



**BEFORE THE  
MONOPOLY CONTROL AUTHORITY**

**IN THE MATTER OF  
M/s. Ashraf Sugar Mills Ltd  
(File No.3 (32)/REG/MCA/06)**

Present:

Syed Bilal Ahmed  
Chairman

Raja Raza Arshad  
Member

Date of hearing:

June 28, 2006

Present for the Respondent:

Brig (R) Abdul Aziz,  
General Manager Mills  
& Mr. Wasim Saleem,  
General Manager Finance

**ORDER**

M/s. Ashraf Sugar Mills Limited (hereinafter referred to as the ‘undertaking’), was directed by the Monopoly Control Authority (hereinafter referred to as the ‘Authority’), vide its Order, dated May 10, 2006 (hereinafter referred to as the ‘Order’), to release 8.33% of its production every month, commencing from October 2005. The undertaking was, therefore, required to release 58.31% of its production by April 30, 2006 (8.33% x 7 months). Instead it released 20.58 %, which was 37.73 % less than the prescribed percentage and thus it did not comply with the Order of the Authority.

2. The Authority, therefore, issued a Hearing Notice to the undertaking on June 17, 2006, under Section 19 of the Monopolies and Restrictive Trade Practices (Control & Prevention) Ordinance 1970 (hereinafter referred to as the ‘Ordinance’), to show cause as to why appropriate action under Section 19 of the Ordinance may not be taken against it.

3. On the date of hearing Brig (R) Abdul Aziz, General Manager Mills, and Mr. Wasim Saleem, General Manager Finance, appeared before the Authority, as authorized representatives, and argued the case. The undertaking contented as under:

- i) that the undertaking started its crushing from November 20, 2005 and, therefore, its sugar year may be considered as December 2005 to October 2006.

This contention is not tenable. The undertaking had a “carry over” stock of 14,919 tons in October 2005 from the last sugar year. Therefore, the year shall start from October 2005.

- ii) that the undertaking released 47.54% its production, which is above the required percentage @ 8.33% from December 2005 to April 2006 i.e. 41.65% of production.

The contention is not tenable. Since it could have started its releases in October 2005, the undertaking should have released 58.31 % of its production by April 30, 2006, whereas, it released only 20.58 %.

- iii) that since the breakeven price of sugar in the current year was Rs. 37 per kg as compared to Rs. 22 per kg last year, it was difficult for the undertaking to sell the sugar stock at such high price.

The argument cannot be accepted because some sugar mills purchased sugar cane at comparable or higher price and were still able to lift more sugar.

- iv) that different economies of scale, which include crushing capacity, deficiency of raw material, transportation cost of sugar cane, low sucrose yield, affect release of sugar as they have an impact on the prices.

This argument has no nexus with less lifting of sugar. As stated above, several mills which purchased sugar cane at comparable or higher prices have sold and lifted higher percentage of sugar.

- v) that water availability for sugar cane plantation was limited and that the area is traditionally a cotton growing one, thus resulting in scarcity of raw material.

This argument has no relevance with sale and lifting of sugar. As stated above, several mills, which purchased sugar cane at comparable or higher prices have reported higher percentage of lifting.

- vi) that competition with neighbouring mills, such as. Hamza and JDW sugar mills, and inflow of sugar from Sindh and Multan made it difficult for the undertaking to sell and release its sugar

This argument has no force; firstly, because mills showing compatible or higher cost of production in Punjab have sold and lifted more sugar than the undertaking. Secondly, major impact of imported sugar is in the province of Sindh, but lifting of sugar by Sindh sugar mills is much higher. The same was 72 % on 31.5.06 against 28 % of the undertaking.

4. In spite of the fact that in the sugar year 2004 – 2005 sugar production was less than the national consumption, Ashraf Sugar Mills indulged in restrictive trade practices by not releasing its entire production. It had “carry over stock of 14,919 tons on September 30, 2005. This year also the sale and lifting of sugar by the undertaking is amongst the lowest in the industry. Lifting of sugar from the undertaking was 14.93 % on 28.2.2006, 12.15 % on 15.3.2006, 13.25 % on 31.3.2006, 20.58 % on 30.4.2006, 26.18 % on 15.5.2006, 28.05 % on 31.5.2006, 29.22 % on 15.6.2006 and 31.96 % on 30.6.2006. Lifting of sugar by the undertaking is far below the required minimum monthly lifting at 8.33 %. The undertaking is consistently indulging in restrictive trade practices.

5. The Authority, after considering the facts of the case, submissions of the representatives of the undertaking and the fact that the undertaking had not complied with the Order, in terms of the powers vested in it under Section 19 of the Ordinance, directs the undertaking to:

- i) Pay as penalty a sum of Rs 100,000 (Rupees One Hundred Thousand) under the relevant head of account within 7 days of the receipt of this Order, and
- ii) In view of undertaking's continuing failure, pay a further penalty of Rs 10,000 (Rupees Ten Thousand) for every day, starting from the date of issue of this Order and upto the date the undertaking releases sugar commensurate with the monthly percentages. The penalty shall be paid on fortnightly basis.

-sd-  
(Syed Bilal Ahmed)  
Chairman

-sd-  
(Raja Raza Arshad)  
Member

**(SEAL OF THE AUTHORITY)**

Islamabad, 17<sup>th</sup> July , 2006