

BOARD OF DIRECTORS

Chairman/Chief Executive Officer

MR. ABDUL MALIK

Directors

1. MR. MANZOOR ALI BHATTI
2. SYED SIBTE MOMIN NAQVI
3. MR. MUSHTAQUE AHMAD KAZI
4. Dr. YOUSAF JUNAID
5. MR. ABRAR AHMAD KHAN

Secretary

MR. SHAHID NAJIB HASSAN

ANNUAL REPORT OF TRADING CORPORATION OF PAKISTAN (PVT) LTD
FOR THE YEAR 2006-2007

The Board of Directors have pleasure in presenting the TCP's Annual Report and the Audited Statement of Accounts for the financial year 2006-2007 ended on 30th June 2007.

CHANGES IN DIRECTORS

1. Mr. Muhammad Asif Zaman Ansari Relinquished the charge of the office of Chairman on 8th February 2007
2. Mr. Abdul Malik Assumed the charge of the office of Chairman on 1st March 2007
3. Mr. Shahid Latif Anwar Relinquished the charge of the office of Director Administration on 21st February 2007
4. Dr. Yousaf Junaid Assumed the charge of the office of Director Commercial-III on 5th March 2007
5. Mr. Mushtaque Ahmed Kazi
 - i. Relinquished the charge of the office of Director Commercial-II on 15th April 2007 on a attaining the age of superannuating.
 - ii. Assumed the charge of the office of Director Commercial-II on his re-employment on contract basis for one year on 31st May 2007.

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, due to a suit filed in the Sindh High Court by some exporters of rice and under the directive of Ministry of Commerce, TCP also inspects White Rice of those parties who are petitioners 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 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 Urea Fertilizer

As per directives of the Economic Coordination Committee (ECC) of the Cabinet, TCP contracted import of 50,000 MT Urea fertilizer valuing US\$. 13.500 Million (Rs.816.750 Million) to meet the shortages in the country. A quantity of 55,000 MT Urea valuing US\$ 14.850 Million (Rs.898.425 Million) arrived which has been delivered to the MINFL nominees.

5.1.2 Black Mapte (Dal Mash)

TCP contracted import of 10,000 MT Black Mapte (Dal Mash) valuing US\$ 6.530 Million (equivalent to Rs.391.800 Million) during 2005-2006 out of which 9,961 MT arrived in TCP's godowns during 2006-2007.

5.1.3 Wheat

Handled import of 46,000 MT Soft White Wheat donated by USA under Food for Progress Act for earthquake survivors.

5.1.4 Handling and disposal of these commodities were accomplished by TCP efficiently, as these were promptly cleared at the port.

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

5.2 EXPORTS

5.2.1 Cotton

TCP has sold 35,623 cotton bales valuing US\$ 6.188 Million (equivalent to Rs.371.447 Million) in the international market from the left over stocks of 2004 - 2005.

5.3 DOMESTIC OPERATIONS

5.3.1 Cotton 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.

As per decision of the Economic Coordination Committee (ECC) of the Cabinet dated 13th April 2006, the intervention price of seed cotton (phutti) for 2006-2007 season was fixed at Rs.1,025/40 kgs. For base grade-III with staple length 1-1/32" and micronire range 3.8 to 4.9 NCL.

The price of seed cotton remained much above the Government announced intervention price of Rs.1,025/40 kg. Through out the season, hence intervention of TCP was not warranted and TCP did not purchase any lint cotton during 2005-2006. However, mere presence of TCP in the market helped in stabilizing the prices of cotton to the benefit of growers.

5.3.2 **Cotton Sale to Textile Mills**

TCP has sold 169,088 cotton bales valuing Rs. 1,994 Million in the local market through open tenders from the balance stocks of cotton purchased during cotton season 2004-2005.

