

FINANCIAL STATEMENTS

(REVIEWED)

FOR THE HALF YEAR ENDED
MARCH 31, 2021



FARAN SUGAR MILLS LTD.

CORPORATE

INFORMATION

Date of Incorporation

November 3, 1981

Date of Commencement of Business

November 25, 1981

Board of Directors

Muhammad Omar Amin Bawany	Chairman
Ahmed Ali Bawany	Chief Executive
Hamza Omar Bawany	
Bilal Omar Bawany	
Mohammad Altamash Bawany	
Ahmed Ghulam Hussain	
Irfan Zakaria Bawany	
Sheikh Asim Rafiq	NIT

Audit Committee

Irfan Zakaria Bawany	Chairman
Muhammad Omar Amin Bawany	Member
Hamza Omar Bawany	Member

Human Resource & Remuneration Committee

Irfan Zakaria Bawany	Chairman
Ahmed Ali Bawany	Member
Hamza Omar Bawany	Member

Auditors

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Chief Financial officer & Company Secretary

Muhammad Ayub

Legal Advisor

Ghulam Rasool Korai

Bankers (Islamic Banking Division)

Bank AL-Habib Ltd.
AL-Baraka Islamic Bank Ltd.
Bank AL-Falah Ltd.
Dubai Islamic Bank Ltd.
MCB Islamic Bank Ltd.
Habib Metropolitan Bank Ltd.
Meezan Bank Ltd.
United Bank Ltd.
Habib Bank Ltd.
Askari Bank Ltd.
Faysal Bank Ltd.
Bank Islami Ltd.

Share Registrar

C&K Management Associates (PVT.) Ltd. 404,
Trade Tower, Abdullah Haroon Road, Near
Metropole Hotel, Karachi.
Tel: (92-21) 35687639, 35685930

Registered Office

43-1-E (B), P.E.C.H.S. Block 6, off Razi Road,
Karachi Phone: (92-21) 34322851-54
UAN: 111-229-269
Fax: (92-21) 32 42 10 10

Mills

Shaikh Bhirkio,
Distt. Tando M. Khan.

E-mail & Website

info@faran.com.pk
www.faran.com.pk

Stock Exchange Symbol

FRSM

Registration Number

Company Registration Number - K-161/6698
National Tax Number – 0710379-4
Sales Tax Number – 01-01-2303-005-82

CHIEF EXECUTIVE REVIEW

FOR THE HALF YEAR ENDED MARCH 31, 2021

Dear Shareholders,

By the grace of Almighty Allah, on behalf of the Board of Directors, I present a brief review of the performance of your Company for the Half year ended March 31, 2021, which have been reviewed by the External Auditors.

Financial results are summarized as follows:

	Mar-2021 Rs. '000	Mar-2020 Rs. '000
Local Sale	2,620,594	2,135,049
Export sale	-	622,065
Gross sales	2,620,594	2,757,114
Loss before taxation	(172,069)	(217,525)
Share of profit / (Loss) from Associate-net	77,002	(9,165)
Loss before taxation	(95,067)	(226,691)
Less: Taxation	(55,824)	91,905
Loss after Taxation	(150,891)	(134,786)
Loss per Share	(6.03)	(5.39)

Gross sales declined by 5% mainly due to low sales volume as compared to the same corresponding period of last year despite of increase in selling price. Selling price of sugar was continuously on downward trend in the beginning of the season and was expected to be settled between Rs. 67 – 70 per kg due to government effort to keep prices low and allowing import of sugar sales tax free to traders and TCP. FSML made sugar sale contracts to maintain its cash flows and minimize financing cost based on its judgment of the market but the international markets firmed up and local sugar prices very early into the season surprisingly took a sharp turn on the higher side due to persistent high prices of cane due to supply and demand gap. The profitability of sugar sector is driven mainly by the margin between cane price and refined sugar selling price, and due to our initial sale forecast and strategy we have sustained losses. Finance cost decreased by 24% to Rs. 101.828 million from Rs. 133.7 million. Administrative expenses remained almost at same level of corresponding period of previous year. However, selling and distribution expenses increased by Rs. 14 million due to transportation expenses. Unicol Limited profitability dropped due to increase in raw material cost- Molasses and it is not expected same huge profit as reported in the last two years. Uni-food reported loss, but rigorous efforts are being made to establish a nationwide distribution network & a brand image and add new products to achieve better in sale volume and to reduce cost.

Operational Performance:

The crushing season 2020-21 began in the early month of November, 2020 to overcome shortage of sugar in the country, but mostly mills of Sindh Zone closed at the end of February 2021 due to short crop. Growers demanded very extremely high price and millers were forced to pay very exorbitant rate to run their mill at optimal capacity which ultimately resulted hefty cost of refined sugar.

As per data reported PSMA, Sugar production of the country for the season 2020-21 was reported to 5.7 million metric tons against earlier estimation of 5.2 million metric tons, up by 19% from 4.8 million metric tons produced in previous season 2019-20. The mills operating in the Sindh zone crushed 15.510 million metric tons of sugar cane against 14.286 million metric tons, up by 8.5% and produced 1.556 million metric tons of sugar with average recovery of 10.03% against 1.459 million metric tons produced in 2019-20, down by 6.4% with average recovery of 10.21%.

