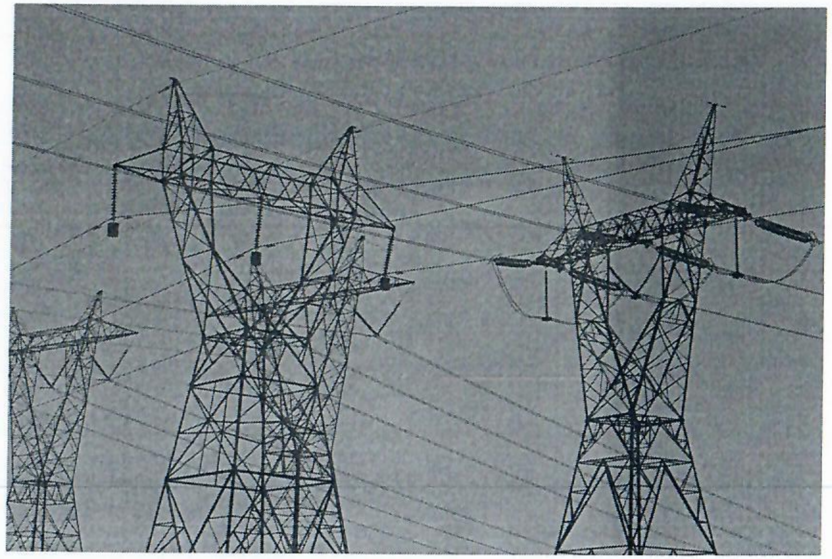
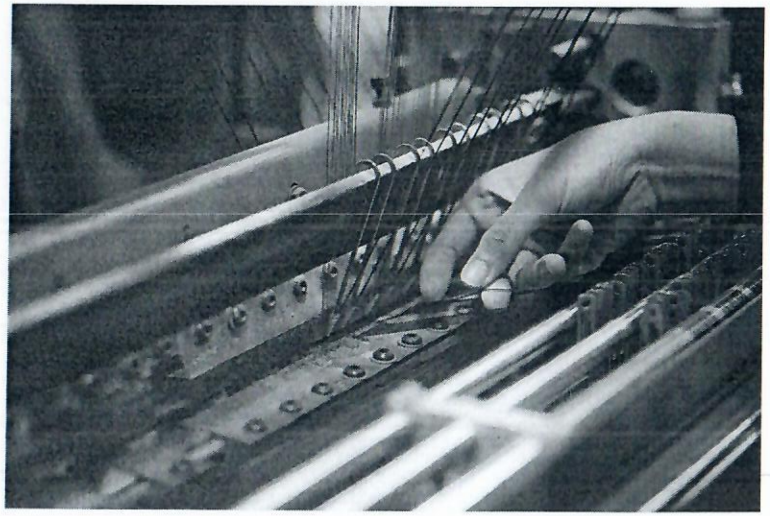
JOHNSON & PHILLIPS (PAKISTAN) LIMITED



BUSINESS REVIVAL PLAN

November 26th, 2019



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- ✓ *Annexure A*
- ✓ *Annexure B*
- ✓ *Annexure C*

INTRODUCTION

A. HISTORY

The story of electricity and the history of Johnson & Phillips have been linked for more than one hundred and forty years. Johnson & Phillips ("J&P") started as a small company in London in 1875 set up for the manufacture and sale of telegraph cable and associated equipment. As the use of electricity increased, J&P expanded its activities to meet the needs of this new industry. In 1905 J&P handled its first large switchboard contract consisting of 6.6.KV remote control oil circuit breakers. By 1918, J&P was supplying a complete range of high tension oil circuit breakers and low tension switchboards. Some of the products supplied by J&P in 1918 are still in operation today. J&P's journey in Pakistan started in 1948. The company was renamed Johnson & Phillips (Pakistan) Limited in 1958. It was incorporated as a public limited company in 1961.

