

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.