

TRADING CORPORATION OF PAKISTAN

APPROVED AGENDA FOR THE 286TH MEETING OF THE BOARD OF DIRECTORS.

ITEM	SUBJECT / TOPIC
1.	Confirmation of minutes of 285 th meeting of the Board of Directors. Company Secretary
2.	Implementation status of 285 th BOD Decision Company Secretary
3.	Working Paper regarding Administrative revised budget for the year 2012-13 and budget estimates for the year 2013-14 by Board of Directors of TCP. General Manager (Finance)
4.	Working Paper regarding Revision of Existing Benefits of the Officers of TCP. General Manager (GA&HR)
5.	Working Paper to approve Shifting of Regional Office Lahore from LDA Plaza. General Manager (GA&HR)
6.	Working Paper regarding Export of Sugar to Tajikistan. General Manager (EM&C)
7.	Working Paper regarding Procurement of White Sugar from Local Sugar Mills. General Manager (DOD)
8.	Working Paper regarding Up-date on Audit paras. General Manager (Audit)
9.	Working Paper regarding current Import of Urea General Manager (Imports/POD)
10.	Working Paper regarding Shifting of Sub-regional Office/Cotton Procurement Centre Multan into TCP's Godown at Industrial Estate Multan After repair/renovation work. General Manager (GA&HR)
11.	Working Paper regarding payment of Rs. 9 Billion in respect of Dividend relating to 2006-07 to 2011-12. General Manager (Finance)
12.	Working paper regarding amendments in Delegation of Powers. General Manager (Finance)
13.	Working Paper regarding Up-date on Receivables. General Manager (Accounts)



TRADING CORPORATION OF PAKISTAN (PVT) LIMITED

Minutes of the 286th Meeting of the Board of Directors of Trading Corporation of Pakistan Private Limited held on Monday 01, July, 2013 at 1500 Hours, in the Boardroom of Corporation's Principal Office at, Karachi.

The following attended:

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|------|---|------------------|
| I. | Mr. Tahir Khurshid
Joint Secretary (Imp/Exp), MoC /Ex-Officio Director | Member/ In-Chair |
| II. | Ch. Mubarak Ali
Director (Logistic & Projects) | Member |
| III. | Mr. Manzoor Ali Sheikh
Director (Admin & Corporate Affairs/P & P/PO&QA) | Member |
| IV. | Mr. Maqsood Jahangir
Director (Finance) | Member |
| V. | Mr. Qazafi Rind
Company Secretary | Secretary |

2. The Company Secretary welcomed the participants of the meeting and initiated the proceedings after recitation. Directors and the Company Secretary welcomed Mr. Tahir Khurshid on being Ex-Officio Director of the TCP and showed their best wishes for Mrs. Robina Ather, predecessor of Mr. Tahir Khurshid.

3. The Company Secretary further informed the members that the post of the Chairman is lying vacant since May 9, 2013 and that the Corporation has to place Budget proposal before the Board of Directors of the Corporation for the FY 2013-14 for its consideration /discussion / approval. Further, as per provision of Clause 107 of Articles of Association, the Directors of the Corporation unanimously selected Mr. Tahir Khurshid, Joint Secretary (Import & Export SEx-officio Director to Chair the 286th Board of Directors meeting held on July 01, 2013. The said Clause of AOA is reproduced below:

Clause 107. "If at any meeting of the Directors the Chairman be not present at the time appointed for holding the same, the Directors present shall choose some-one of their members to be the Chairman of such meeting"

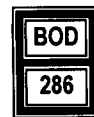
4. The Company Secretary, with the permission of the Chair, floated the agenda items before the Board for its consideration / appropriate decision as following:

Item No. 01/BoD-286 Dated 01-06-2013

CONFIRMATION OF MINUTES OF 285th MEETING OF THE BOARD OF DIRECTORS OF TCP.
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The Company Secretary apprised the Board and placed the minutes of 285th Board meeting held on March 11, 2013 for its confirmation.

The Board after deliberate discussion on each decision confirmed the minutes of 285th meeting of the Board with following observations against some agenda items:



Item NO. 07/BOD/-285 & Item NO. 11/BOD/-285: The Board observed that the Medical Rules Policy of the Corporation be made in line with the relevant Rules of the Federal Government and anomalies in the existing Medical Policy, if any, be worked out and placed before the next Board meeting.

Item No. 02/BoD-286
Dated 01-05-2013

IMPLEMENTATION STATUS OF 285th BOD DECISIONS.

The Board was informed about the implementation status of Eleven (11) decisions of previous Board meeting.

The Board showed its satisfaction on the progress of implementation of the decisions taken in the 285th Board meeting held on 11-03-2013 with observation that the Inquiry Committees which has been constituted by the previous Board/ECB meetings, should finalize their report(s) alongwith recommendations for placing the same before the next Board meeting for its consideration and appropriate decision as per the rules in vogue.

