



Sargodha Spinning Mills Limited

Manufacturer, Importer & Exporter

Registered Office: A-601/B, City Towers, 6-K, Main Boulevard, Gulberg-II, Lahore.
Ph: (042) 35788758-59 Fax: (042) 35798718 E-mail: shadstm@brain.net.pk NTN: 0667821-7

SSM/PSX/17
February 10, 2017

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

Subject: **Notice of Extraordinary General Meeting**

Dear Sir,

Enclosed please find a copy of the Notice of the Extraordinary General Meeting to be held on March 7, 2017 for circulation amongst the TRE Certificate Holders of the Exchange.

Yours Sincerely,
For SARGODHA SPINNING MILLS LIMITED

Company Secretary

Encl: As above.



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NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE is hereby given to all the shareholders of Sargodha Spinning Mills Limited (the "Company") that an Extra-Ordinary General Meeting of the Company will be held on Tuesday, March 7, 2017 at 11.00 a.m. at A-601/B, City Towers, 6-K Main Boulevard, Gulberg-II, Lahore to transact the following business:

SPECIAL BUSINESS

To consider and if thought fit, approve the sale of Land, Building, Plant and Machinery of the Company located at Mills premises at Chak No. 120, J.B. Nanakpur, Tehsil & District, Faisalabad by passing following resolution as an ordinary resolution with or without any modification in term of Section 196(3)(a) of the Companies Ordinance, 1984:

Resolved

"That consent of the general meeting be and is hereby accorded to the disposal and sale of Company Land, Building, Plant, Machinery, and all other assets installed at Chak No. 120, J.B. Nanakpur, Tehsil & District, Faisalabad".

Resolved Further

"That Mr. Saad Naseem, Mr. Umair Abd and Mr. Salman Mohammad Aslam be and are hereby jointly authorized and empowered on behalf of the Company to do all acts, deeds and things and take all necessary steps including negotiations and signing of the documents, deeds and papers, agreements and all other documents as may be necessary in order to give effect to, implement and complete the sale of the assets as aforesaid and all matters connected, necessary and incidental thereto".

BY ORDER OF THE BOARD

(Mazhar Hussain)
Company Secretary

Dated: 19-01-2017

Notes:

1. The Members' Register will remain closed from 01-03-2017 to 07-03-2017 (both days inclusive). Transfers received at Corplink (Pvt.) Limited, Wings Arcade, I-K, Commercial, Model Town, Lahore, the Independent Share Registrar of the Company by the close of business on 28-02-2017 will be treated in time.
2. A member eligible to attend and vote at this Meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the Company at Registered Office not later than 48 hours before the time for holding the Meeting.

MILLS: 8-k.m, Sargodha Road Faisalabad.

Ph. No. 0092-41-8868132-35, Fax: 0092-41-8868139 E-mail: sargo@fsd.paknet.com.pk



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3. CDC account holders will further have to follow the guidelines as laid down in circular No.1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.
 - a. **For attending the meeting**
 - i. In case of individuals, the account holder or sub account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
 - ii. In case of corporate entity, the Board of directors' resolution/power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.
 - b. **For Appointing Proxies**
 - i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
 - ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv. The proxy shall produce his original CNIC or original passport at the time of the Meeting.
 - v. In case of corporate entity, the Board of directors' resolution/power of attorney with specimen signatures shall be submitted (unless it has been provided earlier) along with proxy form to the company.
4. **Change of Address:** Shareholders are requested to immediately notify the change of address, if any to Share Registrar of the Company.

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STATEMENT UNDER SECTION 160(1) (b) OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts pertaining to the special business to be transacted at the Extra-Ordinary General Meeting of the Company, scheduled to be held on March 7, 2017.

