



YOUSAF WEAVING MILLS LIMITED

A Project of Chakwal Group

7/1 - E-3, Main Boulevard
Gulberg III, Lahore, Pakistan
Tel: +92 42 35757108 & 35717510 - 17
Fax: +92 42 35764036, 35764043 & 35757105
E-mail: yousaf@chakwalgroup.com.pk
Web: www.yousafweaving.com

Revival Business Plan Yousaf Weaving Mills Limited

Situation Analysis

Yousaf Weaving Mills Limited (YOUW) was incorporated on January 17, 1988 as a public limited company in Pakistan under the Companies Ordinance, 1984. The Company is engaged in the business of textile weaving, spinning, sale of processed fabric and home textile products.

PSX Trading Symbol : YOUW
Market Price : Rs. 07.70 per Share (as on February 09, 2022)
Trading Status : Active

YOUW weak financial position (as shown below) is mainly attributed to huge operating losses due to in-consistent government policies. Heavy business losses lead to strained relationships with our banks and forced us to un-wanted litigations. Spinning operations are discontinued and reliance is being made on weaving operations but is operating at 60% capacity due to limited availability of working capital finance and impending required BMR.

Yousaf Weaving Mills Limited

Condensed Statement of Financial Position as on September 30, 2021 (Unaudited)

	Rs.		Rs.
Issued, subscribed and paid up share capital	900,000,000	Non-Current Assets	1,016,039,607
Surplus on revaluation of operating fixed assets - net of deferred income tax	385,563,327	Current Assets	
Revenue reserves	(1,439,019,290)	Inventory	55,144,874
Loan from Directors	302,919,772	Trade Debts	37,464,023
	149,463,809	Other Current Assets	75,878,828
Deferred Liabilities	36,997,957	Current Assets	168,487,725
Current Liabilities	998,065,566		
	1,035,063,523		
Total Liabilities & Equity	1,184,527,332	Total Assets	1,184,527,332

Condensed Profit & Loss Account

for the Quarter ended September 30, 2021

	Rs.	Analysis	
Net Sales	179,454,556	Current Ratio	0.17
Gross Profit	15,726,781	Debt to Equity Ratio	6.93
Operating Profit	5,165,539	EPS	0.02
Net Profit	1,697,591	Bank Borrowings	480,804,630

Company's net worth (excluding sponsors' loan) is negative and liabilities of more than Rs. 1,000 million are outstanding.



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SWOT Analysis

Strength

- Wide and ample experience of textiles industry;
- Listed Company with widely spread free float;
- Strong fixed assets (land, building, plant & machinery) base;
- Management is committed to revive the Company with new zeal and endeavors;

Weaknesses

- Company is facing working capital finance crunch resultantly current ratio is weak
- Underutilization of assets. Spinning operations are discontinued and related assets are left idle;
- Dispute with the banks and lack of collateral to generate funding from banks;
- Investors are suffering as the holding in their hands are not generating returns;

Opportunities

- Capital market can act as a catalyst to grow of the Company. Despite its "shallow" status, the Company has fund raising power to harness its future expansion/ diversification plan, if any;
- Company can revamp and reposition itself into emerging fields and can create value for the shareholders;

Threats

- The company may be unable to find collaboration and unable to raise requisite funds;
- Even upon revival, the intended business venture fails to materialize;

Corporate Key Actions

Certain corporate actions/decisions have been taken by the Board of Directors in their meeting held on **January 22, 2022** for the seeking approval from the shareholders in the upcoming extraordinary general meeting of the Company to be held on **March 04, 2022**.

The key decisions having been taken by the Board of Directors and recommended to the shareholders for their approval are as under:

1. Adoption of **Revival Business Plan** for further submission for its execution with full zeal and endeavors;
2. Increase in the Company's authorized capital from Rs. 900.00 million to **Rs. 2,000 million**;
3. Reduction of Share Capital under Section 89 of the Companies Act, 2017 (once the "Revival Business Plan" is implemented);
4. Consider multiple steps and measures in respect of spinning unit's contribution to the revival scheme of the company but not limited to disposal/transfer of "Spinning Unit" assets

After the implementation of "Revival Business Plan", **YOUW** will take the fresh start and most of the impeding issues of the Company shall be resolved.

Financial Structure

The Company is being rehabilitated under the arrangement of **Modaraba Al-Mali (MODAM)**, which is a specialized Islamic vehicle focusing on Islamic Venture Capital / Private Equity and Restructuring / Rehabilitation of companies having potential for revival. In this way, Yousaf Weaving Mills Limited (**YOUW**) shall be revived through the market resource mobilization led by MODAM.