Item No. 03/BoD-286
Dated 01-05-2013

ADMINISTRATIVE REVISED BUDGET FOR THE YEAR 2012-13 AND BUDGET ESTIMATES FOR THE YEAR 2013-14 BY BOARD OF DIRECTORS OF TCP

Director (Finance) briefed the BOD about the current budgetary position of TCP alongwith income and expenditure. The Board was further briefed that in pursuance to the guidelines given by the Ministry of Finance (Budget wing) Islamabad vide their budget cell circular dated November 23, 2009 the revised estimates (2012-13) have been prepared on the basis of actual turnover and income of the Corporation for the year 2012-13. Similarly the Budget estimates for the FY 2013-14 has been prepared in accordance with the prescribed procedure and estimates under all the heads. Details of both are given below:

- (i) The silent features of the **revised budget proposal for Fiscal year 2012-13** are given below:
Revised Budget for the year 2012-13 Rs.1,325.105/- million including administrative expenditure Rs. 1,048.959/- million, development expenditure Rs.129.533/- million and provision for advances Rs. 67.163/- million whereas , revenue income Rs.2,767.667 /- million for operational income Rs.1,325.105/- million, other income Rs.1,420.257/- million and recovery advances Rs. 22.305/- million.
- (ii) The silent features of the **budget proposal for Fiscal year 2013-14** are given below:
The Budget for the year 2013-14 Rs.1,972.104/- million including administrative expenditure Rs. 1,303.739/- million, development expenditure Rs.581.865/- million and provision for advances Rs.109.500/- million and revenue income Rs. 2,424.919 /- million for operational income Rs.1,102.919/- million, other income Rs.1,322.00/- million and recovery advances Rs. 23/- million.

DECISION

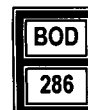
The Board discussed the Revised Budget proposal for FY 2012-13 and Budget estimates for FY 2013-14 and after due deliberation, the Board approved them as presented above. The Board also appreciated the efforts of Director Finance and his team in preparation of the budget proposal(s) as referred above.

Item No. 04/BoD-286
Dated 01-06-2013

REVISION OF EXISTING BENEFITS OF THE OFFICERS OF TCP

Director (A&CA) briefed the BOD that a committee was constituted vide U.O. Note No.TCP (HR)/6-15/2013 dated 20-05-2013, comprising of the following officers, with a mandate to review/examine the request of TCP Officers Association with regard to revision of existing benefits of the officers of TCP and make recommendations accordingly for consideration/approval of the Management :

- i) General Manager (GA & HR) - Convener



- | | | | |
|------|----------------------------|---|----------------------------|
| ii) | General Manager (Audit) | - | Member |
| iii) | General Manager (Accounts) | - | Member |
| iv) | D.G.M. (HR-I) | - | Secretary of the Committee |

The Committee examined the demands of the Officer's Association of the Corporation in detail and observed that only those items/allowances of unionized employees which have been revised as a result of CBA Agreement needs to be revised in the case of officers as well with a view to avoid discrimination amongst the employees of same organization. The Committee has submitted its detailed recommendations.

The total number of officers currently working in the Corporation is 122 and financial implication has been worked out to be Rs.3.031 million approximately per annum.

The Board discussed & deliberated on the issue of revision of existing benefits offered by the Corporation to its officers and appreciated the same. The Board observed that as this issue has not been seen by the ECB, therefore, the matter first may be placed before the ECB for threadbare discussion and subsequently, its recommendations be placed before the Board.

Item No. 05/BoD-286
Dated 01-06-2013

SHIFTING OF REGIONAL OFFICE LAHORE FROM LDA PLAZA.

Director (A&CA) briefed the BOD that the Regional Office of TCP, Lahore was located at 1st floor, LDA Plaza Rgerten Road, Lahore. On 9th May, 2013 fire erupted in upper floors causing damage to 7th, 8th and 9th floors of LDA Plaza. Fortunately the TCP Office located at 1st floor of the plaza remained safe however keeping in view the dangerous condition of the building the LDA&OS asked all the tenants including TCP to relocate their offices. The Management of TCP allowed R.O. Lahore to search out new premises for relocating Regional Office, Lahore. As a temporary arrangement Regional Office, Lahore has been made functional in two rented rooms as the approval for shifting to new premises couldn't be obtained due to the fact that no Chairman has been posted since 9th May, 2013. The LDA&OS have recently intimated that the demolition work of upper floors shall take at least two months. However the Structural Engineers would give their report about the 5th and 6th floors thereafter. The Board was proposed that Keeping in view the post of the Chairman is lying vacant at the moment and early shifting to new premises is required to make Regional Office, Lahore fully functional, it is recommended that a shifting committee comprising of Director (L&P), G.M (GA&HR), G.M (Finance) and G.M (R.O.) Lahore may be constituted to point out/locate new office premises (rented or purchased as the case may be) and workout the modalities of shifting to proposed premises.