The Board of Directors had already approved the disposal of plant and machinery subject to the Approval of the Company's shareholders in an Extra-Ordinary General Meeting. The Board in its meeting held on April 20, 2016 has approved the sale of machinery and shareholders approved the same in their meeting held on May 20, 2016. The information required under Notification No. S.R.C. 1227/2005 dated December 12, 2005 is as follows:

i. The detail of assets to be sold:

S. No.	Detail of Machinery	Total
1	Blow Room	05 Lines
2	Cards	82 Nos.
3	Drawing Frames	37 Nos.
4	Simplex Frames	20 Nos.
5	Ring Frames	64 Nos. (54,432) Spindles
6	Cone Winders	29 Nos.
7	Yarn Conditioning Machine	01 Nos.
8	Humidification, Air Conditioning and Filtration Plant	02 Units
9	Gas Generators	04 Nos.
10	Laboratories and Testing Equipment	01 Unit
11	LT/HT Panel, Transformers and Cabling	02 Sets

ii. Cost and Re-valued Amount:

(Rupees in '000')

Particulars of Asset	Cost	Re-valued Amount
Plant and Machinery	773,001	1,142,745
Total	773,001	1,142,745

Book Value (Rs. 278.617 million)

Approximate current market price/fair value rupees 140 million to rupees 200 million.



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iii. Detail of land:

211.375 Kanals of land at Sargodha - Faisalabad Road about 8-Km while going towards Sargodha from Faisalabad, Chak No. 120 J.B, Mouza Nanakpur, Tehsil & Distt: Faisalabad.

(Rupees in '000')

Particulars of Asset	Cost	Re-valued Amount
Land- 211.375 kanals	14,016	739,813
Total	14,016	739,813

Book Value Rs. 739.813million

Approximate current market price/fair value rupees 930.050 million to rupees 1,162.563 million.

iv. Detail of Building:

Building having covered area 419,715 Sft situated at Sargodha- Faisalabad Road about 8-Km while going towards Sargodha from Faisalabad, Chak No. 120 J.B. Mouza Nanakpur, Tehsi & Distt: Faisalabad.

(Rupees in '000')

Particulars of Asset	Cost	Re-valued Amount
Building covered area 419,715 Sft	116,383	166,756
Total	116,383	166,756

Book Value Rs. 68.748 million

Approximate current market price/fair value rupees 59.935 million to rupees 70.512 million.

v. The proposed manner of disposal

The assets will be disposed of in an open bidding through tender in newspaper.

vi. Reason for the disposal of assets

There are multiple reasons which have been led to the decision by the Directors of the company to dispose of the assets, as aforesaid.

The company's one unit was closed in April 2015 and second unit stopped its operation since September 2015 due to shortage of working capital and funds for balancing and



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modernization of existing old plant. The equity of the Company showed negative balance as on December 2016 of Rs.119.938 million as compared to Rs. 103.309 million in June 2016.

The management explores various options to run the plant but plans not worked due to heavy losses and current market condition; the bankers are reluctant to extend new facility to the company. Some banks have recalled their existing facilities and pressing the management to settle the outstanding balance.

As the shareholders aware that as first step management took approval of shareholders on May 20, 2016 to sell partial machinery to resolve the current liquidity crises of the company but it did not work because buyers of machinery are not available at desired prices. The management has now worked out a detail restructuring plan to dispose of all land, building and machinery and surplus after paying company's existing liabilities (banks, financial institution, creditors and directors etc) will be utilized in trading activities as allowed by memorandum of association of the company. The projection of business plan is attached with notice as annexure. The Board of Directors has approved the disposal plan as mentioned above.

vii. Future Business Plan

We wish to inform the members that the strategy adopted earlier did not worked and company was unable to find buyer of machinery at reasonable price due to current market condition of textile industry. The company has sold machinery amounting to rupees 58.392 million only. The management has re-assessed the conditions and now proposing to dispose of entire land, building and whole plant and machinery.

The management has now proposed to enter into trading of yarn, cloth and shares from the balance funds from proceed of assets after payment of all liabilities. Projection of business plan is attached as Annex- A. The above business objects are authorized by the memorandum of association of the company.

Total cost of this project is expected to be Rs. 500 Million, the means of financing will be sale proceed left after payments of all liabilities (banks, financial institution, creditors and Interest free Sponsors' loan). The proposed project of disposal and restructuring will take around two years.

viii. Benefits expected to accrue to the shareholders

The proceeds from the disposal of the assets will be utilized for reduction of the Company's borrowings. Consequently, the borrowing cost will reduce substantially. Due to change of line of business and future profitability, the management is expecting dividend to shareholders at the end of first year of restructuring. This will also result in better performance of the Company, as a whole and will enhance the shareholders value.

The Directors have no direct or indirect interest in the above said special business except repayment of sponsors/directors interest free loan, shareholding and remuneration that would require further disclosure.

