

## **BOARD OF DIRECTORS**

### **Chairman/Chief Executive Officer**

MUHAMMAD ASIF ZAMAN ANSARI

### **Directors**

1. MR. ABDUL MALIK
2. MAJOR ( R) ALI RAZA
3. SHAHID LATIF ANWAR
4. SYED SIBTE MOMIN NAQVI
5. MR. MUSHTAQUE AHMAD KAZI
6. MR. ABRAR AHMAD KHAN

### **Secretary**

MR. SHAHID NAJIB HASSAN

**ANNUAL REPORT OF TRADING CORPORATION OF PAKISTAN (PVT) LTD**  
**FOR THE YEAR 2005-2006**

The Board of Directors have pleasure in presenting the TCP's Annual Report and the Audited Statement of Accounts for the financial year 2005-2006 ended on 30<sup>th</sup> June 2006.

**CHANGES IN DIRECTORS**

- |                                   |  |
|-----------------------------------|--|
| 1. Mr. Muhammad Asif Zaman Ansari | Assumed the charge of the office of Chairman on 5 <sup>th</sup> September, 2005.   |
| 2. Syed Masood Alam Rizvi         | Relinquished the charge of the office of Chairman on 5 <sup>th</sup> September, 2005                                     |
| 4. Mr. Abdul Malik                | Assumed the charge of the office of Director General on promotion from BS-20 to BS-21 on 15 <sup>th</sup> December, 2005 |
| 3. Mr. Shahid Latif Anwar         | Assumed the charge of the office of Director (Administration) on 6 <sup>th</sup> December, 2005.                         |
| 5. Syed Sibte Momin Naqvi         | Assumed the charge of the office of Director (Commercial-I) on 2 <sup>nd</sup> January, 2006.                            |

## **2. GENERAL**

2.1 The Government of Pakistan set up the Trading Corporation of Pakistan Limited (TCP) as a private limited company in July, 1967 registered under Companies Act 1913. The shares of corporation are owned by the Ministry of Commerce. It was the first move by the Government to introduce state trading in the country. The creation of TCP was meant to achieve the following objectives:-

- i) Act as a counterpart of state trading organizations in the socialist countries for import items assigned to TCP in Import Policy.
- ii) Achieve economies of scale by handling bulk transactions; secure advantages of price, freight and port-handling expenses, and prevent leakage of foreign exchange through such malpractices as over/under invoicing, etc.
- iii) Stabilize market conditions and neutralize effect of high market prices resulting from unwarranted escalation by private importers and, ipso facto, act as a check on disparity between import prices and scarcity prices.

2.2 In January, 1995 the Federal Cabinet assigned the following new role to TCP:-

### **A. Imports**

- i) Import of essential commodities in emergent conditions as in the past;
- ii) Import of Soybean Oil in future PL-480 Programme and CC Credit;
- iii) Import of Palm Oil from Malaysia under Malaysian credit;
- iv) Import of Industrial raw materials and other selected bulk items;
- v. Utilization of Credit Facilities.

### **B. Exports**

- i) Export of selected items of public sector corporations, agencies, etc;
- ii) Channelizing exports through TCP to various markets under credit line given by the Government to expand business in areas such as Common-Wealth of Independent States (CIS)/Central Asian Republics (CAR)/Malaysia, African countries, etc;
- iii) Export of Pakistani products to new/non-traditional markets by way of giving concessions/incentives by Government to prospective buyers for capturing new markets;
- iv) To perform innovative role of undertaking export of non-traditional items to non-traditional markets on experimental basis;
- v) To undertake and develop export of fresh fruits/vegetables and minerals in collaboration with and on partnership basis with the private sector.

### **C. Counter trade**

To undertake Counter trade to find out new markets and to promote exports, particularly to the countries facing cash constraints.

### 2.3 **Procurement of Lint Cotton**

In order to ensure a fair price to the cotton growers, the Government decided in 1999-2000 crop season to intervene in the market and directed TCP to purchase lint cotton from ginning factories for stabilizing cotton and phutti prices.

### 2.4 **Inspection of Brown Rice Exported to European Countries**

The Government has assigned inspection of Brown Rice (being exported to European countries) to TCP since August, 2002 which was earlier done by the RECP. TCP is discharging this responsibility to the satisfaction of the exporters and customs authorities in the European Union.