The comparative summarized operating result of your mills for complete season is as follows:

		Season 2020-21	Season 2019-20
Season commenced	Date	23 - November – 2020	25 - November – 2019
Season end	Date	28 – Feb – 2021	08 – March - 2020
Duration of Operation	Days	98	105
Sugar-cane Crushed	Metric tons	601,717	601,936
Sugar Production	Metric tons	63,691	65,739
Recovery	%	10.585	10.900
Minimum Support Price-Sindh Zone	Per 40 kg	202	192

The government administrative intervened to curb sugar price without understanding the economy of sugar industry and its root cause which badly disturb whole supply chain of sugar Industry of the country. It is not be possible for all the mills to produce sugar at the same cost and offer the same rate due to various factors such as economies of scale, labor, equipment productivity and access to crop vary between various mills. The Competition Commission of Pakistan (CCP) issued a "Policy Note" cautioned that the price controls could provide temporarily relief to the poor rather encourage hoarding by suppliers or impulsive buying by consumers and likely benefit to the industrial consumers, recommending that instead of fixing the sugar price, the government should deregulate the sugar industry to promote free trade mechanisms where price signals can be effectively conveyed to all stakeholders to attract investment, increase competitiveness, and reduce distortions in local supply.

FBR initiated to implement Video Analytical System (VAS) for electronic monitoring sugar production in real time in order to keep surveillance to confirm actual production and stock position of all sugar mills of the country. Faran strongly supported it has extended its full cooperation and successfully installed VAS system which will be fully operated in season 2021-22.

The Company has been extended a long term financing of Rs.700 million under Temporary Economic Refinance Facility (TERF), concessional financing scheme of SBP, for various cost saving projects which are under construction.

Now the selling price of sugar is stable and is showing upward trend due to hefty cost of production of sugar, we expect, Insha Allah, the bottom line to show better position at year-end.

May Allah bestow the strength on us to continue our success, AMEEN!



Ahmed Ali Bawany
Chief Executive

Karachi:
May 28, 2021

اور فصل تک رسائی جیسے مختلف عوامل کی وجہ سے ایک ہی قیمت پر چینی تیار کرنا اور ایک ہی نرخ کی پیشکش کرنا ممکن نہیں ہے۔ مسابقتی کمیشن آف پاکستان (CCP) نے ایک "پالیسی نوٹ" جاری کرتے ہوئے متنبہ کیا ہے کہ قیمتوں پر قابو پانے سے غریب افراد کو عارضی طور پر ریلیف مل سکتا ہے لیکن اس سے ذخیرہ اندوزی کی حوصلہ افزائی ہوسکتی ہے یا ممکنہ طور پر صنعتی صارفین کو فائدہ ہوسکتا ہے، چینی کی قیمت ، حکومت کو آزادانہ تجارت کے طریقہ کار کو فروغ دینے کے لئے چینی کی صنعت کو De-Regulate کرنا چاہئے جہاں پر قیمتوں کے اشارے سرمایہ کاروں کو راغب کرنے ، مسابقت بڑھانے اور مقامی رسد میں بگاڑ کو کم کرنے کے لئے تمام اسٹیک ہولڈرز تک موثر انداز میں پہنچائے جاسکتے ہیں۔

ایف بی آر نے ملک کی تمام شوگر ملوں کی اصل پیداوار اور اسٹاک کی پوزیشن کی تصدیق کے لئے نگرانی جاری رکھنے کے لئے حقیقی وقت میں الیکٹرانک مانیٹرنگ شوگر پروڈکشن کے لئے ویڈیو تجزیاتی نظام (VAS) کو نافذ کرنے کا آغاز کیا۔ فاران نے اس کی بھرپور تائید کی ہے کہ اس نے اپنے مکمل تعاون کو بڑھایا ہے اور کامیابی سے VAS سسٹم انسٹال کیا ہے جو 2021-22 کے سیزن میں مکمل طور پر چلائے گا۔

کمپنی کو لاگت کی پچت کے متعدد منصوبوں کے لئے عارضی معاشی ری فنانس سہولت (TERF) کے تحت 700 ارب روپے کی طویل مدتی فنانسنگ میں توسیع کی گئی ہے ، جو زیر تعمیر ہیں۔

اب چینی کی فروخت کی قیمت مستحکم ہے اور چینی کی پیداوار کی بھاری قیمت کی وجہ سے یہ اضافہ کا رجحان دکھا رہا ہے ، ہم توقع کرتے ہیں ، انشاء اللہ سال کے آخر میں بہتر پوزیشن دکھائے گی۔

اللہ سبحانہ و تعالیٰ ہمیں ان غیر معمولی حالات کو کامیابی کے ساتھ گزارنے کی توفیق عطا فرمائے۔ امین!



احمد علی باوانی
چیف ایگزیکٹو
کراچی: 28 مئی، 2021

ڈائریکٹرز کی رپورٹ
برائے اختتامی مدت 31 مارچ 2021

محترم حصص یافتگان،

اللہ تعالیٰ کے فضل و کرم سے، میں 31 مارچ 2021 کو ختم ہونے والی پہلی سہ ماہی کے لئے آپ کی کمپنی کی کارکردگی کا ایک مختصر جائزہ پیش کرتا ہوں جس کا آڈیٹرز نے جائزہ لیا ہے۔ مالی نتائج کا خلاصہ یہ ہے:

31 مارچ 2020	31 مارچ 2021	
روپے '000	روپے '000	
2,135,049	2,620,594	مقامی فروخت
622,065	-	برآمدات
2,757,114	2,620,594	مجموعی فروخت
(217,525)	(172,069)	قبل از ٹیکس نقصان
(9,165)	77,002	ایکویٹی ایسوسی ایٹ کے منافع میں حصہ - نیٹ
(226,691)	(95,067)	قبل از ٹیکس نقصان
91,905	(55,824)	ٹیکسیشن
(134,786)	(150,891)	بعد از ٹیکس نقصان
(5.39)	(6.03)	نقصان فی شیئر

