KARACHI STOCK EXCHANGE LIMITED

KSE/N-5239

N O T I C E

October 20, 2015

Reproduced hereunder Financial Projections received from **DESCON OXYCHEM LIMITED**, for information of all concerned.

(Copy of the same is also available on our Website www.kse.com.pk).

****

DESCON OXYCHEM LIMITED
INCOME STATEMENT PROJECTION

ASSUMPTIONS	2013-14 (Actual)	2015	2016	2017
Sales Volume (MTs)	32,270	33,127	34,627	37,127
ASP (PKR / Kg)	47.47	47.76	50.62	53.66
Raw Materials Cost (PKR / Kg)	15.73	16.46	17.78	19.20
ODC / Kg	11.01	11.30	12.20	13.18
Freight	1.93	2.07	2.24	2.41
Commission & Discount	0.93	0.87	0.94	1.01
Shutdown			21,600	

DESCRIPTION	2013-14 (Actual)	2015	2016	2017
	('000)	('000)	('000)	('000)
Net Sale	1,531,881	1,582,085	1,752,945	1,992,273
Freight Outwards	62,209	68,574	77,413	89,642
Commission & Discount	29,926	28,821	32,536	37,676
Raw Material Cost	507,480	545,277	615,565	712,807
Other Direct Cost	355,162	374,279	422,525	489,272
Contribution Margin	577,104	565,134	604,907	662,875
Contribution Margin (%)	37.67%	35.72%	34.51%	33.27%
FOH, Marketing, R&D, Dept Expenses	244,940	250,000	291,600	294,928
EBITDA	332,164	315,134	313,307	367,947
EBITDA MARGIN %	22%	20%	18%	18%
Depreciation	162,715	165,183	165,183	165,183
Financial Expenses	228,871	89,397	42,478	14,906
Operating Profit/Loss	(59,422)	60,554	105,645	187,858
Other Income	3,909	6,584	7000	7,350
Profit/Loss before tax	(55,513)	67,138	112,645	195,208
Taxation	25,420	22,156	37,173	64,419
Profit/Loss after tax	(80,933)	44,983	75,472	130,789

SUMMARIZED CASH FLOWS		2015	2016	2017
Opening Cash & Running Finance cushion		165,000	196,202	117,580
EBITDA		315,134	313,307	367,947
Working Capital Increase		12,551	42,715	50,832
Capex		35,000	35,000	135,000
Income Tax		22,156	37,173	64,419
Total Debt Servicing & Repayments		214,225	277,041	233,831
Ending Cash & Running Finance cushion		196,202	117,580	1,446
Net cash generated / (Used)		31,202	(78,622)	(116,135)
Opening Cash		165,000	196,202	117,580
Opening P. Share Accumulated Dividend		134,250	268,500	402,750
Opening Retained Earnings		(495,503)	(450,520)	(375,048)
Accrued Mark-up Payment		-	-	-
P. Share Dividend Payment		-	-	-
Closing Cash		196,202	117,580	1,446
Closing P.Share Accumulated Dividend		268,500	402,750	537,000
Closing Retained Earnings		(450,520)	(375,048)	(244,258)
Cashflows for Investors		-	-	-

OXYCHEM LIMITED SECRETARY

1|3

BENEFIT TO THE COMPANY AND UTILIZATION OF FUNDS:

The Company had availed certain finance facilities from various lenders including syndicated term finance facility from Allied Bank Limited (the "Syndicate Loan") and long term loans from associated companies (the "Sponsors Loan"); from time to time. Due to recent continuing recessionary environment in the overall industry and in the chemicals sector in particular, the Company's business was severally affected and the Company was not able to fulfill its repayment obligations towards Allied Bank Limited and Sponsors on time. The following is the detail of outstanding principal amounts of Syndicate Loan and Sponsors Loan:

Name of Syndicate Member Banks (extended by Syndicate Member Banks)	Principal Loan Amount Outstanding (Rs.)
Allied Bank Limited	203,880,171
Askari Bank Limited	40,776,034
Pak Libya Holding Co. Limited	40,776,034
Habib Metropolitan Bank Limited	20,388,017
Soneri Bank Limited	20,388,017
Sub-Total: (A)	**500,000,000**
Detail of Associated Companies	
Descon Engineering Limited	788,784,832
Presson Descon Intl' (Private) Limited	310,000,000
Interworld Travels (Private) Limited	20,000,000
Sub-Total: (B)	**1,118,784,832**
Long Term Loan- Other than Syndicate	
NIB Bank Limited	122,727,272
Sub-Total: (C)	**122,727,272**

The Company is also facing liquidity crisis which is not only hampering day to day operations but also affecting the Company's repayment capacity towards its creditors. Thus, the Company is in need of a respite from its financial obligations to focus on production.

Therefore, further to the above background, the Company, after detailed negotiations with Associated Companies, Allied Bank Limited and other syndicate member banks, has worked out a restructuring plan for its outstanding financial obligations, which includes, inter alia, offering/ issuance of 110,000,000 Preference Shares as a rights issue to the existing shareholders of the Company.

DESCON OXYCHEM LIMITED SECRETARY

The major portion of capital raised by the issuance of Preference Shares shall be used to repay and/or adjust the outstanding liabilities of the Company which shall improve the dividend payout and earnings capacity per share as well as the balance sheet of the Company.

The expected benefit to accrue from proposed Right Issue are as under:

(i) The Company's substantial liabilities shall be repaid and/or adjusted, thus the Company will not be facing any legal action for recovery of debt;

(ii) The Company's goodwill and business would improve;

(iii) The debt to equity ratio of the Company would be improved by an estimated amount of Rs.1,100 million.

(iv) The confidence of other creditors would be enhanced in the Company;

(v) Preference shareholders will not have the right to demand redemption and Company will be able to redeem only through a sinking fund from profits;

(vi) The Company will be in a position to redeem the Preference Shares at its discretion.

Signed and approved by Board of Director:

Attested by : Company Secretary:

DESCON OXYCHEM LIMITED
SECRETARY
DESCON