In addition to the above, under the directive of Ministry of Commerce, TCP also inspects White Rice of those parties who are petitioners in a suit filed in the Sindh High Court and issue them inspection certificates.

## 3. **TCP'S CAPITAL**

The initial paid up capital of the Corporation subscribed by the Government in 1967 was Rs. 2.5 million, which was subsequently raised to Rs.5 million in 1969-70 and to Rs.7.5 million in 1970-71 out of Corporation's own resources. In 1977-78, TCP increased its paid up capital from Rs.10.00 million to Rs.50.00 million and further increased it to Rs. 100.00 million in 1978-79 through its own resources by issuing bonus shares. In 2005-2006, the authorized capital enhanced to Rs.1000 million, whereas the subscribed and paid up capital increased from 100.00 million to 685.805 million due to increase in the volume of trade under Government's directive.

## 4. **MANAGEMENT**

The Management of the Corporation is vested in a Board of Directors appointed by the Federal Government. The Board comprises of a Chairman who is the Chief Executive of the Corporation, one Director General and four Directors who look after the financial, imports, exports and other affairs of the Corporation. Besides one Joint Secretary of the Ministry of Commerce, Government of Pakistan, Islamabad is also on the Board of TCP as ex-officio Director.

## 5 **ACTIVITIES OF THE CORPORATION**

### 5.1 **IMPORTS**

#### 5.1.1 **Soybean Seed**

On behalf of the Government of Pakistan, TCP under the Food for Progress Act Programme (FFP) of USA handled 30,000 MT Soybean Seed C&F value US\$ 11.237 million (Rs.674.244 Million). The whole quantity has been sold out through public auction to the members of All Pakistan Solvent Extraction Association (APSEA). Storage of Soybean oil was undertaken at the liquid terminals.

#### 5.1.2 **Sugar**

As per directives of the Economic Coordination Committee (ECC) of the Cabinet, TCP imported of 1,015,000 MT Sugar valuing US\$ 481.152 million (Rs.28.869 billion) to meet the shortages in the country. A quantity of 508,996.15 MT has been arrived upto 30-6-2006.

#### 5.1.3 **Urea Fertilizer**

As per directives of the Economic Coordination Committee (ECC) of the Cabinet, TCP imported a quantity of 860,000 MT Urea Fertilizer valuing US\$. 230.746 million (Rs.13.845 billion) to meet the shortages of urea in the country. A quantity of 808,735.35 MT Urea arrived which has been delivered to the MINFAL nominee.

#### 5.1.4 **Gram Whole & Black Mapte**

As per Government directive, TCP contracted for import of 10,000 MT Black Mapte valuing US\$ 6.530 Million (Rs.391.800 Million) and 51,000 MT Black Gram Valuing US\$ 32.193 Million (1.932 Billion) to meet the shortages in the country.

5.1.5 Handling of Black Mapte was accomplished by TCP efficiently, and was promptly cleared at the port.

(Detail of above commodities received/imported is given at Annexure-I)

### 5.2 **Exports**

#### 5.2.1 **Cotton**

TCP sold a quantity of 1,112,904 cotton bales valuing Rs. 11,901.755 Million in the international market from the balance stocks of 2005 - 2006 out of which shipment of 220,644 cotton bales valuing Rs. 2,477.980 Million has been made.

### 5.2.2 **Rice**

TCP handled 1000 MT Rice Irri-6 valuing Rs. 18.380 Million gifted to Niger by Government of Pakistan.

## 5.3 **Domestic Operations**

### 5.3.1 **Cotton**

TCP sold 892,260 cotton bales valuing Rs. 9,423.775 Million in the local market through open tenders from the balance stocks of cotton purchased during cotton season 2005-2006.

### 5.3.2 **Sugar**

TCP sold 430,024 MT sugar valuing Rs. 9,026.166 Million to Utility Stores Corporation, Canteen Store Department, Army/Navy including 173,089 MT in the local market through open tenders.

## 6. **COTTON PROCUREMENT & EXPORT**

### 6.1 **Procurement**

In order to ensure a fair price of seed cotton (phutti) to cotton growers Government has from time to time intervened in the market as a third buyer, since 1999-2000 and directed TCP to purchase lint cotton from ginners for stabilizing cotton and phutti prices. This job has been performed successfully by TCP.

