

The Manager,
Companies & Securities Compliance-RAD,
Karachi Stock Exchange Limited,
Stock Exchange Building,
Stock Exchange Road,
KARACHI.

Date: 30th April, 2019

Subject: BUSINESS PLAN FOR REVIVAL

Dear Sir,

Please refer to your letter No. PSX/GEN-1816 with the caption "Non-Compliance of Clause 5.11.1.(b) of PSX Regulations".

.In this regard, we have enclosed business plan along with feasibility report and financial projections with this letter for your kind perusal.

Thanking you.

Truly yours,
For Sajjad Textile Mills Limited


COMPANY SECRETARY

SAJJAD TEXTILE

MILLS LIMITED

FUTURE BUSINESS PLAN

FEASIBILITY REPORT

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Mission Statement

The Mission of Sajjad Textile Mills Limited is to be the finest organization, and to conduct business responsibly and in a straight forward way.

Our basic aim is to benefit the customers, employees and shareholders and to fulfill our commitments to the society.

Our hallmark is honesty, innovation, teamwork of our people and our ability to respond effectively to change in all aspects of life including technology, culture and environment.

We will create a work environment, which motivates, recognizes and rewards achievements at all levels of the organization because

In Allah We Believe & In People We Trust

We will always conduct ourselves with integrity and strive to be the best

EXECUTIVE SUMMARY

OBJECTIVES OF REPORT

The broad objective of this report is to provide an overview on trading and marketing of yarn and fibres and restructure the Sajjad Textile Mills from yarn manufacturing to trading of yarn, fibre and investment in listed securities through proposed disposal of its Land, Building and other assets and its viability.

COMPANY OVERVIEW

Textile spinning industry in Pakistan seems to gain momentum with advent of the present Government and its seemingly sincere efforts for the industry's revival have given fresh hopes and enthusiasm to the stakeholders; However, weak export market over the last few years has caused many units to sell their product locally which has added downward pressure on yarn prices within Pakistan. The inability of previous Government to take appropriate steps to encourage the most important sector of the economy rendered the textile industry to either close or to continue running in losses which ultimately unable to keep-up with their debt obligations.

The Company had already suspended its manufacturing operations since September 22, 2016 due to shortage of working capital, unfavorable market conditions and continuous losses. At the balance sheet date, the Company's accumulated losses stood at Rs. 561.404 million. Under this section, the Management has proposed to dispose of the Land, Building and other assets to partially settle the pressing liabilities of the Company and to initiate trading activities as permitted by the objects stated in the Memorandum of Association of the Company.

INTRODUCTION

Sajjad Textile Mills Limited (the Company) was incorporated in June 12, 1988 as a public company under the Companies Ordinance 1984 and is listed on Pakistan Stock Exchange Limited. The company obtained certificate of commencement of business on 20th March 1989. It is being managed by a family whose three generations are in the textile business for over four decades. The Directors, Sponsors and Associates are holding around 94% shareholding of the Company.

CERTIFICATIONS

BUREAU VERITAS had certified Sajjad Textile Mills Limited for UKAS Quality Management, ISO 9001 Certification.

PROPOSED MANAGEMENT STRUCTURE

Sajjad Textile Mills Limited as a trading concern will be managed by the Chief Executive Officer Mr. Muhammad Asim Sajjad, its Chief Operating Officer Mr. Sajjad Aslam and Director Finance Mr. Salman Muhammad Aslam

Mr. Muhammad Asim Sajjad is a seasoned businessman. He completed his graduation from United Kingdom in 2001 and started working as Chief Executive since June 2006. He bears good knowledge of the textile industry including hands on experience in production activities.

Mr. Sajjad Aslam, a graduate from Punjab University, has a vast and diversified experience of nearly 46 years in the textile sector. He has hands on experience with all the contours of management, manufacturing and trading processes.

Mr. Salman Muhammad Aslam is a business management graduate from Bentley University-USA and has been looking after the financial and commercial activities of the Company since 2006. He also handles sales and promotional activities and has is a very competent and active personality in Company's management.