DECISION

The Board besides showing its satisfaction that all officers & staff of the Corporation working in its Lahore Office remained safe during the incident of fire break-out in the LDA plaza, after deliberate discussion decided to agree with the proposal of the Administration Division of the Corporation & constituted Shifting Committee comprising of Director(L&P), GM(Finance), GM(GA&HR) & GM (RO) Lahore to submit its recommendations for its consideration / appropriate decision at the earliest.

Item No. 06/BoD-286
Dated 01-06-2013

EXPORT OF SUGAR TO TAJIKISTAN.

Director (L&P) briefed the BOD that Economic Coordination Committee of the Cabinet (ECC) decided to export 30,000 MT of Sugar to Tajikistan as per its decision dated 07-08-2012. Negotiations were held in Ministry of Commerce in second week of August between delegations of both countries which concluded in terms of agreed minutes of the meetings dated 15-08-2012.

The commercial contract was signed on 06-03-2013 between Trading Corporation of Pakistan (TCP) and Agency on State Material Reserves of the Republic of Tajikistan for export of 30,000 MT white refined sugar subsequently. Tajik side proposed following three amendments in the contract vide letter dated 29-03-2013:

- i. Time for opening of L/C may be extended from 07 days to 15 days.



- ii. Quantity is each tranche may be reduced from 10,000 to 5,000 MT.
- iii. Sugar price agreed at USD 528.25 PMT (USD 548.25 FOB in international market- USD 20 PMT Subsidy by Government of Pakistan) may be reconsidered.

Many meetings have been held in MOC & with the guidance & nodding of MOC, TCP furnished its following alternate proposal for consideration of Tajik side along with endorsement to MOC on May 30, 2013:

"Tajik side is requested to consider the option for export of 30,000 MT white refined sugar through Pakistani private sector as discounted rate by USD 20 PMT as compared to the Tajik side may freely negotiate price of sugar with private parties in Pakistan keeping in view the price in international market. Government of Pakistan will pick up subsidy amount @ USD 20 PMT for export of 30,000 MT sugar to Tajikistan through private sector".

In response to TCP's proposal the Agency of State Material Reserves of the Republic of Tajikistan through its letter No. 190/01 dated June 20, 2013, has sought following clarifications:

- i. Which private entity will supply the 30,000 MT sugar.
- ii. How the agency should approach for the private sector.
- iii. Whether the same terms and conditions of discount of USD 20 PMT less than international rate will be applied in private sector when the state agency make purchase from the Pakistan Private sector.
- iv. Does the Pakistani private sector able to offer sugar ICUMSA 45?

The Board was further informed that the MOC has decided that in case Tajik side agrees to the above proposal, then the matter would be placed before the ECC of Cabinet being the competent forum. The Board was further apprised that the matter has been forwarded to Ministry of Commerce for its approval/policy guidance on 24-06-2013.

The Board stands informed.

Item No. 07/BoD-286
Dated 01-06-2013

LOCAL PROCUREMENT OF SUGAR POSITION.

Director (L&P) apprised the Board about the local procurement of sugar as tabulated below:

S. No.	ECC Decision	Tender Date	Procured Quantity MT	Price PMT Rs.	Total Value Rs. in billion	Purchased from
1		15-12-2011	378,000	46,250/-	17.482	47 Mills
2		23-01-2012	99,300	45,720/-	4.450	36 Mills
3		21-05-2012	209,700	50,510/- 50,500/-	10.590	44 Mills
4		14-12-2012	327,500	52,800/-	17.292	70 Mills
TOTAL			1,014,500		49.814	

TCP has (sold) issued Delivery Orders for a quantity of 858,119 MT in favour of M/s. Utility Stores Corporation and 150 MT to Pakistan Navy, leaving an un-sold quantity of 156,231 MT available with TCP. However, M/s. Utility Stores Corporation of Pakistan / Pak Navy have lifted 778,482 MT sugar upto 24-06-2013, leaving an un-lifted balance of 236,018 MT sugar at mills premises. one sugar mills i.e. M/s. Kohinoor Sugar Mills failed to fulfill his contractual obligation and his Performance Guarantee has been encashed as per tender terms and conditions.

Besides, above TCP has currently received a sugar requirement for 100,000 from M/s. USC i.e. 50,000 MT sugar for July, 2013 quota which is under active consideration in TCP and 50,000 MT sugar for Ramzan quota which is pending for want of approval of Ministry of Commerce.

The Board was also apprised that recently ECC of the Cabinet has allowed to procure 100,000MT sugar, through TWO tenders, from the Local Sugar Mills. Tender has been floated on June, 2013, for



inviting bids from the interested sugar mills which will be opened on July 03, 2013 and would be opened on July 18, 2013. Next tender would be floated in the running month.

The Board stands informed. The Board further desired that for the current procurement of 100,000 MT PPRA Rules, 2004 must be followed as has been done in the past.