6.2 As per decision of the Economic Coordination Committee (ECC) of the Cabinet dated 13<sup>th</sup> April, 2005, the intervention price of seed cotton (phutti) for 2005-2006 season was fixed at Rs.975/40 kgs. For base grade-III with staple length 1-1/32" and micronaire range 3.8 to 4.9 NCL.

6.3 The price of seed cotton remained much above the Government announced intervention price of Rs.975/40 kgs through out the season, hence intervention of TCP was not warranted and TCP did not purchase any lint cotton during 2005-2006.

### 6.4 **Clean Cotton**

The Provincial Agriculture departments has selected 31 ginning factories (22 in Punjab, 7 in Sindh and 2 in Balochistan) for production of (higher grade) clean cotton during cotton season 2005-2006. The ECC approved Rs.35 million for payment of premium to growers/suppliers of clean cotton (phutti) @ Rs.50/- per maund which has been transferred by Ministry of Textile Industry to TCP. Ten (10) ginning factories (8 in

Punjab and 2 in Sindh) participated in the scheme. The growers/suppliers brought 227,028 mounds phutti to the selected ginning factories out of which 85,440 mounds was declared as clean cotton with Grade-II and TCP has made payment of Rs. 4.272 million directly to the growers/suppliers as premium.

7. **INSPECTION OF BROWN & WHITE RICE**

TCP inspected 56,903 MT of Brown Rice exported to European Union and 72,195 MT of White Rice and earned an amount of Rs.2.077 million as inspection fee.

8. **SALE OF RESIDUAL/LEFT OVER STOCKS OF DEFUNCT RECP**

The government had decided that residual stocks, assets and stores of defunct Rice Export Corporation of Pakistan (RECP) will be disposed of by TCP through public tenders. During 2005-2006 misc. items/scrap of defunct RECP (which now stand merged with TCP) worth Rs. 222,385/- have been disposed of by TCP.

9.. **RENTING OF GODOWNS OF DEFUNCT RECP**

TCP received rent amounting to Rs.23.437 million through renting of its godowns to private sector at Pipri, Landhi and Korangi.

10. **TCP DELEGATIONS VISITED ABROAD**

10.1 A delegation of TCP lead by Chairman TCP visited Liverpool, UK to attend the 64<sup>th</sup> plenary meeting of ICAC held in Liverpool from 24<sup>th</sup> September, 2005 to 29<sup>th</sup> September, 2005. The other members of delegation were Mr. Imtiaz A.Shaikh, General Manager and Mr. Mehboob Akhtar, Deputy General Manager

10.2 Another delegation lead by Chairman TCP visited Tashkent, Uzbekistan for exploring possibility of import of cotton from Uzbekistan from 5<sup>th</sup> February 2006 to 14<sup>th</sup> February 2006. Mr. Mehboob Akhtar, Deputy General Manager TCP also in the delegation as member.

10.3 Mr. M. Asif Zaman Ansari, Chairman TCP visited USA as member of delegation to review/further improve wheat quality assurance system and export procedure with US Association of Wheat Exporters from 2nd April 2006 to 16<sup>th</sup> April 2006.

10.4 Mr. M. Asif Zaman Ansari, Chairman TCP participated in the five days workshop organized/sponsored by the Centre on Integrated Rural Development for Asia and the Pacific (CIRDAP) in Dhaka, Bangladesh from 27<sup>th</sup> May 2006 to 31<sup>st</sup> May 2006.

11. Comparative Statements of Financial Results, Highlights of Financial Results and stocks position is given at Annexure III, IV and V.