RESTRUCTURING METHODOLOGY

After a careful financial analysis of Sajjad Textile Mills Limited and finances available with the company in the form of sale proceeds of Land, Building and other assets after payments of its certain liabilities, the following restructuring proposal has been developed. The restructuring will be in two phases:

1. Sale of Land, Building and other assets of the company and settlement of certain liabilities.
2. Initiation of trading of yarn/natural/man-made fibre and investment in listed securities.

The management has sought approval from its members to dispose of the Land, Building and other assets and to start trading of yarn, fibre and/or allied products and investment in listed securities keeping in view the prevailing circumstances.

The company intends to enter in trading of different varieties of yarn, fibre and/or allied products, the first target for the management is to maintain its recent clientele in local market of Pakistan and international market. After its recent clientele is maintained, company intends to enter in trading of different and specialized varieties of these products, and the plan includes in getting exclusive selling, distribution and branding rights to some of the renowned brands in the textile industry.

FUTURE BUSINESS PLAN

TRADING PORTFOLIO - YARN, FIBRE AND/OR ALLIED PRODUCTS

The global export patterns are changing fast as a result of reduction in trade barriers and technological advancements that have led to gains in productivity and change in comparative advantage patterns in world economies. Asian economies such as China and India are enjoying a notable growth in changing circumstances across the world. Pakistan also has great potential for higher growth however the political threats, socio economic environment and lack of updated technologies are obstruction in the way of progress. Some sectors of Pakistan economy have shown a good performance in terms of turnover volumes and exports. Due to the current economic situation in Pakistan surrounding large-scale manufacturing and the importance of textile industry in the country, management of Sajjad Textile Mills Limited has decided to take approval from its members to change its primary business from manufacturing of yarn to trading of different varieties and counts of yarn, fibre and/or allied products and investment in listed securities.

Keeping in sight the future outlook of Pakistan's economy and industry position, management has planned for the company to enter yarn, fibre and allied products trading business. While running as a yarn manufacturing business, Sajjad Textile Mills Limited had a lot of limitation in terms of the variety of its products, as switching from one count to another, one fiber to another or between different blends had a lot of cost and investment attached to it, while manufacturing other varieties of yarn was not possible without capital investment in new machinery and building. In the trading business, these switching costs are minimized and it is possible for the company to start trading in different varieties of yarn, fibre and/or allied products.

Company senior management is already in contact with different local and international buyers/sellers/agents in order to make a steadfast entry in this field. Although actual business can only be started once capital investment is available by selling off its land, building and other assets as proposed in the EOGM notice. The management has started engaging company's recent clientele while looking for new business partners as well.

Some of yarn counts and fibres company has planned to include in its business are:

1. NE 08/1-80/1 Cotton Carded Yarn
2. NE 10/1-80/1 Cotton Combed Weaving
3. NE 16/1-65/1 Polyester Viscose Blended Yarn
4. NE 20/1-70/1 Polyester Cotton Blended Yarn
5. Viscose, Tencil and Polyester Fibre
6. Different varieties of specialized yarn.

Non-exhaustive list, and product range might change from time to time depending on prevailing market conditions.

OPERATIONAL PLANS

Management of Sajjad Textile Mills Limited is in contact with both recent clientele and also with new potential trading partners in this field. This includes both local and foreign partners. Following are some of international textile companies being considered in this regard focusing on China and Indonesia:

1. Xiamen C & D Light Industry Co., Ltd. China
2. Formosa Chemicals & Fibre Corporation (FCFC)
3. South Pacific Viscose (SPV)
4. Birla Fibres Co., Ltd.
5. Wuhu Fuchun dye & weave co., Ltd. China
6. Zhejiang Twin Lantern Home Textiles Co., Ltd. China
7. Hickman International N.T.Hong Kong
8. Tai Zeus International Corporation Taiwan
9. Jinfang Cotton Technology Co., Ltd. China
10. Hangzhou Fuchun dye & weave co., Ltd. China
11. Tai Zeus International Corporation Taiwan

Management is in contact with these firms regarding import/export of different variety of yarn and fibre to Pakistan, which also includes exclusive selling and branding rights to some of the renowned textile brands in the world. Additionally, the Management is also in contact with number of local companies/agents who are willing to extend their full cooperation in the future business of the company.