Item No. 08/BoD-286

UP-DATE ON AUDIT PARAS

Dated 01-06-2013

During the year 2012 & till date, several DAC / PAC meetings were held on different dates wherein audit paras pertaining to TCP were discussed in detail. Latest position of TCP's Audit Paras discussed in DAC / PAC meeting are as follows:

Sr.#	ARPSE	DAC DATE	PAC DATE	PARAS DISCUSSED	SETTLED / SUBJECT TO VERIFICATION	TOTAL PENDING PARAS
1-	1985-86	11.2.2013	28.6.2011	1	0	1
2-	1986-87	11.2.2013	28.6.2011	2	0	2
3-	1987-88	---	---	-	-	-
4-	1988-89	---	---	-	-	-
5-	1989-90	19&20.2.2007	27.11.2008	2	0	2
		-	16.3.2011			
6-	1990-91	2.3.2011	9.3.2011	-	-	-
7-	1991-92	12.4.2006	20.4.2009	2	0	2
8-	1992-93	2.3.2011	9.3.2011	6	1	5
9-	1993-94	11.2.2013	28.6.2011	2	1	1
10-	1994-95	28.3.2011	20.4.2011	3	1	2
11-	1995-96	---	---	-	-	-
12-	1996-97	11.2.2013	28.6.2011	15	3	12
13-	1997-98	28.3.2011	20.4.2011	6	2	4
14-	1998-99	13.7.2011	14.7.2011	1	0	1
15-	1999-2000	---	---	-	-	-
16-	2000-2001	11.2.2013	28.6.2011	2	1	1
17-	2001-2002	2.3.2011	9.3.2011	1	0	1
18-	2002-2003	13.7.2011	14.7.2011	1	1	0
19-	2003-2004	11.2.2013	14.7.2011	2	0	2
20-	2004-2005	11.2.2013	16.11.2012	2	0	2
21-	2005-2006	11.2.2013	28.6.2011	1	0	1
22-	2006-2007	---	---	-	-	-
23-	2007-2008	22.5.2012	14.7.2011	4	4	0
24-	2008-2009	11.2.2013	31.8.2010	4	0	4
25-	2009-10	28.6.2012	-	9	3	6
26-	2010-11	28.6.2012	-	9	2	7
27-	2011-12	9.12.2011	-	11	4	7
28-	2012-13	14.12.2012	-	9	6	3
TOTAL:				95	29	66

The Board was apprised that the Audit of FY 2011-2012 was also conducted. During ARPSE 2012-2013 only 9 draft paras were proposed against 57 O.Ms issued by the auditors. However, in DAC held on 14-12-2012 relating to above mentioned paras, Six (6) paras were settled; and only three are left which are likely to be settled in the next DAC meeting.

The Board was further informed that besides SOPs of Internal Audit Division have been approved, Pre-DAC meeting on Audit Paras from 1989-90 to 2011-12 was held on 16-04-2013, which was presided by Additional Secretary, Ministry of Commerce. Total 72 Paras were discussed in the said meeting. Compliance Report on pre-DAC directives has already been sent to Ministry.

The Board stands informed. The Board also directed the Internal Audit Team to persuade MOC for holding early pre-DAC & DAC meetings besides finalizing pending Inquiry Reports by the various committees constituted for the purpose & outcome of pending Court cases.

Item No. 09/BoD-286

CURRENT IMPORT OF UREA

Dated 01-06-2013

Director (P&P/PO&QA) briefed the BOD about the current import of Urea as following:



0.130 MILLION MT UREA

The ECC of the Cabinet in its decision no. ECC-70/06/2013, dated 08th March 2013, allowed TCP to import 130,000 MT urea for Kharif Season 2013. Accordingly, two Tenders have been awarded to the suppliers for import of said quantity of urea.

Two vessels carrying 74,545 MT urea, against the first tender, have been arrived and the entire cargo has been lifted by NFML. The balance 50,000 MT urea on a vessel MV "ELENI D" is scheduled to arrive in the third week of July 2013.

SABIC AGREEMENT 2012-2013 FOR 200,000 MT UREA

The ECC of the cabinet in its decision dated 03rd October 2012 vide case # ECC-127/13/2012, allowed import of 200,000 MT urea fertilizer under SABIC facility. An agreement was signed between TCP and SABIC on 17th December 2012. Five (5) vessels carrying about 164,000 MT urea have so far arrived. The entire cargo has also been lifted by NFML. TCP has also requested SABIC for early shipment of balance quantity of 65,000 MT.

PORTWISE ARRIVALS DURING LAST THREE YEARS

Due to efficient handling of urea vessels at the discharge port, Port Operation Division managed to earn a substantial amount of US \$ 2.561 Million as dispatch earning and not a single penny was paid to the suppliers on account of vessel demurrage. Details are tabulated below:

YEAR	QUANTITY/VESSELS ARRIVED AT			TOTAL	DISPATCH EARNED (US \$)
	KPT (MT)	PQA (MT)	GWADAR (MT)		
2010-2011	—	106,643 (3 Vessels)	527,905 (15 Vessels)	634,548 (18 Vessels)	576,000
2011-2012	26,856 (1 Vessel)	194,206 (7 Vessels)	1,426,390 (37 Vessels)	1,647,452 (45 Vessels)	1,379,000
2012-2013	57,070 MT (2 Vessels)	195,424 (4 Vessels)	507,582 (13 Vessels)	760,076 (19 Vessels)	606,600
TOTAL	83,926	496,273	2,461,877	3,042,076	2,561,600

The Board was also apprised that entire imported quantities of SABIC as well as Tendered were lifted by M/s. NFML from the discharge ports.