12. **NEW INITIATIVES AND FUTURE VISION**

a. **VISION**

TCP has recently developed and adopted following Vision:-

*Serve the nation as a highly motivated corporate entity responsive to national needs and modern trading challenges.*

b. **MISSION**

With the above vision the ultimate objective the Corporation had set itself to accomplish as Mission:-

- Development of corporate structure managed by professionals.
- Continuous human resources development.
- Development of IT-based operational environment.
- Ensure total transparency and zero tolerance for corrupt practices.
- Optimal use of resources and economy in operations without compromising quality.
- Continuous update on national and international markets.
- Capacity enhancement.

c. **PREQUALIFICATION OF FIRMS**

**Pre-Qualification Process of Foreign Suppliers:**

The tenders were awarded on the basis of lowest bid to the successful bidder. However, this system had a major flaw in that non-serious and non-professional bidders with no experience or international standing landed TCP in awkward situation since they could not perform and TCP had to procure commodities on higher rates later on. In order to avert this situation the process of pre-qualification has been introduced for pre-qualifying the foreign

suppliers/exporters. TCP invites applications from foreign firms through an advertisement in the press. Prequalification is a continuous process.

The pre-qualification applications are submitted to a Committee which, inter-alia, comprises representatives from relevant entities as well as a representative of Transparency International.

#### **Pre-qualification Criteria**

- Name and address of the firm with telephone and fax numbers and e-mail address.
- Certificate of membership of concerned recognized trade association or chamber as the case may be.
- Company's profile and Name of Directors/Partners/Proprietor.
- Name and address of local agent with telephone and fax numbers e-mail address, NTN and NIC.
- Previous experience of trade in the respective commodity (at least 3 years) duly supported with bill of lading confirming actual shipment / Export.
- Affidavit to the effect that there was no previous litigation of principal or his local agent with TCP.
- An Affidavit to the effect that the principal or his local agent have not been black listed by any Government department/autonomous body.
- Financial status report about its financial standing and business integrity by the party's bank along with bank statement showing trade transactions of last six months.

#### d. **BIDDING SYSTEM**

TCP has now introduced a 2 envelop bidding system as a part of its new initiative to introduce transparency. A **Bid Evaluation Committee** has also been constituted, which evaluates bids in the light of predetermined criteria, before taking a decision on the bids received under a tender.

#### e. **MEMORANDUM OF UNDERSTANDING WITH TRANSPARENCY INTERNATIONAL PAKISTAN**

A memorandum of understanding has been signed with Transparency International Pakistan in December 2005 to jointly author a Procurement Manual

for TCP as per provisions of Public Procurement Rules-2004. The Procurement Manual has been finalised and is ready for signing by Transparency International and TCP.

f. **WEBSITE**

Although TCP conduct international trading and procurement operations, it does not have its own website. An immediate necessity was therefore felt to develop and launch a TCP website. Accordingly after meeting all the procedural/nodal requirements TCP website has been soft-hosted. The URL address of TCP is **www.tcp.gov.pk.**

g. **E. GOVERNMENT INITIATIVE**

In order to integrate TCP and its operations with national and international entities in the public as well as private sector and also to complete computerization of the operational aspects/requirement, a PC-I for Rs. 38.8515 million has been finalised under the E-Government initiative sponsored by of Ministry of Information Technology. The broad objectives of the project are as follows: -

- i. Automation of inventory of all godowns at different stations/cities and fixed assets.
- ii. Development of customized computerized accounting system.
- iii. Development of software for computerizing data-base of all payments to check double payments/ irregularities and achieve integral management solution.
- iv. The automation will also help in dealing with HR Management, Transport Management, Protocol Management, Security Management, Office Inventory Management, Property Management and Medical-claim Management. Data coming from these modules will generate a database of all transactions which will be shared by all Divisions/Departments of TCP.

h. **UP-DATION OF TCP's SERVICE RULES-1975:**

TCP's service/recruitment rules which were framed 30 years back have become outdated in the new scenario. These have been updated in conformity with the present day realities and requirements of business and corporate entity.

i. **STAFFING:**

For restructuring of requirement of permanent staff in TCP, an exercise has been completed and a working paper for approval of Board of Directors is ready.

13. **MANAGEMENT - STAFF RELATIONS:**

The relationship between the Management, TCP Officers Association and TCP Employees Union continued to remain harmonious during the year. The Management is happy to record its appreciation for the hard work put in by the officers and employees of the Corporation at all levels.

14. **AUDITORS**

M/s. Bilwani & Co., Chartered Accountants were appointed as Auditors to conduct the audit of accounts of TCP for the year 2005-2006.

