Sargodha Spinning Mills Limited

Manufacturer, Importer & Exporter

Registered Office: A-601/B, City Towers, 6-K, Main Boulevard, Gulberg-II, Lahore.
Ph: (042) 35788758-59 Fax: (042) 35788718 E-mail: shadstm@brain.net.pk NTN.: 0657821-7

Ref: SSM/KSE/14

Date: 09-10-2014

The General Manager,
Karachi Stock Exchange (Guarantee) Ltd.,
Stock Exchange Building,
Stock Exchange Road,
KARACHI.

Subject: **NOTICE OF ANNUAL GENERAL MEETING**

Dear Sir,

Please find enclosed a copy of the Notice of the Annual General Meeting to be held on Friday, October 31, 2014 for circulation amongst your members.

Yours faithfully,
for SARGODHA SPINNING MILLS LIMITED

Company Secretary

Encl: a/a.

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 28th Annual General Meeting of the Shareholders of SARGODHA SPINNING MILLS LIMITED will be held on Friday, October 31, 2014 at 10.00 a.m. at the Registered Office of the Company at A-601/B, City Towers, 6-K Main Boulevard, Gulberg-II, Lahore to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Accounts for the year ended June 30, 2014 together with Directors' and Auditors' Reports thereon.

2. To appoint auditors for the year 2014-2015 and fix their remuneration.

SPECIAL BUSINESS:

1. To consider and if thought fit, approve the disposal of certain land and machinery and lease of land by passing the following resolutions as an ordinary resolutions, with or without any modification, addition or deletion in terms of Section 196 (3) (a) of the Companies Ordinance, 1984:

   "**RESOLVED,** that approval and consent of the general meeting be and is hereby accorded in terms of Section 196 (3) (a) of the Companies Ordinance, 1984 to the disposal of land measuring 10 Kanals situated at Chak No. 120 J.B. Nanakpur, Tehsil & District, Faisalabad and disposal of machinery, detail whereof is contained in statement of material facts subject to the issue of no objection certificate from the concerned Banks and that the Chief executive of the Company be and is hereby authorized to dispose of the said land and machinery in such manner and on such basis and on such terms and subject to such conditions and for such consideration as may be deemed in the best interest of the Company."

   "**FURTHER RESOLVED,** that the Board of Directors of the Company or their nominee(s) / representative(s) be and are hereby authorized and empowered on behalf of the Company to do all acts, deeds and things and take all necessary steps including negotiations and signing of the documents, deeds and papers, agreements and all other documents as may be necessary in order to give effect to, implement the resolutions as aforesaid and all matters connected, necessary and incidental thereto."

2. "RESOLVED, that approval and consent of the general meeting be and is hereby accorded in terms of Section 196 (3) (a) of the Companies Ordinance, 1984 to lease out, in whole or in parts, the Compnay's land measuring 50 Kanals situated at Chak No. 120 J.B. Nanakpur, Tehsil & District, Faisalabad subject to the issue of no objection certificate from concerned Bank and that the Chief executive of the Company be and is hereby authorized to lease out the said land in such manner and on such basis and on such terms and subject to such conditions and for such consideration as may be deemed in the best interest of the Company."

   "**FURTHER RESOLVED,** that the Board of Directors of the Company or their nominee(s) / representative(s) be and are hereby authorized and empowered on behalf of the Company to do all acts, deeds and things and take all necessary steps including negotiations and signing of the documents, deeds and papers, agreements and all other documents as may be necessary in order to give effect to, implement the resolutions as aforesaid and all matters connected, necessary and incidental thereto."

For and on behalf of the Board

(Mazhar Hussain)
Company Secretary

Lahore: September 30, 2014

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NOTES:

1. The Share Transfer Books of the Company will remain closed from October 25, 2014 to October 31, 2014 (both days inclusive). Transfers received at Corplink (Pvt) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore. the Registrar and Shares Transfer Office of the Company by the close of business on October 24, 2014 will be treated in time.

2. A member eligible to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the Company at the Registered Office not less than 48 hours before the time of holding the meeting. A proxy must be a member.

3. Any Individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her original C.N.I.C or Passport to prove his/her identity and in case of Proxy must enclose an attested copy of his/her C.N.I.C or Passport. Representative of corporate members should bring the usual documents required for such purposes.