B. J&P (PAKISTAN)

Johnson & Phillips (Pakistan) Limited has been an innovator and pioneer in electrical technology in Pakistan. As a leader in the industry, J&P's products such as Transformers, Switchgear, HT Panels, Vacuum Circuit Breakers, Potential and Current Transformers, etc. have had significant demand and are still recognized in the industry as being of very high quality. J&P products are in use in over 30% of industry in Pakistan today.

Since 2007 J&P has faced many challenges. The geo-political, economic and labor conditions in Pakistan have seen J&P lose its edge in the market place, directly affecting its performance and results. In addition, these challenges could not be effectively addressed due to failure of government owned buyers to pay for products on time. This led to serious liquidity issues. Matters were further exacerbated by several strikes by Trade Unions.

EXECUTIVE SUMMARY TABLE

CENTRAL CHALLENGE	KEY STRATEGY	PRIORITY AREAS FOR ACTION	FINAL (5-YEAR) OUTCOMES
Shortage of working capital primarily due to adverse working environment and economic conditions	a) Selling of Company to new sponsors with strong financial profile. This has been duly completed vide Share Purchase Agreement (the "**SPA**") dated February 14, 2019. b) The new management/sponsors intend to continue the existing business of transformers and bring in new business related to textile sector.	• Company premises are heavily flooded due to recent rains. New management is currently addressing this issue though cleanup, performing necessary repairs and drying of premises. • Inject working capital to support the existing business and developing the new business. • Allocate resources towards core product lines • Work with strategic partners in textile sector to develop the new business.	• Improved sales • Better cash flow • Diversification of business of the company to hedge/minimize risk

The Business Revival Plan (**BRP**) is a document which has been developed exclusively on the request of the new Sponsors. This in essence is a plan to not only revive the existing business but adopt risk mitigating measures through diversification. The BRP gives a bird's eye view along with projected Profit or Loss Statement presenting a growth strategy in the overall financial health of the Company.

CHALLENGES

Clearly, the worsening economic situation, toughening market conditions, shortages of skilled labor and the ever increasing compliance requirement in Pakistan have affected all industries. All these factors impacted J&P's ability to:

(a) Maintain its market share and edge as an innovator and leader.

(b) Manufacture its products in a safe, secure and economically viable environment.

(c) Design new products to compete.

(d) Meet delivery deadlines to its customers resulting in a failure to attract repeat orders.

(e) Generate sustainable profit to ensure survival and a healthy return to its shareholders.

(f) Diversify into new business segments

As a result J&P has been incurring losses over the last several years. Accumulated losses for the year ended June 30, 2019 were Rs. 413.028 million. Moreover, J&P has been unable to maintain its sales revenues from its main product line which includes panels and VCBs and transformers. Its sales have dropped to as low as Rs. 4.078 million for the year ended June 30, 2019. Notwithstanding these challenges, the company consolidated its position by paying off its loans. It is no longer liable to any bank or DFIs. Labor issues have also been resolved and the company has succeeded in reducing Labor Union strength to a manageable level.

To tackle the various challenges faced by the Company, a Share Purchase Agreement (**SPA**) has been executed to give effect to the takeover by the new sponsors who will bring fresh perspective along with injection of working capital to improve the financial health of the company. The new sponsors will also look to diversify the business of the Company. The profile of the new sponsors is enclosed as Annexure A. The executed SPA along with the addendum is enclosed as Annexure B.

BUSINESS REVIVAL PLAN AND OPPORTUNITIES

The management has been considering several options in the past few years to address the challenges. It has now been resolved to take actionable measures and improve the financial position of the company. The first phase of this plan includes selling off the company to a strong third party which would be the first key strategy as explained earlier. The second phase of the plan involves continued activity in the area related to the existing business segment of the company – i.e. in the electrical equipment industry and simultaneously diversifying in the textile sector which will include manufacturing of textile/garments, buying, selling and redistribution of pre-owned textile machinery business being the expertise of the new sponsors. With regards to this sector, the new sponsors have the expertise since 1980's, and have been serving customers for the past 4 decades. The new sponsors have a strong skillset, experienced industry professionals who provide tailored services to meet the equipment and operational needs of the customers. The new sponsors are also financially strong and are in an excellent position to support the company financially and strategically.