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Right Issue and Fund Raising

1. Yousaf Weaving Mills Limited will raise funds through right issue as follows:

Shares Outstanding	Nos.	90,000,000
Right Issue (up to)	%	111.11%
Right Price*	Rs./Share	10.00
Shares to be Issue against Right	Nos.	100,000,000
Right Proceeds	Rs.	1,000,000,000

The Company has accumulated losses and share is trading at the price below its par value. Therefore, the Company may raise additional funds at the discount of Rs. 1.00 per shares depending on the market conditions. As per "Revival Business Plan", intended funds requirement is Rs. 1,000 million and if Board of Directors decides to raise funds below par value, they may raise the funds as follows:

Maximum number of Shares that can be Issued	110,000,000
Maximum Discount (Rs. per Share)	Rs. 1.00
Minimum Share Price at which additional shares can be issued	Rs. 9.00

2. Utilization of Proceeds will be as follows:

Utilization of Proceeds

Capital Expenditure	Rs.	400,000,000
Settlement of Loan*	Rs.	300,000,000
Working Capital**	Rs.	300,000,000
		<hr/>
		1,000,000,000

* It includes repayment of sponsors' loan

** For working capital and right issue expenses

3. Right issue will be made to the existing shareholders:

- Issue will be underwritten as required under the Companies (Further Issue of Shares) Regulations, 2020;
- Unsubscribed shares will be offered and allotted to such persons and in manner as the directors may deem fit in accordance with the Section 83(1)(a)(iv) of the Companies Act, 2017, including directors or any third party before calling upon the underwriters to subscribe to any unsubscribed shares;
- Arrangement has been made with **Modaraba Al-Mali (MODAM)** to provide support to revive and rehabilitate the Company; MODAM & its associates may invest in the Company's right issue up to 10% i.e. up to 10,000,000 shares (out of unsubscribed portion). MODAM & its associates shall have a priority right of subscription before the offering of the unsubscribed rights to anyone else;

Note: It is tentative financial plan and not the announcement of the Right Issue. Quantum of Issue, Issue Size, Issue Price, Purpose of Issue, Utilization of Proceeds, Benefits of the Issue to the Company and the Shareholders, Risk Factors, under Regulation 3 of the Companies (Further Issue of Shares) Regulation, 2020 will be decided by the Board of Directors after the approval of "Revival Business Plan" from the Shareholders.



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Strategy & Expected Outcome

Yousaf Weaving Mills Limited (YOUW) is one of the premier manufacturers of Textile Products in Pakistan. **YOUW** was founded in 1988 and since its inception it has been a leader in textile field and has grown from a weaving unit to a composite textile unit dealing in fiber to made-ups. **YOUW**'s wide product range makes it possible to be present in very diverse markets for end-users. Our Company has vast experience in following business lines:

- Yarn: 100% cotton & blend, PV;
- Gray Fabric;
- Finished Fabrics and Made ups

Yousaf Weaving Mills Limited has confronted with tough times in the recent past mainly due to shortage of working capital and high cost of production; however from last two years it could be able to stabilize its operational activities. In the meantime, although the Company generated profit margins but it is operating at low end due to shortage of working capital. Currently the management is following conversion model of business in which raw material is primarily supplied by the clients and the Company is responsible to provide finished products to its clients. Most of our clients are major exporters of Pakistan to whom gray fabric is supplied as per their desired specifications. The key advantage in this model is that the Company has to maintain low level of working capital but on the other hand most of the profit rests with exporter.

The management is intended to take a fresh start and planned to raise required funds to meet its working capital requirements but also to materialize BMR plan. According to this proposed BMR plan, the management shall replace its loom set-up with the new imported air jet looms having production efficiency of more than 2.5 times of the existing looms. While having greater production capacity, these looms also have an element of cost effectiveness since these are not labour intensive and less energy consuming. If we could implement these restructuring plans, it would change the momentum of the Company, its market share will increase significantly; resultantly the company would be on strong footing financially and could be able to pay off its outstanding loans of the banks.

The Company had a strong working relationship with its foreign buyers, due to its premium quality of fabric supplied. To resuscitate its exports the management get-in touch with these clients and got favorable response from them.

The management is also planning to dispose of / transfer it's spinning unit and in the process of either disposing it against cash or making viable business plan to run it as a separate company.

Thus, funds required are for plant and machinery (BMR), working capital and repayment of banks' loans and overall plan is to give fresh start to the Company with new zeal and endeavors.

Sources of funds will be through the Right Shares Issuance including bank borrowings, if required.

Risk Factors

1. The economic and market condition may not be conducive at the time when the business activities begin.
2. Risk of under-subscription of the right issue.