قیمت فروخت میں اضافے کے باوجود گذشتہ سال کے مقابلے میں فروخت کے حجم میں 5 فیصد کمی واقع ہوئی۔ سیزن کے شروع میں چینی کی فروخت کی قیمت میں مسلسل کمی کا رجحان رہا اور اس کی توقع کی جارہی تھی کہ قیمتیں تقریباً روپے -67/70 / کلوگرام ہوجائیں گی۔ اس کی بنیادی وجہ قیمتوں کو کم سطح پر رکھنے کی حکومتی کوششیں تھیں جو تاجروں اور TCP کو چینی کی ٹیکس فری درآمد کی اجازت دے کر کی گئیں تھی۔ FSML نے مارکیٹ کے حالات سے پیش نظر اپنے کیش فلو کو برقرار رکھنے کے لئے چینی کی فروخت کے معاہدے کیے تاکہ فنانشنگ لاگت کو کم سے کم کیا جاسکے لیکن سیزن کے شروع میں بین الاقوامی منڈیوں میں تیزی آئی اور چینی کی مقامی قیمتوں نے سپلائی اور طلب کے فرق کی وجہ سے گئے کی مستقل اعلیٰ قیمتوں کی وجہ سے حیرت انگیز طور پر اونچی طرف ایک تیز موڑ لیا۔ چینی کے شعبے کا منافع بنیادی طور پر گئے کی قیمت اور بہتر چینی کی قیمتوں میں فرق کے ذریعہ ہوتا ہے، اور ہماری ابتدائی فروخت کی پیش گوئی اور حکمت عملی کی وجہ سے ہمیں نقصانات برداشت کرنا پڑے۔ فنانس کے اخراجات 24% سے کم ہو کر Rs 101,828 ملین روپے (Rs. 133.7 ملین روپے 2020) رہے۔ آپریٹنگ اخراجات پچھلے سال کی سطح پر رہے۔ تاہم، فروخت کے اخراجات میں 14 ملین روپے سے اضافہ ہوا جس کی بنیادی وجہ نقل و حمل کی اخراجات۔ خام مال کی قیمت میں اضافے کی وجہ سے UNICOL لمیٹڈ کا منافع کم ہوا۔ جس کی وجہ سے اس سے اچھے منافع کی توقع نہیں کی جاسکتی ہے جو پچھلے دو سالوں میں رپورٹ ہوئی ہے۔

آپریشنل کارکردگی:

کرشنگ سیزن نومبر 2021 میں شروع ہوا، لیکن فصل کی کمی کی وجہ سے فروری 2021 کے آخر میں بیشتر ملیں مل بند کرنے پر مجبور ہو گئیں، کاشتکاروں نے بہت زیادہ قیمتوں کا مطالبہ کیا ملوں کو چلانے کے لئے ان قیمتوں کو ادا کرنا ناگزیر تھا جس کی وجہ سے چینی کی پیداواری لاگت میں اضافہ ہوا۔

PSMA کی رپورٹ کے مطابق، 2020-21 کے سیزن کے دوران ملک میں چینی کی پیداوار 5.7 ملین رہی، جو کہ گزشتہ سال سے 19 فیصد زیادہ ہے۔ سندھ زون میں کام کرنے والی ملوں نے 15.510 ملین میٹرک ٹن گنا کرش کیا جبکہ اس نے 8.5 فیصد اضافے کے ساتھ 14.286 ملین میٹرک ٹن گئے کا تخمینہ لگایا اور 2019-20 میں پیدا ہونے والی 1.459 ملین میٹرک ٹن کے مقابلے میں اوسطاً 10.03 فیصد رکوری کے ساتھ 1.556 ملین میٹرک ٹن گنا کرش کیا جو کہ 10.21% کی اوسط بحالی کے ساتھ 6.4 فیصد کم رہی۔ مکمل سیزن کے آپ کی ملوں کا تقابلی خلاصہ آپریٹنگ نتیجہ مندرجہ ذیل ہے۔

Season 2019-20	Season 2020-21		
25 نومبر 2019	23 نومبر 2020	تاریخ	سیزن کا آغاز
08 مارچ 2020	28 فروری 2021	تاریخ	سیزن کا اختتام
105	98	دن	آپریشن کا دورانیہ
601,936	601,717	میٹرک ٹن	گئے کی کرشنگ
65,739	63,691	میٹرک ٹن	شوگر کی پیداوار
10,900	10,585	فیصد	رکوری
192	202	40 کلوگرام	کم سے کم سپورٹ قیمت

انتظامیہ نے چینی کے مسائل اور اس کی بنیادی وجہ کو سمجھے بغیر چینی کی قیمتوں پر قابو پانے میں مداخلت کی جس سے ملک کی شوگر انڈسٹری کی پوری سپلائی چین بری طرح متاثر ہوئی۔ مختلف ملوں کے مابین پیمانہ کی معیشت، مزدوری، سازو سامان کی پیداواری صلاحیت



Russell Bedford
taking you further

Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS

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Lahore - Rawalpindi / Islamabad

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF FARAN SUGAR MILLS LIMITED

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Faran Sugar Mills Limited** as at **March 31, 2021** and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows and notes to the condensed interim financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As part of our engagement, we were only required to review the cumulative figures for the six-month period ended March 31, 2021. Accordingly, we have not reviewed the figures in the condensed interim statement of profit or loss and the condensed interim statement of comprehensive income for the three-month period ended March 31, 2021.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's report is **Mr. Muhammad Waseem**.

