'S REPORT TO THE MEMBERS

The Directors of your Company are pleased to present the 69th Annual Report together with Audited Accounts and Auditor's Report thereon for the Financial Year ended 30th September 2022.

INDUSTRY OVERVIEW

Sugarcane is among the largest crops of Pakistan. Sugar is second largest agro-based industry after textile in the country. Its production accounts for 3.7% in agriculture's value addition and 0.8% in GDP. During 2021-22, sugarcane was cropped on 1,260 thousand hectares and recorded an increase of 8.2% compared as compared to last year's sown area of 1,165 thousand hectares. A bumper sugarcane crop production recorded at 88.651 million tons during 2021-22, up by 9.4 percent over last year (81.009 million tons). As per economic survey of Pakistan better sugarcane procurement price incentivized growers to dedicate more area to sugarcane and favorable weather conditions, better management and timely availability of quality inputs made the crop yield better.

For current crushing season 2021-22, notified support price of sugarcane was Rs. 225/- per 40 kg in Punjab & KPK and Rs. 250/- per 40 kg in the province of Sindh. Due to early start of crushing season from 15 November 2021 tough competition has been observed in cane procurement that resulted into price war like situation in the region. Average sugarcane purchase cost remained higher than the support price.

PERFORMANCE OF THE COMPANY

The Company was able to crush 3,059,465 M. Tons sugarcane and produced 305,521 M. Tons white refined sugar at an average recovery of 9.989% during the year ending on September 30th, 2022 as compared to last year sugarcane crushing of 2,374,601 M. Tons and production of 228,107 M. Tons white refined sugar at an average recovery of 9.609%. The main reason of high production in current period under review is due to higher sugarcane crop and better recoveries as compared to last year.



For the year ended 30 September 2022, the Company earned pretax Profit of Rs. 2,408.051 million and after-tax profit of Rs. 1,781.871 million as compared to pretax profit of Rs. 2,027.013 million and after-tax profit of Rs. 1,630.303 million over the same period last year. This substantial increase in profitability is mainly due to increase in sugarcane recovery. Earnings per share for the year ended 30 September 2022 are reported at Rs. 118.61 as compared to Rs. 108.52 for the corresponding period of last year.

Net sales were recorded at Rs. 19,800.471 million during the year ended 30 September 2022, as compared to Rs. 21,424.381 million in last year. Given decrease in sales revenue is attributed to decrease in average selling prices as well as sales volume of sugar.

All out efforts are being made to increase the production and profitability of the Company through process efficiency, installing modern and latest technology, reducing production cost by 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.

	2022 (Rupees in Million)	2021
Pre- Tax Profit	2,408.050	2,027.013
Current Year Tax	(608.785)	(340.441)
Prior Year	214.746	28.998
Deferred	(232.140)	(85.267)
Profit after Taxation	1,781.871	1,630.303
Effect of OCI	(6.908)	(3.690)
Accumulated Profit brought forward	1,774.962	1,626.613
	4,809.915	3,228.372
APPROPRIATIONS	6,584.878	4,854.985
Cash Dividend paid during the year @ 30% (2021: 30%)	(45.070)	(45.070)
Accumulated profit carried forward	6,539.808	4,809.915
Earnings per share (Rs.)	118.61	108.52

EARNING PER SHARE:

The earning per share of the company for the year under review stood at Rs. 118.61 (2021: Rs.108.52)

DIVIDEND

Your Board has recommended 35% (2021: 30%) cash dividend for the financial year that ended 30, September 2022.

RISK MITIGATION

The Board of Directors, Board's Audit Committee, and Steering Committee comprising of the senior management team led by the Chief Executive Officer are responsible for oversight of Company's operations and to evolve proactive strategies to mitigate any potential adverse impact of major risks.

CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base to maintain investors, creditors, and market confidence and to safeguard its ability to continue as a going concern. The Company manages its capital

structure and makes appropriate adjustments to move with economic changes and the risks associated with safeguarding its asset base. Your Company's management believes in maintaining an appropriate debt-equity ratio and optimal mix of long and short-term debts.

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 sugar cane 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 is committed 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 credit basis for Autumn sowing 2021, 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

According to surveys the sugarcane crop size in current crushing season is estimated to be higher than last year and due to the reported increased crop yield, sugar production of this year expected to remain higher as compared to last year. Government has fixed a support price of Rs.300/maund for sugarcane. This will substantially burden the mills and hence sugar price is forced to move upward despite being under pressure. In this sugar surplus situation in the country that lead to depressed sugar prices many sugar mills will not be able to clear farmer's payments in timely manner unless the sugar export will be allowed to international market. Although if allowed, this export will also be greatly helpful to the country in this extremely low FCY reserve position. The option of sugar export is not only important for this year rather for next year as well because industry is expecting another bumper cane crop next year. Year 2023 is expected to be more challenging for business being the election year as it would inherit a prolonged political uncertainty, economic chaos, high inflation, under pressure local currency, sky high interest rates, difficulty in imports, global economic recession, climate adversities due to global warming, Russia-Ukraine conflict among others.

During the current financial year, State Bank of Pakistan (SBP) has increased base rate by 800 bps which has jacked up the mark up rates which will result in substantially increased borrowing cost of the Company. Any further increase in mark-up/SBP discount rates may adversely affect the profitability of the Company. Inflationary pressure is also high that may also increase cost of business.

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 214,930 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, 2022 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.

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	3
5	Mr. Muhammad Khan	3
6	Mr. Abdul Wahid Khan	4
7	Mr. Muhammad Ashraf Khan Durani	3

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

3. The Board has formed committees comprising of members given below:

AUDIT COMMITTEE

- Mr. Muhammad 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. Muhammad Ashraf Khan Durani

RISK MANAGEMENT COMMITTEE

- Mr. Abdul Wahid Khan (Chairman)
- Mr. Muhammad 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: 37 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, 2022 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, 2023.

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

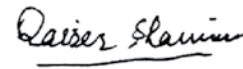
The Board would like to record their appreciation for the efforts and devotion of all the company's employees and hope they will continue their contribution towards the enhancement of productivity and well-being

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: 27th December, 2022