



SERVICE INDUSTRIES TEXTILES LTD.

October 6, 2020

The General Manager,
Pakistan Stock Exchange Limited,
Stock Exchange Building,
Stock Exchange Road,
Karachi.

Subject: **Material Information**

Dear Sir,

In accordance with Section 96 of the Securities Act, 2015 and Clause 5.6.1 (a) of PSX Regulations, we hereby convey the following information.

ISSUANCE OF SHARES BY WAY OF OTHERWISE THAN RIGHT ISSUE

It is proposed by Board of Directors to increase the paid up share capital of the Company from Rs. 44,491,590 divided into 4,449,159 Ordinary Shares of PKR 10 each to Rs. 169,491,590 divided into 16,949,159 Ordinary Shares of PKR 10 each by the issuance of additional 12,500,000 Ordinary Shares of the face value of PKR 10 each by way of otherwise than right issue at a price of PKR 12 each including PKR 2.00 as premium per share, total PKR 150,000,000 to the Sponsors, against share deposit money already deposited with the Company of Rs. 150,000,000 subject to the approval of shareholders and SECP.

Statement under section 134 of the companies Act, 2017 concerning the special Business is attached.

Yours sincerely,

for **SERVICE INDUSTRIES TEXTILES LIMITED**

USMAN KHALID
Company Secretary



SERVICE INDUSTRIES TEXTILES LTD.

STATEMENT UNDER SECTION 134 OF THE COMPANIES ACT, 2017 CONCERNING THE SPECIAL BUSINESS:

This statement sets out the material facts concerning the special business to be transacted at the annual general meeting of the Company to be held on 28th October 2020.

ISSUANCE OF SHARES BY WAY OF OTHERWISE THAN RIGHT SHARES

1. The Board of Directors in their meeting held on October 06, 2020 acknowledged the consent letters received from Mr. Aamer Hameed, Ms. Uzma Hameed, Mr. Ijaz Hameed, Mr. Mohamamd Hameed, Mrs. Saima Hameed and Mrs. Rubina Ijaz (collectively hereafter referred to as the "Sponsors") accepting the issuance of ordinary shares at a premium of PKR 2 per share against share deposit money already deposited with the Company amounting to PKR 150,000,000. Hence Board has decided to raise further issue of capital amounting to PKR 125,000,000 divided into 12,500,000 ordinary shares of PKR 10 at a price of PKR 12 per share including PKR 2 as premium per share, a total of PKR 150,000,000 to the aforementioned Sponsors against share deposit money already deposited in the Company, without right offering, as proposed in the special resolution subject to approval of shareholders and permission from the Securities and Exchange Commission of Pakistan in terms of first proviso to the Section 83 (1)(b) of the Companies Act, 2017 and subject to the completion of all legal formalities and compliances.
2. The proposed shares shall be issued at a price of PKR 12 per share including PKR 2 as premium against share deposit money deposited with the Company by the Sponsors.
3. In this regard, the Company provides the following further material information:

(a) Justification for Issue of Shares Otherwise than Right Shares:

The Sponsors of the Company have deposited an unsecured and interest free amount of Rs. 150,000,000 (Rupees one hundred and fifty million) as share deposit money in the Company. The amount was deposited at the time when the Company was in crucial need and the amount received has been utilized for purchase of plant and machinery, repayment of loans along with markup obtained from commercial banks and repayment to suppliers of cotton. The amount received was beneficial to the Company allowing it to reduce its mark up cost and improve the operations of the Company. This ultimately led to the benefit of all shareholders of the Company.

Currently, the share of the Company is trading at Pakistan Stock Exchange (PSX) at PKR 11. Since, the textile sector in stock market is bearish and has showed a declining trend during the previous several months and sessions. It is unlikely that the shareholders will subscribe any right offering particularly as the Company is not regularly distributing



SERVICE INDUSTRIES TEXTILES LTD.

Profits to its shareholders as dividends. Further, during the current economic crises it is unlikely that any shareholder will subscribe to a right issue at a premium above the market price.

The price has been calculated on the basis of average share price for the last three months (PKR 10.25) and six months (PKR 9.52) as per daily quotation of PSX from the date of board announcement. Further, the share price has also touched a low of PKR 6.26 in the previous six months due to ongoing economic crises. Keeping in view the average and current share price, the Company has proposed to issue shares otherwise than right shares at a price of PKR 12 each including PKR 2 as premium per share, total PKR 150,000,000 to the aforesaid sponsors against the share deposit money deposited in the need of the hours with the Company of PKR 150,000,000.