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Karachi

Date May 28, 2021

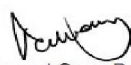
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**CONDENSE INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2021**

ASSETS	Note	Un-Audited Mar 31, 2021	Audited Sep 30, 2020
----- Rupees -----			
Non-current assets			
Property, plant and equipment	3	1,925,138,451	1,884,930,704
Long term investments	4	1,163,269,335	1,141,756,234
Long term deposits		12,253,594	10,103,594
		3,100,661,380	3,036,790,532
Current assets			
Stores and spares		109,647,633	83,974,351
Stock in trade	5	3,269,106,472	384,560,366
Trade debts	6	296,758,564	183,347,585
Short term investments		1,655,125	1,515,500
Loans, advances, deposits and other receivables		717,672,702	676,746,090
Taxation – net		56,842,941	35,958,571
Cash and bank balances		297,698,721	160,261,980
		4,749,382,158	1,526,364,443
Total Assets		7,850,043,538	4,563,154,975
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital		400,000,000	400,000,000
Issued, subscribed and paid up capital		250,069,550	250,069,550
Capital reserve			
Share premium		8,472,152	8,472,152
Surplus on re-measurement of investment		946,971	1,134,849
		9,419,123	9,607,001
Revenue reserves			
General reserve		49,952,868	49,952,868
Unappropriated profit		1,663,943,193	1,814,834,493
		1,713,896,061	1,864,787,361
		1,973,384,734	2,124,463,912
Non-current liabilities			
Long term finance	7	124,508,308	126,928,993
Deferred liabilities	8	415,009,576	395,522,111
		539,517,884	522,451,104
Current liabilities			
Trade and other payables		1,189,806,463	360,289,683
Accrued mark up		56,389,550	30,444,548
Current portion of long term finance		130,127,008	120,713,951
Unclaimed dividend		10,823,899	10,825,556
Short term finance - secured	9	3,949,994,000	1,393,966,221
		5,337,140,920	1,916,239,959
Contingency and commitment	10		
Total equity and liabilities		7,850,043,538	4,563,154,975

The annexed notes from 1 to 16 forms an integral part of these condensed interim financial statements.


Ahmed Ali Bawany
Chief Executive Officer


Muhammad Omar Bawany
Chairman


Muhammad Ayub
Chief Financial Officer

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT - (UN-AUDITED)
FOR THE HALF YAER AND QUARTER ENDED MARCH 31, 2021

	Note	Six-month period ended		Quarter ended	
		Mar-31, 2021	Mar-31, 2020	Mar-31, 2021	Mar-31, 2020
Rupees					
Sales revenue - net	11	2,333,758,227	2,512,291,678	1,305,960,557	994,420,883
Cost of sales	12	(2,299,835,439)	(2,505,525,365)	(1,311,800,981)	(1,071,203,711)
Gross profit / (loss)		33,922,788	6,766,313	(5,840,424)	(76,782,828)
Administrative expenses		(84,192,273)	(82,566,913)	(44,427,629)	(44,038,715)
Selling and distribution costs		(30,043,962)	(14,082,404)	(26,203,345)	(8,324,514)
		(114,236,235)	(96,649,317)	(70,630,974)	(52,363,229)
Operating loss		(80,313,447)	(89,883,004)	(76,471,398)	(129,146,057)
Other income		10,313,170	12,642,290	6,981,192	6,826,014
Other expenses		(240,381)	(6,544,992)	(85,092)	(2,639,183)
		10,072,789	6,097,298	6,896,100	4,186,831
		(70,240,658)	(83,785,706)	(69,575,298)	(124,959,226)
Finance costs		(101,828,353)	(133,739,633)	(74,666,913)	(94,159,298)
		(172,069,011)	(217,525,339)	(144,242,211)	(219,118,524)
Share of profit or loss of associates - net		77,001,814	(9,165,495)	(17,676,841)	(67,857,162)
Loss before taxation		(95,067,197)	(226,690,834)	(161,919,052)	(286,975,686)
Taxation	13	(55,824,102)	91,904,689	(40,371,257)	111,785,451
Loss after taxation		(150,891,299)	(134,786,145)	(202,290,309)	(175,190,235)
Loss per share - basic and diluted		(6.03)	(5.39)	(8.09)	(7.01)

The annexed notes from 1 to 16 forms an integral part of these condensed interim financial statements.


 Ahmed Ali Bawany
 Chief Executive Officer


 Muhammad Omar Bawany
 Chairman

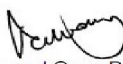

 Muhammad Ayub
 Chief Financial Officer


STATEMENT OF COMPREHENSIVE INCOME - (UN-AUDITED)
FOR THE HALF YEAR ENDED MARCH 31, 2021

	Six-month period ended		Quarter ended	
	Mar-31, 2021	Mar-31, 2020	Mar-31, 2021	Mar-31, 2020
Loss after taxation	(150,891,299)	(134,786,145)	(202,290,309)	(175,190,235)
Other comprehensive loss				
Items that will not be reclassified subsequently to profit or loss:				
Decrease in fair value of the investment in certificates of B.F. Modaraba	(187,878)	(281,818)	(1,221,211)	(563,636)
Total comprehensive loss for the period	(151,079,177)	(135,067,963)	(203,511,520)	(175,753,871)

The annexed notes from 1 to 16 forms an integral part of these condensed interim financial statements.