The Board appreciated the efforts taken by the Corporation's team in Import, specifically Port Operations, as the Corporation has not paid any demurrages in the recent past, instead due to the additional efforts of POD the Corporation has earned a handsome amount as dispatch. The Board expects similar results from POD in future as well.

Item No. 10/BoD-286
Dated 01-06-2013

SHIFTING OF SUB-REGIONAL OFFICE/COTTON PROCUREMENT CENTRE MULTAN INTO TCP'S GODOWN AT INDUSTRIAL ESTATE MULTAN AFTER REPAIR/RENOVATION WORK.

Director (A&CA) briefed the BOD that, since the present Tenancy Agreement of the Office Premises of SRO/CPC Multan is expiring on 30.06.2013, instead of renewal, shifting of the office to some other place was proposed. In this connection since sufficient space is available at TCP's own Godown at Industrial Estate Multan, it was proposed that the said office may be shifted from the Multan Godown, which was agreed by the former Chairman vide para 21 (renumbered as 1237/N) page 279/N (Annex-I). To find out the feasibility of the proposal, Mr. Tanzeel-ur-Rehman, Manager, RO Lahore, was deputed to visit Multan and submit his Report. Accordingly the officer has submitted his Report which is reproduced below:

" that the SRO/CPC Multan Office can be shifted to the TCP's Multan Godown (Plot NO.26-30) provide following codal formalities be complied to:

- Since there is a legal Case on the godown, filed by the Board of management, Industrial Estate Multan, Legal position may be cleared by the Legal Division/Legal Advisor before shifting the office.
- To make the office functional at TCP's Godown where around 7500 Sq. feet covered area is available. Some Repair/Renovation work is required before shifting the office therein"



The Board was further apprised that to clarify the legal position, the report was sent to Legal Division which is of the view that there is no harm in shifting of the office in Multan Godown without any major change/alteration. Thereafter the case was referred to the Director (L &P) being custodian of the Godowns,. The Director (L &P) after having further satisfaction on any legal complication ,from the dealing Advocate, defending the concerned legal case on behalf of TCP, has given his concurrence.

After seeking input from all stakeholders the Administration Division has recommended following proposals to the Board to consider:

- i). G. M. (RO Lahore) /DGM SRO Multan and Manager Incharge SRO Multan may be advised to proceed for shifting of SRO/CPC Multan from existing premises to TCP's Godown after carrying out the necessary repair/renovation work as indicated by the Reporting Officer in his report narrated at above mentioned para.
- ii) For this purpose, three member committee consisting of Manager Incharge , SRO/CPC Multan ,Manager , R.O. Lahore (Sh.Tanzeel-ur-Rehman) headed by DGM SRO/CPC Multan may be formulated to carry out the repair/renovation work subject to the approval from the Authority after completion of codal formalities.
- iii) Meanwhile approval for extension of existing tenancy Agreement which is going to be expired on 30.06.2013 for a further period of three months with effect from 01.07.2013 to 30.09.2013 on the same terms and conditions and at the same monthly rent i.e.Rs.38,000/-.

DECISION

The Board deliberated & discussed the issue of shifting of office of SRO Multan into the Corporation's Cotton Procurement Center/ Godowns and decided to extend the existing tenancy agreement for three months(July-September,2013) besides desiring that all necessary codal formalities be completed alongwith necessary cost estimates for shifting/repair of Godowns in the next Board meeting.

Item No. 11/BoD-286

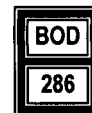
Dated 01-06-2013

PAYMENT OF RS. 9 BILLION IN RESPECT OF DIVIDEND RELATING TO 2006-07 TO 2011-12.

Director (Finance) briefed the Board that the Corporation has received a letter from Ministry of Finance (O.M dated 17.06.2013) forwarded by the Ministry of Commerce desiring TCP to furnish its point of view / clarification on issue of depositing Rs.9 billion(as dividend) in Government Treasury besides asking justification for holding the surplus funds. TCP sent an interim reply as following:

