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# PECTO SUGAR MILLS LIMITED

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## DIRECTORS' REPORT TO THE MEMBERS

The Directors of your company have the pleasure in submitting their 46<sup>th</sup> report together with the audited Accounts of the company for the year ended September 30, 2010.

### OPERATIONAL PERFORMANCE

Operating results for the year under review are summarized below:

		2009-10	2008-09
Season started		November 18, 2009	November 25, 2008
Season closed		February 26, 2010	March 03, 2009
Crushing days		101	99
Sugarcane crushed	M Tons	354,256	411,435
Avg. crushing per day	M Tons	3,507.49	4,155.90
Sugar recovery	%	7.05	8.00
Sugar produced	M Tons	24,913	32,940
Molasses Recovery	%	4.21	4.37
Molasses Produced	M Tons	14,878	17,993

The company has operated at comparatively lower level of crushing during the period under review due to less availability of sugarcane. The Crushing season commenced on November 18, 2009 and closed on February 26, 2010. The mill operated for 101 days as against 99 days operated last season. The mill crushed 354,256 M Tons as against 411,435 M Tons last year and as a result sugar produced was less than the last year. Sugar production was 24,913 M Tons as against 32,940 M Tons produced last year i.e. 24.36 % decrease over the last year. During the current year, the sugar recovery percentage also decreased from 8.00% of last year to 7.05%.

Particle Board Division has not performed well during the year under review because of less availability of bagasse due to decline in crushing. Your company has been able to produce 1.332 million sq. ft. as compared to 3.468 million sq. ft. of particle board sheets of the last year. Net sales have also reduced to Rs. 20.521 millions this year from Rs. 70.392 millions of the last year.

### FINANCIAL RESULTS

An analysis of the key financial results is given below:

	2009-10	2008-09
	(Rupees in millions)	
Sales	1,490.206	1,205.361
Gross Profit/ (Loss)	(200.134)	58.616
Net Loss before Taxation	(252.998)	(86.461)
Net Loss after Taxation	(269.093)	(79.362)
Loss per share	(18.45)	(5.44)

During the current year, recovery of sucrose content was lesser than last year resulting in lower quantity of sugar due to the factors beyond our control i.e. high cost of sugarcane, lower sugarcane supply etc. Company financial results remained negative and thus pre-tax loss increased to Rs. 252.998 Millions from Rs. 86.461 Millions of the last year.

### DIVIDEND

Because of the loss sustained by the company during the year under review, the Directors do not recommend any dividend or bonus shares for the year.

### GOING CONCERN

In their report, the auditors have raised doubts about the ability of the Company to continue on a going concern basis. Your Company and other sugar mills have been facing these conditions due to high sugarcane price multiplied by the maneuvering of middle men and decline in sucrose recovery, contributing towards