 Ahmed Ali Bawany
 Chief Executive Officer


 Muhammad Omar Bawany
 Chairman


 Muhammad Ayub
 Chief Financial Officer


CONDENSED INTERIM STATEMENT OF CASHFLOWS (UN-AUDITED)
FOR THE HALF YEAR ENDED MARCH 31, 2021

	March 31, 2021	March 31, 2020
	----- Rupees -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(95,067,197)	(226,690,834)
Adjustments for:		
Depreciation	52,309,383	51,739,965
Share in profit or loss of associates – net	(77,001,814)	9,165,495
Dividend income	(12,500)	(1,220,000)
Provision for market fees	589,582	703,951
Gain on disposal of property, plant and equipment	(38,277)	(434,293)
Amortization of deferred government grant	(2,618,807)	-
Finance costs	101,828,353	131,739,633
(Gain) / Loss on re-measurement of investments carried at fair value	(139,624)	864,007
	74,916,296	194,558,758
	(20,150,901)	(32,132,077)
Working capital changes		
<i>(Increase) / decrease in current assets</i>		
Stores and spares	(25,673,282)	(50,074,356)
Stock in trade	(2,884,546,106)	(2,016,528,147)
Trade debts	(113,410,979)	7,797,213
Loans, advances, deposits and other receivables	(40,926,612)	100,675,231
<i>Increase / (decrease) in current liabilities</i>		
Trade and other payables	830,734,960	(101,369,712)
	(2,233,822,019)	(2,059,499,771)
Cash used in operations	(2,253,972,920)	(2,091,631,848)
Contribution paid to Workers' Profit Participation Fund	(1,218,180)	(296,463)
Market committee fee paid	(589,582)	-
Taxes paid	(72,844,302)	(40,346,861)
Finance cost paid	(71,846,679)	(104,789,873)
Net cash used in operating activities	(2,400,471,663)	(2,237,065,044)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(92,542,354)	(74,861,258)
Investment made in quoted equity securities	-	(1,922,991)
Investment made in associate	(57,199,160)	(84,308,100)
Proceeds from sale of property, plant and equipment	63,500	2,753,481
Dividend received	112,512,493	101,219,995
Long term deposits - net	(2,150,000)	5,035,098
Net cash used in investing activities	(39,315,521)	(52,083,775)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(1,657)	(24,270,763)
Loan from Director	-	30,000,000
Long term loans obtained	81,473,185	-
Long term loans repaid	(60,275,382)	(41,306,804)
Short term finance - net	2,556,027,779	2,321,539,656
Net cash used in financing activities	2,577,223,925	2,285,962,089
Net increase / (decrease) in cash and cash equivalents	137,436,741	(3,186,730)
Cash and cash equivalents at the beginning of the year	160,261,980	395,616,672
Cash and cash equivalents at the end of the year	297,698,721	392,429,942

The annexed notes from 1 to 16 forms an integral part of these condensed interim financial statements.


 Ahmed Ali Bawany
 Chief Executive Officer


 Muhammad Omar Bawany
 Chairman


 Muhammad Ayub
 Chief Financial Officer

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED MARCH 31, 2021

1 STATUS AND NATURE OF BUSINESS

1.1 Brief profile of the Company

Faran Sugar Mills Limited ('the Company') was incorporated in Pakistan on November 03, 1981 as a public limited company under the repealed Companies Act, 1913 (repealed with the enactment of the Companies Ordinance, 1984 on October 8, 1984 and subsequently by Companies Act, 2017 on May 30, 2017). The shares of the Company are listed on the Pakistan Stock Exchange (PSX). The principal business of the Company is the production and sale of white crystalline sugar.

Head office: The registered office of the Company is situated at Bungalow No.43-1-E (B), P.E.C.H.S., Block 6, Off Razi Road, Shahrah e Faisal, Karachi.

Mill: The mill of the Company is located at Sheikh Bhirkio, District Tando Mohammad Khan, Sindh.

1.2 SEASONALITY OF OPERATIONS

Due to the seasonal availability of sugarcane, operating results are expected to fluctuate in the second half of the year. Each year, the crushing season starts from the month of November and lasts till month of March / April. During the period, the Company has obtained and availed various Islamic financing facilities from different Islamic banks to meet the working capital requirement (refer note 11).

2 BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan comprise of:

- International Accounting Standard (IAS) 34, 'Interim Financial Reporting', issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of, and directives issued under, the Companies Act, 2017

Where the provisions of, and directives issued under, the Companies Act, 2017 differ with the requirements of IAS 34, the former 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 Company's annual audited financial statements for the year ended September 30, 2020.

2.2 Basis of measurement of items in these condensed interim financial statements

All items in these condensed interim financial statements have been measured at their historical cost except for the following:

- a) Long term investments in unquoted ordinary shares of associates which are carried under the equity method of accounting;
- b) Long term investments in quoted equity securities of M/s. B.F. Modaraba which is carried at fair value through other comprehensive income;
- c) Short term investments in ordinary shares of listed companies which are carried at fair value through profit or loss;

2.3 Functional and presentation currency

Items included in these condensed interim financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

2.4 Judgments and sources of estimation uncertainty

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 uncertainty were the same as those applied in the annual financial statements of the Company as at and for the year ended September 30, 2020.

2.5 Significant accounting policies

The significant accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the annual audited financial statements of the Company for the year ended September 30, 2020.