QUOTE

- i. *The nature of business of TCP is to act as trading agent on commission basis, as the trading cost of purchasing goods and related incidentals are borne by GoP or any other Government agency. On summary moved by Ministry of Industries / Ministry of Food Security, ECC of the Cabinet decides to import or locally procure any commodity for price stabilization in the local market. The Ministry of Finance gives consent during ECC meeting to finance the commodity through commercial banks with sovereign guarantee.*
- ii. *Trading Corporation of Pakistan (Pvt) Limited was incorporated in 1967 with a paid up capital of Rs. 7.500 million. TCP enhanced the capital from 7.500 to 100.000 million during the period from 30.06.1970 to 30.06.1982 by payment of dividend in shape of bonus share issued in the name of Government of Pakistan and also issued bonus share of Rs. 314.195 million during the year 2009-10. The said bonus shares were issued out of retained earnings. TCP has already paid Rs. 406.695 million dividends in shape of bonus share which enhanced GoP equity.*
- iii. *The Corporation since its inception has never asked the government for budget grants to finance its administrative/development expenditure, and being non dependent on federal budget, TCP is a self sustained organization. TCP's administrative costs are borne from its own source i.e from commission/handling charges. In case Corporation's savings form commission are deposited in government treasury, it will become difficult for TCP to continue its day to day operational as well as development and administrative activities which include repair and maintenance of godowns and salaries of 592 employees.*
- iv. *It is also pointed out that the approved commodity operation financing as per Prudential Regulations (SBP) cannot be used for administrative purpose. So TCP would be left with no other available source to meet its administrative/development expenditure. Moreover, considerable portion of funds have been earmarked for up gradation of godowns, purchase of land for construction of warehouses at Gwader port. The surplus fund also includes refundable security deposits of contractors etc.*



- v. The commission income is not regular as it depends on GoP's policy for commodity market intervention. The quantum of savings, in a year is directly related to the size of operations approved/contemplated by ECC/GoP, as indicated below:
- The savings remained static around Rs.40 million from 1993-94 to 1998-99 due to low operations / commission inflows.
 - Due to no operation inflows, the savings of TCP fell down marginally to Rs.0.500 million during 1999-2000 and 2000-2001, as TCP was eating out its own savings.
- vi. The regular staff strength of TCP prior to 2008 was around 150 which has now been increased up to 592 as a result of regularization of services of contingent/contractual employees under the Government policy.
- vii. The TCP cannot trade in any commodity on its own and being non dependant on Federal Budget, and in the absence of any regular business it is not feasible to transfer the fund to the Government Treasury. This can only be done if the Government adopts TCP on its payroll and starts budgeting its costs through AGPR. However, in that case TCP would lose its status as a "corporate entity" and hence would not be able to enter into commercial transactions on behalf of the GoP.
- viii. As regard Finance Division's O.M. to give justification of holding the surplus funds over the previous years, it is submitted that due to shrinkage of business activities, the savings fell to Rs.0.500 million during 1999 to 2001 as TCP was eating out its own savings, up to 2003-04, the savings rose to Rs.211 million and again dipped to Rs.11 million during 2004-05 to 2007-08 due to Government's marginal intervention in the commodity market. During last 5 years, the surplus funds gradually increased as a result of Government's continued intervention in commodity market. To ensure the monthly salaries and godown maintenance the surplus funds were held and invested in various financial institutions (having "A" rating) on highly competitive margins through a transparent placement mechanism in place as per guidelines of Ministry of Finance.

Point-wise Clarification as desired MOF & MOC

- (a) Guaranteed commission of 2% may be reviewed so that the organizational efficiencies of TCP are highlighted and approval of the competent authority for charging 2% commission by TCP may be furnished to this Division.

Initially, TCP was allowed 4% commission on its operations vide letter No. 11(17)/75-Imp.II & IV dated 30-09-1976, which was later on reduced to 2.5% during 1980 vide minutes of the meeting held on 14-01-1980 under chairmanship of Secretary Finance. However, due to huge imports of urea, wheat and sugar as well as local procurement of cotton and sugar, the commission was reduced up to 2% since 2004 vide letter F.4-4/2004-Fert dated 20-11-2004. In case any huge trading (imports or local procurement) of commodities is approved by the Government, the existing commission rate may be reviewed for that specific operation.

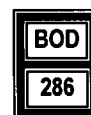
- (b) Markup rates of the financing facilities arrangements may be reviewed keeping in view the quantum of financing facilities availed by TCP, and the markup rates may be rationalized.

TCP had been getting Cash Credit limit under Commodity Operation Finance from a consortium of banks against Government's sovereign guarantee @ KIBOR + 2.75% till December 2011.

For the quarter January - March 2012 onwards, with the efforts of TCP, a prompt payment bonus @ 0.25% was allowed by the consortium of the banks. TCP has so far saved Rs.1,563 million (approx) of Government ex-chequer by availing bonus of 0.25%.

During the quarter January - March 2013, TCP again took up the issue with the consortium and held series of meetings in a structured manner. As a result of TCP hectic efforts, the consortium of the banks agreed to enhance prompt payment bonus from 0.25% to 0.75% for the quarter April - June 2013 onwards. It is expected that TCP will now save Rs.3,750 million (approx) per annum of Government ex-chequer by timely payment of markup as per past practice.

