SUHAIL JUTE MILLS LIMITED

PRESENTATION FOR CORPORATE BRIEFING

This briefing is being conducted a per the directive of the PSX, conveyed vide their letter dated 21 June 2021, bearing reference PSX/ Gen-1187.

The specific issues raised in the subject letter and the Company's responses are as follows

a. REGULATORY NON-COMPLIANCE AND REASONS THEREOF

The Company has cured all non compliances of the PSX at the date of this presentation and that the Regulatory non-compliance referred to in the subject PSX letter isnon-compliance of Clause 5.1.1 (b) of the PSX Regulations, which reads as follows

5.1.1 A Listed Company may be placed in the Defaulters' Segment if:

(b) It has suspended commercial production/ business operations in its principal line of business for a continuous period of one year;

The background and reasons for this 'non-compliance' is elaborated below:

i. SHUT DOWN OF OPERATIONS

The Company's shut down of business operations, which occurred in 2010, has been exhaustively documented and comprehensively elaborated upon over the period of the shut down in submissions to the Regulatory Authorities, the PSX and in the published Financial Statements and Reports over this entire period.

ii. FLOOD EVENT

The Company's production facility in Nowshera was hit by an unprecedented natural calamity in the form of floods, which completely inundated the production facilities and machinery and destroyed stocks of raw material, finished goods and stores and spares. As such, the Company was forced to suspend its business due to this unprecedented natural calamity which occurrence was completely beyond its control.

iii. LOSSES

The entire stock of raw material finished goods and spares were destroyed causingirreparable losses. As the working capital finance facilities were secured against these goods, we were left with the situation where we had working capital debt outstanding with no underlying assets with which that debt could be retired through a normal production / sales cycle

iv. NO WORKING CAPITAL

Due to the large outstanding obligations that had been created, and the deficiency in equity that had resulted from these losses, we were unable to raise fresh working capital to restart operations.

v. BANK LOANS

In fact, the working capital obligations had to be converted to term loans secured by other assets. Our inability to repay the loans to-date has resulted in the Banks obtaining court decrees for recovery of the obligations through a forced sale of the assets securing the loans.

b. PLAN FOR RESTORATION OF OPERATIONS AND SAFEGUARDING MINORITY SHAREHOLDERS:

STRATEGIC PLAN- RAISING OF FINANCING THROUGH SALE OF ASSETS AFTER MERGER

The Company immediately took steps to successfully rehabilitate the damaged machinery and facilities so that the *sub-stratum* of the company could be sustained and initiated a Plan, involving a merger, to restructure the finances of the Company.

The further, demonstrable steps taken by the management and sponsors of the Company towards putting into effect the plan are enumerated as under:

Management formally Initiated a restructuring plan in 2010, involving the merger of (Colony) Sarhad Textile Mills Limited with, and into Suhail Jute Mills Limited.as the means of raising finances through the availability of surplus assets.

Throughout the interim period of the Merger process, the sponsors continued to meet all expenses of keeping the Companies 'alive' so as to effectuate the merger plan The injection of funds was originally planned for the period required to complete the legal and regulatory requirements for the merger but due to extensive delays in the merger process the injection of funds had to be continued and had amounted to an unforeseen and huge sum of RS.204.16 Million at the time of the completion of the merger. This injection of funds by the sponsors was entirely voluntary and could not be made in one tranche. The funds were made available by the sponsors on an 'as needed' basis for the purposes of keeping the entities in existence, meeting the legal and other costs of the ongoing merger, safeguarding the assets, rehabilitating the flood damaged machinery and facilities and maintaining the machinery and facilities in good working order, at significant expense, so as to facilitate a revival of operations. The production facilities and the machinery had been fully rehabilitated and properly maintained over this entire period.

