



**DAR ES SALAAM
TEXTILE MILLS LIMITED**

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April 17, 2018

Mr. Anwaar Ahmed
Deputy Director
Company Law Division
Securities and Exchange Commission of Pakistan
NIC Building, 63-Jinnah Avenue,
Islamabad.

**NOTICE OF EXTRA ORDINARY GENERAL MEETING TO BE HELD ON
APRIL 30, 2018**

Dear Sir,

This is with reference to your letter dated April 11, 2018 with regard to Notice of Extra Ordinary General Meeting to be held on April 30, 2018.

You would appreciate that at the time of issuance of SRO 423(I)/2018 on April 03, 2018, the Company has already issued notice on March 30, 2018 to convene a Board meeting on April 06, 2018 and draft notice of EOGM was prepared in compliance of then applicable S.R.O. 1227/2005, dated December 12, 2005. However, before the convening of the board meeting, the Commission notified SRO 423(I)/2018 on April 04, 2018 and various additional information was required to be shared to the shareholders in statement of material facts in case of passing special business and we ensured compliance of all the requirements of SRO 423(I)/2018 with regard to special business being undertaken by the Company to the best of our efforts and in minimum possible time.

In this connection, our submission to the queries of the Commission in seriatim are as under:

2a) Your attention is drawn towards point no 4 in statement of material facts under Section 134 (3) of the Companies Act, 2017 wherein the Company has already provided reasons for selling of plant and machinery at lower than carrying value; however, same is being reproduced for your ease of reference.

Quote

It is expected that land and building would fetch more than carrying amounts; however, in case of plant and machinery; the Company may not be able to sell at carrying value owing to lower demand of machinery, options available to buyers due to closure of various textile units in Pakistan and machinery being non-operational for quite sometimes.

Un-quote

It is further submitted that various textile spinning units have been closed down in recent past months, e.g. Bilal Spinning, Ravi Textile, Nauman Suleman, Dawood Spinning, Aryan Textile and D. M. Textiles and their machinery are available in market for sale. Please also



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2

note that assets of closed unit could not realize the carrying value, rather the Company could lose more amount due to deterioration of machinery in case it is held for longer period of time in search of higher price apart from time value of money.

2b) Currently, the management does not have potential tenant in sight, therefore, it is not possible to determine terms and conditions of lease of the assets. Nevertheless, the management will only lease out the building if it is in the best interest of the Company and allows the management to pay down the its creditors and may be for a period of 12 months to 18 months. In any case; we shall comply with the provision of SRO 423(I)/2018 with regard to leasing of premises by tendering in newspapers and compliance shall also be submitted to the Commission as well as appropriate disclosure in financial statements and directors report.

2c) Please note that the management has mentioned details of land as per requirement - Please refer to point 1 wherein it has been stated that 126 Kanals and 13 marlas of land located at 10 Kilometer Muridke-Sheikhupura Road, Muridke was acquired on 16th December 1989.

It is implied that the Company intends to dispose of its land and building located at 10 Kilometer Muridke-Sheikhupura Road, Muridke as the building is constructed on the same land and it is an INDUSTRIAL unit. We have noted your point of view and hereby undertake to inform the shareholders in the forthcoming EOGM with regard to observations of the Commission and same will be recorded in the minutes of meeting.

2 d) Your kind attention is drawn towards Para 3 under heading "The proposed manner of disposal" of statement of material facts that the Company has already identified interested and independent buyers. It is further clarified that the interested and independent buyers are not related to the Company, its directors or relatives thereof. We shall apprise the shareholders in the forthcoming EOGM with regard to observation of the Commission and same will be recorded in the minutes of meeting.

2e) It is submitted that domestically, the depressed international demand for cotton, weakened global commodity prices and reduced local output of cotton, changing consumer preferences for foreign brands, low priced Chinese products triggered a downward spiral for the textile sector which remained pervasive through recent past years. Moreover, the socio-political situation of the Country faced immense pressures (locally and internationally) which resulted in volatile business environment especially export oriented industries. Hence, the Company remained under severe pressure in terms of working capital requirements and increasing debt repayment pressures from the lending institutions. The operations of the Company were halted and the loss was accumulating owing to interest, tax, depreciation and amortization.

The Company was in a vicious circle in view of pressures from outstanding debt repayment and resultantly inability to raise further working capital lines from the financial institutions to resume the operations. In view of the above the Management of the Company is



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3

reviewing the option of alternate business strategies to get out of this vicious circle. This included discussions with financial institutions for restructuring of its debt and making available fresh lines for working capital requirements. The Management reviewed all the option including rights issue and restructuring of its asset base by letting out or sale of part of plant & machinery in order to reduce debt burden and generation of working capital requirements. However, it could not find out any option but to settle the Company's obligations towards its lenders and creditors through disposal of property, plant and equipment and find out alternate business plan in the best interest of its shareholders.

Purpose of sale as required under Clause B(5)(I)(iv) is already comprehensively explained in Paragraph 4 (Reason for the Disposal) of statement of material facts as well as in business plan read with statement of material facts wherein in-principle approval of shareholders was sought in last annual general meeting held on November 27, 2017.

