

BOARD OF DIRECTORS

Chairman/Chief Executive Officer

MR. SAEED AHMAD KHAN

Directors

1. MR. MUHAMMAD SHARIF AWAN
2. SYED SIBTE MOMIN NAQVI
3. MR. MUNAWAR AKHTAR ISLAM
4. SYED SIKANDAR ALI SHAH
5. MR. AZHAR ALI CHOUDHRY

Secretary

Syed Tariq Mustafa

ANNUAL REPORT OF TRADING CORPORATION OF PAKISTAN (PVT) LTD **FOR THE YEAR 2008-2009**

The Board of Directors has pleasure in presenting the TCP's Annual Report and the Audited Statement of Accounts for the financial year 2008-2009 ended on 30th June 2009.

CHANGES IN DIRECTORS

- | | |
|------------------------------|--|
| 1. Mr. Abdul Malik | Relinquished the charge of the office of Chairman TCP on 20 th August, 2008 on expiry of re-employment contract. |
| 2. Mr. Muhammad Saeed | Assumed the charge of the office of Chairman TCP on 20 th August, 2008 and relinquished the charge on 9 th March, 2009. |
| 3. Mr. Saeed Ahmed Khan | Assumed the charge of the office of Chairman TCP on 9 th March, 2009. |
| 4. Mr. Manzoor Ali Bhatti | Relinquished the charge of the office of Director Finance TCP on 23 rd December 2008. |
| 5. Mr Muhammad Sharif Awan | Assumed the charge of the office of Director Finance TCP on 23 rd December 2008. |
| 6. Mr Mushtaque Hussain Qazi | Assumed the charge of the office of Director Commercial-III on 17 th November 2008 and relinquished the charge on 28 th May 2009 |
| 7. Syed Sikandar Ali Shah | Assumed the charge of the office of Director Commercial-III on 27 th April 2009 |
| 8. Dr.Yousaf Junaid | Relinquished the charge of the office of Director Commercial-III on 28 th April 2009. |

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 Programmed 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

In pursuance of Government directives, TCP concluded **22** (Twenty Two) contracts for import of **965,000 MT** Urea valuing **US\$ 273.822 Million** against which a quantity of **1,002,200 MT** valuing **US\$284.378 Million** (equivalent to Pak Rs.23.603 Billion) was arrived and delivered to the MINFA nominees viz. FFC, Engro, NFML and Dawood Chemical.

5.1.2 Wheat

In pursuance of Government directives, TCP concluded import contracts of **2,588,500 MT** Wheat valuing **US\$ 856.975 Million**, against which **2,634,987 MT** Wheat valuing **US\$ 859.808 Million**, (equivalent to Pak Rs.67.909 Billion) was arrived/delivered to all four provinces, AJK, Northern Areas, USC, Pakistan Navy, Pak Army and World food program in Pakistan.

5.1.3 Sugar

In pursuance of the Government directives, TCP concluded **3** (Three) contracts for import of **125,000 MT** sugar valuing **US\$ 59.706 Million**, (equivalent to Pak Rs.4955.598 Million), against of which **42,350 MT** sugar valuing **US\$ 20.228 Million** (equivalent to Pak Rs.1573.247 Million) so far arrived and shifted to TCP Godowns.

5.1.3 (Detail of above commodities is given at Annexure-I)

5.2 DOMESTIC OPERATIONS

5.2.1 Procurement of Cotton

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 ginneries for stabilizing cotton and phutti prices. Due to bumper crop Cotton in 2008-2009 and to save the interest of the growers, Government has fixed the support price viz. Rs. 3,202/- per maund and

directed TCP to purchase lint cotton. Accordingly, TCP through its **14 Cotton procurement centers** (8 in Punjab, 5 in Sindh and 1 in Baluchistan) made contract for **598,600** cotton bales. However, total **190,598** bales valuing **Rs.2.595 Billion** were arrived at TCP's godowns against the contract quantity.

5.2.2 Cotton Sale

TCP has sold **1,000** cotton bales valuing **Rs. 3.44 Million** through a public tender to local textile mills.

5.2.3 Sugar

As per Government directives, TCP has purchased **194,427 MT** sugar valuing **RS.5955.368 Million** from local sugar mills to keep as buffer stocks

5.2.4 Sugar Sale

TCP has sold **409,581 MT** sugar valuing **Rs.11,919.506 Million** to Utility Stores Corporation, Canteen Store Department, Army/Navy.