Significantly, as part of the approved merger plan, the sponsors converted an amount in excess of RS 167 million of their existing debt into ordinary shares of Suhail Jute Mills. This too was a major risk and sacrifice, as the equity taken by the sponsors in exchange for debt would only become financially viable if the company could be revived and began to generate income. It is also significant that the debt comprising advances to CSTM was converted to equity at the swap ratio of 1: 25.60. The 932,769 shares received as a consequence of this swap have a nominal value of RS 9.33 million, as against debt amounting to Rs 167.24 million. This sacrifice and risk was a major contribution by the sponsors for the benefit of the minority shareholders. The actual financial implications of this sacrifice cannot be ignored. It may be best considered in the light of the fact that the issued capital of the merged Company has a nominal value of Rs. 43.3 million; the effect of the RS 167 Million of debt, swapped for shares by the sponsors to the Company is that, in real terms, the actual financial stake of the sponsors in the company's equity is far in excess of the nominal value of their holdings. The fact that the financial stake has been further augmented by the injection of additional funds as advances to the Company is also to be taken into consideration.

MERGER DELAYS

Before proceeding further, we wish to submit that the principal reason for the prolonged suspension of operations may best be understood by taking into account the time taken in the judicial and regulatory processes related to the merger, that were wholly beyond the Company's control; this is reflected in the detailed time-line for the completion of the merger process, submitted below:

S.NO	EVENT ACTION	DATE	TIME ELAPSED	REMARKS
1	FLOOD EVENT	JULY 2010	-	
2	SPECIAL RESOLUTION FOR MERGER	30 OCTOBER 2010	3 MONTHS	PLAN FOR RESTRUCTURING FORMULATED
3	REHAB OF MACHINERY AND SUCCESSFUL TRIAL PRODUCTION	NOVEMBER 2010	4 MONTHS AFTER FLOOD EVENT	TO MAINTAIN THE SUB STRATUM OF THE COMPANY
4	COMPLETION OF DDR AND VALUATIONS	SEPTEMBER 2011	11 MONTHS FROM INITIATING MERGER PLAN	STATUTORILY REQUIRED FOR MERGER
5	FINALISATION OF MERGER PLAN BY CONSULTANTS	OCT 2012	13 MONTHS	INCLUDING REVISION OF VALUATION
6	FILING OF MERGER PETITION IN COURT	MARCH 2013	6 MONTHS	AFTER LEGAL DRAFTING AND VETTING
7	COURT ORDERED JOINT MEETING OF SHAREHOLDERS FOR MERGER	FEB 2014	11 MONTHS	
8	SECP QUERIES AND OBSERVATIONS	SEP 2014	7 MONTHS	SECP QUERIES AND RESOLUTION THEREOF
9	PRAYER TO CJ LHC TO HEAR PETITION EXPEDITIOUSLY IN LAHORE	SEP 2015	1 YEAR	DUE TO NO HEARING AT RAWALPINDI
10	ORDER TO HOLD ANOTHER JOINT MEETING	OCT 2015	1 MONTH	HEARING AT LAHORE
11	PASSAGE OF SPECIAL RESOLUTION APPROVING THE MERGER AT JOINT MEETING	MARCH 2016	5 MONTHS	DATE OF MEETING FIXED BY COURT
12	ORDER BY COURT ACCEPTING THE PETITION AND SANCTIONING THE MERGER	APRIL 2016	1 MONTH	
13	RECTIFICATION OF ERRORS IN COURT ORDER AND OTHER CLARIFICATIONS	JULY 2016	3 MONTHS	COURT PROCESS TOOK 3 1/2 YEARS TO COMPLETE
14	FILING OF MERGER SPECIAL RESOLUTION - [FORM 26] WITH REGISTRAR	MARCH 2016	15 DAYS	
15	ACCEPTANCE OF FORM 26 BY CRO	FEB 2017	11 MONTHS	
16	ASCERTAINMENT OF SWAP SHARES FOR ALLOTMENT BY COMPANY REGISTRAR AND FILING OF FORM 3 WITH CRO	JAN 2018	11 MONTHS	
17	APPROVAL OF FORM 3 FOR FINALISATION OF ALLOTMENTS OF SHARES	NOV 2018	11 MONTHS	LAST LEGAL STEP IN MERGER PROCESS- **5 YEARS 8 MONTHS SINCE FILING OF MERGER PETITION**

A process that ought to have taken six months, as prescribed in the Companies Ordinance 1984, took almost 6 years.

c. MEASURES TAKEN TO ENSURE COMPLIANCE WITH PLAN

It is submitted that due to the enormity of the existential catastrophe that had befallen the Company's Plant and machinery and inventory, it goes without saying that management made urgent and immediate Plans to salvage the situation. The published financial statements and reports duly record these efforts. The actions taken and information provided since the flood event and up to the present time in the financial statements and in numerous submissions are a matter of record.