EXECUTION STRATEGY & MANAGEMENT TAKEOVER

As explained earlier the first phase of the business has been successfully implemented (vide the executed **SPA**), with a few regulatory compliances to be completed. Once the takeover has been completed, the new management will clean up the company, settle the outstanding liabilities, and inject the required working capital for existing business and the new businesses. It is pertinent to mention that the takeover has already been disclosed to the PSX and all the requisite approvals from Securities & Exchange Commission of Pakistan (**SECP**) have been obtained.

FINANCIAL PROJECTIONS

Please find enclosed Annexure C for the projected Profit or Loss for the existing business and the textile business. The said financial projections are tentative and are subject to be adjusted according to the economic situation in the textile and transformer businesses.

FINANCIAL PROJECTIONS

Please find enclosed Annexure C for the projected Profit or Loss for the existing business and the textile business. The said financial projections are tentative and are subject to change after takeover by the new management is completed.

ANNEXURE A

SPONSOR PROFILE

Muhammad Anis Mianoor

Mr. Anis has rich experience of more than four decades in the textile related industry in Pakistan and in other countries. His vast repertoire in this field ranges from manufacturing to the trading of textiles and its related machinery which has helped him acquire deep insight and expertise into the trading of textile machinery and the manufacturing sector as well.

He has been responsible for the up-gradation of the technology for various Pakistani textile groups ranging from top corporate entities to independent manufacturers. He is known in the industry for rehabilitating sick industrial units abroad (from USA and Europe) by relocating those to local companies and thus aiding in the up-gradation of technology and the overall industry.

He possess a rich global experience in the trading of used machinery and complete manufacturing units along with manufacturing of textiles/garments and its operations.

JOHNSON & PHILLIPS (PAKISTAN) LIMITED

ANNEXURE C

Johnson & Phillips (Pakistan) Limited
Projected Statement of Profit or Loss

	Yearly Projections						Yearly Projections				
	2019-20	2020-21	2021-22	2022-23	2023-24		2019-20	2020-21	2021-22	2022-23	2023-24
	Existing Segment						Textile Segment				
Net revenue	14,006	37,307	64,623	96,552	123,892		149,864	179,837	215,805	258,966	310,759
Cost of Sales	(5,579)	(10,719)	(10,886)	(14,327)	(17,319)		(134,878)	(152,862)	(183,434)	(220,121)	(264,145)
Gross (Loss) / Profit	8,427	26,587	53,736	82,225	106,572		14,986	26,976	32,371	38,845	46,614
Distribution Cost	(810)	(2,533)	(3,524)	(4,379)	(5,437)		-	-	-	-	-
General & Administrative Expenses	(6,503)	(20,698)	(31,202)	(40,090)	(50,563)		(10,491)	(10,790)	(11,869)	(12,948)	(15,538)
Total Overheads	**(7,313)**	**(23,231)**	**(34,726)**	**(44,469)**	**(56,001)**		**(10,491)**	**(10,790)**	**(11,869)**	**(12,948)**	**(15,538)**
Operating (Loss) / Profit	**1,114**	**3,356**	**19,010**	**37,756**	**50,572**		**4,496**	**16,185**	**20,501**	**25,897**	**31,076**
Other Income	-	5	5	5	5		-				
(Loss) / Earnings Before Financial Charges & Taxes	**1,114**	**3,361**	**19,015**	**37,761**	**50,577**		**4,496**	**16,185**	**20,501**	**25,897**	**31,076**
Finance cost											