**STATEMENT SHOWING ACTUAL QUANTITY AND C&F VALUE OF  
IMPORTS/ GOODS RECEIVED UNDER VARIOUS AID PROGRAMMES  
DURING THE YEAR 2005-2006**

(US\$ IN MILLION)

S. NO.	COMMODITY	2005-2006		2004 – 2005	
		Quantity (M. Ton)	C&F Value	Quantity (M. Ton)	C&F Value
1.	Soybean Oil	-	-	33,614	18.554
2.	Soybean Seeds*	30,000	11.237	-	-
3.	Wheat			1,367,850	280.866
4.	Urea Fertilizer	808,735.65	13,205.938	343,358	100.361
5.	Sugar	508,996.15	13,598.237	-	-

- Handled Soybean Seeds under Food for Progress Act Programme (FFP) of USA on behalf of the Government of Pakistan.

**AUCTION PROCEEDS OF SOYBEAN SEEDS REALISED REMITTABLE TO THE  
FEDERAL GOVERNMENT:**

\* Under Food for Progress Act Programme of USA

Rs. 1,256.231 (Million)

**Annexure-II**

**STATEMENT SHOWING TCP's EXPORT DURING THE YEAR**  
**2005-2006**

(RUPEES IN MILLION)

S. NO.	COUNTRY	COMMODITY	QUANTITY (M. Ton)	VALUE
1.	Various countries	Cotton	220,644 bales	2,477.980
2.	Niger*	Rice Irri-6	1000 MT	18.380
<b>Total:</b>				<b>2,496.360</b>

\*Handled consignment of Rice Irri-6 gifted by Government of Pakistan to Niger.

**Annexure-III****COMPARATIVE STATEMENT OF FINANCIAL RESULTS DURING LAST DECADE**  
**1995-96 TO 2005-2006**

(Rupees in Million)

S. No	PARTICULARS	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-2006
1.	<u>Paid-up capital</u>	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	685.805
2.	Total C&F value of imports	3731.026	170.359	--	2.529	229.751	--	--	--	22,792.445	26,755.430
3.	Total value of Exports	151.408	263.647	--	1251.583	2551.582	68.883	1410.947	723.695	288.387	2,477.980
4.	Profit/(Loss) before taxation	(27.905)	(66.841)	(39.089)	119.134	456.557	74.578	196.508	175.281	569.522	804.968
5.	Profit/(Loss) after taxation	(27.905)	(73.949)	(39.528)	98.324	401.695	10.567	(534.030)	112.992	363.968	634.188

HIGHLIGHTS OF FINANCIAL RESULTS

(RUPEES IN MILLION)			
S. NO	PARTICULAR	2005-2006	2004 – 2005
1.	PAID UP CAPITAL	685.805	100.000
2.	TURNOVER AND RELATED INCOME		
	a) Imports	7,369.145	16,830.616
	b) Exports	2,477.980	288.387
	c) Local sale	15,615.329	4,493.686
	d) Commission on Imports/Exports	<u>689.037</u>	<u>571.147</u>
		<u>26,151.491</u>	<u>22,183.836</u>
3.	TOTAL C&F VALUE OF IMPORTS	26,755.430	22,792.445
4.	PROFIT/(LOSS) BEFORE TAXATION	804.968	569.522
5.	PROFIT/(LOSS) AFTER TAXATION	634.188	363.968
6.	STOCKS	16,119.930	22,442.555
7.	DEBTORS	6,961.752	5,947.589
8.	RATIO:		
	a) Stocks/Turnover	61.64%	101.17%
	b) Debtors/Turnover	26.62%	26.81%

Annexure-V

**STATEMENT SHOWING OPENING AND CLOSING STOCK POSITION IN  
TCP’S GODOWN/TERMINAL/SUGAR MILLS**

S. NO	ITEM	OPENING BALANCE 1-7-2005	FRESH ARRIVAL	CLOSING BALANCE AS ON 30-6-2006
1.	Cotton Lint	1,306,360 b/s	--	193,456 b/s
2.	Soybean Oil	4,764 MT	--	
3.	Beef Packer Tallow	71 MT	--	
4.	Handling Equipments	Rs.496,429	--	Rs.496,429
6.	Sugar	323,727.554	508,996.15	393,079.72 MT
7.	Urea	32,830.00	808,735.65	18,538.00 MT