TARGET MARKET

First focus of management in terms of target market or customers will be to at least maintain company's recent clientele by providing quality yarn, fibre and/or allied products to them at best possible prices. Efforts have already been made in this regard and management has received a very positive response.

After maintaining its customer base, management plans on introducing specialized yarn, fibre and/or allied products in the local industry, which include Acrylic and other varieties. These products required specialized machinery and are not widely manufactured by the local industry, while have a reasonable demand.

FINANCIAL PROJECTIONS

Disclaimer: Financial Projections included in this report are based on prevailing circumstances and underlying assumptions and departures therefrom may affect the projections.

FINANCIAL PROJECTIONS

PROJECTED STATEMENT OF FINANCIAL POSITION AS AT

	Year 1	Year 2	Year 3	Year 4	Year 5
CAPITAL & LIABILITIES:					
Share Capital	212,678,000	212,678,000	212,678,000	212,678,000	212,678,000
Accumulated Loss	(266,611,601)	(255,600,387)	(248,299,882)	(219,940,743)	(176,892,499)
Equity	(53,933,601)	(42,922,387)	(35,621,882)	(7,262,743)	35,785,501
Current Liabilities:					
Creditors, Accrued and other Liabilities	393,120,092	383,120,092	373,120,092	363,120,092	353,120,092
Dividend Payable	-	10,633,900	10,633,900	15,950,850	21,267,800
	393,120,092	393,753,992	383,753,992	379,070,942	374,387,892
	339,186,491	350,831,605	348,132,110	371,808,199	410,173,393
ASSETS:					
Fixed Assets	8,279,787	7,451,808	6,706,627	6,035,965	5,432,368
Current Assets:					
Stocks	11,053,781	22,515,660	18,416,488	24,404,100	30,324,647
Investment	205,000,000	222,425,000	243,555,375	269,128,689	300,078,489
Advances & Prepayments	28,379,205	19,811,846	19,801,730	17,014,470	19,385,928
Receivables	18,978,457	11,845,872	7,487,526	8,447,821	5,684,521
Cash/Bank	67,495,261	66,781,419	52,164,364	46,777,154	49,267,440
	330,906,704	343,379,797	341,425,483	365,772,234	404,741,025
	339,186,491	350,831,606	348,132,110	371,808,199	410,173,393

PROJECTED RETAINED EARNINGS/ACCUMULATED LOSS

	Year 1	Year 2	Year 3	Year 4	Year 5
Balance (Opening)	(279,440,864)	(266,611,601)	(255,600,387)	(248,299,882)	(219,940,743)
Profit for the year	12,829,263	21,645,115	17,934,404	44,309,990	64,316,043
	(266,611,601)	(244,966,487)	(237,665,982)	(203,989,893)	(155,624,699)
Less: Dividend	-	10,633,900	10,633,900	15,950,850	21,267,800
Balance (Closing)	(266,611,601)	(255,600,387)	(248,299,882)	(219,940,743)	(176,892,499)

