



28 January 2022

Mr. Wasim A. Sattar
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Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road, Karachi

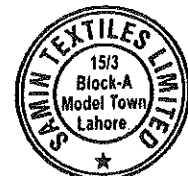
Disclosure of Material Information – The Scheme of Arrangement (“the Scheme”)

Dear Sir,

This is with reference to your letters number PSX/C-918-2616 dated 29 December 2021 and PSX/C-918-71 dated 11 January 2022 where in a query was raised regarding reduction of share capital of the Company and its impact on the minority shareholders of the Company. In this respect we hereby reply as under:

1. As part of the arrangement contemplated in the Scheme, Home Appliances business of Waves Singer Pakistan Limited (WSPL), a company listed on PSX, will be carved out/demerged and simultaneously merged, by way of amalgamation, with and into Samin Textiles Limited (SMTM or the Company), another company listed on PSX. The book value of said business as per Audited Accounts of August 31 2021 (the Effective Date of the Scheme) is Rs. 8,189.911 Mn, whereas its fair value has been determined at Rs. 8,206.565 Mn. by M/s Yousuf Adil and Company, the independent Chartered Accountants firm hired for determination of share issuance ratio being part of the consideration for the acquisition of carved out business.
2. The Scheme contemplates that the said consideration of Rs. 8,206.565 Mn will be payable by SMTM to WSPL as follows:
 - a. By issuance of SMTM’s shares for a value of Rs. 6,206.565 Mn
 - b. Rs. 2,000.000 Mn. as loan payable by SMTM to WSPL.
3. The book value of shares of SMTM is negative [PKR 39.141 Mn], translating to negative Rs. 1.46 per share as per audited accounts of the effective date of the Scheme whereas M/s Yousuf Adil Chartered Accountants have determined its fair value at Rs. 10.78 per share, taking into account various factors including the market value of SMTM’s shares.
4. In view of above fair value of Rs. 10.78 per share, SMTM was required to issue 576,013,941 new shares to settle Rs. 6,206.565 Mn that would have taken SMTM’s total share capital to Rs. 6,027.419 Mn divided into 602,741,941 shares. As a result, SMTM’s existing shareholders would have held 4.43% of the thus increased paid up capital of the Company.
5. Paid up capital of WSPL is Rs. 2,814.062 Mn represented by 281,406,200 shares whereas SMTM’s share capital as contemplated in para 4 above is expected to be more than double of WSPL’s capital. This huge capital base of SMTM, would have negatively impacted the Earning Per Share (EPS) of SMTM

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resulting below optimal performance of its shares on the stock exchange. In view of this, it was proposed to reduce the size of SMTM's paid up capital. Accordingly, existing shares of SMTM are proposed to be consolidated and accordingly new shares to be issued against consideration for the home appliance business of WSPL will also be at the value per share so arrived at after said consolidation.

6. Therefore, in order to keep nearly the same capital base as it is in WSPL, it was proposed to reduce the capital of SMTM by dividing its existing number of shares by 2.25 and bringing the new capital to Rs. 2,678.853 Mn divided into 267,885,307 shares. Resultantly the new shares to be issued have also been reduced from 576,013,941 to 256,006,196 and shares held by existing shareholders of SMTM will be reduced from 26,728,000 to 11,879,111. It may be noted that the percentage of shares held by existing shareholders of SMTM will remain the same i.e. 4.43%. Hence there will be no impact on the shareholding of the SMTM's existing/minority shareholders.
7. Please note that 71% shares of SMTM prior to merger are with Sponsors and other strategic investors whereas 29% are with the minority shareholders. It may please be appreciated that the proposed reduction is being equally applied to sponsors, strategic investors as well as to the minority shareholders of SMTM in the same way as it is used to issue new shares in settlement of the proposed merger consideration. There is no extra or unjust impact on the shareholding of minority shareholders of SMTM as enquired by you in the last paragraph of your letter dated December 29, 2021.
8. The above explanation has also been provided in the Scheme that the proposed reduction of shares of the SMTM and issuance of new SMTM's shares as per the Scheme (clause 9.5 of the scheme) shall serve to achieve an optimal capital base of the Company, after sanction of the Scheme by the Honorable Lahore High Court, Lahore as reproduced below:
 - a. be reasonably close to the amount of the existing issued and paid-up share capital of WSPL (*from which the Demerged Undertaking will be carved-out of and amalgamated into the Company*); and
 - b. help avoid issuance of a significantly higher number of shares of the Company and lower book value per share of the Company.

The Court through its order dated 11 January 2022 has directed the Company to hold an Extraordinary General Meeting of its shareholders for approval of the said scheme under the supervision of independent Chairman appointed by the Court. The next date of Court hearing is scheduled on 09 March 2022 for the above purpose.

We shall apprise you on the updates on the proceedings of the Court in respect of the above.

Yours truly,
For Samin Textiles Limited


Muhammad Tayyab
Company Secretary