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Projected Financial Statements

Disclaimer:

The success of any investment depends on many factors some of which may be under the control of the management, but many of which rely on the markets and general business environment. The management of the Company has made these projections on the best estimate basis. However, actual results and outcome may be different due to changed market and business environment and factors beyond the control & anticipation of the management.

Profit and Loss Statement for the Year Ending on:

	June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024	June 30, 2025	June 30, 2026
Sales - net	723,252,679	781,140,734	958,062,879	1,045,963,753	1,117,690,544	1,197,272,536
Cost of sales	(639,114,835)	(622,313,719)	(741,354,505)	(807,070,276)	(869,819,401)	(934,879,226)
Gross profit	84,137,844	158,827,015	216,708,374	238,893,477	247,871,143	262,393,310
Distribution cost	(9,714,269)	(10,491,411)	(11,330,723)	(12,237,181)	(13,216,156)	(14,273,448)
Administrative expenses	(43,777,948)	(47,037,857)	(50,704,125)	(54,680,666)	(58,989,145)	(63,653,569)
Operating profit	30,645,627	101,297,748	154,673,525	171,975,630	175,665,842	184,466,293
Other operating charges	(2,278,543)	(4,460,826)	(2,657,693)	(2,870,308)	(3,099,933)	(3,347,927)
Finance cost	(2,107,674)	(5,328,599)	(4,466,279)	(3,603,959)	(2,741,639)	(1,879,319)
Other operating income	1,832,912	-	-	-	-	-
Profit before taxation	28,092,322	53,508,322	147,549,554	165,501,363	169,824,270	179,239,046
Taxation	(10,912,787)	(9,764,259)	(14,370,943)	(15,689,456)	(16,765,358)	(17,959,088)
Net Profit	17,179,535	43,744,063	133,178,610	149,811,907	153,058,912	161,279,958



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Statement of Financial Position

As on:

	June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024	June 30, 2025	June 30, 2026
Non-Current Assets						
Property, plant and equipment	947,395,316	1,307,009,742	1,304,101,510	1,301,404,323	1,298,898,708	1,296,567,625
Intangible asset	186,164	148,931	119,145	95,316	76,253	61,002
Long term loans and advances	10,472,827	10,472,827	10,472,827	10,472,827	10,472,827	10,472,827
Long term deposits and prepayments	45,822,696	49,488,512	53,447,593	57,723,400	62,341,272	67,328,574
	1,003,877,003	1,367,120,012	1,368,141,074	1,369,695,866	1,371,789,060	1,374,430,028
Current Assets						
Stores, spare parts and loose tools	9,826,528	10,340,900	12,925,501	13,970,233	15,087,125	16,324,432
Stock-in-trade	17,277,547	78,181,944	97,722,716	105,621,371	114,065,585	123,420,196
Trade debts	37,469,134	79,430,463	99,283,290	107,308,082	115,887,145	125,391,144
Loans and advances	22,220,053	23,383,166	29,227,548	31,589,929	34,115,480	36,913,318
Other receivables	23,312,525	24,532,824	30,664,551	33,143,081	35,792,803	38,728,200
Tax Refunds due from Government	38,586,096	-	-	-	-	-
Cash and bank balances	1,327,778	201,397,281	41,327,778	44,668,187	48,239,318	52,195,463
	150,019,661	417,266,577	311,151,383	336,300,883	363,187,455	392,972,753
Total Assets	1,153,896,664	1,784,386,589	1,679,292,457	1,705,996,750	1,734,976,515	1,767,402,781
Non-Current Liabilities						
Deferred Liabilities	35,553,393	35,553,393	35,553,393	35,553,393	35,553,393	35,553,393
Long term loan	-	342,508,340	228,136,340	113,764,340	7,187,953	-
	35,553,393	378,061,733	263,689,733	149,317,733	42,741,346	35,553,393
Current Liabilities						
Trade and other payables	305,174,689	277,030,973	185,114,792	220,936,627	242,000,565	237,801,838
Unclaimed dividend	3,247,016	3,247,016	-	-	-	-
Accrued mark-up	133,827,820	133,827,820	103,827,820	73,827,820	43,827,820	13,827,820
Short term borrowings	593,508,622	-	-	-	-	-
Current portion of non-current liabilities	80,977,769	114,372,000	114,372,000	114,372,000	106,576,387	7,187,953
Provision for taxation	50,160,909	9,513,894	14,270,152	15,423,569	16,656,652	18,022,677
	1,166,896,825	537,991,703	417,584,764	424,560,016	409,061,424	276,840,288
Net Assets	(48,553,554)	868,333,153	998,017,960	1,132,119,001	1,283,173,745	1,455,009,100
Represented by :						
Issued, subscribed and paid up share capi	900,000,000	900,000,000	900,000,000	900,000,000	900,000,000	900,000,000
Loan from Directors	106,600,000	-	-	-	-	-
Surplus on revaluation of operating fixed assets - net of deferred income tax	385,563,327	-	-	-	-	-
Revenue reserves	(1,440,716,881)	(31,666,847)	98,017,960	232,119,001	383,173,745	555,009,100
	(48,553,554)	868,333,153	998,017,960	1,132,119,001	1,283,173,745	1,455,009,100