	(41)	(41)	(41)	(41)	(41)		(1,499)	(1,798)	(2,158)	(2,590)	(3,108)
(Loss) / Earnings Before Tax	**1,073**	**3,320**	**18,974**	**37,720**	**50,536**		**2,997**	**14,387**	**18,343**	**23,307**	**27,968**
Taxation	(210)	(560)	(969)	(1,448)	(1,858)		(719)	(3,309)	(4,036)	(4,894)	(5,594)
(Loss) / Earnings After Tax	**863**	**2,760**	**18,005**	**36,272**	**48,677**		**2,278**	**11,078**	**14,308**	**18,412**	**22,375**
EPS		**0.51**	**3.30**	**6.66**	**8.93**			**2.03**	**2.63**	**3.38**	**4.11**
Combined EPS (Existing plus Textile)		**2.54**	**5.93**	**10.03**	**13.04**						

EPS will improve significantly - a major relief for the shareholders. The combined EPS is projected to reach PKR 13.04 per share by the year 2023-24.

Johnson & Phillips (Pakistan) Limited
Revenue (Rating wise Transformer Movement)
<u>Revenue Assumptions - Existing Segment</u>

Quantitative			Projection			
S. No	Rating (KVA)	Year 2019-20	Year 2020-21	Year 2021-22	Year 2022-23	Year 2023-24
1	**50**	1	1	3	5	10
2	**100**	2	2	5	5	5
3	**150**	10	15	20	25	35
4	**200**	1	1	5	5	5
5	**250**	10	15	30	45	70
6	**400**	3	3	3	5	5
7	**500**	2	2	5	10	10
8	**750**	4	4	10	10	10
9	**1000**	4	4	8	15	25
10	**1250**	1	1	3	3	3
11	**1500**	1	1	3	3	3
12	**2500**	1	1	2	2	2
Total		**40**	**50**	**97**	**133**	**183**

Unit Rate - (Pak Rs)			Projection			
S. No	Rating (KVA)	Year 2019-20	Year 2020-21	Year 2021-22	Year 2022-23	Year 2023-24
		Tentative	**5%**	**10.0%**	**10.0%**	**10%**
1	**50**	50,000	52,500	57,750	63,525	69,878
2	**100**	65,000	68,250	75,075	82,583	90,841
3	**150**	70,000	73,500	80,850	88,935	97,829
4	**200**	80,000	84,000	92,400	101,640	111,804
5	**250**	100,000	105,000	115,500	127,050	139,755

6	400	150,000	157,500	173,250	190,575	209,633
7	500	175,000	183,750	202,125	222,338	244,571
8	750	200,000	210,000	231,000	254,100	279,510
9	1000	325,000	341,250	375,375	412,913	454,204
10	1250	400,000	420,000	462,000	508,200	559,020
11	1500	500,000	525,000	577,500	635,250	698,775
12	2500	750,000	787,500	866,250	952,875	1,048,163

Pak Rs)		Projection				
No	Rating (KVA)	Year 2019-20	Year 2020-21	Year 2021-22	Year 2022-23	Year 2023-24
1	50	50,000	52,500	173,250	317,625	698,775
2	100	130,000	136,500	375,375	412,913	454,204
3	150	700,000	1,102,500	1,617,000	2,223,375	3,423,998
4	200	80,000	84,000	462,000	508,200	559,020
5	250	1,000,000	1,575,000	3,465,000	5,717,250	9,782,850
6	400	450,000	472,500	519,750	952,875	1,048,163
7	500	350,000	367,500	1,010,625	2,223,375	2,445,713
8	750	800,000	840,000	2,310,000	2,541,000	2,795,100
9	1000	1,300,000	1,365,000	3,003,000	6,193,688	11,355,094
0	1250	400,000	420,000	1,386,000	1,524,600	1,677,060
1	1500	500,000	525,000	1,732,500	1,905,750	2,096,325
2	2500	750,000	787,500	1,732,500	1,905,750	2,096,325
tal		**6,510,000**	**7,728,000**	**17,787,000**	**26,426,400**	**38,432,625**

(Switchgear)		Projection				
No	Product	Year 2019-20	Year 2020-21	Year 2021-22	Year 2022-23	Year 2023-24
	Oil Circuit Breakers	126,500	221,375	233,551	247,564	263,655
	Medium Voltage Switchgear	866,500	1,516,375	1,599,776	1,695,762	1,805,987