	Note	Un-Audited Mar 31, 2021	Audited Sep 30, 2020
		Rupees	
3	PROPERTY, PLANT AND EQUIPMENT		
	Operating Fixed Assets	1,764,878,539	1,815,891,679
	Capital Work in Progress	160,259,912	69,039,025
		1,925,138,451	1,884,930,704
3.1	Operating Fixed Assets		
	Opening net book value	1,815,891,679	1,823,419,911
	Additions during the period/year	1,321,467	99,870,826
		1,817,213,146	1,923,290,737
	Disposals during the period / year at NBV	(38,268)	(3,121,299)
	Depreciation for the period / year	(52,296,339)	(104,277,759)
		(52,334,607)	(107,399,058)
		1,764,878,539	1,815,891,679
3.2	Capital Work In Progress – Plant & Machinery		
			---- (Rupees) ----
	Balance as at September 30, 2019		51,173,591
	Additions during the year		17,865,434
	Balance as at September 30, 2020		69,039,025
	Additions during the period		91,220,887
	Balance as at March 31, 2021		160,259,912
4	LONG TERM INVESTMENTS		
	Investment in subsidiary	99,970	99,970
	Investment in associates	1,158,472,395	1,136,771,415
	Investment in certificates of B.F. Modaraba	4,696,970	4,884,849
		1,163,269,335	1,141,756,234
4.1	Investments in Associates		
	<i>Unquoted investments</i>		
	M/s. Unicol Limited	1,112,438,480	1,076,576,140
	M/s. Uni Energy Limited	20,147,998	20,147,998
	M/s. Uni Food Industries Limited	25,885,917	40,047,277
		1,158,472,395	1,136,771,415

	Note	Un-Audited Mar 31, 2021	Audited Sep 30, 2020
		Rupees	
4.1.1 Investment in M/s. Unicol Limited			
Cost of investment: 10,499,998 shares of Rs.10/- each		104,999,980	104,999,980
Bonus shares issued: 39,500,000 shares		395,000,000	395,000,000
		499,999,980	499,999,980
<i>Accumulated share of profit:</i>			
Opening balance		576,576,160	676,987,144
Cash dividend received during the period / year		(112,499,993)	(274,999,984)
Share of profit for the period / year	4.1.1.1	148,362,333	174,589,000
		612,438,500	576,576,160
Carrying amount as of the reporting date		1,112,438,480	1,076,576,140

4.1.1.1 The share of profit of the associate for the period presented above is based on its un-audited financial statements for the period ended March 31, 2021.

4.1.1.2 As of the reporting date, the Company held 33.33% (September 30, 2020: 33.33%) voting shares of UL.

	Note	Un-Audited Mar 31, 2021	Audited Sep 30, 2020
		Rupees	
4.1.2 Investment in M/s. Uni Food Industries Limited			
Cost of investment: 49,882,520 shares of Rs. 10/ each (September 30, 2020: 44,162,604 shares of Rs. 10/ each)	4.1.2.1	498,825,200	441,626,040
<i>Accumulated share of (loss):</i>			
Opening balance		(401,578,763)	(267,914,189)
Share of loss for the period / year	4.1.2.2	(71,360,520)	(133,664,574)
		(472,939,283)	(401,578,763)
		25,885,917	40,047,277

4.1.2.1 During the period ended March 31, 2021, UFIL issued 5,719,916 right shares to the Company against a cash consideration of Rs. 57.199 million. From this right issue, UFIL will induct new line/expand existing line of production, expand distribution network across Pakistan to enhance market penetration and will initiate extensive marketing campaigns to establish brand image. Such investment was approved by the shareholders in the 39th Annual General Meeting of the Company held on February 24, 2021. Consequent to this investment, there is no change in the percentage shareholding of the Company in UFIL.

4.1.2.2 The share of loss of the associate for the period presented above is based on its un-audited financial statements for the period ended March 31, 2021.

4.1.2.3 As of the reporting date, the Company held 34.67% (September 30, 2020: 34.67%) voting shares of UFIL.

	Un-Audited Mar 31, 2021	Audited Sep 30, 2020
		Rupees
5. STOCK-IN-TRADE		
Finished goods	3,265,330,597	381,647,677
Work in process	3,775,875	2,912,689
	3,269,106,472	384,560,366

5.1 As of the reporting date, the value of stock pledged against bank borrowings amounted to Rs. 2,600 million (September 30, 2020: Rs. 307.98 million).

	Note	Un-Audited Mar 31, 2021	Audited Sep 30, 2020
		Rupees	
6. TRADE DEBTS - unsecured, considered good			
Local receivables	6.1	296,758,564	183,347,585

6.1 These include an amount of Rs. 694,965 (September 30, 2020: Rs. 154,881) due from M/s. Unicol Limited, an associated concern.

	Note	Un-Audited Mar 31, 2021	Audited Sep 30, 2020
		Rupees	
7. LONG TERM BORROWINGS FROM BANKING COMPANIES			
Diminishing Musharaka financing		53,614,612	79,919,774
Financing for payment of wages and salaries		27,035,244	47,009,219
Financing under Islamic Temporary Economic Refinance Facility (ITERF)	7.1	43,858,452	-
		124,508,308	126,928,993
7.1 Financing under Islamic Temporary Economic Refinance Facility (ITERF)			
Total amount borrowed		61,632,448	-
Less: Element of government grant recognized as deferred income		(17,773,996)	-
		43,858,452	-

7.1.1 During the period, the Company obtained a long-term financing facility of Rs. 600 million from M/s. Faysal Bank Limited (FBL) under the SBP's Islamic Temporary Economic Refinance Facility (ITERF) notified vide IH & SMEFD Circular No. 2 of 2020 dated March 17, 2020. Up to the reporting date, the amount disbursed by FBL under the said facility amounted to Rs. 61.632 million.

The principal terms and conditions of the facility are as follows:

- The applicable markup rate is 2.75% (i.e. SBP rate of 1% plus 1.75% spread);
- The tenure of the facility is 10 years (including 2 years grace period ending in November 2023); and
- The principal amount of the loan is to be repaid in 32 equal quarterly instalments commencing from December 2023.