The revival of the company's operations is entirely dependant upon securing adequate working capital financing to revive theotherwise operational plant and machinery.

The company initiated a Plan to do so through a merger which would have made available surplus assets for this purpose. The Merger plan was initiated in October 2010, 3 months after the flood event . As is evident from the time line, the delay in the approval of the merger was entirely beyond the Company's control, and was the principal reason for the company being unable to raise working capital financing and revive operations earlier.

The merger was conceived, *inter alia*, so that assets may be freed up for timely disposal to provide financial resources for future revenue generation. (REFERENCE: Clause 4.4 of the Court sanctioned Merger Plan).

The Company, by virtue of the merger, has identified surplus assets, including land, that could be disposed off to raise the requisite amount of financing. The Company, through a committee of the Board formed specifically for this purpose, has been actively engaging with potential buyers since the completion of the Merger in order to achieve this objective. Due to the complexities of the transaction involved and the economic uncertainties and the effect of the Covid-19 situation the Company has not as yet succeeded in disposing off assets and raising financing in a manner that suits its needs.

The Company has met all its financial obligations to the PSX and completed all formalities relating to the de-listing of its merged company, (Colony) Sarhad Textile Mills Limited. The related reporting requirements have also been complied with. The fulfilment of holding this corporate briefing session will hopefully clear the path towards lifting the suspension of trading in the Company's shares.

d. STRATEGIC/ FINANCIAL PLAN FOR GROWTH OF SUHAIL JUTE MILLS LTD

The company has a fully operational 17-18 ton per day Jute manufacturing plant with all ancillary facilities, that has been kept in sound working order at considerable expense. The demand exists for its principal product, Jute gunny bags, as it is the most environmentally friendly and suitable storage medium for wheat stocks acquired by the Government

This function of acquiring and storing wheat stocks is both a strategic requirement and a vital price stabilization tool that the Government uses and one cannot foresee any deviation in the practice. Moreover, due to the closure of several jute manufacturing units in the intervening 10 year period of the company's cessation of production, the demand and supply are in a better state of equilibrium than earlier, assuring that there is a stable demand for jute bags that can be sold at beneficial prices.. The re-induction of the capacity of Suhail Jute Mills will not cause any imbalances in the demand/ supply equilibrium

The management of Suhail Jute Mills has 30 years experience in the Jute business. The Plant and machinery are in tact and capable of producing jute products that have sustained demand in the local market.

Once the proceeds from the sale of surplus assets are realized the Company will be able to clear long term debt and obligations and raise working capital. The financial restructuring will result in SJM being a wholly solvent company free of long term debt and obligations, backed by a strong asset base with a viable production facility able to generate revenue.

e. REASONS FOR NON DECLARARTION OF CORPORATE ENTITLEMENT TO SHAREHOLDERS

As can be seen from the discussion above, the Company was not able to declare any corporate entitlement during the period in question because of the shut down of all commercial activity. The reasons for the prolonged shut down have been enumerated at length in the preceding discussion.

f. COMPLIANCE WITH CORPORATE BRIEFING REQUIREMENT

This briefing is being held in compliance with the guidelines/ procedures under directives of the PSX, to fulfil the mandatory requirements. A copy of this Note is accessible from our website <>

g. FINANCIAL INFORMATION

The complete set of Financial Reports are available on our website. <>

It is to be noted that as the Company has been non-operational, the Financial Reports are being presented on a 'Realizable Basis' and are not based on the 'Going Concern' assumption.

h. QUESTION AND ANSWER SESSION

The Company officials shall be pleased to respond to questions from the participants of this Meeting.