

J.K. Spinning Mills Ltd.



Associated Companies:

J.K. Power Ltd.
J.K. Agriculture Farms (Pvt) Ltd.
J.K. Tech (Pvt) Ltd.
Fine Fabrics (Pvt) Ltd.

Ref # JKSM/T-169 /2016

Dated: 28.10.2016

✓ **The General Manager,**
Pakistan Stock Exchange Ltd.
Stock Exchange Building,
Stock Exchange Road,
Karachi

The Manager,
Central Depository Company of Pakistan Limited
PC House, 99-B Block
M.C.H.S Shahrah-e-Faisal
Karachi

Subject: **DECLARATION OF RIGHT SHARES**

Dear Sir,

We have to inform you that the Board of Directors of the Company in their meeting held today at 10:00 A.M have decided to increase the paid up share capital of the Company by issue of 12,180,655 Right shares at premium of Rs. 5 each (i.e., =20= Right Shares for every one hundred ordinary shares held by the existing shareholders of the Company on the book closure date. The paid up share capital of the Company will increase from Rs: 609,032,750 to Rs: 730,839,300 by issue of proposed right shares.

The share transfer books of the Company will be closed from 19th November, 2016 to 25th November, 2016 (both dates inclusive) to determine the entitlement of Right Shares.

Transfers received at the office of Independent Share Registrar of the Company, M/s. Orient Software & Management Services (Pvt.) Ltd; 35-Z, Ameer Plaza, Opposite Mujahid Hospital, Commercial Centre, Madina Town, Faisalabad at the close of business on 18th November, 2016 will be treated in time for the purpose of entitlement of Right Shares to the transferees.

Cont.... (P/2)

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The copy of board resolution, undertaking of sponsors/directors/ shareholders, statement regarding purpose of right shares, benefits to the Company, use of funds and Financial Projections for four years duly signed by directors are attached herewith.

You may please inform the members of the Exchange accordingly.

Thanking you.

Yours faithfully,

For: **J.K. Spinning Mills Ltd.**

A handwritten signature in blue ink, appearing to read 'Syed Hussain Shahid Mansoor Naqvi'.

Syed Hussain Shahid Mansoor Naqvi
Company Secretary

CC To:

Executive Director (Enforcement)
Security and Exchange Commission of Pakistan,
7th Floor, NIC Building, Blue Area,
ISLAMABAD.



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RESOLUTION PASSED BY THE BOARD OF DIRECTORS **OF THE COMPANY MEETING HELD ON 28-10-2016**

(BOD-008)

Resolved that the ordinary paid up share capital of J. K. Spinning Mills Limited (**the company**) be and is hereby increased from Rs: 609,032,750 to Rs: 730,839,300 by issue of 12,180,655 ordinary share to be offered as Right Shares at Rs.10/- per share at premium of Rs: 5/= per share in the ratio of 20 Ordinary Right Shares for every 100 ordinary share (i.e @ 20 %) and that these Ordinary Right Shares be and are hereby offered to the Company's all existing ordinary shareholders as provided under section 86 of the Companies Ordinance, 1984 against payment of value of shares to the Company up to the date as per Right Allotment letters to be issued. These shares shall rank *pari passu* in all respect with the existing ordinary shares of the company.

Resolved Further that Chief Executive and / or Company Secretary are hereby singly/ jointly authorized to appoint the Bankers to collect the amount of subscription towards right shares.

Resolved Further that the Chief Executive of the Company and the Company Secretary be and hereby singly /jointly authorized to take all necessary steps and decisions to obtain all approval required, if any for increase in share capital of the company and to sign , execute and deliver any document (s) required by SECP/PSX/CDC or any other authority in this regard and to affirm common seal of the Company on such documents (s) share certificates of title to the shareholder as may be deemed necessary.

Resolved Further That the Chief Executive and / or Company Secretary be and are hereby singly /jointly authorized to appoint consultant /advisor for Right Issue, announce book closure date of any change therein and to prepare the schedule for issue of right shares and to make any amendment in the said schedule and to take all necessary actions required by SECP/ PSX /CDC or any other authority and to take all necessary action as may be required in this regard.


JAWED ANWAR
CHAIRMAN/DIRECTOR


SHAIQ JAWED
DIRECTOR



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TO WHOM IT MAY CONCERN

WE, THE FOLLOWING SHAREHOLDERS / DIRECTORS OF THE COMPANY UNDERTAKE TO SUBSCRIBE AT LEAST 79.61% RIGHT SHARES BEING ISSUED AS APPROVED IN THE MEETING OF BOARD OF DIRECTORS HELD ON 28-10-2016.

A handwritten signature in black ink, appearing to be 'Jawed Anwar', written over a horizontal line.

JAWED ANWAR

A handwritten signature in blue ink, appearing to be 'Faiq Jawed', written over a horizontal line.

FAIQ JAWED

A handwritten signature in black ink, appearing to be 'Shaiq Jawed', written over a horizontal line.

SHAIQ JAWED

Faisalabad

Dated: 28-10-2016

Statement of Purpose, Benefits, Use of Funds and Financial Projection

Purpose of right Issue

The purpose of right issue is:

- i. To increase the spinning capacity of existing units from 97,848 spindles to 122,688 spindles to take advantage of economies of large scale as spinning mills with higher number of spindles are more viable against smaller spindles mills.
- ii. To carry out Balancing, Modernization and Replacement (BMR) of machinery and equipments of its existing production facilities to improve the quality of finished goods.
- iii. The company has got approval of long term Finance facility (LTFF) of Rs. 1 billion approximately under SBP scheme at low rate from various banks to finance the planned capital expenditure on addition and BMR valuing Rs. 1.3 billion.
- iv. To strengthen the capital base of the company and improve the financial ratios.

Benefit to the company:

The following benefits likely to accrue to the company:

- i. Increased capacity of existing units with same fixed cost will reduce the overall cost/ (cost per spindle), resulting increase in profitability of the company.
- ii. BMR of existing spinning facilities and addition of new machinery would improve quality of finished goods and company will get premium in price on improved quality over its competitors.
- iii. Improved capital base and ratios would make the balance sheet more attractive for financial institutions.

Use of funds

The funds generated from right shares would be utilized for planned capital expenditure of Rs. 1.333 billion as under:

LTFF financing from banks	Rs. 1.000 billion
Own source and proceeds of right issue	Rs. 0.333 billion
Total	Rs. 1.333 billion

Financial Projections

June 30	2017	2018	2019	2020	
	Rupees in Thousands				
Sales	9,198.406	10,725.048	11,862.617	12,583.463	
Gross profit	934.930	1,111.366	1,208.613	1,291.551	
Profit and loss after taxation	128.298	234.255	235.627	251.586	
EPS	Rupees	1.76	3.21	3.22	3.44
Paid up share capital	730.839	730.839	730.839	730.839	

Mr. Jawed Anwar

Mr. Faiq Jawed

Mr. Shaiq Jawed