Since the facility carries the markup rate of 2.75% which is well below the market interest rate of 8.6% (determined as 3-Month KIBOR as at the date of disbursement of the loan plus 1% spread), in accordance with a technical opinion issued by the Accounting Standards Board of the Institute of Chartered Accountants of Pakistan (ICAP) in November 2020, the financing is considered to contain an element of government grant as per the IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance'. Accordingly, at initial recognition, the Company measured the loan liability at its fair value of Rs. 43.858 million (determined on a present value basis) and recognized the difference between the disbursement proceeds received from the bank and the said fair value, amounting to Rs. 17.774 million, as deferred government grant in the statement of financial position. Subsequently, a portion of this deferred grant shall be recognized as income in profit or loss in proportion to the recognition of interest cost on the outstanding loan balance (based on the effective interest rate method).

	Note	Un-Audited Mar 31, 2021	Audited Sep 30, 2020
		Rupees	
8. DEFERRED LIABILITIES			
Deferred taxation – net	8.1	282,308,878	278,444,709
Sales tax payable		109,419,576	109,419,576
Provision for excise duty		7,005,677	7,005,677
Deferred government grant	8.2	16,275,445	652,149
		415,009,576	395,522,111
8.1 Deferred taxation - net			
<i>Deferred tax liability arising in respect of:</i>			
Property, plant and equipment		295,204,026	296,719,207
Investment in associates		91,865,775	86,486,424
		387,069,801	383,205,632
<i>Deferred tax asset arising in respect of:</i>			
Provision of slow moving stock		(3,418,939)	(3,418,939)
Unused tax losses	8.1.1	(101,341,984)	(101,341,984)
		(104,760,923)	(104,760,923)
		282,308,878	278,444,709

8.1.1 The Company has recorded deferred tax asset on account of carry forward of business losses amounting to Rs. 101 million. Management is of the view that, future profits are foreseeable in the future to adjust the said deferred tax asset.

	Note	Un-Audited Mar 31, 2021	Audited Sep 30, 2020
		Rupees	
8.2 Deferred government grant			
Deferred government grant recognized in respect of:			
Financing for payment of wages and salaries	8.2.1	739,224	652,149
Financing under ITERF	8.2.2	15,536,221	-
		16,275,445	652,149
8.2.1 Deferred government grant recognized in respect of financing for payment of wages and salaries			
Total deferred government grant		8,557,147	6,755,037
Less: Cumulative amount amortized to income up to the reporting date		(3,775,003)	(1,156,196)
		4,782,144	5,598,841
Less: Current maturity shown under current liabilities		(4,042,920)	(4,946,692)
		739,224	652,149
8.2.2 Deferred government grant recognized in respect of financing under Islamic Temporary Economic Refinance Facility (ITERF)			
Total deferred government grant		17,773,996	-
Less: Current maturity shown under current liabilities		(2,237,775)	-
		15,536,221	-
9. SHORT TERM FINANCE - secured			
Istisna / Salam finance	9.1	3,949,994,000	1,393,966,221
9.1	This represents the availed amount of Islamic finance facilities provided by various Islamic banks. As at the reporting date, the aggregate limit of these available finances amounted to Rs. 5,200 million (September 30, 2020: Rs. 4,700 million). These finances are secured against pledge of refined sugar and first pari passu charge on fixed assets of the Company including land, building and plant & machinery carrying profit at the rate of KIBOR + 0.5% to 1.00% per annum (September 30, 2020: KIBOR + 0.50% to 1.00% per annum).		
10. CONTINGENCIES AND COMMITMENTS			
10.1 Contingencies			
10.1.1	During the half year ended March 31, 2021, the following development took place with respect to contingent liability related to income tax assessments (whereby the Commissioner Inland Revenue, had issued orders u/s 122(1) of identical nature relating to tax years 2015, 2017, 2018 and 2019, resulting in aggregate tax demand of Rs. 19.2 billion) as reported in Note 20.1 to audited financial statements of the Company for the year ended September 30, 2020:		
	The Commissioner Appeals (Inland Revenue) issued orders dated April 9, 2021 relating to tax year 2015, and March 31, 2021 relating to tax years 2017 to 2019, u/s 129 of the Income Tax Ordinance, 2001, disposing off the appeals filed by the Company and upholding the decision of the Commissioner. The Company filed appeals u/s 131 of the Income Tax Ordinance, 2001, against the decision of Commissioner Appeals (Inland Revenue) before the Appellate Tribunal (Inland Revenue). The Appellate Tribunal issued separate orders dated April 21, 2021 related to tax year 2015, and April 12, 2021 related to tax years from 2017 to 2019, granting stay against the recovery proceedings for a period of 30 days, or decision of appeal, whichever is earlier. Thereafter, the Company applied for extension which has been granted for further 30 days.		
10.1.2	As of the reporting date, the status of the other contingent liability as disclosed in Note 20.1 to audited financial statements of the Company for the year ended September 30, 2020 remains the same.		
10.2 Commitments			
	Commitments in respect of corporate guarantee provided to Alternate Energy Development Board (AEDB) on behalf of Faran Power Limited amounted to Rs. 11.17 million (September 30, 2020: Rs. 11.17 million), and capital expenditure contracted for but not yet incurred amounted to Rs. 143.01 million approximately (September 30, 2020: Rs. 101.83 million).		