5.2.5 Rice

As per ECC (Economic Coordination Committee) of the cabinet decision, TCP floated tender for purchase of **200,000 MT** super basmati rice and **300,000 MT** irri-6 rice. However, only **25,000 MT** super basmati rice and **25,000 MT** Irri-6 rice were purchased. Against the purchased quantity, **2,850 MT** super basmati rice valuing **RS.228.525 Million** and **1,248 MT** Irri-6 rice valuing **41.059 million** were shifted to TCP godowns after inspection.

6. INSPECTION OF BROWN & WHITE RICE

TCP inspected **43,497 MT** of Brown Rice exported to European Union countries and **4,594 MT** of White Rice and earned an amount of **Rs.1.153 million** as inspection fee.

7. RENTING OF GODOWNS OF DEFUNCT RECP

TCP received rent amounting to **Rs.42.404 million** through renting of its godowns to public and private sector at Pipri, Landhi and Korangi.

8. Comparative statements:

Financial results, highlights of financial results and stocks positions is given at Annexure II, III and IV.

9. 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.

10. AUDITORS

M/s. Muniff Ziauddin & Co., Chartered Accountants were appointed as Auditors to conduct the audit of accounts of TCP for the year 2008-2009.

Annexure-I

STATEMENT SHOWING ACTUAL QUANTITY AND C&F VALUE OF IMPORTS/ GOODS RECEIVED UNDER VARIOUS AID PROGRAMMES DURING THE YEAR 2008-2009

S. NO.	COMMODITY	(US\$ IN MILLION)			
		2008-2009		2007-2008	
		Quantity (M. Ton)	C&F Value	Quantity (M. Ton)	C&F Value
1.	Urea Fertilizer	226,050	175.227	221,304	104.420
2.	Wheat	80,000	26.104	1,920,000	900.560

Annexure-II

COMPARATIVE STATEMENT OF FINANCIAL RESULTS DURING LAST DECADE
1999-2000 TO 2008-2009

(Rupees in Million)

S. No	PARTICULARS	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Paid-up capital	100.000	100.000	100.000	100.000	100.000	100.000	685.805	685.805	685.805	685.805
2.	Total C&F value of imports	2.529	229.751	--	--	--	22,792.445	26,755.430	19,184.327	55,777.358	83,786.815
3.	Total value of Exports	1251.583	2551.582	68.883	1410.947	7232.695	288.387	2,477.980	371.447	4.334	-
4.	Profit/(Loss) before taxation	119.134	456.557	74.578	196.508	175.281	569.522	804.968	476.895	1173.484	2335.167
5.	Profit/(Loss) after taxation	98.324	401.695	10.567	(534.030)	112.992	363.968	634.180	310.042	923.646	1938.988

Annexure-III**HIGHLIGHTS OF FINANCIAL RESULTS**

(RUPEES IN MILLION)

S. NO	PARTICULAR	2008-2009	2007-2008
1.	PAID UP CAPITAL		685.805
2.	TURNOVER AND RELATED INCOME Local purchase / Import a) Imports (Sugar, Urea & Black Mapte) b) Exports c) Local sale (Cotton) d) Commission on Imports/Exports	 62,274.786 - - <u>2259.062</u> <u>64,533.848</u>	 27,761.671 4.334 2.797 <u>1,275.823</u> <u>29,044,625</u>
3.	TOTAL C&F VALUE OF IMPORTS	83,786.815	55,777.358
4.	PROFIT/(LOSS) BEFORE TAXATION	2,335.167	1,173.484
5.	PROFIT/(LOSS) AFTER TAXATION	1,938.988	923.646
6.	STOCKS	24,281.048	14,237.355
7.	DEBTORS	16,577.178	19,093.118
8.	RATIO: a) Stocks/Turnover b) Debtors/Turnover	 37.62% 25.68%	 49.02% 66.73%

Annexure-IV

STATEMENT SHOWING OPENING AND CLOSING STOCK POSITION IN TCP'S GODOWN /SUGAR MILLS

S. NO	ITEM	OPENING BALANCE 1-7-2008	FRESH ARRIVAL	CLOSING BALANCE AS ON 30-6-2009
1.	Cotton Lint	-	190,598 Bales	190,598 Bales
2.	Sugar	436,160 MT	239,777 MT	217,380 MT
3.	Urea	-	629,903 MT	29,869 MT
5.	Wheat	-	3,634,987 MT	345,118 MT