5.3.3 **Clean Cotton**

In the light of Prime Minister's directive dated 27th April 2006, a meeting was held on 12th May 2006 at APTMA House, Lahore with all stakeholders under the chairmanship of Secretary Textile Industry which was attend by representative of Sindh and Punjab Agriculture Departments, PCSI, TCP and AP TMA where following decisions were taken:-

- (i) It was agreed to produce minimum 100,000 bales of clean grade-II cotton.
- (ii) Production of the above 100,000 bales would require Rs.70.00 million. The Federal and Provincial Governments will share the payment of premium to the growers in the following manner:-

Sr. No.	Share	Government	Amout
1.	50%	Federal	Rs.35.000 million
2.	50%	Punjab	Rs.24.500 million
		Sindh	Rs.10.500 million
Total			Rs.70.000 million

(iii) Summary of districts/ginning factories selected, clean cotton produced fund received and premium paid to the ginning factories during 2006-2007 is as under: -

(i)	District selected	10 (7 in Punjab & 3 in Sindh)
(ii)	Selected Ginning Factories	23 (17 in Punjab & 6 in Sindh)
(iii)	Fund received from Ministry of Textile Industry and Provincial Governments	Rs.70.000 million
(vi)	Payment made to the growers/suppliers	Rs.50.274 million
(vi)	Balance amount	Rs.19.726 million
(v)	Total clean cotton received/certified	1,005,472 mds.

5.3.4 **Sugar**

TCP has sold 443,173 MT sugar valuing Rs. 10.933 Billion to Utility Stores Corporation, Canteen Store Department, Army/Navy and through open tenders in the local market.

5.3.5 **Urea**

A quantity of 432,830 MT Urea valuing Rs. 3613.409 Million imported during the fiscal years 2005–2006 and 2006–2007 has been delivered to MINFAL nominees viz. FFC, Engro, NFML and Dawood Chemical.

5.3.6 **Black Mapte**

TCP has sold 9138.55 MT Black Mapte through public tenders and fetch Rs. 300.002 Million as sales proceed.

5.3.7 **Wheat**

TCP handled and sold a quantity of 46,396 MT Soft White Wheat valuing Rs. 517.960 Million, sent by USA for the earthquake victims to Flour Mills, Chakkies and traders. Before arrival of the above quantity from USA, Sindh Government had already supplied the equal quantity to earthquake victims.

6. INSPECTION OF BROWN & WHITE RICE

TCP inspected 42,392 MT of Brown Rice exported to European Union and 67,721 MT of White Rice and earned an amount of Rs.1.670 million as inspection fee.

7. 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.

8. RENTING OF GODOWNS OF DEFUNCT RECP

TCP received rent amounting to Rs.40.622 million through renting of its godowns to public and private sector at Pipri, Landhi and Korangi. An amount of Rs. 86.000 million is still outstanding against Government of Sindh and MINFAL.

9. MERGER OF DEFUNCT RECP SUBSIDIARIES IN TCP

M/s. Doaba Rice Mills Limited and Pakistan National Produce Company Limited have been merged into Trading Corporation of Pakistan Limited under Sindh High Court decision dated 11-08-2006.

10. TCP DELEGATIONS VISITED ABROAD

10.1 A delegation of TCP lead by Mr. M. Asif Zaman Ansari, Chairman TCP visited Guiana, Brazil to attend the 65th Plenary Meeting of International Cotton Advisory Committee (ICAC) held from 10th to 15th September 2006. The other member of delegation was Mr. Mehboob Akhtar, Deputy General Manager (Cotton Procurement).

10.2 Syed Sibte Momin Naqvi, Director (Commercial), TCP visited Saudi Arabia to represent TCP delegation for import of Urea Fertilizer from 23rd to 28th February, 2007.

10.3 Dr. Yousaf Junaid, Director (Commercial-II), TCP visited Bangkok to attend the "Rice Convention 2007" from 9th to 13th May 2007.

10.4 Mr. Manzoor Ali Bhatti, Director (Finance), TCP visited Dubai to attend "3 days Forum assigned by the Standard Chartered Bank, Karachi from 29th-31st May 2007.