3	Low Voltage Switchgear	235,000	411,250	433,869	459,901	489,794
Total		**1,228,000**	**2,149,000**	**2,267,195**	**2,403,227**	**2,559,436**
Other Components		**800,000**	**1,400,000**	**1,477,000**	**1,565,620**	**1,667,385**

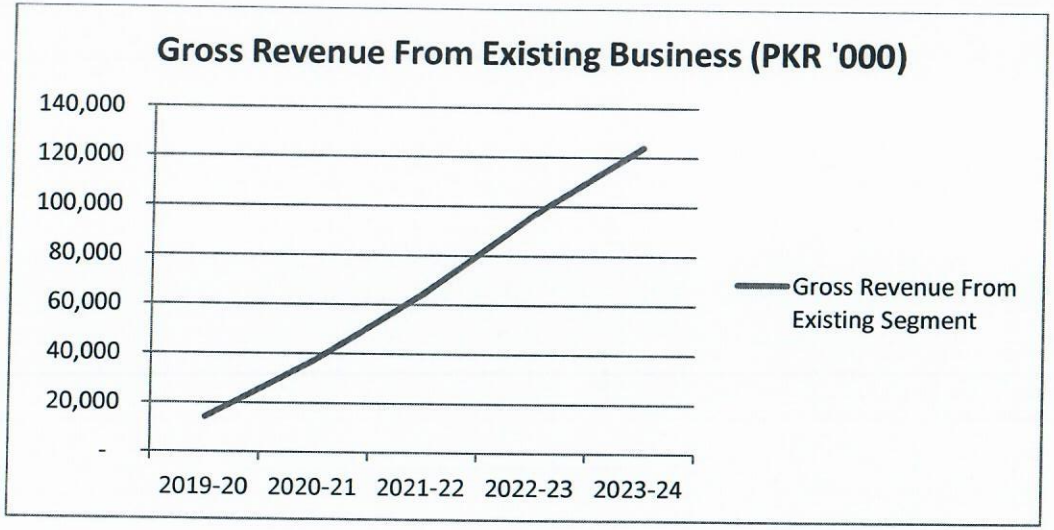
Allied Products		Projection				
S. No	Product	Year 2019-20	Year 2020-21	Year 2021-22	Year 2022-23	Year 2023-24
1	**Generators Repair & Maintenance**	120,000	720,000	763,200	808,992	861,576
2	**Engineering & Consultancy Services**	150,000	159,000	168,540	178,652	190,265
3	**Annual Maintenance Contracts**	250,000	265,000	280,900	297,754	317,108
Total		**520,000**	**1,144,000**	**1,212,640**	**1,285,398**	**1,368,949**
	SRB sales tax @ 10%	**52,000**	**114,400**	**121,264**	**128,540**	**136,895**
	Net Sales	**468,000**	**1,029,600**	**1,091,376**	**1,156,859**	**1,232,054**