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Cash flow Statement for the Year Ending on:

	June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024	June 30, 2025	June 30, 2026
Profit before taxation and Finance Charges		38,329,200	148,421,239	153,128,569	170,453,035	191,737,351
Less :						
Financial Charges		(5,328,599)	(4,466,279)	(3,603,959)	(2,741,639)	(1,879,319)
Taxation		(9,513,894)	(14,270,152)	(15,423,569)	(16,656,652)	(18,022,677)
Add:						
Depreciation		40,385,574	62,908,232	62,697,186	62,505,616	62,331,083
Change in Working Capital		(135,968,145)	(174,361,248)	(14,833,839)	(31,018,420)	(58,661,854)
Cashflow from Operating Activities		(72,095,863)	18,231,792	181,964,388	182,541,940	175,504,583
Cashflow from Investing Activities						
Capital Expenditure		(399,962,767)	(59,970,214)	(59,976,171)	(59,980,937)	(59,984,749)
Others		(110,265,816)	(3,959,081)	(4,275,807)	(4,617,872)	(4,987,302)
Cashflow from Financing Activities						
Change in Long term Liabilities		375,902,571	(114,372,000)	(114,372,000)	(114,372,000)	(106,576,387)
Short Term Financing		(293,508,622)	-	-	-	-
Right Proceeds		700,000,000	-	-	-	-
		200,069,503	(160,069,503)	3,340,409	3,571,131	3,956,145
Opening Cash & Bank		1,327,778	201,397,281	41,327,778	44,668,187	48,239,318
Closing Cash & Bank		201,397,281	41,327,778	44,668,187	48,239,318	52,195,463

Financial Outcome

Growth Rate	9.40%	Pay Back Period	06 Years
Discount Rate	15%	NPV (Rs. in 000)*159,505	
Dividend Payout	100.00%	*Discounted @ 15%	
Dividend Per Share	1.36	IRR	21%
Fair Value of Share	24.22	P/E Multiple	17.87

	June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024	June 30, 2025	June 30, 2026
EPS	0.19	0.26	1.44	1.49	1.68	1.91
Book Value	(1.72)	9.65	11.09	12.58	14.26	16.17
Current Ratio	0.13	0.78	0.75	0.79	0.89	1.42
Debt Equity Ratio	(24.77)	1.05	0.68	0.51	0.35	0.21
Gross Profit %	11.63%	18.17%	22.40%	21.68%	22.13%	22.72%
Net Profit %	2.38%	3.09%	13.63%	13.04%	13.60%	14.30%
Sales Growth		5.23%	24.99%	8.08%	7.99%	8.20%

Financial figures pertaining to June 30, 2021 are actual audited figures whereas rests of the figures are projected.



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Capital Reduction

Company has following accumulated losses as on September 30, 2021 (unaudited);

Revenue reserves in Rs. (1,439,019,290)

Application may be filed with the Honorable Court under Section 89 (Reduction of share capital) of the Companies Act, 2017 for the reduction of the Capital and subject to confirmation by the Honorable Court a company limited by shares, if so authorized by its articles, may by special resolution reduce its share capital in way of cancelling paid-up share capital un-represented by available assets;

Reduction of Capital will have following positive effects on the Company:

1. It will not affect business value of the Company theoretically i.e. business valuation will remain the same before and after the event. Thus, ex-price will be adjusted to keep the valuation of the Company intact.
2. However, capital reduction will have positive impact on EPS as denominator is reduced.
3. Company will be able to declare dividend soon as it gets earning streams from revival activities.

No. of Shares before Capital Reduction	190,000,000
Maximum Reduction in number of Shares that Company may apply	(100,000,000)
	52.63%
	<u>90,000,000</u>
Market Price before Right Issue	15.00 (say)
Ex-Right Price	12.37
Expected Price after Reduction Theoretical	26.11

Ratio of Capital Reduction 52.63%
No. of Shares to be Reduced from 190,000,000 to 90,000,000