PROJECTED INCOME STATEMENT

	Year 1	Year 2	Year 3	Year 4	Year 5
Sales and Revenue	587,121,144	631,251,054	682,761,140	742,024,807	810,291,089
Less: Cost of Goods Sold	543,888,725	582,921,434	640,755,867	675,976,008	724,599,064
Gross Profit	43,232,419	48,329,620	42,005,273	66,048,799	85,692,025
Less: Operating Expenses:					
Administrative	13,220,000	14,461,000	15,824,050	17,361,253	19,005,915
Selling and Marketing	5,963,409	4,856,703	5,267,639	5,731,495	6,255,848
Financial	18,691,983	17,436,983	16,181,983	14,926,983	13,671,983
	37,875,392	36,754,686	37,273,672	38,019,731	38,933,746
Operating Profit	5,357,027	11,574,934	4,731,601	28,029,068	46,758,279
Other Income	17,425,000	21,130,375	25,573,314	30,949,799	37,509,811
Profit before Tax	22,782,027	32,705,309	30,304,916	58,978,867	84,268,090
Less: Income Tax	9,952,764	11,060,194	12,370,511	14,668,877	19,952,047
Net Profit	12,829,263	21,645,115	17,934,404	44,309,990	64,316,043
Earning Per Share	0.60	1.02	0.84	2.08	3.02

PROJECTED STATEMENT OF CASHFLOWS

	Year 1	Year 2	Year 3	Year 4	Year 5
Profit before tax	22,782,027	32,705,309	30,304,916	58,978,867	84,268,090
Other Sources:					
	-	-	-	-	-
Increase/(Decrease) in payable	-	(10,000,000)	(10,000,000)	(10,000,000)	(10,000,000)
(Increase)/Decrease in debt	-	-	4,844,353	-	-
	<u>22,782,027</u>	<u>22,705,309</u>	<u>25,149,269</u>	<u>48,978,867</u>	<u>74,268,090</u>
Applications:					
Advances	(28,312,685)	8,567,359	10,116	2,787,260	(2,371,458)
Investments	(201,193,538)	(17,425,000)	(21,130,375)	(25,573,314)	(30,949,799)
Receivables	5,925,776	7,132,585	4,358,346	(960,295)	2,763,300
Tax Paid	(9,952,764)	(11,060,194)	(12,370,511)	(14,668,877)	(19,952,047)
Dividend Paid	-	(10,633,900)	(10,633,900)	(15,950,850)	(21,267,800)
	<u>(233,533,211)</u>	<u>(23,419,150)</u>	<u>(39,766,324)</u>	<u>(54,366,077)</u>	<u>(71,777,804)</u>
Surplus/(Deficit)	(210,751,184)	(713,841)	(14,617,056)	(5,387,210)	2,490,286
Balance Opening	<u>278,246,445</u>	<u>67,495,261</u>	<u>66,781,419</u>	<u>52,164,364</u>	<u>46,777,154</u>
Balance Closing	<u>67,495,261</u>	<u>66,781,419</u>	<u>52,164,364</u>	<u>46,777,154</u>	<u>49,267,440</u>

NOTES AND ASSUMPTIONS:

PROJECTED STATEMENT OF SALES AND REVENUE

	Year 1	Year 2	Year 3	Year 4	Year 5
Tencil/Excel Fibre (Kgs)	562,678	585,185	608,593	632,936	658,254
Expected Rate (Rs/Kg)	423	438	455	476	500
Projected Sale	238,012,794	256,196,971	277,102,644	301,155,154	328,861,428
Man made Fibres (viscose) (Kgs)	1,317,390	1,370,086	1,424,889	1,481,885	1,541,160
Expected Rate (Rs/Kg)	265	274	285	298	312
Projected Sale	349,108,350	375,054,083	405,658,496	440,869,653	481,429,661
Total Projected Sale	587,121,144	631,251,054	682,761,140	742,024,807	810,291,089