	Note	For the six-month period ended	
		Un-Audited Mar 31, 2021	Un-Audited Mar 31, 2020
		Rupees	
11. SALES REVENUE – net			
Sale of sugar – Export		-	622,065,469
Sale of sugar – Local		1,944,253,526	1,633,112,445
		<u>1,944,253,526</u>	<u>2,255,177,914</u>
Sale of molasses		648,001,834	473,098,600
Sale of bagasse		30,121,866	27,942,092
Sale of electricity		-	895,324
		<u>678,123,700</u>	<u>501,936,016</u>
Gross sales		2,622,377,226	2,757,113,930
Less: Sales tax and advance income tax		(288,618,999)	(244,822,252)
		<u>2,333,758,227</u>	<u>2,512,291,678</u>
12. COST OF SALES			
Sugarcane consumed		4,808,916,863	4,030,025,802
Manufacturing expenses	12.1	375,464,682	368,374,890
		<u>5,184,381,545</u>	<u>4,398,400,692</u>
Work in process stock – opening		2,912,689	8,332,717
Work in process stock – closing		(3,775,875)	(3,005,362)
		<u>(863,186)</u>	<u>5,327,354</u>
Cost of goods manufactured		5,183,518,359	4,403,728,046
Finished goods stock - opening		381,647,677	1,062,061,495
Sugar purchase		-	123,652,820
Finished goods stock - closing		(3,265,330,597)	(3,083,916,996)
		<u>(2,883,682,920)</u>	<u>(1,898,202,681)</u>
		<u>2,299,835,439</u>	<u>2,505,525,365</u>
12.1 Manufacturing expenses			
Salaries, wages and other benefits		167,872,855	175,663,425
Stores and spares consumed		88,005,900	64,677,394
Depreciation		38,820,090	39,008,583
Packing materials consumed		30,834,185	38,102,437
Repair and maintenance		25,726,885	31,194,765
Insurance		7,651,668	3,562,901
Fuel and power		7,308,423	8,334,394
Vehicle running expenses		5,092,683	3,830,288
Others		2,076,943	1,537,368
Freight		2,075,050	2,463,335
		<u>375,464,682</u>	<u>368,374,890</u>
13. TAXATION - net			
Current		51,959,933	49,905,663
Deferred		3,864,169	(141,810,353)
		<u>55,824,102</u>	<u>(91,904,689)</u>
14. RELATED PARTY TRANSACTIONS AND BALANCES			

Related parties comprise of the subsidiary company, associates, directors and their close family members, major shareholders of the Company, key management personnel and staff provident fund. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment while contribution to the Provident Fund is in accordance with staff service rules. Transactions with related parties during the year / period, other than those disclosed elsewhere in the financial statements, are given below:

	For the six-month period ended	
	Un-Audited Mar 31, 2021	Un-Audited Mar 31, 2020
	Rupees	
Transactions during the period		
ASSOCIATES		
Unicol Limited		
Sale of goods	665,200,835	473,098,600
Dividend received during the period	112,499,993	99,999,995
Uni-Food Industries Limited		
Sale of goods	6,735,000	3,470,270
Investment made	57,199,160	84,308,100
KEY MANAGEMENT PERSONNEL		
Remuneration of the Chief Executive	7,581,600	7,020,000
Remuneration of executives	7,464,960	6,912,000
Directors' meeting fee	120,000	100,000
OTHER RELATED PARTIES		
Reliance Insurance Company Ltd.		
Insurance premium paid	9,600,000	15,530,343
Begum Ayesha Bawany Taleem ul Quran Trust		
Donation made	-	3,596,750
Brand Stallion		
Services received	-	280,716
PROVIDENT FUND TRUST		
Contribution to Provident Fund	2,929,534	2,704,649

	As on	
	Un-Audited Mar 31, 2021	Un-Audited Mar 31, 2020
	Rupees	
Balances at the end of the reporting period		
ASSOCIATES		
Due from Unicol Limited	694,965	153,891
Due from Uni Food Industries Limited	359,400	4,500,000
PROVIDENT FUND TRUST		
Provident Fund contribution payable	124,422	(2,560,697)

15. FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the management recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. However, during the year, there were no transfers between the levels of the fair value hierarchy.

As of the reporting date, the fair value hierarchy of the assets measured at fair value is as follows:

	March 31, 2021 (un-audited)		
	Level 1	Level 2	Level 3
	-----Rupees-----		
Investment in B.F. Modaraba	4,696,970	-	-
Investment in quoted equity securities	1,655,125	-	-
	6,352,095	-	-

	September 30, 2020 (audited)		
	Level 1	Level 2	Level 3
	-----Rupees-----		
Investment in B.F. Modaraba	4,884,849	-	-
Investment in quoted equity securities	1,515,500	-	-
	6,400,349	-	-

16. GENERAL

16.1 Impact of COVID-19 on these condensed interim financial statements

As in the rest of the world, Covid-19 adversely affected lifestyle and business operations in Pakistan. The Company complies with SOPs prescribed by the Federal and Provincial Governments. Sales were not affected during lockdown, and the shipments were dispatched as per schedule with minor disruptions. The Company remained up to date in all its financial commitments. Management believes that going concern assumption of the Company remains valid, and there are no material implications that require specific disclosure in these condensed interim financial statements.

16.2 Notice from regulatory authority

During the period, the Company received a notice from the Securities and Exchange Commission of Pakistan (SECP) requesting the Company to provide detailed information and certain documents related to business activities of the Company in respect of the year ended September 30, 2020. The Company has filed a suit against the above mentioned notice, and the Honorable High Court of Sindh has suspended the operation of the notice and restrained the defendants to take any adverse action against the Company till the date of next hearing.

16.3 Date of authorization of the financial statements for issue

These condensed interim financial statements have been authorized for issue by the Board of Directors of the Company in their meeting held on May 28, 2021.

16.4 Level of rounding

"Unless otherwise indicated, all figures in these condensed interim financial statements have been rounded off to the nearest rupee."



Ahmed Ali Bawany
Chief Executive Officer



Muhammad Omar Bawany
Chairman



Muhammad Ayub
Chief Financial Officer



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