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

12. PROFIT/(LOSS) AFTER TAXATION:

After tax profit in year 2006–2007 was Rs. 310.042 million in comparison with previous year profit Rs. 634.180 million. The main reason of the short fall in the after tax profit for the year 2006–2007 as compared to the last year i.e. 2005–2006 is that the sale and related income of the Corporation for year 2005–2006 i.e. Rs. 26,151.491 million was just double the figure of sale and related income for the year 2006–2007 i.e. Rs. 13,561.474 million. Accordingly the TCP's commission/gross profit for the year 2006–2007 was 50% less than the previous year's gross profit/commission as the commission/gross profit is based on sales and related income.

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 2006-2007.

Annexure-I

**STATEMENT SHOWING ACTUAL QUANTITY AND C&F VALUE OF
IMPORTS/ GOODS RECEIVED UNDER VARIOUS AID PROGRAMMES
DURING THE YEAR 2006-2007**

(US\$ IN MILLION)

S. NO.	COMMODITY	2006-2007		2005 – 2006	
		Quantity (M. Ton)	C&F Value	Quantity (M. Ton)	C&F Value
1.	Soybean Seeds	-	-	30,000	11.237
2.	Urea Fertilizer	55,000	14.850	808,736	219.186
3.	Sugar	458,775	233.151	508,996	226.225

STATEMENT SHOWING TCP's EXPORT DURING THE YEAR
2006-2007

(RUPEES IN MILLION)

S. NO.	COUNTRY	COMMODITY	QUANTITY	VALUE
1.	To various countries	Cotton	35,623 Bales	371.447
Total:				371.447

Annexure-III**COMPARATIVE STATEMENT OF FINANCIAL RESULTS DURING LAST DECADE**
1997-98 TO 2006-2007

(Rupees in Million)

S. No	PARTICULARS	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-2006	2006-2007
1.	<u>Paid-up capital</u>	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	1000.000	1000.000
2.	Total C&F value of imports	170.359	--	2.529	229.751	--	--	--	22,792.445	26,755.430	19,184.327
3.	Total value of Exports	263.647	--	1251.583	2551.582	68.883	1410.947	7232.695	288.387	2,477.980	371.447
4.	Profit/(Loss) before taxation	(66.841)	(39.089)	119.134	456.557	74.578	196.508	175.281	569.522	804.968	476.895
5.	Profit/(Loss) after taxation	(73.949)	(39.528)	98.324	401.695	10.567	(534.030)	112.992	363.968	634.180	310.042

Annexure-IV

HIGHLIGHTS OF FINANCIAL RESULTS

(RUPEES IN MILLION)

S. NO	PARTICULAR	2006-2007	2005-2006
1.	PAID UP CAPITAL	685.805	685.805
2.	TURNOVER AND RELATED INCOME		
	a) Imports (Sugar, Urea & Black Mapte)	11,354.650	7,369.145
	b) Exports	371.447	2,477.980
	c) Local sale (Cotton)	1,505.237	15,615.329
	d) Commission on Imports/Exports	<u>330.140</u>	<u>689.037</u>
		<u>13,561.474</u>	<u>26,151.491</u>
3.	TOTAL C&F VALUE OF IMPORTS	19,184.327	26,755.430
4.	PROFIT/(LOSS) BEFORE TAXATION	476.895	804.968
5.	PROFIT/(LOSS) AFTER TAXATION	310.042	634.180
6.	STOCKS	17,151.295	16,119.930
7.	DEBTORS	3,753.282	6,961.752
8.	RATIO:		
	a) Stocks/Turnover	126.47%	61.64%
	b) Debtors/Turnover	27.67%	26.62%

Annexure-V**STATEMENT SHOWING OPENING AND CLOSING STOCK POSITION IN
TCP'S GODOWN/TERMINAL/SUGAR MILLS**

S. NO	ITEM	OPENING BALANCE 1-7-2006	FRESH ARRIVAL	CLOSING BALANCE AS ON 30-6-2007
1.	Cotton Lint	193,456 Bales	-	510 Bales
2.	Handling Equipments	Rs.496,429	-	Rs. 0.996 (M)
3.	Sugar	393,080 MT	438,775 MT	409,249 MT
4.	Urea	18,538 MT	271,999 MT	-
5.	Black Mapte	-	9,954 MT	604 MT