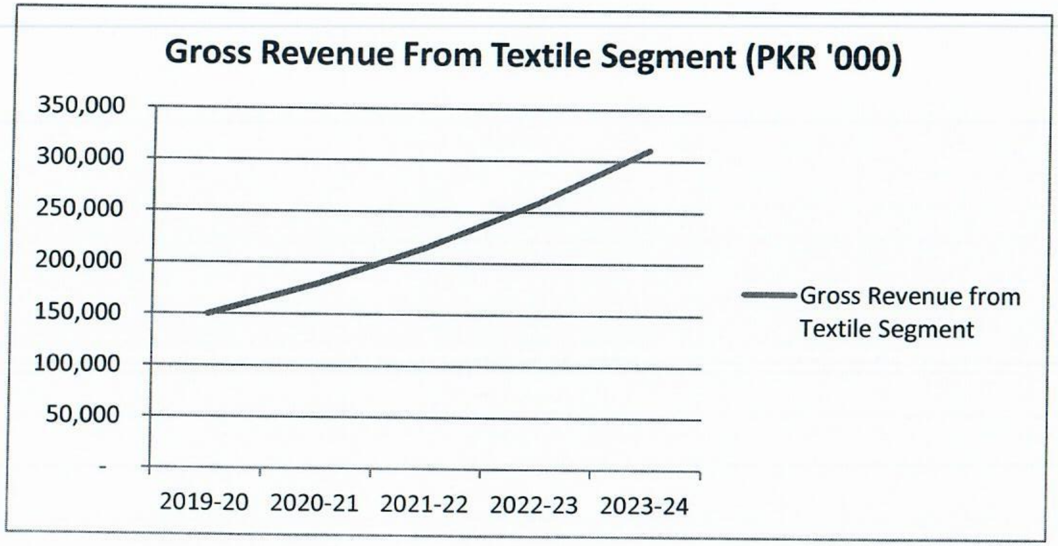
Other Products		Projection				
S. No	Product	Year 2019-20	Year 2020-21	Year 2021-22	Year 2022-23	Year 2023-24
1	**Generators- Used Sales & Rentals**	5,000,000	10,000,000	12,000,000	20,000,000	30,000,000
2	**Trading & Indending-132 KV**	-	15,000,000	30,000,000	45,000,000	50,000,000
3	**Trading & Indenting-Others**	-				
Total		**5,000,000**	**25,000,000**	**42,000,000**	**65,000,000**	**80,000,000**
Total Revenue		**14,006,000**	**37,306,600**	**64,622,571**	**96,552,105**	**123,891,501**
PKR in "000"		**14,006**	**37,307**	**64,623**	**96,552**	**123,892**

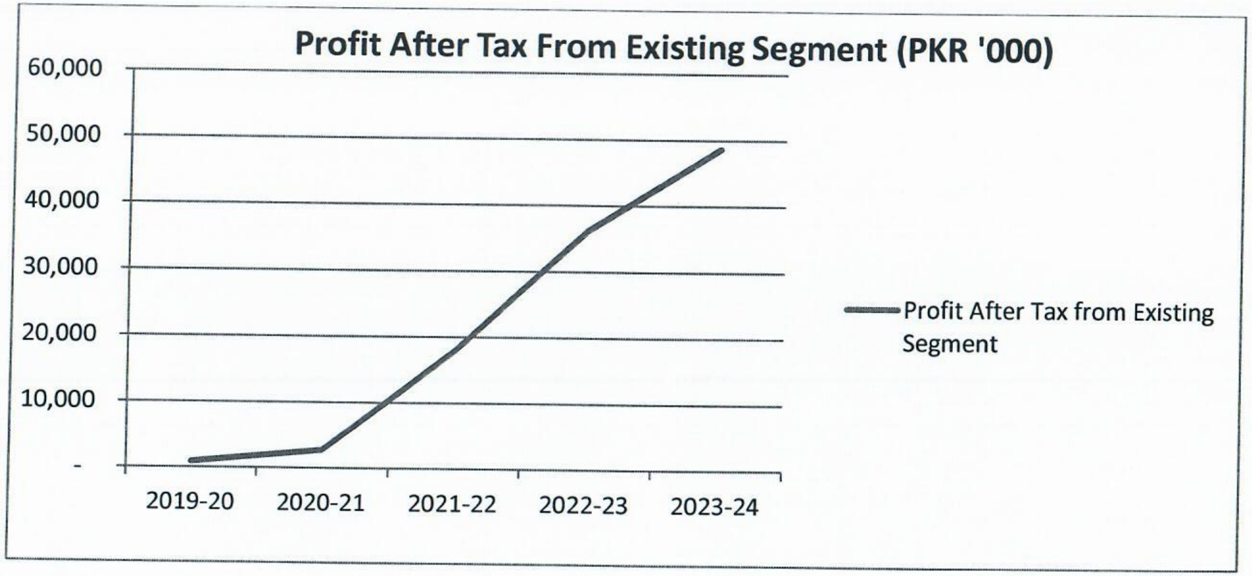
Johnson & Phillips (Pakistan) Limited
Revenue Assumptions – Textile Segment