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BALANCE SHEET AS AT

AMOUNT IN RUPEES

ANNEXURE 'A'

CAPITAL & LIABILITIES:

	YEAR 0	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
SHARE CAPITAL	312,000,000	312,000,000	312,000,000	312,000,000	312,000,000	312,000,000
RETAINED EARNING EQUITY	456,000,000	432,580,229	415,214,243	405,241,484	400,038,115	399,978,422
	768,000,000	744,580,229	727,214,243	717,241,484	712,038,115	711,978,422

CURRENT LIABILITIES:

	YEAR 0	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
CREDITORS, ACCRUED AND OTHER LIABILITIES	25,000,000	28,000,000	28,000,000	128,000,000	128,000,000	128,000,000
DIVIDEND PAYABLE	0	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
	25,000,000	78,000,000	78,000,000	178,000,000	178,000,000	178,000,000
	793,000,000	822,580,229	805,214,243	865,241,484	890,038,115	889,978,422

PROPERTY AND ASSETS:

FIXED ASSETS	1,000,000	9,150,000	8,235,000	7,411,500	6,670,350	6,003,315
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CURRENT ASSETS:

STORE & SPARES	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
STOCKS	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000
RECEIVABLE	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
ADVANCES & PREPAYMENTS	351,331,000	286,464,000	215,110,510	236,621,561	159,439,464	159,439,464
INVESTMENT	100,000,000	230,000,000	230,000,000	230,000,000	230,000,000	230,000,000
CASH/ BANK	128,660,000	94,966,229	145,000,704	219,200,424	291,928,301	292,535,043
	782,000,000	813,430,229	796,979,244	867,829,985	883,367,765	883,975,107
	793,000,000	822,580,229	805,214,244	865,241,485	890,038,115	889,978,422

RETAINED EARNING

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
BALANCE (OPENING)	456,000,000	432,580,229	415,214,243	405,241,484	400,038,115
PROFIT FOR THE YEAR	26,580,229	32,634,015	40,027,241	44,796,631	49,540,307
PROFIT FOR APPROPRIATION	482,580,229	465,214,243	455,241,484	450,038,115	449,578,422
LESS: DIVIDEND	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
BALANCE (CLOSING)	432,580,229	415,214,243	405,241,484	400,038,115	399,578,422

For Sargodha Spinning Mills Ltd,


Secretary

PROFIT AND LOSS ACCOUNT

AMOUNT IN RUPEES

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
SALES & REVENUE	332,575,000	373,648,013	419,793,542	471,638,044	529,885,343
LESS: COST OF GOODS SOLD	315,250,000	350,873,250	390,521,927	438,751,385	492,937,181
GROSS PROFIT	17,325,000	22,774,763	29,271,615	32,886,659	36,948,162
LESS: OPERATING EXPENSES:					
ADMINISTRATIVE	8,576,000	9,405,600	9,875,860	10,369,674	10,888,158
SELLING & MARKETING	2,255,000	2,457,750	2,560,638	2,709,009	2,845,153
	10,831,000	11,863,350	12,436,498	13,078,683	13,733,311
OPERATING PROFIT	6,494,000	10,911,413	16,835,117	19,807,976	23,214,851
OTHER INCOME	23,000,000	25,300,000	27,600,000	29,900,000	32,200,000
	29,494,000	36,211,413	44,435,117	49,707,976	55,414,851
LESS :					
FINANCIAL EXPENSES	-	-	-	-	-
PROFIT BEFORE FUNDS	29,494,000	36,211,413	44,435,117	49,707,976	55,414,851
LESS: WORKFR FUNDS:					
W.P.P. FUND @ 5%	1,474,700	1,810,571	2,220,755	2,485,366	2,770,743
W.W. FUND @ 2%	560,386	688,017	843,007	944,409	1,052,882
	2,035,086	2,498,587	3,063,762	3,429,775	3,823,625
PRE TAX PROFIT	27,458,914	33,712,825	41,371,355	46,278,201	51,591,226
LESS: INCCME TAX	878,685	1,078,810	1,323,215	1,480,860	1,650,919
NET PROFIT	26,580,229	32,634,015	40,048,140	44,797,341	49,940,307

For Sargodha Spinning Mills Ltd;


Secretary