(b) Name and brief profile of the persons to whom the proposed shares will be issued

Name	Description	Amount
Aamer Hameed	Director of the Company	35,010,000
Uzma Hameed	Sponsor of the Company	35,010,000
Ijaz Hameed	Director of the Company	35,010,000
Mohammad Hameed	Director of the Company	27,860,000
Saima Hameed	Sponsor of the Company	13,860,000
Rubina Ijaz	Sponsor of the Company	3,250,000
	Total	150,000,000

(c) Price at which shares will be issued and its justification:

The shares shall be issued at a price of PKR 12 per share including PKR 2 as premium per share. This price is substantially above the prevailing market price of the share i.e. PKR 11 each. The proposed price is also significantly higher than the average market price of PKR 9.25 each in the preceding six months and PKR 10.25 in the preceding three months from the date of board announcement. The share price has also touched a low of PKR 6.26 in the preceding six months. Due to ongoing economic crises especially in the textile sector the share price is expected to remain below PKR 12 in the coming sessions.

Average Share Price

Previous 3 months	PKR 10.25
Previous 6 months	PKR 9.25
Previous 12 months	PKR 9.42
Previous 24 months	PKR 10.18



SERVICE INDUSTRIES TEXTILES LTD.

(d) Latest Market Price of Share

Rs.11.01 as of October06, 2020 as per closing rate at Pakistan Stock Exchange Limited

(e) Break-up value per Share:

Period Ended	Basis of Value	Break – Up Value per Share
30 June 2020	Audited Accounts	122
31March2020	Un-Audited Accounts	129

The break-up value is high majorly due to revaluation surplus appearing in the balance sheet of the Company. However, due to the overall economical scenario and various other external factors the market price of the Company has remained below on average PKR 10.18 in the last 24 months and 9.42 in the previous 12 months.

(f) Consideration for issue of Shares:

The consideration for the proposed issuance of shares will be conversion of share deposit money of PKR 150,000,000 deposited by the Sponsors.

(g) Purpose, Utilization and benefits:

Purpose: To eliminate share deposit money appearing in the statement of financial position of the Company and issue shares.

Utilization: The funds received as share deposit money were utilized for purchase of plant and machinery, repayment of loans along with markup obtained from commercial banks and repayment to suppliers of cotton.

Benefits: The amount received was beneficial to the Company when it could not raise any external finance and mark up cost was increasing. The Sponsors took their responsibility to reduce the burden on the Company and gave interest free deposit money when the Company was in difficult times. This allowed the Company to reduce its mark up cost and improve the operations of the Company ultimately leading to the benefit of all shareholders of the Company.

(h) Existing shareholding of the persons to whom Shares are proposed to be issued:

Name of Member	Existing Shareholding	% of Existing Paid up Capital
Aamer Hameed	431,703	9.70%
Uzma Hameed	162,695	3.66%
Ijaz Hameed	288,316	6.48%
Mohammad Hameed	89,713	2.01%
Saima Hameed	97,500	2.19%
Rubina Ijaz	123,148	2.77%



SERVICE INDUSTRIES TEXTILES LTD.

(i) Total shareholding of the persons after the proposed issuance of Shares:

Name	Increased Shareholding	% of Increased Paid up Capital
Aamer Hameed	3,349,203	19.76%
Uzma Hameed	3,080,195	18.17%
Ijaz Hameed	3,205,816	18.91%
Mohammad Hameed	2,411,380	14.23%
Saima Hameed	368,333	2.17%
Rubina Ijaz	1,278,148	7.54%

(j) Consent of persons to whom the proposed shares are to be issued:

The Sponsors mentioned above have issued written consent to the Board for issuance of shares against share deposit money deposited with the Company at rate of PKR 12 including premium of PKR 2 if approved by the shareholders and the Securities and Exchange Commission of Pakistan.

(k) Ranking of shares:

The proposed shares when issued will rank *pari passu* with the existing ordinary shares of the Company.

(l) Approval:

The proposed issuance of shares shall be subject to approval of the Securities and Exchange Commission of Pakistan.

(m) Shares issued in past two years:

No shares have been issued in the past two years

4. The Board of Directors of the Company has recommended that the special resolutions as set out in the notice are passed at the Annual General Meeting.
5. No directors have any interest in the proposed issuance of shares, whether directly or indirectly except to the extent of their shareholding.