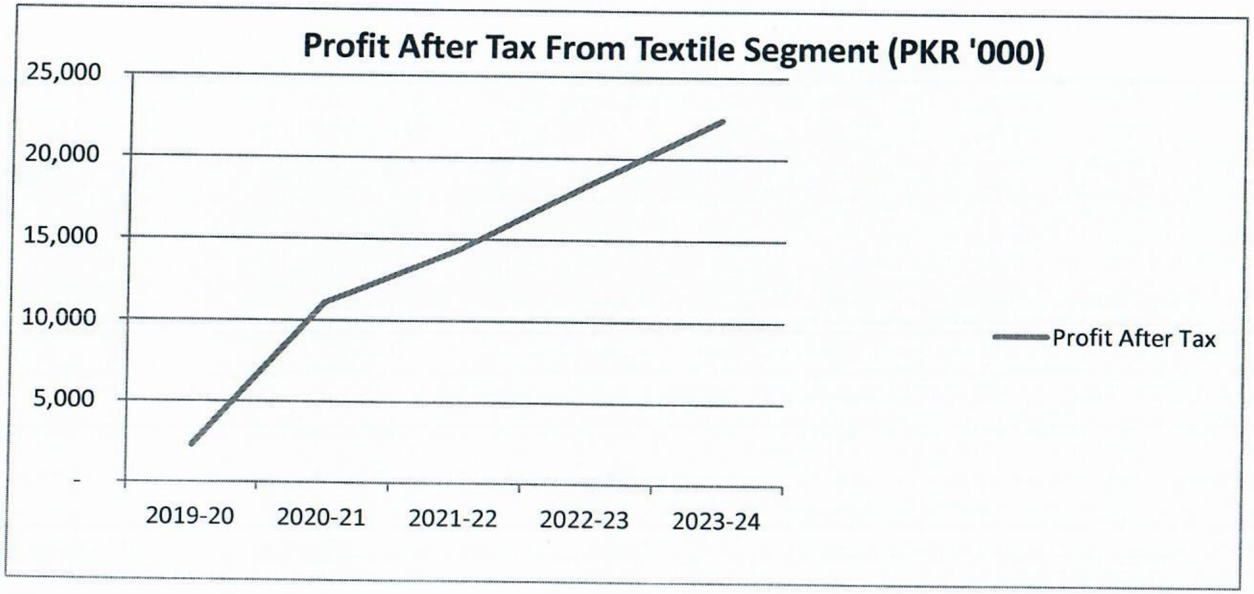
Description	Operational Capacity @ 60% - Year 2019-20	Estimated Sale Price / Piece (Rs.)	Sales Revenue (Rs.)
Civil Style Stitch	45,072	1575	70,988,400
Ready Made Style Stitch	105,168	750	78,876,000
TOTAL			**149,864,400**
Year-over-Year Growth			**20%**

Visual Aids


Gross Revenue From Existing Business (PKR '000)
140,000
120,000
100,000
80,000
60,000
40,000
20,000
-
2019-20
2020-21
2021-22
2022-23
2023-24
Gross Revenue From Existing Segment


Gross Revenue From Textile Segment (PKR '000)
350,000
300,000
250,000
200,000
150,000
100,000
50,000
-
2019-20
2020-21
2021-22
2022-23
2023-24
Gross Revenue from Textile Segment


Profit After Tax From Existing Segment (PKR '000)
60,000
50,000
40,000
30,000
20,000
10,000
-
2019-20
2020-21
2021-22
2022-23
2023-24
Profit After Tax from Existing Segment


Profit After Tax From Textile Segment (PKR '000)
25,000
20,000
15,000
10,000
5,000
-
2019-20
2020-21
2021-22
2022-23
2023-24
Profit After Tax