PROJECTED STATEMENT OF COST OF GOODS SOLD

	Year 1	Year 2	Year 3	Year 4	Year 5
Tencil/Excel Fibre Purchase (Kgs)	562,678	585,185	608,593	632,936	658,254
Expected Rate (Landed Cost) (Rs/Kg)	395	407	419	432	445
Projected Tencil Purchase	222,257,810	238,082,566	255,034,045	273,192,469	292,643,773
Man made Fibres (viscose) Purchase (Kgs)	1,317,390	1,370,086	1,424,889	1,481,885	1,541,160
Expected Rate (Landed Cost) (Rs/Kg)	248	255	263	271	279
Projected Viscose Purchase	326,712,720	349,974,666	374,892,862	401,585,234	430,178,102
Total Projected Purchases	548,970,530	588,057,232	629,926,907	674,777,702	722,821,875
Salary and Wages-Security Guards	1,200,000	1,320,000	1,452,000	1,597,200	1,756,920
Insurance	1,452,000	1,555,382	1,666,126	1,784,754	1,911,828
Rent	1,800,000	1,980,000	2,178,000	2,395,800	2,635,380
Fuel, Power and Water	350,000	374,920	401,614	430,209	460,840
Repair and Maintenance	250,000	267,800	286,867	307,292	329,172
Depreciation	919,976	827,979	745,181	670,663	603,596
	5,971,976	6,326,081	6,729,788	7,185,918	7,697,736
Opening Stock	-	11,053,781	22,515,660	18,416,488	24,404,100
Closing Stock	(11,053,781)	(22,515,660)	(18,416,488)	(24,404,100)	(30,324,647)
Total Cost of Goods Sold	543,888,725	582,921,434	640,755,867	675,976,008	724,599,064

PROJECTED STATEMENT OF ADMINISTRATIVE EXPENSES

	Year 1	Year 2	Year 3	Year 4	Year 5
Administrative Salaries	12,000,000	13,200,000	14,520,000	15,972,000	17,569,200
Audit Fee	400,000	400,000	400,000	440,000	440,000
Printing and Stationery	12,000	12,600	13,230	13,892	14,586
Legal and Professional charges	250,000	262,500	275,625	289,406	303,877
Vehicle Running and Conveyance	252,000	264,600	277,830	291,722	306,308
Office Maintenance	66,000	69,300	72,765	76,403	80,223
Telephone and Telex	120,000	126,000	132,300	138,915	145,861
Entertainment	60,000	63,000	66,150	69,458	72,930
Others	60,000	63,000	66,150	69,458	72,930
	13,220,000	14,461,000	15,824,050	17,361,253	19,005,915

PROJECTED STATEMENT OF SELLING AND MARKETING EXPENSES

	Year 1	Year 2	Year 3	Year 4	Year 5
Selling Salaries	1,020,000	1,122,000	1,234,200	1,357,620	1,493,382
Commission to Selling Agents	4,403,409	3,156,255	3,413,806	3,710,124	4,051,455
Freight and Forwarding Expenses	420,000	449,904	481,937	516,251	553,008
Others	120,000	128,544	137,696	147,500	158,002
	<u>5,963,409</u>	<u>4,856,703</u>	<u>5,267,639</u>	<u>5,731,495</u>	<u>6,255,848</u>

PROJECTED STATEMENT OF FINANCE COST

	Year 1	Year 2	Year 3	Year 4	Year 5
Interest on short term loan from sponsors	18,691,983	17,436,983	16,181,983	14,926,983	13,671,983
	<u>18,691,983</u>	<u>17,436,983</u>	<u>16,181,983</u>	<u>14,926,983</u>	<u>13,671,983</u>

PROJECTED STATEMENT OF OTHER INCOME

	Year 1	Year 2	Year 3	Year 4	Year 5
Return On Investments	17,425,000	21,130,375	25,573,314	30,949,799	37,509,811
Income from Building Rent *	-	-	-	-	-
	<u>17,425,000</u>	<u>21,130,375</u>	<u>25,573,314</u>	<u>30,949,799</u>	<u>37,509,811</u>

PROJECTED STATEMENT OF INCOME TAX

	Year 1	Year 2	Year 3	Year 4	Year 5
Tax on Trading of Tencil, Fibre, etc	7,339,014	7,890,638	8,534,514	10,026,407	14,325,575
Tax on Return on Investment	2,613,750	3,169,556	3,835,997	4,642,470	5,626,472
Tax on Rental Income	-	-	-	-	-
	<u>9,952,764</u>	<u>11,060,194</u>	<u>12,370,511</u>	<u>14,668,877</u>	<u>19,952,047</u>