4. Shareholders are requested to immediately notify the change of address, if any to Share Registrar of the Company.

5. CNIC number of the shareholders is mandatory in terms of S.R.O. 831(I)/2012 dated 5 July 2012 for the issuance of future dividend warrants etc., and in the absence of such information, payment of dividend may be withheld in term of SECP's above mentioned directive. Therefore, the shareholders who have not yet provided their CNICs are once again advised to provide the attested copies of their CNICs (if not already provided) directly to our Independent Share Registrar at the address given in the company's information without any further delay.

STATEMENT UNDER SECTION 160(1) (b) OF THE COMPANIES ORDINANCE, 1984

Due to the tight liquidity position and to overcome the financial constraints, the management has decided to sell / lease land situated at Chak No. 120 J.B. Nanakpur, Tehsil & District, Faisalabad and plant and machinery of the Company. The proceeds of the sale/lease would be utilized to pay off bank & creditors liabilities and for strengthening the working capital of the company. The directors have no personal interest in the proposed arrangements, save to the extent of their shareholding.

Due to shortage and high cost of energy, low demand of products in export and local market, Pak Rupee appreciation viz-a-viz US Dollar, global recession and consequent inventory losses have resulted, the mills could not be run on full capacity resulting into losses to the Company. The Company, therefore, has decided to dispose of surplus land and certain plant and machinery, in whole or in parts, to generate enough liquidity for repayment to Banks and creditors and strengthening of working capital of the Company.

Information required under SRO 1227/2005 dated December 12, 2005 is as follows:

Description	Land
Location	Land situated at Chak No. 120, J.B. Nanakpur, Tehsil & District, Faisalabad.
Area	25-Kanals
Cost	Rs. 1.538 Million.
Book Value	Rs. 87.500 Million
Current Market Price/Fair Value (Appx.)	Rs. 100.000 Million
Revalued Amount	Rs. 87.500Million
Proposed Manner of Selling	Negotiation. The disposal to be advertised in newspapers to solicit prospective buyers.
Reason for the Sale	To pay off the bank and creditors liabilities of the company and for strengthening of working capital.
Expected Benefits to the shareholders	Company will not be declared defaulters and the financial expenses will be reduced.

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DISPOSAL OF MACHINERY (in whole or in parts)

Detail of Machinery	Quantity	Cost (Rs. in Million)	Revalued amount (Rs. in Million)	Book Value (Rs. in Million)	Current Market Price/Fair Value Approx. Rs. (M)
Blow Room	2 Lines	50.582	11.920	10.597	11.920
Cards	35 Nos.	68.533	49.861	19.981	49.861
Drawing Frames	19 Nos.	45.370	35.987	20.090	35.987
Simplex Frames	12 Nos.	49.512	38.555	13.644	38.555
Ring Frames	30 Nos. (28800 Spindles)	154.419	61.574	39.723	61.574
Cone Winders	12 Nos.	115.018	93.165	36.976	93.165
Yarn Conditioning Machine	01 No.	4.131	3.250	1.862	3.250
Humidification, Air Conditioning and Filtration Plant	01 Unit	24.784	5.500	5.203	5.500
Air Compressors & Air Dryers	3 Nos.	3.804	4.139	1.397	4.139
Laboratories & Testing Equipment	01 Unit	9.803	2.000	2.022	2.000
Total		**525.956**	**305.951**	**151.495**	**305.951**

Proposed manner of selling	Negotiation. The disposal to be advertised in newspapers to solicit prospective buyers.
Reason for Sale	To pay off the bank and creditors liabilities of the company and for strengthening of working capital.
Expected benefit to the shareholders.	Company will not be declared defaulters and the financial expenses will be reduced.
	Production capacity converted into 20/s Kgs. 8.800 (Million) Achieved capacity converted into 20/s Kgs. 6.600 (Million)

LEASE OF LAND

Description	Lease of Land
Location	Land situated at Chak No. 120, J.B. Nanakpur, Tehsil & District, Faisalabad.
Area	50-Kanals
Cost	Rs. 3.075 Million.
Book Value	Rs. 175.000 Million.
Current Market Price/Fair Value (Appx.)	Rs. 200.000 Million
Revalued Amount	Rs. 175.000 Million
Proposed Manner of Lease	Negotiation
Reason for the Lease	To increase the liquidity position of the company and for strengthening of working capital.
Expected Benefits to the shareholders	To reduce the financial expenses of the company.