To enhance competition TCP invited other banks including Islamic model banking to participate in the financing for commodity operation. The Ministry of Finance (CF Wing), also agreed formation of parallel consortium as well as commodity operation finance under Islamic banking vide Ministry of Finance letter No.8(1)-CF(C)/2011-407 dated 22-05-2013. A consortium of Morhaba financing @ low rate is in process of finalization and other individual banks under conventional banking are also willing to give low rates than the existing consortium. By creating the above competitive atmosphere, TCP took pride being pioneer among other Government entities.



(c) Short term investment policy of TCP may also be reviewed and confirmation of following Finance Division(Budget Wing) instructions in this regard may also be obtained.

Surplus funds of the Corporations are invested in pursuance of Ministry of Finance (Budget Wing) guidelines notified under O.M. No.F.4(1)/2002 BR-II dated 02-07-2003 and 22-09-2005.

The Board of Directors of TCP in its 244th meeting, in pursuance of guidelines of Ministry of Finance, had constituted "Investment Committee" consisting of Chairman & Director Finance of TCP to place the surplus funds at competitive rates.

Later on, BOD in its 271st meeting dated 18-04-2011 adopted a more transparent mechanism of calling sealed envelop quotations to be dropped in a transparent quotation box and to be opened and announce in the presence of representatives of the banks/Financial Institutions. Additionally, in the same meeting of BOD, a "Finance Committee" (FC), comprising of Director Finance as Convener and three General Managers as Members was also constituted and notified vide No. TCP(HR)/14-56/2011 dated 25-04-2011 with the following functions:

- *To invite sealed quotations (unconditional in nature) from the banks rating "A" & above.*
- *To open the sealed bids in presence of all the Members of the Committee and representative of bidders.*
- *To prepare the comparative statement of bidders.*
- *To put up the comparative statement along with offers before Investment Committee for placement of available funds and to submit its recommendations to Investment Committee.*

In view of the above it is very much clear that TCP has already adopted a very transparent and competitive mechanism for investment of funds and BoD has adopted Ministry of Finance (Budget Wing) guidelines.

(d) TCP may endeavor to improve its debtor's recovery so that expensive financing arrangements are curtailed.

Imported Urea and locally procured sugar are being sold to NFML and USC respectively, on credit, as per Government directives and policy. For recovery of sale proceeds from these organizations, on the basis of rates fixed by the Government, TCP has been taking all measures for immediate recovery of outstanding amount to curtail financing cost.

As regard recovery of Cost Differential (CD), receivable from Ministry of Finance Government of Pakistan as subsidy, the issue has also been taken up time and again at appropriate forum so that financing cost may be reduced the details of TCP's outstanding is given below:

S. No.	NAME OF AGENCY	COMMODITY	TOTAL OUTSTANDING (PKR Million)	PERCENTAGE OF TOTAL DEBT
1.	GoP (MoF)	Subsidy on various commodities including subsidy receivable through USC	92,391.979	72%
2.	USC	Sugar & Wheat	16,575.260	13%
3.	NFML	Urea	4,616.837	4%
4.	Provinces / other departments/ agencies	Sugar & wheat	13,971.017	11%

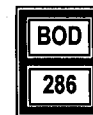
Out of the total debts, 72% is receivable from Ministry of Finance (Budget Wing).

(e) Inventory may be managed at the minimum level to save the associated costs.

All commodity operational activities of TCP viz imports, local purchase and distribution are carried out in the light of ECC decisions and Government directives. Presently, imported urea is being delivered to NFML directly from port. No stock of urea is available.

The other commodity is sugar, which is procured during crushing season and stocked at mill's premises. The sugar stocks are gradually lifted @ 50,000 MT per month (except Ramadan) by the USC. So TCP, technically is not holding any stock at its own. The size of inventory therefore does not depend on TCP's decision.

(f) Efforts may be made to recover tax refunds amounting to Rs.5,451 million.



The above refund has been adjusted against the Urea Sale to NFML and presently it is now reduced to approximately 1.5 billion, which is likely to be consumed in next few months. (UNQUOTE)

DECISION

The Board discussed the interim reply to the issues communicated by Ministry of Finance. It was decided to send a final reply with some elaboration/additions in the interim reply against some of the issues, as under:

SR. NO.	INSERTIONS AT;	DESCRIPTION
1.	Para-2(iiiiv)	The TCP is a private limited company registered under Companies Ordinance, 1984. The company in itself, therefore, is not competent to issue any part of its profits / retained earnings, to the shareholders, which is Government of Pakistan. The competent forum to decide about the quantum and nature of distribution of dividends out of its retained earnings is Annual General Meeting (AGM). Historically TCP used to issue specie dividend i.e. bonus shares, instead of cash dividend. However, the issue would be brought up before the forthcoming Annual General Meeting to make appropriate decision.
2.	Para-3(d)	Despite concerted efforts the provincial authorities and USC / NFML (Sr. No.4) have shown laid back response. In this backdrop, the Ministries of Commerce and Finance are being requested to take the lead role in coordinating with government debtors and get the issues settled. Further, the Ministry of Finance is requested to direct the concerned authorities / agencies to clear their dues within two months.

Item No. 12/BoD-286
Dated 01-06-2013

AMENDMENTS IN DELEGATION OF POWERS.