2 f) All required information under Clause B (5) II of the SRO has been given in statement of material facts. Your attention is invited towards paragraph 5 (Future Business Plan) wherein has been briefly stated that

Quote

The management has assessed the liquidity requirements of the Company keeping in mind market conditions and proposed to freehold land, buildings, plant and machinery, electric fittings and installations and stores and spares and to enter into trading of man-made fibers (including but not limited to polyester, viscose and acrylic), yarn and shares. The management has also proposed to let out the Company's premises subsequent to sale of machinery till the time land and building could be sold. It will provide the Company an opportunity to generate reasonable cash flows to meet operational requirements of the Company. It is expected that the Company would be able to recommence its operations before the close of financial year ending on June 30, 2019. The above objects are authorized by the Memorandum of Association of the Company. Financial Projection of the proposed business plan is attached with this notice as Annexure 'A'. Copy of the detailed feasibility report of the proposed business plan is available for inspection from the Registered Office of the Company as well as on Company's website: <http://www.daresalaamtextilemills.com>. The expected total cost of the project is around Rupees 80 million to manage working capital requirements and capital expenditure and expected to be implemented in next financial year.

Unquote

2 g) Your attention is invited to last sentence of para 4 of statement of material facts wherein it has been clearly stated that "It is brought to the knowledge of members that the directors of the Company have carried out necessary due diligence before making decision with regard to disposal of land, building, plant and machinery and other assets". It is further submitted that it shall be made available to the members for inspection in the general meeting mentioned in para 7 (Inspection of documents) of statement of material facts.

3a) Please refer to our response to Point Number 2(f) wherein relevant contents of notice of meeting has been reproduced for ease of reference. It has been mentioned that business plan would be implemented on or before June 30, 2019. We shall explain the same before



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the shareholders in forthcoming EOGM and same will be recorded in the minutes of meeting.

3b) The definite timelines as given by the lenders, first charge holders, under the agreements is a period of 24 months from the date of agreements which will be implemented before the close of the current fiscal year. It is for this reason we have projected that the liability to the banks has to be settled within that given time frame by paying a part in the first year then the balance in the second year and accordingly spreading the sale of assets in two years. In the first year, the plant and machinery shall be disposed of and in the second-year sale of the rest of the assets i.e. land and building and other assets have been projected. We have noted your point and will inform the shareholders in the forthcoming EOGM with regard to observation of the Commission and same will be recorded in the minutes of meeting.

3c) The matter was discussed and deliberated in the meeting but was unfortunately was not documented in the business plan. Please condone this omission on our part, we shall explain the same before the shareholders in forthcoming EOGM with regard to observation of the Commission and same will be recorded in the minutes of meeting.

3d) Credit balances amounting to Rs 148.811 written back are detailed below as:

	PKR in million
Mark up accrued (waiver) by the lenders*	104.038
Expected Settlement with the trade creditors**	44.773
As per Projection	148.811

*As a result of the agreements with financial institutions, they are charging a nominal mark up and the remaining mark up over and above the contractual agreement will be written back if the management is able to comply with all terms and conditions to the settlement to the agreements.

**During the year 2017-18 after entering into the agreement with few trade creditors paying certain percentage of outstanding balances, the remaining amount were written back via agreements with creditors. Thus, keeping in view the basis of settlements we expect that the credit of Rupees 44.773 million will be written back and are incorporated in projections.

3e) As already stated, the interested buyer is an independent party and is not a related party:

Our submissions to remaining observations / queries are as under:



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5

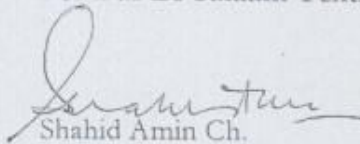
- a. Business plan has now been uploaded on the Company's website as it was erroneously omitted by our staff to upload the same; please condone the same.
- b. We are of the view that requirement is not applicable to Company as it is neither being wound up nor closing down its business rather it is reviving the Company by implementing alternate business plan. Further, we have mentioned in statement of material facts that assets shall be disposed off through tender in newspapers and/or negotiation. Please note that the Company had identified an interested but INDEPENDENT *bonafide* buyer for partly disposal of plant and machinery in line with in-principle approval obtained from the shareholders in 28th Annual General Meeting of the Company held on 27 November 2017. However, we undertake that disposal of all other assets or leasing of assets, if required shall be made through tendering of newspapers. We are trying our best efforts in the interest of shareholders to generate maximum amount to settle the secured and unsecured creditors and revive the Company.
- c. We will share all relevant information to the shareholders including SECP letter and our response to the commission and all other information shall be presented before the shareholders during the meeting.

It is hoped that aforesaid clarification satisfies the queries raised in your letter and we undertake that all the information including business plan, observations of the Commission shall be shared with the shareholders in forthcoming EOGM. Therefore, it is humbly requested that we may be allowed to present all the required information before the shareholders in EOGM instead of printing and circulating the same to each shareholder at their communication address.

Thanking you,

Kind regards,

For Dar Es Salaam Textile Mills Limited,


Shahid Amin Ch.
Company Secretary