Director (Finance) briefed the BOD that TCP has a comprehensive document titled "Delegation of Operational, Administrative and Financial Powers to various tiers of the Corporation" approved by the BOD in its 167th meeting dated March 21, 1988. It was later revised and amended by the Board in its 282nd meeting held on November 12, 2012.

The Board was further apprised that over the last couple of months, some operational difficulties regarding item No.08 (Financial Powers) and item No.12 (Operational Powers) have been observed. Some proposed amendments in said items are hereby placed below before the Board for consideration alongwith the rationale thereof:

SR. NO.	ITEM NO. / HEAD	TITLE	EXISTING POWER	PROPOSED POWERS	REASONS
1.	Item No.8 (Financial Powers)	To sanction reimbursement of medical expenses to employees and to admit bills of doctors, hospitals etc.,	Full Powers with Director (Finance)	Upto 25,000 with G.M. (GA) and upto 250,000 with Director (Finance) More than 250,000 with ECB	overburdening of work coupled with delay in petty payments (due to long route) and in case of major medical expenses / reimbursement, the peer overseeing and evaluation by other executive members of the Board, cannot happen with this existing concentration of power.
2.	Item No.12 (Operational Powers)	To sanction expenditure and approve payment on account of demurrages/ penalties / duties / levies/ cess/ octroi, agency commission and allied expenses including	Full Powers with ECB / Executive Committee	Full Powers with Director (Finance)	being TCP's direct / indirect liabilities require immediate disbursements. In case of delay in mandatory payments, various financial / legal consequences can arise. Because of one or other reason such delays happen due to non-availability of other members and hence



		Federal and Provincial taxes in connection with the business of the Corporation.			non-completion of the quorum for ECB/ Executive Committee besides delaying in seeking approvals by ECB / Executive Committee even through circulation
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DECISION

The Board discussed & deliberated in detail on the issue & decided to ammend the Delegation of Powers recently approved by the Board , therefore, the earlier decision of the Board stands ammended to the following extent:

SR. NO.	ITEM NO. / HEAD	TITLE	AMMENDMENT IN DELEGATION OF POWER
1.	Item No.8 (Financial Powers)	To sanction re-imbursement of medical expenses to employees and to admit bills of doctors, hospitals etc.,	Upto Rs. 250,000 with Director (Finance) More than Rs. 250,000 with the ECB the GM (GA & HR) shall move all medical reimbursement files to Director (Finance) directly.
2.	Item No.12 (Operational Powers)	To sanction expenditure and approve payment on account of demurrages/ penalties / duties / levies/ cess/ octroi, agency commission and allied expenses including Federal and Provincial taxes in connection with the business of the Corporation.	Full Powers with Director (Finance)

Item No. 13/BoD-286
Dated 01-06-2013

UP-DATE ON RECEIVABLES.

Director (Finance) briefed the BOD that in pursuance of BoD decision taken in its 285th meeting held on 11-03-2013 the implementation status/progress report pertaining to TCP's receivables and the efforts made by the Accounts Division to pursue the claims are given below for perusal and consideration of BoD in its 286th meeting to be held on 01-07-2013 :

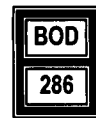
- For pursuing the case regarding outstanding of wheat, letters from Director Finance have been issued on 1.4.2013 to Secretary Finance, Government of Punjab, Sindh , KPK, Balochistan, AJK, Gilgit / Baltistan.
- A meeting with the representatives of Punjab Food Department was held on 18.04.2013 to reconcile the outstanding of wheat. Further a meeting to discuss rest of the issues pertaining outstanding of wheat is scheduled to be held during 1st week of July, 2013.
- Reminders for early remittance of outstanding of wheat has been issued to Government of Baluchistan for the balance agreed amount of Rs. 1.6 billion.
- Follow up letter to NFML has been issued on 13-06-2013 for early remittance of outstanding amount of urea.
- The implementation status/report of ECC's decision in Case No. ECC-85/09/2012 dated 16-08-2012 regarding recovery of storage charges have been sent to MOC on 25-06-2013. Follow up individual meetings to reconcile the figures and carve out schedule of recoveries have been planned.
- Letters to Ministry of Finance through Ministry of Commerce are under preparation for adjustment of outstanding amount from Government of Gilgit / Baltistan, Pakistan Navy and Pakistan Army from their grant.
- As a result of above efforts, we have received after 27-02-2013 Rs.8.500 billion from USC on account of sugar outstanding and Rs.3.700 billion from NFML on account of Urea outstanding.

DECISION

The Board showed its concern on the volume of the receivables still pending with various Provincial Governments and other Federal Organizations (USC, NFML etc.).The Chair was requested that MOC may like to intervene in the matter and hold /invite all stakeholders for a meeting in MOC and Chair informed the Directors that MoC would intervene in the matter to help Corporation get its long pending receivables.



Qazafi Rind
Company Secretary



Tahir Khurshid
Member/Chairman